

IMPORTANT INFORMATION FOR USERS OF THE UPDATED TABLES ON THE DISTRIBUTION OF PERSONAL WEALTH

Introduction

This note accompanies the publication of new 2005 data on personal wealth and revised tables for 2001 to 2003. This publication follows substantial work to improve the quality of the tables on personal wealth following problems with the data quality and methodology which had led to delays to publication. The new updated tables represent the best set of figures we can produce for these years but this note contains supporting information to explain the reason for the revisions and ensure users are aware of the limitations of the data.

In addition the quality of the data for 2006 means that we have decided that the statistics for this year are not of a sufficient quality to allow them to be published, as explained in more detail below. The ongoing delays and alternative sources of data on wealth means that we now need to review the future of this data series.

Revisions to historical data

Along with the publication of new data for 2005, revised tables for 2001 to 2003 have also been published. These replace earlier versions of the tables which were previously available on the website.

The revisions are due to a change in the grossing-up methodology for the data after the methodology was reviewed to adjust for sampling issues (further information on these below), with the largest revisions to the data for 2002.

While versions of table 13.1, 13.2 and 13.3 for 2001 to 2003 have been provided to replace previously available versions these tables are not intended to be used as a time series, and there will be fluctuation in this data over time that reflects sampling error or other sources of variability rather than reflecting true changes in wealth. The variability is likely to be particularly high for the smaller data series within these tables.

Quality of published data

The wealth statistics tables contain valuable information on wealth as they are based on the only large-volume data set where total wealth is assessed by someone other than the wealth-holder. However users of the data should be aware of the following problems with the data that might potentially cause distortion of individual figures and in trends over time.

Recently, one of the main concerns with the data has been with the sample. The core data for the model is a sample drawn each year of estates which

gain a grant of representation (known as confirmation in Scotland and probate in the rest of the United Kingdom). In the period 2001 to 2006 a series of operational problems damaged the non-taxpaying part of this sample leaving some gaps in the sampling frame and an element of bias. These problems were particularly acute for 2004 and we have been unable to produce sufficiently reliable estimates for that year as previously announced on the website (http://www.hmrc.gov.uk/stats/personal_wealth/cancellation-wealth.pdf). Problems in other years are less severe, and work on the grossing-up methodology has provided publishable estimates but there may still be some distortion of individual figures.

A second source of potential error in the data is in the assumptions made in the wealth model. A previous Quality Review of the Personal Wealth National Statistics was carried out which reviewed these assumptions and their impact on the model (http://www.hmrc.gov.uk/stats/personal_wealth/qual-personal-wealth.pdf). In addition analysis of these issues has found they have an insignificant impact on the final distributional statistics published.

Also, quality assurance of the results has shown a sharp increase in number and amount of Mortgage Debt and a sharp reduction in number and amount of Other Debt between 2003 and 2005. Investigation of this has indicated that this is likely to be a change in the way the debt has been classified and recorded on the form rather than a real change in the amount of Mortgage Debt. If Mortgage Debt has previously been misclassified as Other Debt then, due to the way the data is adjusted for under-recording of mortgages, this would be reducing the Adjusted Identified Wealth for those years.

Publication of 2006 data

There are additional problems with the 2006 data which mean that we cannot obtain sufficiently robust results from this and as a consequence we have decided that the data for 2006 is unsuitable for publication.

An unavoidable element of the methodology is that certain individual estates in our data may contribute very large proportions of the total estimated identified wealth. In 2006 a misclassification of data led to a case being selected for the sample requiring an abnormally high sample grossing factor for the size of the estate. This problem has been compounded as there is also a particularly large estate where the young age of the person resulted in a very large mortality grossing-up factor. Ways of adjusting the data for those years for these cases was considered, but this could not be done satisfactorily without introducing bias into the dataset.

For future years data we have increased the sample size in some of the cells to reduce the likelihood of individual cases having a spuriously high impact on the results and we have also had discussions with the data providers to reduce the problems with input errors. However, cases in the younger age groups will still have a large mortality grossing-up factor and as a result there will be a high level of arbitrary fluctuation in the results which is undesirable.

Future of the wealth statistics publication

It is timely to review the future of this series of tables and consider the options for their future. An alternative source of information on wealth is now available from the Wealth and Assets Survey produced by the Office for National Statistics and the previous Quality Review of the HMRC statistics suggested that the tables should be reviewed again at this time. (Note: There are important differences in the way the wealth and measures of distribution of wealth are defined and measured between the Wealth and Assets Survey and the HMRC tables.) This review should also take into account the further issues around the quality of the data raised above.

While this review is being carried out we will not create and publish updated Wealth Statistics tables. We will publish a further update on the review by the end of August 2010, including our plans for public consultation if emerging options from the review include substantial changes to the current publication.