
Conclusion I: The Social Distribution of Poverty and Trends in the 1970s

The chief conclusion of this report is that poverty is more extensive than is generally or officially believed and has to be understood not only as an inevitable feature of severe social inequality but also as a particular consequence of actions by the rich to preserve and enhance their wealth and so deny it to others. Control of wealth and of the institutions created by that wealth, and therefore of the terms under which it may be generated and passed on selectively or for the general good, is therefore central to any policies designed to abolish or alleviate the condition.

This conclusion must be related to the previous analysis. One has first to plumb the full meaning of the elaborate and interconnected *structure* of society, as this book, by means of its survey data, has attempted to portray. Through direct relationships to the economy by virtue of employment and membership of professions and trade unions, and through indirect relationships by virtue of membership of income units, households, extended families and neighbourhood, community or regional, ethnic and other social groups, individuals are fitted into a highly stratified hierarchy of roles. This hierarchy is kept in being by a web of institutions of a more complex and firmly rooted kind than is generally supposed even in the work of social scientists, and yet public consciousness of the existence of a hierarchy - or at least of the ranks most relevant to their own position - is relatively acute.

But, secondly, social structures hold implications for action. The structure of severe inequality is not just an artefact of history, nor is it a necessary feature of industrial societies to which we must in substantial if not entire measure adjust. From different positions in the hierarchy many individuals act to maintain and improve economic position and status. In particular, the rich exert major control over the evolution of the class hierarchy - deciding the scope and nature of economic activity, wage and salary differentials, the terms and conditions of employment and the organization of housing finance. They play a dominant part in fashioning social policy in both the narrow and wide senses of that term, especially the identification of social objectives and needs in conformity with market priorities and hence their own perceptions and interests. Redistribution is therefore not much of a reality and

the social services can increasingly be seen to serve functions which reinforce rather than reduce poverty and inequality. This is not just because of a diversification of benefits and functions but because of the arrogation to new and enlarged professions of capacity to monopolize knowledge and govern events.

Chapters 26 and 27 will therefore attempt to explain and illustrate this conclusion. This chapter will set out some of the principal findings about the 'structure' of poverty in the United Kingdom, not only as given in earlier pages from the national survey of poverty in 1968-9, but also as shown by studies and reports published in the 1970s. We will review in some detail how far the findings from the survey may be said to apply to the United Kingdom in the late 1970s. It seems appropriate to separate this more detailed material from the more general concluding discussion in Chapter 27.

The sample who were interviewed held various conceptions of poverty. Eight per cent thought of poverty as conditions in which people experienced extreme hunger or starvation, and 31 per cent as a standard of life below subsistence or which lacked or made it impossible to obtain the basic necessities of life. Another 29 per cent referred to membership of minorities, such as old-age pensioners or the unemployed, rather than to a standard of life, though for many of them that standard was implicit in such membership. Only a small percentage of the sample believed that poverty was relative and spoke of the difficulties of following ordinary activities or enjoying goods, amenities and services available to most people in society.

The most common conceptions may therefore be said to reflect the standards of subsistence institutionalized by the state, particularly for minorities covered by national-insurance benefits who are, like retirement pensioners, widows and the long-term sick and disabled, frequently the subject of policy discussion.

For operational purposes, three distinct standards or definitions were developed: the state's (or supplementary benefit) standard; the relative income standard; and the relative deprivation standard. The first represents the conventional or social standard defined in law and administrative practice, the second a level substantially and consistently below the mean income for households of each type, and the third a level of income for each type of household or income unit below which the capacity to fulfil membership of society diminishes disproportionately to income. This third standard hypothesizes a threshold on the income scale for each type of household below which deprivation increases disproportionately.

There is evidence from the survey for this hypothesis, but it is certainly not conclusive. Not all aspects of deprivation could be explored. We developed indicators of work deprivation, housing and environmental deprivation, and material and social deprivation. The indices which we used operationally were necessarily rough and, for purposes of any analysis requiring division of the data into a large number of sub-categories, the sample was restricted in size. Moreover, a threshold of generalized deprivation is hard to identify if, as a number of the chapters show,

some forms of deprivation are widely distributed, especially among manual workers and their families, and are by no means coincident with each other.

Measurement of Poverty

By all three of these measures poverty was substantial. By the state's standard, there were 61 per cent of the sample in households, and 91 per cent in income units who, when their net disposable incomes were averaged over the previous twelve months, were found to be living in poverty. They represented 3,300,000 and 4,950,000 people respectively. A further 21.8 per cent in households and 23.2 per cent in income units were on the margins of poverty, representing 11,900,000 and 12,600,000 respectively. These measures were related to net disposable incomes for the twelve months prior to interview. By the state's own definition, therefore, there were between 15 and 17½ million in a population of some 55½ million who were in or near poverty. By the relative income standard, 9.2 per cent of the sample in households were in poverty and another 29.6 per cent on the margins. According to this standard, poverty is represented by incomes of less than 50 per cent of the mean for households of their type. And by the deprivation standard, 22.9 per cent of the sample in households and 25.9 per cent in income units were found to be living in poverty (representing 12,500,000 and 14,000,000 respectively).

For purposes of illustration, we investigated how many of the poor or marginally poor had assets, or employer, public social service or private benefits in kind which, in equivalent money income, would theoretically have taken them above the state's standard. Few people with low incomes owned assets of substantial value. The percentage of income units with incomes below the supplementary benefit standard fell from 91 to only 71 after the annuity value of assets, including owner-occupied housing, was added. Even after the total annual value of public social service benefits in kind - including the value of schooling, hospital and general practitioner care, employer welfare benefits and private income in kind, including the value of services as well as gifts received from others outside the household - was added, there were still 32 per cent with resources below the standard and 6.7 per cent on the margins.

There were 28 per cent who were below or just above the state's standard for the year as a whole, but the figure increases to 36 per cent if people who dropped to these levels for at least a short period of the year are added. During a short period, therefore, a large section of the population, and predominantly the working class, run the risk of experiencing poverty.

For longer periods than twelve months, the numbers must be higher. In his 1899, 1936 and 1950 surveys, Seebohm Rowntree called attention to the life-cycle of poverty. In the poverty survey, there were similar variations according to age.

Table 26.1. Percentages of people in income units in or on the margins of poverty.

Category	<i>According to the state poverty standard^a</i>		<i>According to the relative deprivation standard^b</i>	
	<i>Percentage in or on the margins of poverty (% in poverty in brackets)</i>		<i>Percentage in poverty</i>	<i>Number in sample for whom infor- mation com- plete on income and category</i>
Professional or managerial occupational status, living alone or with spouse only and aged under 60	0	(0)	0	70
Regularly employed of professional or managerial status	5	(2)	3	112
Employed, living with wife or husband only, under 60	6	(2)	4	374
Aged 0-14, parents of professional status	7	(0)	2	98
Aged 15-39, professional status	8	(2)	3	96
Aged 40 but not over pensionable age, professional status	9	(6)	9	79
Regularly employed, non-manual status	13	(5)	9	574
Fifteen or more years of education	14	(7)	8	142
Regularly employed in previous year	16	(5)	12	1,328
Employed, no unemployment in previous year	17	(5)	13	2,320
Regularly employed, manual status	18	(4)	14	739
Aged 40 but not over pensionable age	22	(6)	16	1,392
Irish birth	23	(7)	26	74
Aged 15-39	26	(8)	19	1,759
No disability	28	(8)	20	4,152
Self-employed	28	(13)	22	172
Males	29	(8)	23	2,564
Professional or managerial status, of pensionable age	(32)	(9)	18	44
White	33	(9)	25	5,176
All persons in sample	33	(9)	26	5,309
Born in UK	33	(9)	26	5,067
Unemployed 1-9 weeks in previous year	33	(11)	29	100
Females	36	(11)	29	2,764

Table 26.1. - contd

<i>Category</i>	<i>According to the state poverty standard^a</i>		<i>According to the relative deprivation standard^b</i>	
	<i>Percentage in or on the margins of poverty (% in poverty in brackets)</i>	<i>Percentage in poverty</i>	<i>Number in sample for whom information complete on income and category</i>	
Aged 0-14	37 (8)	28	1,355	
Non-white	38 (16)	42	144	
Born West Indies, Africa, India or Pakistan	39 (18)	39	102	
Unemployed 10 or more weeks in previous year	39 (18)	33	79	
Minor disability	41 (14)	30	470	
Not employed	46 (13)	36	2,840	
Appreciable or severe disability, under pensionable age	49 (16)	50	80	
Aged 15-39, unskilled manual status	54 (26)	43	131	
In 1-parent family	55 (31)	48	157	
Fewer than 9 years' education	60 (19)	50	391	
Of pensionable age (60+ women, 55+ men)	63 (20)	54	828	
In fatherless family	66 (38)	57	130	
Appreciable or severe disability	67 (20)	74	314	
In household of man, woman and 4 or more children	68 (21)	62	315	
Of pensionable age, unskilled manual status	71 (19)	67	144	
Appreciable or severe disability of pensionable age	73 (21)	82	234	
Aged 0-14, parents unskilled manual status	76 (37)	77	119	
Retired, living alone, aged 60 or over	82 (21)	70	130	
Aged 80 or over	86 (24)	82	98	
In household of man, woman and 3 or more children, unskilled manual status	89 (64)	93	73	

NOTES: ^aNet disposable income in previous year of less than the supplementary benefit scale rates plus housing cost (or 100 per cent to 139 per cent being treated as on the margins' of that standard).

^bGross disposable income in previous year of less than the deprivation standard (as listed in Chapter 6, page 268).

Children and the aged accounted for the great majority of those found to be living in poverty. More than a third of the children and more than half the elderly, compared with only a tenth of the middle aged, lived in households who were, by the state's standard, in poverty or on the margins of poverty. For at least some part of the life-cycle, therefore, it is likely that more than half the population experience poverty or near-poverty.

The 'structure' of poverty, as revealed in the sample survey, therefore reflects changes according to age and circumstances. Table 26.1 illustrates this structure. As can be seen, the risks of being in poverty vary dramatically according to age, employment status, family type and, especially, occupational class. The choice of poverty standard makes some, but not a lot of, difference to the ranking. The trends from applying either the state's standard or the deprivation standard are much the same. Middle-aged professional and managerial workers employed throughout the year and living alone, in married couples or with small families, were least likely to be poor. Elderly people who had been unskilled manual workers and children in the families of young unskilled manual workers, especially those with substantial experience of unemployment, sickness, or disablement and in one-parent families, were most likely to be poor.

The variation was related more to the changing position with age of people of different class origin in the economic and social hierarchy than to ethnic origin or geographical location. The percentage of people in non-white households living in poverty or on the margins of poverty was rather higher than of the population as a whole. Fewer than in the population as a whole had substantial assets, fewer were in non-manual occupations despite the high proportion who had had a lengthy education, and large numbers were deprived on different indicators.

The proportions of poor and marginally poor did not vary greatly from rural to urban areas and to conurbations. Although there were relatively more rich people in rural than other areas, there were fewer in the next rank of prosperity. Poverty and near poverty was more common in Northern Ireland, Scotland, the North-West, Wales and the South-West than elsewhere, but these conditions were to be found on a substantial scale in all regions. The sample was drawn from fifty-one constituencies: at one extreme there were ten which accounted for 32 per cent of the poor; at the other there were ten which still accounted for 10 per cent. In four poor areas located in Belfast, Glasgow, Salford and Neath, special additional surveys were carried out. The percentage living in *households* with incomes below or on the margins of the state's standard was lowest in Neath, with 27 per cent, and highest in Belfast North, with just under 50 per cent, the other two areas, Salford and Glasgow Shettleston, being intermediate, with 37 per cent and 48 per cent.

There are therefore areas with up to twice as many poor as there are in the nation as a whole. But our evidence showed how wide is the dispersion of poor people. On the one hand, the majority are not to be found in areas which even account for as

much as 20 per cent of the population; on the other, there are substantial minorities of relatively prosperous people even in the poorest districts of the country.

The social distribution of poverty may now be summarized. Many people, and overwhelmingly married women and children, are not in poverty by virtue of any *personal* characteristics so much as indirectly by virtue of the labour market, wage or social security characteristics of the principal income recipient of the family unit. In this book, we have used both household and income unit as the basic 'family' units of analysis. The household and the income unit are, in fact, the same thing for about two thirds of the population. Where there are two or more units in a single household, their incomes may be pooled and the pattern of consumption treated as common to all its members. But incomes may be treated separately, and consumption may be predominantly a matter for the individual or at least sub-groups within the household. In its taxation and social security policies, the state also tends to be concerned with the income unit rather than the household.

For these reasons, the social distribution of poverty may be best summarized in terms of the population composing income units rather than households. The accompanying table (26.2) gives the distribution of the population in poverty according to the labour market, personal and other characteristics of one or more of the members of the income unit. About a third of people in poverty by the state's standard belong to income units in which someone is substantially employed. Another third belong to units in which someone is disabled or is, or has been, ill for five or more weeks, and yet another third to units in which someone is retired and of pensionable age. These are the principal groupings from which any description and explanation of poverty must proceed. If account is taken also of those with incomes on the margins of the state's standard, or, alternatively, the population are considered in terms of the relative deprivation standard, each of the first two categories assume greater importance. By the relative deprivation standard, nearly half the population in poverty are in units in which someone is employed. Certain important qualifications must be added. Readers will observe that employment, unemployment, disability, one-parent family status and retirement are not exclusive categories in the table. There is some overlapping. For example, among the people in units with an income below the state poverty line, and yet in which there was someone substantially employed, 22 per cent were also in income units in which someone (not necessarily the same person) had been disabled or ill for five weeks or more, and another 16 per cent unemployed for at least one week in the year. As many as 62 per cent in a unit with someone disabled or sick were also in a unit with someone retired. Roughly the same proportion of the people in 'retirement' units were also in 'disablement' units. These two categories overlap more substantially than any other two categories.

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Table 26.2. *The distribution of poverty.*

<i>Type of income unit</i>	<i>All in sample %</i>	<i>All in poverty by state's standard %</i>	<i>All in poverty or on margin by state's standard %</i>
1. <i>Employed</i>			
(a) At least one person in unit employed last year for 1,000 hours or more	78.9	32.5	53.2
(b) At least one person in unit employed last year for 1,000 hours or more <i>and</i> with earnings of less than 90 per cent of the mean for own sex ^b	(28.3)	(16.5)	(25.4)
2. <i>Unemployed</i>			
At least one person unemployed for 1 week or more in previous year	7.3	9.1	8.0
3. <i>Disabled</i>			
(a) At least one person with some appreciable or severe disablement (scoring 3 or more on index) <i>or</i> sick 5 weeks or more	27.1	34.8	39.8
(b) At least one person with appreciable or severe disablement (scoring 7 or more on index) <i>or</i> sick 12 weeks or more in year ^b	(12.4)	(15.9)	(20.0)
4. <i>One-parent family</i>	3.0	10.5	5.2
5. <i>Elderly Retired</i>			
Not employed, of pensionable age	14.9	34.2	30.7
6. <i>Others</i>	1.9	9.1	3.6
Total ^c	(100)	(100)	(100)
N = 100 per cent	5,340	486	1,728

NOTES: ^a'Children' in this table means dependent child under 19 living in household.

^b1b and 3b are placed in brackets because they are included in 1a and 3a respectively.

^cTotals in the first five columns add to more than 100 per cent because some people fall into two or more categories.

The table also selects two sub-categories - on the one hand of the low paid among the substantially employed, and on the other of the appreciably or severely disabled. In each case, the sub-categories account for about half of those found to be in poverty. Each sub-category represents a considerable minority of the population. If we include both those on the margins of as well as under the state's poverty line, there are 4,500,000 people in units in which someone is substantially employed (that is, working a total of 1,000 hours or more in the year) and also low paid. There are

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<i>All in poverty by relative deprivation standard</i>	<i>Percentage in poverty by state's standard</i>	<i>Percentage in poverty or on margins by state's standard</i>	<i>Percentage in poverty by relative deprivation standard</i>	<i>All children in poverty by state's standard'</i>	<i>All children in poverty or on margins by state's standard^a</i>	
				<i>%</i>	<i>%</i>	
49.5		3.8	21.8	16.2	56.9	82.4
(28.8)		(5.3)	(29.0)	(26.3)	(31.7)	(37.6)
8.6		11.3	35.8	30.4	15.4	11.3
46.2		11.7	47.6	44.1	19.5	25.9
(27.3)		11.6	52.0	56.9	(4.1)	(9.6)
5.6		31.5	55.0	47.5	29.3	11.3
32.3		20.9	66.7	56.2	0	1.3
3.7		44.0	62.0	52.6	4.1	1.5
145.9		9.1	32.4	25.9	(100)	100
1,380		486	1,728	5,307	123	529

3,500,000 in units in which someone is appreciably or severely disabled or has been ill for twelve or more weeks in the last twelve months. Table 26.3 gives the full estimates.

Some minorities contribute to the population in poverty out of all proportion to their numbers in the general population. As Table 26.2 shows, the elderly retired accounted for 15 per cent of the population in units, but 34 per cent of those with incomes of less than the state's standard. One-parent families accounted for only 3 per cent of the total population, but 10 per cent of those in poverty.

A higher proportion of children than of adults live in units which experience poverty or marginal poverty - 36 per cent compared with 31 per cent (or 22 per cent if the retired elderly are excluded). This figure represents 4,900,000 children under 15 (or 5,500,000 if older dependent children are added). The vast majority (over four fifths) were in units in which the adult or adults were in substantial employment,

Table 26.3. *Estimated numbers in population in categories of poverty.*

<i>Characteristic of income unit or at least 1 person in unit</i>	<i>Estimated numbers in income units in poverty or on the margins of poverty (by the state's standards)</i>
Employed last year	9,400,000 (of which 4,500,000 low paid)
Unemployed last year	1,400,000
Disabled or long-term sick	7,000,000 (of which 3,500,000 appreciably or severely disabled or chronic sick)
1-parent family	900,000
Elderly retired	5,400,000
All characteristics	17,630,000

that is, working for 1,000 hours or more in the previous year. Two fifths of all children were in units in which an adult was working full time but was low paid.

Changes since 1968-9

The extent and 'structure' of poverty in the United Kingdom as established in the survey has been summarized above. Has that extent and structure changed since 1968-9? This question can be approached in terms of changes in the structure of the population, the distribution of wealth, in the levels of income gross and net of tax, the relationship of these types of income to the supplementary benefit scales, and changes in the overall structure of incomes in society.

In Table 26.4 I have listed certain indicators of change in social structure for Britain 1968-76. This shows that some minorities known to be exposed to greater risk of poverty, namely elderly pensioners and unemployed, increased disproportionately to population. The numbers of invalidity pensioners increased slightly, and the numbers of one-parent families dependent on supplementary benefit increased very sharply. The total number of families with children increased, but the number with three or more decreased, proportionately to population.

During the late 1960s and early 1970s, there appears to have been a continuation of a fall in the percentage of wealth held by the top 1 per cent, but not much change in the broad inequalities of wealth between the top 20 per cent of the population and the rest (Table 26.5). An independent study suggests that the official statistical series exaggerates the trend and offers alternative estimates showing fluctuations from year to year but no change between 1968 and 1972 in the proportion of wealth held by the top 10 per cent and top 20 per cent.¹ A sharp fall in share values in the mid 1970s, which corresponded with a decline in the shares of wealth of the top 1 per cent and top 5 per cent, was reversed in 1977-8, and longer-term trends are difficult to judge.

¹ Atkinson, A. B., and Harrison, A. J., *Distribution of Personal Wealth in Britain*, Cambridge University Press, 1978, p. 159.

Table 26.4. Selected indicators of change in social structure in the United Kingdom, 1968-76.

<i>Social category</i>	<i>1968</i>	<i>1976</i>	<i>1976 as % of 1968</i>
Total population	55,049,000	56,000,000	102
Retirement pensioners (incl. others with pensions, aged 60 and over)	7,133,000	8,617,000	121
People aged 75 and over	2,491,000	2,847,000	114
Families receiving family allowances	4,257,000	4,592,000	108
Families receiving family allowances with 3 or more children	1,766,000	1,631,000	93
Supplementary benefit recipients	2,736,000	3,050,000	111
1-parent families receiving supplementary benefits	(185,000) ^a	310,000	168
Unemployed	560,000	1,359,000	243
Unemployed receiving supplementary benefits	235,000	684,000	291
Unemployed receiving unemployment insurance benefit	331,000	617,000	186
Unemployed receiving neither supplement- ary nor unemployment benefits	110,000 ^a	200,000	182
Recipients of supplementary benefits not eligible for long-term addition or long- term (higher) scale rate	550,000 ^b	572,000 ^b	104
Recipients of invalidity benefits for more than 6 months	416,000	431,000 ^c	104

NOTES: ^aEstimated.^bBritain only.^cFor the year 1975.

SOURCES: *Annual Abstract of Statistics*, HMSO, London, 1978, pp. 13, 67, 68, 69; *Social Security Statistics 1975*, HMSO, London, 1977; and *Social Trends*, No. 8, HMSO, London, 1977, pp. 41, 53, 65, 86, 110, 111.

Table (26.6, below) derived from government sources, summarizes changes in level of income of different social security claimants, relative to average gross and net incomes. Clearly there have been fluctuations from year to year in the level of individual social-security benefits in relation to average gross earnings and net income. By 1974, short-term national insurance and supplementary benefits had lost ground since the late 1960s relative to gross and net income - for both single people and married couples with children. On the other hand, long-term benefits either

Table 26.5. *Two versions of trends in the distribution of wealth (Britain).*

Year	Inland Revenue data series B ^a				Atkinson and Harrison (assumption B3) ^b			
	Top 1%	Top 5%	Top 10%	Top 20%	Top 1%	Top 5%	Top 10%	Top 20%
1960	38.2	64.3	76.7	89.8	34.4	60.0	72.1	83.6
1964	34.4	59.3	73.5	88.4	34.7	59.2	72.0	85.2
1966	31.8	56.7	71.8	87.8	31.0	56.1	69.9	84.2
1968	32.7	59.0	73.8	89.4	33.6	58.6	72.0	85.4
1970	29.0	56.3	70.1	89.0	30.1	54.3	69.4	84.9
1972	29.9	56.3	71.9	89.2	32.0	57.2	71.7	85.3
1974	25.3	49.9	66.0	85.5	-	-	-	-
1975 ^c	23.2	46.5	62.4	81.8	-	-	-	-

NOTE: ^aAssuming that persons not covered by the Inland Revenue estimates have no wealth.

^bAssuming that the value of certain property not accounted for by estate data but estimated by means of the balance-sheet method is distributed between the population included in the estate data and the population excluded. This is their 'central estimate'.

^cUnited Kingdom.

SOURCES: Royal Commission on the Distribution of Income and Wealth, Report No. 5, *Third Report on the Standing Reference*, Cmnd 6999, HMSO, London, 1977, p. 76; Atkinson, A. B., and Harrison, A. J., *Distribution of Personal Wealth in Britain*, Cambridge University Press, 1978, p. 159.

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Table 26.6. *Benefits when sick, unemployed or retired as a percentage of gross earnings and of net income (after deducting tax and national insurance contributions).*

	<i>Standard rate of sickness or unemployment benefit plus earnings related supplement</i>				<i>Standard rate of long-term invalidity or retirement pension</i>		<i>Supplementary benefit rates (including rent) as % of net income</i>				
	<i>Single man</i>		<i>Married couple with 2 children</i>		<i>Single man</i>		<i>Married couple with 2 children</i>		<i>Short term</i>	<i>Long term</i>	
<i>October each year</i>	<i>As % gross earnings</i>	<i>As % net income</i>	<i>As % gross earnings</i>	<i>As % net income</i>	<i>As % gross earnings</i>	<i>As % net income</i>	<i>As % net income</i>	<i>Single person</i>	<i>Married couple with 2 children (aged under 5)</i>	<i>Single person</i>	<i>Married couple with 2 children (aged under 5)</i>
1967	40.0	53.9	63.6	73.2	21.0	28.4	51.8	38.9	62.9	41.8	65.3
1968	38.9	52.9	60.9	72.8	19.6	26.6	50.6	38.6	63.3	41.6	65.8
1969	38.1	52.1	58.5	71.0	18.1	24.8	52.8	37.8	62.4	40.6	64.8
1970	38.0	53.3	58.2	72.7	17.8	25.0	48.3	37.0	61.4	39.5	63.6
1971	41.2	57.5	63.3	77.9	19.4	27.1	60.3	37.6	61.9	39.8	63.9
1972	38.4	52.3	60.2	73.7	18.8	25.7	58.4	35.3	59.6	37.6	61.6
1973	35.1	48.4	56.2	70.6	18.9	26.1	60.4	36.0	59.3	39.4	62.9
1974	33.6	48.6	54.6	70.3	20.6	28.7	67.1	34.6	60.6	43.5	67.7
1975	30.8	45.9	50.2	67.0	19.5	29.0	65.2	34.8	58.2	40.7	65.0
1976	31.1	46.7	50.7	67.3	19.9	29.8	66.2	36.0	59.0	42.0	66.1
1977	32.7	47.6	52.9	68.4	20.9	30.4	67.2	-	-	-	-

SOURCES: First 6 columns: DHSS, *Social Security Statistics, 1974*, HMSO, London, 1975, pp. 212-13; last 5 columns: *Hansard*, 13 February 1976, cols. 417 and 423. Royal Commission on the Distribution of Income and Wealth, *Report No. 6*, pp. 294 and 299-300.

maintained or (especially in the case of invalidity benefits) gained ground, though the levels achieved by the uprating of July 1974 appear in retrospect to have been exceptional. During the high rates of inflation in the mid 1970s, values of benefits have fluctuated sharply between upratings in relation both to earnings and prices. The government attempted to maintain values through more frequent upratings - after nine and a half months (July 1974), eight and a half months (April 1975), and seven and a half months (November 1975) respectively, but by the months immediately preceding these upratings, benefits had none the less fallen very sharply in value.¹ Subsequently (November 1976, 1977 and 1978), the government has reverted to annual upratings.

During these years, successive Labour and Conservative governments introduced new measures aimed in whole or in part at helping those on low incomes. Probably the most important of these measures is the Social Security Pensions Act 1975, which came into effect in April 1978. This affects the whole population, but it will be many years before a substantial additional number of pensioners will have received earnings-related pensions large enough to remove them from the scope of the supplementary benefits scheme. In the early years, those retiring will have earned only small additional earnings-related pensions and the scheme will not come into full effect until after the year 2020. The child benefit scheme (which introduces a cash allowance for each child in the family in substitution for child tax allowances for all dependent children, and family allowances for the second and each subsequent child in the family) had begun, by 1978, to restore the losses during the mid 1970s in real value of family support, but, depending on the rate of inflation and further government decisions, it remained to be seen whether the government would act after the increase of April 1979 to lift the level of support to a markedly higher level.²

A Family Income Supplement scheme was introduced for the low paid with children in 1971. From the start, the numbers who applied were considerably fewer than the numbers who were estimated to be entitled. The number of two-parent families receiving this supplement reached 65,000 in June 1972, but fell sharply later that year, fluctuated around 50,000 in 1973, and fell steadily during 1974, until

¹ See, for example, the papers by Trinder, C., in Willmott, P. (ed.), *Sharing Inflation?*, Poverty Report 1976, Temple-Smith, London, 1976; Field, F., *The New Corporate Interest*, Poverty Pamphlet No. 23, Child Poverty Action Group, London, 1976; Disability Alliance, 'Nearly a Million Disabled People in Poverty', memorandum to the Chancellor of the Exchequer, March 1976; Lewis, P., *et al.*, *Inflation and Low Incomes*, Fabian Research Series No. 322, Fabian Society, London, August 1975.

² In its evidence in 1977 to the Royal Commission on the Distribution of Income and Wealth, the Supplementary Benefit Commission showed that the combined value of family allowances and child tax allowances in October 1976 was substantially smaller for families, relative to net incomes, than in the early years after the introduction of family allowances in 1946.

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the figure of 32,000 was reached in that December. The number was under 30,000 in 1975, but increased in 1976 to 42,000. A government report further shows that more than a fifth of these are not strictly below the prescribed income limits at any one time - mainly because, under the rules, families qualify for supplement for twelve months irrespective of a change in their circumstances.¹ The total at the end of 1976 of 85,000 two-parent and one-parent families represents only 0.3 per cent of the labour force. The total cost, estimated at £24 million for 1977-8, represented only 1.3 per cent of the cost of supplementary benefits.²

New benefits, starting in 1971, were introduced for disabled people. By December 1974, 187,000 severely disabled people were receiving attendance allowance at one of two rates. Among 444,000 invalidity pensioners in 1974, 70,000 qualified for a higher rate of invalidity allowance of £2.40 per week; 72,000 a middle rate of £1.50; 224,000 a lower rate of 0.75p; and 78,000 for nothing.³ About a half of all invalidity pensioners had an adult dependant, and a fifth a child dependant. The benefit rates for these dependants were increased in 1971. A non-contributory invalidity pension was introduced in 1975 for disabled people who had not qualified for invalidity pension, most of whom had had to rely solely on supplementary benefits. Excluding certain hospital patients receiving a pocket-money rate of benefit, 64,000 were estimated to be drawing benefit by the beginning of 1976, but 46,000 were estimated not to be receiving any net gain whatsoever. They lost in supplementary benefits what they gained in the new pension.⁴ However, this pension was extended in November 1977 - to severely disabled married women. An invalid care allowance was introduced in July 1976 for single women and others who give up their jobs to care for severely disabled relatives. It is expected to be claimed by only 11,500 people, at a net cost of about £2 million a year. Finally, a mobility allowance is being introduced by stages for about 100,000 disabled people who have difficulty in walking. In 1976-7, 25,000 were estimated to be receiving it. People of pensionable age are not eligible for the allowance.

These allowances have probably reduced the numbers of disabled people living in poverty, but the government has been criticized strongly for a 'piecemeal' and, by reference to the needs, 'inadequate' programme.⁵ By 1978-9, the attendance allowance, invalid care allowance, mobility allowance and non-contributory in-

¹ Knight, I. B., and Nixon, J., *Two-Parent Families in Receipt of Family Income Supplement, 1972*, DHSS, Statistical and Research Report Series, No. 9, HMSO, London, 1975.

² DHSS, *Social Security Statistics, 1974*, HMSO, London, 1975, pp. 62-3.

³ *The Government's Expenditure Plans 1978-79 to 1981-82*, vol. II, Cmnd 7049, HMSO, London, 1978, pp. 90-91.

⁴ *Hansard*, 27 February 1976, col. 380.

⁵ *Poverty and Disability: The Case for a Comprehensive Income Scheme for Disabled People*, Disability Alliance, London, 1975. See also *Poverty and Low Incomes Amongst Disabled People*, a submission to the Royal Commission on the Distribution of Incomes and Wealth-Lower Incomes Reference, Disability Alliance, London, 1977.

validity pension were expected to cost £301 million, or just over 2 per cent of the total expenditure on social security. This is almost exactly the same as the total cost of war pensions in that year.¹

The introduction of these measures is not easy to relate to outcomes - as reflected either in estimated numbers in or on the margins of poverty, or in income distribution. I will briefly describe sources of information for each of these. First, the government has published estimates of the numbers in and near poverty for the early and mid 1970s (Table 26.7). According to these estimates, derived from the Family Expenditure Survey, the total at or around the supplementary benefit standard increased in the 1960s and declined slightly in the early 1970s before rising again in 1975-6. There is evidence from the same source (the Family Expenditure Survey) that the numbers and percentage of the population with incomes under the supplementary benefit standard or marginally above that standard, and also the numbers and percentages receiving supplementary benefit, were all higher in the early and mid 1970s than in 1960.

In the poverty survey, the number of people living in units with incomes of no more than 140 per cent of the supplementary benefit standard in 1968-9 was estimated to represent 17.6 million. A rather similar but not exactly comparable government estimate for 1976 was 14.9 million (there were 8.5 million with incomes

Table 26.7. *Government estimates of numbers in poverty (Family Expenditure Survey).*

	<i>Britain (000s)</i>				
<i>Relationship to benefit standard</i>	<i>1960^a</i>	<i>Dec. 1972^b</i>	<i>Dec. 1974</i>	<i>Dec. 1975</i>	<i>Dec. 1976</i>
Under supplementary benefit standard	1,260	1,780	1,410	1,840	2,280
At or not more than 10% above standard	(710)	1,120	960	1,120	1,630
Receiving supplementary benefit ^c	2,670	4,140	3,730	3,710	4,090
Total	4,640	7,040	6,100	6,670	8,000

NOTES: ^aFrom Abel-Smith, B., and Townsend, P., *The Poor and the Poorest*, Bell, London, 1965, pp. 40 and 44, with estimate for second line. The data are for the UK and are on a household rather than an income unit basis.

^bSelf-employed assumed to be distributed among the poor in the same proportion as the employed.

^cThis information (for 1972-6) is drawn separately from a supplementary benefit sample inquiry, and to make it consistent with the information from the FES (given in the first two lines above), people drawing supplementary benefit for less than three months are excluded. In the FES, people are categorized according to their 'normal' income and employment in the three months preceding interview.

SOURCE: For 1972-6, DHSS analyses of FES data.

¹ *The Government's Expenditure Plans 1978-79 to 1981-82*, pp. 90-91.

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within the range 100-39 per cent of the standard in addition to 2.3 million under the standard and 4.1 million receiving supplementary benefit).¹ At least half and perhaps most of the difference between these estimates is due to differences in representativeness of the samples and to differences of definition. As explained on pages 275-7, the numbers in some low-income groups in the Family Expenditure Survey sample have been consistently under-represented. But without a fresh study on the same basis as the poverty survey, it would be difficult to conclude whether the numbers had declined or increased. All that can be cautiously inferred is that the numbers in and near poverty cannot be substantially different in 1976 from what they were in 1968-9, though the representation of social categories among them will certainly have changed.

Another approach is to trace changes in the distribution of incomes over the whole scale. The same points in the scale are selected for different years and expressed in Table 26.8 as percentages of the median. The definition of income, selected in this case by the Royal Commission on the Distribution of Income and Wealth, is the widest definition currently used by the government, and includes the value of some employer welfare benefits and social service benefits - such as education and health. A slightly different method of looking at the distribution is given in Table 26.9. Allowing for possible fluctuations due to sampling variation, the structure would appear to have been surprisingly stable during this period of economic and industrial upheaval. Indeed, a review of the data available for the whole period 1961-73 confirmed the 'relative stability of the income distribution both before, and after,

Table 26.8. *Quantiles as percentages of the median, United Kingdom 1968-75.*

<i>Quantile</i>	<i>Final income of households as % of median</i>							
	1968	1969	1970	1971	1972	1973	1974	1975
Highest percentile	347	341	345	361	342	348	-	-
Highest decile	191	188	195	196	192	192	192	189
Upper quartile	142	140	145	144	143	143	145	143
Median	100	100	100	100	100	100	100	100
Lower quartile	63	62	62	61	61	62	62	62
Lowest decile	38	38	37	38	38	39	38	40

SOURCES: Central Statistical Office (based on Family Expenditure Survey). As quoted in the Royal Commission on the Distribution of Income and Wealth, Report No. 1, *Initial Report on the Standing Reference*, Cmnd 6171, HMSO, London, 1975, p. 216, and Report No. 5, *Third Report on the Standing Reference*, Cmnd 6999, HMSO, London, 1977, p. 252.

¹ Tables available from the Department of Health and Social Security. The estimate excludes those dependent on supplementary benefit for less than three months. It includes all others dependent on supplementary benefit, and all other people with incomes below the appropriate supplementary benefit scales.

Table 26.9. *Percentage share of final income received by given quantile groups of households, United Kingdom, 1968-75.*

Quantile group (%)	Final income of households as % of total								
	1968	1969	1970	1971	1972	1973	1974	1975	
Top 10	23.4	23.3	23.5	23.7	23.0	23.4	24.7	22.4	
11-20	15.3	15.3	15.5	15.6	15.5	15.4	15.1	15.4	
21-30	12.9	12.8	12.9	12.8	13.0	12.9	12.7	13.0	
31-40	11.0	11.1	11.2	11.0	11.1	11.1	11.0	11.2	
41-50	9.6	9.8	9.5	9.6	9.7	9.6	9.4	9.7	
51-60	8.4	8.5	8.2	8.3	8.4	8.3	8.1	8.4	
61-70	7.1	7.0	7.0	6.9	7.0	6.9	6.8	7.0	
71-80	5.7	5.5	5.6	5.4	5.5	5.6	5.5	5.7	
81-90	4.2	4.1	4.1	4.1	4.2	4.2	4.0	4.3	
91-100	2.5	2.5	2.4	2.5	2.6	2.7	2.7	2.9	

SOURCES: Central Statistical Office (based on Family Expenditure Survey). As quoted in the ¹ Royal Commission on the Distribution of Income and Wealth, Report No. 1, *Initial Report on the Standing Reference*, Cmnd 6171, HMSO, London, 1975, p. 215. For 1974, see Nissel, M., and Peretz, J., 'Effects of Taxes and Benefits on Household Income 1974', *Economic Trends*, No. 268, February 1976, p. 110; and Report No. 5, *Third Report on the Standing Reference*, Cmnd 6999, HMSO, London, 1977, p. 251.

standardization (for household composition)'.¹ A later government study concluded that, between 1961 and 1975, 'the inequality of final income has hardly changed'.² In its report in 1978 on lower incomes, the Royal Commission found that after standardizing for household composition the distribution of income remained stable between 1968 and 1976.³

Certain trends in income for different types of household can also be traced. Bearing in mind fluctuations from one year to another, especially in the case of relatively small sub-groups, because of sampling variation, official data do not disclose consistent changes of any magnitude.⁴ At a low point in the dispersion, income was slightly lower, as a percentage of the median, in 1974 than in 1969 for six of the ten types of household, and slightly higher for the other four. At a high point in the dispersion, income was slightly higher for four of the ten types of

¹ Semple, M., 'The Effect of Changes in Household Composition on the Distribution of Income 1961-73', *Economic Trends*, December 1975, p. 101.

² Harris, R., 'A Review of the Effects of Taxes and Benefits on Household Incomes 1961-1975', *Economic Trends*, January 1977, p. 105.

³ Royal Commission on the Distribution of Income and Wealth, Report No. 6, *Lower Incomes*, Cmnd 7175, HMSO, London, 1978, p. 143.

⁴ See, for example, *Economic Trends* No. 254, December 1974, pp. lvii-lxiv.

household and slightly lower for the other six.

Government data on trends in the distribution of resources are incomplete in a number of critical respects. Despite secondary analyses of the Family Expenditure Survey in recent years, information about changes in the composition and level of income of the poorest 20 per cent, especially the poorest 10 per cent, is sparse. Important changes have been taking place in the relationship between earnings, taxes, cash benefits and benefits in kind, especially employer welfare benefits, but these have not yet been pursued to fully articulated conclusions. Thus, articles in *Economic Trends* show that there has been widening inequality since 1960 in original' incomes (principally gross earnings, but also social security benefits).¹ As argued above (pages 667-70 and 902-3), this has been due not just to a relative increase in the number of social security recipients - particularly retirement pensioners, though also including one-parent families, unemployed and disabled people - but to a relative increase in the numbers of employees of professional and managerial status. With rising real incomes, there has been a disproportionate increase in taxation, among other things, to help pay for the larger numbers of social security beneficiaries. But there has also been a relative increase in the resources committed by the nation to the production of highly educated groups -principally benefiting the middle classes. There would appear as well to have been a relative increase in the share of the disposable resources of the top 5 and 10 per cent (who include most managers and professionals), represented by employer welfare benefits in kind. Contrary to the impression conveyed by data on trends in gross and net incomes reproduced by the Royal Commission on Incomes and Wealth, suggesting that there has been a continuing decline in the share of the top 5 per cent',² the percentage share of real resources (as distinct from post-tax incomes as conventionally defined) received by the top groups may have remained steady or even increased. Data on the value of employer in-kind benefits collected by the Royal Commission (not, however, added to gross or net incomes and then analysed), as well as data from the poverty survey on such benefits presented above in Chapters 5 and 12, even supports this view.

Thus, the commission quoted evidence of expansion in coverage of executive employees by occupational pension, life insurance, medical insurance, holiday entitlement and other schemes. Pension provisions at least had been growing as a proportion of salary for higher executives'. Share acquisition schemes and reduced interest or interest-free loans could be of 'considerable financial advantage', and fixed-term service contracts (with the first £5,000 of compensation normally being

¹ See, for example, Harris, 'The Effect of Changes in Household Composition on the Distribution of Income', p. 105.

² Royal Commission on the Distribution of Income and Wealth, Report No. 1, *Initial Report on the Standing Reference*, p. 156. See also Report No. 5, *Third Report on the Standing Reference*, pp. 199-202.

tax-free) 'might have been entered into with a view to providing employees with additional benefits'.¹ The whole problem is one of understanding and measuring personal advantage as a result of access to corporate wealth. It may be hoped that the standing Royal Commission will seek to improve data on both the distribution of employer welfare benefits and wealth and the extent to which they augment cash incomes or living standards.

This discussion shows some of the respects in which the findings from the poverty survey need to be modified to take account of events in the 1970s. There have been major changes tending to increase the numbers in or near poverty - especially the substantial increase in numbers unemployed but also the relative increase in numbers of retired disabled people and those belonging to one-parent families. The fall in the early and mid 1970s in the real value of family support (both tax allowances for children and family allowances) also tended to depress more families into poverty. On the other hand, the steadily increasing participation of women in employment has improved the living standards of some low-income families and the slow decline in proportion of manual employees in the workforce will have affected the structure or at least the variability of low earnings. New social security benefits have been introduced, and the rates of other benefits such as invalidity pensions, have been increased relative to previous values. Many other influences will have played a part in balancing the forces reducing, and those increasing, numbers in or near poverty. But, as the Royal Commission say, it is none the less 'surprising' to find such underlying longer-term stability in the distribution of incomes 'in view of the considerable economic, social and demographic changes which have taken place [between 1968 and 1976]'.²

¹ Royal Commission on the Distribution of Income and Wealth, Third Report, *Higher Incomes from Employment*, Cmnd 6383, HMSO, London, 1976, pp. 89-101.

² Royal Commission on the Distribution of Income and Wealth, Report No. 6, *Lower Incomes*, p. 144.