

Measuring National Well-being - Personal Finance, 2012

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Abstract

This article is published as part of the Office for National Statistics (ONS) Measuring National Well-being programme. The programme aims to produce accepted and trusted measures of the well-being of the nation - how the UK as a whole is doing. This article on personal finance is part of a series which aims to explore in more detail the different domains that are considered important for the measurement of National Well-being. Personal finance can have a significant impact on people's sense of well-being and the financial situation of the population is an important aspect of National Well-being. This article examines different aspects of household income, expenditure and wealth, including financial poverty as well looking at peoples own views about their own financial situation.

Introduction

Personal finance refers to individuals and household consumption possibilities, both now and in the future, and is therefore driven by both income and wealth.

A range of studies have investigated the relationships between people's financial situation and well-being. Joo (1998) conceptualised financial wellness as 'a level of financial health. It includes satisfaction with material and non-material aspects of one's financial situation, perception (or subjective assessment) of financial stability including adequacy of financial resources, and the objective amount of material and non-material financial resources that each individual possesses'.

This was highlighted in the National Debate on Measuring National Well-being and illustrated by one response that stated 'It's not about having millions of pounds, but working and earning a good amount to keep myself and any future family I have safe and well'. (ONS 2011)

In the recent Office for National Statistics (ONS) report on the [Consultation on Proposed Domains and Measures \(788 Kb Pdf\)](#) the scope of the domain 'Personal finance' is described as intending to include income and wealth and its distribution. In this same report the four headline measures proposed to Measure National Well-being within this domain are:

- percentage of individuals living in households where income was less than 60 per cent of median income after housing costs
- median wealth per household including pension wealth

- percentage who were somewhat, mostly or completely satisfied with the income of their household
- percentage who report it quite or very difficult to get by financially

The analysis of these measures will be used to address the concepts of poverty, inequality of income and assets which were mentioned in the national debate responses. This article explores these headline measures in more detail and puts them into the context of other objective and subjective measures of personal finance. It starts by looking at household income and poverty before moving onto satisfaction with income, satisfaction with financial situation, income and life satisfaction and how people are managing financially. The article then moves on to look at household expenditure, fuel poverty, household wealth and household debt.

Macroeconomic measures and their effects on households will be reported in the domain analysis of 'The economy' which will also be published by the Measuring National Well-being Programme in October 2012. All publications and further information about the programme can be found on the [Well-being page](#).

Key points

Household income

- In 2010/11 median income after housing costs in the UK was £359 per week, a rise since the £277 per week in 1994/95 but a fall from £373 per week in 2009/10

Poverty

- In the UK in 2010/11, 16 per cent of individuals lived in households with an income less than 60 per cent the median household income before housing costs

Poverty: characteristics

- In the UK in 2009, 64 per cent of households with above average poverty rates included large families, 64 per cent were entirely workless households and 47 per cent were headed by a lone parent
- In 2010, 76 per cent of weekly household income was from social security benefits for UK households in the lowest income quintile, while for those in the highest quintile 76 per cent of weekly income came from wages and salaries
- In the UK in 2010/11 those in the top income quintile group had an average original income of £81,500 per year before taxes and benefits compared to £5,100 for those in the lowest: a ratio of 16 to 1; the inequality was reduced once the effects of taxes and benefits were taken into account

Satisfaction with income

- In 2008/09, 8.5 per cent of people in the UK reported being completely satisfied with the income of their household compared to 11.1 per cent in 2002/03

Satisfaction with financial situation

- In 2011/12, 47.4 per cent of adults aged 16 and over in Great Britain reported relatively low satisfaction with their financial situation compared to 19.6 who had high satisfaction

Income and life satisfaction

- In Great Britain in 2011/12 adults aged 16 and over with a personal income between £4,159 and £11,439 had a mean score of 7.2 out of 10 for life satisfaction

Managing financially

- In 2008/09, 7.5 per cent of people in the UK reported they were finding it quite or very difficult to manage financially compared to 6.0 per cent in 2001/02
- In April 2012, 28 per cent of respondents in Great Britain thought their personal financial situation would worsen over the next 6 months compared to 22 per cent who thought it would improve

Household expenditure

- In 2010, housing, fuel and power became the second highest category of household expenditure (£60.40 per week), behind transport (£64.90 per week) replacing recreation and culture (£58.10) which was second in previous years

Household expenditure: housing

- In 2009 in the UK, 17 per cent of the population were living in households where housing costs were 40 per cent or more of their disposable income compared to the EU average of 10 per cent
- In 2011 mortgage re-possession in the UK fell to 37,000 from 48,000 in 2009; mortgage re-possession were at their highest in 1991 with 76,000 re-possession

Fuel poverty

- In the UK in 2010, 4.8 million households (approximately 19 per cent of all UK households) were in fuel poverty, a fall of 0.7 million since 2009

Household wealth

- In Great Britain in 2008/10 the median household wealth, including pension wealth, was estimated to be £235,500 and excluding pension wealth was £149,500

Household wealth: savings ratio

- In 2011 the savings ratio in the UK stood at 6.6 per cent, up from 2.2 per cent in 2008

Household debt

- In Great Britain in 2008/10 the mean value of non-mortgage borrowing was £7,300

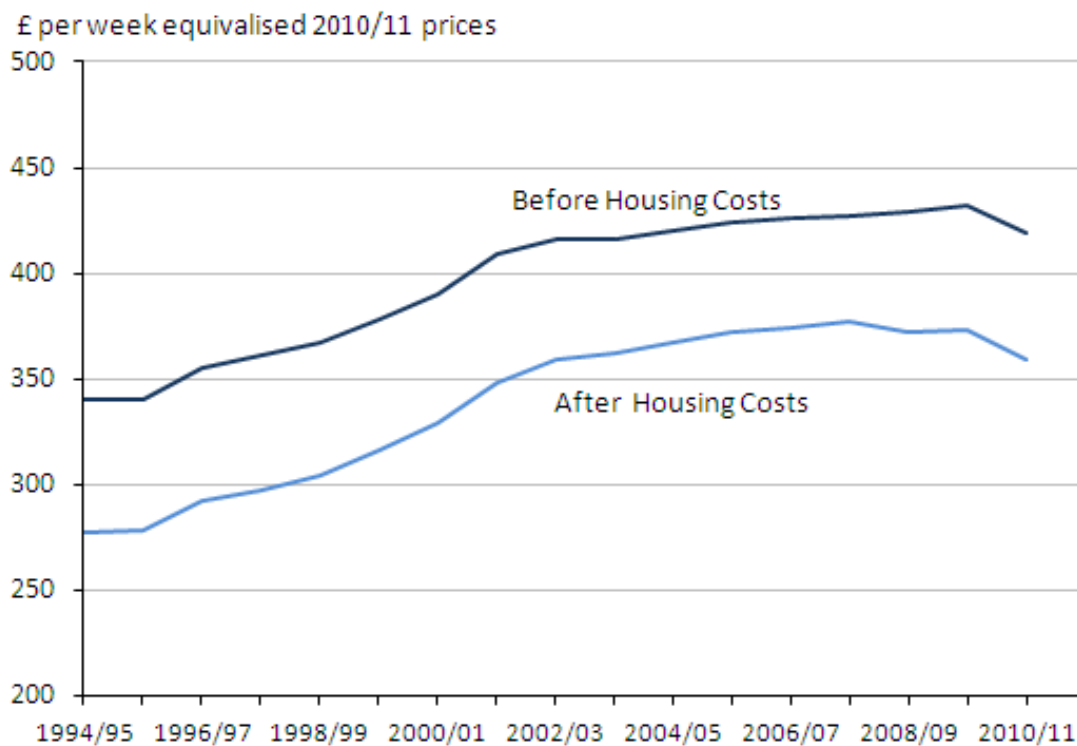
Household income

'I do not aspire to be wealthy, however I do want to be able to work and earn a fair wage for the work that I do'. Response to the National Debate. (ONS, 2011)

There are a number of measures of the income of households in use. Household equivalised median income from the Family Resources Survey (FRS) is used to examine the changes in household income over time and to estimate its distribution. This Survey is also analysed to estimate the number of individuals who live in households with different relative levels of income, in particular those who live in relative poverty.

Figure 1: Household Median Income (1), 1994/95 - 2010/11

United Kingdom (2)



Source: Family Resource Survey, Department for Work and Pensions

Notes:

1. Small changes in estimates from year to year may not be significant in view of data uncertainties.
2. Data is for the United Kingdom for 2002/03 onwards, prior to this it covers Great Britain.

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Data from the FRS shows weekly net (disposable) equivalised household median income¹. The median income before housing costs gradually increased between 1994/95 to 2009/10 from a median of £340 per week to £432 per week respectively at equivalised 2010/11 prices (note that 1994/95 data are for Great Britain and 2009/10 data are for the UK). However, median income fell in 2010/11 to £419 per week (Figure 1). For median income after housing costs the same general pattern applied, rising from £277 in 1994/95 to £377 in 2007/08. In 2008/09 it fell slightly to £372 and stayed fairly stable at £373 in 2009/10. However, in 2010/11 it fell further to £359 per week. This fall in median income between 2009/10 and 2010/11 was mainly due to earnings increasing by less than the relatively high inflation rate over the period.

Increases in inflation have outweighed the rise in income, effectively resulting in lower incomes and higher costs as the income buys less due to higher prices. This in real terms has put a further squeeze on the finances of many, highlighting the extent to which households continued to face difficult financial circumstances.

The proportion of income used for housing costs also increased in 2010/11 to 14.3 per cent, since its lowest level of 11.7 per cent in 2007/08, but it has not reached the levels seen in 1994/95 when 18.5 per cent of income was housing costs. (DWP, 2012)

Notes

1. In the FRS survey income is adjusted for household size and composition by means of equivalence scales, which reflect the extent to which households of different size and composition require a different level of income to achieve the same standard of living.

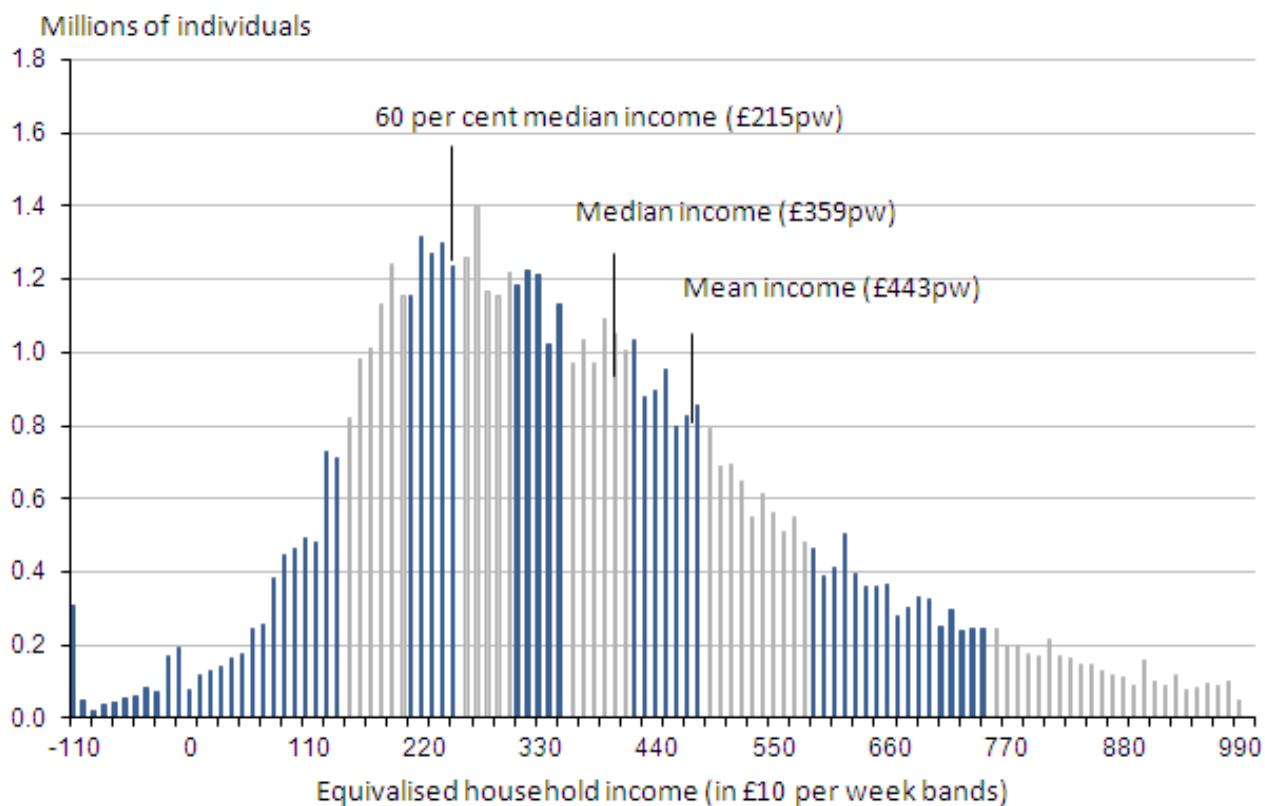
Poverty

A response to the National Debate suggested that financial well-being was 'A sense that everybody has access to a good standard of living'. (ONS, 2011)

Although looking at median income is useful, it is only an average measure and it is important to also look at those who have lower than average incomes as a way of understanding what percentage of the population are in 'poverty'.

In 2009 the British Social Attitudes survey found that, 58 per cent of respondents aged 18 and over living in private households in Great Britain believed that there was quite a lot of poverty in Britain, compared with 39 per cent who thought there was very little poverty. These figures contrast with the 52 per cent who thought there was quite a lot of poverty in 2006 and 45 per cent who thought there was very little poverty. In 1986, 41 per cent thought there was very little poverty compared with 55 per cent who thought there was quite a lot. (BSA, 2010)

Figure 2: Income distribution for the total population (After Housing Costs) (1), (2), 2010/11 United Kingdom



Source: Households Below Average Income, Department for Work and Pensions

Notes:

1. Equivalised household disposable income before deduction of housing costs (in £10 bands), using OECD equivalisation scale. The £10 bands are grouped into decile groups in alternating colours. See Appendix, Part 5: Households Below Average Income (HBAI).
2. Negative incomes BHC are reset to zero, but negative AHC incomes calculated from the adjusted BHC incomes are possible. Where incomes have been adjusted to zero BHC, income AHC is derived from the adjusted BHC income.

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Figure 2 illustrates the distribution of equivalised incomes after housing costs have been accounted for and shows how such incomes are distributed for households in the UK in 2010/11. The data show that the income distribution for 2010/11 disposable incomes after housing cost deduction are not distributed evenly. (DWP, 2012a)

There is a much greater concentration of people at lower levels of weekly income, with nearly two-thirds of individuals living in households with a disposable weekly income lower than the mean. There is a long 'tail' of people at the higher end of the distribution which results in a higher mean¹ income per week, £443 compared with the median² of £359.

A household is currently described as in poverty if its income is less than 60 per cent of the median (average) net household income, before and after housing costs³. Data from the FRS show that between 1998/99 and 2010/11 there have been some small changes in the proportion of individuals living in households where the income falls below 60 per cent of contemporary median income, either before or after housing costs (note that data prior to 2002/03 are for Great Britain and more recent data are for the UK). When looking at before housing costs, 19 per cent of individuals lived in such households in 1998/99 but by 2010/11 this had decreased to 16 per cent. When focusing on income after housing costs 24 per cent were considered to be in poverty in 1998/99, falling to 21 per cent in 2010/11.

The reduction in the percentage below the poverty rate between 2009/10 and 2010/11 is in part attributable to the fall in median income (see Figure 1) rather than any substantial improvement of the financial situation of the people at the bottom of the distribution. Before then reductions in poverty were driven by incomes at the bottom of the distribution growing faster than incomes in the middle of the distribution.

The inequality of incomes can be illustrated further by calculating the ratio between the incomes at different points in the distribution: For example, those who have incomes which are 90 per cent from the bottom of the distribution (90th percentile) have about five times as much income as those who have incomes which are 10 per cent from the bottom of the distribution (10th percentile) and those at the 75th percentile have about twice the income of those at the 25th percentile. (DWP, 2012a)

For further information see [Households Below Average Income](#) (HBAI)

Notes

1. The mean is equal to the sum of the values divided by the number of values. The mean is the arithmetic average of a set of values, or distribution.
2. The median is the numerical value separating the higher half of a sample. The median of a finite list of numbers can be found by arranging all the observations from lowest value to highest value and picking the middle one.
3. This value of a specific income or 'poverty' depends on the number of individuals in the household, as larger households need more money (although not proportionately more) than smaller ones in order to achieve the same standard of living.

Poverty: characteristics

Income data from the first wave of the Understanding Society Survey in 2009 have been analysed using a truncated measure of income, where the lowest and highest incomes were excluded from analysis. This measure results in an estimate of about 18 per cent of all households in the UK being in poverty. The results show some of the household characteristics which are associated with higher levels of poverty. (US, 2009)

Table 1: Estimated poverty rates, 2009 (1)

United Kingdom

	Poverty rate	Sample size (General Population sample Wave 1 Year 1)
All households	18	13,505
Households including someone over pension age	23	4,362
Households including someone over 75	30	1,652
Among non-pensioner households		
Households with children	20	4,521
Households with four or more children	64	187
Lone parent households	47	770
Households with no worker	64	1,708
Households whose members have no qualifications	41	934
Households renting their accommodation	31	3,563
Households including a disabled person	22	2,061
Households including a severely disabled person	31	755
Households containing an Indian person	14	250
Households including a Pakistani or Bangladeshi person	40	184
Households including a Caribbean person	22	233
Households including an African person	30	244
Households in England	15	7,585
Households in Wales	20	442
Households in Scotland	17	823

Households in Northern Ireland

20

891

Source: Understanding Society

Table notes:

1. Derived from Understanding Society Wave 1 Year 1, 2009.

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Households with above average poverty rates include large families (with four or more children) and workless households, both at 64 per cent (Table 1). This is followed by lone parents (47 per cent), those without educational qualifications (41 per cent), and Pakistanis and Bangladeshis (40 per cent). Poverty is also above average for households containing older pensioners, tenants, severely disabled people, Africans and for households in Wales and Northern Ireland.

A 2011 report by the Joseph Rowntree Foundation found that two age groups had worrying poverty rates, a very high proportion of 16 to 19-year-olds in the UK who were not in full-time education were in poverty. At the other end of the age scale, those approaching retirement (aged 55 to 64) contained high proportions of both poor and rich in comparison with older age groups.(JRF, 2011)

For further information see ['Monitoring poverty and social exclusion, 2011'](#)

The next section focuses on sources of income.

Table 2: Sources of income by gross income quintile group, 2010

United Kingdom

Gross income quintile group	Percentages					
	Wages and salaries	Self employment	Investments	Annuities and pensions ¹	Social security benefits ²	Other sources
	Percentage of gross weekly household income					
Lowest 20 per cent	8	3	2	10	76	2
Second quintile group	27	4	2	16	48	2
Third quintile group	53	7	2	15	22	1
Fourth quintile group	73	7	2	8	8	1
Highest 20 per cent	76	13	3	5	2	1

Source: Living Costs and Food Survey, Office for National Statistics

Table notes:

1. Other than social security benefits
2. Excluding housing benefit and council tax benefit (rates rebate in Northern Ireland).

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According to results from the Living Costs and Food Survey (LCF) adults aged 16 and over who were in the lowest fifth of the income distribution in the UK obtained about three-quarters of their income from social security benefits, this reduced to about half of the income in the next highest fifth and to about a fifth of those in the middle fifth of the income distribution (Table 2). In contrast, those in the highest two-fifths of the income distribution obtained over four-fifths of their income from wages or self employment. (ONS, 2011a)

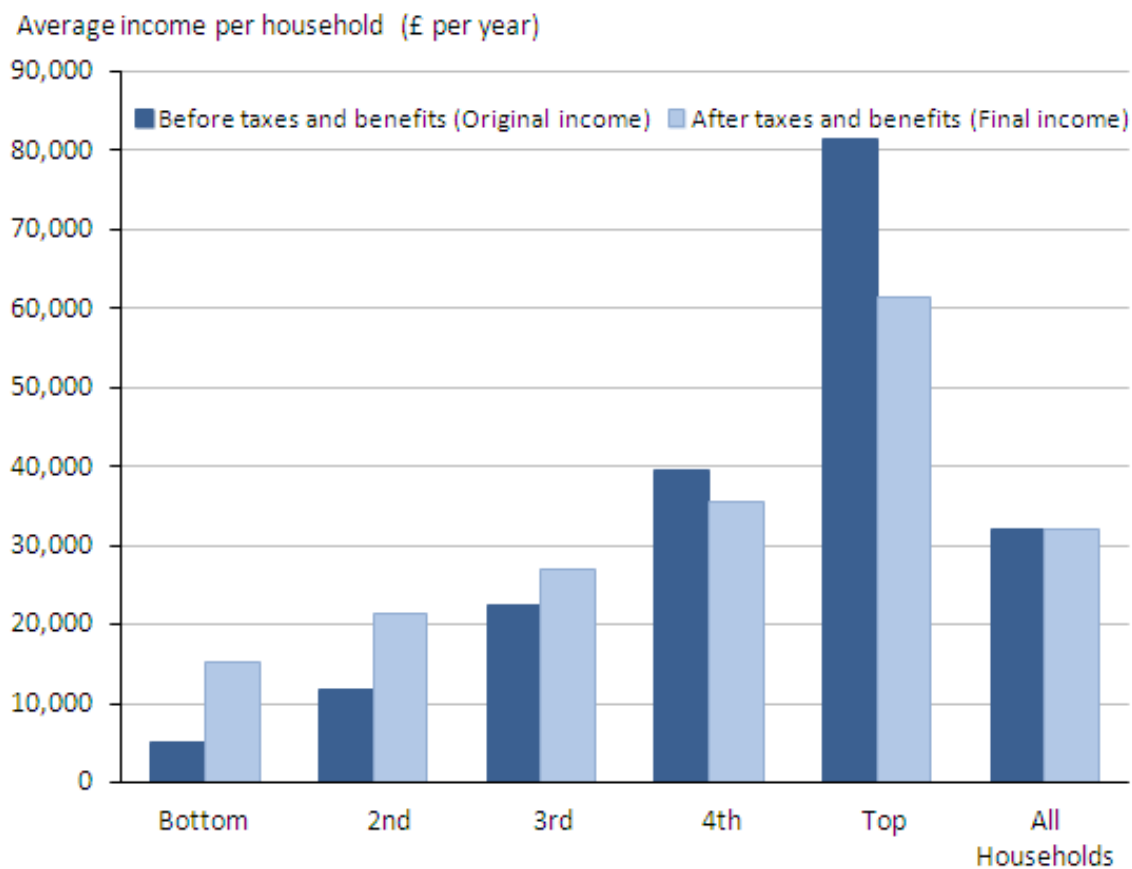
Many of those whose main source of income is from social security benefits, especially those in the lowest quintile group, are living in workless households. Data from the Labour Force Survey (LFS) in the UK show that there was a slight reduction in both the number and the percentage of workless households (households in which no adult aged 16 to 64 was working) between April to June 1996 and April to June 2012. Since 1996, when there were 3.9 million UK workless

households representing 20.9 per cent of all households, the lowest estimate for both the number and percentage of workless households was in 2006, two years before the economic downturn hit the UK in 2008 (3.4 million, representing 17.3 per cent of all households). In April to June 2012 there were 3.7 million UK households with at least one member aged 16 to 64 where no-one was currently working, representing 17.9 per cent of all households, down 0.8 percentage points (or 153,000 households) from a year earlier. In comparison over the same period, the percentage of households where all adults were working was 53.0 per cent (10.9 million households), down 0.3 percentage points (36,000 households) from a year earlier. (ONS, 2012)

For more information see ['Work and Workless households'](#).

'The effects of taxes and benefits on household income, 2010/11' published by the ONS in 2012 reports that cash benefits and direct taxes have the impact of redistributing income from richer households to those with lower incomes, thereby reducing income inequality. (ONS, 2012a)

Figure 3: The effects of taxes and benefits on household income quintile groups (1), 2010/11
United Kingdom



Source: The effects of taxes and benefits on household income 2010/11, Office for National Statistics

Notes:

1. Households are ranked by their equivalised disposable incomes, using the modified-OECD scale.

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In 2010/11 the richest fifth (those in the top income quintile group) in the UK had an average¹ original income of £81,500² per year before taxes and benefits, compared with £5,100 for the poorest fifth – a ratio of 16 to 1 (Figure 3). This ratio was also 16 to 1 in 2009/10, indicating that inequality of original income has not changed between the two years according to this measure. Original income includes earnings, private pensions and investments. After benefits were added and taxes subtracted, the richest fifth had income that was four times that of the poorest fifth (final incomes of £61,400 per year compared with £15,200, respectively).

The largest cash benefits³ were received by households in the second quintile group at £8,300 per year, compared with £7,000 for households in the bottom group. This is largely because more retired households are located in the second quintile group, compared with the bottom group, and in this analysis the state pension is classified as a cash benefit. Cash benefits therefore reduced the inequality of income.

Notes

1. Data are the average for the quintile.
2. Effects of taxes and benefits estimates are produced using the Living Costs and Food Survey together with a variety of other sources. The estimates of income used earlier in this article are from the Households Below Average Income (HBAI) publication which is published each year by the Department for Work and Pensions (DWP). This provides analysis of the income and income distribution based on data from the Family Resources Survey. Due to HBAI being based on a different survey, and some methodological differences (for example HBAI measures inequality on an individual basis whereas Effects of Taxes and Benefits (ETB) measures inequality on a household basis), HBAI and ETB estimates differ slightly. However, historical trends are similar.
3. Cash benefits such as tax credits, housing benefit and income support.

Satisfaction with income

Table 3: Satisfaction with income of household (1)

United Kingdom

Responses ³	Percentages ²						
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Completely satisfied	11.1	11.2	10.1	9.7	9.7	9.6	8.5
Mostly satisfied	19.9	21.8	22.0	18.3	20.7	22.4	20.4
Somewhat satisfied	27.4	29.0	27.5	26.6	28.0	28.2	29.5
Neither satisfied nor dissatisfied	19.9	19.2	20.1	20.9	20.2	20.1	20.8
Somewhat dissatisfied	11.7	10.7	11.8	12.7	12.0	11.3	11.9
Mostly dissatisfied	5.9	5.0	5.1	6.9	5.6	5.2	5.3
Completely dissatisfied	4.1	3.1	3.4	5.0	3.7	3.2	3.6
Somewhat, mostly or completely satisfied	58.4	61.9	59.6	54.6	58.4	60.2	58.5

Source: British Panel Household Survey

Table notes:

1. Responses to "How dissatisfied or satisfied are you with.....The income of your household ?"
2. The percentages are of those who responded. Estimated percentages are based on the full sample adjusted to UK figures using cross-sectional weights.
3. Responses to earlier waves of the BHPS differ. However, they have always been on a 7 point scale varying from completely (or very) satisfied to completely (or very) dissatisfied.

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Between 2002/03 and 2008/09 there have been some variations in the proportion of individuals aged 16 and over in the UK who report that they are somewhat, mostly or completely satisfied with the income of their household, ranging between 54.6 per cent and 61.9 per cent according to the British Panel Household Survey (BPHS) (Table 3). However, over this period there has been a decrease in the proportion who reported that they are completely satisfied from just over 11 per cent to less than 9 per cent and an increase in those reporting that they are somewhat or mostly satisfied with their income. About one in five respondents were neither satisfied nor dissatisfied with their income in each year. (BPHS, 2009)

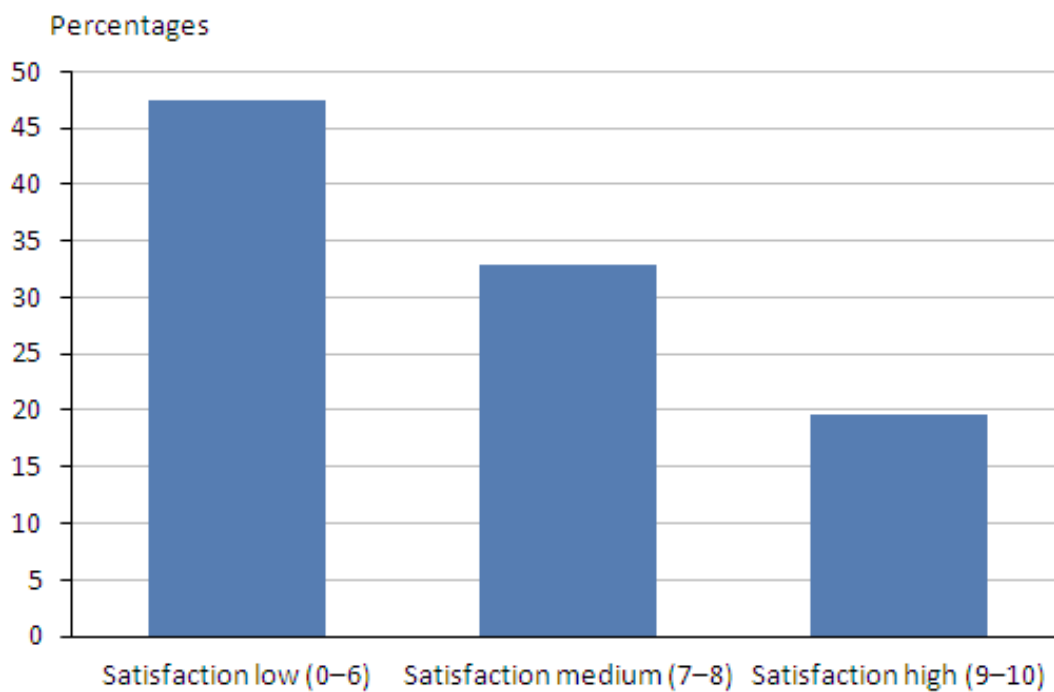
Satisfaction with financial situation

Responses to the National Debate included:

'I am financially well off but I would hate for someone to be worrying about whether they will have something to eat or a roof over their head. Also doing other things including recreation activities improves your mental well-being which in turn affects your general well-being but you can only do those things if you are in a good financial position'. (ONS, 2011)

Figure 4: Satisfaction with financial situation (1), (2), April 2011 to February 2012

Great Britain



Source: Opinions Survey, Office for National Statistics

Notes:

1. Respondents were asked 'Overall, how satisfied are you with your financial situation?' where 0 is 'not at all' and 10 is 'completely satisfied'.
2. Data collected in April, June and October 2011 and February 2012. February 2012 data collected also used show cards which could have a slight impact on the data.

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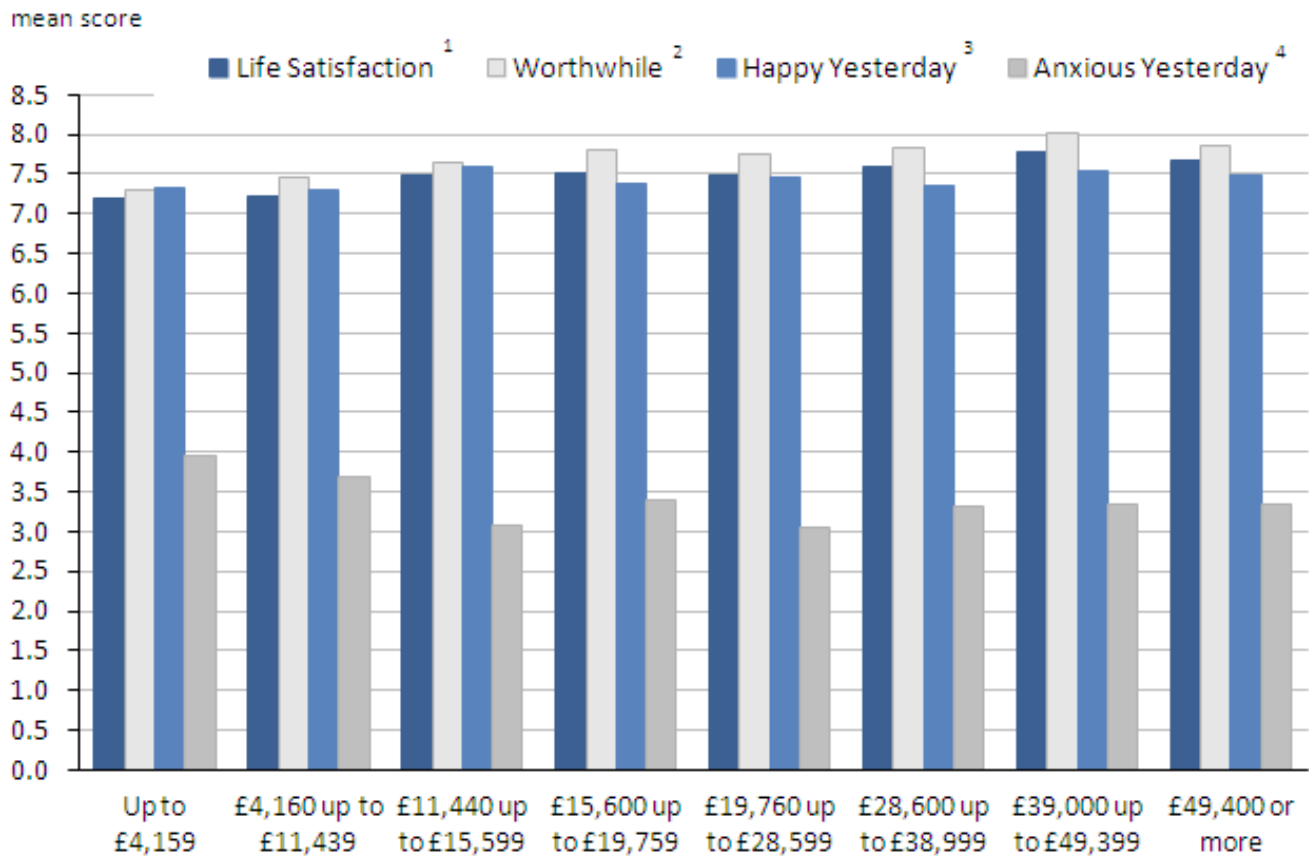
In the Opinions Survey when the question 'Overall, how satisfied are you with your financial situation?' was asked of adults aged 16 and over in Great Britain, nearly half of those surveyed (47.4 per cent) in 2011/12 reported low levels of satisfaction with their financial situation (between 0 and 6 on a scale of 0 to 10 where 0 is 'not at all' and 10 is 'completely') (Figure 4). A further 33.0 per cent

had medium levels of satisfaction (between 7 and 8 on the scale) with their financial situation while 19.6 per cent had high levels of satisfaction (9 to 10 on the scale). (ONS, 2012b)

Income and life satisfaction

Figure 5: Average (mean) Life Satisfaction, Worthwhile, Happy Yesterday and Anxious Yesterday Rating: by income group

Great Britain



Source: Opinions Survey, Office for National Statistics

Notes:

1. Respondents were asked 'Overall, how satisfied are you with your life nowadays? where 0 is 'not at all' and 10 is 'completely satisfied'.
2. Respondents were asked 'Overall, to what extent do you feel that things you do in your life are worthwhile? where 0 is 'not at all' and 10 is 'completely worthwhile'.
3. Respondents were asked 'Overall, how happy did you feel yesterday? where 0 is 'not at all' and 10 is 'completely happy'.
4. Respondents were asked 'Overall, how anxious did you feel yesterday? where 0 is 'not at all' and 10 is 'completely anxious'.

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These data from the Opinions Survey are published as experimental. The observed differences between the subjective well-being measures for the income groups are from a relatively small sample and should be interpreted carefully. ONS plan to do further analysis to better understand these data and related determinants of individual well-being.

Those in the lowest two personal income groups had the lowest mean scores for life satisfaction (both at 7.2) worthwhile (7.3 and 7.5 respectively) and happy yesterday (both at 7.3): these income groups also recorded the highest mean scores for anxious yesterday (4.0 and 3.7) (Figure 5). (ONS, 2012b)

Managing financially

During the National Well-being Debate respondents were asked 'what things in life matter to you?' 45 per cent of respondents highlighted the importance of having adequate income or wealth to cover basic needs. (ONS, 2011)

Table 4: Managing financially (1)

United Kingdom

Responses ³	Percentages ²							
	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Living comfortably	33.8	32.9	34.2	33.4	31.4	32.4	32.4	28.4
Doing alright	38.4	39.8	39.7	39.5	40.0	39.7	39.8	38.2
Just about getting by	21.9	21.7	21.3	21.5	22.7	21.8	21.8	25.8
Finding it quite difficult	4.3	4.1	3.5	4.1	4.1	4.2	4.3	5.4
Finding it very difficult	1.7	1.5	1.4	1.5	1.8	2.0	1.7	2.1
Finding it quite/very difficult	6.0	5.6	4.9	5.6	5.9	6.2	6.0	7.5

Source: British Panel Household Survey

Table notes:

1. Responses to "How well would you say you yourself are managing financially these days? Would you say you are....?"
2. The percentages are of those who responded. Estimated percentages are based on the full sample adjusted to UK figures using cross-sectional weights.
3. Responses to earlier waves of the BHPS differ. However, they have always been on a 7 point scale varying from completely (or very) satisfied to completely (or very) dissatisfied.

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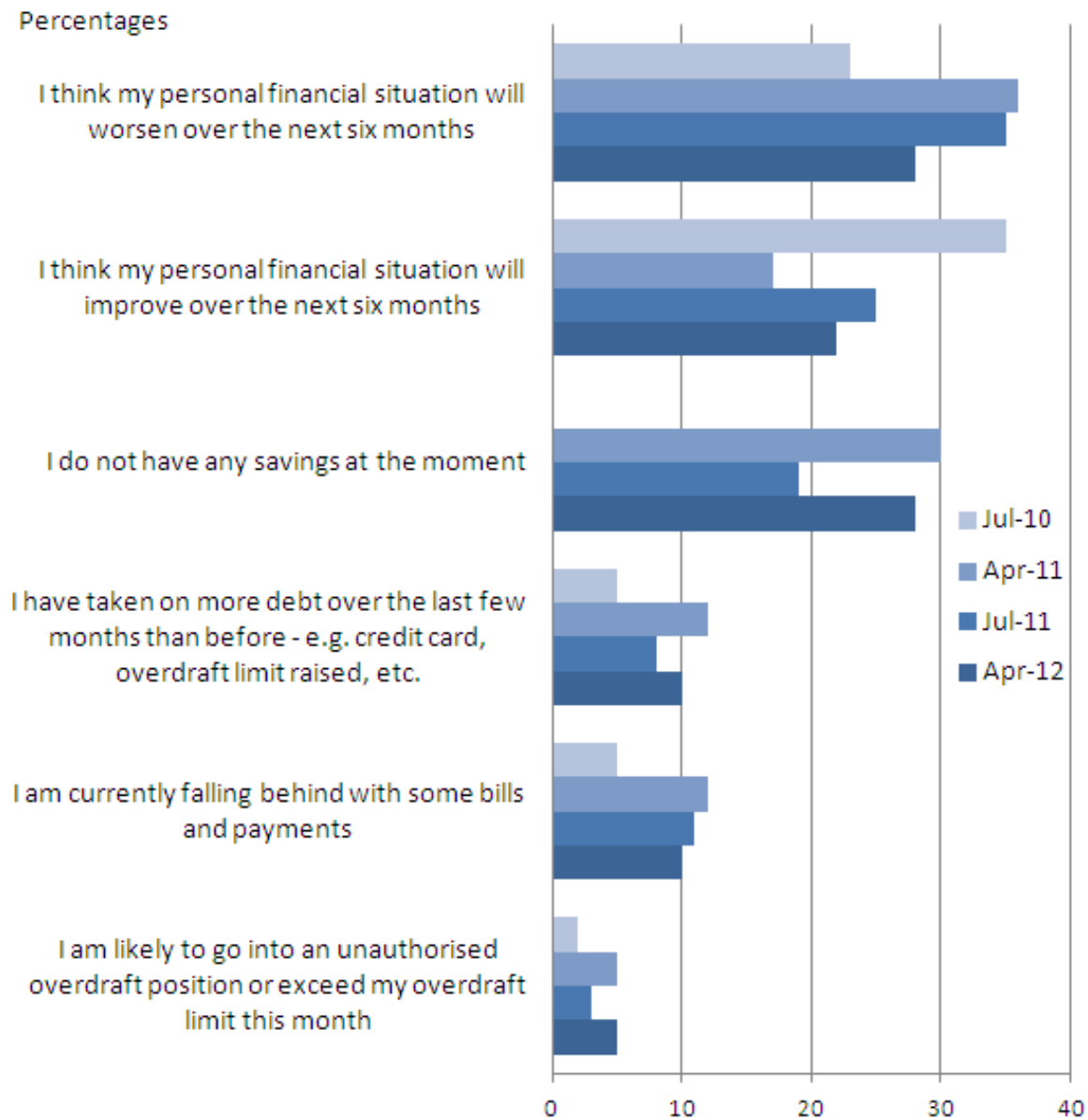
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Adults aged 16 and over in the UK were asked 'How well would you say you yourself are managing financially these days?' on the British Panel Household Survey. In 2008/09, 7.5 per cent reported that they were finding it either quite or very difficult to manage financially (Table 4). This is higher than previously recorded for any of the years since 2001/02. Between 2001/02 and 2008/09 there was also a reduction to 28.4 per cent in the proportion who reported that they were living

comfortably, the lowest for any of the years shown. An estimated 25.8 per cent said they were 'Just about getting by' in 2008/09 higher than in each of the preceding years. As 2008/09 was the first year of the most recent recession, it is likely that these changes are the result of the economic downturn affecting individual's ability or feelings about their ability to manage financially. (BPHS, 2009)

Figure 6: Financial Outlook (1)

Great Britain



Source : R3, ComRes

Notes:

1. Where data not shown, data is unavailable.

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A survey conducted by ComRes on behalf of R3: Association of Business Recovery Professionals (Rescue, Recovery, Renewal) looked at individuals' financial outlook for the next six months. The results found that there is still more pessimism than optimism. Overall, in April 2012, 28 per cent of individuals aged 18 and over in Great Britain think that their personal financial situation will worsen over the next six months, while only 22 per cent think it will improve (Figure 6). This was a decrease from 35 per cent and 25 per cent respectively since July 2011. In April 2011, 30 per cent stated that they did not have any savings at the moment, although this fell to 19 per cent in July 2011. It has since risen again to 28 per cent in April 2012. (R3, 2012)

Household expenditure

Household expenditure is another area that has implications for personal finance. Data from the Living Costs and Food survey shows total weekly household expenditure in the UK by the 12 Classification of Individual Consumption by Purpose (COICOP) categories. These figures are given in 2010 prices so that differences in expenditure between years have been adjusted to remove the effects of inflation. (ONS, 2011a)

Table 5: Total household expenditure based on COICOP classification, 2006 to 2010, at 2010 prices (1)

United Kingdom

	£'s				
COICOP commodity	2006	2007	2008	2009	2010
Food & non-alcoholic drinks	52.30	52.10	52.80	54.60	53.20
Alcoholic drinks, tobacco & narcotics	12.50	12.10	11.20	11.70	11.80
Clothing & footwear	25.90	23.80	22.50	21.90	23.40
Housing(net) ² , fuel & power	53.60	56.10	55.20	60.00	60.40
Household goods & services	33.80	33.30	31.40	29.20	31.40
Health	6.60	6.20	5.30	5.50	5.00
Transport	68.70	66.70	66.00	61.10	64.90
Communication	13.10	12.90	12.40	12.20	13.00
Recreation & culture	65.00	62.10	62.50	60.50	58.10
Education	7.90	7.30	6.40	7.30	10.00
Restaurants & hotels	42.40	40.30	39.30	40.20	39.20
Miscellaneous goods & services	40.20	38.20	37.10	36.70	35.90
Other expenditure items	84.80	85.90	88.10	75.10	67.30
Total expenditure	506.70	496.90	490.30	476.00	473.60
Average weekly expenditure per person (£)					
Total expenditure	216.70	210.90	208.00	203.40	203.10

Source: Living Costs and Food survey, Office for National Statistics

Table notes:

1. Figures have been deflated to 2010 prices using the RPI all items index.
2. Excluding mortgage interest payments, council tax and Northern Ireland rates.

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Spending levels were greatest in 2006, with households spending £506.70 per week at 2010 prices, they subsequently fell every year to reach £473.60 in 2010, £2.40 less than in 2009, and £33.10 less than in 2006 (Table 5).

The largest categories for household expenditure per week in each year, apart from 'other expenditure items', were transport (£64.90 in 2010), housing, fuel & power (£60.40), recreation and culture (£58.10), and food & non-alcoholic drinks (£53.20). Spending in these four categories accounted for half of total household expenditure in 2010. Between 2006 and 2010, spending on housing, fuel and power increased by nearly 13 per cent while food and non-alcoholic drinks had shown an increase of less than 2 per cent at 2010 prices.

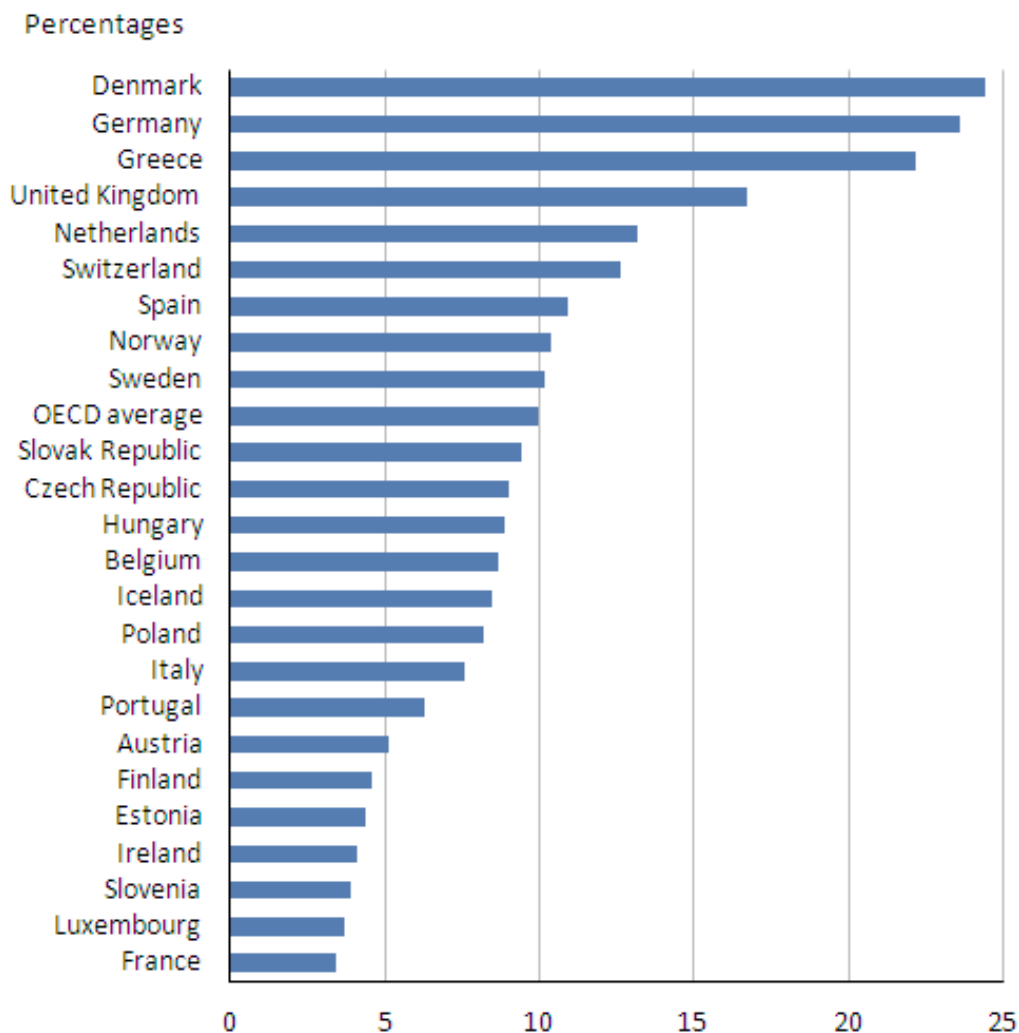
Over the same time period these increases were offset by reductions in expenditure of over 10 per cent on recreation and culture and over 5 per cent on transport. There were also decreases in spending on restaurants and hotels, miscellaneous goods and service and other expenditure items. From this data it appears that households are making ends meet by increasing their expenditure on basics such as food, housing and utilities and reducing expenditure on items which are not essential such as travel, recreation and eating out.

Household expenditure: housing

As has already been seen housing, fuel & power¹ form a major component of expenditure for households in the UK. According to European Union Statistics on Income and Living Conditions, housing costs² also represents the largest component of expenditure for many households in Europe.

Figure 7: Housing cost overburden rate in European countries (1), 2009

Europe



Source: European Union Statistics on Income and Living Conditions (EU-SILC)

Notes:

1. Data refer to people living in households where the total housing costs ("net" of housing allowances) represent 40 per cent or more of their disposable income.

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In 2009, about 10 per cent of the population in the 24 Organisation for Economic Co-operation and Development (OECD) countries surveyed by EU-SILC lived in households that spent 40 per cent or more of their equivalised disposable income on housing. The OECD 50, How's life? Measuring Well-being report continues to explain that there were, however large cross-country differences. The share of the population where housing costs are equal to or greater than 40 per cent of their equivalised disposable income is small in France, Luxembourg, Slovenia and Ireland but very high in Denmark, Germany and Greece (Figure 7). To some extent this may reflect public housing policies

and in particular social housing or housing subsidies provided by governments. Also, this indicator has to be interpreted with caution because it does not factor in essential housing allowances (such as tax benefits for renters or investment grants for owners). (OECD, 2011)

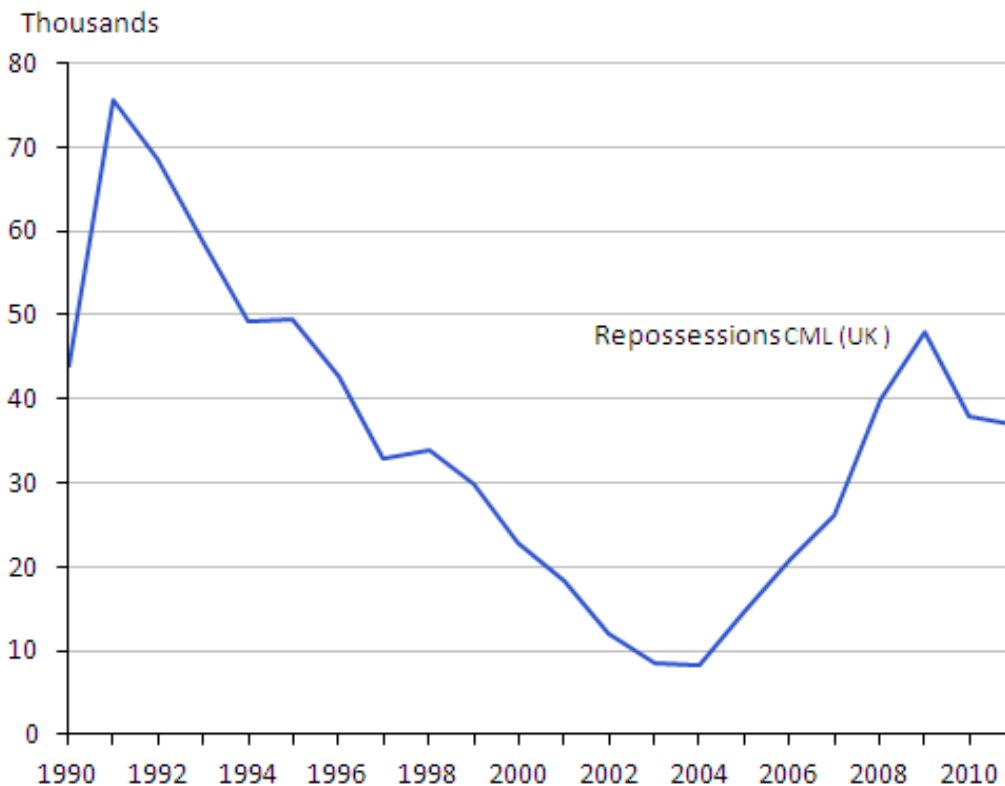
The UK is above the OECD average, with 17 per cent of the people aged 16 and over living in households where housing costs are 40 per cent or more of their equivalised disposable income.

Housing affordability is evaluated according to other standards in Australia, Canada and the United States. In 2009, more than 38 per cent of households in the United States spent 30 per cent of their current income on housing costs, while this share was around 25 per cent in Canada in 2006. In 2008, 36 per cent of low income renter households in Australia were classified as being in a condition of rental stress.

For those buying their own property with the aid of a mortgage, inability to meet mortgage repayments can lead to re-possession of their dwelling.

Figure 8: Mortgage repossessions (1)

United Kingdom



Source: Council of Mortgage Lenders (CML)

Notes:

1. Data on repossessions are based on first-charge loans data supplied by CML members. CML estimates that their lenders currently account for over 95 per cent of all first-charge mortgage lending.

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According to the Council of Mortgage Lenders, mortgage re-possession in the UK peaked in 1991 with 76,000 re-possession and then declined steadily to 8,000 in 2004 (Figure 8). However mortgage re-possession then rose sharply between 2004 and 2009, they rose to 15,000 in 2005 and then to 48,000 in 2009, before falling back somewhat in 2010 (to 38,000). In 2011 mortgage re-possession fell again slightly to 37,000. Mortgage re-possession are currently similar to the levels of the mid-1990s. According to Ministry of Justice data for England and Wales, repossession claims issued and claims leading to an order for repossessions followed a similar pattern. (CML, 2012)

Notes

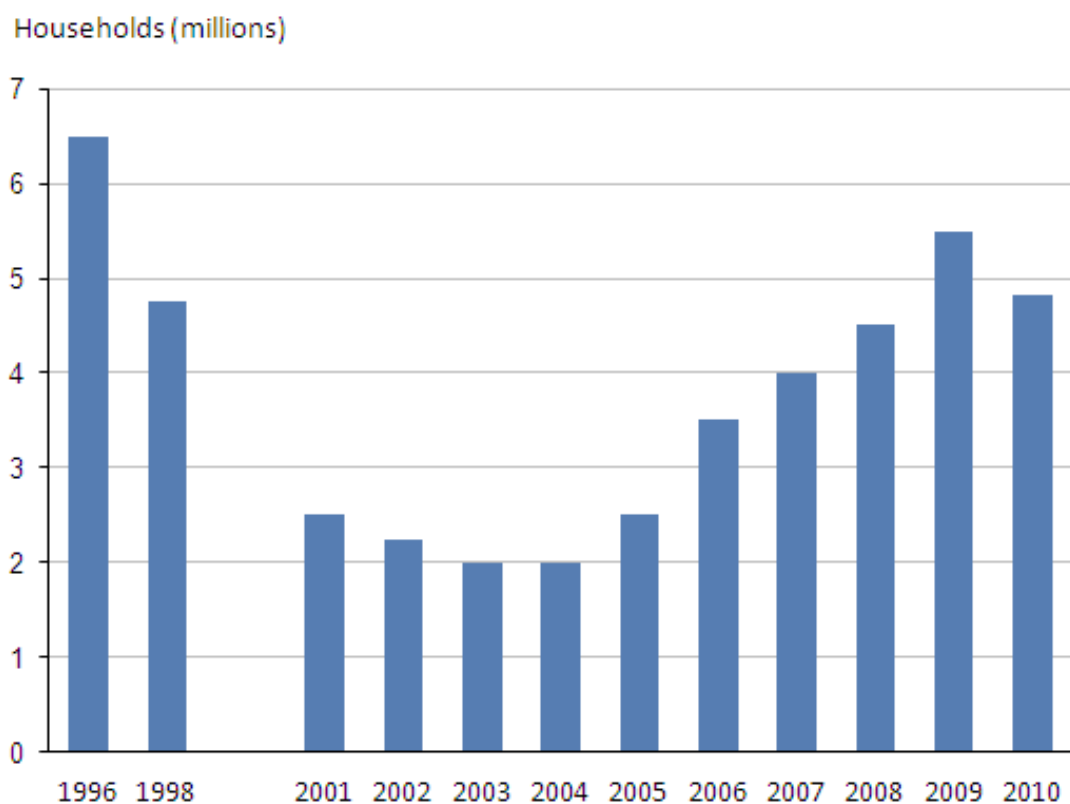
1. COICOP classification of housing, fuel and power includes actual rentals for housing, maintenance and repair of dwelling, water supply and miscellaneous services relating to the dwelling and electricity, gas and other fuels. The housing-related costs, mortgage interest payments, mortgage protection premiums, council tax, and domestic rates are included under the other expenditure items category.
2. Housing costs in the EU-SILC definition refer to monthly costs and include actual rents paid, the costs of utilities (water, gas, electricity and heating), housing taxes and compulsory insurance, as well mortgage interest payments and regular maintenance and repairs by home owners while excluding the repayments of principal on mortgages.

Fuel poverty

There are certain costs that affect all household income groups but have a larger effect on the budgets of those in low income households. For example, the rise in energy bills may result in many households in the lowest income distribution groups suffering from fuel poverty¹. For the years for which data are available, the largest number of households in fuel poverty was about 6.5 million in 1996.

Figure 9: Fuel poverty in the UK, 1996 to 2010 (1), (2)

United Kingdom



Source: Annual Report on Fuel Poverty Statistics, Department of Energy and Climate Change

Notes:

1. Fuel poverty was not calculated in 1997, 1999 and 2000.
2. Wales figure estimated for 2009 and 2010. Northern Ireland figure estimated for 2010.

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In 2010 the number of households in fuel poverty in the UK was about 4.8 million households (representing approximately 19 per cent of all UK households), a fall of 0.7 million since 2009 (Figure 9). However, there had been an increase of about 1 million households between 2008 and 2009, continuing an upward trend since 2004. After a period between 1996 and 2004 when fuel prices fell and incomes rose, prices started rising in 2004 and the effect of these price rises outweighed the impact of increasing incomes and improved energy efficiency. According to the

Department of Energy and Climate Change the reduction in the numbers in fuel poverty in between 2009 and 2010 was due to stable energy prices between these years, a small rise in incomes and the installation of energy efficiency measures, particularly more efficient boilers which resulted in using less fuel. The fuel poverty level of each UK country has followed the same trend. (DECC, 2012)

In January 2012 the Citizens Advice Bureau (CAB) reported that 43 per cent of respondents in Great Britain were worried they couldn't afford their next fuel bill and one in two said energy bills would put a strain on their finances this year². In November 2011 eight times as many people used Citizens Advice for online advice on cutting their fuel bills compared with the previous November³. In 2011 the Citizens Advice Bureau helped clients with over 96,000 fuel debt problems⁴. (CAB, 2012)

Notes

1. A household is considered to be in fuel poverty if it needs to spend more than 10 per cent of its income on fuel for adequate heating (usually 21 degrees for the main living area, and 18 degrees for other occupied rooms). Living in cold homes can damage people's health and affect their quality of life. The elderly, children and those with a disability or long-term illness are especially vulnerable.
2. This data comes from TNS OnLineBus who interviewed 2069 GB adults aged 16 to 64 between 20th and 28th December 2011.
3. This data is from Citizens Advice web stats.
4. The source of this data is CAB stats on client enquiries.

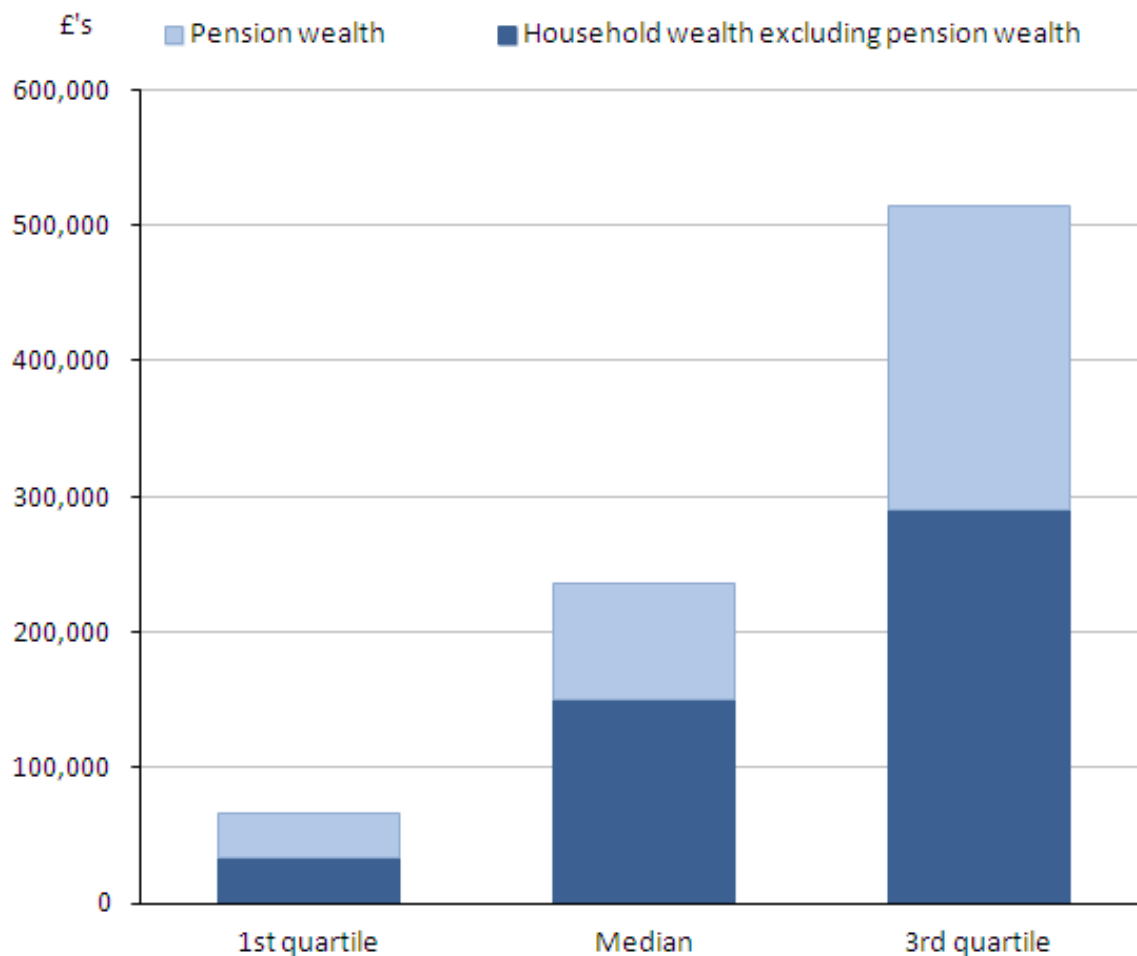
Household wealth

Wealth is an important component of the economic well-being of households as it can be used to fund future consumption and can provide a 'safety net' against loss of income. Therefore, when looking at financial well-being it is necessary to look further than just a measure of household income. Home ownership, investment schemes, the ownership of shares and the accumulation of wealth, for instance through pensions, all contribute to the changing composition of wealth.

The Wealth and Assets Survey (WAS) is a longitudinal survey that aims to address gaps identified in data about the economic well-being of households. It gathers information on financial and physical assets and liabilities, long term savings and investments, the distribution of wealth among households or individuals and other factors that affect financial planning.

Figure 10: Total household wealth (1), 2008/10

Great Britain



Source: Wealth and Assets Survey, Office for National Statistics

Notes:

1. Excludes assets held in Trusts (except Child Trust Funds) and any business assets held by households.

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In 2008/10 the WAS estimated the median household wealth for Great Britain, including pension wealth, to be £235,500 while the median household wealth, excluding pension wealth, to be £149,500 (Figure 10). The median value of household wealth masks considerable variation in wealth for households. For example, in 2008/10 households a quarter of the way from the top of the distribution of all wealth (at the 75th percentile) had about eight times more wealth than those households a quarter of the way up the distribution from the bottom (at the 25th percentile). (ONS, 2012c)

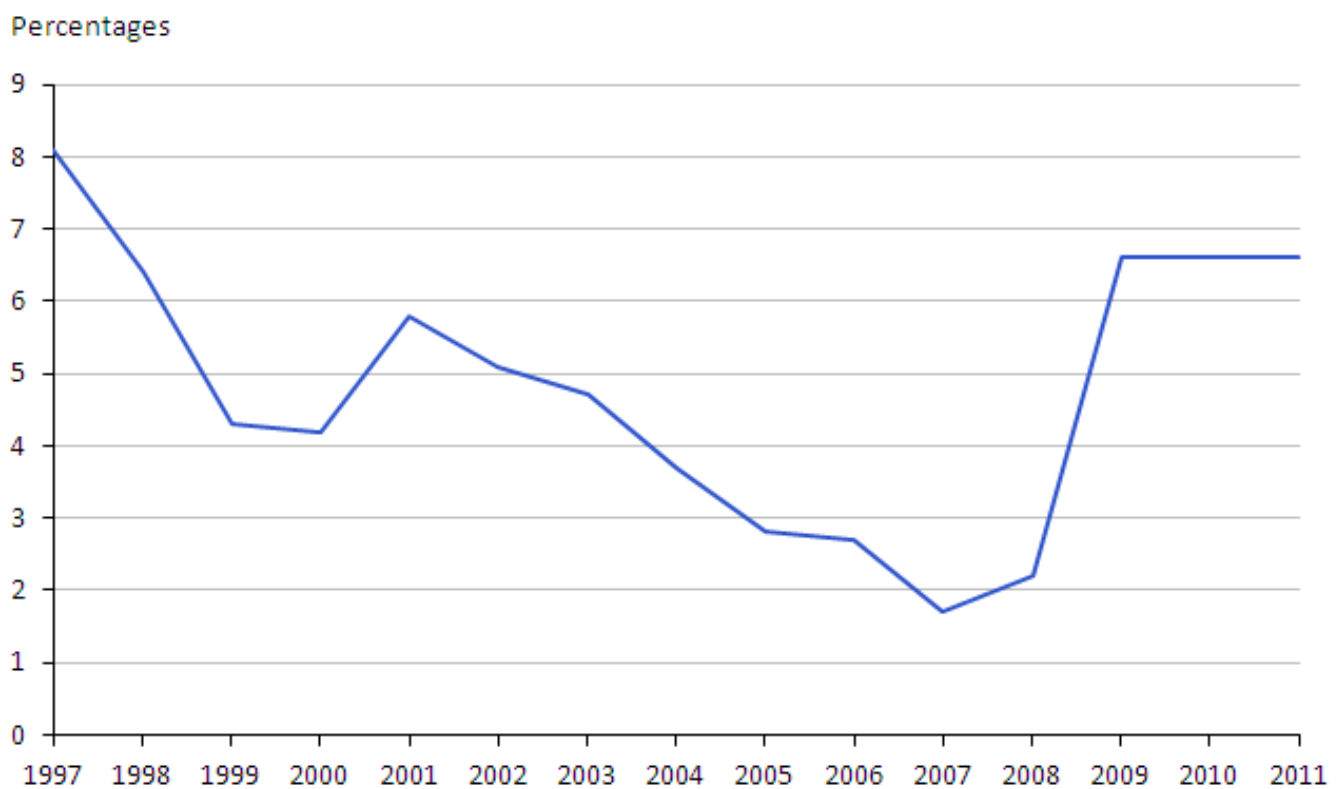
Wealth inequality seems to be much greater than income inequality and therefore may be of greater concern for well-being.

Household wealth: savings ratio

Savings form part of the wealth and assets of individuals and households and can provide a buffer against changes in economic circumstances. The savings ratio shows the percentage of income that households and non-profit organisations serving households (NPISH) save in relation to their available resources.

Figure 11: Household Saving ratio

United Kingdom



Source: The economic position of households, Office for National Statistics

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'The economic position of households' published by ONS in 2012 shows the changes in the household saving ratio over the past few years. Decisions about the amount of savings reflect the economic conditions that households have been facing. Before the financial crisis in 2008 the saving ratio had been on a downwards trend (Figure 11). This was driven by high levels of household spending and the more widespread use of credit. However, between 2008 and 2009 the saving ratio in the UK increased from 2.2 per cent to 6.6 per cent in 2009. Following this, the saving ratio has stayed stable at 6.6 per cent in 2010 and 2011. These changes suggest that with the financial crisis households are paying down debts, borrowing less and saving a higher proportion of their income despite decreases in income. (ONS, 2012d)

For further information see ['the economic position of households'](#).

Household debt

According to Credit Action¹ an estimate for the average household debt in June 2012 in the UK was £7,854 excluding mortgages and £55,448 including mortgages. They also report that average consumer borrowing (including credit cards, motor and retail finance deals, overdrafts and unsecured loans) per UK adult during that month was £4,205. (CA, 2012)

Data from the insolvency service shows the rate of total individual insolvencies in England and Wales (including bankruptcy orders, debt relief orders [DROs] and individual voluntary arrangements [IVAs]) fell to 27.3 per 10,000 adults in 2011 (119,941 new cases). This followed a generally increasing trend from 7.5 per 100,000 adults (30,587 new cases) in 2002 to the peak of 31.1 per 100,000 adults (134,142 new cases) reached in 2009 (some of the increase between 2008 and 2009 was driven by the introduction of DROs from April 2009). The rise up to 2009 occurred as the number of insolvencies grew faster over this period than the underlying population growth. The fall in the total individual insolvency rate from 2009 through to 2011 is attributable to the reduction in numbers of bankruptcy orders from a rate of 17.3 to 9.5 per 10,000 adults over the same period. The reduction in the number of individual insolvencies has itself been driven by the fall in consumer bankruptcies as opposed to trader bankruptcies. Some of the fall in bankruptcies can also be attributed to DRO's which by contrast, have continued to rise since their introduction in April 2009 while the rate per 10,000 adults has increased each year, to 6.6 in quarter 4² 2011 from 5.8 in quarter 4 2010. (IS, 2012)

Insolvency service regional statistics³ show that from 2008, the North East has seen the highest total individual insolvency rate in England and Wales (35.2 per 10,000 adults in 2011), followed by the South West and the East Midlands (both 30.4 in 2011). The North East also showed the largest increase in the rate between 2000 and the peak in 2009, up by 30.9 per 10,000 adults. London had the lowest insolvency rate (17.5 in 2011). As a whole in 2011, England had an insolvency rate of 26.7 (111,073 new cases) while Wales had an insolvency rate of 28.9 (6,968 new cases).

The Consumer Credit Counselling Service reported that since January 2009 there has been a six-fold increase in the number of people approaching them for advice about payday loan debts. By December 2011 the charity was counselling close to 1,500 clients a month with this form of high cost credit. Overall in 2011, they helped 17,414 clients with payday loan debts, with more than £22 million outstanding. The total average amount owed in payday loans was £1,267, which is some four and

a half times the average size of a loan (around £275). This suggests clients with payday loans are often struggling to keep control of the spiralling costs of this type of credit. (CCCS, 2012)

Respondents to the European Social Survey were asked in 2010 'to what extent they had to draw on savings or get into debt to cover ordinary living expenses in the last 3 years'. For the UK, 41.3 per cent of respondents aged 15 and over, reported that they didn't have to draw on savings or get into debt at all while 11.6 per cent stated that they had to draw on savings or get into debt a great deal over the last 3 years. (ESS, 2010)

Data from the WAS show that there has been a rise in the proportion of households who have non-mortgage borrowing. Non-mortgage borrowing includes credit and store cards that are not settled each month, overdrafts and all forms of fixed term loans. In 2006/08, 48.2 per cent of households in Great Britain had some form of non-mortgage borrowing; this increased to 49.2 per cent in 2008/10. There were increases in households with personal loans (formal and informal) and loans from student loan companies. The proportion of households with most other forms of non-mortgage borrowing was more stable or decreased between the two time periods. (ONS, 2012c)

Table 6: Distribution of amounts outstanding for household non-mortgage borrowing: by type of borrowing (1)

Great Britain

	£'s			
	Mean		Median	
	2006/08	2008/10	2006/08	2008/10
Formal loans	8,600	8,200	4,500	4,600
Informal Loans	3,900	3,900	1,500	1,300
Loans from the Student Loan Company	9,500	9,200	8,000	8,500
Hire purchase	5,200	4,200	2,600	2,400
Credit and charge cards	3,200	3,400	1,500	1,600
Overdrafts	1,100	1,200	500	500
Store cards and charge accounts	500	400	200	200
Mail order	400	600	100	200
Any non-mortgage borrowing (excluding new loans)	7,100	7,300	2,800	3,200
Excluding overdrafts	7,300	7,400	3,100	3,500
Excluding loans from the Student Loans Company	6,600	6,800	2,500	2,900

Source: Wealth and Assets Survey, Office for National Statistics

Table notes:

1. Includes only households with each type of borrowing.

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The WAS provides mean and median values for the level of borrowing for households in Great Britain who have non-mortgage borrowing. There was little difference in the overall level of borrowing between 2006/08 and 2008/10, with the mean value of non-mortgage borrowing being £7,100 in 2006/08 and £7,300 in 2008/10, while the median value increased from £2,800 to £3,200 over the same period (Table 6).

The large difference between the mean and median occurs because the mean average was influenced by a small minority of households who owed very large sums. As such, it is particularly appropriate to consider both the mean and median alongside each other when considering the average amounts owed in non-mortgage borrowing, the mean providing the arithmetic average and the median providing a better indication of the typical amounts owed. Table 6 includes examples of large differences between the mean and median values of non-mortgage borrowing. In 2008/10 the differences between the mean and median values for non-mortgage borrowing of between £1,800 and £3,600 were seen for formal loans, informal loans, hire purchase and credit and charge cards.

For further information see ['Wealth in Great Britain Wave 2'](#).

In October 2011, 60 per cent of adults aged 18 and over in Great Britain reported in a ComRes survey that they were worried about their current levels of debt, up 21 percentage points on the previous year. In October 2011, 40 per cent reported that they were saving less at the time than they usually did, while 29 per cent were putting off making any big financial decisions. (R3, 2012)

Notes

1. Household debt and consumer borrowing figures provided by Credit Action are calculated using a combination of data from the Bank of England and the ONS. While these were best estimates at the time of publication it should be noted that the numbers they are based on can change afterwards, either due to historical revision or more up-to-date data becoming available and are therefore subject to change.
2. Quarter 4 consists of October to December.
3. Regional data is taken from the insolvency service regional statistics as opposed to their quarterly release which provide headline figures (used in previous paragraph). For data taken from the regional statistical release numbers presented are new cases and are not consistent with the official, headline National Statistics published as they have been extracted from a live database at a different point in time and on a different basis'.

About the ONS Measuring National Well-being Programme

NWB logo 2



This article is published as part of the ONS Measuring National Well-being Programme.

The programme aims to produce accepted and trusted measures of the well-being of the nation - how the UK as a whole is doing. It is about looking at 'GDP and beyond' and includes:

- greater analysis of the national economic accounts, especially to understand household income, expenditure and wealth
- further accounts linked to the national accounts, including the UK Environmental Accounts and valuing household production and 'human capital'
- quality of life measures, looking at different areas of national well-being such as health, relationships, job satisfaction, economic security, education environmental conditions
- working with others to include the measurement of the well-being of children and young people as part of national well-being
- measures of 'subjective well-being' - individuals' assessment of their own well-being
- headline indicators to summarise national well-being and the progress we are making as a society

The programme is underpinned by a communication and engagement workstream, providing links with Cabinet Office and policy departments, international developments, the public and other stakeholders. The programme is working closely with Defra on the measurement of 'sustainable development' to provide a complete picture of national well-being, progress and sustainable development.

Find out more on the [Measuring National Well-being](#) website pages.

Background notes

1. Details of the policy governing the release of new data are available by visiting www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html or from the Media Relations Office email: media.relations@ons.gsi.gov.uk

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This document is also available on our website at www.ons.gov.uk.

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