

## Locked Out methodology



This research aims to understand the financial status and living conditions of those households in Britain for whom the costs of low carbon technologies are out of reach but earn too much to qualify for support through schemes such as ECO.

We use data from a number of household surveys to understand this group – broadly defined as those whose income is below average but who do not receive a significant proportion of their income from state support.

This methodology is inspired by one used by the Resolution Foundation in 2012.<sup>1</sup> We have chosen to use data from the period prior to the pandemic because income support, employment and household spending were significantly abnormal during successive lockdowns in the following year. Data collection for some surveys was also affected. More recent data, for the period following lockdown, is not yet available.

We use five different household surveys and each definition is slightly different because of differences in survey design.

- Family Resources Survey 2019-20, supplemented with the Households Below Average Income dataset, Department for Work and Pensions.
- Living Costs and Food Survey 2019-20, Office for National Statistics.
- The Bank of England/NMG Survey of Household Finances 2019
- The Wealth and Assets Survey, Round 7 (Apr 2018- Mar 2020), Office for National Statistics
- The English Housing Survey housing stock dataset (2018-19), Department of Levelling up, Housing and Communities.

### Family Resources Survey definition

The majority of data within this report comes from the Family Resources Survey, a continuous survey of private households in the UK. It collects granular data on household income and living circumstances.

Households are filtered into the lower middle income group (LMI) with a three stage process.

1. Retired households are removed from the sample. They are defined as households where over 75 per cent of household income comes from a pension, or where household reference person is over the pension age.

2. Remaining households are then separated into deciles based on their equivalised net income before housing costs. We use the modified OECD scale to equivalise income, to allow weighting for different household sizes and composition. Those in deciles 6 to 10 are filtered into the 'higher income' group. Those in income decile 1 are filtered into the 'benefit reliant' group
3. Households that receive more than one fifth of their income from income-related benefits are filtered into the 'benefit reliant group'. This excludes universal benefits, such as child benefit. The remaining households are LMIs.

Therefore definitions of each household types are as such:

### **Benefit reliant**

In income decile 1 OR receive more than 20 per cent of their income from income related benefits

### **LMI**

Income deciles 2 to 5 AND receive less than 20 per cent of income from income related benefits

### **Higher income**

Income deciles 6 to 10 AND receive less than 20 per cent of income from income related benefits.

Figure 1 shows how the household groups are distributed across income deciles.

Figure 1. Working age household groups by equivalised income decile, Family Resources Survey definition.

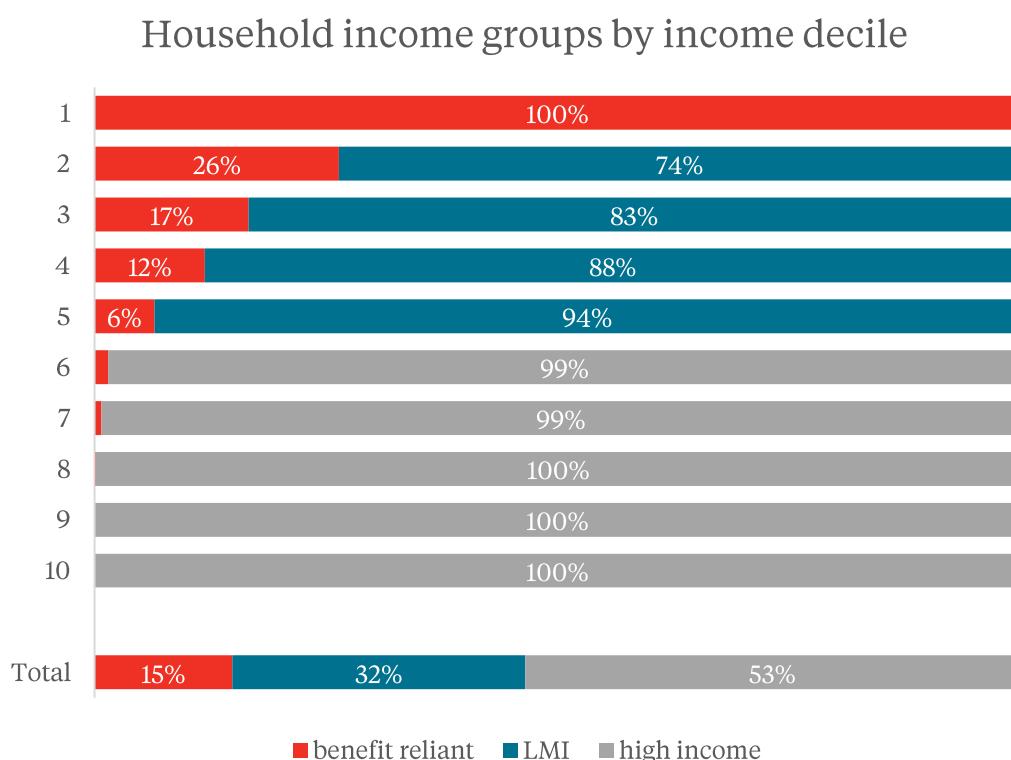


Table 1 shows LMI income thresholds for different household compositions.

Table 1 Annual income thresholds for LMI households of different compositions

	Min	Max
One adult	£10,452	£24,232
Two adults	£15,652	£36,348
Three or more adults, no children	£21,008	£89,700
One adult, one child	£13,572	£31,512
One adult, two children	£16,692	£38,636
Two adults, one child	£18,928	£43,628
Two adults, two children	£22,048	£50,856
Two adults, three or more children	£25,064	£65,624
Three or more adults, one child	£25,272	£89,492
Equivalised income	£10,433	£24,240

## Living Costs and Food Survey

The Living Costs and Food Survey collects data on spending patterns and the cost of living from households across the United Kingdom.

1. Retired households are removed. These are households where over 75% of their income comes from a pension or where the household reference person is over the pension age.
2. Remaining households are split into deciles on the basis of their equivalised income, using the OECD modified scale. Those in deciles 6 to 10 are classified as high income, while those in decile 1 are benefit reliant.
3. Those who report their main source of income as social security benefits are filtered into the benefit reliant group. The remaining households are LMIs.

## Bank of England/NMG survey

A survey of British household finances conducted by NMG on behalf of the Bank of England.

1. Households where the respondent is above the pension age are removed.
2. Household incomes are equivalised using the modified OECD scale. Those with above median income are filtered into the high income group.
3. There is insufficient information about state support received by households in this survey. Therefore we classify those up to the 15<sup>th</sup> percentile of income as benefit reliant, and those between the 15<sup>th</sup> and 50<sup>th</sup> percentile as LMIs.

## Wealth and Assets Survey

A survey of household assets, savings, debt and planning in Great Britain.

1. Households where the household reference person is retired from paid work are removed.
2. Households are split into deciles on the basis of equivalised gross income. Those with above median income are high income households. Those who are in decile 1 are benefit reliant.
3. Households that receive more than a fifth of their income from any type of benefit are classified as benefit reliant. Remaining households are LMIs.

## English Housing Survey

A survey of housing circumstances and conditions in England. It includes a household interview and a physical inspection of the property.

1. Households in which the household reference person's economic status is 'retired' or 'full time student' are removed.

2. The remaining households are split into deciles based on their equivalised gross income before housing costs. Those in deciles 6 to 10 are high income.
3. The level of state support is not captured in this survey. Therefore all households in receipt of means tested benefits or certain disability benefits are classified as benefit reliant. The remaining households are LMIs.

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**For more information, contact:**

Zoe Avison, Policy analyst, Green Alliance  
[zavison@green-alliance.org.uk](mailto:zavison@green-alliance.org.uk)

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<sup>1</sup> *Squeezed Britain* (2012) Resolution Foundation