

ONS' Household Finance Statistics

Sean White, Carla Kidd and Dominic Webber

Crime, Income and Wealth Division, Public Policy Analysis Directorate

Outline

- Household Finance Transformation and Survey Updates
 - LCF/SLC and ETB developments
 - WAS
- Administration data development and Small Area Estimates
- Future Priorities

Household Finance Transformation and Survey Updates

ONS Household Finance Surveys

Living Costs & Food Survey (LCF)	Survey on Living Conditions (SLC)	Wealth and Assets Survey (WAS)
<p>Unit: Survey sample of private households – representative of UK (WAS GB)</p>		
<p>Mode: Face-to-face Computer Assisted Personal Interviewing</p>		
<p>Sample: Stratified 2 stage sampling off PAF: postcode sectors selected as primary sampling unit (PSU) - clusters Addresses within sectors/clusters selected as secondary unit</p>		
<p>Content: Income / tax (employment, property, investments, benefits, pensions) Housing (accommodation, tenure, mortgages, costs (except WAS)) Economic status, occupation, industry, hours worked Basic demographics, education, health Pension contributions</p>		
<p>Exclusive: Detailed expenditure</p>	<p>Exclusive: Rotating module; Longitudinal 6 waves (annual)</p>	<p>Exclusive: Detailed wealth & debt, financial planning; Longitudinal (biennial)</p>

ONS Household Finance Surveys – main uses

LCF	Intra-Governmental Tax and Benefits Model; Effect of Tax and Benefits (ETB); Household Disposable Income and Inequality (HDII); National Accounts Consumption Expenditure; Informs Basket of Goods and (in part) weights for price inflation indices; Nutrition; Fuel Poverty; Comparable statistics with other EU countries
SLC	Low income and Social Exclusion – including transitions over time; Comparable statistics with other EU countries
WAS	Estimates of wealth and wealth inequality; Exposure to debt; attitudes to saving / debt; monitoring pensions up-take

Household Finance Surveys Transformation

Improvement Principles:

1. Use of the best available data sources (admin and survey)
2. Improved quality, granularity & timeliness of data contained within analysis datasets
3. Value for money
4. Innovation

3 main areas of focus:

1. Survey harmonisation
2. Improvements to survey methodology
3. Survey variable replacement using administrative data

IMPACT OF COVID-19 ON SURVEY COLLECTION AND PRIORITIES

Household Finance Statistics Transformation

Admin-based integrated model

Develop and deliver a new admin-based household financial statistical system

Harmonisation of existing surveys

Improve coherence and quality of survey-based estimates and methods.

Admin data to improve survey methods

Use admin data sources to improve survey design, sampling, weighting and imputation.

Admin data for variable replacement

Use admin data sources to replace dataset variables and enrich surveys

Harmonisation of Existing Surveys

- **AIM :** Improve the quality and coherence of our survey-based estimates by using best practice to standardise and harmonise sampling, questionnaires, collection practices, ingestion, cleaning and processing across all existing surveys.

RESULTS:

- ✓ Larger income dataset, enabling analysis with greater granularity
- ✓ Improved and consistent respondent reporting of key income measures, such as Employee Pay, Benefits
- ✓ A move to consistent, automated processes, resulting in better value for money

Harmonisation – Household Finance Survey

- As part of the ongoing household finances statistics transformation, we've harmonised the LCF and Survey on Living Conditions.
- Plan to use combined sample for our 2019/20 outputs in January 2021. Sample will increase to **17,000 households**.

Living Costs & Food Survey (LCF)	Survey on Living Conditions (SLC)
Started: 1961	Started: 2005
Unit: Survey sample of private households – representative of UK	
Mode: Face-to-face Computer Assisted Personal Interviewing	
Achieved Sample Size: 5,500 households/year	Achieved Sample Size: 12,000 households/year
Sample design: Stratified 2 stage sampling off PAF: postcode sectors selected as primary sampling unit (PSU) - clusters Addresses within sectors/clusters selected as secondary unit	
Content: Income / tax (employment, property, investments, benefits, pensions), Housing (accommodation, tenure, mortgages, costs), Economic status, occupation, industry, hours worked, basic demographics, education, health, pension contributions, personal well-being	
Exclusive: Detailed expenditure (including 2 week diary)	Exclusive: Rotating module; Longitudinal 6 waves (annual)

Progress to date

- Fully harmonised SLC/LCF dataset produced for FYE 2018 and FYE 2019.
- These were used to deliver our 2017 and 2018 EU Statistics on Income and Living Conditions data.
- SLC/LCF FYE 2019 is planned to be made available on the UKDS later this year.
- Publish research later this year to explore the impact of moving ONS income statistics (e.g. Average income, income inequality, and Effects of taxes and benefits) from sole LCF to SLC/LCF combined.
- ONS income statistics to be based on SLC and LCF from reference period 2019/20 onwards, published January 2021. (Potentially revising FYE 2019 estimates using SLC/LCF data so that year-on-year changes are consistent)

Summary

Complexities:

- Development, coding and testing of accurate questionnaires
- Harmonisation and integration of our complicated data processing systems, particularly for LCF

Dependent on:

- Resource availability
- Harmonisation and integration of our complicated data processing systems, particularly for LCF

✓ **Benefits:**

- ✓ Potential savings
- ✓ Single, coherent income dataset for analysis
- ✓ Improved precision due to larger analysis dataset

• **Interlock with Other Priorities:**

- ✓ Single coherent income dataset forms basis of what needs to be replaced by admin data
- ✓ Consistent set of methods that we would look to improve in Work Package 2

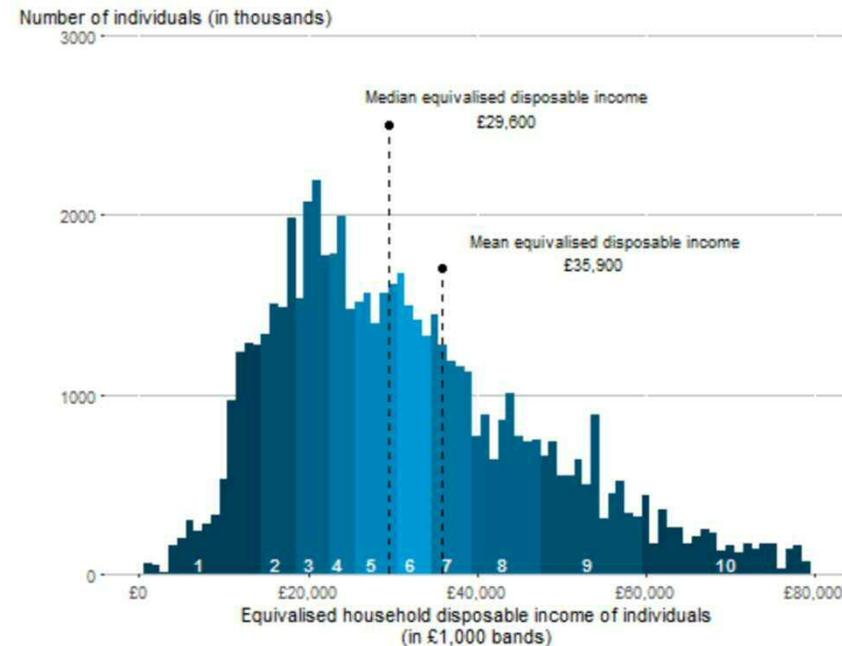
Development of outputs from LCF/ETB

Average household income and household income inequality

- Published in [March](#) (12 months after reference period)
- ONS survey-based analysis of distribution of household income, for different groups of households and people.
- Provides longest time series of official statistics on income inequality.

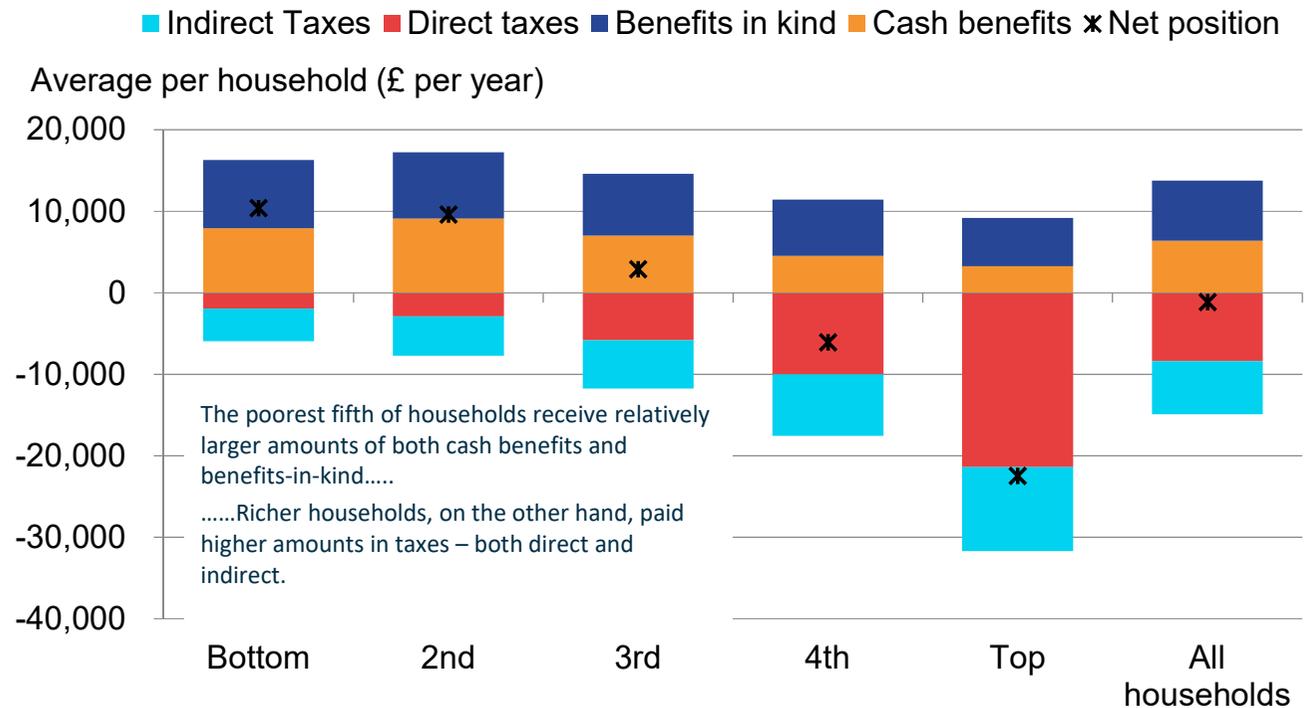
Figure 1: Median income was £29,600 in the FYE 2019

Distribution of UK household disposable income, financial year ending 2019



Effects of Taxes and Benefits

- Published: [June 2020](#) (15 months after end of reference period)
- Provides an estimate of the average amount of taxes paid (including indirect taxes such as VAT), and the value of benefits received (cash and in-kind), for different types of households with different levels of income.
- Microdata used to assist policy forecasting analysis, and is a valuable resource for researchers and academics.

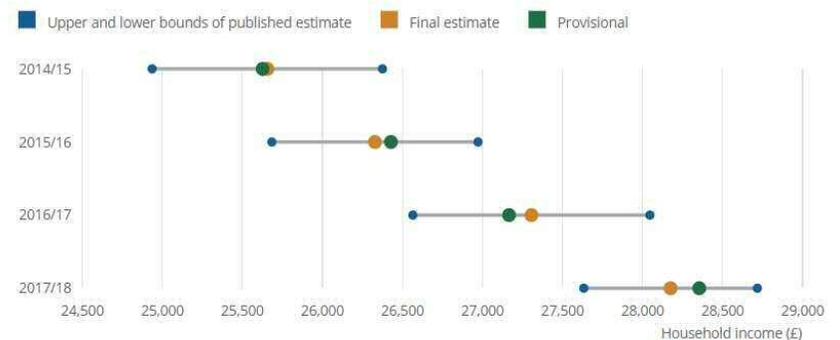


Provisional estimates (Nowcasts)

- Nowcasts are published as 'Experimental Statistics', 3-4 months after end of reference period
- Publication focuses on headline median income & income inequality estimates
- Assessment to date suggests nowcasts of these figures provide good indication of final estimate
- Next publication on **July 22nd** to provide first estimates of situation before lock-down.

Figure 5: Provisional estimates of median income are broadly in line with final estimates

Median income on a household basis. Provisional and final estimates (%), and 95% confidence intervals of the final estimates, UK, financial year ending (FYE) 2015 to FYE 2018



Source: Office for National Statistics

More accurate and coherent statistics - Top income adjustment

- Well reported issue that household surveys suffer from under coverage of top incomes.
- ONS and DWP worked in collaboration to develop methods to adjust top incomes.
- Involves supplementing survey data with administrative information from tax records.
- After two years of research, new methods were integrated into headline ONS statistics in [March 2020](#).
- Improves both the accuracy, and coherence with DWP's Households Below Average Income series.

Wealth and Assets

WAS Update

Relevance

- - Wealth inequality and the importance of wealth stats to the economic recovery
- Resolution foundation – Wealth Audit
- <https://www.resolutionfoundation.org/publications/rainy-days/>

Progress

- R6 (April 2016 to March 2018) data published and available on UKDS
- Secure Research Service at ONS now offering remote access to approved researchers (contact wealth.and.assets@ons.gov.uk)
- R7 (April 2018 to March 2020) in production – 24 months early indicators end of July

COVID-19

- R8 (April 2020 to March 2022) affected by COVID
- Switched to telephone interviewing and a reduced questionnaire (core wealth estimates maintained)
- Opportunity for review and improvements – streamlining, user research, refocus

WAS Update – Improvements and Priorities

Improvements

- Significance testing and deflation methods
- Distributional analysis – high wealth adjustment
- Pensions data – pension transitions

Analytical priorities

- Financial resilience (income in relation to assets), more important than ever
- Matched pairs analysis, longitudinal analysis (COVID-19 impacts)
- Evaluation of subjective and objective wealth measures
- Exploration of quantitative early estimates

Admin Data Development and Small Area Income

Admin data to improve survey methods

Aims

- Improve sampling methods to allow for a coherent frame that incorporates admin data frames alongside our Addressbase sample frame. This allows for admin data to be linked through to survey data in a consistent way
- Progress made on linking Customer Information System data with other admin sources

Opportunities:

- Improved sampling and weighting methods deliver more precise estimates, enabling analysis at lower geographies across income, expenditure and wealth.
- Improved quality and potential small savings through improved and more efficient imputation.
- Innovation through use of new data sources.

Dependencies:

- Harmonisation and integration of our complicated data processing systems, particularly for LCF

Admin data for variable replacement

Aims

- Main aim is to examine the use of administrative data sources to see if existing survey based estimates can be replicated and understanding differences. Research focused on:
 - Benefits data using DWP admin data
 - Self assessment data – to understand self employment income estimates
 - PAYE data for income estimates

Opportunities:

- Best sources being used – more accurate reporting of financial concepts in a fully standardised way
- Improves the under-reporting of key income concepts, particularly around Benefits
- Reduction in survey content shortens interviews, reducing costs and respondent burden

Dependencies:

Availability, suitability & supply of admin sources

Dual running

User acceptance

Admin-based integrated model

Aims/Vision

New integrated Household Financial Statistical System. This will link multiple admin data sources to the admin-based population index to form the foundations upon which our statistics and analyses are built. Any residual data needs that cannot be met by admin data will be collected via a mixed-mode, online-first survey.

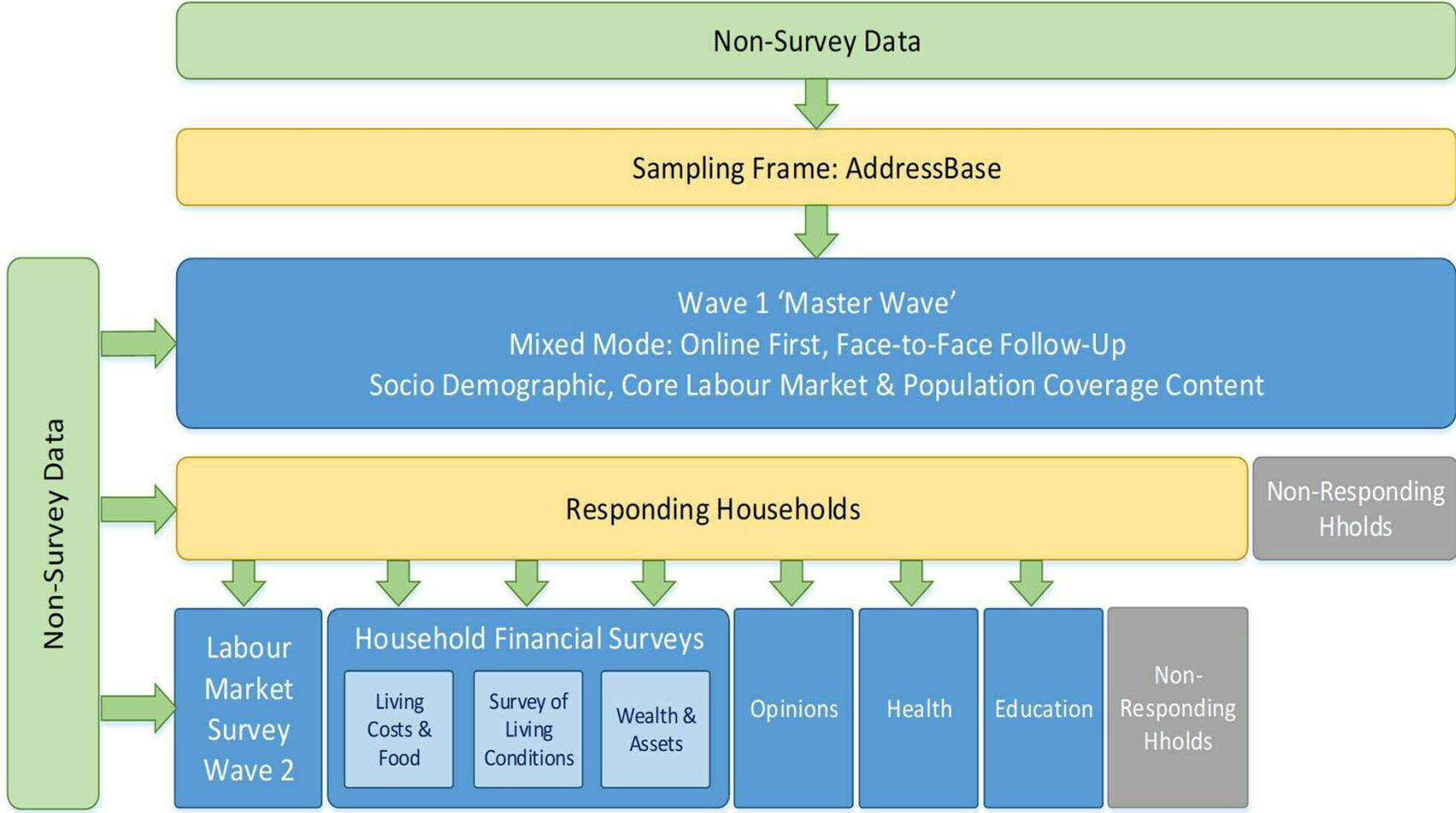
Opportunities:

- Full utilisation of admin data sources,
- Improved quality, as the full admin-based population index enables more granular analyses
- Extensive admin data use and online mode make data collection more efficient
- Innovative approach through use of full strategic corporate architecture to collect, store and process data in a completely new way
- Admin based census income estimates

Dependencies:

Many complex internal and external dependencies feeding through from the other aspects of the transformation

Overriding Model

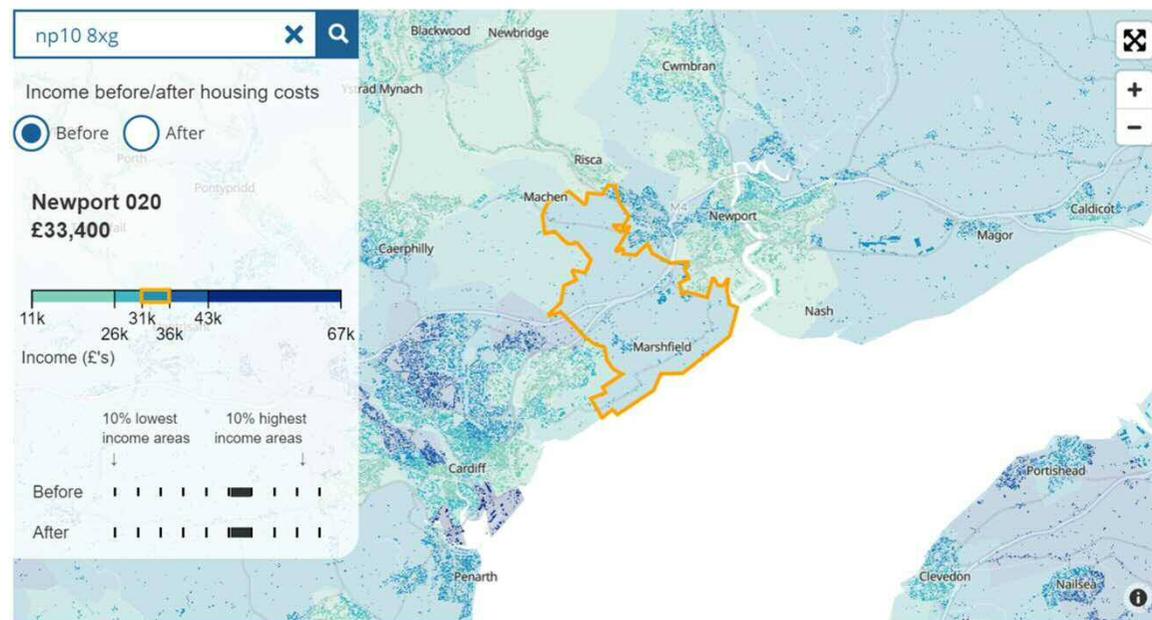


Income estimates for small areas

- Model-based income estimates at middle layer super output areas (MSOAs)
- Data: Family Resources Survey (FRS), 2011 Census and Administrative sources
- Recently, have been developing admin-data based experimental estimates but these figures remain the official small area statistics

Figure 1: Enter a postcode to see the average household income for the local area (based on areas of between 5,000 and 15,000 households called Middle layer Super Output Areas (MSOAs))

Mean average equivalised disposable annual household income, before and after housing costs, for local areas (MSOAs), financial year ending March 2018, England and Wales



Source: Office for National Statistics

Future Priorities

- Analysis of the bottom of the income distribution.
- Broadening sample frame to include more of the non-private household population.
- Equivalisation – are the current scales fit for purpose?
- Online data collection

Thank you, any questions?

Sean.white@ons.gov.uk

Carla.kidd@ons.gov.uk

Dominic.webber@ons.gov.uk