

Session 1: Office for National Statistics



Household finances statistics at ONS: statistics for the public good

John Marais

Divisional Director

Crime, Income and Wealth Division



Key for informing policy and public debate

- **Understanding people's finances:** income, expenditure, wealth, poverty
- **Exploring inequalities:** geographical regions, population groups, characteristics
- **Responsive and relevant:** cost of living
- **Policy implications:** directing resources to those in need



NEWS

Home | Cost of Living | War in Ukraine | Coronavirus | Climate
Business | Your Money | Market Data | Companies | Economy

What is the UK inflation rate?
why is the cost of living so high?

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FT ADVISER

Home Pensions Investments Mortgages Protection Regulation Tax Your Industry

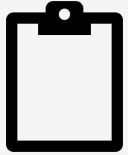
Pensions Jun 20 2022
ONS data exposes 'shocking' pensions inequality

Switch Edge
Equality
Opinion Businessweek
Politics Wealth Pursuits
Technology
Says House Prices Are More Unaffordable Than Ever for London housing cost 40 times income for Property in the North East of England was

THE TIMES

Half of nation's wealth concentrated in 10% of households, says Office for National Statistics

Recently at ONS..



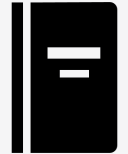
Survey developments

- Reintroducing material deprivation questions to the SLC
- Redesign of the pensions section on WAS



Processes and methods

- Improved production pipelines
- Streamlining QA processes



Statistical publications

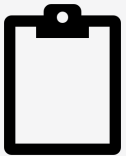
- Household Disposable Income and Income Inequality FYE 2022
- Family Spending FYE 2022



Stakeholder engagement

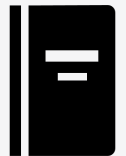
- Capturing user needs through our household finances statistics consultation
- Working across the GSS to improve coherence

Looking ahead..



Survey developments

- Publishing an update on recent changes to WAS



Statistical publications

- July – Effects of Taxes and Benefits
- July – Cost of Living Analysis
- Summer – EU-SILC 2019
- October – Small Area Income Estimates 2020
- Autumn – Financial Resilience 2018-2020
- Early 2024 – Total Wealth in GB 2020-2022



Processes

- Continuing to improve production pipelines
- Reviewing DB pension wealth methodology
- Developing new methods for estimating poverty and financial resilience



Stakeholder engagement

- New topic specific expert groups – get in touch to join!
- Publishing the feedback gathered through our household finances statistics consultation

Financial mental models research

Beth Jones & Danielle Watson

Social Statistics Hub, Methodology & Quality



Background & Aim

- This project was an opportunity to better understand and address the quality of the financial data collected by ONS
- Our main aim was to understand respondents' mental models and how they conceptualise their household finances which encompasses income, wealth and expenditure

Sample & Recruitment

- Advertised internally for volunteers via ONS staff
- 155 screening questionnaires were returned, from which we purposively sampled to ensure a diverse range of characteristics
- Unable to recruit anyone who would be classified as unemployed, i.e. actively looking and available for work, or waiting to start a new job

Analysis

- Qualitative analysis produces rich insights but cannot be used to infer statistical conclusions
- Rapid approach rather than end-to-end thematic analysis
- Interview recordings transcribed by third party and analysed later for additional themes and supporting quotations

Findings: Income

- Money earned through employment/work
- Less common examples (often recalled later) included pensions, benefits, dividends, selling items online, investments, buy-to-let property.
- Checking bank statements online/via apps was a popular method of monitoring
- More difficult for people whose income varies

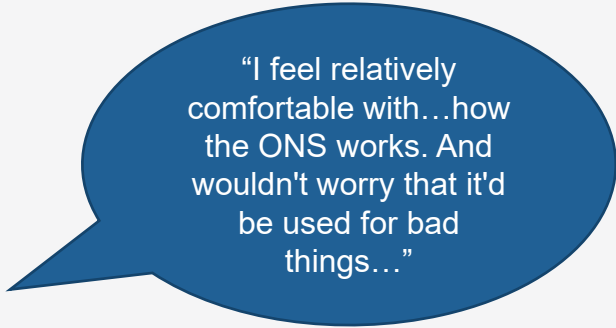
“...something I didn't mention, we do have some shares as well, which I don't know if you need to know about...”

“To be totally accurate, I would need to look at the bank accounts...”

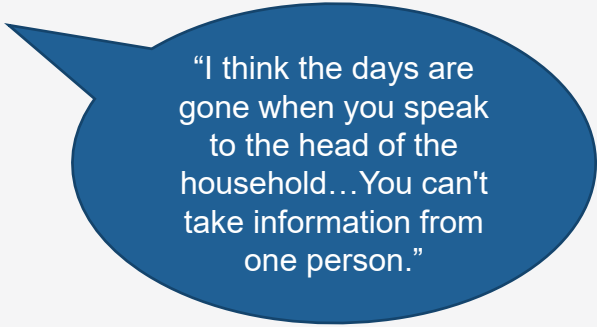
“Until the end of the year...It wouldn't be accurate.”

Findings: Income

- ONS is a trusted organisation
- Willingness was sometimes related to perceived ability and/or method of contact
- Those in relationships were generally willing to answer for their spouse/partner (if given permission) but separate surveys were suggested
- Proxy responding more difficult for unrelated households
- Willingness to ask housemates about their income was low



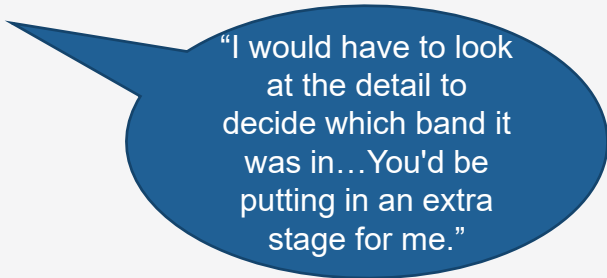
“I feel relatively comfortable with...how the ONS works. And wouldn't worry that it'd be used for bad things...”



“I think the days are gone when you speak to the head of the household... You can't take information from one person.”

Findings: Spending

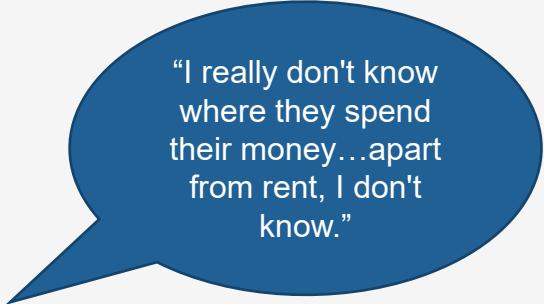
- Very easy to define
- Monitoring varied from none to daily
- Recalled on the basis of regular payments, events or through feeling guilt
- Categories of spending could help to prompt memory but could be labour intensive
- Cash and ad-hoc spending would be more difficult to recall
- Spending bands wouldn't necessarily help



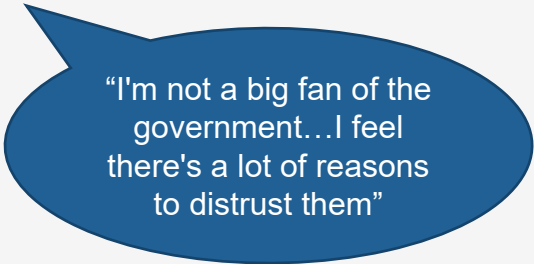
“I would have to look at the detail to decide which band it was in... You'd be putting in an extra stage for me.”

Findings: Spending

- Proxy responding would be “quite easy” for joint expenses but more difficult for personal spending
- Those in relationships were generally willing to answer for their spouse/partner (if given permission) but separate surveys were suggested
- Very difficult to answer for housemates in unrelated households
- Some reluctance to share spending information due to distrust of Government



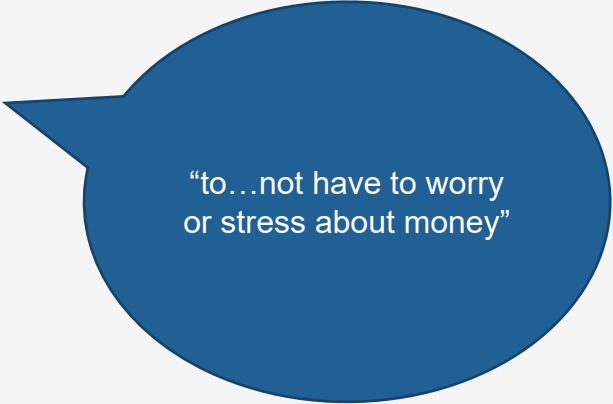
“I really don't know where they spend their money...apart from rent, I don't know.”



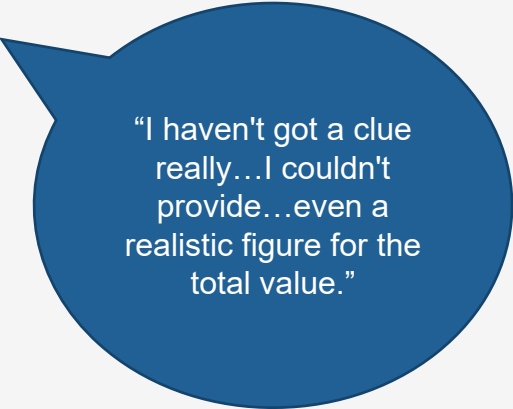
“I'm not a big fan of the government...I feel there's a lot of reasons to distrust them”

Findings: Wealth

- Having money, assets and/or material possessions
- Harder to define than income and spending
- Monitored less closely than income and spending
- Ability varied depending on type of wealth
- Total figure would be very difficult



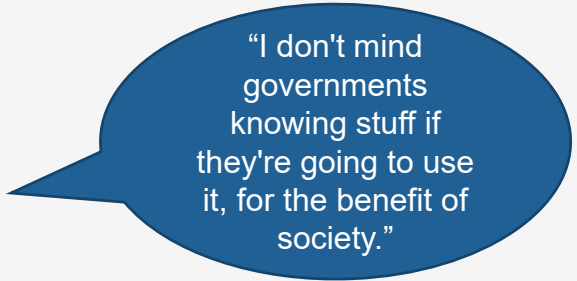
“to...not have to worry
or stress about money”



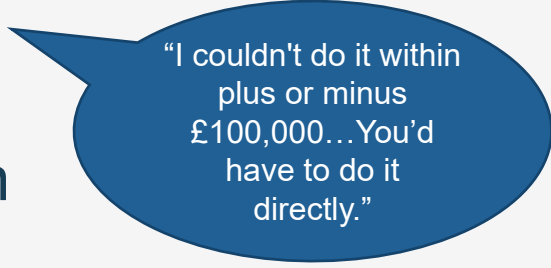
“I haven't got a clue
really...I couldn't
provide...even a
realistic figure for the
total value.”

Findings: Wealth

- Willingness varied between participants
- Lack of confidence that answers would be accurate enough
- Advance explanation of why wealth information is required would increase willingness in some cases
- Proxy responding would be easier for people who share wealth equally with a spouse/partner
- Those with separate wealth/finances would struggle and, in some cases, they would be unwilling to ask for the information



“I don't mind governments knowing stuff if they're going to use it, for the benefit of society.”



“I couldn't do it within plus or minus £100,000... You'd have to do it directly.”

Considerations for Future Research

- Consider testing an approach that will ensure respondents include all types of income, spending and wealth, e.g., separate questions or an instruction
- Further testing with people whose first language is not English
- Consider how separate surveys for household members would affect response rate and data quality compared to proxy response
- Explore willingness to provide financial information in a wider population

Developing admin- based income statistics

Michael Cole

Head of Social Statistics Admin First



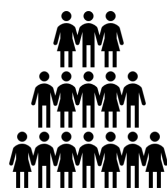
Context

Background

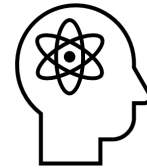
- **Never been an income question on the census** due to potential negative impact on response rates and quality
- However the 2021 Census topic consultation identified a **clear user need for small area income statistics**
- ONS' current **survey-based** household financial statistics **struggle to meet this need** – closest being “income estimates for small areas” published ~ every 2 years at MSOA level
- Therefore we're conducting feasibility research to explore the **potential for administrative data to better meet this user need**

Future Population & Migration Statistics System

Strategic vision: More frequent, timely and inclusive statistics about the population and its characteristics



A social statistics system that shapes our understanding of society and people



A system to create and share statistics that is sustainable and future proof



A broad, flexible range of outputs and products to respond to user needs and questions of the day

Administrative data will be at the core of this system

Research to date

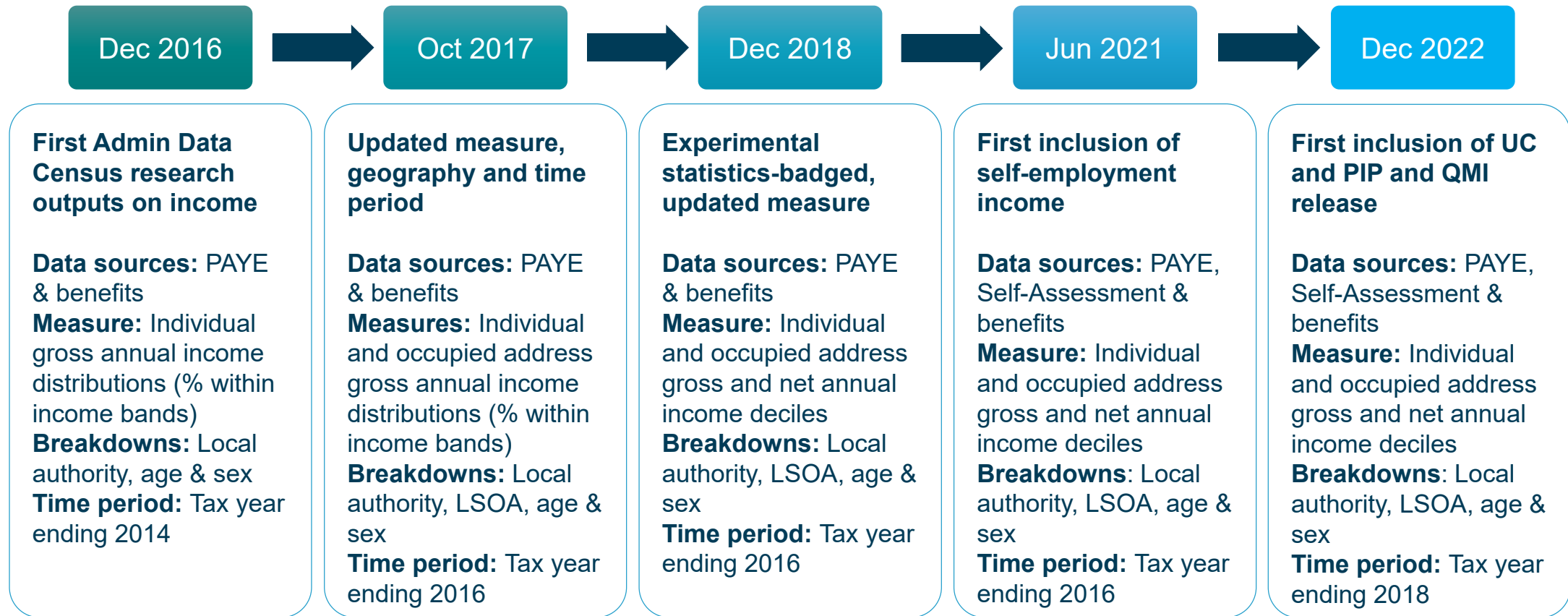
Income measures

- The [Canberra Group Handbook](#) provides the international standard for household income statistics
- We are developing our measures to align to these standards, however we are missing some components e.g. income from property

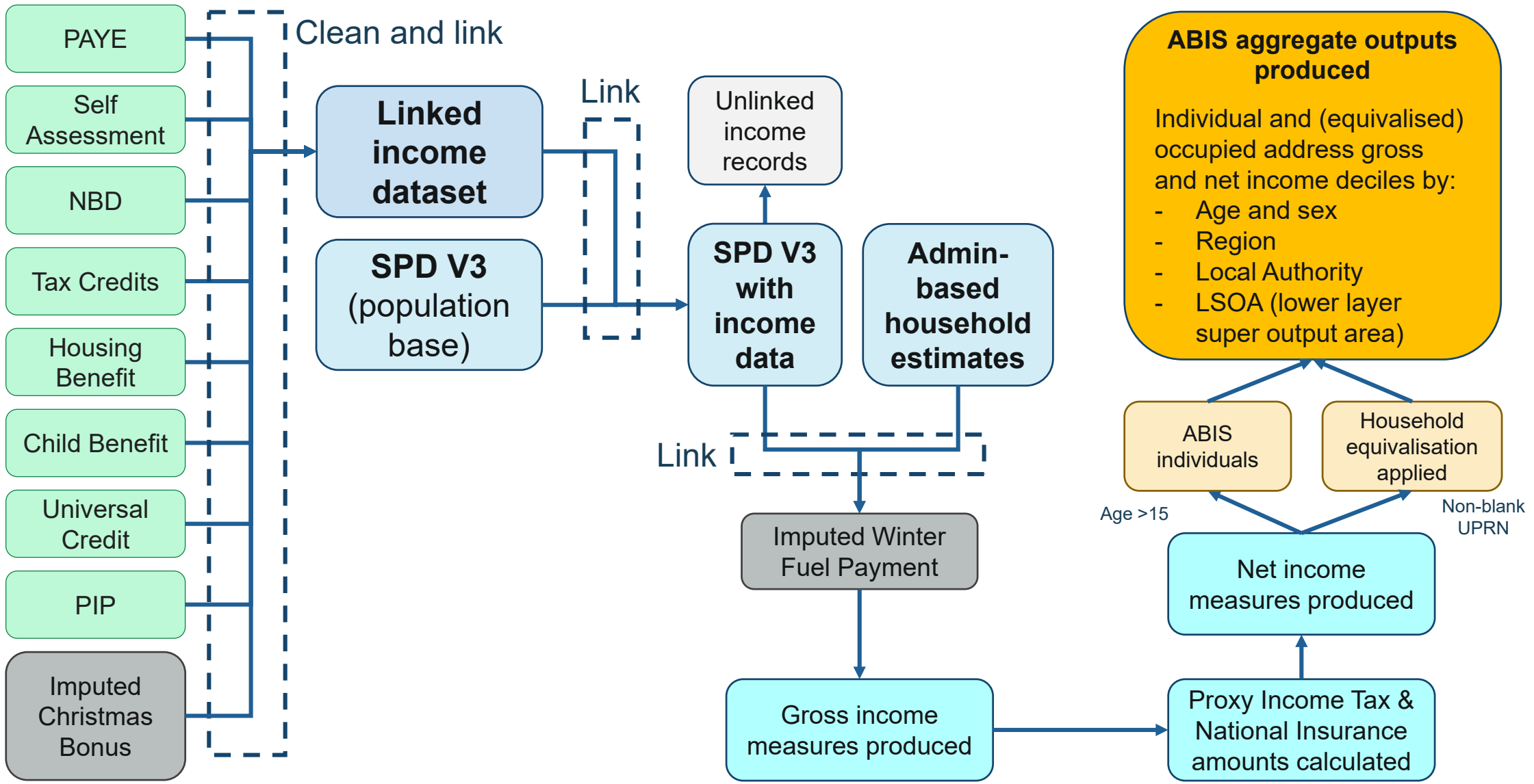
Table 2.1 Income components in the conceptual and operational definitions

	Conceptual definition	Operational definition	Section ref
1	Income from employment		2.3.1
a	Employee income	✓	
	Wages and salaries	✓	
	Cash bonuses and gratuities	✓	
	Commissions and tips	✓	
	Directors' fees	✓	
	Profit-sharing bonuses and other forms of profit-related pay	✓	
	Shares offered as part of employee remuneration	✓	
	Free or subsidised goods and services from an employer	✓	
	Severance and termination pay	✓	
	Employers' social insurance contributions	✓	
b	Income from self-employment	✓	
	Profit/loss from unincorporated enterprise	✓	
	Goods and services produced for barter, less cost of inputs	✓	
	Goods produced for own consumption, less cost of inputs	✓	
2	Property income		2.3.2
a	Income from financial assets, net of expenses	✓	
b	Income from non-financial assets, net of expenses	✓	
c	Royalties	✓	
3	Income from household production of services for own consumption		2.3.3
a	Net value of owner-occupied housing services	✓	
b	Value of unpaid domestic services	—	
c	Value of services from household consumer durables	—	
4	Current transfers received		2.3.4
a	Social security pensions / schemes	✓	
b	Pensions and other insurance benefits	✓	
c	Social assistance benefits (excluding social transfers in kind, see 10)	✓	
d	Current transfers from non-profit institutions	✓	
e	Current transfers from other households	✓	
5	Income from production (sum of 1 and 3)		2.4
6	Primary income (sum of 2 and 5)		2.4
7	Total income (sum of 4 and 6)		2.4
8	Current transfers paid		2.4
a	Direct taxes (net of refunds)	✓	
b	Compulsory fees and fines	✓	
c	Current inter-household transfers paid	✓	
d	Employee and employers' social insurance contributions	✓	
e	Current transfers to non-profit institutions	✓	
9	Disposable income (7 less 8)		
10	Social transfers in kind (STIK) received	—	2.3.5
11	Adjusted disposable income (9 plus 10)		

Developing admin-based income statistics (ABIS)



ABIS Methodology: Individual and occupied address income



ABIS coverage

Included in current ABIS measure

Research underway/planned

ABIS Dec 2022 version (TYE 2018):

- 92.5% of SPD individuals* had some income information recorded
- 98.6% of SPD occupied addresses had some income information recorded

Canberra Handbook operational definition of gross household income

1. Income from employment

a. Employee income

b. Income from self-employment

2. Property income

a. Income from financial assets, net of expenses

b. Income from non-financial assets, net of expenses

c. Royalties

3. Income from household production of services for own consumption

a. Net value of owner-occupied housing services

4. Current transfers received

a. Social security pensions/schemes

b. Pensions and other insurance benefits

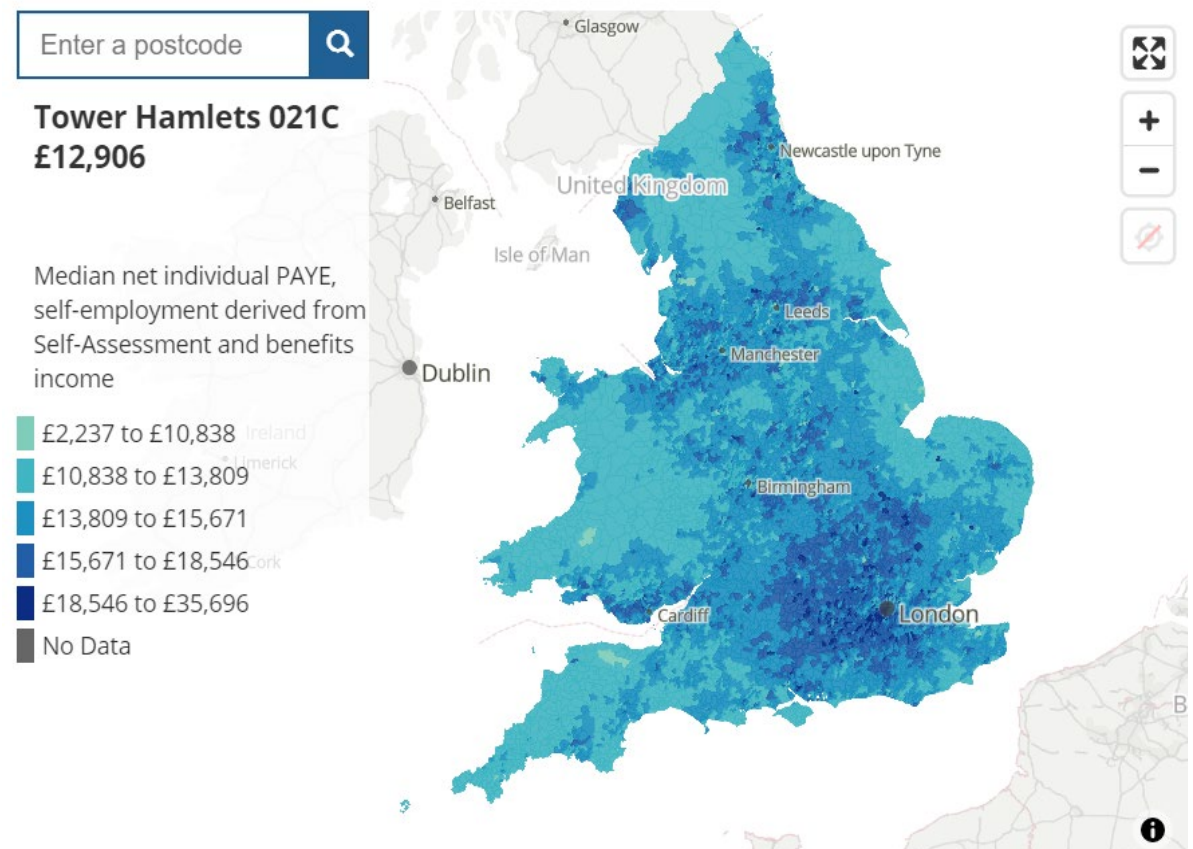
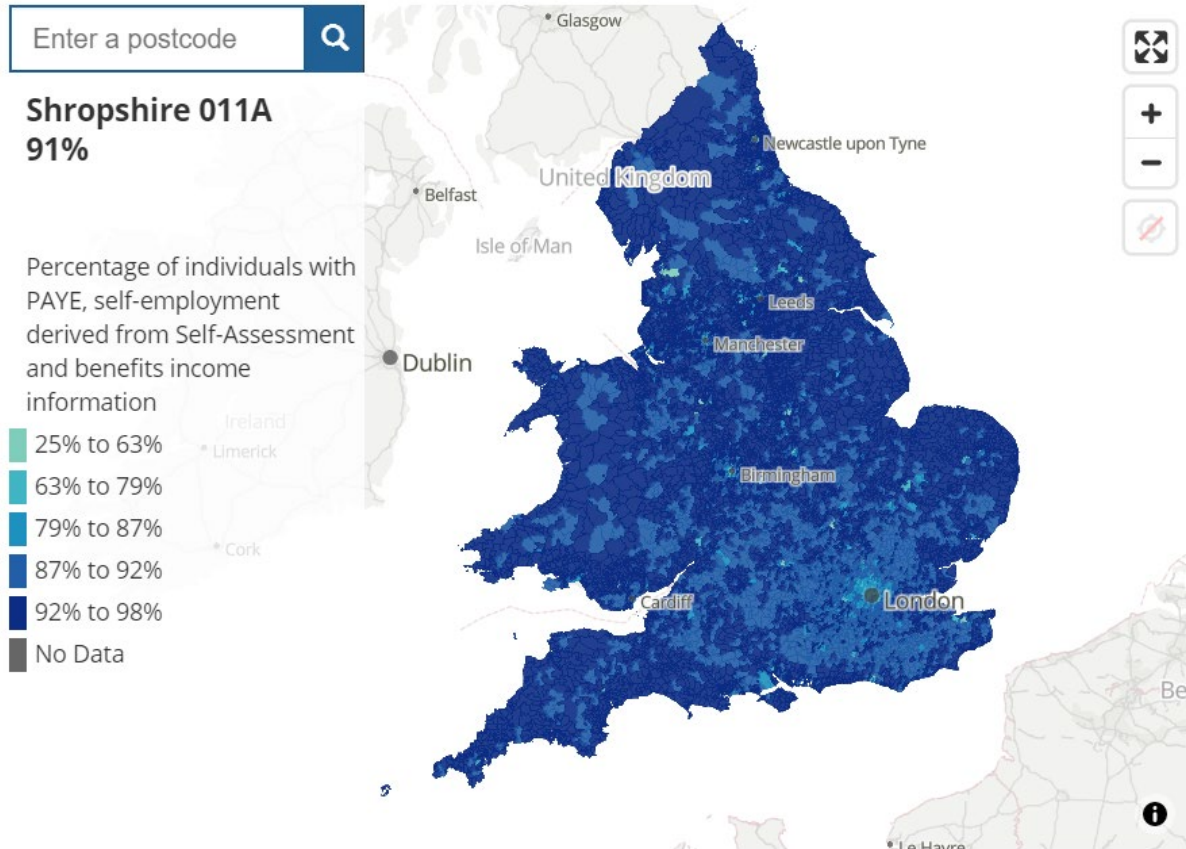
c. Social assistance benefits

d. Current transfers from non-profit institutions

e. Current transfers from other households

Results – geographical breakdowns

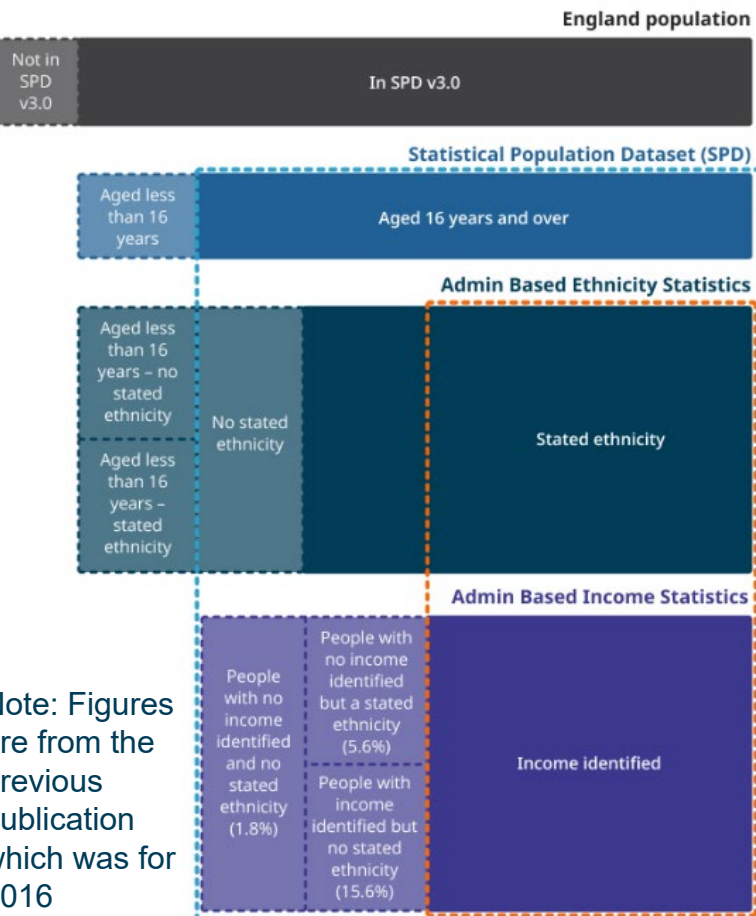
Interactive maps showing population coverage and median net individual income by lower layer super output area (LSOA), England and Wales



Additional uses

Developing multivariate admin-based income by ethnicity statistics

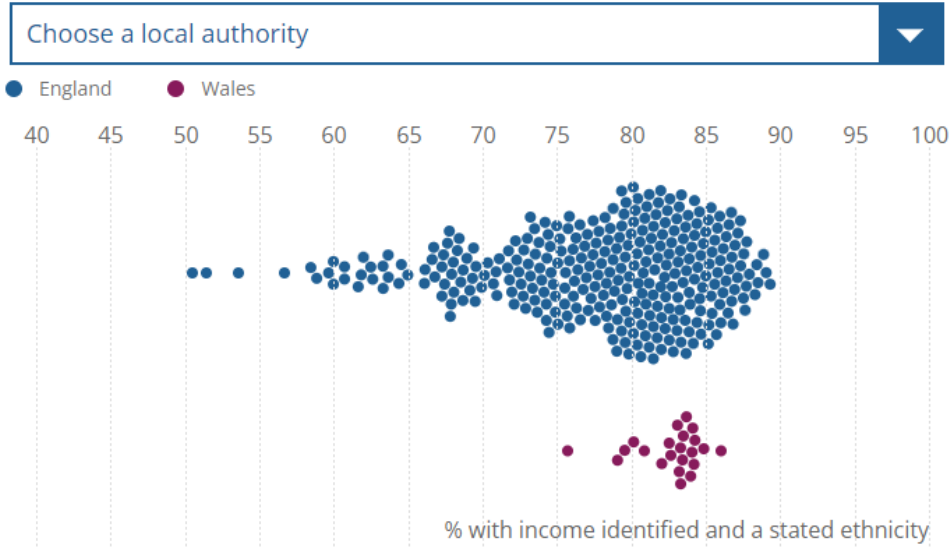
Key: Dataset for this feasibility research People with both income identified and a stated ethnicity (77.0%)



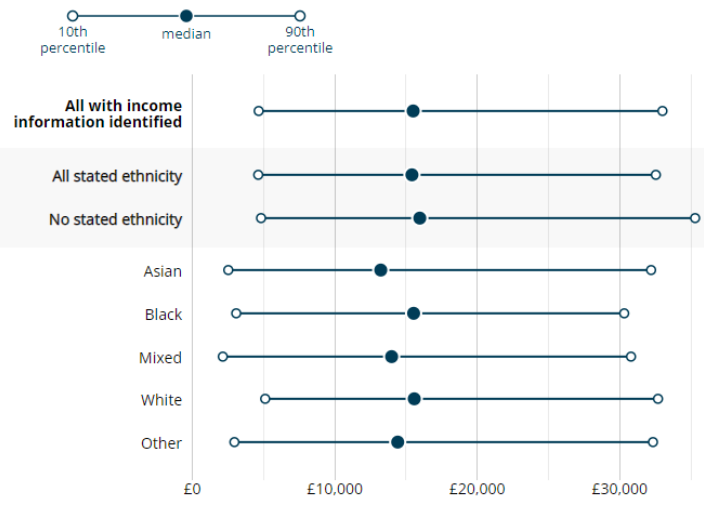
Note: Figures are from the previous publication which was for 2016

Figure 2: Coverage of income and ethnicity varies by local authority in England and Wales

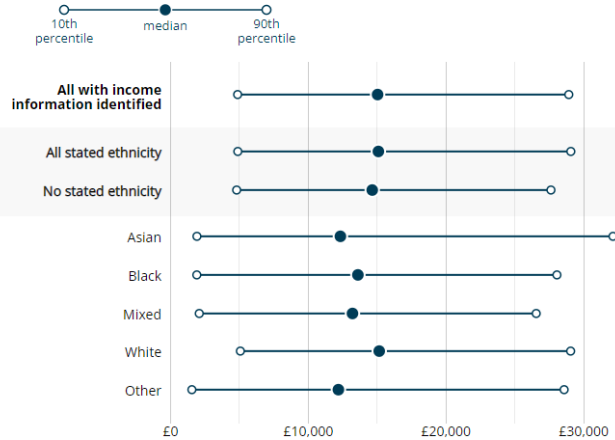
Number of local authorities by proportion of individuals aged 16 years and over in the SPD V3.0 with both income information identified and a stated ethnicity, England and Wales, tax year ending 2018.



The 10th percentile, median, and 90th percentile net income for individuals aged 16 years and over in the SPD 2018 V3.0 with income information identified by 5 category ethnic group, England, tax year ending 2018



The 10th percentile, median, and 90th percentile net income for individuals aged 16 years and over in the SPD 2018 V3.0 with income information identified by five category ethnic group, Wales, tax year ending 2018



Developing a Census income output

- The Census White Paper set out our commitment to “**develop census-type income data that can be integrated with the data collected on the 2021 Census**”, in place of including an income question on Census 2021
- Our ongoing ABIS development work **demonstrates the potential of using administrative data** to meet this commitment
- Our **recent [progress update](#) provided an update on our research** to develop census-type income data, and set out our aim to deliver against this commitment by April 2024

Household Income and Expenditure analysis

Lee Colvin

Senior Statistical Officer

Household Income & Expenditure Analysis

Public Policy Analysis Directorate



Overview

Highlights from ONS Annual Releases:

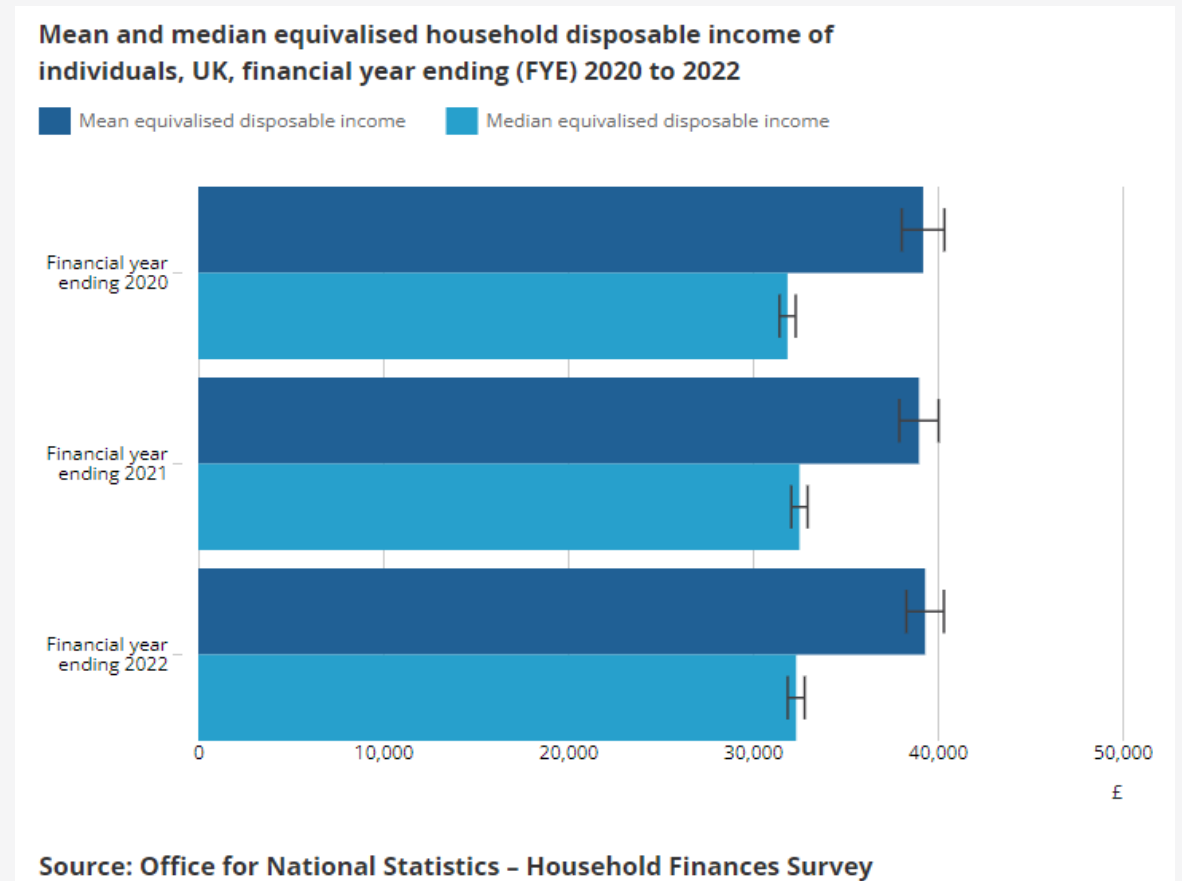
- **Household Disposable Income & Inequality publication FYE 2022**
 - Changes to mean and median household income
 - Changes to household income across the distribution
 - What has contributed to the changes in household income?
- **Family Spending publication FYE 2022**
 - What are households spending the most on?
 - How is expenditure changing across the distribution?
 - How expenditure compares to pre-pandemic levels?
- All income & expenditure values in this presentation are real terms at FYE 2022 prices

ONS Survey Insights

Survey name	Sample size	Geographic Coverage	Frequency of insights publication
Living Costs & Food Survey	~ 5,000 households	UK	Annual
Household Finances Survey	~ 17,000 households	UK	Annual

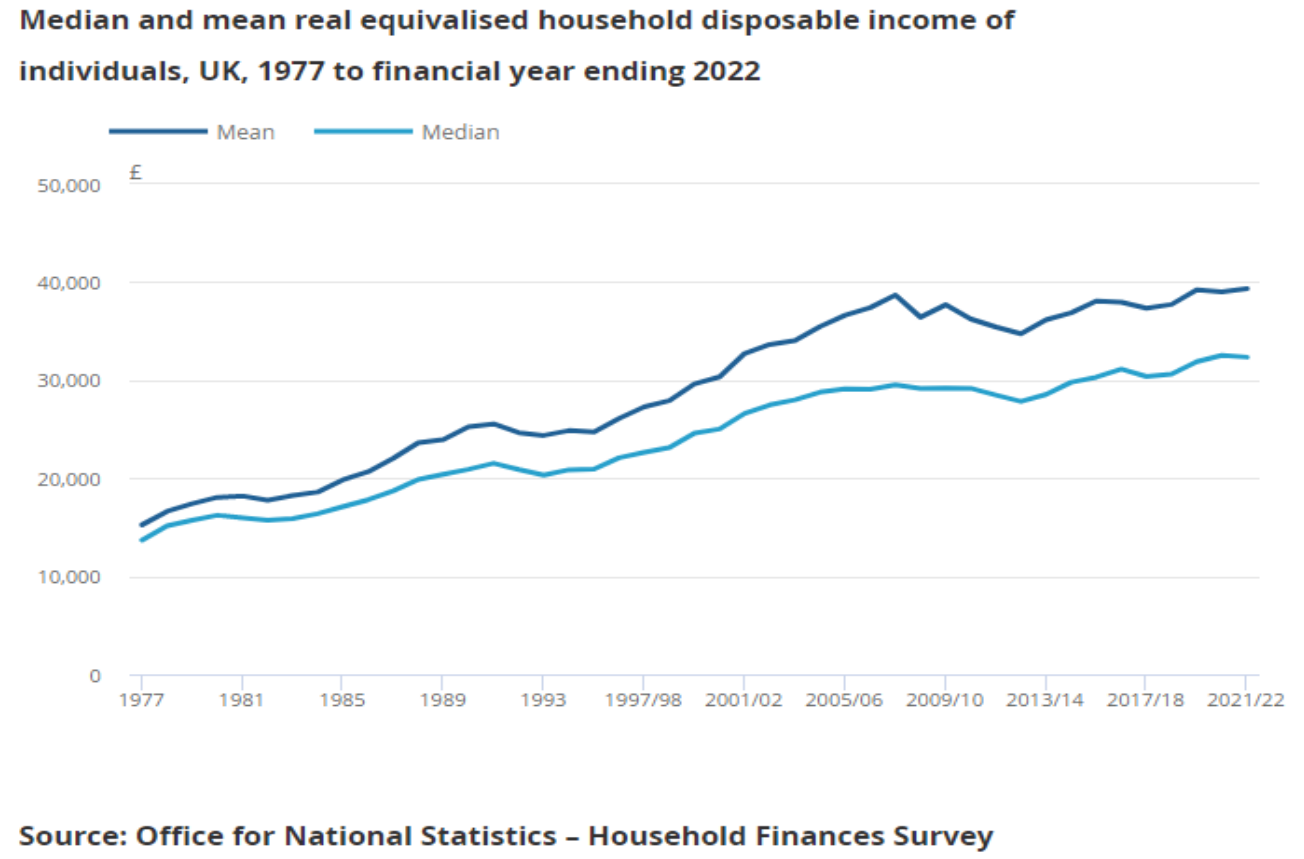
Annual median household income has decreased in FYE 2022

- For FYE 2022 Median income fell by 0.6% (£180) to £32349
- Compared with an average increase of 1.7% per year since FYE2013
- For FYE 2022 Mean income increased by 0.9% (£334) to £39328
- Compared with an average 1.4% increase per year since FYE2013



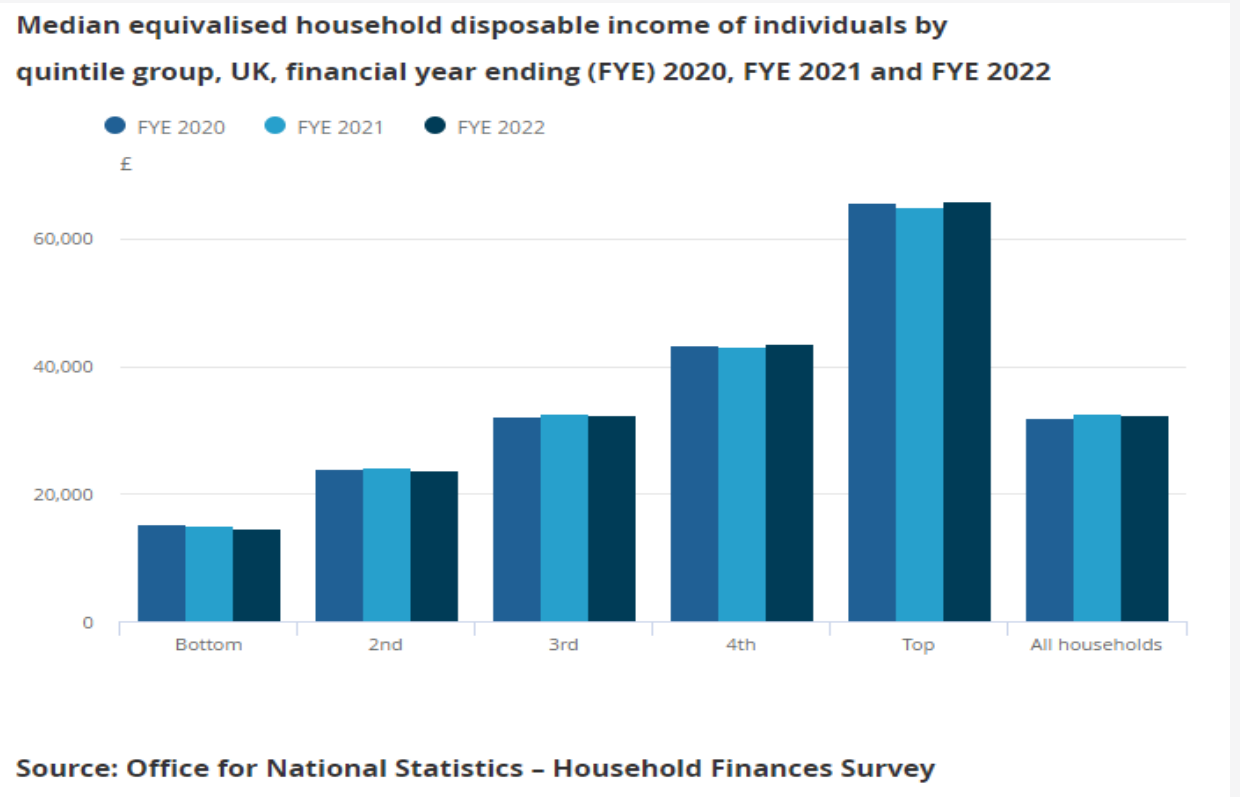
Average yearly increases in median disposable income has levelled off in the last 3 years

- Between FYE 2020 and 2022 median disposable income increased on average by 0.7% a year
- Compared with an average of 1.7% increase per year since FYE 2013.



Disposable income for the poorest households' is decreasing

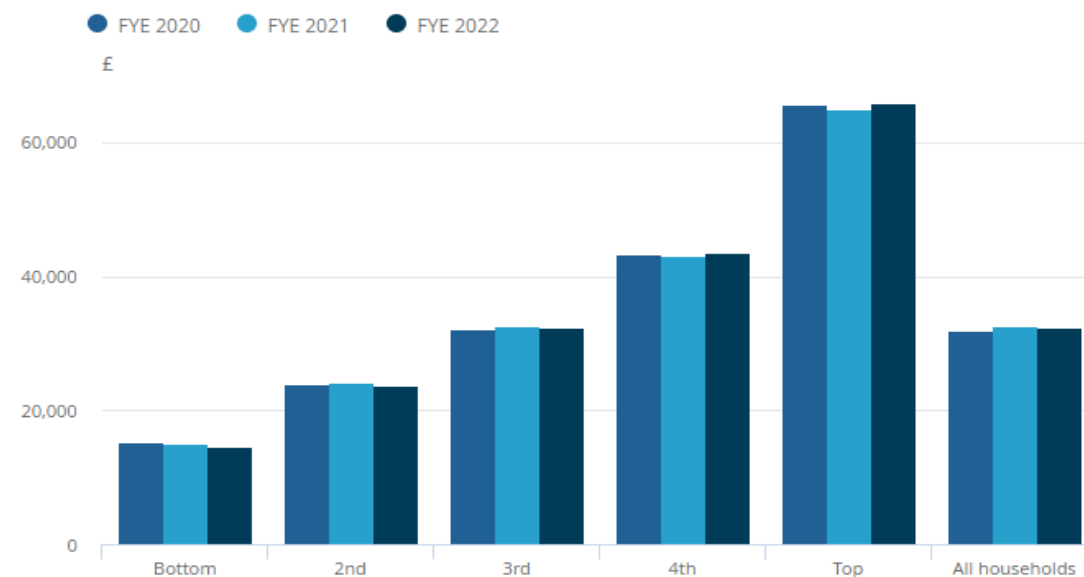
- The poorest fifth of households' median disposable income decreased by 3.8% (£572) to £14,500 in FYE 2022.
- Driven by reductions in original income and cash benefits.



The richest fifth of household's disposable income increased

- For the richest fifth of households, in FYE 2022 median disposable income increased by 1.6% (£1034) to £66,000
- This was driven by an increase in original income, that was not fully offset by an increase in direct taxes

Median equivalised household disposable income of individuals by quintile group, UK, financial year ending (FYE) 2020, FYE 2021 and FYE 2022

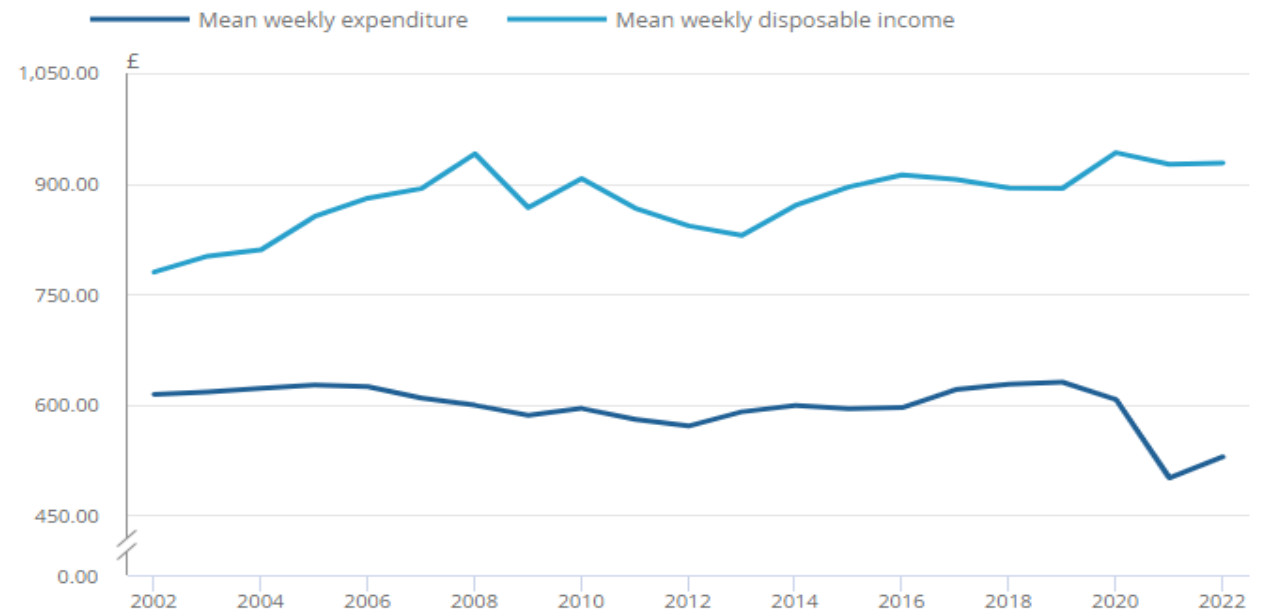


Source: Office for National Statistics – Household Finances Survey

Weekly household expenditure has increased by 6% in FYE 2022

- Mean weekly expenditure increased by £28 to £528 in FYE 2022.
- In comparison, mean disposable income increased 0.9% FYE 2022.

Average weekly household expenditure and average weekly household disposable income in the UK, FYE 2002 to FYE 2022, at FYE 2022 prices



Source: Household Finances Survey, Living Costs and Food Survey from the Office for National Statistics

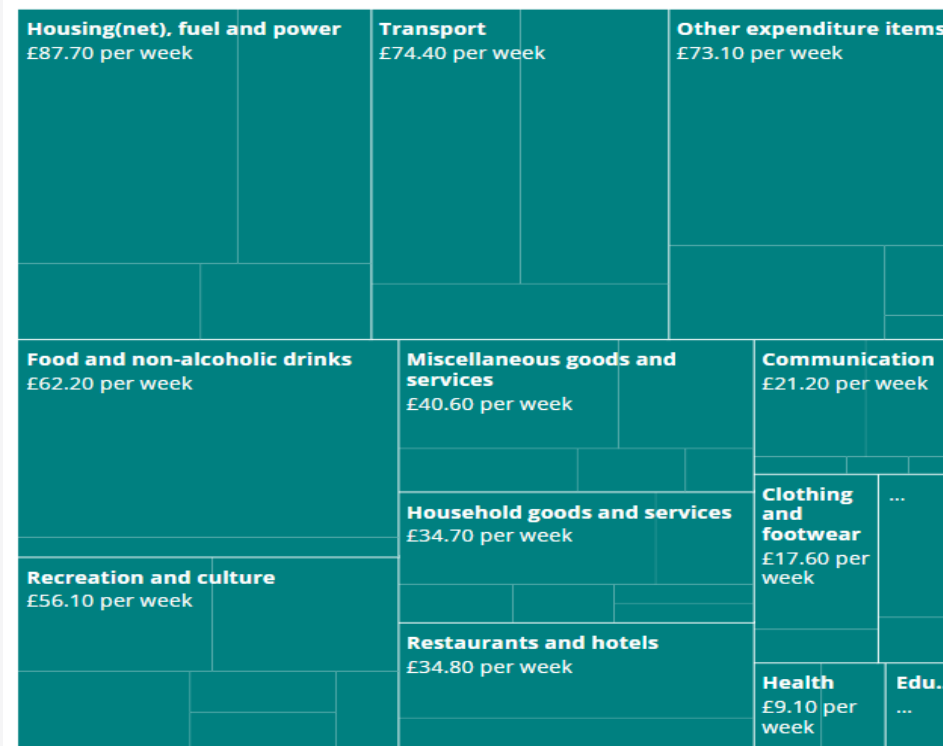
52% of UK households expenditure is spent on essential categories

52% of an Average UK household weekly expenditure is on:

- housing(net) and energy
- transport
- food and non-alcoholic drinks
- Mortgage interest payments, council tax etc

Average household weekly expenditure in the UK, FYE 2022

Total household spend: £528.80 per week



Source: Living Costs and Food Survey from the Office for National Statistics

Poorer households spend proportionally more on housing, fuel and power

Poorest fifth: Total expenditure £329.80

highest expenditure on:

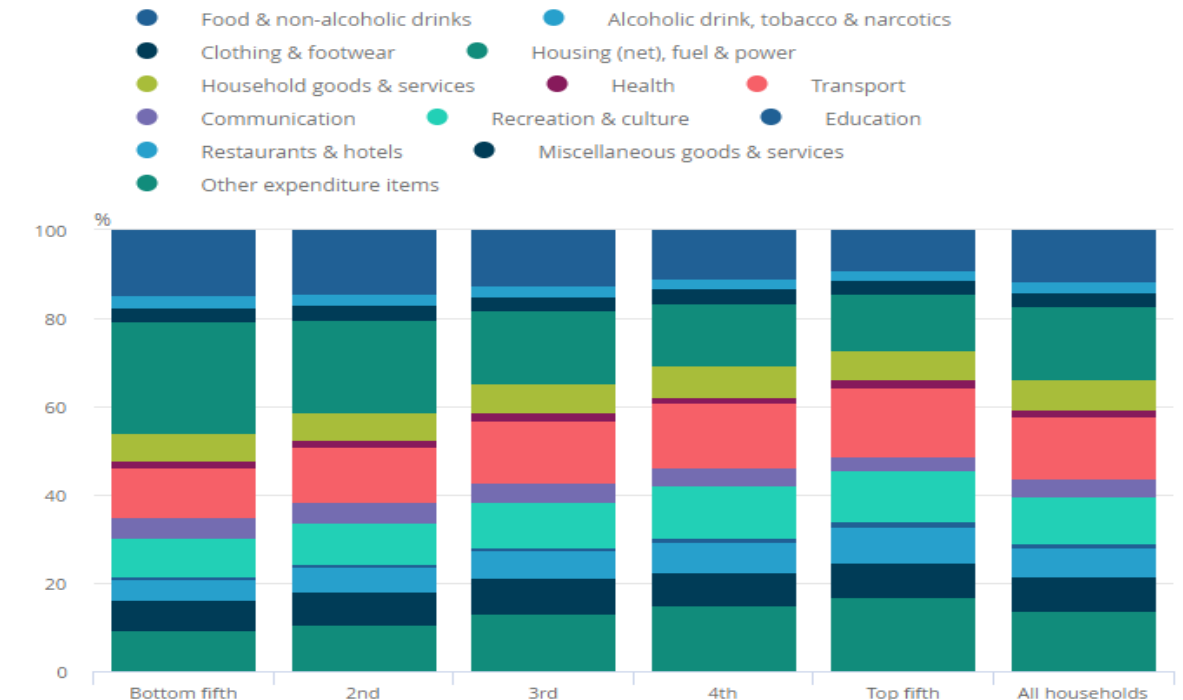
- housing (net), fuel & power
- food and non-alcoholic drinks
- transport

Richest fifth: Total expenditure £811.20

highest expenditure on:

- other expenditure items
- transport
- housing (net) fuel and power

Average weekly household expenditure as a percentage of total weekly expenditure, by quintile group, UK, financial year ending (FYE) 2022

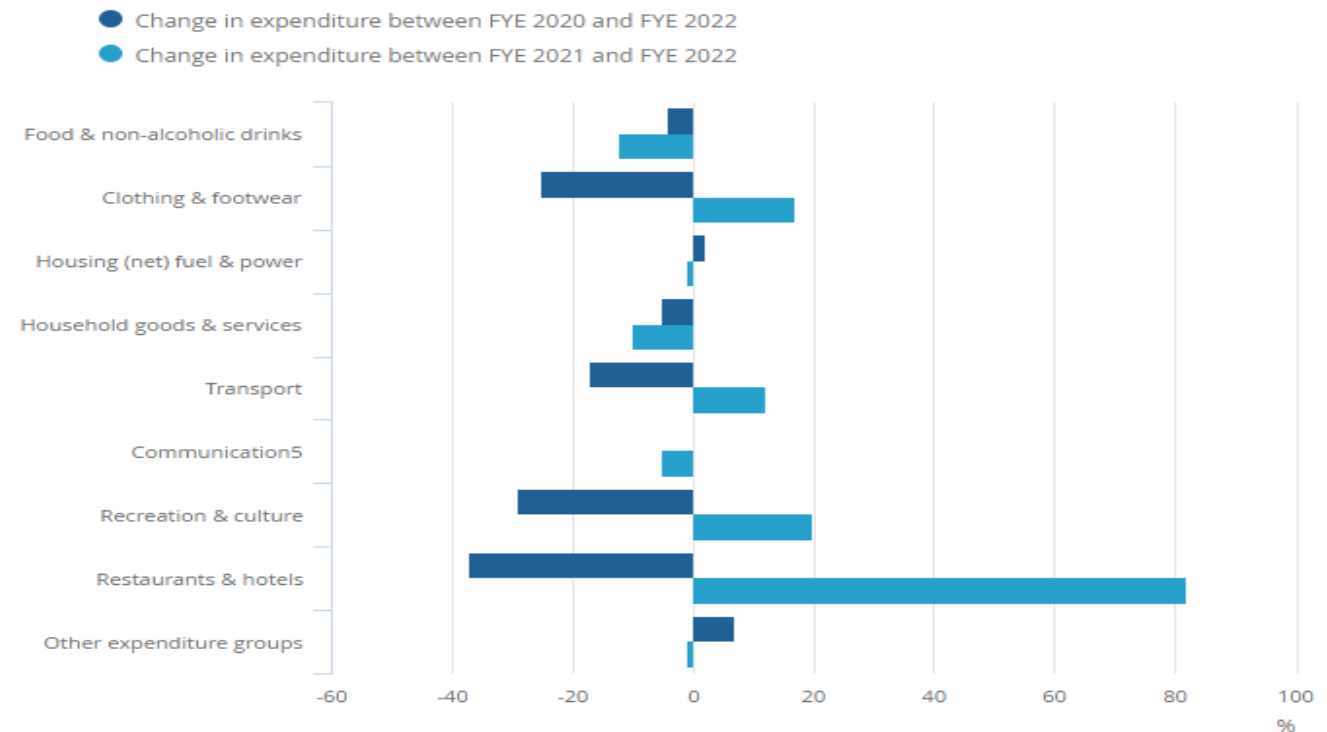


Source: Living Costs and Food Survey from the Office for National Statistics

Expenditure has not returned to pre-pandemic levels

- Spending on restaurants and hotels in FYE 2022 increased by 82% but remains 32% below FYE 2020.
- Recreational and cultural services such as sports admissions, subscriptions, and leisure class fees in FYE 2022 increased by 37% (£4.30) but were 24% (£4.90) below FYE 2020.

Percentage change in average weekly household expenditure by COICOP categories, UK, financial year ending (FYE) 2020; FYE 2021 and FYE 2022 at FYE 2022 prices



Source: Living Costs and Food Survey from the Office for National Statistics

Upcoming work

- **Cost of Living analysis**

- Opinions and Lifestyle Survey, Living Cost and Food Survey data.

- **Effects of Taxes and Benefits on Income statistics**

- Redistribution effects on individuals and households on direct & indirect taxation and benefits FYE 2022

- **Methods development**

- Improved combination of income and expenditure data
- Coherency

Thank you for your time.

Contact details if you have any questions or queries:

- Household Disposable Income and Inequality
 - hie@ons.gov.uk
- Family spending
 - Family.spending@ons.gov.uk

Q&A discussion



10 July 2023