

TECHNICAL NOTE ON UK INCOME DATA SOURCES AND DETAILS OF THE COMPARISON BETWEEN THE NEW BENEFIT CAP AND AVERAGE INCOME

This note describes several data sources that provide information on earnings data, at an individual, family and household level, and how the Family Resources Survey (FRS) complements other sources.

The Annual Survey of Households and Earnings (ASHE)

The Annual Survey of Households and Earnings (ASHE) focuses on employees in employment. It provides rich information about the levels, distribution and make-up of earnings and hours paid for employees within industries, occupations and regions. The survey collects earnings and hours worked information for a pay period in April each year. It does not cover the self-employed. With a one per cent sample of all employees in employment, ASHE is generally regarded as the best source of information on individual employee earnings. Further information about ASHE can be found at:

<http://www.statistics.gov.uk/statbase/product.asp?vlnk=13101>

Family Resources Survey (FRS)

The FRS is the UK's premier data source on household incomes. It can be used to provide information on earnings from employment and income from self-employment, as well as other income sources received such as income from pensions, tax credits and benefits, income from savings, etc. Unlike ASHE, the FRS collects this information for all individuals in a household, so can be used to derive employment and self-employment income at a family and household level and is generally regarded as the accurate source for this type of information.

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

Labour Force Survey

The primary purpose of the Labour Force Survey (LFS) is to collect information on labour market activity. It also collects some data on employee earnings for a subset of its sample. However, ASHE is the preferred source for average earnings data for individuals in employment as it has a larger sample size, while the FRS is the preferred source for average family or household earnings/incomes. But the LFS earnings data can be analysed alongside information on labour market activity. Further information about the LFS can be found at:

<http://www.ons.gov.uk/about-statistics/user-guidance/lm-guide/sources/household/lfs/index.html>

Other statistics on earnings

Average Weekly Earnings (AWE); Further information can be found at:

<http://www.statistics.gov.uk/cci/nugget.asp?id=10>

Survey of Personal Incomes (SPI); Further information can be found at:

http://www.hmrc.gov.uk/stats/income_distribution/menu.htm

General Lifestyle Survey; Further information can be found at:

<http://www.statistics.gov.uk/statbase/product.asp?vlnk=5756>

Living Costs and Food Survey; Further information can be found at:

<http://www.statistics.gov.uk/statbase/product.asp?vlnk=361>

Compared to ASHE, the FRS and LFS, all of these sources have either a smaller size or covers a different subset or group of the population.

HOW THE ILLUSTRATIVE MEDIAN NET EARNED INCOME FOR WORKING FAMILIES HAS BEEN CALCULATED

The Spending Review announced that household welfare payments will be capped on the basis of median earnings after tax and National Insurance Contributions for working households from 2013. This was estimated to be around £500 per week for couple and lone parent households and £350 per week for single adults by 2013/14, when the cap will be introduced.

This estimate was produced using the Department for Work and Pensions' Policy Simulation Model. This is a static microsimulation model based on data from the 2008-09 Family Resources Survey, up-rated to the relevant year's prices, benefit rates and earnings levels. The modelling was carried out under the current benefit system rules. Note that in cases where households contain more than one benefit unit¹, the median earnings after tax and National Insurance Contributions were calculated at the benefit unit level.

¹ Note that a household can contain one or more benefit units, or families – e.g. a couple living with a parent or a group of single adults sharing a house. A benefit unit is a single adult or couple, and any dependant children.