

Chapter 2

Measuring Income in the *Breadline Britain 1998 Survey*

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Introduction

The most serious weakness of the attempts of the 1983 and 1990 *Breadline Britain* surveys to estimate poverty resulted from their 'poor' measurement of household income. In almost all households, the measurement of deprivation was more reliable (and also probably more accurate) than the measurement of income. This meant that a deprivation poverty line (lacking three or more necessities) was used rather than a combined income and deprivation poverty line (where poverty is defined as having both a low income and low standard of living). A major task of the next Survey will be to try to improve the measurement of income in terms of both quality and response rate.

The Problem

Obtaining accurate and complete information on income from households has long been considered to be one of the most intractable problems facing British social survey researchers. Survey researchers often claim that:

"people are more willing to talk about their sexual behaviour than about their financial affairs and even if they are willing to talk they may not have the necessary knowledge to answer the questions" (Martin, 1990)

This perception may in part be a historical truth resulting from class based differences within British society to discussing financial affairs. In the past, financial matters were only considered to be a 'proper' topic of conversation between a suitor and his prospective father-in law in 'upper' and 'upper middle' class families. However, 'working' class households were often more forthcoming and indeed the Welfare State required disclosure of financial matters in order to claim means-tested benefits. This historical caricature of British society may contain an element of truth but it is not apparent that it remains true in the late 1990s.

There is unfortunately a great lack of comparative research into the effectiveness of different survey methods in obtaining income information in Britain. This is also one area of survey methodology where research findings from other countries are of only limited value to the British context. The main British research results have been published in SCPR's *Joint Centre for Survey Methods Newsletter* and ONS's *Survey Methodology Bulletin*.

Summary of Research Findings

Research on the 1977 *Survey of Older Workers and Retirement* fortuitously allowed a comparison to be made between the answer given by 31 couples (who had been interviewed separately) to identical questions on the family's sources of income (divided into 10 categories). There was disagreement in three cases (out of the 31). In one case, the husband gave an extra income source and in two cases the wife did (Parker, 1980).

In 1983, the London Borough of Hackney carried out a detailed means tested benefits survey of 2,077 households. A screening questionnaire was used with all households and an in-depth, one hour long detailed financial questionnaire with 560 low income 'claiming units'. The survey found that one of the advantages of focusing on people in lower income groups was that respondents *"knew their own income accurately, although they did not necessarily know their partners income"*. However, only 6% of interviews needed to be discarded because of incomplete financial information (Ritchie, 1990).

OPCS tried to compare the results of the usual gross household income results from the 1986 General Household Survey (GHS) and the 1985/86 National Travel Survey (NTS). The GHS assess income by asking a detailed set of over 50 income questions from each household member whereas the NTS simply asks the informant into which income band their household falls. The detailed income questions in the GHS result in a lower response rate for income than the simple NTS question (GHS 71%, NTS 86%). Income results divided into 6 bands were compared for sub-groups based on 11 variables; e.g. number employed in the household, number of cars, working status of HOH, number of adults, number of children, length of residence, address type, SEG of HOH, number of persons, family structure and tenure. Table 2.1 below shows the results from one person and one-car households.

Table 2.1: Income distribution for one-person households and one-car households

Income Group	One Person Household		One Car Household	
	GHS %	NTS %	GHS %	NTS %
A (Highest)	2.8	2.5	19.5	19.4
B	3.4	3.8	20.8	20.3
C	8.5	8.6	23.7	22.1
D	14.0	12.6	19.6	20.4
E	16.2	15.8	11.7	13.4
F (Lowest)	55.1	56.7	4.7	4.3
TOTAL	100	100	100	100
<i>Base</i>	<i>2,103</i>	<i>2,321</i>	<i>3,172</i>	<i>3,923</i>

The comparison showed that:

"the percentage of one-person households falling into each income group is not significantly different in the two surveys. The same is true for one-car

households. The above analysis was carried out for the eleven variables listed above. The results obtained from this analysis were generally as similar as the examples shown in Table 1" (Kelly, 1990)

The simple NTS question seemed to be as good for classificatory purposes as the detailed GHS income questions (Kelly, 1990).

In 1991, OPCS conducted an experiment to compare measures of gross income derived from the same individuals and households using a simple banded income question as well as the detailed set (50+) income questions (Foster and Lound, 1993). The test questions were asked of all respondents to the fourth quarter of the 1990/91 GHS, which ran from January to March 1991, and were inserted in the GHS schedule directly before the usual income section.

The three test questions each involved use of a show card and were based on questions used in the Survey of English Housing. Informants were first asked to indicate which of a number of possible sources of income they personally received. Those who had any source of income were then shown a card on which 20 income bands were listed, with values corresponding to both weekly and approximate annual amounts, and asked into which group their gross income fell. Gross income was described as income before deductions for Income Tax, National Insurance etc.

The third question was concerned with household income. In households comprising two or more adults, it was usually asked of the head of household but could be answered by the spouse. In single person households, the income of the individual was taken to be the total income for the household. The income bands used were the same as for individual income.

This experiment showed that banded income questions achieve a much higher response rate for all types of household than detailed income questions (Table 2.2).

Table 2.2: Household income response rates using different methods

Household Type	Standard GHS Income	Test Questions		Base
		Household Question	Sum of Individual Incomes	
One Adult	84%	93%	93%	670
Two Adults	74%	87%	93%	1,260
Three+ Adults	52%	80%	88%	459
All Households	73%	87%	92%	2,389

When the standard GHS income measure was coded into income bands and the results compared, 69% of individuals were in the same income band. Similarly, 65% of households were in the same income band using the household income question and 67% of households were in the same income band if the sum of individual banded incomes was used to define household income. The correspondence between the

detailed and test questions was much greater for low income and small households than it was for large and/or rich households. This results from the difficulty of asking one household member to estimate the income of others rather than using information collected from the individual personally.

Nevertheless, the distribution of gross household income as measured by the three methods was effectively identical (Table 2.3 overleaf).

Table 2.3: Gross weekly household income: Comparison of frequency distributions for Standard GHS Variable and Test Questions

<i>Total Gross Weekly Income of all Adults in the Household</i>	<i>All Households</i>			<i>Households of 3+ Adults</i>		
	Standard GHS Income	Test Questions		Standard GHS Income	Test Questions	
		Household Question	Sum of Individual Incomes		Household Question	Sum of Individual Incomes
	%	%	%	%	%	%
Less than £60	10	10	10	-	0	0
£60 <£100	13	14	13	1	3	1
£100 <£140	9	10	9	4	4	2
£140 <£200	10	10	10	5	7	7
£200 <£300	14	15	15	11	14	14
£300 <£400	14	13	12	18	17	15
£400 <£500	10	10	11	19	18	20
£500 <£600	7	6	6	10	11	10
£600 or more	12	13	14	31	26	30
<i>Base = 100%</i>	<i>1,737</i>	<i>2,079</i>	<i>2,198</i>	<i>239</i>	<i>351</i>	<i>402</i>

The study concluded that the banded income section was successful in providing measures of individual and household income that compared well with those based on a longer and more detailed income section. The simple banded questions also resulted in markedly higher response rates. The analysis suggests that the household question works less well for larger households, particularly those of three or more adults, but this can be overcome by combining the responses to the test question on individual income where the information is available for all adults in the household (Foster and Lound, 1993).

The 2001 Census and European Harmonisation

The possibility of including an income question in the 2001 Census (as required by United Nations Census guidelines) has led to some recent research by ONS into simple but accurate ways of measuring income. A number of cognitive interview studies have been undertaken to explore respondents understanding and reaction to banded income questions (Sykes and Manners, 1998; Sykes, 1998).

The other recent development is that ONS found itself to be in a minority of one in favouring European harmonisation on gross rather than net household income. The 1996 Eurostat Workshop on Harmonisation of Survey Concepts decided in principal to use monetary net income as the harmonised income concept (ONS, 1997).

Considering the results of the research studies and these recent developments, it would seem desirable to use a modified set of questions from the 1990 *Breadline Britain* survey in addition to a modified version of trial harmonised net income questions.

These questions need to be asked at the beginning of the survey after a brief socio-demographic section. If respondents refuse to answer the income questions, then the interview should be ended. This will ensure a 100% response rate for income on the fully completed questionnaires as well as basic socio-demographic data on the respondents who refused to answer income questions.

NEW BENEFITS AND INCOME SECTION

MODIFIED QUESTION (Q30) *How many people in this household at present receive?*

(READ OUT)

	<i>None</i>	<i>One</i>	<i>Two</i>	<i>Three</i>	<i>No</i>
				+	<i>answer</i>
Family Credit					
Income Support					
Job Seekers Allowance					
Housing Benefit					
Council Tax Benefit					
Widow's Benefit					
Sick Pay/benefit					
Incapacity Benefit					
Attendance Allowance					
Disability Living Allowance					
Other disability benefit					
A State Retirement Pension					
An occupational/private Pension					

NEW QUESTION: *This card shows various possible sources of income. Can you please tell me which kinds of income (A) you and (B) your household receive?*

CODE ALL THAT APPLY

	<i>(a)</i>	<i>(b)</i>
	<i>You</i>	<i>Your Household</i>
Earnings from employment or self-employment		
Child benefit		
Maintenance/Child Support		
Interest from savings, dividends, etc.		
Student Loan/Grant		
Social Fund Loan		
Other kinds of regular allowance from outside the household		
A state benefits on the previous card		
A pension on the previous card		
Other benefits or pensions		
Other sources of income e.g. rent		

NEW QUESTION Will you please look at this card and tell me which group represents your total income from all these sources after taking off Income Tax, National Insurance and any contribution towards a pension?

SHOW CARD U

ENTER BAND NUMBER

	WEEKLY	MONTHLY	ANNUAL
1	Less than £10	Less than £43	Less than £520
2	£10 less than £20	£43 less than £86	£520 less than £1,040
3	£20 less than £30	£86 less than £ 130	£1,040 less than £1,560
4	£30 less than £40	£ 130 less than £ 173	£1,560 less than £2,080
5	£40 less than £50	£173 less than £217	£2,080 less than £2,600
6	£50 less than £60	£217 less than £260	£2,600 less than £3,120
7	£60 less than £70	£260 less than £303	£3,120 less than £3,640
8	£70 less than £80	£303 less than £347	£3,640 less than £4,160
9	£80 less than £90	£347 less than £390	£4,160 less than £4,680
10	£90 less than £100	£390 less than £433	£4,680 less than £5,200
11	£100 less than £120	£433 less than £520	£5,200 less than £6,240
12	£ 120 less than £ 140	£520 less than £607	£6,240 less than £7,280
13	£ 140 less than £ 160	£607 less than £693	£7,280 less than £8,320
14	£ 160 less than £ 180	£693 less than £780	£8,320 less than £9,360
15	£ 180 less than £200	£780 less than £867	£9,360 less than £10,400
16	£200 less than £220	£867 less than £953	£10,400 less than £11,440
17	£220 less than £240	£953 less than £1,040	£11,440 less than £12,480
18	£240 less than £260	£1,040 less than £1,127	£12,480 less than £13,520
19	£260 less than £280	£1,127 less than £1,213	£13,520 less than £14,560
20	£280 less than £300	£1,213 less than £1,300	£14,560 less than £15,600
21	£300 less than £320	£1,300 less than £1,387	£15,600 less than £16,640
22	£320 less than £340	£1,387 less than £1,473	£16,640 less than £17,680
23	£340 less than £360	£1,473 less than £1,560	£17,680 less than £ 18,720
24	£360 less than £380	£1,560 less than £1,647	£18,720 less than £19,760
25	£380 less than £400	£1,647 less than £1,733	£19,760 less than £20,800
26	£400 less than £450	£1,733 less than £1,950	£20,800 less than £23,400
27	£450 less than £500	£1,950 less than £2,167	£23,400 less than £26,000
28	£500 less than £550	£2,167 less than £2,383	£26,000 less than £28,600
29	£550 less than £600	£2,383 less than £2,600	£28,600 less than £31,200
30	£600 less than £650	£2,600 less than £2,817	£31,200 less than £33,800
31	£650 less than £700	£2,817 less than £3,033	£33,800 less than £36,400
32	£700 or more	£3,033 or more	£36,400 or more

(Income £36,400 or more annually)

Could you please look at the next card and give me your total income, AFTER deductions, as an annual amount from this card?

SHOW CARD V

ENTER BAND NUMBER

ANNUAL INCOME

1	£36,400 less than £37,000	31	£130,000 less than £135,000
2	£37,000 less than £38,000	32	£135,000 less than £140,000
3	£38,000 less than £39,000	33	£140,000 less than £145,000
4	£39,000 less than £40,000	34	£145,000 less than £150,000
5	£40,000 less than £41,000	35	£150,000 less than £155,000
6	£41,000 less than £42,000	36	£155,000 less than £160,000
7	£42,000 less than £43,000	37	£160,000 less than £165,000
8	£43,000 less than £44,000	38	£165,000 less than £170,000
9	£44,000 less than £45,000	39	£170,000 less than £175,000
10	£45,000 less than £46,000	40	£175,000 less than £180,000
11	£46,000 less than £47,000	41	£180,000 less than £185,000
12	£47,000 less than £48,000	42	£185,000 less than £190,000
13	£48,000 less than £49,000	43	£190,000 less than £195,000
14	£49,000 less than £50,000	44	£195,000 less than £200,000
15	£50,000 less than £55,000	45	£200,000 less than £210,000
16	£55,000 less than £60,000	46	£210,000 less than £220,000
17	£60,000 less than £65,000	47	£220,000 less than £230,000
18	£65,000 less than £70,000	48	£230,000 less than £240,000
19	£70,000 less than £75,000	49	£240,000 less than £250,000
20	£75,000 less than £80,000	50	£250,000 less than £260,000
21	£80,000 less than £85,000	51	£260,000 less than £270,000
22	£85,000 less than £90,000	52	£270,000 less than £280,000
23	£90,000 less than £95,000	53	£280,000 less than £290,000
24	£95,000 less than £100,000	54	£290,000 less than £300,000
25	£100,000 less than £105,000	55	£300,000 less than £320,000
26	£ 105,000 less than £ 110,000	56	£320,000 less than £340,000
27	£ 110,000 less than £ 115,000	57	£340,000 less than £360,000
28	£115,000 less than £120,000	58	£360,000 less than £380,000
29	£ 120,000 less than £ 125,000	59	£380,000 less than £400,000
30	£ 125,000 less than £ 130,000	60	£400,000 or more

(Note if any member of the household is in receipt of housing benefit, Income Support or Job Seekers Allowance then interviewer MUST give the following prompt: *Can I just check that this figure includes money (benefit) that you receive for your rent/housing costs?*)

(If there is a spouse/partner) *Does (spouse/partner) have any separate income of their own?*

(If yes) *Which group represents (spouse/partner's) total income from all these sources after deductions for Income Tax, National Insurance and any contribution towards a pension?*

(If income £36,400 or more annually) *Could you please look at the next card and give me (spouse/partner's) total income, after deductions, as an annual amount from this card?*

(If 'don't know' or refusal obtained when asking about either respondent's or spouse/partner's income) *Would it be possible for you to tell me which group represents the total income of you and (spouse/partner) taken together, after any deductions?*

(If joint income band is £36,400 annually or more) *Could you please look at the next card and give me that total income taken together as an annual amount from this card?*

(If more than two adults in household or two adults who are not respondent and partner) *Can I just check, does anyone else in the household have a source of income?*

(If yes) *And now thinking of the income of the household as a whole, which of the groups on this card represents the total income of the whole household after deductions for Income Tax, National Insurance and any contributions people make towards a pension?*

MODIFIED QUESTION: Q31 *Do you or does your spouse/partner get Job Seekers Allowance, the old Income Support, nowadays or not? If yes, for how long have you/has he/she been getting it?*

Yes, for up to 3 months

Yes, for up to 6 months

Yes, for up to 12 months

Yes, for over a year

No

No answer

ASK Q32

MODIFIED QUESTION: Q32 *Have you or your spouse ever received Job Seekers Allowance or Income Support, or not?*

Yes, in the last year

Yes, in the last 5 years

Yes, more than 5 years ago (except as a student)

No, never

No answer

IF IN WORK, ASK Q33

MODIFIED QUESTION Q33 *Do you or your spouse/ partner contribute to an occupational/private pension scheme or not?*

a)

You

b)

Partner

1) Yes

2) No

9) Don't know

The ONS harmonised net income questions have been modified for the following reasons:

1. References to Head of Household have been changed to Respondent, since the concept of Head of Household is becoming increasingly problematic and of dubious importance. In many households, it has ceased to have any meaning.
2. ONS's cognitive interviewing studies (Sykes and Manners, 1998; Sykes, 1998) showed that a major reason for inaccuracy in respondent's net income estimates was that they simply forgot about some of their sources of income. In particular, people sometimes forgot about or didn't include interest from savings, child benefit, housing benefit or student loans. Therefore, three questions are asked before the banded income questions; on benefits received by the household members, on the respondent's sources of income and on the sources of income received by all household members. These questions are primarily designed to make the respondents think about both their own and their household's sources of income.
3. Many low income households that are in receipt of housing benefit have their rent paid directly to their landlord i.e. they never see the Housing Benefit they receive and so they sometimes forget to include it in their net income estimates (Sykes, 1998). However, these households will almost certainly know how much their rent is since the Housing Benefit system effectively requires them to do so. Therefore, an interviewer prompt has been added to the ONS protocol to check that respondents in receipt of Housing Benefit have included this in their net income estimate.

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Appendix to Chapter 2: Definitions of Income

Income is a key concept in almost all definitions and studies of poverty. However, 'income' is an extremely difficult concept to define and agree upon. The term is sometimes used loosely to refer only to the main component of monetary income for most households - i.e. wages and salaries or business income. Others use the term widely to include all receipts including lump sum receipts and receipts that draw on the household's capital.

Classically, income has been defined as the sum of consumption and change in net worth (wealth) in a period. This is known as the *Haig-Simons approach* (see Simons, 1938 in Atkinson and Stiglitz, 1980, p260). Unfortunately, this approach fails to distinguish between the day-to-day 'living well' and the broader 'getting rich' aspects of individual or household finances (in technical terms, it fails to distinguish between current and capital receipts).

There are a number of international organisations that have provided guidelines on defining and measuring income. The United Nations provides two frameworks: the 1993 System of National Accounts (UN, 1992) and guidelines on collecting micro-level data on the economic resources of households (UN, 1977 and 1989). The International Labour Organisation (ILO) has also produced guidelines on the collection of data on income of households, with particular emphasis on income from employment (ILO, 1971: 1992 and 1993). Recently, (January 1997) the Australian Bureau of Statistics (ABS) tried to get an international agreement on definitions of income, consumption, saving and wealth. The ABS (1995) has proposed the following definition:

“income comprises those receipts accruing (in cash and in-kind) that are of a regular and recurring nature, and are received by the household or its members at annual or more frequent intervals. It includes regular receipts from employment own business and from the lending of assets. It also includes transfer income from government, private institutions and other households. Income also includes the value of services provided from within the household via the use of an owner-occupied dwelling, other consumer durables owned by the household and unpaid household work. Income excludes capital receipts that are considered to be an addition to stocks, and receipts derived from the running down of assets or from the incurrence of a liability. It also excludes intra-household transfers.”

Townsend (1979; 1993) has argued that broad definitions of income should be used, particularly if international comparisons are to be made. It is crucial, when comparing individual or household incomes of people in different countries, that account is taken of the value of government services in, for example, the fields of health, education and transport (Evandrou *et al*, 1992). Unfortunately, many economic studies of poverty use relatively narrow definitions of income such as wages and salaries or business income. International comparisons based on narrow definitions of this kind can be misleading and of only limited use.

(Source: Gordon, D. and Spicker, P. 1998, *The International Poverty Glossary*. Zed Books, in press)

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