

In measuring and explaining poverty in a society it is necessary first to describe the ownership and use made by individuals and by social groups of different types of resources which govern their standards of living. As already explained, we have identified five types: cash income; capital assets; value of employment benefits; value of public social services other than cash, and private income in kind. In this chapter these resources will be defined and their distribution described.

At the outset it should be recognized that there are risks in adopting the more elastic conception of resources preferred in this book. There are problems in measuring certain kinds of resources - particularly small amounts of income, gifts and occasional services received by only small numbers of the population. There are practical difficulties in collecting information of an exhaustive kind, and questions have to be pursued sometimes in rather general terms. We have tried to be watchful about those types of resources which might make a significant difference to the structure of inequality and the living standards of the poor in particular. We have also tried to be receptive to possible growing points and equally 'shrinking' points. The relative value of different types of resources will change over time.

The problem of relating, or weighing, the different types of resources is complicated and subtle. It seems reasonable enough to argue that an owner-occupier who has completed payments on his house has a higher standard of living than someone who is still buying his house or is paying rent, and that an imputed rental payment might be added to his income, or alternatively that housing costs should be deducted in measuring net income. But there are difficulties in deciding on what principles the weekly or monthly amount of that payment, or those costs, should be determined. There are also difficulties in treating other kinds of assets as representing income. Savings in the bank are regarded very differently by people from, say, a valuable painting of an ancestor or some engraved silverware received for a silver wedding anniversary. There are further difficulties in equating services with income, whether these are public social services paid for from taxation, or private services performed by relatives and friends. Someone who has spent thirty expensive days and nights in a teaching hospital may have had over £1,000 'spent' upon him, but he is not, in

many senses of the term, 'better off' in the year than another man who has not had any need to enter hospital. A neighbour who helps an old woman with shopping and cleaning for an hour each day can only with reservations be regarded as offering a service equivalent to a paid home help or domestic servant. There is also the problem of relating the investment value of a service to its current cash-income equivalent. The benefits of a university education may be of some approximate current value to a student and to his parents, but what also has to be remembered is the additional future value of such education.

These preliminary remarks indicate how hazardous is any attempt to develop a comprehensive concept of resources. Similar difficulties have been encountered by economists and sociologists when undertaking cost-benefit analyses and lessons can be learned from the more absurd examples. The attempt to measure inequality and compare material resources according to a unitary concept cannot be carried too far. Inevitably certain limitations have to be placed on the possible amalgamation of data. This chapter assumes that 'income' should be treated for certain purposes as a much wider concept than it is, say, by the Board of Inland Revenue or the Central Statistical Office, and even by critics advocating a far more comprehensive and consistent approach, like Professor Kaldor.¹

The Problem of the Recipient Unit

Resources are allocated to, and used by, countries, regions, communities, extended families, households, income units and individuals. It would be a mistake to assume that all resources entering a household are pooled and used equally by its individual members. An addition of, say, £10 per week may be made to total household resources through the overtime earnings of the head of a household, the part-time earnings of the housewife, or the apprenticeship earnings of an adolescent son, but these cannot be regarded as of comparable 'household' value. The net increase in living standards enjoyed by each member of the household will differ, depending on

¹ The board's definition is criticized in a famous memorandum of dissent by a minority of the Royal Commission on Taxation. 'In fact, no concept of income can be really equitable that stops short of the comprehensive definition which embraces all receipts which increase an individual's command over the use of society's scarce resources - in other words, his "net accretion of economic power between two points in time."' See Report of the Royal Commission on Taxation, Cmnd 9474, HMSO, London, 1955, p. 8. Kaldor has gone on to point out some of the difficulties of widening the definition to include capital gains and other casual or non-recurrent gains and receipts, at least in terms of measuring taxable capacity. For example, he points out that 'it is not that capital gains *as such* provide less spending power than other forms of profit; there are some kinds of capital gains which represent the same kind of spending power as conventional income; other kinds which represent none at all; and yet others which are in-between; these types moreover shade into one another gradually and imperceptibly.' See Kaldor, N., *An Expenditure Tax*, Allen & Unwin, London, 1955, p. 45. See also his discussion of the concept of income in economic theory in *ibid.*, Appendix to Chapter 1.

who is the recipient of the additional income. Living standards vary among household members for all kinds of reasons. Historically the breadwinner was given precedence in the consumption of food, and this custom is maintained in many places. Children who have started work are often expected to get meals out, and to require relatively large sums for clothing and entertainment, including sums to meet the needs of courting before marriage. Younger dependent children have meals cheaply or freely at school and there are other public subsidies which are directed towards certain individuals rather than also to the households to which they belong. Then there are old people who sometimes comprise a semi-independent unit within the household.

To point up the implications of taking one definition of the unit which ultimately receives income rather than another, and to lay the basis for a study of the distribution and redistribution of income within the household, we have in this survey made it possible to consider resources as distributed among individuals, income units and households. The income unit is defined as any person aged 15 or over, or, if in full-time education, 19 or over, together with husband or wife and any children aged under 15 (or under 19 if in full-time education). Thus an adult living alone, a married couple, a married couple with children of school age or under, a grandparent living with married children, or a single adult living with another adult, such as a sister, will each comprise a separate income unit.

A household is defined as a single adult living alone or a group of people living together, having some or all meals together and benefiting from a common housekeeping. This is not always easy to apply, but has been found to be practicable for many purposes. Table 5.1 shows that rather less than three quarters of the households in the sample consisted of a single income unit and that only 8 per cent

Table 5.1. *Percentages and numbers of households according to number of income units.*

<i>Number of income unit</i>	<i>Households</i>		<i>Income units</i>	
	<i>%</i>	<i>No.</i>	<i>%.</i>	<i>No.</i>
1	71	1,453	51	1,453
2	20	417	29	834
3	6	132	14	397
4	2	33	5	132
5	0	9	2	45
6	0	1	0	6
Total	100	2,045	100	2,867

consisted of more than two income units. On the other hand, nearly half the income units in the sample shared a household with at least one other income unit.

Cash Income

Gross income is defined as all forms of current cash income, including earnings, self-employed income, casual income from work and second jobs, sick pay, holiday pay, pensions, annuities, social security payments, rent and interest from property, profit on lodgers, income from trusts, income from savings and stocks and shares, windfalls (but only that part used for living expenses), allowances from relatives, trade-union benefits, gifts of money, tax repayments, educational maintenance allowances and studentships. *Gross disposable income* is gross income less liability for income tax, surtax and national insurance contributions, and allowances elsewhere to relatives. *Net disposable income* is gross disposable income less expenses in going to work, including clothing or equipment allowed for tax purposes as well as costs of travel.

This definition is broader in certain respects than is the definition used in the Family Expenditure Survey, which excludes legacies, payments arising from insurance policies, winnings from gambling, occasional money gifts, profits from boarders and prizes from premium bonds - whether or not any of these items are used for everyday living expenses. We took the view that these items should be treated as income when it was clear that they would not be included in any current estimate of the value of assets. Information about income was obtained in depth. We endeavoured to establish income both in the previous week and the previous twelve months, and there seemed to be a distinct advantage in being able to ask income recipients systematically about the experience of the previous twelve months, beginning with employment. As will be shown later, the earnings of over two fifths of employees fluctuate, and by obtaining information about highest and lowest earnings, and then asking about 'average' earnings, it seemed that a more reliable indication of 'usual' earnings was obtained. Again, profit from lodgers or boarders was estimated less roughly than in some previous surveys.¹ Information was collected about services supplied to them, such as light, heating, laundry, cleaning and meals so that income net of expenses could be estimated.

Imputed Rent

There is one further important difference between the definition of gross income and that adopted in the analysis of the Family Expenditure Survey. In the latter an

¹ For example, in the survey by the Oxford University Institute of Statistics, 'People who let rooms to lodgers, without supplying food, were asked to give the total income received ; and two-thirds of this was estimated to be profit'. See Lydall, H. F., *British Incomes and Savings*, Blackwell, Oxford, 1955, p. 17.

imputed value is added to the income of heads of households living in owner-occupied dwellings. 'Although no money actually passes between the owner and the occupier of the dwelling when they are the same person, the services of the dwelling do nevertheless have value equivalent to the net income which could be obtained by letting the building commercially.'¹ But the amount used (as also for households living in rent-free accommodation) is the weekly equivalent of the rateable value, which for many of the dwellings concerned is an unrealistically low figure in relation to their potential rental value. For example, in 1970 the average weekly value was put for dwellings owned outright at £1.81, compared with average weekly outgoings of £2.66 for council tenants and £4.52 for tenants of furnished, privately owned accommodation. The weekly average even for owner-occupiers with an income of £3,000 or more was still only £3.12. The 1963 valuations of property were still being used. Total imputed rent was estimated in the Family Expenditure Survey for 1973 to be only 3 per cent of total household income from all sources, or only 6 per cent of the total income of owner-occupiers alone. In the present survey, we did not consider that rateable value reflected the real contemporary value of most owner-occupied housing and sought other means of estimating this value. The rateable or rental value of owner-occupied property, expressed as a weekly or monthly sum, and estimated either on the basis of local rateable values or local market prices, is excluded from the definition of gross income. But the value of the property is included in the valuation of assets and an equivalent 'annuity' value is included in the definition of *total* or *gross disposable resources*, which is discussed later.

One major criticism of the presentation by the Royal Commission on the Distribution of Income and Wealth of data on the distribution of incomes is that imputed rent of owner-occupation was excluded from income. Not surprisingly, the commission had received conflicting evidence about whether the benefit derived from owner-occupation should be expressed in money terms and counted with personal income. They took the view that it would be desirable in future to present alternative distributions, one including and one excluding imputed rents. They illustrated the effect of including the FES definition of imputed rent, but did not amend the artificially low estimates used in that survey or include an amended measure in the data discussed in the main body of the text. Owner-occupation is a major component of living standards, and its effect on the distribution of income is likely to have changed in recent years.²

¹ See, for example, Department of Employment and Productivity, *Family Expenditure Survey*, Report for 1969, p. 109.

² Royal Commission on the Distribution of Income and Wealth, Report No. 1, *Initial Report on the Standing Reference*, Cmnd 6171, HMSO, London, July 1975, pp. 7 and 40-43.

Distribution of Gross Income

Table 5.2 shows the distribution by income last week and last year of all households in the sample for which information about income was complete. There are a number of factors which contribute to differences in the distribution. Earnings last week will be relatively high for some people and relatively low for others. For the employed population, earnings over the year will tend not to range so far as weekly earnings towards the extremes of the distribution, and for both the employed and non-employed the weekly average income for the previous twelve months will tend to be lower than the income for the previous week, because rates of earnings and, for example, of pensions have usually been increased during the year. Again, a fairly large proportion of people who work most weeks of the year will have been sick or unemployed or on holiday during any particular week and their incomes will be lower in that week than at other times.

Although some types of income which are paid in instalments less frequently than monthly or weekly, such as interest on savings and tax repayments, have been divided by fifty-two and added to weekly income (on grounds that they are regular additions or adjustments to income), once-and-for-all payments, like redundancy payments, grants by the Supplementary Benefits Commission of a lump sum, maternity grants and death grants have not been counted in weekly income but have been counted in annual income. Death grants are, of course, paid for persons no longer in the household. Maternity grants cover exceptional expenses which do not form part of ordinary living expenses. Lump-sum payments by the Supplementary Benefits Commission are generally made for bedding or clothing and are not often made in successive years.

However, it is important to remember that, as in all surveys of income, certain types of income could not be allocated to any specific period. This was partly because it was impractical to pursue inquiries beyond a certain point, but also because informants engaged in transactions which did not make it easy either for them or the interviewer to say exactly to what period some parts of their income applied. Thus, a high proportion of the self-employed told us that their incomes fluctuated during the year, but we could only attempt to obtain information about their annual income. To estimate their 'last week's' income, the figure for annual income was simply divided by fifty-two. Conventions such as these have tended to make the concept of last week's and last year's income less distinct than the amounts available to individuals are in reality. The extent to which income is both regular and secure is extremely important to the individual and to the household and will be discussed later.

Table 5.2 also shows the distribution according to income of the samples interviewed in the Family Expenditure Surveys of 1967 and 1968. The distributions are not exactly comparable with the poverty survey. The Family Expenditure Survey is based principally on the notion of 'usual' income which, for the sick and unemployed,

Table 5.2. Percentages of households with gross income per week (poverty survey and FES).

Range of income	Poverty survey		FES current or usual rate p.w.	
	Last week	Average per week last year	1967	1968
Under £6	4.3	5.1	3.3	2.6
£6 but under £8	7.4	7.6	4.4	5.2
£8 but under £10	5.3	4.7	4.2	3.8
£10 but under £15	9.2	9.5	9.6	9.3
£15 but under £20	10.0	12.4	12.1	10.2
£20 but under £25	12.7	9.4	15.6	13.4
£25 but under £30	13.3	17.2	13.6	13.4
£30 but under £35	10.0	9.6	11.1	11.3
£35 but under £40	7.9	6.8	7.8	8.8
£40 but under £50	9.5	8.8	9.5	10.7
£50 or more	10.5	8.8	8.8	11.3
Total	100	100	100	100
Number	1,808	1,769	7,386	7,184

SOURCE: Department of Employment and Productivity, Family Expenditure Survey, Report for 1967, p. 86; Report for 1968, p. 82. FES figures include weekly rateable value of owner-occupied housing as an addition to income.

includes latest earnings. In the poverty survey, the twelve months to which information about income refers start in early 1967 for some informants and early 1968 for others, and weekly income covers the period 1968-9. The definition of weekly income in the Family Expenditure Survey does not include certain forms of income, like windfalls, gifts of money and legacies, but does include an addition to income for imputed rent for owner-occupiers. The inclusion of the latter had the effect in 1968 of raising the income of a proportion of low-income households by an average of about £1.20 per week.¹ It will also tend to have increased the proportions in middle- and high-income groups, relative to the poverty survey. Another important point in comparing the figures is that the number of people aged 65 and over in the Family Expenditure Survey sample is about 14 per cent smaller than it should be if the sample

¹ In the 1968 survey, as many as 241 of the 836 households with under £10 weekly income owned their houses outright or (a tiny majority of them) were in the process of purchasing their houses. Many of these were retired people. See the Department of Employment and Productivity, Family Expenditure Survey, Report for 1968, HMSO, London, 1969, pp. 18 and 82.

were exactly representative of the population, while the number in the poverty survey was less than 1 per cent short of the representative figure. The number of households with children in the Family Expenditure Survey sample was correspondingly 10 per cent too large. Despite the qualifications which I have expressed, the percentages of net income estimated by the Central Statistical Office (on the FES basis) to have been received in 1968 by different quantile groups of households corresponded closely with percentages produced from the poverty survey. (For detail, see Appendix Eight, Table A.1, p. 991.)

With other kinds of qualifications the data may also be compared with the Inland Revenue statistics. Table 5.3 compares the distribution by range of gross and net annual income of income units in the sample with personal incomes after tax as assessed by the Board of Inland Revenue.¹ The board counts a married couple, whether separately assessed for tax or not, as one 'person', though it admits there is a deficiency in the number of wives with earned incomes reported by their husbands' income tax districts. Corrections are made to the data to take account of this deficiency, but not for wives earning less than the deduction card limit (£5.25 in 1968-9). There are some other well-known problems about the data. For example, people who have died will have been counted for the whole year though their income was received during only part of the year; women who have married during the year will appear twice in the statistics; and children and adults with small covenants may appear as separate units. Certain kinds of income which are not taxed, such as disablement pensions, unemployment and sickness insurance benefits and some windfall income, are not included in the Inland Revenue data, but are included in the definition of income in the poverty survey. Mortgage interest and certain allowable expenses have also been deducted from the Inland Revenue figures for incomes. These differences make comparison hazardous. The Board of Inland Revenue does not provide an estimate of the number of incomes up to £275, and a figure equivalent to that found in the poverty survey has been used in order to allow other figures in the Inland Revenue distribution to be compared.² But the Inland Revenue totals at the next to lowest range of income are too low also because of the well-known shortfall in number of long-term sickness and unemployment beneficiaries, as well as of retirement pensioners.³ At the highest levels of income,

¹ For 1968-9, the board's income survey was based on a stratified sample of some 120,000 out of 22,130,000 incomes.

² The estimate compares well with the estimates included in the National Income Blue Book about personal income. Thus, for 1967, the government estimates that there were 2,338,000 units with £50 income but under £250. The poverty survey suggests a figure of rather less than 3 million units with under £275 income. Estimates for the late 1960s were not included in the Blue Book. See *National Income and Expenditure 1969*, HMSO, London, 1969, Table 23.

³ The Blue Book totals for personal incomes in these ranges are substantially greater than the Inland Revenue totals. Thus, for 1967, an estimated 5,906,000 units are in the range £250-£500, compared with 3,760,000 in the range £275-£500 for 1967-8 in the corresponding Inland

the fact that allowable expenses, as well as mortgage interest, have been deducted from the Inland Revenue figures helps to explain why there were more units found in the poverty survey to have high incomes, though the tendency for different individuals in rich income units to be shown separately in the Inland Revenue tables should also be remembered.¹ Perhaps all that can safely be concluded from Table 5.3 is that the spread of incomes in the poverty survey was wide and that there was representation of the uppermost incomes.

Table 5.3. Percentages of income units with gross and net or 'after tax' income per year (poverty survey and Inland Revenue).

Range of income	Poverty survey		Inland Revenue	
	Gross	Net	1967-8 Net	1968-9 Net
Under £275	13.2	11.2	11.2 ^a	11.2 ^a
275-	2.0	2.4	1.3	1.2
300-	8.4	10.3	6.0	5.5
400-	7.5	8.5	8.1	7.3
500-	5.8	7.2	7.3	7.0
600-	4.4	6.8	7.8	7.2
700-	4.8	5.9	7.4	7.4
800-	5.3	6.7	7.4	6.7
900-	5.5	6.5	7.1	6.6
1,000-	12.3	12.7	15.4	15.5
1,250-	10.8	8.8	10.6	11.6
1,500-	11.7	7.7	7.1	8.9
2,000-	5.9	3.7	2.2	2.7
3,000-	1.0	1.0	0.9	1.0
5,000-	0.6	0.2	} 0.3 }	} 0.3 }
10,000-	0.5	0.4		
20,000-	0.3	0.1		
Total	100	100	100	100
Number	2,536	2,536	24,550,000	24,990,000

NOTE: ^aNumbers not known, and therefore the number equivalent in proportion to that found in the poverty survey has been estimated.

SOURCE: For Inland Revenue data: *Inland Revenue Statistics, 1971*, HMSO, London, Table 57.

Revenue tables in *ibid.*, Table 23.

¹ Titmuss, R. M., *Income Distribution and Social Change*, Allen & Unwin, London, pp. 50-53.

The Make-up of Household Income

Household income is, of course, made up of the combined income of income units, if there are two or more, in the household. And the income of income units is itself made up of the combined income of individuals comprising the unit. Any theory

Table 5.4. Percentages of individuals, according to net disposable income for previous week of individuals, income units and households.

Net disposable income last week	Individual income			Income unit income			Household income		
	Male	Female	All	Male	Female	All	Male	Female	All
Under £5	36	65	51	3	6	5	1	1	1
£5 but under £10	11	23	17	11	18	15	5	10	8
£10 but under £12.50	8	5	7	7	8	7	4	5	4
£12.50 but under £15	10	3	6	9	7	8	5	5	5
£15 but under £17.50	10	1	5	12	10	11	9	8	8
£17.50 but under £20	8	1	4	10	9	9	8	8	8
£20 but under £22.50	5	1	3	10	9	9	9	10	9
£22.50 but under £25	4	0	2	8	8	8	9	8	8
£25 but under £27.50	2	0	1	7	7	7	8	8	8
£27.50 but under £30	2	0	1	6	5	5	8	7	7
£30 but under £35	2	0	1	6	5	6	12	10	11
£35 but under £40	1	0	0	3	3	3	6	6	6
£40 but under £50	1	0	0	3	3	3	9	8	8
£50 and over	1	0	1	4	3	3	7	5	6
Total	100	100	100	100	100	100	100	100	100
Number	2,725	2,994	5,719	2,637	2,830	5,467	2,569	2,720	5,289

about distribution must take account of such allocation. Many individuals, chiefly dependent children and housewives, have no income, or very little, of their own, but they live with others who do have a regular income. Table 5.4 brings out the fact that income is more dispersed for individuals than for income units, and for income units than households. The range is still enormous, even when income net of tax and work expenses is considered. The fact that fewer women than men have any individual income, and have smaller incomes even when they do have any, is also striking. As we shall see, this is true not only of those in employment and of housewives, but also of disabled and elderly women.

Table 5.5 shows the distribution of annual net disposable income for the different age-groups. Again the differences in distribution between men and women, even among the elderly, should be noted. The highest proportion of men with middle and high incomes are those in their thirties. There is a marked reduction among those in their late fifties and early sixties, and an even more marked reduction among older men. Correspondingly, the proportion with low incomes increases quite significantly among those in late middle age, and very steeply after the age of 65. Among women, more of those in their thirties than either in their twenties or forties have little or no income - explained principally by the fact that a very high proportion have two or more dependent children. In recent years, there has been a steady increase in the proportion of married women taking up employment again in their forties and fifties. The difference in income distribution between people aged 65-74 and those aged 75 and over is also fairly marked. This reflects an important difference between people of the third and fourth surviving generations.

We have seen how total household incomes come to be built up with different 'blocks' of individual incomes and those of income units. Individual incomes, and the household incomes to which they contribute, are, of course, themselves made up of different elements. The most common and substantial elements are wages and salaries, which account for 76 per cent of annual gross disposable income (less income from windfalls); but, for large numbers of households, retirement pensions and other state benefits are the major form of income. Altogether they account for a total of 10 per cent of gross disposable income and for two thirds of the income available to women aged 60 and over living alone. The differences between types of households, and the contribution of incomes from self-employment, investment, property, sub-letting and other sources is shown in Table A.2 in Appendix Eight (page 992). Despite some differences in definition and method, this table also shows that the poverty survey and the Family Expenditure Survey correspond closely in the proportions of aggregate household income drawn from different sources. The proportion for wages and salaries is slightly lower and the proportion for state benefits other than retirement and widows' pensions slightly higher in the poverty survey than in the Family Expenditure Survey. However, this is attributable at least in part to differences of method. In the Family Expenditure Survey, 'normal'

Table 5.5. Percentages of individuals of different age, according to individual net disposable income in previous year.

<i>Individual net disposable income last year</i>	<i>Males aged</i>							<i>Females aged</i>						
	<i>0-19</i>	<i>20-29</i>	<i>30-39</i>	<i>40-54</i>	<i>55-64</i>	<i>65-74</i>	<i>75+</i>	<i>0-19</i>	<i>20-29</i>	<i>30-39</i>	<i>40-54</i>	<i>55-64</i>	<i>65-74</i>	<i>75+</i>
Under £300	92	5	2	3	4	31	48	93	54	68	59	66	65	58
£300-	5	10	1	2	7	31	33	5	19	13	20	20	28	37
£500-	2	20	11	16	23	19	10	1	21	10	11	8	5	2
£700-	1	39	41	37	39	9	6	0	5	6	5	2	3	1
£1,000-	0	22	30	25	17	6	1	0	1	2	3	2	0	0
£1,400-	0	2	8	9	7	1	1	0	0	1	2	1	0	1
£2,000+	0	2	7	7	3	1	0	0	0	1	1	0	0	1
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Number	975	363	340	441	302	191	69	917	396	350	551	333	263	165

earnings are counted instead of social security benefits if the latter have been received for less than thirteen weeks. Income from other sources is also slightly higher in the poverty survey. This may be partly due to the fact that 'income from other sources' included a few additional sources of income, such as money gifts and profits from boarders.

Table 5.6 lists the different sources of income on which information was obtained for the previous twelve months, and the proportions of households and individuals receiving income from those sources. The relative aggregate importance of such income is also conveyed. One per cent of households represent about 185,000 households, and 0.1 per cent about 18,500 households. One per cent of individuals represent 554,000 persons, and 0.1 per cent represent 54,400. It was not always possible to obtain the amounts of single payments that had been made in the preceding twelve months during the interviews, particularly for households which were large and had experienced a number of changes in composition and source and rate of income.

Income from self-employment is difficult to establish in surveys. The self-employed are defined as including both persons not employed by any persons or company, and persons working in their own home for an employer (out-workers). Included are proprietors of businesses (including members of partnerships), all parochial clergy, and medical practitioners who are principals in the National Health Service and in private practice. Many of the self-employed say their income fluctuates during a year, but because business expenses and income are not recorded in terms of a weekly or monthly cycle, it is difficult to get information except for a complete financial year. Sometimes that year may have ended some considerable time before the date of a particular interview. Thus people interviewed in September 1968 may only offer information about the financial year April 1967 to April 1968. All income and expenditure surveys suffer from these limitations, and all have to adopt alternative methods of seeking the same information - that is, gross annual income for the latest available year after deducting depreciation allowances and business expenses and net annual income after deducting tax and insurance contributions.¹

The incomes of the self-employed have not been adjusted for the time-lag, and it should be remembered that, on average, their incomes should strictly be raised by a few per cent for comparison with the incomes of the employed. Even so, Table 5.7 makes clear that their incomes are much more widely dispersed than those of the employed. There are significantly more with relatively low, and relatively high, incomes, and this fact applies to women as much as men. They range from a tinker

¹ See pages 1120-21 for the alternative methods of questioning the self-employed. The methods were based on those used in the FES. See also Kemsley, W. F. F., *Family Expenditure Survey: Handbook on the Sample, Fieldwork and Coding Procedures*, HMSO, London, 1969, p.115.

Table 5.6. *Gross disposable income for previous year, by source and amount (including windfalls).*

<i>Types of income</i>	<i>Percentage of households having income</i>	<i>Percentage of individuals having income</i>	<i>Aggregate amount of such income (unadjusted) £</i>	<i>Aggregate amount as percentage of total income of entire sample</i>
1. Wages (weekly paid)	61.5	34.3	1,063,692	47.2
2. Salaries (monthly paid)	22.4	9.2	429,466	19.1
3. Repayment of tax	19.4	7.6	7,048	0.3
4. Holiday pay	67.9	35.9	84,635	3.8
5. Sick pay	21.0	8.4	15,277	0.7
6. Self-employment income	7.9	3.2	155,867	6.9
7. Casual earnings and second job	6.6	2.4	17,058	0.8
8. Retirement pensions	24.4	11.9	128,116	5.7
9. Family allowances	25.6	8.8	23,811	1.1
10. Widow's pension	6.5	2.2	26,070	1.2
11. Sickness benefit	19.2	7.4	24,855	1.1
12. Unemployment benefit	5.4	2.1	9,383	0.4
13. Supplementary benefit	14.9	5.3	31,916	1.4
14. Industrial injury benefit	1.6	0.6	2,436	0.1
15. Industrial disablement pension	0.6	0.2	1,687	0.1
16. War disablement pension	1.1	0.4	3,428	0.2
17. Maternity allowance	1.5	0.5	1,534	0.1
18. Maternity grant	3.6	1.2	1,406	0.1
19. Death grant	0.8	0.3	324	0.0
20. Redundancy payment (DEP)	0.5	0.2	1,212	0.1
21. Single grant (social security)	0.8	0.3	78	0.0
22. Other (social security)	0.6	0.2	1,311	0.1
23. Pension from employer	8.8	3.1	49,104	2.2
24. Annuities	2.8	1.1	8,325	0.4
25. Gratuities	1.6	0.5	7,495	0.3
26. Trust or covenant	0.9	0.4	6,666	0.3
27. Court order	1.2	0.4	2,000	0.1
28. Allowance from relatives (armed forces)	0.8	0.2	3,304	0.1
29. Other allowances from husbands	0.3	0.1	1,041	0.0
30. Regular cash, relatives or friends	1.1	0.3	1,888	0.1
31. Money gifts	2.6	1.1	15,314	0.7
32. Trade-union benefit	2.0	0.7	2,050	0.1
33. Friendly society	0.7	0.3	326	0.0
34. Other benefits	1.7	0.7	4,957	0.2
35. Income from property	5.0	1.9	14,824	0.7
36. Profit on lodgers/boarders	0.6	0.2	583	0.0
37. Profit on letting garage	0.7	0.3	232	0.0
38. Interest received on savings	56.1	32.3	33,839	1.5
39. Interest and dividends stocks and Shares	7.4	3.2	34,281	1.5
40. Awards by LEAs	1.9	0.8	9,413	0.4
41. Educational maintenance allowance	0.1	0.1	74	0.0
42. Windfalls	5.8	2.2	25,799	1.1
ALL TYPES OF INCOME	100	100	2,253,136	100

NOTE: £1,652 out of £54,374 falling under headings 26-36 inclusive could not be allocated to a specific heading and has been allocated in the same proportion as the remainder.

or pedlar earning a few pounds a week to a doctor in private practice earning £15,000. It is difficult to judge the reliability of income information provided by the self-employed. We could show we were not from the tax office. On the other hand, some information on profits was as declared for tax purposes, and the reliability of that information has been questioned.¹

Table 5.7. *Percentages of employed and self-employed, according to individual net disposable income in previous year.*

<i>Individual net disposable income last year</i>	<i>Men</i>		<i>Women</i>	
	<i>Employed</i>	<i>Self-Employed</i>	<i>Employed</i>	<i>Self-employed</i>
Under £300	4	8	34	40
£300-	8	9	34	24
£500-	18	9	20	13
£700-	38	24	7	9
£1,000-	22	24	3	7
£1,400-	6	7	1	7
£2,000-	4	17	0	0
Total	100	100	100	100
Number	1,434	126	959	55

Can the incomes recorded in the survey be aggregated to match aggregate incomes as estimated nationally by the government? Reference has been made above in some detail to the results of the Family Expenditure Survey, and also briefly to the data reported annually by the Board of Inland Revenue. The sample data can also be grossed up and compared with aggregate figures for certain types of income published in the national income Blue Books (and also in the annual reports of the Department of Health and Social Security). With a slight adjustment for a difference in household definition, the Central Statistical Office figure of about 18½ million households in the United Kingdom has been used for purposes of estimating national totals. Table 5.8 gives some of the results. Certain reservations must be made. A number of deductions have to be made from the figures given in the Blue Books by the Central Statistical Office for the total of personal disposable income, to arrive at a figure which would be comparable with one derived from the poverty survey. Thus, the 'rent' of owner-occupied dwellings, income in kind from employers and national insurance contributions by employers can be deducted. But the resulting figure is still too high. It includes some 'income' represented by depreciation

¹ As, for example, in the evidence submitted to the Royal Commission on the Distribution of Income and Wealth by the Association of Her Majesty's Inspectors of Taxes in 1975.

Table 5.8. *Estimates of total UK personal income (poverty survey and government sources).*

Type of income	Poverty survey	Government estimates	
		1967	1968
		£m	£m
Personal disposable income ^a	-	27,559	29,304
Personal disposable income ^b	23,880	24,265	25,766
Wages and salaries	17,363	(17,295)	(18,104)
Self-employment income	1,660	(1,724)	(1,802)
Rent, dividend interest	1,200	(1,915)	(2,003)
Employers' pensions	690	(500)	(600)
Family allowances	250	161	270
Retirement and widows' pensions	1,648	1,426	1,623
Sickness benefit	300 ^c	304	348
Unemployment benefit	120 ^c	127	134
War disability pensions	40	106	115
Maternity benefits	30	35	39
Industrial injury benefit	60 ^c	88	96
Other national insurance benefits	16	16	19
Supplementary benefits	390 ^c	385	404
Redundancy payments	13	48	61
Scholarships and maintenance allowances	100	135	148
Income tax (excluding dividends deducted at source)	} 4,400 ^d	3,545	3,938
Employees' national insurance contributions		861	973

NOTES: The help of the Central Statistical Office was sought in compiling this table, but the CSO cannot be held responsible for the adjustments made (see also the Annex to this chapter). Personal disposable income:

^aAs defined *National Income and Expenditure 1970*, p.24.

^bExcluding income in kind, rent of owner-occupied dwellings, an estimate for depreciation for self-employment income, social security benefits of inmates of institutions, an estimate of pay of armed forces overseas and in non-private households, employers' contributions to occupational pensions and grants to universities and other non-profit-making bodies. The items listed comprise the total under ^b, but estimates in brackets are necessarily rough and sometimes involve apportionment, e.g. taxes and contributions, between categories.

^cShort-term benefits adjusted for information about weeks of benefit in year.

^dAdjusted for estimate of taxes on dividends, etc., at source.

SOURCES: *National Income and Expenditure, 1970*, HMSO, London, 1970, Tables 19 and 24, Tables 37 and 40 (family allowances, supplementary benefits, war pensioners, and all national insurance benefits and other grants) and Table 47 (for breakdown of income tax and national insurance contributions).

allowances and professional and business expenses. It includes lump-sum payments under life assurance and superannuation schemes, some of which have been, and continue to be, regarded by the recipients as 'savings', rather than as additions to income, and others of which, paid to bury the dead, are not regarded by the survivors in the household or income unit as part of their disposable income. Information on such sums is difficult to obtain in household surveys and seems not to have been obtained in full in the poverty survey (like the FES). Within the figure of income of life assurance and superannuation funds, which is counted as personal income by the Central Statistical Office, the income of private non-profit-making bodies and private trusts cannot be separated from the income of households.¹ A number of adjustments have been made to the government estimates in Table 5.8. These are explained and set out in the Annex to this chapter (pages 234-6). The aggregate figure for wages and salaries implied by the poverty survey is a little low in comparison with Blue Book estimates. The figure for self-employment income is too low, but is partly explained by the 'drift' in financial years for which information normally exists. The Blue Book estimates include an adjustment (addition to tax reserves). The figure for income from rents, dividends and interest is also low. Although it is difficult to specify the components in the national income accounts, so that precise comparisons might be drawn, the estimate in the poverty survey is probably low because, as in other such surveys, information about dividends is difficult to obtain accurately from some prosperous, particularly elderly, households. With the exception of war disablement pensions and industrial disablement benefits (which may sometimes have been incorrectly coded in interviews as retirement pensions, since the aggregate of the latter is slightly higher than expected) social security benefits of different kinds correspond with the totals expected from government data about expenditure. For example, the figures derived for family allowances, sickness benefits, unemployment benefits and supplementary benefit are close to the expected totals.

Cash Incomes of Different Types of Household

The distribution of gross income varies widely according to household composition, but also within any single type of household. Table 5.9 helps to show how the overall distribution is made up. In this table, as in other tables on household composition in this book, the numbers upon which percentages are based are unfortunately small in certain categories. We have chosen to present the full range of household types rather than a selection, partly to show the context within which certain data are set but also to indicate the kind of distribution which future surveys may set out to confirm. Percentages based on numbers under fifty are placed in

¹ Maurice, R., *National Accounts Statistics: Sources and Methods*, Central Statistical Office, HMSO, London, 1968, p. 115.

Table 5.9. Percentages of households of different type with gross income for previous week.

Range of income	Man		Woman			Man and woman				3 adults		4 adults	Others with-out children	Others with children	All	Man and woman FES (1968)			3 adults FES (1968)	
	over 60	under 60	over 60	under 60	No others	No. children				No others	with children					No others	1 child	2 children	No others	Children
						1	2	3	4+											
Under £6	(24)	3	30	5	1	0	1	0	(0)	0	0	0	1	0	4	0	0	0	0	0
£6 but under £10	(47)	3	58	28	15	1	1	0	(0)	2	0	0	6	2	13	8	0	0	1	0
£10 but under £12	(8)	0	5	9	8	0	1	1	(4)	2	0	0	3	5	4	}31	15	11	7	2
£12 but under £14	(3)	12	1	9	5	1	2	0	(4)	3	1	1	12	5	4					
£14 but under £16	(5)	12	2	12	4	3	6	2	(0)	2	2	0	5	6	4					
£16 but under £18	(0)	12	1	14	3	6	5	1	(2)	2	1	0	9	0	3	}28	43	42	21	23
£18 but under £20	(3)	11	1	0	6	9	5	7	(2)	4	3	0	3	2	5					
£20 but under £22	(5)	11	0	3	5	9	9	7	(17)	3	4	5	3	1	5					
£22 but under £24	(0)	13	0	2	6	9	8	11	(10)	4	2	0	3	3	5					
£24 but under £26	(0)	5	0	5	5	9	8	9	(12)	5	7	0	1	2	5					
£26 but under £28	(0)	3	0	5	4	13	13	9	(2)	5	5	5	5	1	5					
£28 but under £30	(0)	0	1	0	6	7	6	6	(6)	8	9	1	1	3	5					
£30 but under £35	(3)	3	1	3	10	14	11	16	(17)	12	15	11	8	9	10	11	17	17	13	16
£35 but under £40	(0)	5	0	0	9	5	11	5	(2)	16	11	11	3	11	8	8	10	12	16	14
£40 but under £50	(3)	2	1	2	7	7	7	15	(6)	16	22	25	5	21	9	9	8	10	21	24
£50 or more	(0)	5	0	2	5	6	7	10	(15)	17	17	41	32	28	10	6	6	8	21	21
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Number	38	61	190	57	483	137	174	81	48	190	130	65	66	87	1,807	1,936	741	818	674	483

NOTE: As in other tables, any percentages on a base of under 50 have been printed in brackets. The FES definition of gross income includes imputed income of owner-occupiers, and for purposes of strict comparison with the data produced by the poverty survey, the figures reproduced here will be smaller at the higher ranges of income and larger at the lower ranges.

brackets. There are a number of features of the table which should be noted. Incomes of small households do, of course, tend to bunch at the lower ranges, and of large households, particularly those with three or four adults and those generally without children, at the higher ranges. But the range is wide, especially among households consisting of a man and woman and of three adults. The most homogeneous types of household, so far as income is concerned, are households consisting of single persons or married couples of pensionable age. As the table shows, there is a big difference between the under and over 60s living alone. For selected types of households, which bulk large in the total, the data from the Family Expenditure Survey are also shown in Table 5.9. Because of differences in definition and in methods of inquiry, relatively more households in the poverty survey than in the Family Expenditure Survey, as reported above, were found to be at the lower ranges of income. The proportions of households found to be at the highest ranges of income are broadly similar, but, because the FES definition of gross income includes the imputed rental value of owner-occupied premises, the FES figures in the higher ranges would need to be reduced for purposes of strict comparison.

The mean gross disposable household income of different types of household is shown in Table 5.10, together with mean gross income. The substantial proportion

Table 5.10. Mean gross and gross disposable household income for previous week of different types of household (£).

<i>Type of household</i>	<i>Gross income last week^a</i>	<i>Gross disposable income last week^a</i>	<i>Number of households</i>
Man over 60	10.4	9.3	38
Man under 60	22.8	18.1	61
Woman over 60	8.0	7.8	190
Woman under 60	18.5	11.8	57
Man and woman	24.8	20.7	483
Man and woman, 1 child	32.3	24.6	137
2 children	30.5	25.6	174
3 children	32.7	27.6	81
4 or more children	40.5	35.8	48
3 adults	38.0	30.5	190
3 adults, plus children	39.8	33.3	130
4 adults	46.5	38.5	65
Others without children	39.6	33.7	66
Others with children	40.1	34.0	87
All	£28.9	£23.9	1,807

NOTE: ^aAdjusted for slight oversampling in Northern Ireland.

of income paid in tax and national insurance contributions by single person and two-person households other than the retired is evident.¹ The corresponding distribution for income last year is given in Table A.3 in Appendix Eight (page 993), together with figures drawn from the Family Expenditure Surveys for 1967-8. Despite differences in survey methodology and response, the FES mean incomes for 1968 are similar to those produced by the poverty survey. The only exception is the mean annual income of households with four or more children. In the poverty survey, the absolute number of these households was small, and by chance included three with very high incomes. In general, however, it would seem that although the poverty and family expenditure surveys produced remarkably similar *average* incomes for different households, the poverty survey seems to have included slightly more of those with relatively low and relatively high incomes.

The dispersion of income is very great for all major types of household, even after deductions for tax and work expenses. This is shown in detail in Table 5.11 in which a technique is adopted of giving the income of selected percentiles, measured from the top of the distribution.² Thus p 1 is the income immediately above 99 per cent of incomes found in households of each type, p 5 is the income immediately above 95 per cent of incomes, p 10 is the income immediately above 90 per cent of incomes, and so on. The median is p 50, and, as Table 5.11 shows, this is generally smaller than the mean, because of the skew distribution of incomes. If income is further expressed as a percentage of the median, then p 1, p 5, p 10 and p 20 indicate the relative dispersion of the upper tail of the distribution, and p 75, p 85 and p 95 indicate the relative dispersion of the lower tail.

The top incomes are in most instances at least twice, in some instances more than three times, as large as those of the fifth percentile. The top incomes are in most instances more than five times as large as the median incomes and more than ten times as large as the lowest incomes. Even if attention is confined to the fifth percentile, income at this level is still at least two or three times as large as the median in most instances. The table does not, of course, bring out inequalities in distribution *between* different types of household. Income for households of different size can be averaged, but this does not allow for the 'overheads' of each independent household, the 'economies' attributed to bigger households and the smaller claims upon income generally of children than of adults. The problem is discussed later in relation to measures of poverty. Here no elaborate measure is required because the existence of inequality can be demonstrated by extracting certain figures from Table 5.11 for comparison. For example, the mean income of men aged under 60 living as single householders is 32 per cent higher than that of women of the same age, and is 63 per cent of the mean income of households

¹ Tax liability of income groups is shown in Table A.4, Appendix Eight, page 994.

² This technique has been developed for employment and household incomes by Lydall, *The Structure of Earnings*, pp. 139-41 and *passim*.

Table 5.II. Net disposable income for previous year of different types of household at different percentiles of distribution.

<i>£ per year</i>																
<i>Percentiles of net disposable household income last year</i>	<i>Man 60+</i>	<i>Man under 60</i>	<i>Woman 60+</i>	<i>Woman under 60</i>	<i>Man and woman</i>	<i>3</i>				<i>3 adults</i>	<i>4 adults and children</i>	<i>Others adults</i>	<i>Others without children</i>	<i>Others with children</i>	<i>All</i>	
						<i>1 child</i>	<i>2 children</i>	<i>3 children</i>	<i>4+ children</i>							
p 1	1,374	3,917	2,775	3,510	10,300	5,186	6,151	3,479	13,537	10,436	8,641	3,010	11,314	3,895	13,537	
p 5	1,208	1,642	823	1,107	1,994	2,034	2,516	2,707	9,403	2,805	3,485	2,764	3,430	3,384	2,598	
p 10	1,037	1,177	542	973	1,695	1,795	2,028	2,197	2,893	2,379	2,628	2,662	2,913	3,056	2,092	
p 20	642	935	443	863	1,450	1,446	1,619	1,666	1,672	1,993	2,070	2,330	2,427	2,254	1,675	
p 50	399	767	338	612	963	1,135	1,128	1,225	1,042	1,450	1,564	1,951	1,142	1,674	1,076	
p 75	308	603	286	416	620	944	943	971	918	1,159	1,203	1,564	784	1,190	668	
p 85	286	567	259	374	505	806	846	925	770	947	1,102	1,259	644	780	459	
p 95	252	351	230	271	398	730	695	808	604	666	848	1,076	448	476	308	
Mean income	486	863	399	654	1,068	1,254	1,311	1,365	1,728	1,625	1,747	1,886	1,670	1,689	1,221	
<i>Income as % of median</i>																
p 1	344	511	821	574	1,070	457	545	284	1,299	720	552	154	990	242	1,259	
p 5	303	214	243	181	207	179	223	221	903	193	223	142	300	202	242	
p 10	260	153	160	159	176	158	180	179	278	164	168	136	255	183	195	
p 20	161	122	131	141	151	127	143	136	160	137	132	119	213	135	156	
p 50	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	
p 75	77	79	85	68	64	83	84	79	80	80	77	80	69	71	62	
p 85	72	74	77	61	52	71	75	76	74	65	70	65	56	47	43	
p 95	63	46	68	44	41	64	62	66	58	46	54	55	39	28	29	
Number	37	55	190	57	472	134	172	78	48	186	126	62	66	85	1,768	

consisting of a man and woman and three children. Again, the mean income of households consisting of a man and woman and three children is smaller than of households consisting of three adults. Yet again, the incomes of half the households consisting of a man and woman are higher than a quarter of households comprising man and woman and one child, or two, three, four or more children.

An alternative method of showing inequalities in income distribution is to work out the proportion of incomes which are relatively high or relatively low. For each type of household, incomes are distributed according to whether they are high, middle or low in Table 5.12. In only one instance are there roughly as many high-income as low-income households. In general, about a fifth of households with high

Table 5.12. *Percentages of households of different type with relatively high, middle and low net disposable income for previous year.*

<i>Type of household</i>	<i>High (120% or more of mean for type)</i>	<i>Middle (80- 119 % of mean)</i>	<i>Low (less than 80% of mean)</i>	<i>Total</i>	<i>Number</i>
Man aged 60+	(19)	(19)	(62)	100	37
Man under 60	11	49	40	100	55
Woman aged 60+	13	47	40	100	190
Woman under 60	23	37	40	100	57
Man and woman	29	30	41	100	472
Man, woman, 1 child	17	51	32	100	134
2 children	20	43	37	100	171
3 children	20	42	37	100	78
4+ children	(11)	(15)	(74)	100	47
3 adults	21	42	37	100	186
3 adults, plus children	16	40	44	100	123
4 adults	25	52	23	100	61
Others without children	33	12'	54	100	66
Others with children	29	37	34	100	84
All types ^a	22	38	40	100	1,761

NOTE: ^aThe aggregation of incomes which are high, middle or low, according to type.

incomes are counter-balanced by about two fifths with low incomes, and, considering the smallish numbers in some sub-categories of the sample, the regularity of this phenomenon is surprising. The ratio between high and low incomes in fact indicates the length of the 'tail' of high incomes. The smaller the proportion of relatively high incomes the longer the tail.

The Distribution of Assets

More extensive information on assets was collected than in any previous survey. We agree with the recent Royal Commission that no single definition is 'ideal in all circumstances. The concept of personal wealth cannot be reduced to a single definitive statement.'¹ Our primary interest was in attempting to arrive at some measure of the effect upon living standards of the ownership of assets. There are at least four important effects. First, money assets can be realized or property sold to meet living expenses. Thus, some retired people with a low income draw savings regularly and substantially. Some men who are temporarily sick or otherwise out of work also draw upon their savings until they re-enter paid employment. Secondly, rents which are commonly paid for the use of some types of asset, such as for housing, or TV sets, or charges for the use of other assets as in fares for passenger transport, do not have to be paid because houses, TV sets and cars are owned, and the rental equivalent of these assets can be treated as an 'addition' to income. Thirdly, assets allow security to be offered to creditors and loans to be raised so that fluctuations in living standards caused by short-term changes in the flow of income can be smoothed out. Fourthly, assets allow people a wider security to take or accept risks in allocating income, to spread it over the life-cycle and to make promises to, or arouse expectations in, others so that immediate help or cooperation can be secured. Thus, a sense of obligation to an old lady because of the promise of being a beneficiary under her will may cause someone to give services far greater than may ordinarily be purchased by any income that they may be currently receiving.

An attempt has been made to produce estimates of the value of each of these. A broad distinction is drawn between 'readily' and 'less readily realizable assets'. This accords with the recently expressed view of the Royal Commission 'that different approaches to the definition of personal wealth hinge essentially on varying degrees of marketability of assets'.² Some assets, which are usually termed 'liquid' assets, have the common characteristic that their values are fixed in terms of money and they can be, and often are, cashed at short notice. *Readily realizable assets* are defined as deposits in savings and other banks, holdings of Savings Certificates, Defence Bonds and Premium Bonds, and shares and deposits in building societies and cooperative societies; value of stocks and shares (meaning all marketable securities whether issued by governments, municipalities, public boards or companies) and money owed (ignoring sums below £25). *Less readily realizable assets* are defined broadly to include the value of any business, farm or professional practice; owner-occupied houses and other houses, boats and caravans; cars and other saleable assets (including jewellery, silver and antiques, but excluding

¹ Royal Commission on the Distribution of Income and Wealth, *Initial Report*, p. 9.

² *ibid.*, p. 10.

Table 5.13. Percentages of individuals, income units and households with assets.

<i>Amount</i>	<i>All assets</i>		<i>Amounts of assets and debts of households</i>				
	<i>Indivi- duals</i>	<i>Income units</i>	<i>House- holds</i>	<i>Gross readily realiz- able assets</i>	<i>Money debts</i>	<i>Less readily realiz- able assets</i>	<i>Pro- perty debts</i>
None (or in debt)	37.0	19.9	13.5	20.6	76.5	27.9	74.1
Less than £10	6.5	3.1	1.7	7.2	3.8	0.4	0.0
£10 but under £20	4.2	1.9	1.2	3.7	3.3	0.3	0.1
£20 but under £50	6.7	5.1	3.4	7.7	8.1	3.7	0.3
£50 but under £100	6.3	6.2	4.3	8.0	4.3	3.8	0.6
£100 but under £200	6.5	6.9	6.0	10.7	1.7	3.3	1.6
£200 but under £500	8.2	11.0	10.1	16.2	1.0	7.1	3.0
£500 but under £750	3.1	4.5	5.0	6.8	0.3	1.6	1.7
£750 but under £1,000	1.8	2.7	3.2	4.4	0.2	2.6	2.2
£1,000 but under £1,500	2.9	5.0	6.4	3.5	0.2	3.7	3.6
£1,500 but under £2,000	2.2	3.7	4.8	2.1	0.1	3.4	4.0
£2,000 but under £3,000	3.5	6.8	8.5	2.8	0.2	7.7	5.0
£3,000 but under £5,000	4.5	8.6	10.9	2.5	0.1	13.7	3.0
Over £5,000 but under £10,000	4.4	9.3	12.9	} 3.9	0.0	20.7	0.7
Over £10,000	2.3	5.2	8.0				
Total	100	100	100	100	100	100	100
Number	5,370	2,363	1,630	1,772	2,009	1,819	2,033

household equipment). The method of questioning individuals in the household in detail is indicated in the Questionnaire (Appendix Ten, pages 1085-1167). Money debts were deducted from money assets to obtain *net readily realizable assets*. These debts were defined as bank overdraft or loan, rent owed, hire-purchase debts (ignoring sums below £25). Similarly, outstanding property' debts were deducted from less readily realizable assets to obtain a net total for these assets. These debts included mortgages outstanding and money owed on cars. The total figure of assets less liabilities is termed *net assets* (and elsewhere is often referred to as *net current worth*).

Table 5.13 shows the very wide distribution of assets by value. As many as 13 per cent of households have no assets at all or are in debt. A further 11 per cent have less than £100 and another 6 per cent less than £200. Altogether nearly a third of all households in the country have no assets or under £200. These figures are higher if readily realizable assets alone are considered. Many people are owners or part-owners of the houses they occupy, but otherwise lack assets. As many as 58 per cent of all households have either no readily realizable assets or assets of under £200.

Ownership of assets varies according to type of asset. Table 5.14 shows the percentage of individuals, income units and households having different kinds of asset. The chief means by which wealth is diffused among the population is through the private ownership of dwellings, and, by means of average and aggregate value, the table shows how important this is in relation to all assets. Over three quarters of the population also live in households with money savings of some kind, the most common being in the Post Office Savings Bank and Premium Bonds. Only 4 per cent of the population, and 9 per cent of households, have stocks and shares, but the mean value of each holding is considerably in excess of the mean value of owner-occupied housing. It should also be noted that although income units or households with overdrafts is not much more than a tenth of the number with hire-purchase debts, the aggregate amount owed is nearly as large.

How do the values obtained in the survey for assets match with other estimates of national wealth? Table 5.15 compares the survey estimates with other estimates for savings, stocks and shares, business, farm or professional practices and owner-occupied housing. The two sets of estimates in the table should be regarded as indirectly rather than as strictly comparable, with the poverty survey giving better representation of wealth at the lower and middle ranges of ownership of wealth and the Board of Inland Revenue estimates giving better representation at the highest ranges. The Inland Revenue estimates are based on estates on which duty was paid in 1968. The method of estimation assumes that the estates passing on death are a representative sample both in number and value of the property of individuals. When multiplied by the reciprocals of the population's mortality rates for the various age groups, they yield an estimate of the wealth of all individuals for each age and sex group of the population. This method has been used by both the Inland

Table 5.14. Percentages of individuals, income units and households with different types of asset, and mean and aggregate amounts.

Type of assets (or debts)	Percentage with assets			Mean amount house- holds with assets ^a £	Aggregate amount all house- holds in sample ^a £
	Indivi- duals	Income units	House- holds		
Bank deposit account	13	20	27	424	92,432
Post Office Savings Bank	19	26	35	408	128,252
Trustee Savings Bank	10	14	18	205	36,682
Co-op savings	3	6	9	53	2,086
Any other savings bank	1	2	3	292	5,847
Shares or deposits in building society	8	11	16	610	54,264
Savings Certificates	7	10	13	111	5,660
Defence Bonds	2	3	4	173	1,900
Premium Bonds	20	26	36	46	9,251
Other savings	3	5	7	233	11,404
Having two or more of above types	21	32	39	942	603,970
All savings	54	71	78	745	954,157
Stocks and shares	4	7	9	4,746	702,378
Business, farm or professional practice	3	5	6	8,324	799,103
Owner-occupied house	16	33	45	3,267	2,424,200
Other houses, land, caravans, boats	3	5	6	3,328	342,749
Cars (vans, motor-cycles)	17	35	43	311	220,339
Personal possessions (e.g. jewellery, silver)	14	24	30	267	130,645
Other property or savings	0	1	1	669	6,020
Owed money by others	2	4	5	376	32,680
Overdraft or loan	1	2	3	564	25,377
Rent or mortgage arrears	1	1	1	12	231
Hire-purchase debts	8	17	23	81	29,709
Personal debts	1	3	4	293	16,985
Total number	4,692	2,213	1,633	-	5,539,969

NOTE: "For each type of saving the mean amount and the aggregate amount refer only to households with that type of savings and no other. The amount which could not be allocated is shown in the line 'having two or more of above types'.

Revenue and independent research workers for many years.¹ But the estimates 'are inevitably subject to fairly wide margins of error and are in some respects incomplete. The figures obtained from estates below the exemption limit for estate duty (£5,000 in 1968) are less reliable than those from estates paying duty because in general they do not have to be examined so thoroughly.'² The sampling errors for small numbers of estates among the rich and the young are considerable.

Although an attempt is made in Table 5.15 to give estimates from the two sources

Table 5.15. *Estimates of national value of certain types of asset.*

Type of asset	Predicted national aggregate - poverty survey		Inland Revenue estimates (1968)	Asset definition (Inland Revenue)
	£ mil.	% of Inland Revenue	£ mil.	
Bank deposit account	2,700	82	3,306	Cash at the bank on deposit
Post Office Savings Bank	3,100	107	2,904	Post Office and Trustee Savings Bank
Trustee Savings Bank				
Co-op Savings				
Any other savings bank				
Shares or deposits in Building Society	3,000	46	6,547	Shares and deposits in building societies
Savings Certificates	1,200	50	2,404	National Savings Certificates and Premium Bonds
Premium Bonds				
Defence Bonds				
Defence Bonds	500	67	744	Defence, Development Bonds, Tax Reserve Certificates
Other savings	500	-	n.a.	
Sub-total	11,000 ^a	69	15,905	

¹ See *Inland Revenue Statistics, 1971*, HMSO, London, 1971, pp. 227-9. A comprehensive review of the deficiencies in the estimates will be found in Atkinson, A. B., *Unequal Shares: Wealth in Britain*, Allen Lane, London, 1972. See also Atkinson, A. B., and Harrison, A. J., *Distribution of Personal Wealth in Britain*, Cambridge University Press, 1978, Chapter 2.

² *Inland Revenue Statistics, 1971*, p. 227.

Table 5.15 - contd

<i>Type of asset</i>	<i>Predicted national aggregate - poverty survey</i>		<i>Inland Revenue estimates (1968)</i>	<i>Asset definition (Inland Revenue)</i>	
	<i>£ mil.</i>	<i>% of Inland Revenue</i>	<i>£ mil.</i>		
Stocks and shares	8,150	44	18,329	Total quoted stocks and shares including unit trusts	
Business, farm or professional practice	9,265	167	2,636	Trade, business and professional assets	
Owner-occupied house	28,050		22,004		Net landed property
Other houses, land, caravans, boats	3,970				
Cars (vans, motor-cycles)	2,534	-	n.a.		
Personal possessions (e.g. jewellery, silver)	1,512	55	2,896	Household goods, pictures, china, etc.	
Other property or savings	76				
Owed money by others	378	-	n.a.		
Total (net of debts)	64,100	94	67,938	Adjusted net wealth less life assurance	
Life assurance	10,000	76	13,008	Policies of life assurance	
Grand total	74,100	91	80,946	Adjusted net wealth	

NOTE: ^aAll types of savings were aggregated for analysis, and the totals in this table for different types are estimated on the basis of a hand-count of a sub-sample of questionnaires.

SOURCE: Official estimates from *Inland Revenue Statistics, 1971*, Table 129, pp. 194-7.

which can be broadly compared, qualifications on both sides must be listed. In the poverty survey, the value of life-assurance policies, although collected, was not included in the definition of assets, for the reason that in the hands of the living they are worth only their surrender value, which is usually much less than the sum assured. Without protracted inquiry it would be difficult to reach reliable estimates

of market values. Indeed, it is somewhat surprising that the full value of such policies is included in the Inland Revenue's estimates of gross and net personal wealth, especially since the board actually admits that 'an estimate based on the value of the life funds will be more realistic as the component of total personal wealth than the one given here'.¹ An estimate of the value of cars, vans and motor-cycles, net of debts outstanding, is given in the survey, but not in estate duty statistics. This was approximately £2,500 million. On the other hand, debts and income due to the deceased and 'other' assets, amounting to £6,871 million in 1968, are included in the estate-duty statistics and have not been deducted from the total given in the table. However, I have deducted the value of unquoted shares and debentures in companies, cash in the house, cash gifts and amounts standing in current bank accounts, amounting to a total of £7,022 million, from the Inland Revenue totals, either because no attempt was made to collect such information in the poverty survey, or because it is arguable whether such amounts should be treated as part of a definition of 'wealth'. There are, of course, difficulties about the components of other items.

The poverty survey's total for savings is on the low side, and not much better than such totals sought in other surveys.² The figure for stocks and shares is certainly low. This may be partly due to the fact that, during survey interviews, face values rather than market values are sometimes quoted by informants. Without exhaustive inquiry into the complicated portfolios of a small minority of rich people, total holdings will almost certainly be underestimated - especially of elderly men and women who leave the management of their financial affairs to a bank or solicitor. In the poverty survey, the value of household goods as such and of personal assets of under £25 in value were not sought. None the less a figure of nearly £1,600 million is reached, which suggests that the Inland Revenue total (which includes all household effects) is an underestimate. The poverty survey also produces an estimate of the value of property and land (after allowing for debts) which is considerably in excess of the Inland Revenue estimate.

Assets of Different Types of Household

Inequality of dispersion of net assets is surprisingly similar between one type of household and another (Table 5.16). Slightly more households with than without children are in debt, and more single-person than other households have few assets or none, though the fractions with £200 to £1,000 fluctuate around a fifth, and with

¹ Inland Revenue Statistics, 1971, p. 228.

² 'The estimates of the total amount of personal capital which can be derived from this survey appear to represent only two-thirds of the true amount.' See Lydall, H. F., and Tipping, D. G., 'The Distribution of Personal Wealth in Britain', *Bulletin of the Oxford University Institute of Statistics*, 'aid, 1961, p. 85.

Table 5.16. *Percentage of different types of household, according to the value of all assets.*

<i>Type of household</i>	<i>In debt</i>	<i>No assets</i>	<i>Under £100</i>	<i>£100 but under £200</i>	<i>£200 but under £1,000</i>	<i>£1,000 but under £2,000</i>	<i>£2,000 but under £5,000</i>	<i>£5,000 but under £10,000</i>	<i>£10,000 and over</i>	<i>Total</i>	<i>No.</i>
Man aged 60 or over	(0)	(22)	(14)	(11)	(8)	(14)	(11)	(11)	(8)	100	36
Man under 60	3	21	16	9	19	7	12	5	7	100	57
Woman 60 or over	1	23	18	7	18	7	15	9	3	100	175
Woman under 60	4	15	9	7	22	4	22	11	6	100	54
Man and woman	3	7	9	5	19	11	25	11	9	100	456
Man, woman, 1 child	5	3	20	5	16	14	17	10	9	100	118
2 children	5	4	10	4	22	14	21	14	5	100	148
3 children	9	2	9	5	16	17	17	14	11	100	64
4+ children	(30)	(11)	(18)	(4)	(9)	(5)	(9)	(9)	(4)	100	44
3 adults	4	5	7	5	16	13	22	17	11	100	167
3 adults, plus children	9	4	10	8	19	12	15	16	7	100	116
4 adults	0	5	10	9	21	12	19	18	5	100	57
Other households without children	2	5	5	7	20	5	16	26	15	100	61
Other households with children	9	12	5	8	20	12	12	14	8	100	76
All households	5	9	11	6	18	11	19	13	8	100	1,629

£1,000 to £5,000 between a fifth and a third for all types of households (except the two with relatively low sample numbers). However, these distributions do not allow for varying sizes of households and the grouping under certain headings of combinations of persons who are dissimilar. Thus households consisting of a man and woman include young couples both in paid employment as well as elderly retired couples; and households with three adults range from married couples with an adolescent son or daughter who has left school to couples in late middle age with an aged widowed parent.

The distribution of assets is very wide for all age groups, and though more of the middle aged and elderly than of children and young adults live in households with substantial assets, the pattern varies less with age than might be expected (Table A.5, Appendix Eight, page 995). Among the oldest age groups, more men than women have substantial assets.

Table 5.17 brings out certain relationships between mean levels of assets and mean levels of income for the different types of household. It shows, first, that in relation to income the value of assets is relatively high, on average, among the smaller households, particularly those containing older people. This is particularly noticeable in the case of the three sub-types of household comprising a man and wife. But values are also relatively high in larger households peopled entirely by adults. Secondly, readily realizable assets rise and, by and large, less readily realizable assets fall, with increasing age. Among one- and two-person households, for example, the two types of assets are very broadly comparable in total value for people over 60. But for some younger households readily realizable assets shrink to only a small fraction of the value of property assets. This is explained chiefly by the fact that many young families invest first in a house and only later in life do they accumulate money savings to any considerable degree. It is also explained by the fact that older people who are owner-occupiers tend to live in property that is older and of smaller estimated value than owner-occupiers with children.

Finally, Table 5.18 shows the extreme variations in the distribution of assets within each type of household. It will be seen that there were households of two separate types within the sample which had total assets of over £200,000, and of two further types with over £100,000. At the fifth percentile, the range of assets per household lay between £10,000 and £20,000, for nearly all household types. At the tenth percentile, the range fluctuated by a few thousand pounds above and below £10,000. But when the median is reached, assets are less than, or only a little more than, £1,000 for nearly all types of household. The table shows how little wealth is owned by the poorest half of households of each type. At the ninety-fifth percentile, most types of household have no assets at all, or only negative assets.

These results can be expressed in different ways to demonstrate relativities. For each household type, Table 5.18 shows the relationship between the wealthiest and other households at different percentiles. As a proportion of the wealth of the

Table 5.17. Mean value of all assets of different types of household.

<i>Type of household</i>	<i>Mean net disposable income last year</i>	<i>Gross readily realizable assets</i>	<i>Money debts</i>	<i>Less readily realizable assets</i>	<i>Property debts</i>	<i>Mean net assets</i>	<i>Net assets as % of net disposable income last year (mean for all households)^a</i>
	£	£	£	£	£	£	
Man aged 60 or over	486	1,139	0	1,445	19	2,697	831
Man under 60	863	497	5	1,503	152	1,927	203
Woman aged 60 or over	399	1,027	0	1,294	10	2,231	469
Woman under 60	654	1,095	7	1,454	120	2,449	357
Man and woman	1,068	1,374	29	3,081	359	3,980	315
Man and woman aged 60+	813	2,266	9	2,581	25	4,849	n.a.
Man and woman, one under 60	937	1,346	3	2,894	132	4,025	n.a.
Man and woman, both under 60	1,306	771	56	3,609	757	3,548	n.a.
Man, woman, 1 child	1,254	472	37	3,090	968	2,660	192
2 children	1,311	427	52	3,372	1,032	2,702	194
3 children	1,365	816	53	4,900	891	4,952	312
4+ children	1,728	3,210	98	3,080	862	4,807	112
3 adults	1,625	913	29	3,735	531	3,897	261
3 adults, plus children	1,747	767	72	5,434	528	5,828	340
4 adults	1,886	982	36	4,518	439	5,116	512
Other households without children	1,670	2,612	20	4,158	251	6,685	413
Other households with children	1,689	516	31	4,783	433	5,404	348
All households	1,221	1,062	33	3,277	483	3,823	323
Number	1,769	1,773	2,008	1,821	2,033	1,634 ^b	1,537 ^c

NOTES: ^aThe mean of the percentage worked out within each household type for each household.

^bThe number represents only those households giving complete information on the four preceding components.

^cThe number represents households with complete information on net disposable income last year and all components of assets.

Table 5.18. Total assets in £ of different types of household at different percentiles of distribution.

Percentiles of assets	Man 60+	Man under 60	Woman 60+	Woman under 60	Man and woman	Man, woman 1 child	Man, woman 2 children	Man, woman 3 children	Man, woman 4+ children	Three adults	Three adults and children	Four adults	Others without children	Others with children	All
p 1	17,151	19,393	77,819	17,960	92,200	22,070	15,665	65,887	139,121	32,740	240,920	109,269	80,106	212,514	212,514
p 5	13,350	11,200	7,854	10,860	13,228	13,085	11,793	24,697	17,192	13,222	15,600	20,005	21,540	14,743	13,102
p 10	7,900	7,500	5,400	9,300	9,200	8,390	7,360	13,850	8,535	10,655	8,500	9,365	14,152	7,674	8,500
p 20	6,500	2,481	2,956	4,340	5,050	4,900	4,554	7,712	2,213	6,642	6,102	5,470	6,900	5,549	5,150
p 50	660	245	300	550	1,500	1,041	1,360	1,299	75	2,035	1,150	1,534	4,170	966	1,065
p 75	12	6	9	60	219	82	226	213	-3	432	130	250	363	75	112
p 85	0	0	0	0	50	30	50	35	-21	75	25	124	175	0	8
p 95	0	0	0	0	0	0	-6	-24	-63	0	-27	4	0	-20	0
Mean assets	2,697	1,927	2,231	2,449	3,980	2,660	2,702	4,952	4,807	3,897	5,828	5,116	6,685	5,404	3,823
<i>Assets as percentage of top percentile</i>															
p 1	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
p 5	78	58	10	60	14	59	75	37	12	40	8	18	27	7	62
p 10	46	39	7	52	10	38	47	21	6	32	4	9	18	4	4.0
p 20	38	13	4	24	5	22	29	12	2	20	3	5	9	3	2.4
p50	4	1	0	3	2	5	9	2	0	6	1	1	5	0	0.5
p75	0	0	0	0	0	0	1	0	-	0	0	0	0	0	0.1
p85	0	0	0	0	0	0	0	0	-	0	0	0	0	0	0.0
p95	0	0	0	0	0	0	-	-	-	0	-	0	0	-	0.0
Number	36	57	175	54	457	118	148	64	45	167	117	59	60	77	1,634

wealthiest, the wealth of other households fails steeply. For all types of household, even at the fifth percentile households have only 6 per cent of the assets of the wealthiest. Again, households below the median have a derisory value of assets in relation to the wealthiest households.

The Relationship between Assets and Income

The ownership of assets tends to reinforce inequalities in cash incomes. One method of examining the relationship is simply to compare the two. Table 5.19 provides a consistent correlation. For every type of household in the sample,

Table 5.19. Percentages of high-, middle- and low-income households of different types with no assets or less than £100.

Type of household	Percentage with no assets or less than £100			All levels of income	Total	No.
	High income	Middle income	Low income			
Man aged 60+	(29)	(29)	(48)	(40)	100	37
Man under 60	(0)	(30)	(59)	38	100	55
Woman aged 60+	(12)	49	38	40	100	190
Woman under 60	(15)	(24)	(48)	31	100	57
Man and woman	7	18	27	19	100	472
Man, woman,						
1 child	(9)	21	(44)	26	100	134
2 children	(3)	10	37	19	100	171
3 children	(6)	(9)	(45)	21	100	78
4+ children	(0)	(14)	(69)	(53)	100	47
3 adults	(5)	9	31	16	100	186
3 adults, plus children	(10)	14	33	22	100	123
4 adults	(7)	(25)	(21)	19	100	61
Others without children	(4)	(12)	(17)	12	100	66
Others with children	(8)	(26)	(41)	26	100	84
All types	7	21	36	25	100	1,761

NOTE: Definition of high, middle, low income as in Table 5.12.

fewer high- than low-income households lacked assets. Among all high-income households, only 7 per cent had no assets or less than £100, compared with 36 per cent of low-income households. The proportion of low-income households with children who lack assets is particularly striking. The high proportion of middle-

income as well as low-income women aged 60 or over who live alone and who lack assets is also striking.

Another method is to examine dissaving and the conversion generally of assets into income to maintain or enhance living standards. After a series of questions about assets in the survey, informants were asked a general question, 'Have you in fact sold or borrowed anything worth £25 or more, or drawn out £25 or more of savings during the last 12 months to meet ordinary living expenses? I don't mean money to buy a house or other property, like a car, or to put into savings, but money for rent, housekeeping, food, clothing and leisure.' Then a series of specific items were listed: 'Sold property (including house, caravan, etc.), raised a loan on property or a life insurance policy, sold personal possessions (e.g. jewellery), sold stocks or shares, drawn savings, otherwise sold assets or borrowed money'; and amounts were entered. Altogether 14.8 per cent of households specified one or more items and as many as 13.1 per cent had drawn on savings to the extent of £25 or more. Over a third of these had drawn more than £100. The overall effect of dissaving upon the

Table 5.20. *Percentages of households of different types dissaving in previous year.*

<i>Type of household</i>	<i>Amount of dissaving in year</i>					<i>Total</i>	
	<i>None or less than £25</i>	<i>£25-49</i>	<i>£50-99</i>	<i>£100-199</i>	<i>£200 or more</i>	<i>%</i>	<i>No.</i>
Man aged 60+	(88)	(2)	(5)	(0)	(5)	100	42
Man under 60	90	5	2	3	0	100	62
Woman aged 60+	87	4	4	3	1	100	200
Woman under 60	78	10	7	2	3	100	60
Man and woman	87	3	5	2	2	100	543
Man, woman,							
1 child	91	3	2	2	3	100	152
2 children	93	3	2	2	0	100	191
3 children	88	3	4	1	3	100	90
4+ children	93	4	0	2	2	100	55
3 adults	86	3	6	2	3	100	225
3 adults, plus children	87	4	3	4	2	100	155
4 adults	86	3	6	1	3	100	87
Other households							
without children	76	5	10	5	5	100	82
Other households with children	85	5	8	2	1	100	105
All households	87	4	4	2	2	100	2,049

distribution of gross disposable income is small (Table A.6 in Appendix Eight, page 996) but is appreciable for some household types. Thus, more than half of the households withdrawing £100 or more were one-, two- or three-person households containing retirement pensioners. But, in relation to those having no savings of any kind upon which to draw, their numbers remain small. Table 5.20 shows that almost as many of the elderly households as of households with children do not draw on savings in the sense explored in this survey of meeting living expenses.

There are other methods of showing the relationship between the distributions of income and of assets. Current net disposable cash income and current net assets, or net worth, might be combined in a single measure of income net worth'. Our justification for using this method is that although traditionally the two have been treated in economic theory as distinct 'flow' and 'stock' concepts, in practice they merge. Some types of income, e.g. windfalls, bear little relationship to any on-going standard of living. They are treated as available for once-and-for-all expenditure which may or may not raise the on-going standard of living. Other types, even when received regularly, are tied specifically to an exceptional type of expenditure and not to a general' standard of living. Alternatively, as already pointed out, some types of assets are drawn upon regularly to support or improve living standards, or they offset living costs which are met weekly or monthly by many in the population.

They can be combined by converting net assets into an annuity value, which is then added to net disposable income. This method has been explored in previous studies.¹ The net worth of an individual or income unit could be annuitized over his, or its, lifetime so that there is nothing left at death. By calculating interest rates for assets and applying tables showing the average expectation of life for men and women of different age, an annuity value can be estimated. The method could involve a number of different types of asset,² and assumptions would have to be made in the case of the net worth of an income unit about the transfer of assets after death. Part of net worth could be treated as being held in trust as an estate for that purpose. In one study it was assumed that men were five years older than their wives, and that although the married couple would receive the full annuity while

¹ Murray, J., 'Potential Income from Assets: Findings of the 1963 Survey of the Aged', *Social Security Bulletin* (US Department of Health, Education and Welfare), December 1964; Projector, D. S., and Weiss, G. S., *Survey of Financial Characteristics of Consumers*, Washington Board of Governors of the Federal Reserve System, 1966; and Weisbrod, B. A., and Hansen, W. L., 'An Income-Net Worth Approach to Measuring Economic Welfare', *American Economic Review*, Vol. LVIII, No. 5, December 1968. British economists are increasingly conscious of the need to measure assets as well as income in analyses of welfare, but have not developed such analyses operationally. See, for example, Jackson, D., and Fink, A., 'Assets, Liabilities and Poverty', *Social and Economic Administration*, 1971.

² See, for example, Projector and Weiss, *Survey of Financial Characteristics of Consumers*, pp. 38-41; and Bridges, B., 'Net Worth of the Aged', *Research and Statistics Note*, US Department of Health, Education and Welfare, September 1967.

both were alive, the surviving widow would receive two thirds of the annuity for the remainder of her life.¹ To make such calculations meaningful in terms of on-going living standards, the annuity would have to be linked to an index of prices.

It seemed to us that, although alternative and more complex methods might be explored, there was a need to produce the simplest possible measure in order to indicate broad orders of magnitude in the distribution of income net worth', but also to arrive at results which would stimulate discussion. We therefore assumed that all assets produce a rate of interest of 7 per cent (slightly below the building society rate during the survey) and that the period during which an annuity is to be used is determined in the case of a single individual by the number of years he expects to live, and in the case of a married couple, by the number of years the husband expects to live, plus the years his widow expects to live (or vice versa). Income from assets is, of course, deducted from net disposable income before an addition is made for annuitized assets. For the rich, we believe this method tended to provide a very conservative estimate of the contribution made by wealth to their living standards. There are two points. One is that, unit for unit, their assets tended to be worth more than those of people with small amounts of wealth. The other is that a larger proportion of their wealth earned high rates of interest.

How important is annuitized income in relation to total income net worth? The mean net disposable income of the sample for the year previous to interview, after deducting actual income from savings, stocks and shares and other forms of assets, was £1,176. Mean income net worth, which, of course, includes the annuity equivalent figure, was £1,515. Although annuitized assets include amounts which differ in realizability, and are altogether not quite the same as cash income, they represent 29 per cent of net disposable income less property income. This proportion varies for households of different types: from about 10 per cent for households comprising man and woman and one child to about 60 per cent for women over 60 living alone. The difference between means and medians tends to widen. Thus mean disposable income per household was £1,256 (unadjusted), compared with the median of £1,076 - a difference of £180. But mean income net worth was £1,515, compared with the median of £1,260 - a difference of £255. Although proportionately this difference between these two sets of figures is small, we believe that once allowance is made for the underrepresentation of assets among the wealthiest 5 per cent, the difference becomes significantly wider.

The distributions are compared by absolute ranges in Table 5.21. The proportions of the population at the lowest relative levels are, of course, reduced by comparison with the distribution of the population according to net disposable income last year. The proportions at the highest levels are increased. The entire distribution is shifted upwards, but in the process becomes even more unequal. For example, the

¹ Weisbrod and Hansen, 'An Income-Net Worth Approach to Measuring Economic Welfare', p. 1319.

proportion of households in the lowest three income groups is reduced by a third, and yet the proportion in the highest three is more than doubled. A large number of retirement pensioners with low cash incomes own their homes, but the number and the value of their property is still insufficient to have a marked effect on the distribution. When assets are converted into annuity value, the relative economic position of the elderly is improved and that of families with children diminished. This fact has implications for our understanding of poverty and inequality and will be examined later.

Table 5.21. *Percentages of income units and households according to net disposable income for previous year and 'income-net worth' for previous year.^a*

<i>Range of income</i>	<i>Net disposable income last year</i>		<i>Income net worth last year</i>	
	<i>Income units</i>	<i>Households</i>	<i>Income units</i>	<i>Households</i>
Under £300	14.2	4.4	10.9	2.1
£300-	10.4	7.4	9.1	5.6
£400-	8.7	5.4	7.0	3.8
£500-	7.6	4.8	6.9	3.8
£600-	6.9	4.8	7.2	4.0
£700-	6.6	6.0	5.5	5.2
£800-	6.8	6.1	6.5	5.5
£900-	6.3	6.4	6.0	6.2
£1,000-	5.8	6.1	5.0	5.3
£1,100-	5.0	6.7	5.1	6.3
£1,200-	8.1	11.9	8.4	11.5
£1,400-	4.3	7.5	5.9	8.3
£1,600-	3.2	7.1	4.4	7.7
£1,800-	1.8	3.7	3.3	5.9
£2,000-	1.9	6.2	3.3	8.1
£2,500-	0.9	2.5	1.9	4.1
£3,000-	0.9	1.9	1.8	3.6
£4,000-	0.2	0.2	0.9	1.4
£5,000-	0.5	0.8	1.0	1.6
Total	100	100	100	100
Number	2,536	1,769	2,242	1,537

NOTE: ^aDefined as net disposable income for previous year less income from assets plus dissaving, plus annuity income from assets.

The distributions can also be compared relatively. Table 5.22 clearly shows that, when treated as a form of income, assets have the effect of increasing existing inequalities in cash incomes. The proportions of the population at the middle and upper middle ranges are reduced and the proportions at either extreme increased. Further details about those living at the lowest ranges are given in Chapter 7.

Table 5.22. *Percentage of households with high, middle and low incomes, and high, middle and low income net worth.*

<i>Range</i>	<i>Net disposable income last year</i>	<i>Income net worth last year</i>	<i>Increase or decrease in percentage</i>
Very high (200 % or more of mean)	4.2	5.4	+1-2
High (120 to 199 % of mean)	18.8	15.3	-3.5
Middle (80 to 119 % of mean)	38.3	30.8	-7.5
Low (under 80 % of mean)	38.8	48.5	+9.7
Total	100	100	-
Number	1,769	1,537	-

NOTE: Households are classified according to the relationship of their income (or income net worth) to the mean for their type and not the mean of the sample as a whole.

Although households containing middle-aged and elderly people depend more than other households upon assets for the maintenance of living standards, they depend on them just as unequally. For all types of household, the distribution tends to become more unequal and the proportion of households having extremely low or extremely high net income worth is usually higher than the corresponding proportion having extremely low or extremely high income (see Table A.7, Appendix Eight, page 997).

The Value of Employer Welfare Benefits

In all industrial societies benefits provided directly or indirectly by employers in kind or in the form of rights to income in sickness, retirement or termination of employment contribute substantially to the standards of living that can be commanded during life. In some countries, these benefits serve the function of tying the employee to his firm, because departure may involve their loss as well as the loss of current remuneration. In the case of pension rights, considerable sums may be involved. In some countries, the growth in importance of such benefits reflects the pressures of taxation and of unions. The employer and the employee may have a mutual interest in forms of remuneration which are not taxable. Thus, the introduction of luncheon vouchers made a larger contribution to some workers'

living standards than the equivalent in wages, since they were not taxed. Again, fringe benefits which were introduced for higher-paid employees were less likely to be the subject of expressions of subjective deprivation on the part of wage-earners than corresponding increases in salary levels. They have tended to be excluded from wage negotiation. Their function in preserving and perhaps increasing inequalities in living standards remains to be properly documented.

Previous studies indicated that these benefits have become of substantial value in the United Kingdom. We therefore sought to measure them, and in the interviews asked a series of questions designed to place an exact value upon those benefits that were widely enjoyed. Questions were asked about benefits currently received, such as meals subsidies and vouchers, subsidized and free travel, the proportion of the use of a firm's car which could be said to be for personal purposes, free goods, medical expenses received or covered, shares or options to purchase shares, life insurance, educational expenses, free and subsidized accommodation. We asked about rights to sick pay in addition to any sick pay received in the previous twelve months and rights to an occupational pension. The numbers and characteristics of employees receiving or expecting such benefits will be analysed later. We appreciated that, especially for the high paid, there were benefits and amounts of benefit which could not be explored with any precision. For example, we would have liked to have discussed the personal benefit derived from business and entertainment expenses.

In estimating values difficulties were encountered, particularly with sick pay and pensions. Some employees were hazy about their expectations. Some of them, indeed, did not have any specific rights or even expectations and pointed out that they were dependent on gratuitous payments which might or might not be made. Many did not know how much of any benefit received in sickness would be paid by an employer and how much in national insurance sickness benefit. Some who could give exact amounts or proportions of usual earnings or the basic wage did not know how long payments would be made. We endeavoured to code the total amount expected, including sickness benefit, and in estimating the employer's share subsequently deducted the standard rates for flat-rate national insurance sickness benefits.

All but about 5 per cent of employees believed they knew whether or not they had entitlement to pension. Only just over a half expecting a pension could specify its size, either in cash terms or as a proportion of average or final earnings, but the proportion was much higher among middle-aged employees. In checking amounts, we made use of information about contributions from employer and employee, age at which pension was expected, and we built up a case-file about the commoner types of occupational scheme.

A mixture of 'reinforcement' questions and skilled coding in the office (with the possibility sometimes of reinterviewing) seems to be an important safeguard in obtaining information on fringe benefits from surveys. Our questions on the use of

an employer's car afford an example. If an informant said he had the use sometimes of a car or van owned by his employer, we asked whether the employer paid road tax, insurance, petrol and normal repairs, what was the vehicle's current value, make and type, year and miles per gallon, and finally, how many miles the car did in a year and how many, or what proportion, were covered for personal purposes. In coding answers which were sometimes incomplete, we consulted lists of second-hand values of cars and followed rules about mileage allowances for different sizes and makes of cars, depending on what types of cost were met by the employer.

The total value of employer welfare benefits correlates highly with income. A substantial proportion of low-paid employees had no welfare benefits or benefits of very small value. Many high-paid employees had benefits of more than £200 a year, some more than £1,000. Table 5.23 shows that more men than women had benefits

Table 5.23. *Percentages of male and female employees, with different gross earnings for previous year having different values of employer welfare benefits.*

Value of fringe benefits last year	Under £600	Men with gross earnings last year					All
		£600-799	£800-999	£1,000-1,199	£1,200-1,499	£1,500+	
£0	(66)	34	35	26	20	9	26
£1-19	(11)	17	16	17	10	6	13
£20-49	(2)	19	19	18	17	9	16
£50-99	(4)	7	16	12	20	12	14
£100-199	(6)	10	9	10	17	17	12
£200+	(11)	12	4	16	17	48	19
Total	100	100	100	100	100	100	100
Number	47	108	221	211	193	184	964
		Women with gross earnings last year					
	Under £400	£400-599	£600-799	£800-999	£1,000+	All	
£0	44	41	23	(14)	(3)	30	
£1-19	17	32	35	(24)	(5)	26	
£20-49	19	22	30	(31)	(13)	23	
£50-99	6	1	5	(16)	(13)	7	
£100-199	9	2	5	(6)	(30)	8	
£200+	5	3	1	(8)	(30)	7	
Total	100	100	100	100	100	100	
Number	64	120	74	49	39	344	

of more than £50 value, and that for both sexes the proportion rises sharply among those with higher gross earnings. The mean value for men was £128 and for women £54. Welfare benefits are distributed more unequally than earnings.

The Value of Public Social Services

The differential use of free or subsidized public services can also substantially affect eventual living standards. Families with identical cash incomes and wealth might differ considerably in their real living standards because of different benefits derived from their use of the public services. In principle, such benefits might include passenger transport subsidies and the use of public libraries and swimming baths, but in this study the value of public goods and services received in kind by families has been restricted to those supplied by social services administered by central departments and local authorities - namely, health, education, welfare and housing services. Information was collected for each individual in the household about the use in the previous twelve months of local and central educational services (nursery schools, primary schools, different types of secondary schools and institutions of higher education), health and welfare services (period of stay in different types of hospital, general practitioner consultations at home and in the surgery, services by district nurses, home helps, health visitors and social workers, dental treatment, the receipt of hearing aids and spectacles, childbirth at home and in hospital, visits to welfare clinics, receipt of welfare milk, free school milk, free and subsidized school meals and subsidized welfare milk) and whether or not families had council or owner-occupied accommodation subsidized directly or indirectly by the government and local authorities. The questions which had to be used are listed principally in Section 7 of the questionnaire printed as Appendix Ten.

The value to families of the goods or services received during the year was then estimated, using a range of statistical information about the costs of these services published by the government. The methods of procedure are discussed in Appendix Four (page 964), and the components of total value are listed in Appendix Five: 'Some Definitions' (page 980).

There have been other attempts to measure the value to families of public social services, chiefly in order to reach conclusions about the redistributive effects of social policy. These attempts have been built on very rough assumptions, as, for example, those adopted by Barna and Cartter.¹ It may be wondered whether useful

¹ Barna, T., *The Redistribution of Income through Public Finance in 1937*, Clarendon Press, Oxford, 1945; Cartter, A. M., *The Redistribution of Income in Post War Britain, A Study of the Effects of the Central Government Fiscal Programme in 1948-49*, Yale University Press, 1955, pp. 47-8 and 221-5. At a very early stage of the operation of the National Health Service, and with few empirical data available on usage, Cartter assumed, for example, that children under 15 required seven times as much medical attention as the average adult. As an introduction to overseas studies of a similar kind, see Morgan, J. N., et al., *Income and Welfare in the United*

conclusions can be drawn from studies which allocate social service benefits yet which are unable to depend on even approximate empirical guidance about the use of some costly social services by different income groups and types of household. Even the series of studies published by the Central Statistical Office on the basis of the Family Expenditure Survey are far from being conclusive.¹ They have failed in the last ten years to replace a number of arbitrary assumptions with assumptions which are better founded empirically. Thus, in a valuable study of the early data, J. L. Nicholson called attention to the fact that the estimates of the value of benefits which had been allocated to households 'would be improved if we had more information than we possess at present about such matters as the extent to which different households make use of the various health services [and] the benefits which individual households derive from housing subsidies'² The basis of allocation, however, has not been much improved, and has been criticized powerfully by economists.³ The Central Statistical Office's method of allocating the imputed value of social services is not sufficiently refined for services as costly as health, housing and education. Some major differences in the distribution of benefits between beneficiaries are in practice obscured. Moreover, the Central Statistical Office's definition of social services is too narrow and excludes certain major forms of tax relief which have clear welfare functions. As a result, the role of the government in redistributing resources to some in the middle and upper income groups has been minimized.⁴

The methods adopted in the present study do not overcome all the objections that might be raised against previous procedures. A number of improvements could be made. But in terms of the comments made above, two advances may be claimed. First, the value to families of social service benefits in kind is related to their actual use of social services. We were not able to estimate the cost of the specific services received by individuals, but in obtaining answers to a range of questions, were able to take account of type and frequency of service. Thus, we enumerated the number of nights spent by each individual in different types of hospital, and the number of consultations with GPs in the previous twelve months, and applied average costs to

States, McGraw-Hill, New York, 1962, esp. pp. 300-8.

¹ See *Economic Trends*, November 1962; February 1964; August 1966; February 1968, 1969, 1970, 1971, 1972; November 1972, 1973; December 1974; February 1976.

² Nicholson, J. L., *Redistribution of Income in the United Kingdom in 1959, 1957, and 1953*, Bowes & Bowes, London, 1965, p. 2. Nicholson, J. L., *Redistribution of Income in the United Kingdom in 1959, 1957, and 1953*, Bowes & Bowes, London, 1965, p. 2.

³ Peacock, A., and Shannon, R., 'The Welfare State and the Redistribution of Income', *Westminster Bank Review*, August 1968.

⁴ See Appendix Four for a discussion of the CSO methods. See also the elaborate account in Webb, A. L., and Sieve, J. E. B., *Income Redistribution and the Welfare State*, Bell, London, 1971, esp. Chapters 2 and 5.

these figures. A similar method was used for the value to families of children's attendance of different types of school and college. Secondly, an attempt is made to measure housing subsidies received by owner-occupiers as well as council tenants, though the estimates may err on the low side for some home-buyers by not claiming to take full account of the tax relief and housing improvement grants.

The results described below are therefore believed to be less misleading than previous estimates of the value of social service benefits in kind, but nevertheless have to be interpreted with care. Values are expressed as current public expenditure per beneficiary and not, for example, as the return during a lifetime upon an investment or as the security of non-beneficiaries.¹ Nor has more than a rough estimate been made of average current costs. Thus medical treatment may be more protracted or skilled in a particular than in a typical instance, and may be socially selective. Its value could be expressed in relation to the prolongation of working life rather than just its current cost. And someone who has never had a day's illness may enjoy security against the risk of financial catastrophe which may deserve to be expressed in the equivalent of money. Again, public legislation affords protection against certain types of financial loss, and affords indirect subsidies to private expenditure, which are not easy to document - either because such protection or subsidy is hidden or is so delicate and indirect as to be unquantifiable. For example, the benefits which independent schools obtain from their charitable status and through that proportion of grants made by various educational trusts which is attributable to tax reliefs might be allocated to parents who send their children to such schools.

A single valuation will never do entire justice to all these subtleties, and this must be recognized. All it can achieve is a greater understanding of the major methods of the allocation and reallocation of resources to different groups in the population. Even when valuations are given on alternative assumptions, it is difficult to restrict them in number or decide which is the most appropriate.

In 1969, public expenditure in the United Kingdom on the five social services: health, education, housing, welfare and social security, amounted to £9,145 million, of which £1,388 million represented capital expenditure and £4,003 million transfer incomes (mainly social security cash benefits), leaving a total of £3,754 million.²

¹ Peacock and Shannon successfully criticize the 'cost-allocation' method of the CSO without offering any satisfactory alternative. 'If we simply take, say, the cost of state education and allocate it according to some indicator of consumption by households of different composition and income group, what we are doing is measuring the benefit of education by *its cost*. What we should be attempting to do is to find some "surrogate" measure of the value of *output* rather than taking it for granted that cost of inputs is an indicator of benefit.' See Peacock and Shannon, 'The Welfare State and the Redistribution of Income', p.40.

² Townsend, P., 'The Problems of Social Growth', *The Times*, 10 March 1971. However, the total excludes indirect subsidies enjoyed by home owners.

Table 5.24. Percentages of individuals living in different household income groups having different values of social services in kind.

Value of all social services in kind (£)	<i>Net disposable household income last year</i>												
	<i>Under £400</i>	<i>£400- 599</i>	<i>£600- 799</i>	<i>£800- 999</i>	<i>£1,000- 1,099</i>	<i>£1,100- 1,199</i>	<i>£1,200- 1,399</i>	<i>£1,400- 1,599</i>	<i>£1,600- 1,799</i>	<i>£1,800- 1,999</i>	<i>£2,000- 2,499</i>	<i>£2,500+ ranges</i>	<i>All</i>
0	12	8	4	2	1	1	1	0	1	0	1	0	2
1-24	31	24	15	11	8	11	16	10	10	9	13	5	13
25-49	6	11	8	7	2	2	2	1	5	4	2	1	4
50-99	14	11	17	8	9	5	5	5	5	1	5	4	7
100-149	11	12	13	10	12	14	10	9	6	14	12	4	10
150-249	12	15	14	23	20	18	17	14	20	21	15	10	17
250+	14	18	27	39	48	49	49	61	52	50	52	76	46
Total	100	100	100	100	100	100	100	100	100	100	100	100	100
Number	247	305	434	649	342	367	652	456	446	226	381	367	4,872

This is the sum which we are seeking to allocate. It represents about 10 per cent of gross disposable personal income,¹ or about 13 per cent of gross disposable personal income as defined in this survey - that is, excluding income in kind, rent of owner-occupied dwellings, pay of the armed forces and incomes of people in institutions (see note to Table 5.8, page 192). It is of approximately the same order of magnitude as total transfer incomes disbursed by the state.

The results are presented in Table 5.24. Contrary to common belief, fewer individuals in households with low than with high incomes received social services in kind of substantial value. Fifteen per cent of individuals had no benefits or benefits of less value than £25. Yet 46 per cent had benefits worth £150 per year or more. The proportion was, however, significantly larger among middle- and high-income groups than among those in households with under £1,000 a year.

Some households with relatively high absolute incomes do, of course, consist of several individuals, and some with relatively low incomes consist of single persons. The relationship between income and value of social services in kind is therefore blurred. One method of allowing for household size is to express household income as a percentage of the mean of its type. This is shown in Table 5.25. The broad conclusion was sustained. More households with relatively high than relatively low incomes received substantial value in kind through the social services.

Table 5.25. *Percentages of people living in households with relatively low and high incomes who had different values of social services in kind.*

<i>Value of all social services in kind (£)</i>	<i>Net disposable income as % of mean for each household type</i>									
	<i>Under 50</i>	<i>50-69</i>	<i>70-89</i>	<i>90-99</i>	<i>100-109</i>	<i>110-119</i>	<i>120-139</i>	<i>140-199</i>	<i>200+</i>	<i>All ranges</i>
0	5	2	2	2	2	2	0	1	2	2
1-24	14	9	16	13	12	20	15	10	5	13
25-49	6	7	5	2	3	3	5	1	4	4
50-99	13	10	6	9	4	3	7	7	0	7
100-149	10	10	11	9	9	7	13	13	9	10
150-249	17	18	17	21	17	12	11	20	15	17
250+	35	44	44	43	51	53	49	47	65	46
Total	100	100	100	100	100	100	100	100	100	100
Number	453	916	1,148	511	408	342	427	478	188	4,871

The relationship between income and value of social services in kind varied with type of service. More households with low than with high incomes had no health or

¹ National Income and Expenditure, HMSO, London, 1970, Table 2.

welfare benefits, but more also had substantial benefits. Fewer had educational benefits, and fewer who had educational benefits had benefits of substantial value. A detailed analysis showing the use made of each type of service and comparing the results of the methods adopted in the poverty survey with those adopted by the CSO in secondary analyses of FES data will be presented in a subsequent report.

Private Income in Kind

Our conception of resources included 'private' as well as employers' and 'public' income in kind. *Private income in kind* is defined as the 'profit' from home production of food, the rental value equivalent of major consumer durables, and the value of goods and services from people outside the household, including relatives and friends.¹ We decided to ignore the cash value of services carried out by members of the household for the benefit of the household itself, but not the cash value of food grown at home or obtained as a cheap or free by-product of one's own farm or business.

In many countries, produce grown on land farmed collectively by groups of people, on plots owned by a landlord or in gardens and small-holdings, is an important supplement to cash income. In assessing differences in standards of living between urban and rural areas, some estimate has to be made of its value. The proportion of the population living in rural areas in the United Kingdom is small, but a large proportion of the urban population have gardens and this can make a significant difference to some families' chances of maintaining their standard of living in adversity. We therefore felt it was important to make some estimate of the value of food grown in a garden at home or on an allotment, and we invited informants to make an estimate of the weekly average saving to them of such produce (that is, the retail value of the goods consumed less the expenses of production).

Only a tiny percentage of households estimated the net profit to them of such food at an average of more than 50p per week throughout the year (£26 in the last year). But a minority of 15 per cent said they obtained a small regular saving and, as Table 5.26 shows, relatively more of the larger than of the smaller households, and of households with children than without, drew benefit from such production. But it turns out that there is very little or no correlation with income. Although many cells in the table represent small numbers, there is no clear trend among incomes below 80 per cent of the mean for each type, compared with incomes 80 to 119 per cent of the mean, or 120 per cent and over.

¹ See Appendix Five, 'Some Definitions', pages 980-85.

Table 5.26. Percentages of different types of household, according to estimated value per week of home-grown food, and percentages of high-, middle- and low-income households with some value of home-grown food.

Type of household	None	Up to 50p per week	Over 50p per week	Total	No.	Percentage with any value home food		
						High income	Middle income	Low income
Man aged 60+	87	13	0	100	38	(0)	(0)	(22)
Man under 60	93	7	0	100	55	(0)	(11)	(4)
Woman aged 60+	94	6	0	100	191	(4)	7	5
Woman under 60	93	7	0	100	57	(8)	(0)	(13)
Man and woman	81	18	1	100	473	15	19	23
Man, woman, 1 child	87	13	1	100	134	(9)	15	(14)
2 children	82	17	1	100	172	(14)	15	23
3 children	83	15	1	100	78	(19)	(18)	(14)
4+ children	73	23	4	100	48	(45)	(0)	(30)
3 adults	78	20	2	100	186	(20)	25	19
3 adults, plus children	82	16	2	100	125	(18)	(16)	20
4 adults	87	13	0	100	62	(13)	(6)	(28)
Others without children	88	11	1	100	66	(18)	(8)	(6)
Others with children	81	19	0	100	86	(26)	(15)	(18)
All households	84	15	1	100	1,771	15	15	18

NOTE: Definition of high, middle and low income as in Table 5.12, page 198.

The Interrelationship of Resources

We have traced the value and distribution of five types of resources: net disposable cash income, the annuity value of assets held, employer welfare benefits in kind, public social services in kind and private income in kind. We discussed earlier the interrelationship of the first two of these variables. Finally, we need to show the relative importance of each of the components of total resources, the effect that each has on the dispersion of resources and what is the distribution of resources as a whole. Certain adjustments have to be made to avoid double-counting of a few components - such as income from investments as well as their imputed annuity value, and tax reliefs on mortgage interest as well as the inclusion of that income untaxed in net disposable income.

First, their relative importance. Although net disposable income, less income from property and investments, is by far the most important component of the resources on which the population depends for its living standards, other resources are also important. Net earnings from employment and self-employment account for nearly half total resources (Table 5.27). These earnings include allowances passed on to divorced and separated wives and others. They also include holiday pay and sick pay, bonuses, commissions and repayments of tax.

The income equivalent of assets held, including the value of owner-occupied housing less any capital repayments outstanding, was more than a fifth of the total, making a substantial contribution to living standards. In the table we have attempted to adjust for incomplete data and therefore to base an estimate of annuity values on the total value of assets held, though, for reasons given earlier, our calculations of annuity values may be conservative for some types of asset. Employer welfare benefits in kind, including both current benefits and the value of sick pay and pension rights, formed about 5 per cent of the total, or 11 per cent of net earnings from employment. Employers' pensions and sick pay actually paid in cash in the last twelve months amounted to over 2 per cent of total resources, and holiday pay to 2.5 per cent. If net earnings exclusive of sick pay, holiday pay and employers' pension payments are considered, then employer cash welfare added about 10 per cent and employer welfare in kind over 11 per cent to their value. Social services in kind accounted for 1½ per cent of total resources, and cash benefits over 7 per cent.

These results help to justify the conception upon which we embarked, for they show that resources other than cash incomes are of substantial size in the United Kingdom. In principle, the conception perhaps prepares the way for a more realistic comparison of living standards of populations in different societies. For example, there are societies where private income in kind may represent half rather than 3 per cent of living standards and where fringe benefits may be an infinitesimal addition to cash wages instead of 15 per cent. But the conception is not easy to define in practice or to measure operationally. As already indicated, there are possible

Table 5.27. Percentages and estimated value for the United Kingdom of different types of resource received in previous twelve months.

<i>Type of resource</i>	<i>Percentage of gross disposable resources</i>	<i>Estimated UK total (£ mil.)</i>
1. Net disposable cash income less property income		
(i) Net earnings from employment	44.5	17,400
(ii) Self-employment income	4.2	1,650
(iii) Employers pension	1.8	690
(iv) Social security cash benefits	7.3	2,850
(v) Other payments (redundancy, scholarship, and educational maintenance allowances)	0.3	120
Sub-total	58.0	22,700
2. Imputed income from assets (annuity value) ^a	22.9	8,950
3. Imputed income last year from employer welfare benefits in kind ^b	5.0	1,920
4. Imputed value last year of social services in kind	11.6	4,540
5. Imputed value last year of private income in kind	2.5	980
Total	100	39,100

NOTES: ^aWith estimated addition allowing for value of life assurance (excluded from definition of assets elsewhere in this report). Slight underrepresentation in sample of wealthy, and understatement of wealth on part of those, particularly the wealthy, who responded. Readers should note that, in this table, the imputed capital value of owner-occupied housing, and not its imputed *rental* value, has been taken as the basis for calculating annuities.

^bAdjusted for incomplete information.

extensions of the sub-items included in each type of resource. The money values of some sub-items might be defined more accurately, and more comprehensive information about some collected by methods different from, or additional to, those adopted in this survey.

Our tentative approach may encourage others to realize that the resource systems of society are more numerous than they had hitherto believed, and that if they are to be understood so that they can be controlled in the interest of serving social objectives, then special efforts have to be made by independent research workers

and governments. But it is not just their relative scale in aggregate terms, but their contribution to inequality that is important. We have to ask how widely each type of resource is distributed in the population and which types of resource are distributed more unequally than others.

To take a hypothetical example: during a period of years we may be able to show that the distribution of net disposable cash incomes is less unequal, but if other resources are distributed more unequally and if their proportion of the aggregate is actually increasing, the distribution of total resources may not have changed and living standards among the population remain as unequal as they were before.

One method of presenting the distribution of different types of resource is shown in Table 5.28. In the first column net non-asset household income (that is, net disposable income less income from property and investments) is expressed as a percentage of the mean for their household type. Eight and a half per cent of households had incomes of less than half the mean and 4 per cent more than twice the mean. Subsequent columns show the effect on the relative dispersion of adding each further type of resource. The table shows that imputed income from assets and employer welfare benefits widen the dispersion, and though the addition of social service benefits and private income in kind slightly reduce the proportion of households with resources of less than half the mean, the proportion is still larger when all resources are measured than when non-asset income alone is measured. Moreover, the proportion having relatively high resources actually increases, and there is a slight shift of population away from the mean. The trend for different types of household does not always conform with this general conclusion, and the relatively small numbers of certain types within the main sample must be borne in mind. But for broad groups of households consisting of elderly single people, married couples and married couples with children, the trend is roughly the same. Table A.8 (Appendix Eight, page 998) shows the mean resources of different types of household. The various qualifications expressed in this chapter about the definition of resources should be borne in mind. The data have been set out unadjusted, and those giving information on income but not assets have been excluded from the table. The effect of this is to reduce the inequality of the dispersion, and understate the resources held by the rich. Some adjusted figures are given in Chapter 9 on the rich. One of our purposes has been to attempt a crude valuation of various kinds of resources frequently believed to be held disproportionately by the poor - private services as well as social service benefits in kind, for example - and also to measure the value of modest quantities of personal possessions, including consumer durables.

Another method of studying dispersion is to divide all households irrespective of type into five ranks according to their net disposable income, and then find how much is added to the mean income of each rank by each additional type of resource.

Table 5.28. *The cumulative effect of different types of resource on the percentage of households having resources above and below the mean for their type (individuals in households).*

Percentage	1	2	3	4	5
	<i>Net disposable income less income from property and investments</i>	<i>Column 1 plus imputed income from assets</i>	<i>Columns 1 and 2 plus imputed income from employer welfare benefits in kind</i>	<i>Columns 1, 2 and 3 plus imputed income from social service benefits in kind</i>	<i>Columns 1, 2, 3 and 4 plus imputed income from private income in kind</i>
Under 50	8.0	11.6	12.1	10.3	9.7
50-89	39.3	44.7	45.0	45.5	45.1
90-109	21.2	17.3	17.5	17.6	18.2
110-99	28.2	21.0	19.4	20.9	21.7
200+	3.3	5.4	6.0	5.7	5.4
Total	100 4,391	100 4,391	100 4,391	100 4,391	100 4,391

NOTE: Those households providing information on income but not assets have been excluded from this table, since relatively more with an income of 200 per cent or more of the mean did not provide asset information.

Table 5.29 gives the result, both in absolute amount of income in the previous twelve months and as a percentage of net disposable income less income from property and investment. For every type of resource the top 20 per cent received the highest absolute values (though only marginally for private income in kind). Their advantage in respect of imputed income from assets and from employer welfare benefits in kind is striking. The fact that they also received a larger amount through social service benefits in kind is more surprising. As the lower half of the table shows, the absolute values received by way of social service benefits in kind, private income in kind and even imputed income from assets did, however, form a lower percentage of net disposable income than did the values received by the two lowest ranks. Employer welfare benefits provide a striking exception.

The values in absolute amounts received by the bottom 20 per cent in employer welfare benefits, social services and private income in kind were low relative to the amounts received by other ranks, and did not add substantially to their total resources. However, though receiving the lowest absolute amounts, they derived relatively more in imputed income from assets in proportion to their net disposable incomes. This is because they included disproportionately more elderly households than other ranks. Nearly half these households had paid off mortgages on owner-

occupied houses and therefore an imputed rental value on the capital value of the home (7 per cent) was applied to the full current value. Finally, the overall effect of adding four types of resource to each income rank was to add proportionately more to the incomes of the two highest and the two lowest quintiles than the middle quintile.

Table 5.29. *Value for previous year in pounds of different types of resource to average household in each quintile income group.*

<i>Quintile</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>
	<i>Net dis- posable income</i>	<i>Net dis- posable income less income from property and invest- ments</i>	<i>Imputed income from assets</i>	<i>Imputed income from em- ployer welfare benefits in kind</i>	<i>Imputed income from social service benefits in kind</i>	<i>Imputed income from private income in kind</i>	<i>Total re- sources</i>
Top 20%	2,486	2,353	700	330	411	67	3,859
Second 20%	1,420	1,680	333	162	287	66	2,227
Third 20%	1,073	1,052	191	96	225	56	1,620
Fourth 20%	750	725	184	52	156	51	1,168
Bottom 20%	378	359	146	10	105	31	652
<i>As % of net disposable income less income from property and investments</i>							
Top 20%	106	100	30	14	17	3	164
Second 20%	103	100	24	12	21	5	161
Third 20%	102	100	18	9	21	5	154
Fourth 20%	103	100	25	7	22	7	161
Bottom 20%	105	100	41	3	29	9	181

NOTE: Column 3 gives the modified definition of imputed income, i.e. including only a low 'rental' figure for owner-occupied homes (7 per cent of current estimated capital value).

In discussions of the distribution of income and wealth, certain measures of concentration, especially the Gini coefficient, are used. Some results of applying this coefficient are given in Chapter 9 (page 344).

Conceptual Problems of Income and Wealth

The reader who has patiently followed the attempt in this chapter to set out the different resources which contribute to living standards will be keenly aware by now of the complexity of their determination. At each step difficulties in conceptualization, practical definition and measurement or estimation have been specified. What remains to be stated clearly and unmistakably is that there is no ideal or pure concept of resources, or, for that matter, income or wealth, 'out there', which if only we could measure it would settle all our disputes about inequality or about trends in inequality. What we conceptualize depends on why we want to conceptualize it, and therefore on our purposes or objectives which, in turn, reflect perceptions and values which may not be unanimously held. We have to try as best we can to make objectives clear. In the approach adopted here we have shown interest in all those resources which enable people to obtain material goods and services and styles of consumption in more or less generous measure than their fellows. We have therefore selected types of resources which some people get and others do not; we have included resources which for some are free or subsidized and for others have to be paid in full. Any attempt to move beyond conventional conceptions or definitions furnishes a kind of test of those conceptions and helps to reveal how inadequate they are. Thus the distinction so often made between 'flow' and 'stock', revenue and capital, or income and wealth, tends to lead society to underestimate the scale of inequality. The connections and cumulations are insufficiently examined and presented. While conceding lamely the artificiality of the distinction, the Royal Commission on the Distribution of Income and Wealth decided that it was impracticable to do anything very different and proceeded to develop separate analyses of the distributions of income and wealth in their first report.¹

But the distinction made between income and wealth is not the only factor leading to the underestimation of inequality. Another is the domination of measures of value by the concept of 'marketability'. The Royal Commission on the Distribution of Income and Wealth can again be quoted. In discussing the concept of personal wealth, the commission said that it could not be reduced to a single definitive

¹ 'We recognize that for some purposes it would be useful to include changes in capital values in the definition of income. However, we believe that for our purpose of describing, separately and at different points in time, the spread of income and the spread of wealth and the trends under both headings, it is more appropriate to define income in a way which distinguishes it clearly from wealth and, correspondingly, to deal with changes in capital value under the heading of wealth. In any case there are great practical difficulties about estimating changes in capital values' - Royal Commission on the Distribution of Income and Wealth, Initial Report, pp. 5-6. See also Report Nos. 4 and 5.

statement. The commission went on to discuss views put to them about the inclusion of certain items in the concept and they cast about for an integrating principle.

The key idea is that of marketability, and our study of this question has led us to form the view that different approaches to the definition of personal wealth hinge essentially on varying degrees of marketability of assets ... We believe, then, that the concept of marketability lies at the heart of the debate about the scope and coverage of personal wealth.¹

Certainly implications for our understanding of inequality can be drawn from the Royal Commission's view that it is not appropriate to include non-marketable assets (of which, as examples, they quoted communal assets, human capital and restricted assets and company assets) in the measurement of personal wealth. At least we cannot deny that the inclusion of some of the proposed items would be difficult or impracticable. But more significant is the commission's failure to note the inequality inherent in the concept of 'marketability' itself. Rich men's property is often grossly undervalued, just as large quantities of goods on the market are priced much lower than small quantities at unit cost. A glance at any estate agent's list will demonstrate the truth of this. In 1975 in south-east England, for example, a property with two small bedrooms, a small living room and a kitchen and a small garden, was commonly quoted at a price of around £10,000; yet properties with three or four times as much internal space and two or three acres of land could be found for less than £20,000. Market value is in no sense a uniformly continuous variable.

This is not the place for a definitive analysis of the conceptual and philosophical problems underlying society's use of the ideas of income and wealth. Fortunately, and partly because of the increasing influence of the work of sociologists, there is increasing acknowledgement of the limitations of official approaches to official statistics, and the categories into which they are fitted are no longer accepted as facts which are beyond question. The Royal Commission gave one example of this trend, which virtually amounted to an abdication of responsibility for the conclusions that could be drawn from their report.

We wish to make clear that what are seen as relevant facts will, in part, reflect the values of the people using them. In an area like the distribution of income and wealth there will never be one correct set of statistics. Thus we have followed a policy of offering alternative approaches and measurements based on different definitions, so that readers may make their own choice of the most appropriate statistics for the problems they wish to study.²

This seems to carry the principle of marketability too far. However, the commission did not put this policy into practice. Alternatives were not really worked out

¹ Royal Commission on the Distribution of Income and Wealth, Initial Report, p. 11.

² *ibid.*, p. 132.

and presented, and the conventional measures developed over many years by the Central Statistical Office and the Board of Inland Revenue tended to prevail -in methodology and conclusions.

In the survey reported in this book, efforts have been made to develop the principles of comprehensiveness and comparability in developing measures of i resources. All along we believed this would provide an alternative conception of social and economic conditions in the United Kingdom. But we have become aware that some elements in our conceptual apparatus reflect the conventional views which we have tended to question. It is very difficult to *communicate* an alternative measure of inequality without retaining some familiar categories and ingredients. And it is very difficult to *conceive* an alternative measure without drawing upon them.

Summary

This chapter shows how the concept of resources was defined in the survey and traces the five components, cash incomes, imputed as well as actual income from the ownership of wealth and three types of resources received in kind: employer welfare benefits, public social services and private income.

The spread of incomes was wide and in comparison with the government's Family Expenditure Survey and Inland Revenue data representation of high incomes was good. In comparison with census estimates of population, the representation of retirement pensioners, households with children and the long-term sick and unemployed was better than both the Family Expenditure Survey and Inland Revenue. It was a primary purpose of the survey to ensure proper representation of low-income households. When adjustments are made for differences of definition, mean incomes for different types of household correspond fairly closely with figures from the Family Expenditure Survey for 1967-8 (the period of twelve months preceding the survey).

The extent of inequality in distribution of resources is demonstrated. The top net disposable household incomes for most types of household are at least twice and, for some types, more than three times as large as those of the fifth percentile. They are, for most types of household, more than five times as large as the median and ten times as large as the lowest decile.

Assets are distributed more unequally. Among the wealthiest households were a number with more than £100,000 and a few more than £200,000. At the fifth percentile, the range lay, for nearly all types of household, between £10,000 and £20,000. At the median, the figure ranged below and above £1,000. Half the population have very little wealth. At the ninety-fifth percentile there are, for nearly all types of household, no assets at all or households are in debt.

Employer welfare benefits are also distributed extremely unequally. Some high-paid employees had benefits of more than £200 a year, some more than £1,000.

More men than women had benefits of more than £50 value, and for both sexes the proportion rises sharply with increases of earnings. These benefits are distributed more unequally than either gross or net earnings, and a substantial proportion of low-paid employees had no benefits at all or benefits of very small annual value.

The value of public social services was estimated broadly by applying averages of known administrative costs to the actual use of a wide range of services, including education, health, welfare and housing, as established in the survey. Contrary to common supposition, fewer individuals living in households with low than with high incomes received social services in kind of substantial absolute value.

Private income in kind includes the net value of home-grown food. Only a small percentage of households had a value of over 50p a week and there was little or no correlation with income.

Of the five types of resource, cash incomes less income from property and investment was the largest, forming about three fifths of the grand total. Imputed income from assets comprised another fifth, and the remaining three resources the remaining fifth. But, with the exception of private income in kind, each of the other types of resource make a considerable contribution to living standards. Employer welfare benefits in kind, including both current benefits and the value of sick pay and pension rights, formed about 7 per cent of the total, or 15 per cent of net earnings from employment. Public social services in kind accounted for nearly 10 per cent of total resources, and cash benefits another 8 per cent.

Some sections of the population depended much more than others on certain types of resource. For every type of resource, the 20 per cent of households with the highest net disposable incomes received the highest money value of other types of resource. Their advantage in respect of imputed income from assets and from employer welfare benefits is striking, though not surprising, but they also had a higher value of social services in kind. Relative to income, however, the value of social services and private income in kind received by low-income households was larger.

Finally, employer welfare benefits, and imputed income from assets, tend to increase, and social services and private-income in kind slightly to decrease, the dispersion of resources. But the overall effect of adding the four types of resource to net disposable incomes is slightly to increase the dispersion.

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Annex to Chapter 5. Adjustment to Major Totals in Table 5.8. National Income and Expenditure.

	1967	1968
	£m	£m
1. <i>Wages and salaries</i>		
Wages	12,330	13,095
Salaries	8,730	9,410
HM Forces	524	541
	21,584 ^a	23,046 ^a
<i>Income tax</i> Wages and salaries	-2,406 ^b	-2,816 ^b
HM Forces	-46 ^b	-46 ^b
<i>Surtax</i> Wages and salaries	-108 ^b	-85 ^b
	19,024	20,099
NI contributions	-861 ^b	-973 ^b
	18,163	19,126
Income in kind	-278 ^d	-277 ^d
	17,885	18,849
Adjustment for unallocated taxes, transfers	-240	-375
	17,645	18,474
Adjustment for <i>net</i> pay of servicemen overseas and institutions	-350	-370
	17,295	18,104
2. <i>Self-employment income</i>	2,812 ^a	2,919 ^a
Tax	-656 ^c	-674 ^c
	2,156	2,245
NI contributions	-82 ^b	-93 ^b
	2,074	2,152
Estimate for depreciation	-350	-350
	1,724	1,802

Annex to Chapter 5 - contd

	1967	1968	
	£m	£m	
3. <i>Rent, dividends and interest</i>	3,984 ^a	4,255 ^a	
Rent of owner-occupied dwellings	-857 ^c	-933 ^c	
	3,127	3,322	
Tax	-729	-767	
	2,398	2,555	
Half receipts by life assurance + superannuation funds	-483	-552	
	1,915	2,003	
4. <i>Employers contributions: Other less contributions and compensation</i>	1,076 ^a	1,189 ^a	} crude estimates
leaving occupational pensions	-576	-639	
	-500	-600	
5. <i>National-insurance benefits and other grants</i>	3,199 ^a	3,690 ^a	
Grants to universities	-148 ^e	-165 ^e	
Grants to other non-profit-making bodies	-37 ^e	-46 ^e	
Child care	-4 ^e	-5 ^e	
Other local authority grants	-3 ^f	-4 ^f	
Post-war credits	-17 ^e	-20 ^e	
Other grants	-59 ^e	-67 ^e	
	2,931	3,383	
Less benefits in institutions	-100	-126	
	2,831	3,257	
6. <i>Income tax</i>	3,945 ^g	4,388 ^g	
Estimate of dividends deducted at source	-400	-450	
	3,545	3,938	

SOURCES: As specified under Table 5.8, page 192. The help of the CSO is gratefully acknowledged in completing the estimates for this table (similar problems arise for the CSO in comparing the results of the FES with national income data). The CSO cannot, of course, be held responsible for the estimates given here.

NOTES: ^a*National Income and Expenditure, 1970, Table 19.*

^b*ibid.*, Table 47.

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^cRemainder of tax and surtax after allowing for items in (2), i.e.:

1967	1968
£3,945	£4,388
<u>-2,560</u>	<u>-2,947</u>
1,385	1,441

This tax is deducted proportionally from self-employment income and rent, etc.

^d*National Income and Expenditure*, 1970, Table 24.

^e*ibid.*, Table 37.

^f*ibid.*, Table 41.

^g*ibid.*, Table 47; income tax and surtax on salaries, and wages, pay of HM Forces, rent of land and buildings and on dividends, interest and trading incomes.