

Statistical bulletin

# Average household income, UK: financial year ending 2021

Final estimates of average household income in the UK, with analysis of how these measures have changed over time, accounting for inflation and household composition.

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# 1 . Other pages in this release

- [Household income inequality. UK: financial year ending 2021](#)
- [Interpreting changes in UK income estimates during the coronavirus pandemic \(financial year ending 2021\)](#)

## 2 . Main points

- Median household disposable income in the UK was £31,400 in financial year ending (FYE) 2021, which covered the first year of the coronavirus (COVID-19) pandemic; this was an annual increase of 2%, based on estimates from the Office for National Statistics' (ONS) Household Finances Survey.
- Mean disposable income showed a small reduction of 0.6%, a consequence of a moderate fall at the bottom of the income distribution, relative stability across the middle, and a small fall at the top of the distribution.
- Changes across the distribution coincided with an interaction between increased likelihood to be furloughed at the bottom of the income distribution, an uplift of Universal Credit, and upper limits on coronavirus support schemes at the top of the distribution.
- Median income growth for people living in retired households was 7.0%, this followed a 3.7% reduction in the previous year; from the FYE 2019 to FYE 2021, retired households saw lower income growth than non-retired households.

## 3 . About the data in this release

The UK has two main, official sources of household income statistics: the Family Resources Survey (FRS) run by the Department for Work and Pensions (DWP) and the Household Finances Survey (HFS) run by the Office for National Statistics (ONS).

FRS estimates underpin DWP's Households Below Average Income (HBAI) series, which is the UK's official source of poverty estimates. It is also the main and recommended source on household and individual incomes. HFS data are used to produce [ONS's Household disposable income inequality \(HDII\)](#) and [Effects of taxes and benefits \(ETB\)](#) series. HDII is the best and recommended source to compare the overall financial well-being of households when combining income and expenditure.

There are some key methodological differences between the two series that mean that their income estimates are different. For example, the FRS focuses on respondents' weekly incomes at the time of interview, whereas HFS focuses more on annual income. The treatment of pension contributions also differs, with ONS' estimate of gross household income being calculated before pension contributions. Further details are available in our [Income and earnings statistics guide](#).

Throughout 2020 and 2021, household finances were affected by restrictions and subsequent financial support measures put in place during the coronavirus (COVID-19) pandemic. Notably, financial support schemes were made available across financial years 2020 and 2021 to both employed and self-employed people through the Coronavirus Job Support Scheme (CJRS) and Self-Employment Income Support Scheme (SEISS), respectively. Income estimates presented here include income from CJRS, as well as policy changes such as the uplift to the Universal Credit standard allowance basic element. You can find more information on how the coronavirus affected income statistics over the latest period in [Interpreting changes in UK income estimates during the coronavirus pandemic \(Financial year ending 2021\)](#).

This release covers estimates of household incomes over time. Unless otherwise stated, the analysis presented here is based on a disposable income measure; that is the amount of money households have available for spending and saving after direct taxes have been accounted for. It includes earnings from employment, private pensions and investments as well as cash benefits provided by the state.



## 4 . Analysis of average disposable income

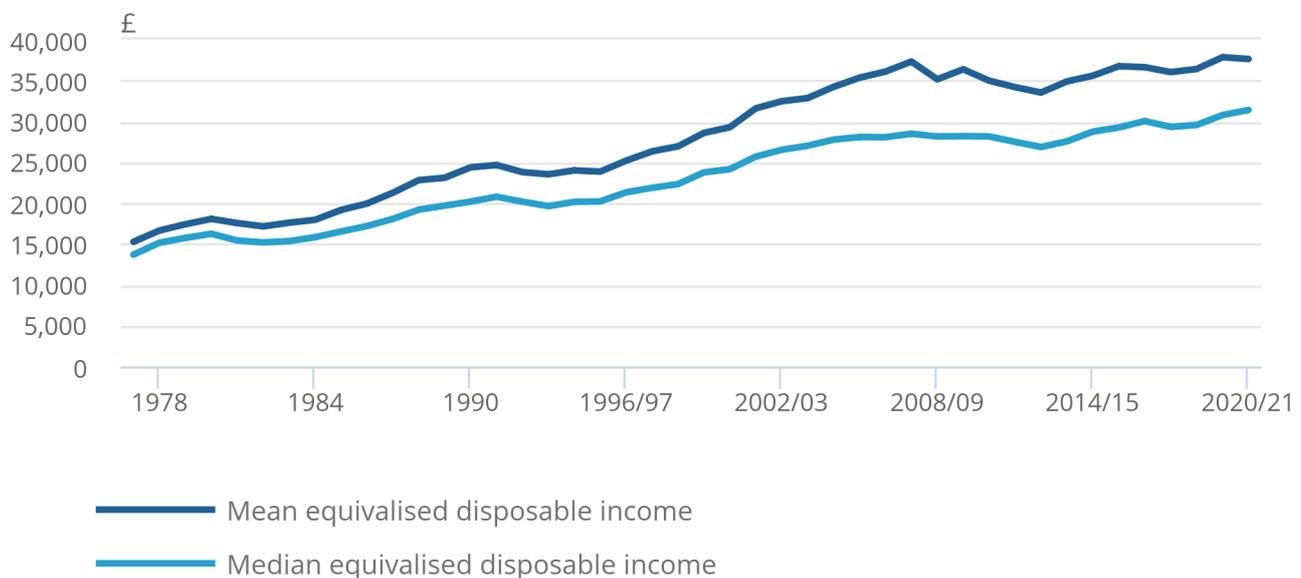
Median income increased by 2.0% between the financial year ending (FYE) 2020 and FYE 2021. During the 10-year period leading up to FYE 2021 (FYE 2012 to FYE 2021), median income grew by 14.2%. Mean income decreased by 0.6% between FYE 2020 and FYE 2021, but increased by 10.1% between FYE 2012 and FYE 2021.

**Figure 1: Median income increased during the 10-year period leading up to financial year ending 2021**

Median and mean real equivalised household disposable income of individuals, UK, 1977 to financial year ending 2021

### Figure 1: Median income increased during the 10-year period leading up to financial year ending 2021

Median and mean real equivalised household disposable income of individuals, UK, 1977 to financial year ending 2021



Source: Office for National Statistics – Household Finances Survey

**Notes:**

1. Incomes are adjusted for inflation using the Consumer Prices Index including owner-occupiers' housing costs (CPIH).
2. Estimates of income from FYE 2002 onwards have been adjusted for the under-coverage of top earners.
3. 2020/21, represents the financial year ending 2021, (April to March), and similarly for all other years expressed in this format. Estimates prior to FYE 1995 are measured on a calendar year basis.
4. Estimates up to and including financial year ending (FYE) 2017 are sourced from the Living Costs and Food (LCF) survey. Estimates from FYE 2018 onwards are based on the Household Finances Survey, which the LCF is part of.

Median income of retired households increased at a greater rate over the same time-period, with an increase of 7.0% between FYE 2020 and FYE 2021, and average annual growth of 1.4% over the 10-year period from FYE 2012 to FYE 2021. Meanwhile, median income for people living in non-retired households increased by an average of 1.0% between FYE 2020 and FYE 2021, with an average annual growth of 1.5% from FYE 2012 to FYE 2021.

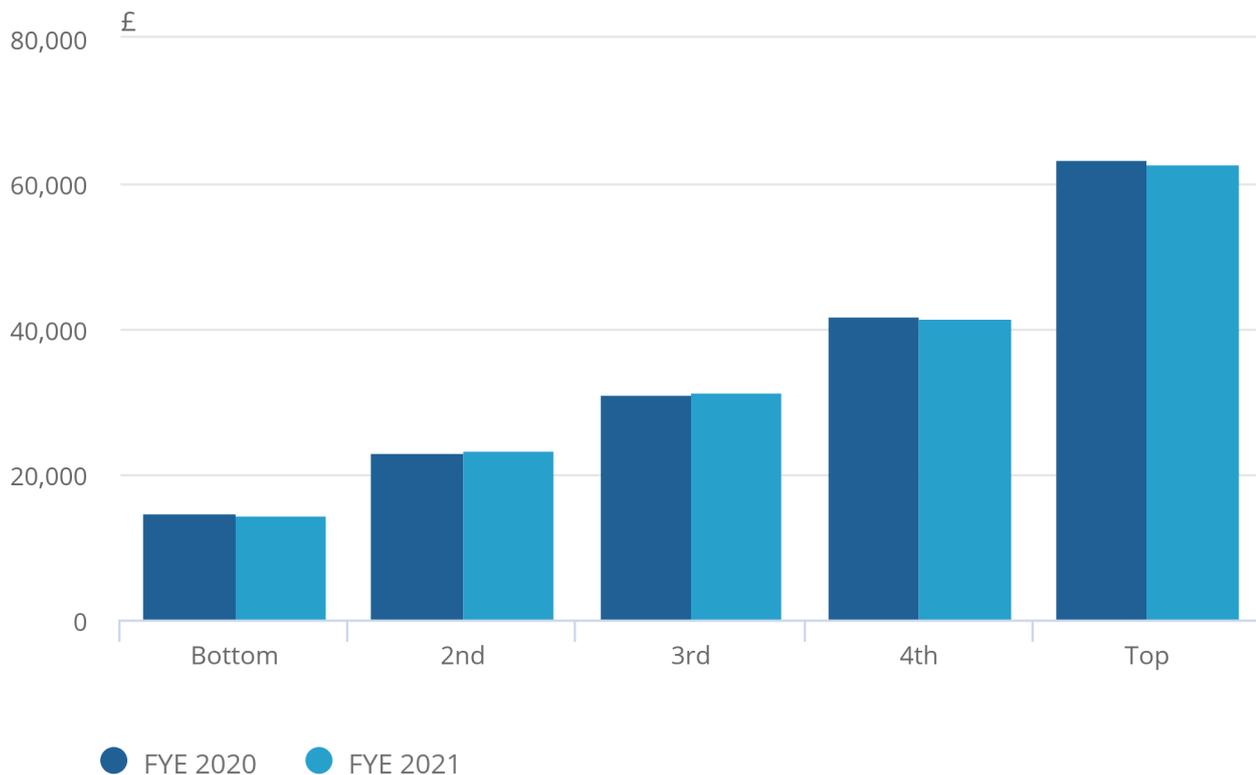
Median income for the poorest fifth of the population decreased by 2.0% between FYE 2020 and FYE 2021 to £14,600. However, median income has stayed broadly the same between FYE 2012 and FYE 2021. Median income for the richest fifth of people has also decreased, but to a lesser extent, with a decrease of 1.0% between FYE 2020 and FYE 2021 to £62,700. A different trend is seen between FYE 2012 and FYE 2021, with median income of the richest fifth increasing by 9.1%. The impact of these changes across the income distribution can be found in [Household income inequality, UK: financial year ending 2021](#).

**Figure 2: Median income of the poorest fifth of people fell by an average of 2.0%, while the richest fifth of people fell by 1.0%**

Median equivalised household disposable income of individuals by quintile group, financial year ending (FYE) 2020 and 2021, UK.

Figure 2: Median income of the poorest fifth of people fell by an average of 2.0%, while the richest fifth of people fell by 1.0%

Median equivalised household disposable income of individuals by quintile group, financial year ending (FYE) 2020 and 2021, UK.



Source: Office for National Statistics – Household Finances Survey

Notes:

1. Incomes are adjusted for inflation using the Consumer Prices Index including owner-occupiers' housing costs (CPIH) excluding Council Tax.
2. FYE 2021, represents the financial year ending 2021, (April to March), and similarly for all other years expressed in this format.

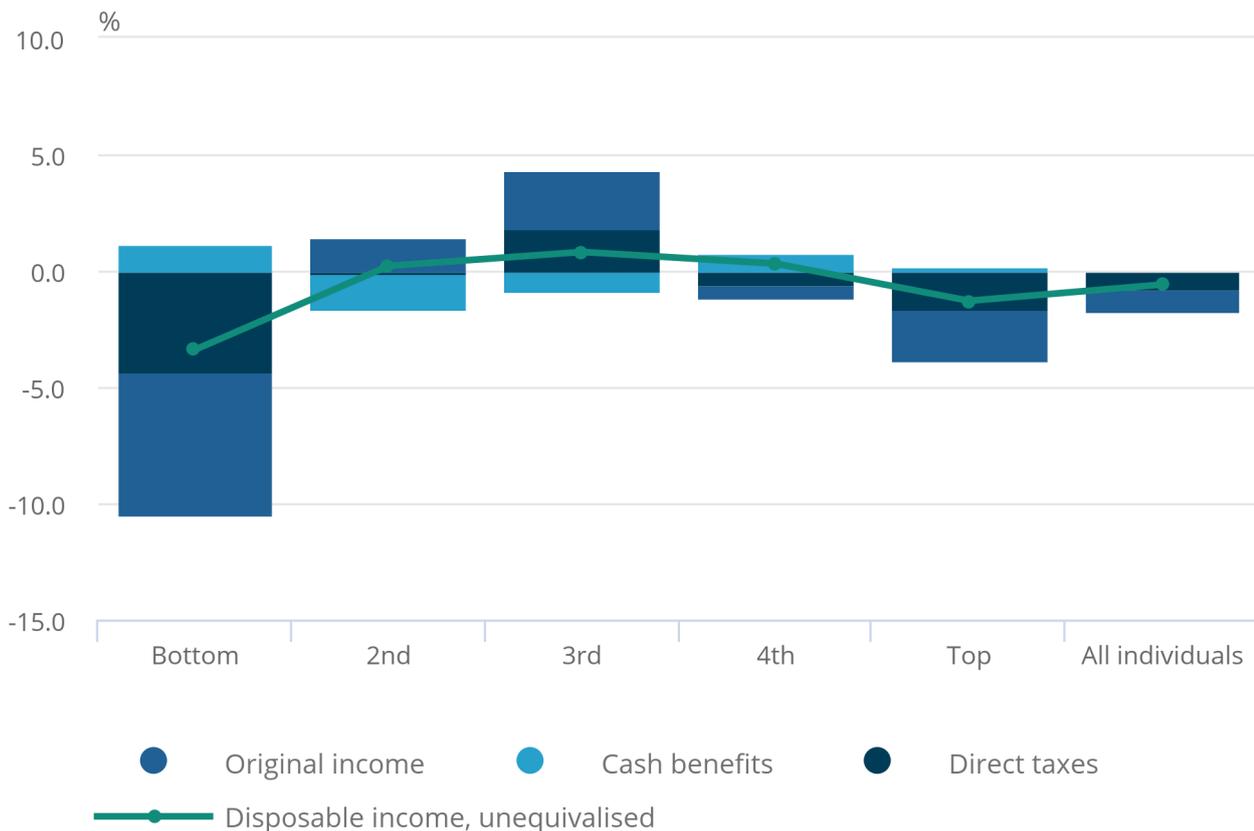
The drivers of income changes in FYE 2021 varied depending on where households were in the income distribution. As shown in Figure 3 a reduction in original income, including income from employment, private pension, investment and other income sources, was the largest driver of disposable income reduction for the poorest fifth of people. However, this fall was somewhat offset by an increase in cash benefits, including the £20 per week increase to the [Universal Credit standard allowance](#), and reduction in taxes paid (average nominal reduction of £568).

**Figure 3: Income reduction for both the richest and poorest fifth of people was driven by a reduction in original income not fully offset by either reduced taxes or increased benefits**

Contributions to changes in equivalised disposable income change between financial year ending (FYE) 2020 and FYE 2021, UK

Figure 3: Income reduction for both the richest and poorest fifth of people was driven by a reduction in original income not fully offset by either reduced taxes or increased benefits

Contributions to changes in equivalised disposable income change between financial year ending (FYE) 2020 and FYE 2021, UK



Source: Office for National Statistics – Household Finances Survey

Notes:

1. Incomes are adjusted for inflation using the Consumer Prices Index including owner-occupiers' housing costs (CPIH) excluding Council Tax.

In the richest fifth of the population, Figure 3 shows the reduction in disposable income was driven largely by a fall in original income, which again was not fully offset by a reduction in direct taxes (average nominal reduction of £957). Meanwhile the middle of the income distribution remained largely stable between FYE 2020 and FYE 2021. For this group, the interplay between original income and cash benefits was much more balanced, contributing to relatively little change.

There are additional challenges in interpreting annual growth rates at the level of quintiles during the coronavirus pandemic, in part because of compositional changes across the distribution. There will likely be different effects of the coronavirus support schemes across the distribution, with proportion of furloughed employees greater in lower income groups (Table 1). While SEISS has not been included as an income component in this release, the monetary cap on grants means that the impact of losses in self-employment income will not be offset in a proportional manner across the income distribution. Further detail is available in [Interpreting changes in UK income estimates during the coronavirus pandemic \(Financial year ending 2021\)](#).

Table 1: The proportion of individuals receiving financial support measures during the coronavirus (COVID-19) pandemic varied across the income distribution

Proportion of employed and self-employed respondents receiving support from the coronavirus financial support schemes during financial year 2020 to 2021 by quintile

Quintile group of disposable income distribution	Proportion of employees furloughed (%)	Proportion of self-employed receiving SEISS (%)
Bottom	30	34
2nd	25	40
3rd	20	34
4th	18	28
Top	11	25

#### Notes

1. Employees are classed as furloughed if their employer claimed a proportion of their wages through the Coronavirus Job Retention Scheme (CJRS) during the financial year 2020 to 2021.
2. Self-employed respondents were classed as receiving Self-employment Income Support Scheme (SEISS) if one or more SEISS grants were claimed during the financial year 2020 to 2021.

## 5 . Average household income data

[The effects of taxes and benefits on household income, disposable income estimate](#)

Dataset | Released 28 March 2022

Average UK household incomes taxes and benefits by household type, tenure status, household characteristics and long-term trends in income inequality.

## 6 . Glossary

### Disposable income

Disposable income is arguably the most widely used household income measure. Disposable income is the amount of money that households have available for spending and saving after direct taxes, such as Income Tax, National Insurance and Council Tax, have been accounted for. It includes earnings from employment, private pensions and investments as well as cash benefits provided by the state.

## Equivalisation

Comparisons across different types of individuals and households (such as retired and non-retired, or rich and poor) or over time is done after income has been equivalised. Equivalisation is the process of accounting for the fact that households with many members are likely to need a higher income to achieve the same standard of living as households with fewer members. Equivalisation considers the number of people living in the household and their ages, acknowledging that while a household with two people in it will need more money to sustain the same living standards as one with a single person, the two-person household is unlikely to need double the income.

This analysis uses the [modified Organisation for Economic Co-operation and Development \(OECD\) equivalisation scale \(PDF, 165KB\)](#).

Our analysis ranks individuals by their equivalised household disposable incomes, using the modified OECD scale.

## Mean and median income

The mean measure of income divides the total income of individuals by the number of individuals. A limitation of using the mean is that it can be influenced by just a few individuals with very high incomes and therefore does not necessarily reflect the standard of living of the "typical" person. However, when considering changes in income and direct taxes by income decile or types of households, the mean allows for these changes to be analysed in an additive way.

Many researchers argue that growth in median household incomes provides a better measure of how people's well-being has changed over time. The median household income is the income of what would be the middle person, if all individuals in the UK were sorted from poorest to richest. Median income provides a good indication of the standard of living of the "typical" individual in terms of income.

## 7 . Measuring the data

This release provides headline estimates of average disposable income, calculated using the Household Finances Survey (HFS) data, a newly combined data source that has been used since FYE 2021. These data are derived from a combination of the [Living Costs and Food Survey](#) and the Survey on Living Conditions questionnaires, with harmonised income collection, to provide a voluntary sample survey of around 17,000 private households in the UK. The Office for National Statistics (ONS) estimates of median and mean household income from 1977, up to and including financial year ending (FYE) 2016, are based on the Living Costs and Food Survey (LCF). Estimates produced from FYE 2017 onwards have been revised to include data from the HFS and remain comparable with those produced using the LCF for the same period. More information about the impact of this change in data source can be found in [Improving the measurement of household income](#).

To make robust comparisons over time, data have been adjusted for effects of inflation and are equivalised to account for changes in household composition. When growth rates are quoted, they compare the average for a group of households in one period with the average for a different set of households in the next period. These statistics are assessed fully compliant with the [Code of Practice for Statistics](#) and are therefore designated as [National Statistics](#). More detailed information on quality and methodology including strengths, limitations, appropriate uses, and how the data were created is available in the [Effects of taxes and benefits on household income QMI](#).

A newly released [income and earnings interactive tool](#) allows data to be compared across a range of sources, and can be filtered by topic area, data source, and geographic coverage.

## Retired and non-retired households

This bulletin presents analysis examining the incomes of people who live in retired households. A retired household is one where more than 50% of its income is sourced from retired people. A retired person matches one of these criteria:

- their self-defined employment status is "retired", and they are aged over 50 years
- their self-defined employment status is "sick/injured", not seeking work and are aged at or above the State Pension Age

As such, analysis of the average income of people living in retired households can include much younger people and potentially exclude older people. However, the strength of this measure is that it highlights those individuals who are most likely to be affected by policy, societal or economic changes that disproportionately impact upon pension income.

## Transformation of data

The ONS is currently conducting research into making more use of administrative data on income, including Department for Work and Pensions (DWP) benefits data and HM Revenue and Customs (HMRC) tax data. Although these other sources have their own limitations, by using them together with surveys we should be able to improve how we measure household income. Further detail can be found in [our Income and earnings statistics guide](#). In particular, administrative data are likely to help address limitations in survey-based statistics, discussed in more detail in the [strengths and limitations section](#) such as under-reporting at the top and bottom of the income distribution, and enable analysis at lower geographic levels.

The Government Statistical Service (GSS) recently published collaborative plans relating to [income and earnings coherence](#), which includes plans to continue to build on the use of administrative data in household surveys.

## 8 . Strengths and limitations

An important strength of these data is that comparable estimates are available back to 1977, allowing analysis of long-term trends. This release also currently provides the earliest survey-based analysis of the household income distribution available each year, allowing people insight into the evolution of living standards as early as possible.

However, as with all survey-based sources, the data are subject to some limitations. For instance, the Household Finances Survey (HFS) is a sample of the private household population, and therefore does not include those that live in institutionalised households, such as care homes and hostels, or people who are homeless. As such, it is likely that many of the poorest in society are not captured, which users should bear in mind when interpreting these statistics.

In addition, household income surveys are known to suffer from under-reporting at the top and bottom of the income distribution. While an adjustment to address survey under-coverage of the richest people has been introduced for statistics covering financial year ending (FYE) 2002 onwards, reported in more detail in [Top income adjustment in effects of taxes and benefits data: methodology](#), measurement issues at the bottom remain. See [the Effects of taxes and benefits on household income QMI](#) for further details of the sources of error.

Table 11 and Table 32 of the [The effects of taxes and benefits on household income, disposable income estimate data](#) provide estimates of uncertainty for many headline measures of average income and income inequality.

The Department for Work and Pensions (DWP) also produces an analysis of the UK income distribution in its annual [Households below average income \(HBAI\)](#) publication, using data from its Family Resources Survey (FRS).

## 9 . Related links

[Income estimates for small areas, England and Wales: financial year ending 2018](#)

Bulletin | Released 5 March 2020

Small area model-based income estimates covering local areas called Middle layer Super Output Areas (MSOAs) in England and Wales.

[Effects of taxes and benefits on UK household income FYE 2020](#)

Bulletin | Released 28 May 2021

The redistribution effects on individuals and households of direct and indirect taxation and benefits received in cash or kind, analysed by household type and the changing levels of income inequality over time.

[Employee earnings in the UK: 2021](#)

Bulletin | Released 26 October 2021

Measures of employee earnings, using data from the Annual Survey for Hours and Earnings (ASHE).

[Household below average income: for financial years ending 1995 to 2020](#)

Report | Released 25 March 2021

Statistics on the number and percentage of people living in low income households for financial years between 1995 and 2020.

[Using tax data to better capture top earners in household income inequality statistics](#)

Article | Released 26 February 2019

Adjustments to deal with issues of under-reporting of UK top incomes. Builds on methods from the Department for Work and Pensions (DWP), using administrative data supplied by HM Revenue and Customs (HMRC).

[The effects of taxes and benefits on household income, technical report: financial year ending 2020](#)

Methodology | 8 June 2021

The redistribution effects on households of direct and indirect taxation and benefits received in cash or kind analysed by household type, and the changing levels of income inequality over time.