

16 December 2008

**Coverage**  
United Kingdom

**Theme**  
The Economy

## Household income gap little changed since 1980s

### *Economic & Labour Market Review*

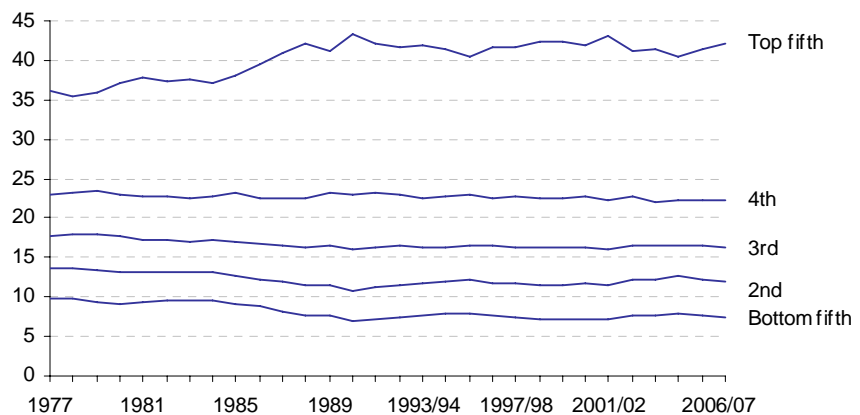
Inequality in household incomes grew sharply during the 1980s and has changed little in succeeding decades despite the redistributive effects of taxes and benefits, according to new analysis published today by the Office for National Statistics.

The review of household incomes over the last 30 years shows that between 1977 and 1991, the share of total disposable income received by the top fifth of households increased from 36 to 42 per cent.

Over the same period, the share received by the lower three-fifths of households fell – in the case of the bottom fifth, from 10 to 7 per cent of total disposable income.

Shares of total household income by quintile group

Percentages



Succeeding decades have seen fluctuations in the distribution of household incomes but the pattern that emerged during the 1980s remains largely the same today. In 2006/07, the top fifth of households received 42 per cent of total disposable income, and the bottom fifth 7 per cent – the same figures as in 1991.

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**Next publication date**  
20 January 2008

Retired households, and those with children, saw some of the most significant changes in the distribution of income over the period, particularly during the two decades between 1977 and 1997.

The proportion of children living in households in the bottom fifth of the income distribution rose from 19 per cent in 1977 to 29 per cent in 1997, largely due to an increase in single-parent households. The proportion has fallen during the last decade, from 29 to 25 per cent.

Retired households fared better between 1977 and 1997, largely due to increased income from occupational pensions. Over this period, the proportion of retired households in the bottom fifth fell from 51 per cent to 29 per cent. Between 1997 and 2006/07, the proportion of retired household in the bottom fifth was largely unchanged.

Government intervention, in the form of taxes and benefits, plays an important role in determining the distribution of household income. Cash benefits have the largest impact, reducing income inequality substantially. While the effect of cash benefits varies according to the economic cycle, there is no evidence of any long term change in their effect on income inequality.

Over the last 30 years, long-term changes in the distribution of income have been driven mainly by changes in earnings rather than the impact of taxes and benefits.

The UK has relatively high levels of income inequality, when compared with other European Union countries. In 2006, the UK ranked 9th out of the 27 member states in household income inequality.

*The distribution of household income 1977 to 2006/07* is published today in the ONS journal *Economic & Labour Market Review*. A separate paper, *The redistribution of household income 1977 to 2006/07*, is published today on the ONS website and will also appear in the January edition of *Economic & Labour Market Review* (published 20 January).

Other articles this month include:

### **Making sense of LFS response rates**

The Labour Force Survey is the largest continuous household survey in the UK. Each quarter about 80,000 households are randomly selected for interview; however, some of these cannot be contacted or refuse to take part, so the results are derived from about 50,000 households and 120,000 individuals each quarter. This article presents and analyses LFS response rates and trends and examines the details of response and non-response.

### **How similar are ONS's annual and monthly business inquiries?**

ONS relies heavily on its business surveys to produce some of its key macroeconomic statistics. This article presents an analysis of the coherence of business surveys between the monthly and the annual inquiries.

### **Introducing the new business demography statistics**

ONS published a new series on 28 November 2008, providing data on business births, deaths and survival rates. The Department for Business, Enterprise & Regulatory Reform (BERR) also published its series Business start-ups and closures: VAT registrations and de-registrations in 2007 on the same day, which was the final update to the BERR series. This article explains the key methodological differences between the new series and the existing BERR National Statistic.

### **Rebasing the services producer price index**

The experimental services producer price index was rebased in November 2008 from 2000=100 to 2005=100. This article compares growth in the index on both bases.

### **The impact of Labour Force Survey and Annual Population Survey reweighting**

Reweighted LFS and APS microdata were published by ONS in May 2008. This article outlines the background to the reweighting programme and presents some results of the impact of the reweighting at local authority district level, using APS microdata.

## BACKGROUND NOTES

1. *Economic & Labour Market Review* is available on the National Statistics website at <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=14692>
2. *The redistribution of household income 1977 to 2006/07* is available from <http://www.statistics.gov.uk/cci/article.asp?ID=2083>
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