

Annex 5.4 Income data

Introduction

A summary description of the main earnings and incomes data sources is provided in Annex 3.1. At sub national level the most important sources are:

- New Earnings Survey.
- CACI Income Data (PayCheck).
- Scottish House Condition Survey (SHCS).
- Scottish Household Survey (SHS).
- Local household or other surveys.

Analysing income and earnings statistics can be a complex business. This annex summarises the most important issues to remember and think about when using income data.

Suitability

The suitability of specific sources of income data depends on end-user requirements. In analysing local housing systems, earnings and incomes data is likely to be required for a wide variety of reasons. However, the most frequent uses are likely to be:

- To examine the relative affordability of housing across the local housing system.
- To estimate absolute levels of affordability of housing.
- To examine changes in the extent of absolute or relative poverty over time.
- To examine income patterns or ranges between or within specific population sub-groups. An example of a specific population group would be potential first time buyers.
- To use in conjunction with other data to assist area identification for targeting policies.
- To examine the extent of spatial segregation between low, middle and high income households across a local housing system.

Assessing data quality

Income and earnings data sources should be assessed against the criteria detailed in annex 5.2. Further issues to consider are:

Geography and level of detail

In general, none of the existing data sources on incomes and earnings, with the exception of CACI PayCheck, are flexible enough to produce results for different geographic levels. Thus CACI PayCheck remains the only general source for looking at the relative distribution of poorer and wealthier households across a housing system. As CACI PayCheck is only periodically updated, it is advisable to use this data in conjunction with other indicators of income, wealth and deprivation if available.

Data on average or banded income that cannot be disaggregated by household type needs to be treated with caution. For example, the potential impact of high levels of older households in a given area needs to be taken into account in assessing relative affordability pressures across a local housing system. A high proportion of retired/pensioner households are often found to reside in

areas that CACI PayCheck highlights as low-income areas. Retired households are likely to have lived in their existing house for some time and are unlikely to face problems accessing suitable housing due to affordability issues.

Level of precision

If seeking to calculate absolute affordability measures, the precise amount of income of a household or householder and partner are required. However, a lot of income estimates are based on income bands and not actual income. Moreover, many surveys only report income data as bands. CACI PayCheck is presented in bands, which makes it an inappropriate data source for calculating absolute affordability.

Coverage gaps

In seeking to apply the ODPM housing needs model, incomes data for concealed households, involuntary shares and potential households would be desirable. However, these groups are largely excluded from survey work. Surveys are also normally focussed on private households and therefore contain little information about the incomes of people living in institutions.

Many Great Britain surveys are limited north of the Caledonian Canal and therefore modelled income estimates for the North of Scotland should be treated with caution.

Comparability over time

Households within an area change over time as a result of residential mobility and this makes it very difficult to determine the reasons for changes in income levels over time. Thus it is extremely difficult to track the impact of policies if looking at area level income and earning statistics. The only certain way to assess whether incomes are changing over time would be to track a sample of households or individuals. At present, only the British Household Panel Survey does this, but as discussed in 3.1, this data source cannot be disaggregated to local authority or smaller area.

Persistent or short term low income

Most income sources, including survey data and CACI PayCheck provide a snapshot estimate of income and do not contain any data about the length of time spent by a household on low income. However, there is considerable movement of households into and out of low-income groups.

Is it really household income data?

Many household surveys report incomes data by household type. It is therefore easy to assume this relates to total household income. However, in many instances incomes data is only collected for the main householders and his or her partner.

Is it gross or net household income?

It is important to be clear whether income is gross or net. Gross income refers to all income from employment, benefits and other sources before any deductions. Net income refers to income after taxation and other deductions. In this context it should be noted that what are defined as "other deductions" can differ from one data source to another.

Earnings or income?

Earnings are not the same as income. In examining earnings data it is important to be aware that:

- Official Earnings related data is generally based on individual PAYE records and therefore excludes the self employed. This can be a particular problem in rural areas.
- Individuals in employment often have other sources of income such as benefits and interest from savings.

- Earnings data generally refers to an individual and cannot be aggregated to household level.
- Average Earnings (unless seasonally adjusted) may be unreliable in areas where there is a lot of temporary or seasonal employment.

Improving income data sources: ongoing developments

An increasing number of social landlords collect data on household incomes from applicants and/or tenants through including questions in their Housing Application forms or through tenant surveys. Current evidence suggests there is a need to boost response rates from applicants and tenants as well as introduce more rigorous validation procedures. Nonetheless, such information can provide a valuable and very cost effective input to analysing local housing systems and assessing affordability and fuel poverty related issues.

ONS have produced modelled estimates of gross and net household income – including before and after housing costs. These are available from the ONS Neighbourhood Statistics website. Communities Scotland is also funding research by Heriot Watt into local authority level estimates of housing affordability, which is due to report by Spring 2004.