

Proportion of households, and individuals living in households, who have private incomes exceeding their net income from the state

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This note examines what proportion of families have pre-tax private incomes exceeding net support from the state (see below for precise definitions of all these terms). The analysis was undertaken using the IFS' tax and benefit model, TAXBEN, and data from the Family Resources Survey, Family Expenditure Survey and Expenditure and Food Survey.¹

Table 1 & 2 analyse the situation in 1979, and Tables 3 & 4 analyse the situation in 1988, Table 5 & 6 analyse the situation in 1996/7, and Tables 7 & 8 analyse the situation in 2008/9.

In general terms, the Tables show:

- The likelihood that a family has private income exceeding net state support generally rises as income rises, except (in years other than 1979) in the first two decile groups. Some families in the bottom decile group have a very low income because they are not entitled to any state support despite low private income, either because they have too many assets, or because they are working but with low earnings/self-employment profits, and are not entitled to WTC.
- Pensioners (if the basic state pension and SERPS are both counted as income from the state) and lone parents are particularly unlikely to have private income exceeding net state support. Couples without children where both adults are aged under 55 are particularly likely to have private income exceeding net state support.
- The proportion of families for whom private income exceeds net state support fell between 1979 and 1988, fell between 1988 and 1996/7, but has risen since 1996/7. Although some entitlements to some benefits and tax credits (given real income) have risen since 1996/7 – which would tend to reduce the proportion of families for whom private income exceeds net state support – real rises in private income (due to real earnings growth, the growing proportion of pensioners with some private pension income, and the increased proportion of working-age

¹ Funding from Civitas is gratefully acknowledged. Data from the FRS was provided by DWP, and data from FES/EFS was provided by ONS; all are available from the UK Data Archive.

adults and those over the state pension age in work²) have offset this, on average.

- This change over time masks some variation within the population. For example, the proportion of pensioners for whom private income exceeds net state support has risen constantly/continuously over this period, presumably reflecting an increased proportion with private pension income, and the proportion of lone parents for whom private income exceeds net state support fell between 1979 and 1988, and 1988 and 1996/7, reflecting the fall in employment, before rising between 1996/7 and 2008/9. However, all family types shown here are more likely to have private income exceeding net state support in 2008/9 than 1996/7.

Figure 1 shows the cumulative distribution of net state support as a proportion of total net income (values in excess of 100% have been set to 100%).³ On the vertical axis, a value of 100% indicates that all of a family's income is from state benefits, a positive value indicates that receipt of state benefits exceeds taxes paid, and a negative value indicates that the family is a net taxpayer. If one line lies to the north-east of another, then that indicates a greater net generosity from the personal tax and benefit system.

Reading horizontally across from the 50% marker on the vertical axis, the graph shows that 25% and 31% of families in 1979 and 1996-97 respectively had net state support which was greater than 50% of their total income (ie for these families, net state support was greater than private income), and therefore the remaining 75% and 69% of families in 1979 and 1996-97 had private income in excess of net state support, as reported in Tables 1 & 5.

The Figure shows that the number of families who are net beneficiaries from the personal tax and benefit system (ie have a value in excess of 0%) has risen over time, from around 35% in 1979 to 45% in 1996/7 and 2008/9.

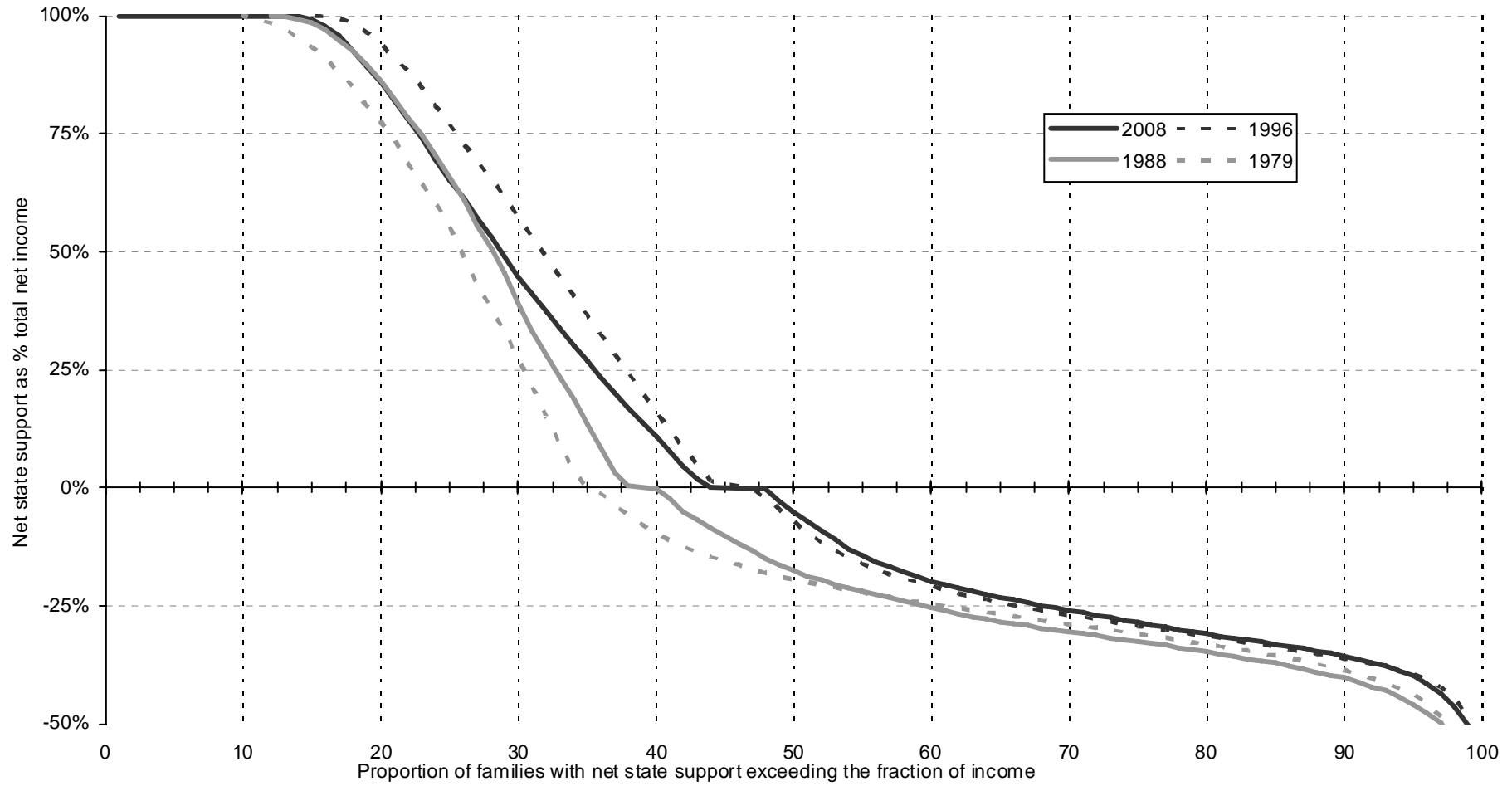
² Estimates from the Labour Force Survey are that, in 1996, 7.8% of females aged over 60 and males aged over 65 were economically active, whereas in 2007 the figure was 11.3%.

³ This is a slightly different statistic from the tables, which count families whose private income exceeds their net state support, but note that families whose private income exceeds their net state support are those for whom net state support is less than 50% of their total income (because total income is equal to private income plus net state support).

Annex: Definitions, assumptions and methods:

- The analysis was undertaken using the IFS' tax and benefit model, TAXBEN, and data from the Family Resources Survey, Family Expenditure Survey and Expenditure and Food Survey. The data covers Great Britain only.
- Estimates for 2008/9 were based on the 2005/6 FRS, suitably updated, and include the impact of the £600 rise in the personal allowance announced on 13 May.
- "Net state support" is defined as income from all benefits and tax credits plus income from SERPS or S2P less income tax, employee national insurance and council tax. This can take a positive or negative value.
- All estimates assume full take-up of benefits and tax credits.
- All comparisons of private income with net state support are at the family level, but the tables also report how many adults live in the families.
- The definition of a family is an adult, their partner/spouse (if any) and their dependent children (if any). Non-dependent children living in the family home will be in a different family unit to their parents.
- In multi-family households, the council tax bill is allocated to the person who in the survey is classified as the head of the household.
- Families are allocated into 10 equal-sized groups called decile groups on the basis of their equivalised family income; this can mean that there are different number of adults in each decile group.

Figure 1. Cumulative distribution of net state support as % total net income, 2008-09 vs 1996-97



Source: Authors' calculations using the IFS tax and benefit microsimulation model, TAXBEN and various data sources as described in the text.

Table 1. 1979, decile group analysis

<i>Income decile group</i>	<i>Total number of families</i>	<i>Families for whom all private income is greater than net state support</i>	<i>Proportion of Families for whom all private income is greater than net state support</i>	<i>Total number of adults</i>	<i>Adults in families for whom all private income is greater than net state support</i>	<i>Proportion of adults in families for whom all private income is greater than net state support</i>
Poorest	2656062	561247	21.1	3317367	707708	21.3
2	2656558	594726	22.4	3692588	918996	24.9
3	2655818	1037625	39.1	3628686	1572081	43.3
4	2656216	1894182	71.3	3940677	2818774	71.5
5	2655341	2531836	95.3	4111971	3943901	95.9
6	2653364	2599730	98.0	4157737	4078466	98.1
7	2656644	2643078	99.4	4270810	4250260	99.5
8	2653945	2650453	99.9	4330443	4323459	99.8
9	2656668	2656668	100	4442282	4442282	100
Richest	2654023	2654023	100	4417309	4417309	100
All	26554639	19823568	74.7	40309870	31473236	78.1

Note: Income decile groups are derived by dividing all families into 10 equal-sized groups according to income adjusted for family size using the McClements equivalence scale. See text for details and key assumptions.

Source: Authors' calculations using the IFS tax and benefit microsimulation model, TAXBEN, run on data from the 1979 Family Expenditure Survey.

Table 2. 1979, family type analysis

<i>Family type</i>	<i>Total number of families</i>	<i>Families for whom all private income is greater than net state support</i>	<i>Proportion of Families for whom all private income is greater than net state support</i>	<i>Total number of adults</i>	<i>Adults in families for whom all private income is greater than net state support</i>	<i>Proportion of adults in families for whom all private income is greater than net state support</i>
Single <25, no kids	4435539	3948377	89.0	4435539	3948377	89.
Single 25-55, no kids	2825931	2447800	86.6	2825931	2447800	86.6
Single >55 but <SPA, no kids	759766	559787	73.7	759766	559787	73.7
Couple either <25, no kids	687924	670464	97.4	1375848	1340928	97.4
Couple neither <25, one <55, no kids	3020580	2961216	98.0	6041160	5922432	98.0
Couple both >55 but <SPA, no kids	1550448	1354896	87.4	3100896	2709792	87.4
Couple with kids	6213474	5925620	95.4	12426948	11851240	95.4
Lone parent	851868	433940	50.9	851868	433940	50.9
Single pensioner	3926304	783996	20.0	3926304	783996	20.0
Couple, at least one over SPA	2282805	737472	32.3	4565610	1474944	32.3
All	26554639	19823568	74.7	40309870	31473236	78.1

Notes:. See text for details and key assumptions.

Source: Authors' calculations using the IFS tax and benefit microsimulation model, TAXBEN, run on data from the 1979 Family Expenditure Survey.

Table 3. 1988, decile group analysis

<i>Income decile group</i>	<i>Total number of families</i>	<i>Families for whom all private income is greater than net state support</i>	<i>Proportion of Families for whom all private income is greater than net state support</i>	<i>Total number of adults</i>	<i>Adults in families for whom all private income is greater than net state support</i>	<i>Proportion of adults in families for whom all private income is greater than net state support</i>
Poorest	2922509	1257427	43.0	3492740	1382391	39.6
2	2920298	566221	19.4	3905538	734589	18.8
3	2921667	1020296	34.9	3950071	1491486	37.8
4	2921371	1583568	54.2	4030832	2301204	57.1
5	2922630	2569057	87.9	4326429	3809253	88.0
6	2921616	2695004	92.2	4382408	4097884	93.5
7	2918908	2834507	97.1	4506435	4400445	97.6
8	2921176	2871622	98.3	4621782	4556845	98.6
9	2921918	2918815	99.9	4690122	4683916	99.9
Richest	2919830	2916314	99.9	4787318	4783802	99.9
All	29211923	21232831	72.7	42693675	32241815	75.5

Note: Income decile groups are derived by dividing all families into 10 equal-sized groups according to income adjusted for family size using the McClements equivalence scale. See text for details and key assumptions.

Source: Authors' calculations using the IFS tax and benefit microsimulation model, TAXBEN, run on data from the 1988 Family Expenditure Survey.

Table 4. 1988, family type analysis

<i>Family type</i>	<i>Total number of families</i>	<i>Families for whom all private income is greater than net state support</i>	<i>Proportion of Families for whom all private income is greater than net state support</i>	<i>Total number of adults</i>	<i>Adults in families for whom all private income is greater than net state support</i>	<i>Proportion of adults in families for whom all private income is greater than net state support</i>
Single <25, no kids	5380173	4766715	88.6	5380173	4766715	88.6
Single 25-55, no kids	4199274	3374876	80.4	4199274	3374876	80.4
Single >55 but <SPA, no kids	812583	537882	66.2	812583	537882	66.2
Couple either <25, no kids	654733	623703	95.3	1309466	1247406	95.3
Couple neither <25, one <55, no kids	3400888	3171266	93.2	6801776	6342532	93.2
Couple both >55 but <SPA, no kids	1427380	1141904	80	2854760	2283808	80
Couple with kids	5483449	5002775	91.2	10966898	10005550	91.2
Lone parent	1097140	400904	36.5	1097140	400904	36.5
Single pensioner	4241001	1143470	27.0	4241001	1143470	27.0
Couple, at least one over SPA	2515302	1069336	42.5	5030604	2138672	42.
All	29211923	21232831	72.7	42693675	32241815	75.5

Notes:. See text for details and key assumptions.

Source: Authors' calculations using the IFS tax and benefit microsimulation model, TAXBEN, run on data from the 1988 Family Expenditure Survey.

Table 5. 1996-97, decile group analysis

<i>Income decile group</i>	<i>Total number of families</i>	<i>Families for whom all private income is greater than net state support</i>	<i>Proportion of Families for whom all private income is greater than net state support</i>	<i>Total number of adults</i>	<i>Adults in families for whom all private income is greater than net state support</i>	<i>Proportion of adults in families for whom all private income is greater than net state support</i>
Poorest	2891173	1224356	42%	3448294	1374340	40%
2	2891734	783433	27%	4072404	1214073	30%
3	2891044	979278	34%	3935861	1463613	37%
4	2891100	1439973	50%	3960897	2124489	54%
5	2891352	2065474	71%	4231249	3113627	74%
6	2890709	2405590	83%	4434744	3786963	85%
7	2890908	2507561	87%	4480057	4019457	90%
8	2891752	2768888	96%	4695759	4542288	97%
9	2890649	2865761	99%	4755398	4725286	99%
Richest	2890753	2883652	100%	4841750	4832913	100%
All	28911174	19923966	69%	42856413	31197049	73%

Note: Income decile groups are derived by dividing all families into 10 equal-sized groups according to income adjusted for family size using the McClements equivalence scale. See text for details and key assumptions.

Source: Authors' calculations using the IFS tax and benefit microsimulation model, TAXBEN, run on data from the 1996–97 Family Resources Survey.

Table 6. 1996-97, family type analysis

<i>Family type</i>	<i>Total number of families</i>	<i>Families for whom all private income is greater than net state support</i>	<i>Proportion of Families for whom all private income is greater than net state support</i>		<i>Total number of adults</i>	<i>Adults in families for whom all private income is greater than net state support</i>	<i>Proportion of adults in families for whom all private income is greater than net state support</i>
Single <25, no kids	3580695	2973904	83%		3580695	2973904	83%
Single 25-55, no kids	4662442	3447463	74%		4662442	3447463	74%
Single >55 but <SPA, no kids	838676	487024	58%		838676	487024	58%
Couple either <25, no kids	529428	490395	93%		1058856	980790	93%
Couple neither <25, one <55, no kids	3991431	3699772	93%		7982862	7399544	93%
Couple both >55 but <SPA, no kids	1439493	1150025	80%		2878986	2300050	80%
Couple with kids	5383577	4712968	88%		10767154	9425936	88%
Lone parent	1601453	459108	29%		1601453	459108	29%
Single pensioner	4282669	1283384	30%		4282669	1283384	30%
Couple, at least one over SPA	2601310	1219923	47%		5202620	2439846	47%
All	28911174	19923966	69%		42856413	31197049	73%

Notes:. See text for details and key assumptions.

Source: Authors' calculations using the IFS tax and benefit microsimulation model, TAXBEN, run on data from the 1996-97 Family Resources Survey.

Table 7. 2008-09, decile group analysis

<i>Income decile group</i>	<i>Total number of families</i>	<i>Families for whom all private income is greater than net state support</i>	<i>Proportion of Families for whom all private income is greater than net state support</i>	<i>Total number of adults</i>	<i>Adults in families for whom all private income is greater than net state support</i>	<i>Proportion of adults in families for whom all private income is greater than net state support</i>
Poorest	3073231	1678308	55%	3477803	1832178	53%
2	3071461	1042140	34%	4248815	1516217	36%
3	3071502	1499487	49%	4429453	2329862	53%
4	3072085	1878329	61%	4316728	2802718	65%
5	3072444	2183402	71%	4411154	3220030	73%
6	3072314	2348731	76%	4494698	3583876	80%
7	3072037	2522664	82%	4622234	3968165	86%
8	3071637	2873120	94%	4918600	4685590	95%
9	3071664	3047659	99%	4987698	4959466	99%
Richest	3071903	3069435	100%	5109478	5107010	100%
All	30720278	22143275	73%	45016661	34005112	76%

Note: Income decile groups are derived by dividing all families into 10 equal-sized groups according to income adjusted for family size using the McClements equivalence scale. See text for details and key assumptions.

Source: Authors' calculations using the IFS tax and benefit microsimulation model, TAXBEN, run on data from the 2005–06 Family Resources Survey.

Table 8. 2008-09, family type analysis

<i>Family type</i>	<i>Total number of families</i>	<i>Families for whom all private income is greater than net state support</i>	<i>Proportion of Families for whom all private income is greater than net state support</i>		<i>Total number of adults</i>	<i>Adults in families for whom all private income is greater than net state support</i>	<i>Proportion of adults in families for whom all private income is greater than net state support</i>
Single <25, no kids	4076736	3509426	86%		4076736	3509426	86%
Single 25-55, no kids	5025320	3904048	78%		5025320	3904048	78%
Single 55-SPA, no kids	1114197	752230	68%		1114197	752230	68%
Couple either <25, no kids	518621	496353	96%		1037242	992706	96%
Couple neither <25, one <55, no kids	4022809	3823248	95%		8045618	7646496	95%
Couple both >55 but <SPA, no kids	1638418	1430539	87%		3276836	2861078	87%
Couple with kids	5170606	4616549	89%		10341212	9233098	89%
Lone parent	1879899	791020	42%		1879899	791020	42%
Single pensioner	4327743	1324714	31%		4327743	1324714	31%
Couple, at least one over SPA	2945929	1495148	51%		5891858	2990296	51%
All	30720278	22143275	73%		45016661	34005112	76%

Notes:. See text for details and key assumptions.

Source: Authors' calculations using the IFS tax and benefit microsimulation model, TAXBEN, run on data from the 2005–06 Family Resources Survey.