

SPICe

The Information Centre

Financial Scrutiny Unit Briefing

Disposable Household Income in Scotland 2013

09 July 2015

15/37

Andrew Aiton

A briefing on the Office for National Statistics' publication Regional Gross Disposable Household Income (GDHI), 1997 to 2013



CONTENTS

EXECUTIVE SUMMARY	3
GROSS DISPOSABLE HOUSEHOLD INCOME (GDHI)	4
REGIONAL BREAKDOWN	4
<i>UK Nations and Regions (NUTS1)</i>	4
<i>Local area Scottish figures</i>	5
HOUSEHOLD INCOME BY RESOURCE TYPE	8
<i>Scotland's share of Primary and Secondary resources</i>	8
<i>Secondary Income</i>	8
ANNEX	11
SOURCES	13
RELATED BRIEFINGS	14

EXECUTIVE SUMMARY

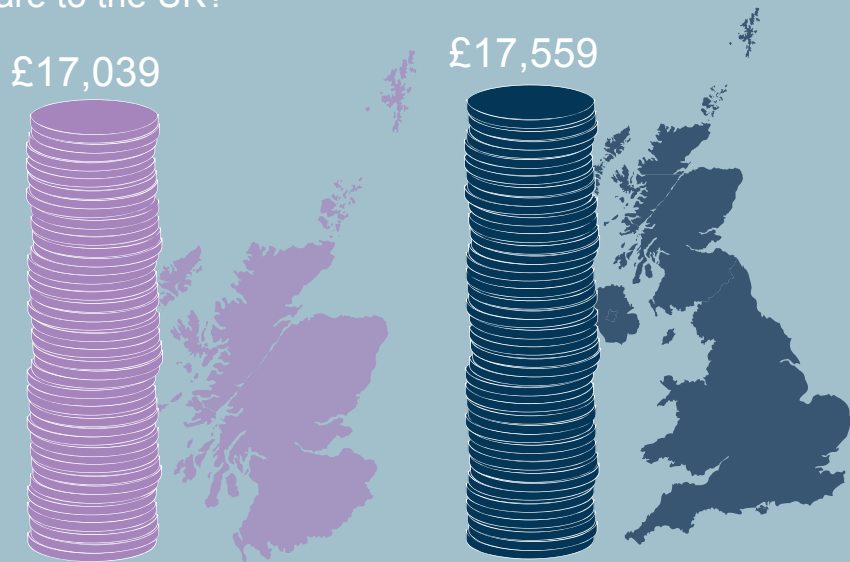
Disposable Household Income 2013

Disposable Household Income is the amount of money households have available for spending or saving after tax and National Insurance contributions are made.

How does Scotland compare to the UK?

The average level of disposable income per head in the UK is £17,559.

Scotland comes in just below this at £17,039.



How have these levels changed?

Levels of disposable income between 1997 and 2013 have increased in real terms by:



Which areas have the highest and lowest amount of disposable income in Scotland?

Glasgow City has the lowest level of disposable income in Scotland with just under £15,000 per head



Aberdeen City and Aberdeenshire has the highest level of disposable income in Scotland with just over £20,100 per head

This is the first time Edinburgh has not had the highest level of disposable income per head in Scotland since the series began.

GROSS DISPOSABLE HOUSEHOLD INCOME (GDHI)

Gross Disposable Household Income (GDHI) is the total amount of money households have available for spending or saving after tax and National Insurance contributions are made. This means disposable income in this context is the amount of money households have to spend on housing, bills, food and other essentials. To allow for comparison between areas, GDHI is divided by the population within that area to show GDHI per head.

The data in this briefing shows GDHI per head by European Nomenclature of Units for Territorial Statistics (NUTS) regions. Level one NUTS data provides national level information (ie. Scotland, England etc). NUTS 2 data is at a sub-national level, for example Eastern Scotland. NUTS 3 data provides data for areas within the level two areas such as Edinburgh or Perth and Kinross and Stirling.

All real terms calculations in this briefing are made using the HM Treasury GDP deflators June 2015.

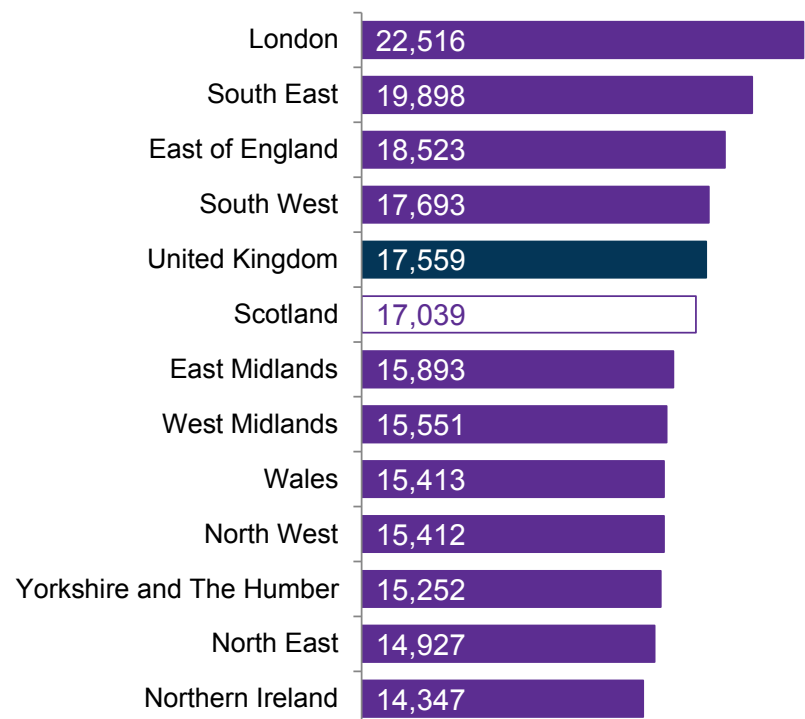
REGIONAL BREAKDOWN

UK Nations and Regions (NUTS1)

UK average disposable income per head is £17,559. Scotland's average comes in just below that at £17,039 per head. London has the highest disposable income per head of any UK NUTS 1 region at £22,516. The recently published Scottish Government Economic Strategy highlighted that based on last year's figures Scotland has the 5th highest level of Disposable Household Income per head. This is unchanged for 2013.

[Table A1](#) in the Annex provides a breakdown of the figures for NUTS level 1 within the UK.

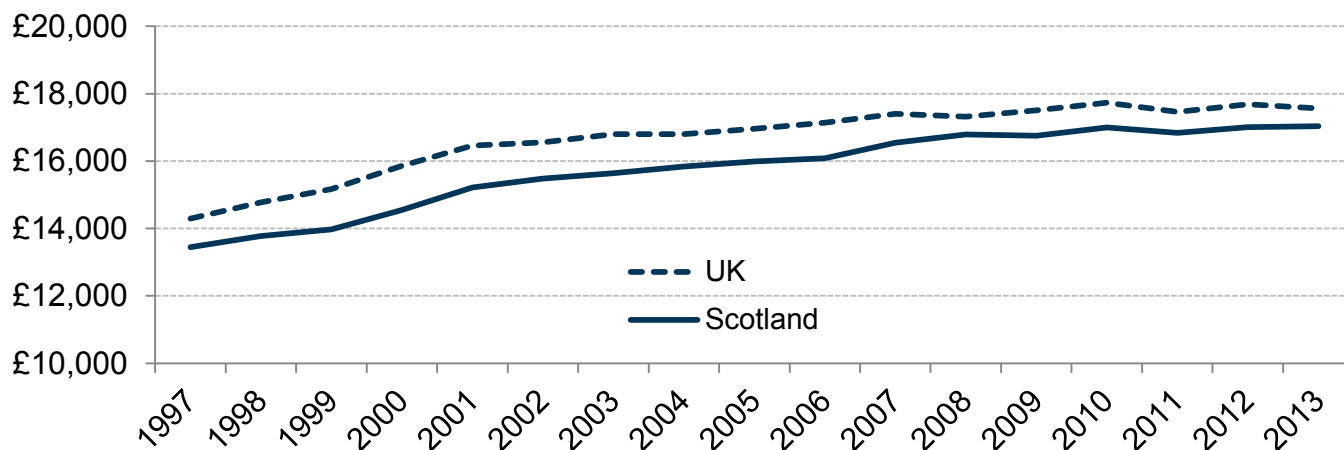
Figure 1: UK NUTS1 regions disposable income per head



Disposable household income per head has grown more quickly in Scotland than in the UK since 1997. Scotland has seen an increase of almost 81% compared to a UK increase of 75% (in 'cash' terms, ie. not adjusting for inflation) meaning that the gap between Scotland and the UK average has narrowed over the past fifteen years.

When looking at it in real terms Scotland has seen an increase of around 27% with the UK registering an increase of 23% (at 2013 prices) since 1997. However the real term figures also show that the UK saw a slight decrease from 2012.

Figure 2 Comparison of Scotland and the UK's level of disposable income since 1997 in real terms (2013 prices)



Local area Scottish figures

NUTS 3 are the smallest NUTS classified areas. The UK has 173 level 3 areas with 23 in Scotland.

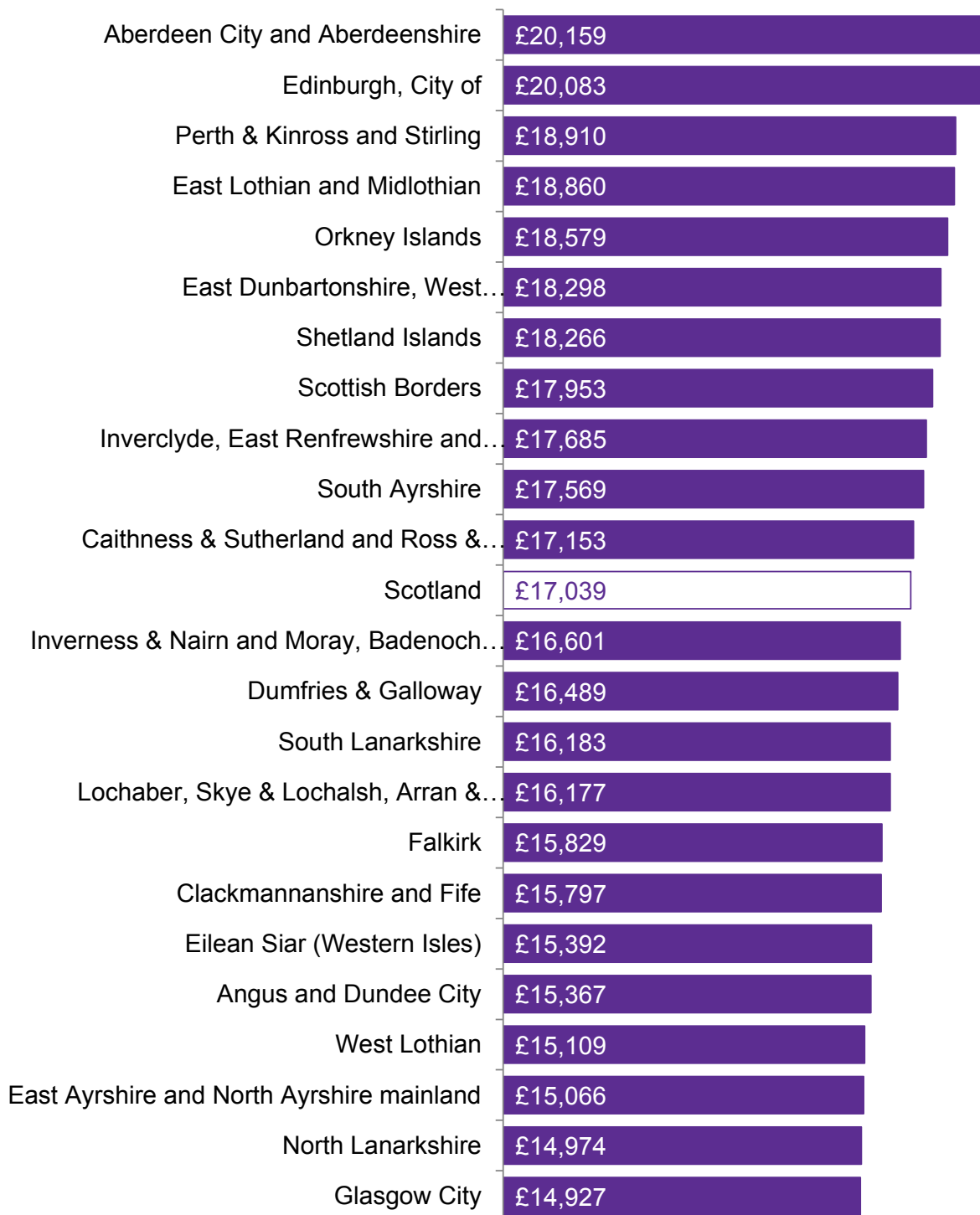
At NUTS 3 levels, the area with the highest level of disposable income in Scotland is Aberdeen City and Aberdeenshire at almost £ 20,200 per head. Scotland has two areas in the top 20% in the UK for disposable income per head: Aberdeen City and Aberdeenshire (21st) and the City of Edinburgh (24th). The area with the lowest level of disposable income per head in Scotland is Glasgow (130th) which is within the bottom 25% in the UK

Since 2007 the gap between Edinburgh and Aberdeen has been narrowing with Aberdeen seeing, on average, higher growth than Edinburgh. Aberdeen has now overtaken Edinburgh as the area with the highest level of disposable income per head. This is the first time Edinburgh has not had the highest level of disposable income per head since the series began in 1997. The current data shows that disposable income per head in Edinburgh fell in real terms from 2012 to 2013.

Over the year almost every area saw an increase in cash terms with the Scottish Borders seeing the biggest increase at 5.2%. However, due to relatively weak growth in some areas, almost half of the areas have seen a decrease in real terms with West Lothian seeing the biggest decrease, falling by 4.5%

Figure 3 looks at the NUTS 3 areas arranged by levels of disposable income per head. [Table A2](#) in the annex provides a breakdown of NUTS level 3 figures within Scotland.

Figure 3: NUTS 3 areas by levels of disposable income (£)

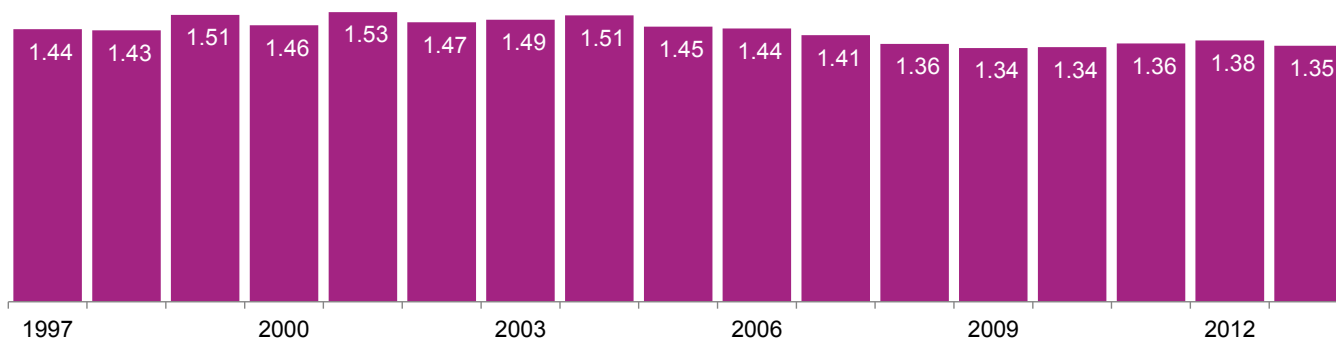


Difference between highest and lowest levels of GDHI in Scotland

Disposable income per head in the area with the highest level of disposable income (Aberdeen City and Aberdeenshire) is 35% above the area with the lowest in Scotland (Glasgow), a difference of just over £5,200. The gap between the highest and lowest levels of GDHI per head at NUTS 3 level is narrower than it was in 2001, as demonstrated in Figure 4.

Compared to other NUTS 1 regions Scotland is below the average of 52%. The largest difference is in London with the highest level of disposable income per head 159% higher than the lowest.

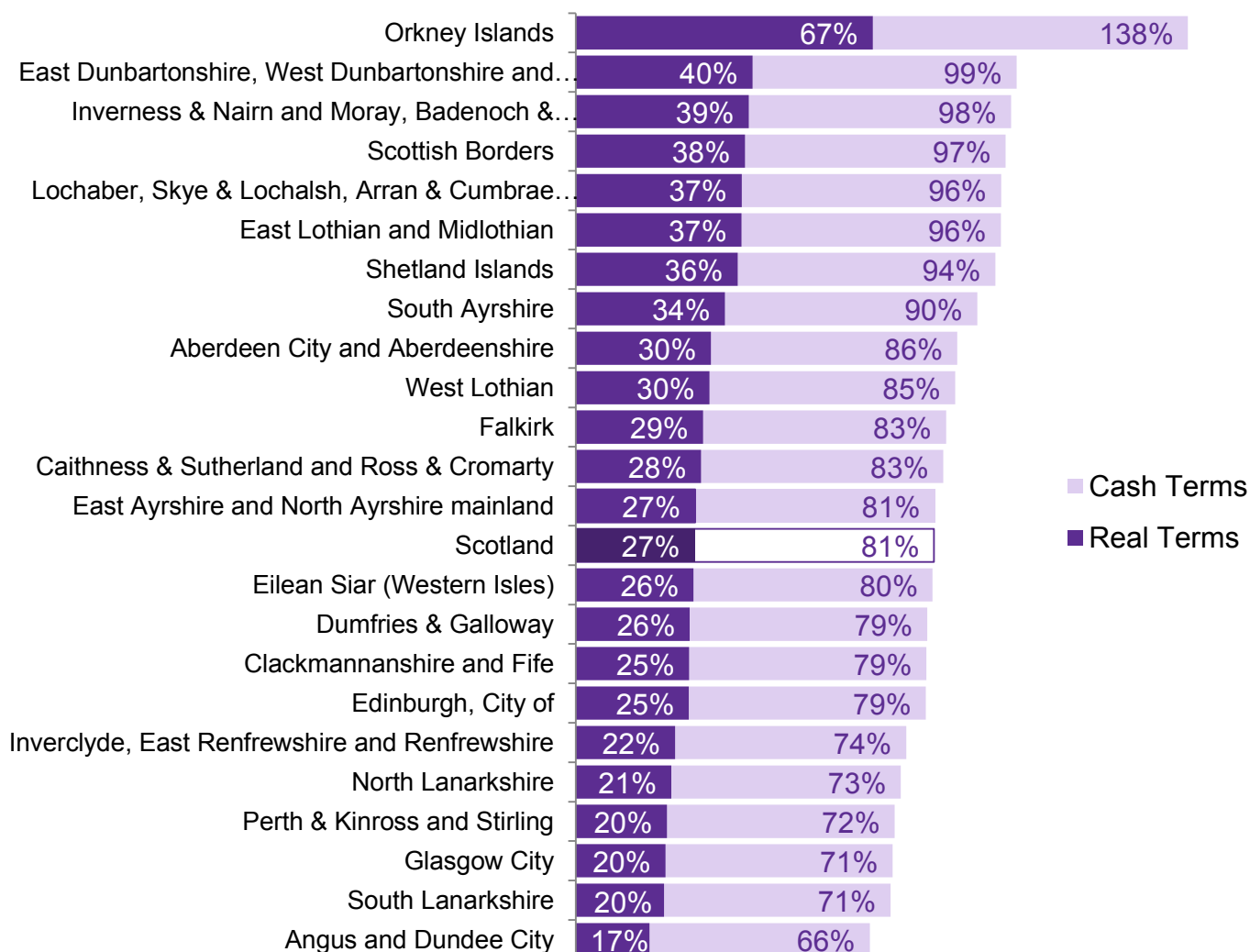
Figure 4: Ratio of lowest to highest level of disposable income in NUTS level 3 areas in Scotland – 1997 to 2013



Change in level of disposable income

Disposable income has increased in Scotland since 1997 by 81% (in ‘cash’ terms). However, there has been variation in the level of increase across Scotland. Since 1997 Orkney has seen the biggest increase in levels of disposable income (138%) while Angus and Dundee City has seen the smallest increase (66%).

Figure 5: Change in levels of disposable income across Scotland - 1997 to 2013



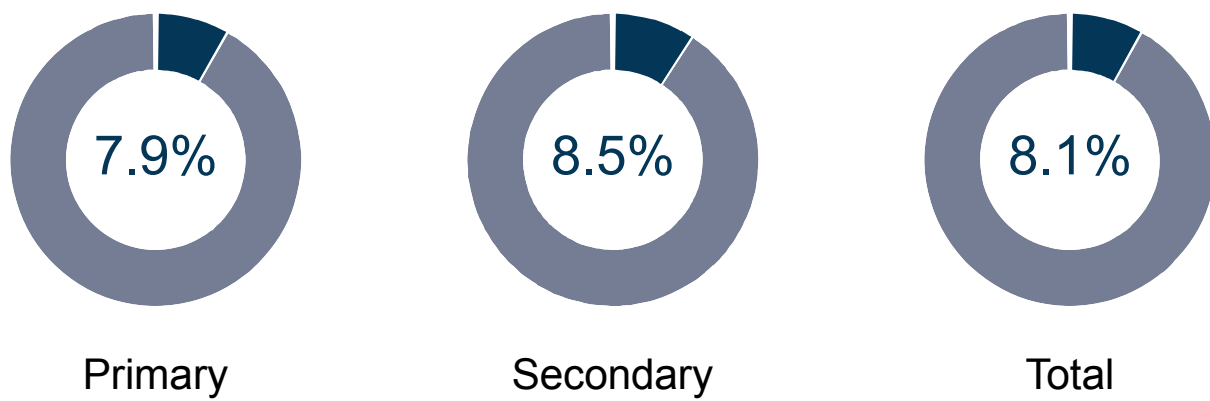
HOUSEHOLD INCOME BY RESOURCE TYPE

Income for households can be split into two types of resources; primary resources and secondary resources:

- **Primary resources:** wages and salaries, rental income and interest on savings (private and occupational pensions).
- **Secondary resources:** social benefits received include national insurance fund benefits, such as state pensions and unemployment allowance, and non-contributory benefits such as Child Benefit and tax credits. Secondary resources also cover other current transfers, such as monetary gifts and insurance pay-outs.

Scotland's share of Primary and Secondary resources

Figure 6: Scotland's share of the UK's Gross Disposable Household Income by resource type



In 2013 Scotland had 8.1% of the UK's total GDHI. Scotland has a higher proportion of the UK's total secondary resource than of the UK's primary resources. However there are only three regions within the UK which have a higher share of primary resources than secondary: London, the South East and the East of England.

Looking at the ratio of primary to secondary resources Scotland sits fourth out of the UK regions behind: London, the South East and the East of England. These three areas make up around 42% of total disposable household income in the UK.

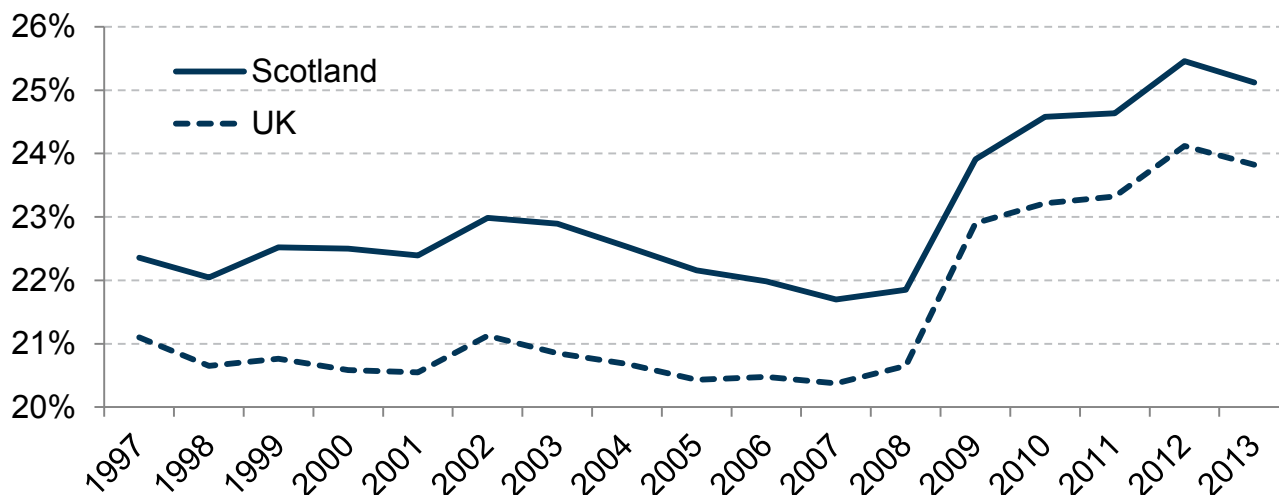
The data for this section can be found in Annex tables [A3](#) and [A4](#).

Secondary Income

The proportion of income in Scotland which is classified as a secondary resource such as unemployment allowance is higher than the UK as a whole. However the gap between Scotland and the UK has narrowed to 1.3 percentage points since 2003 when Scotland was 2.0 percentage points higher than the UK.

Between 2007 and 2012 the proportion of total disposable income classified as secondary resources has increased from almost 23% to almost 26% in Scotland and from 20% to 24% for the UK. This can in part be explained by the increase in the number of people claiming unemployment related benefits such as Jobseekers Allowance (JSA). There has been a reduction in secondary resource as a proportion of total resources since 2012 for both Scotland and the UK as shown in Figure 7.

Figure 7: Proportion of total disposable income classified as secondary resources for Scotland and the UK – 1997 to 2013



Social Benefits

Social benefits and imputed social contributions are the main source of secondary resources¹. Social benefits are national insurance fund benefits, such as state pensions and unemployment allowance, and non-contributory benefits such as Child Benefit and tax credits.

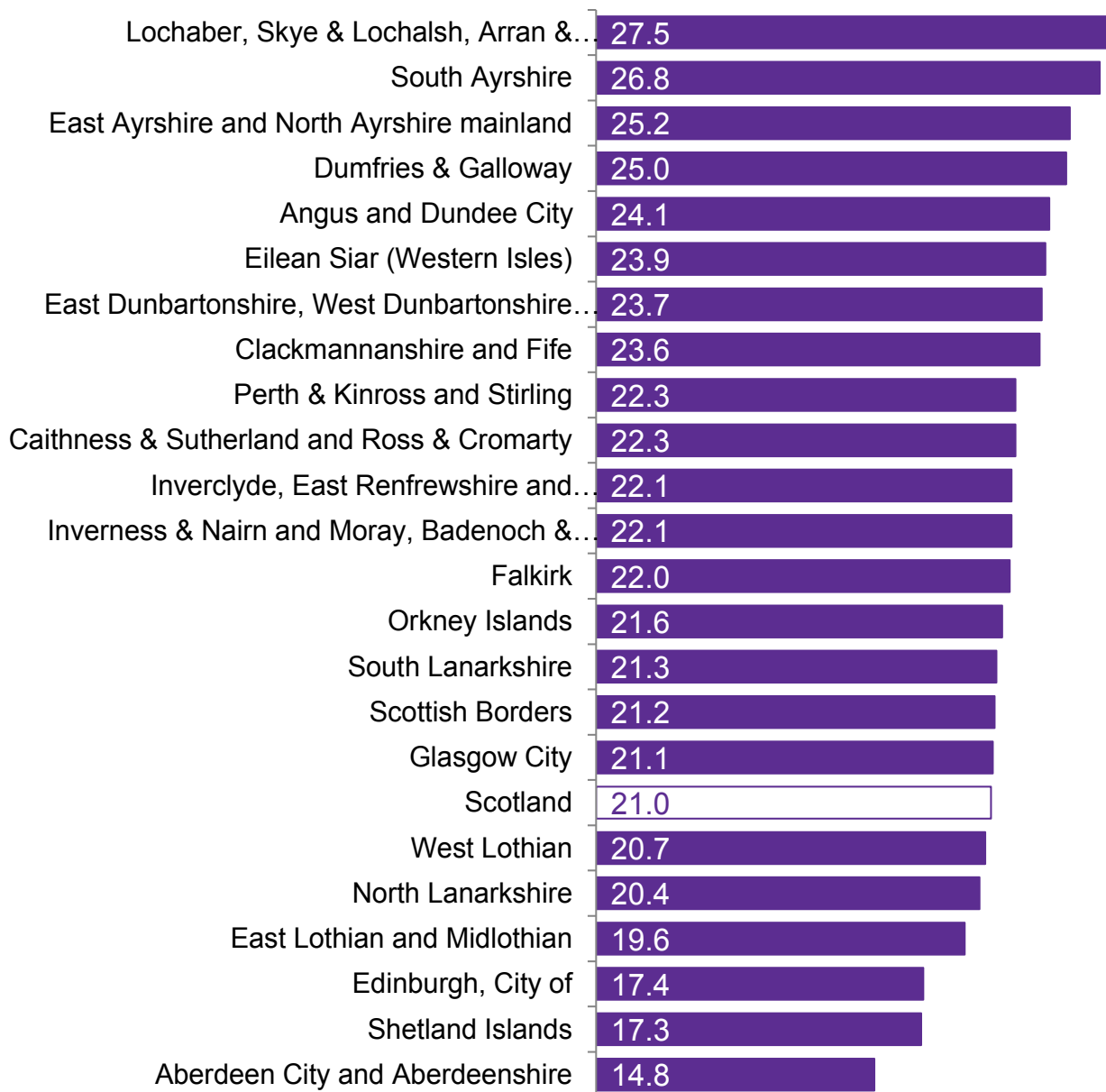
Social benefits in Scotland make up 21% of total resources compared to just under 20% for the whole of the UK. However there is variation across Scotland.

Aberdeen City and Aberdeenshire has the lowest proportion of social benefits as a proportion of total disposable income in Scotland at almost 15%. This is one of the lowest proportions in UK, 16th out of 173.

Lochaber, Skye & Lochalsh, Arran & Cumbrae and Argyll & Bute (28%) and South Ayrshire (27%) both appear in the top 10 areas in the UK with the highest proportion of social benefits in the UK. However these areas have higher proportions of people of pensionable age than the Scottish average.

¹ Office for National Statistics, Regional Gross Disposable Household Income (GDHI), 1997 to 2013

Figure 8: Social Benefits as a proportion of total household income NUTS 3 - 2013



Social benefits are national insurance fund benefits, such as state pensions and unemployment allowance, and non-contributory benefits such as Child Benefit and tax credits.

ANNEX

Table A1: NUTS Level 1 Regions

	Disposable income per head (£)	Change on 2012
London	22,516	0.6%
South East	19,898	0.6%
East of England	18,523	1.3%
South West	17,693	1.0%
United Kingdom	17,559	1.0%
Scotland	17,039	2.0%
East Midlands	15,893	0.5%
West Midlands	15,551	2.3%
Wales	15,413	2.2%
North West	15,412	0.0%
Yorkshire and The Humber	15,252	1.3%
North East	14,927	0.8%
Northern Ireland	14,347	0.2%

Table A2: NUTS Level 3 Regions 2013

	Disposable income per head (£)	Change on 2012
Aberdeen City and Aberdeenshire	20,159	+2.1%
Angus and Dundee City	15,367	+0.6%
Caithness & Sutherland and Ross & Cromarty	17,153	+1.9%
Clackmannanshire and Fife	15,797	+2.1%
Dumfries & Galloway	16,489	+3.3%
East Ayrshire and North Ayrshire mainland	15,066	+1.6%
East Dunbartonshire, West Dunbartonshire and Helensburgh & Lomond	18,298	+4.4%
East Lothian and Midlothian	18,860	+2.8%
Edinburgh, City of	20,083	+1.0%
Eilean Siar (Western Isles)	15,392	+5.1%
Falkirk	15,829	+0.7%
Glasgow City	14,927	+3.4%
Inverclyde, East Renfrewshire and Renfrewshire	17,685	+2.9%
Inverness & Nairn and Moray, Badenoch & Strathspey	16,601	+1.2%
Lochaber, Skye & Lochalsh, Arran & Cumbrae and Argyll & Bute	16,177	-0.3%
North Lanarkshire	14,974	+3.5%
Orkney Islands	18,579	+0.3%
Perth & Kinross and Stirling	18,910	+2.0%
Scottish Borders	17,953	+5.2%
Shetland Islands	18,266	+2.1%
South Ayrshire	17,569	+1.4%
South Lanarkshire	16,183	-0.2%
Scotland	17,039	+2.0%

Table A3: Share of Gross Disposable Household Income by resource type and NUT2 region

NUTS 1 Region	Primary	Secondary	Total
East Midlands	6.5%	7.1%	6.6%
East of England	10.0%	9.4%	9.9%
London	18.6%	11.4%	16.9%
North East	3.2%	4.2%	3.5%
North West	9.2%	11.2%	9.7%
Northern Ireland	2.2%	2.7%	2.4%
South East	15.9%	14.4%	15.6%
South West	8.1%	9.1%	8.3%
Wales	3.9%	5.2%	4.2%
West Midlands	7.6%	8.6%	7.8%
Yorkshire and The Humber	7.0%	8.1%	7.2%
Scotland	7.9%	8.5%	8.1%

Table A4: Primary resource as a proportion of secondary resources but NUT 1 region

NUTS1 Region	Primary resource as a proportion of secondary resources
East Midlands	293%
East of England	342%
London	522%
North East	242%
North West	261%
Northern Ireland	261%
South East	354%
South West	282%
Wales	238%
West Midlands	280%
Yorkshire and The Humber	275%
Scotland	298%

SOURCES

Office for National Statistics, *Regional Gross Disposable Household Income (GDHI), 1997 to 2013*, 27 May 2015, [Online] <http://www.ons.gov.uk/ons/rel/regional-accounts/regional-household-income/regional-gross-disposable-household-income--gdhi--2013/stb-regional-gdhi-2013.html>

Office for National Statistics, *Quality and Methodology Information, Regional Gross Disposable Household Income* [Online] <http://www.ons.gov.uk/ons/guide-method/method-quality/quality/quality-information/economy/quality-and-methodology-information-for-regional-gross-disposable-household-income--gdhi-.pdf>



SPICe

The Information Centre

RELATED BRIEFINGS

[SB 14-01 Earnings in Scotland 2013](#)

Scottish Parliament Information Centre (SPICe) Briefings are compiled for the benefit of the Members of the Parliament and their personal staff. Authors are available to discuss the contents of these papers with MSPs and their staff who should contact Andrew Aiton on extension 85188 or email andrew.aiton@scottish.parliament.uk. Members of the public or external organisations may comment on this briefing by emailing us at spice@scottish.parliament.uk. However, researchers are unable to enter into personal discussion in relation to SPICe Briefing Papers. If you have any general questions about the work of the Parliament you can email the Parliament's Public Information Service at sp.info@scottish.parliament.uk.

Every effort is made to ensure that the information contained in SPICe briefings is correct at the time of publication. Readers should be aware however that briefings are not necessarily updated or otherwise amended to reflect subsequent changes.

Published by the Scottish Parliament Information Centre (SPICe), The Scottish Parliament, Edinburgh,
EH99 1SP

www.scottish.parliament.uk