

The effects of taxes and benefits on household income, 1977

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Articles on the incidence of taxes and social security benefits have been published in *Economic Trends* annually since the early sixties. Their general purpose has been to show how taxation and public expenditure on social services, cash benefits and consumer subsidies affect the observed distribution of income between different types of households. The present article continues the series with estimates for 1977.

Presentation

Last year substantial changes in format and content were made in the article. Instead of presenting an analysis for a single year as in previous articles, a comparison was given between the latest year and the situation five years earlier. Another substantial change was that in general the tables were presented on a quantile basis rather than in terms of size ranges of income. These changes in content and format have been retained for this year's article.

The choice of a five-year interval was little more than a compromise between a long period, for which it is expensive to produce data in comparable form, and a short period, in which the effect of demographic changes, for example, are not evident.

The change in the presentation of the tables arose from the difficulty of interpreting data which are presented in terms of size ranges of income. Valid comparisons over time were difficult because the growth in incomes required the ranges to be changed frequently if the bulk of the sample was not to be concentrated in a few ranges. To overcome these difficulties, most tables are now presented on a quantile basis. The number of households in each table is divided into five, ten or twenty equal groups arranged in ascending order of income; and the average taxes paid and benefits received are shown for each group.* Generally the summary tables in the text are analysed by quintile groups whereas the more detailed tables in Appendix 2 are analysed by decile groups. The tables in the old form are available on request from the Central Statistical Office (see Appendix 1).

This year there have been further changes. First, the benefits to households of rail travel subsidies have for the first time been estimated, both for 1977 and for 1972. Their effects on redistribution are discussed in detail below, and the method of allocation is given in Appendix 1.

Secondly, in order to increase the depth of analysis there are two further sections. The first deals with the impact of taxes and benefits on households categorised by the number of workers, and the second assesses this impact on households according to their stage in the life-cycle.

The article begins with a section relating total government expenditure and its financing to the household sector. This section also includes a brief introduction to the methods of allocating taxes and benefits to different types of household.

The next section contains the main results. It starts with a summary of the findings overall and at each successive stage of redistribution. This is done first in terms of the distribution of income before any intervention by the state, either by taxation or by granting benefits: we call this 'original income'. We then consider the way original income is modified by direct cash payments to households by the state, and by direct taxes, to yield disposable income. Finally we estimate the redistributive effect of indirect taxes, subsidies and direct benefits in kind (e.g. the health service), to arrive at 'final income'.

There are two appendices. The first describes the methodology in detail, including definitions of all the terms used. The second contains the main statistics in the form of tables, showing how the allocated taxes and benefits are made up, and how their impact varies between households in different parts of the income distribution.

Government expenditure and its financing

In 1977 general government expenditure, which includes both expenditure on goods and services and transfer payments, amounted to £62 thousand million. It was financed by receipts of £21 thousand million from direct taxes on persons, by £20 thousand million from indirect taxes falling on expenditure and by £20 thousand million from other sources such as corporation tax and borrowing (see Appendix 2, Tables 1 and 2). Households both contribute to and benefit from this expenditure. They pay taxes directly in the form of income tax and national insurance contributions, and indirectly through local rates and the taxes levied on the goods and services they buy. They benefit from public spending on social services including state education, the National Health Service, and housing and food subsidies, as well as payments in cash.

Changes in the pattern of redistribution between 1972 and 1977 should be seen against a background of changes in government expenditure and financing. Table A shows that government expenditure rose faster than gross domestic product in the five-year period as a whole. The difference was most marked in the years 1974 and 1975: in 1976, and more so in 1977, government expenditure rose more slowly than gross domestic product. Current expenditure on cash benefits, education, the health service and subsidies to households rose from 41 per cent of total government expenditure in 1972 to 47 per cent in 1977, while the share of capital expenditure plus other current expenditure fell from 49 per cent to 41 per cent, as shown in Table B. The shares in government financing of the various taxes and other receipts, shown in Table C, changed little between

* In this article the average benefit received means the average over all households in the group or income range: not the average of only those households that are recipients of the benefit. 'Averages' means the arithmetic mean.

1972 and 1977. However, there was a significant shift between 1976 and 1977; whilst direct taxes remained unchanged at 32 per cent of government financing, indirect taxes rose from 26 per cent to 28 per cent, and government borrowing fell from 14 per cent to 8 per cent.

The increases in expenditure on social services were due partly to demographic changes: for example, the increases in health service expenditure and cash benefits stem partly from the increasing number of elderly people in the population. Housing subsidies were nearly quintupled, for two reasons. The first was that housing costs rose sharply owing to general inflation, a steep rise in interest rates and the growth of the local authority housing stock; the second was that increases in rent were limited by the introduction of mandatory rent rebate schemes under the Housing Finance Act and by short term anti-inflationary measures such as the 'rent freeze' in 1974/75 and the 'special element' subsidies in 1975/76 and 1976/77.

Growth of gross domestic product and government expenditure, 1972 to 1977

TABLE A

	Percentage change	
	1972 to 1977	1976 to 1977
Gross domestic product (at current market prices)	+123	+ 15
General government expenditure	+136	+ 6
Cash benefits	+158	+ 19
Current expenditure on education and health	+159	+ 10
Subsidies to households	+446	—
Other current expenditure	+142	+ 10
Capital expenditure (including net lending, etc.)	+ 30 ¹	- 27 ¹
Other expenditure (mainly debt interest)	+184	- 19

¹ The figures reflect a large fall in net lending in 1977, particularly to public corporations, and a large sale of company securities. General government gross domestic fixed capital formation rose by 76 per cent between 1972 and 1977, but fell 11 per cent between 1976 and 1977.

Source: *National Income and Expenditure 1967-77*, Table 9.4

Shares in government expenditure, 1972 and 1977

TABLE B

	Percentages		Change
	1972	1977	
General government expenditure	100	100	—
Cash benefits	19	21	+2
Current expenditure on education and health	20	22	+2
Subsidies to households	2	4	+2
Other current expenditure	29	30	+1
Capital expenditure (including net lending, etc.)	20	11	-9 ¹
Other expenditure (mainly debt interest)	10	12	+2

¹ See footnote ¹ of Table A

Source: *National Income and Expenditure 1967-77*, Table 9.4

Shares in general government financing, 1972 and 1977

TABLE C

	Percentages		Change
	1972	1977	
Total receipts	100	100	—
Direct taxes on households	31	34	+3
Indirect taxes on households	31	28	-3
Borrowing	3	8	—
Other receipts	30	30	—

Source: *National Income and Expenditure 1967-77*, Table 9.1

Allocation of government expenditure and its financing

There are considerable difficulties in moving from these aggregates to apportioning taxes and benefits to individual households. We can obtain information about the types of households that receive cash benefits and pay direct taxes through surveys such as the Family Expenditure Survey (FES). From the replies respondents give to questions on their expenditure we can impute their payments of indirect taxes, and from information they supply about such factors as their age and the number of children in the household we can estimate the average costs of providing them with social services, such as health and education. But there are other kinds of financing, such as corporation tax and government receipts from public corporations, which are not covered in the FES and which are difficult to apportion to individual households. Indeed, most people would probably not think of these as leading to a reduction in their personal incomes. Similarly, there are other items of government expenditure, such as capital expenditure, expenditure on defence and on the maintenance of law and order, for which there is no clear conceptual basis for allocation, or for which we do not in any event have sufficient information to make an allocation.

Consequently, in the estimates in this article, only some 47 per cent of total government expenditure and 63 per cent of total government receipts in 1977 are in the categories which are directly allocated to individual households. Allocated taxes thus make up more of government financing than do allocated benefits of government expenditure. Since this imbalance reflects only the practical and conceptual possibilities of allocating the individual receipts and expenditures to households, it has no special significance, but it does mean that, on average, households are shown in the tables as paying more in taxes than they receive in benefits. For 1972, 41 per cent of total government expenditure and 62 per cent of total government receipts were allocated. Since the basis for allocation has not changed during the period 1972-77, this means that expenditure on services allocated to households has risen faster than other government expenditure.

It must be emphasised that the analysis in this article provides only a very rough guide to the kinds of household which benefit from government expenditure and by how much, and to those which finance it. Apart from the fact that large parts of expenditure and receipts are not allocated, the methods both of allocating taxes and of valuing and apportioning benefits to individual households are subject to error. For example, in allocating indirect taxes we assume

that the part of the tax falling on consumers' expenditure is borne by the household which buys the item or the service taxed, whereas in reality the incidence of the tax is spread by pricing policies and probably falls in varying proportions on the producers of a good or service, on their employees, on the buyer, and on the producers and consumers of other goods and services. Another example is that we know only an estimate of the total financial cost of providing benefits, such as education, and so we have to treat that cost as if it measured the benefit which accrues to recipients of the service. In fact, the value the recipients themselves place on the service may be very different from the cost of providing it; moreover, there may be households in the community, other than the immediate beneficiaries, who receive a benefit indirectly from the general provision of the service (for example, health service expenditure lowers the general likelihood of infectious diseases).

Further details of the allocation methodology for taxes and benefits are given in Appendix 1.

Summary of the results

The extent of redistribution can be measured by comparing original income with final income in Table D. It is clear that income is redistributed from households with high incomes to those with low incomes. Table D and Chart 1 summarise the redistribution in 1977.

In the following detailed discussion of the results, comparisons are made with 1972. During the period from 1972 to 1977 the structure of income redistribution remained the same. However, as is evident from Table 3 in Appendix 2, because of economic and demographic factors there have been some important changes. For example, the general level of direct taxes has increased; households, except those in the lowest decile groups of original income (i.e. income

before any intervention by the state), paid on average 170 per cent more in 1977 than in 1972. This compares with an increase of 112 per cent in original incomes and also 112 per cent in retail prices. There has also been a very large increase in cash benefits paid as retirement pensions due mainly to the increase in the proportion of retired households in the population. The redistributive effect of taxes and benefits as a whole, as can be seen from Table D, is most marked at the extremes of the population. Specifically, for the lowest three decile groups, average final income exceeds average original income and, for the highest four decile groups, average original income exceeds average final income. Too much significance should not be attached to the smaller differences between original and final incomes in the remaining decile groups; for the reasons explained above the government receipts and expenditure which are allocated to households are not in balance.

Considering the components of redistribution, we can see that cash benefits, together with direct and indirect taxes, have the major impact on original income. The size of these components in turn depends on the characteristics of the households. The most important characteristic is the presence or absence of workers in the household. Households with no workers, which are mainly retired households, form the bulk of the lower income decile groups. It is these households and other types of household with low incomes which are, as shown in Chart 1, the main beneficiaries of cash benefits from the state. Such benefits, especially retirement pensions, are the major source of disposable income (i.e. original income plus cash benefits minus income tax, surtax and national insurance contributions) for about 80 per cent of retired households. These households also receive appreciable amounts of subsidy, mainly in the form of housing benefit. On average in 1977, subsidies for two-adult retired households were £150 per year, over 90 per cent of which was housing subsidy.

Summary of results for all households, 1977

By decile groups of original income

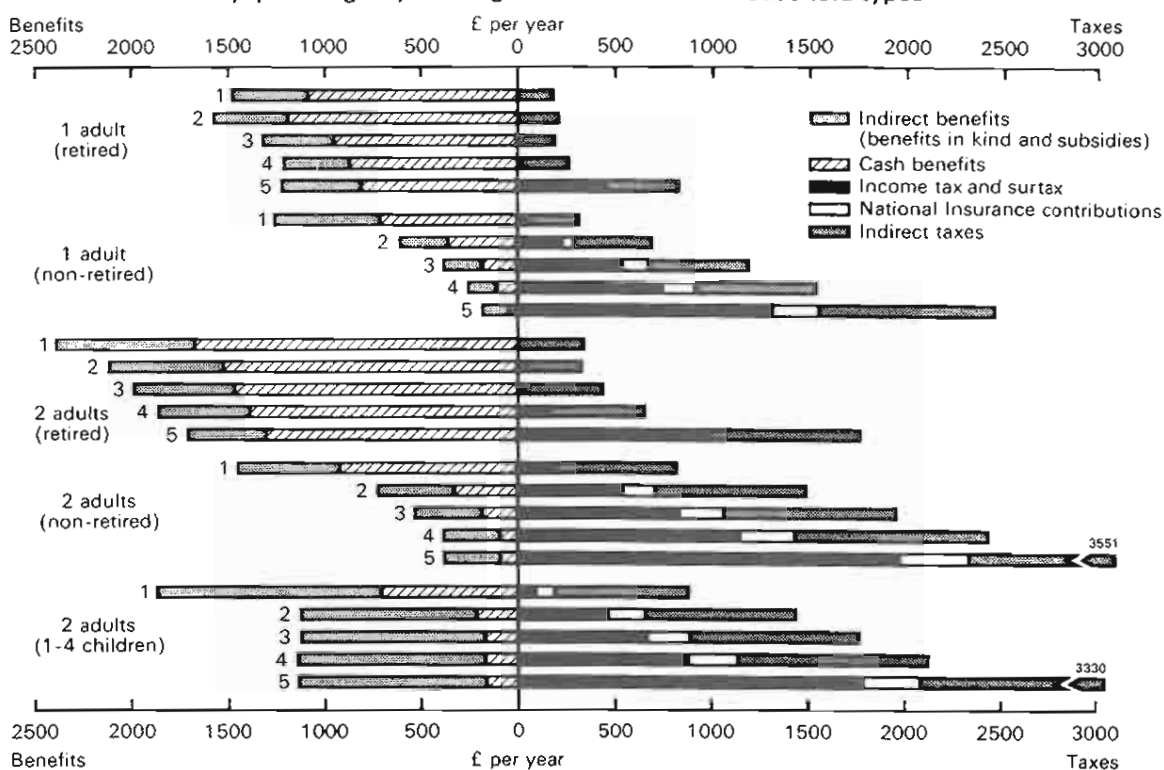
TABLE D

	Decile groups										All households
	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	
Number of households in sample	720	720	719	720	720	720	720	719	720	720	7,198
Average											
Number of workers per household	0.1	0.2	0.7	1.2	1.4	1.6	1.8	1.9	2.2	2.4	1.4
Number of persons per household	1.6	1.7	2.1	2.6	2.9	3.1	3.2	3.2	3.4	3.7	2.8
Number of adults per household	1.3	1.5	1.7	1.8	1.9	2.0	2.1	2.2	2.4	2.7	2.0
Number of children per household	0.3	0.2	0.4	0.8	1.0	1.1	1.1	1.1	1.1	1.0	0.8
Number of persons per worker	16.0	8.5	3.0	2.2	2.1	1.9	1.8	1.7	1.5	1.5	2.0
£ per household per year¹											
Average											
Original income	20	390	1,440	2,700	3,610	4,410	5,190	6,100	7,390	11,080	4,230
plus Cash benefits	1,360	1,190	1,000	550	370	280	250	240	220	220	570
less Direct taxes		20	170	460	660	890	1,060	1,310	1,640	2,750	890
Disposable Income	1,380	1,560	2,270	2,790	3,320	3,800	4,380	5,030	5,970	8,550	3,910
plus Subsidies	230	140	140	130	100	100	100	90	90	90	120
less Indirect taxes	280	330	510	670	760	860	970	1,060	1,240	1,560	820
plus Direct benefits in kind	390	410	480	570	610	670	670	670	760	810	600
Final income	1,710	1,790	2,380	2,820	3,270	3,710	4,190	4,730	5,580	7,890	3,810

¹ Rounded to the nearest £10.

CHART 1

**Average taxes paid and benefits received-1977,
by quintile groups of original income within household types**



Another important determinant of redistributive impact is the number of children in the household. Households with children receive significant amounts of subsidies and benefits from health and education expenditures since children are relatively large consumers of these services. This is particularly so in the lowest decile groups of households with children, where the average number of children is larger than in other decile groups and where, therefore, final income appreciably exceeds disposable income. In the remaining decile groups, disposable and final incomes are roughly equal, because indirect taxes and non-cash benefits are almost offsetting. Tax payments are largest for non-retired households without dependent children.

Tables 3 and 4 in Appendix 2 show the detailed allocation of categories of benefits and taxes to different household types for 1972 and 1977. These tables rank households by original and disposable incomes separately. The first ranking is mainly of interest in indicating which kinds of households are likely to be in need of state benefits and, at the higher end of the income scale, which ones have the highest taxable capacity. After original incomes are modified by payment of direct taxes and receipt of cash benefits, households are re-ranked by their resulting disposable incomes. For example, the first decile group of all households ranked by original income consists of households with original incomes less than £122 per annum (Table 3 (i)) and thus it includes the first two decile groups of two-adult retired households (Table 3 (iv)), because their original incomes are less than £81 per annum. However, when retirement pensions are added to original incomes, the disposable income of these households rises to nearly £1,500

per annum. Therefore, ranked by disposable income, two-adult retired households fall in the second decile group, which encompasses the range £1,326 and £1,859 (Table 4). The arrangement of households by their disposable income or spending capacity is more appropriate for consumer demand analysis and for gauging the effects of indirect taxes and subsidies. Neither the original nor the disposable income concept is relevant for assessing the incidence of benefits in kind, which varies mainly according to household size and structure: for example, with the number of children or of elderly persons in the household.

Original income

In the period 1972 to 1977 the average original income of households more than doubled, from about £2,000 per annum to £4,230 per annum, an increase of 112 per cent. This is slightly slower than the rate at which individual earnings rose, 116 per cent. One reason for this difference was the fall in the average size of household from 2.9 persons to 2.8 persons; if personal income and other factors had remained unchanged while average household size decreased then average household income would have decreased.

The growth of 58 per cent in original incomes of households in the bottom three decile groups, i.e. the bottom 30 per cent of the distribution, was considerably below the overall rate of 112 per cent. The main reason for this difference is the large number of retired households at the lower end of the distribution. Many of these retired households are pensioner households whose small or negligible original income (i.e. income excluding state benefits) tends to be fixed and does not grow in line with earnings.

Household composition, 1972 and 1977

By household type within quintile groups of original income

TABLE E

	Percentages											
	1972						1977					
	Quintile groups					Average over all quintile groups	Quintile groups					Average over all quintile groups
1st	2nd	3rd	4th	5th	1st		2nd	3rd	4th	5th		
1 and 2 adult retired	73	13	2	1	1	18	78	23	3	1	1	21
1 and 2 adult non-retired .. .	15	43	34	31	25	30	10	43	37	35	26	30
2 adults 1-4 children non-retired ..	3	29	48	42	26	30	4	21	45	40	24	27
Others	9	15	15	26	48	23	9	13	15	24	48	22
Total	100	100	100	100	100	100	100	100	100	100	100	100
Number of households in the sample	1,403	1,404	1,403	1,404	1,403	7,017	1,440	1,439	1,440	1,439	1,440	7,198

The proportion of households of different types in each quintile group of original income is summarised in Table E. The main changes over the five years have been an increased proportion of retired households, particularly in the second quintile group, and a drop in the proportion of households with children. This changing composition affects the size and pattern of redistribution.

Table 3 in Appendix 2 shows the distribution of original incomes, taxes and benefits for a number of different household types. For one-adult retired households, the bottom two decile groups consist entirely of households with no original income. Since any ordering of households within these decile groups would be quite arbitrary, the two groups are combined. For two-adult retired households only the bottom decile group consists entirely of households with no original income. One reason for this difference is that the people in one-adult households are, on average, older and less likely to do part-time work than those in two-adult households. Another reason is that the two-adult retired category includes some households in which only one adult is retired, for example a retired father and a daughter who may have quite high earnings.

Cash benefits

The first stage in estimating redistribution is the addition of direct transfers, that is cash benefits such as national insurance pensions and unemployment benefit, to original income. Since most cash benefits are designed to support people during periods when they are not earning, the effect of these benefits is very markedly redistributive. However, it is important to remember that many of those who are in the lower part of the income distribution may be there only temporarily; for example, if they are there because they are out of work, this may be only for a short period. Indeed there is evidence that amongst the population capable of work there is considerable movement within the earnings distribution over time, although the shape of the distribution remains unchanged.†

The increase in average cash benefits for all households between 1972 and 1977 was 159 per cent, appreciably above the rise in original income of 112 per cent. However, this increase in cash benefits reflects an increase in the number of recipients within households as well as increases in rates of benefits. For example, the number of pensioners increased by about 8 per cent, so while the rates of pensions increased by about 152 per cent (comparing the average standard rate of pension for a single person under 80 during 1977 with the comparable rate during 1972), the average amount received over all households increased by 179 per cent.

Table 3 shows how the totals of cash benefits are made up for different household types. The high levels of benefits to retired households consist, as would be expected, largely of retirement pensions. The high levels of benefits to non-retired one and two-adult households with low original incomes are also made up largely of retirement pensions. This is because the classification of a household as 'retired' depends partly on whether its members, when responding in the FES, describe themselves as 'retired' or 'unoccupied' (see Appendix 1). Many of those low income non-retired one and two-adult households therefore include people who do some paid work, although they are over retirement age and largely dependent on the retirement pension.

Direct taxes

Original income plus some of the cash benefits (notably pensions) is broadly the basis on which liability for income tax is assessed. Income tax and surtax as a percentage of original income plus cash benefits is shown in Table F. The table shows for each quintile group of households ranked by original income the percentage paid, on average, by each household type. Not surprisingly, better-off households pay a substantially higher proportion of their income in tax. However, the relationship between tax payments and income is influenced by tax reliefs such as those on mortgage interest and life insurance premiums. (the tax is shown net of these reliefs). These reliefs tend to increase with income because higher-income households on average pay proportionately more of their income in mortgage interest and insurance premiums. Another factor in the relationship is that child

† See 'How individual people's earnings change': *Department of Employment Gazette* January 1977 (HMSO).

Income tax and surtax as a percentage of original income *plus* cash benefits, 1972 and 1977

By household type within quintile groups of original income

TABLE F

	Percentages											
	1972					1977						
	Quintile groups					Quintile groups						
	1st	2nd	3rd	4th	5th	Average over all quintile groups	1st	2nd	3rd	4th	5th	Average over all quintile groups
All households	1	6	10	12	16	11	1	9	14	16	19	15
Retired households												
1 adult	1	13	19	..	..	7	1	12	22	..	..	6
2 adults	1	10	18	25	32	9	1	9	20	21	29	9
Non-retired households												
1 adult	1	11	15	18	21	14	1	15	20	20	24	18
2 adults	1	7	11	14	18	14	-1	10	15	18	21	18
2 adults 1 child	-2	4	10	13	16	12	..	4	13	16	19	15
2 adults 2 children	-1	3	8	11	15	11	-1	3	12	15	20	15
2 adults 3 children	-1	1	7	9	14	9	..	3	12	14	21	15
2 adults 4 children	..	-1	7	10	16	9	..	..	10	14	18	11
Other households		3	6	9	14	11	..	6	10	13	18	15

tax allowances and other personal allowances reduce the tax paid by the larger households in each income range.

The pattern of tax payments in Table F shows a number of changes between 1972 and 1977. Overall, income tax and surtax together rose from 11 per cent to 15 per cent of original income plus cash benefits. This increase in the proportion paid in tax varied between household types and between income ranges. The proportion paid by retired households remained virtually unchanged. This was so because the increase in the number of pensioners was almost entirely at the lower end of the income distribution where there are virtually no tax payments. For the group of non-retired households, the size of the increase was almost the same as for all household types combined.

The rest of direct taxation, apart from income tax and surtax, is made up of employees' (and self-employed) national insurance contributions. Although these increased in absolute terms, they remained fairly constant as a proportion of original income plus cash benefits at 3.6 per cent. The pattern of incidence remained much the same in 1977 as in 1972 because the main determinant of the variation between income ranges, i.e. the relative number of workers in the household, was fairly stable.

Indirect taxes and subsidies

The amount of subsidies received and indirect taxes paid depends on how each household spends its money, because both subsidies and indirect taxes are different for different types of goods and services. Also, the variation of this amount between income ranges depends on whether the proportion of household income spent on an item rises, remains the same or falls with income. If it rises, the taxes can be described as progressive, in the sense that they take proportionately more income from better-off households.

On the other hand, if the proportion of income spent on the item falls with rising income, they will tend to be regressive, that is to take proportionately more income from less well-off households.

The degree of progressivity or regressivity may vary according to the definitions of income chosen, and indeed with different definitions the direction may be reversed. The choice of definition depends on the purpose of the analysis. For this series of articles we chose disposable income since that is the basis on which households make their spending decisions. Finally, the impact of the various indirect taxes and subsidies shown in the tables is only the initial impact, excluding secondary and time-lagged effects. The impact for 1977 is shown in Table G; a detailed comparison with 1972 was not possible because of the extensive changes in tax structure in this period, the most notable of which were the abolition of purchase tax and selective employment tax and the introduction of value added tax.

Indirect taxes as a whole tend to form a lower proportion of disposable income of those households with higher incomes than of those with lower incomes. This is so primarily because the expenditure of higher income households forms a lower proportion of their income and because most indirect taxes are roughly proportional to expenditure. At the same time the impact on the lowest income groups is overstated. There are two reasons for this; the first is that, while local authority rates (which form part of indirect taxes) are included net of rate rebates for those households which receive a rebate, no rebate is generally made to rate-payers who are in receipt of supplementary benefit or supplementary pensions. An allowance for rates is included in the assessment for supplementary benefit, but this allowance appears in this article as an increase in cash

benefits rather than a reduction in rates paid. The second reason is that certain households consisting of students in full-time higher education are shown as having no income or very little income because, for the purpose of this analysis, their maintenance grants are treated as education benefit rather than as cash benefit or original income. However, the expenditure financed by such grants is subject to indirect tax and this tax appears in the average for the lowest income groups.

The impact of indirect taxes is measured here at the same stage of redistribution as subsidies. This treatment should be reasonable because an average shopping basket will almost certainly contain goods bearing value added tax together with subsidised foods, and both of these types of goods, on the assumptions made here, will bear a share of

intermediate taxes. Similarly, many households are likely to hand over one payment for rent and rates combined. Rates are an indirect tax while most council rents are reduced by housing subsidies, which, like food subsidies, are an indirect benefit.

Table H shows the combined effect of indirect taxes and subsidies for 1972 and 1977, for different household types. During this period the net effect has been a reduction in the overall impact from 20 per cent of disposable income in 1972 to 18 per cent in 1977. This drop is largely due to the increase in subsidies, although indirect taxes fell slightly from 21.4 per cent in 1972 to 21.1 per cent in 1977. Housing subsidies increased from 1.4 per cent of disposable income in 1972 to 2.6 per cent in 1977 and rail travel subsidies from 0.1 per cent to 0.2 per cent. Food subsidies, introduced in

Indirect taxes as a percentage of disposable income of all households, 1977

By decile groups of disposable income

TABLE G

	Percentages											Average over all decile groups
	Decile groups											
	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th		
Rates	6.6	5.2	4.4	3.8	3.4	3.1	3.0	2.7	2.5	2.1	3.1	
Beer	0.9	1.0	1.5	1.7	1.7	1.7	1.6	1.5	1.5	1.4	1.5	
Wines and spirits	0.8	1.0	1.3	1.3	1.3	1.5	1.4	1.4	1.7	1.6	1.5	
Tobacco	3.2	3.9	4.6	4.4	4.3	3.4	3.2	2.9	2.9	2.1	3.2	
Value added tax	2.5	2.4	2.9	3.1	3.1	3.4	3.4	3.4	3.3	3.1	3.2	
Oil	0.7	0.9	1.6	1.8	1.8	2.1	1.9	2.0	1.8	1.6	1.7	
Import duty	0.5	0.4	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.4	
Intermediate taxes	6.0	5.5	5.8	5.7	5.4	5.6	5.4	5.2	5.1	4.8	5.3	
Other	1.3	1.3	1.6	1.6	1.5	1.5	1.3	1.3	1.2	0.9	1.3	
Total indirect taxes	22.4	21.7	24.0	23.8	22.9	22.7	21.7	20.8	20.5	18.0	21.1	

Indirect taxes less subsidies as a percentage of disposable income, 1972 and 1977

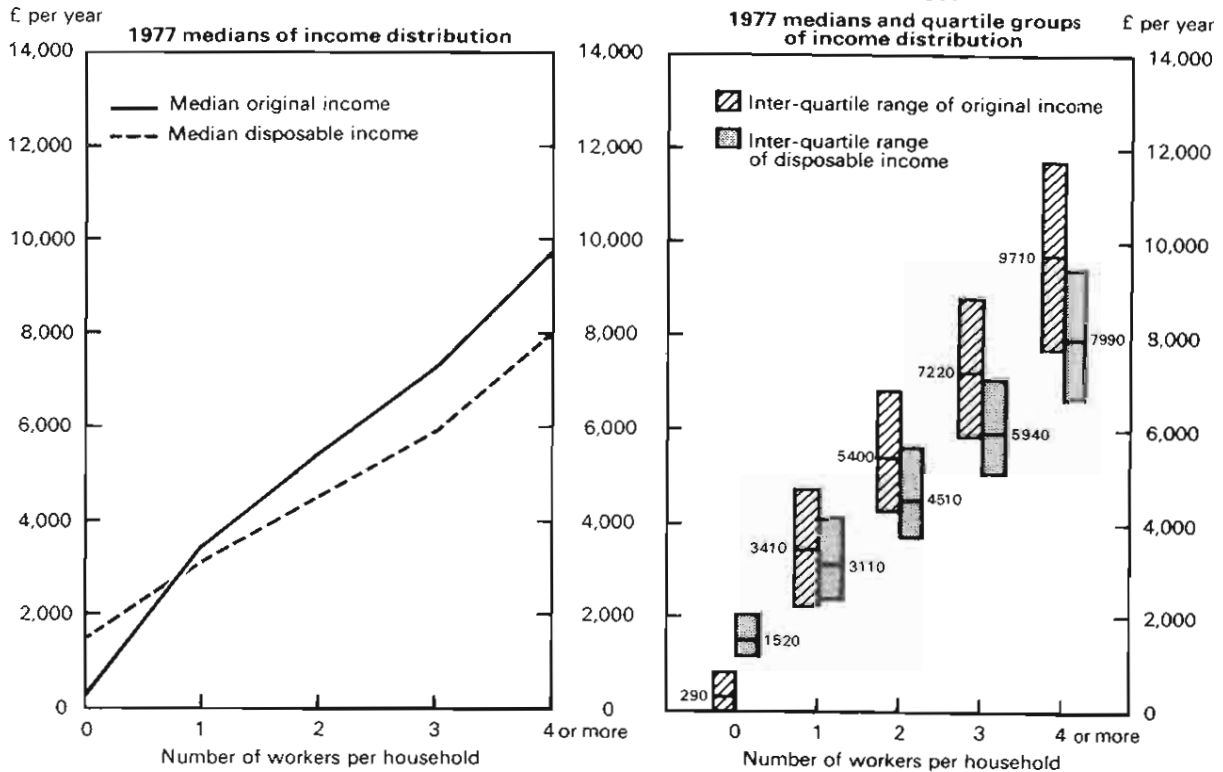
By household type within quintile groups of disposable income

TABLE H

	Percentages											
	1972					1977					Average over all quintile groups	
	Quintile groups					Quintile groups						
1st	2nd	3rd	4th	5th	1st	2nd	3rd	4th	5th			
All households in the sample	18	22	21	20	19	20	9	18	20	19	18	18
Retired households												
1 adult	13	18	18	10	12	14	6	16	17	..	..	8
2 adults	19	22	21	20	15	20	6	16	20	19	16	14
Non-retired households												
1 adult	18	20	22	18	19	20	14	19	19	18	19	18
2 adults	24	22	21	21	18	20	21	20	20	19	16	19
2 adults 1 child	28	24	21	19	16	20	17	22	20	19	16	19
2 adults 2 children	..	24	21	20	18	20	43	19	20	19	16	19
2 adults 3 children	..	24	20	20	17	19	..	21	20	18	15	17
2 adults 4 children	..	23	21	22	17	21	..	16	19	19	16	18
Other households	21	22	21	21	20	20	13	15	19	20	19	19

CHART 2

The impact of cash benefits and direct taxes on income of households with different numbers of workers-1977



1974, were equivalent to 0.3 per cent of disposable income in 1977.

In 1977 the combined effect of indirect taxes and subsidies on the lowest income groups was relatively small, at 9 per cent of disposable income, and on the middle ranges fairly constant at a little over twice the level of the lowest groups. It was slightly less for those at the highest income levels, at 17 per cent for those in the top decile as shown in Table 4 of Appendix 2. This pattern is due mainly to the very progressive effect of housing subsidies, particularly for elderly households, which offsets the regressive effect of indirect taxes in the total. It is due also to the higher savings ratios of those at the higher income levels, which restrict the proportional effect of expenditure taxes. These reasons apply also to differences between household types shown in Table H, the elderly receiving proportionately more housing and food subsidies than the non-retired population, both because the former are more dependent on the state generally and because their expenditure on food forms on average a higher proportion of income than for other households.

For the first time in this series of articles, the redistributive impact of rail travel subsidies has been estimated. There are a number of observations. First, in contrast to food subsidies, where households with lower incomes spend a higher proportion of their disposable income on food and therefore benefit proportionately more from subsidies, rail travel subsidies are a fairly constant proportion of disposable income at all levels, except in the top decile group where there is a sharp rise. This rise probably reflects the fact that rail commuters tend on average to have higher salaries than the rest of the population. Secondly, the main redistri-

butive effect is horizontal, to non-retired households without children. Expenditure on rail travel declines with increasing numbers of children in a household, which suggests that the diminishing marginal cost of using a car compared with travelling by rail as the size of family increases influences people's choice of their mode of travel.

Benefits in kind

Apart from cash benefits and subsidies, the other parts of government expenditure we are able to allocate to households are current expenditure on health, education and welfare foods, described as benefits in kind in this article. The ways in which these expenditures are allocated are explained in Appendix 1. The allocation of benefits in kind depends far more on the size and composition of each household than on its income.

In interpreting the allocation of education benefits to different income groups it is important to remember two factors. First, persons aged 16 and over are counted as adults and so most of the benefits of sixth-form education are shown as going to households with three or more adults, who are shown in Table 3 of Appendix 2 under 'others'. This treatment explains why households with two adults and 1 to 4 children received on average £510 per annum in education benefit in 1977 compared with £640 per annum received by 'other' households. The second factor is that for households with children, there is a tendency for better-off parents to be older and consequently to have older children;† that is, they have fewer children under school age and more children in secondary school than

† See footnote on page 101.

less well-off households with the same number of children. For that reason alone they will tend to benefit more from the education service, remembering that average education cost is higher for secondary school than for primary school children. This factor probably largely explains why the imputed education benefit increases with income, as shown in Table 3.

The criteria for allocating health service benefits are the age and sex of persons in households. This is why Table 3 shows the highest benefits going to households with retired people or with very young children, who make greater use of the health service than persons of working age. Average health service benefits for one-adult retired households were nearly double those for one-adult non-retired in 1977.

The basis for allocating health service benefits is being reviewed and the Central Statistical Office intends to publish a detailed article on this aspect of redistribution during 1979.

Redistribution according to the number of workers in the household

One of the main determinants of the size of household income is the number of workers living within the household. Workers are defined to include not only those actually at work but also those who would be at work but are away sick or temporarily unemployed. This definition is consistent with our definition of income, which relates to usual or normal earnings. In 94 per cent of households, all those classed as workers were working at the time of FES interview in 1977; this was 92 per cent of all individual workers.

Chart 2 shows both the changes in the median levels of original and disposable income for households with differing numbers of workers, and the spread about these medians. The vertical bars show the range within which the central 50 per cent of household incomes lay. For example, for households with one worker, the original income of the middle 50 per cent lay between £2,200 and £4,700 per annum in 1977.

As Chart 2 shows, the original income of those households with no workers is very low. These households consist predominantly of people who are over the statutory retirement ages, 65 for men and 60 for women. 82 per cent of households with no workers are composed entirely of such elderly persons. However, a number of elderly persons do work: about 16 per cent of households composed of elderly persons had at least one worker, most of whom worked only part-time.

Median income of households with different numbers of workers, 1977

TABLE J

	Number of workers per household				
	0	1	2	3	4 or more
Number of households in sample	1,681	2,264	2,508	567	178
Median original income (£ per annum)	290	3,410	5,400	7,220	9,710
Median disposable income (£ per annum)	1,520	3,110	4,510	5,940	7,990

Household original income rises with the number of workers but not exactly proportionally. For example, as shown in Table J, the median original income of households with two workers is not twice that of households with one worker. There are a number of possible reasons for this kind of variation, but the main one seems to be the characteristics of the second and subsequent workers. They are generally wives who are more likely to be working only part-time, or young workers who on average have lower earnings than older male workers. For example, amongst two-worker households, only 4 per cent of heads of households were part-time workers whilst 39 per cent of their wives were.

The comparison between original income and disposable income (i.e. original income plus cash benefits minus direct taxes) shows that for households with no workers, median income is raised from £290 per annum to £1,520 per annum. Cash benefits exceed direct taxes, raising income for nearly all households in this category. For most other households, that is those with one or more workers, the reverse is true; direct taxes exceed cash benefits, thereby bringing their disposable income below original income. Moreover the difference increases with income. Unlike original income, median disposable income happens to vary directly with the number of workers.

That part of Chart 2 which shows the spread of the central 50 per cent of household incomes indicates that this spread narrows as a result of the combined effect of cash benefits and direct taxes. Not surprisingly, in the upper half of each category of household (except no-worker households), the progressive nature of direct taxes considerably reduces original income. For households with more than one worker, original income is sufficiently high for direct taxes to exceed cash benefits in all but a few cases. Households with one worker fall between the extremes, a significant number at the lower end of the distribution having disposable income greater than original income. These are mainly households with only a part-time worker, for example a retired family with one member doing a little part-time work.

Chart 3 shows the way in which the allocated taxes and benefits vary at different levels of income with different numbers of workers. Cash benefits are paid chiefly to households with no workers and to other types of household in the lowest quintile groups of the income distribution. Benefits paid to the higher income groups are mainly family allowances. Benefits in kind are higher for households with more workers (and thus in general more people), as they tend to vary with household size.

Table K shows that the correlation of original income for all households with the number of persons in the household is due fundamentally to the number of workers in the household. Thus, for a given number of workers, original income is not strongly related to the number of persons, except in the case of one-worker households where the effect of part-time elderly workers amongst the one and two-person households is evident.

On the other hand, disposable income and final income show a clear correlation with the number of persons in the household, even within individual categories of workers per household. As regards the disposable income of no-worker households, this is so primarily because, in general,

CHART 3

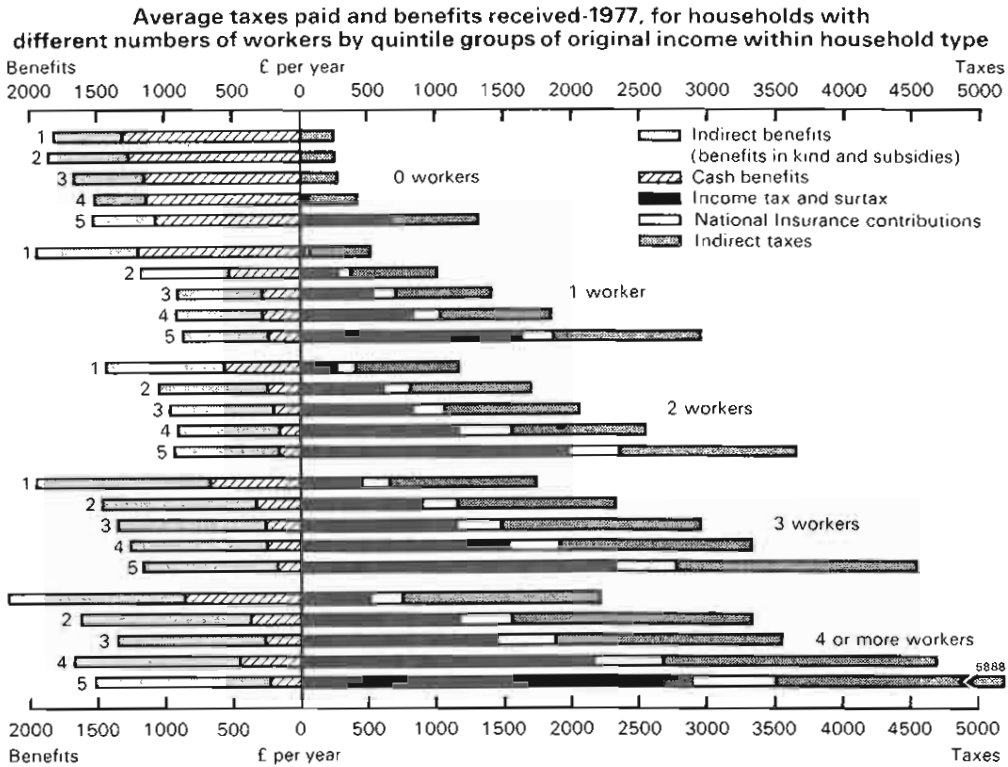
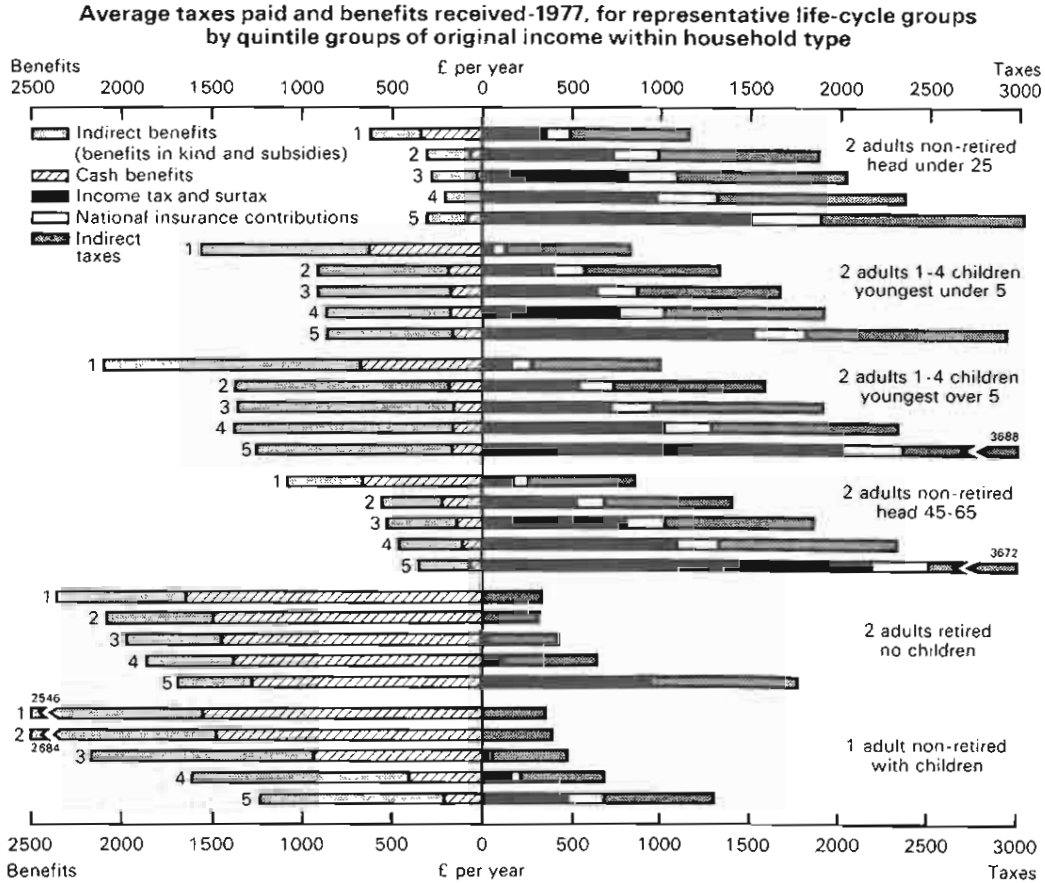


CHART 4



Average original, disposable and final income for households with different numbers of workers and persons, 1977

TABLE K

	£ per household per year				
	Number of workers per household				
	0	1	2	3 or more	All
Original income					
Number of persons per household					
1	520	3,040	..	..	1,460
2	1,100	3,550	5,860	..	3,790
3	1,190	4,060	5,650	7,730	5,290
4 or more	860	4,420	5,850	8,290	5,940
All	790	3,770	5,810	8,120	4,230
Disposable income					
Number of persons per household					
1	1,390	2,580	..	..	1,830
2	2,310	3,390	4,670	..	3,610
3	2,630	3,760	4,800	6,080	4,580
4 or more	2,620	4,070	5,070	7,060	5,210
All	1,840	3,460	4,850	6,760	3,910
Final income					
Number of persons per household					
1	1,500	2,240	..	..	1,770
2	2,430	3,150	4,000	..	3,290
3	3,460	3,560	4,460	5,260	4,250
4 or more	4,130	4,480	5,380	6,910	5,460
All	2,000	3,380	4,630	6,400	3,810

the cash benefit system takes account of the greater needs of larger households and thus provides higher benefits for them. For households with one or more workers, tax allowances generally increase with the number of persons in the household and so, for a given number of workers, tax liability decreases and disposable income increases. The increase in income with the number of persons per household is even more marked for final income because of the close relationship of benefits in kind to household size and composition.

From the analysis of the correlation between the numbers of workers in households and their incomes, some general conclusions about the tax-benefit system are clear. First, there is a clear transfer of income from households with workers to those without. Secondly, for households with a given number of workers, there is a transfer from smaller to larger households.

Life-cycle aspects of redistribution

The analyses presented in this series of articles since 1961 aim to show the impact of state benefits and taxes on households of different types and at different income levels.

However, the impact of the tax-transfer system varies also according to life-cycle stages, which in turn mark the significant changes in economic circumstances through life. The first stage is individuals as children, dependent on their parents. The next stage is when they marry, and then have children of their own. As parents they then pass through working life, during which their children grow up. There is a pre-retirement stage when their children have left home, and the final stage is retirement. Thus the main periods of dependence are during childhood and old age.

There are a number of problems in the demarcation of life-cycle stages. First, we use household units rather than individuals or families because households are more appropriate for measuring the impact of subsidies and indirect taxes; for example, an analysis by individuals or family units would not be appropriate for housing, and thus housing subsidies and rates, which are jointly consumed by all the members of a household. The difficulty for life-cycle analysis arises from the fact that households consist of individuals at different stages of their life-cycles. Secondly, the identification of dependency is not always straightforward. The transitions to and from dependency, *viz* attaining adulthood and retirement, are not as clear-cut as marriage or becoming a parent. For example, students who are at home for some of the year, and young workers on low wages living at home are partly independent and partly dependent. Again, many older workers do not move direct from full-time work to complete retirement but pass through a period of part-time working. A third practical difficulty in marking off life-cycle stages is that the small number of persons who become dependent on state benefits at some point in time, e.g. during illness or unemployment, cannot easily be represented in small samples such as the FES, on which these analyses are based. Finally, there are households such as single-adult households which do not fit in any particular stage of the life-cycle pattern as described above.

These difficulties mean that any classification of households by life-cycle stages must be somewhat arbitrary and imperfect. Nevertheless, we have set out the changes in the life-cycle patterns in terms of the following categories of households; these categories are not exhaustive of all households.

- a 2 adults non-retired, head less than 25 years, excluding households where members are in full-time education;
- b 2 adults with 1-4 children, youngest child less than 5 years;
- c 2 adults with 1-4 children, youngest child 5 years or more;
- d 2 adults non-retired, head between 45 and 65 years;
- e 2 adults retired;
- f 1 adult non-retired with children:

In all cases 2 adults is taken as 1 male and 1 female, other combinations being excluded.

Category *f* does not represent a distinct stage of the life-cycle, but it is given as an example of household types which lie outside the categories chosen, i.e. *a* to *e*.

Average incomes, taxes and benefits, 1977

By life-cycle category of households

TABLE L

	£ per year					
	2 adults, non-retired, no children, head under 25	2 adults, 1-4 children, youngest child under 5	2 adults, 1-4 children, youngest child 5 or more	2 adults, non-retired, no children, head 45-65	2 adults, retired, no children	1 adult, non-retired, with children
All households						
Number of households in the sample ..	134	954	936	776	635	168
Original income	5,420	4,710	5,530	4,890	1,090	1,600
Direct benefits in cash:						
Family allowance/child benefit	—	110	110	—	—	110
Retirement and old age pension	—	—	10	50	1,250	—
Widows' pension	—	—	10	30	—	120
Disablement and war disability pension	—	—	—	10	20	—
Invalidity pension and allowances	—	10	20	40	60	10
Mobility allowance	—	—	10	—	20	—
Unemployment benefit	50	50	20	20	10	10
Sickness/industrial injury benefit	20	30	30	50	10	—
Industrial injury disablement benefit	—	10	10	10	10	—
Family income supplement	—	—	—	—	—	10
Supplementary benefit	30	40	50	20	70	640
Maternity benefit	—	20	—	—	—	—
Death/maternity grant	—	10	—	—	—	—
Redundancy payment	—	—	—	—	—	—
Other cash benefits	—	—	—	10	10	10
Original income plus cash benefits	5,530	4,980	5,800	5,130	2,550	2,510
Direct taxes:						
National Insurance	280	210	230	200	—	40
Income tax and surtax	870	680	900	960	220	140
Disposable income	4,370	4,100	4,680	3,970	2,330	2,340
Indirect subsidies						
Housing subsidy	40	80	90	100	140	200
Food subsidy	10	10	20	10	10	10
Rail travel subsidy	10	10	10	10	—	—
Indirect taxes:						
Local rates	100	130	140	130	90	110
On final goods and services	610	510	590	540	270	240
Intermediate products	230	220	250	210	120	130
Income after all taxes and transfers	3,490	3,350	3,810	3,220	2,000	2,070
Direct benefits in kind:						
Education benefit	—	260	750	10	—	590
National Health Service	190	360	300	230	390	240
Welfare foods	—	40	70	—	—	100
Income after all taxes and benefits	3,680	4,000	4,930	3,460	2,390	2,990
Number of full-time workers per household	1.8	1.2	1.2	1.2	—	0.3
Number of part-time workers per household	0.1	0.2	0.5	0.3	—	0.2
Number of persons per household	2.0	3.9	4.0	2.0	2.0	2.2

Table L shows the tax-benefit results for the six household types defined above. Not surprisingly, original income is relatively high throughout the working period. The highest levels are in the periods when the wife is most likely to be economically active. The figures for the numbers of workers per household in Table L show that in young households without children 80 per cent of wives work full-time and 10 per cent part-time. Their average household original income is then £5,420 per annum. Where there is at least one child under 5, the rates drop to 20 per cent full-time and 20 per cent part-time, and average household original income falls to £4,710 per annum. Part-time working increases again to 50 per cent for households where all the children are of school age, thus raising average income to

£5,530 per annum. For 2-adult non-retired households where any children have left home, wives' economic activity rates stay at 20 per cent for full-time working but fall to 30 per cent for part-time, which lead to a drop in average household income to £4,890 per annum, despite the tendency for parents to have higher individual earnings at this more advanced stage in their life-cycle.

Disposable income shows a less cyclic pattern than original income. This is due mainly to the tax system. Both the progressive form of direct taxes and the increase in tax allowances with the number of dependants mean that taxes are proportionately higher during those stages in the life-cycle when income is higher and when family size is lower.

Thus direct taxes as a proportion of original income plus cash benefits are highest, at 22 per cent, for households during the working part of the life-cycle when they have no children, and lowest, at 18 per cent, when they have children who are too young to attend school.

Low incomes are associated, first, with the later stages of the life-cycle, when people have retired and become dependent on the state or on their past savings, and secondly with special circumstances, such as widowhood or divorce. At such times, inadequate original income is supplemented by cash benefits, such as pensions for retired households and supplementary benefits for one-adult households with children. Because of the difficulties, no attempt is made here to compare the adequacy of disposable income for meeting the differing needs of people at different stages of the life-cycle.

Chart 4 shows the balance of allocated taxes and benefits for the six different groups by quintile groups of original income. This reinforces the analysis above. First, cash benefits are concentrated amongst the elderly and special

groups, but also those with low incomes at other points of the life-cycle. Secondly, education is the main factor in the very high levels of indirect benefit which go to households at times when they have dependent children. Thirdly, the highest direct taxes are paid by the highest income groups in the two stages immediately preceding retirement, i.e. groups with older children and those between 45 and 65 without children. The explanation is that in these stages income tends on average to come much more from one earner rather than spread evenly between two earners, thus resulting in a higher marginal tax take than otherwise. Finally, cash benefits, mainly pensions and sickness benefits, are significantly higher amongst the low income group of older workers without children than the younger (i.e. 2 adults, head under 25), illustrating the progressive onset of old age in the life-cycle, which is itself a part explanation of their low income.

Central Statistical Office

APPENDIX 1

Methodology and Definitions

Family Expenditure Survey

The estimates in this article are based mainly on data derived from the Family Expenditure Survey (FES). The FES is a continuous survey of the expenditure of private households. People living in hotels, lodging houses, and in institutions such as old peoples' homes are excluded. Each respondent keeps a full record of all payments made during 14 consecutive days and answers questions about hire purchase and other payments. Households are also asked in detail about their income from all sources, but there is no systematic linkage of income and expenditure to yield a balanced household budget for any particular period. Every household member aged 16 and over is asked to give detailed information where appropriate about income, including national insurance and other cash benefits received from the state and payments of income tax. Information on age, occupation, kinds of education being received, family composition and housing tenure is also obtained.

One of the main purposes of the FES is to yield information on household expenditure patterns to produce the weights used in compiling the index of retail prices. The survey is conducted by the Office of Population Censuses and Surveys on behalf of the Department of Employment who analyse and report on it. The latest report is the *Family Expenditure Survey Report for 1977*. Details of the survey method are set out in *Family Expenditure Survey - Handbook on the sample, fieldwork and coding procedure* by W. F. F. Kemsley. Both are published by Her Majesty's Stationery Office.

The number of households co-operating in the FES in 1977 was 7,198, five less than in 1976.

Unit of analysis

The basic unit of analysis in the article is the household. One of the major reasons for this choice is that it is more appropriate than the family or the individual for determining the redistributive effect of indirect taxes and subsidies. Spending on many items, particularly on housing, fuel and light and food, is largely joint spending by the members of the household. Without further information therefore it would not be possible to apportion indirect taxes or the effects of housing and food subsidies to individuals or other sub-divisions of households, except in a highly arbitrary way.

However, very little is known about the extent to which income is pooled within households or other groupings. Since the analysis is based on the whole household, no assumptions about such pooling have been made. Consequently, it would not be correct to use the analysis to discuss the living standards of the individual members of a household. For example, the standard of living of an old person living in the household may be different from that of the household as a whole. This is also one reason why, for example, unemployment benefit and old age pensions are received by households whose overall position in the income distribution would seem to make them ineligible.

Over time, changes in the pattern of household size and composition affect the shape of the distribution and redistribution of income. For example, increases in the number of older people in the population and a reduction in birth rates have led to a reduction in average household size. This change coupled with earlier retirement has been a factor in the increase in pensions, in other benefits which accrue to retired members of households, and in expenditure on the health service.

A household is defined in the FES as comprising persons who live at the same address and who share common catering for at least one meal a day. In order to maintain comparability with earlier years all persons aged 16 and over are counted as adults in this article.

A retired household is defined as one in which the combined income of members who are at least 60 and who describe themselves as retired or unoccupied amounts to at least half the total gross income of the household. A pensioner household is defined as one in which more than three quarters of the household income consists of national insurance or retirement and similar state pensions, or supplementary allowances supplementing such pensions.

There is some evidence that households who respond to the FES differ from those who do not (see 'Family Expenditure Survey: a study of differential response based on a comparison of the 1971 sample with the census' by W. F. F. Kemsley, *Statistical News* No 31, November 1975 (HMSO)). The effect of this differential response on the accuracy of the estimates of redistribution is the subject of an article 'Differential response in the Family Expenditure Survey: the effect on estimates of redistribution of income' by R. Harris in *Statistical News* No 39, November 1977 (HMSO).

The available evidence suggests that older households, households where the head is self-employed and those without children are less likely to co-operate than others. There are regional variations in response; for example in the Greater London area it is noticeably lower than in other areas. There are also indications that higher income households are less likely to respond. It is not practicable at present to correct for any consequential non-response bias; the results in the article are based on the responses of those households which actually co-operated in the survey.

Income: redistributive stages

Stage one

Original income *plus* benefits in cash *minus* direct taxes =
Disposable income.

Stage two

Disposable income *plus* subsidies *minus* indirect taxes =
Income after all taxes and transfers.

Stage three

Income after all taxes and transfers *plus* benefits in kind =
Income after all taxes and benefits (final income).

The starting point of the analysis is *original income*. This is income in cash and kind of all members of the household before the deduction of taxes or the addition of any state benefits. The original income of the household is the total combined income of the members of the household from employment, self-employment and investment, including occupational pensions. It is based on a concept of normal income around which the FES income questions are structured. Normal income is a function of the income received in the pay period preceding the interview (usually a week or a month), adjusted, in those cases where the last payment was abnormal, to take account of the amount usually received. Allowance is also made for periods of absence from work through sickness and unemployment, and for occasional payments. In the case of investment and self-employment income the normal income figure is taken as the amount received in the last twelve months for which details are available from the respondent.

Some income in kind is included, though the coverage of fringe benefits is not comprehensive. Households living in owner-occupied or rent-free dwellings are assigned an imputed income based upon the rateable value of the dwelling. The various components of income are converted to estimated normal annual rates.

The next stage of the analysis is to show the distribution of cash benefits and to add these to original income to obtain *original income plus cash benefits*. Cash benefits are:

- Family allowances and child benefit
- Retirement and old-age pension, widow's pension, disablement and war disability pension, invalidity pension and allowance, mobility allowance
- Unemployment benefit, sickness, industrial injury and industrial injury disablement benefit
- Family income supplement
- Supplementary benefit
- Maternity allowance
- Death and maternity grants
- Redundancy payment
- Other cash benefits

Supplementary benefit includes all supplementary allowances where they are separately distinguished by respondents. The amount of benefit is taken as the amount received by the household in the 12 months prior to interview. Redundancy benefit is the sole exception to this; the amount of benefit received is divided by the number of years it is intended to cover.

Direct taxes are then deducted to give *disposable income*

Direct taxes are:

- Income tax
- Surtax
- Employees' and self-employed contributions to national insurance and national health services.

The estimates are based on the amount deducted from the last payment in the case of employment incomes and on the amount paid in the last 12 months for which figures are available in the case of self-employment and investment incomes.

As original income includes some elements of income in kind, particularly imputed rent of owner occupiers, disposable income as defined here does not correspond exactly

to money available for the household to spend. It does however give an indication of the resources which are available to the household and which influence spending decisions.

One of the basic problems of allocating government revenues and expenditures to households is in identifying the ultimate payer or recipient. In some cases, for example corporation tax, this is impracticable or highly controversial and so we prefer not to allocate the items concerned. Even for those we do allocate the criteria used are sometimes questionable. Thus, the lack of data forces us to assume that the incidence of net direct taxes falls on the individual from whose income the tax is deducted. The analysis implies that the benefit of tax relief, for example mortgage tax relief, accrues directly to the tax payer rather than to some other party, for example, the vendor of the land. It also implies that no section of the working population has been able to pass the cost of the direct tax back to employers through lower profits, or to consumers through higher prices. The major taxes not allocated are corporation tax and taxes on capital.

The order in which the remaining allocated items are presented is to some extent arbitrary. First, we add subsidies less indirect taxes to disposable income to obtain *income after all taxes and transfers*. This corresponds closely to 'available income' in the United Nations recommendations for systems of national accounts, and to the 'factor cost' concept of consumers' expenditure shown in the national income Blue Books; the factor cost is calculated by subtracting indirect taxes from consumers' expenditure at market prices and adding consumer subsidies. The subsidies are:

- Housing subsidies
- Food subsidies
- Rail travel subsidies

The total housing subsidy for local authority tenants is defined as the difference between current account expenditure by public authorities on housing (the sum of the 'economic rents') and the rent paid by tenants of local authority dwellings. For each local authority dwelling in the sample the subsidy is derived as the excess of the estimated economic rent over the actual rent paid by the tenant. The subsidy therefore includes any rent rebates which the tenant may be allowed. The economic rent for each dwelling is calculated by multiplying the rateable value of that dwelling by the ratio of the total current account expenditure on all dwellings owned by the local authority to the total rateable value of those dwellings. In the case of non-local authority tenants the value of any rent allowances received is counted as a housing subsidy, and is not included in original income.

Food subsidies for each household are estimated by calculating the ratio of the total cost of the subsidies to consumers' expenditure on the subsidised product field. The subsidy factors derived in this way are applied to actual expenditure by the household on the product field covered. It is not possible to distinguish expenditure on subsidised and unsubsidised categories within each product field. Consumer subsidies on milk, butter, cheese, household flour, bread and tea are calculated in this way.

In line with practice in earlier years, agricultural subsidies are regarded as forming part of the original income of

farmers and not as benefits to the consumer. The subsidies do not include payments by the European Economic Community because reliable estimates of them are not available for 1977.

The rail travel subsidies allocated are those to British Rail and to London Transport railways (the Underground). They are estimated in a way similar to food subsidies, i.e. by calculating the ratio of the cost of the subsidy to consumers' expenditure on rail fares. In allocating the British Rail subsidy the total subsidy paid is apportioned between freight and passenger services by the receipts of British Rail for their freight and passenger business and then a further apportionment between the personal and the business and other sectors is made. This gives the amount of subsidy attributable to rail travel by the personal sector. In allocating the subsidy to London Transport railways the total subsidy to London Transport is apportioned between tube and bus services by the receipts of these sections with an allowance for the use of the Underground for business purposes.

A more detailed account of the treatment of subsidies is given in an article, 'The redistributive effect of subsidies on households', in *Economic Trends* No 289, November 1977.

Indirect taxes on final consumer goods and services are:

- Local authority rates on dwellings (after rebates)
- Duties on beer, wines, spirits, tobacco, oil, betting, etc.
- Value added tax (VAT)
- Car tax
- Motor vehicle duties
- Driving licences
- Television licences
- Stamp duties

These taxes are either levied directly on the consumer (for example local rates) or are assumed to be fully incident on the consumer. For example, the amount of VAT which is paid by the household is calculated from the household's total expenditure on goods and services subject to VAT. Where goods are subject to both excise duties and VAT, the VAT is consolidated with the excise duty. Thus 'duty on wines' includes both excise duty and VAT.

VAT and car tax affect the prices of secondhand cars and are therefore assumed to be incident on the purchaser of such cars. Expenditure recorded in the FES on alcoholic drink, tobacco, ice cream, soft drinks and confectionery is weighted to allow for the known under-recording of these items in the sample. The true expenditure in each case is assumed to be proportional to the recorded expenditure. It should be noted that local authority rates are paid in full by recipients of supplementary benefit as the supplementary benefit payments they receive include an allowance for this item.

Indirect taxes on intermediate goods and services are:

- Local authority rates on commercial and industrial property
- Motor vehicle duties
- Duties on hydrocarbon oils
- Import duties
- Stamp duties

Employers' contributions to national insurance, the National Health Service, the industrial injuries fund and the redundancy payments scheme.

These taxes are those that fall on goods and services purchased by industry and used in the production of goods and services for final consumption by consumers. That part which falls on goods and services bought by consumers is assumed to be fully shifted to the consumer. Their allocation between different categories of consumers' expenditure is based on the relation between intermediate production and final demand, estimated using input-output techniques.

Finally, we add the effect of those state benefits in kind for which there is a reasonable basis for allocation to households, to obtain *income after all taxes and benefits*. Benefits in kind are:

- National Health Service
- School health service
- State education
- Scholarships and education grants from public funds
- School meals, milk and other welfare foods.

The measure of the benefit of the National Health Service to households is the cost of providing the service. That cost is estimated by the Department of Health and Social Security according to the use made of the service by individuals of different ages and sex. It is then applied to the households in the FES in the corresponding age-sex groups. The benefit of the maternity services is assigned separately to those households in receipt of maternity benefit.

Education benefit is estimated by the Department of Education and Science as the cost per pupil or student of providing the various educational services, such as special schools, primary, secondary and direct grant schools, universities and teacher training colleges. The value of the benefit attributed to households depends on the number of persons in the household recorded in the FES as receiving each kind of education. Actual scholarship payments by the state are added to this figure and the fees and contributions made by parents subtracted to arrive at a final net benefit for each household.

The value of school meals and other welfare foods is based on their cost to the public authorities. Any payment by the individual households is subtracted to arrive at a net contribution.

Previous articles

This article is the latest in an annual series. Earlier articles covering the years 1957 to 1976 were published in the following issues of *Economic Trends*: November 1962, February 1964, August 1966, February 1968, 1969, 1970, 1971, 1972, November 1972 and 1973, December 1974, February 1976, December 1976 and February 1978. The December 1974 article contains a comprehensive account of the methods employed and the changes in treatment over the years. As far as is practicable with the resources available the Central Statistical Office will provide on request analyses for 1977 on a basis comparable with those for earlier years. Enquiries should be addressed to D. Westcott, Branch 13, Central Statistical Office, Great George Street, London SW1P 3AQ, telephone 01-233-4478.

APPENDIX 2 CONTENTS

	<i>Table</i>	<i>Page</i>
General government expenditure in 1972 and 1977	1	114
Financing of general government expenditure in 1972 and 1977	2	115
Average incomes, taxes and benefits, 1972 and 1977, by decile groups of original income within household type	3	116
Average incomes, taxes and benefits, 1972 and 1977 by decile groups of disposable income	4	123
Average incomes, taxes and benefits, 1977 by income ranges	5	124
Quantile shares of income by household type, 1977	6	125
Average incomes before and after taxes and benefits, 1961-1977	7	127
Distribution of households co-operating in the Family Expenditure Survey 1972 and 1977		
by decile groups of original income	8	128
by decile groups of original income <i>plus</i> cash benefits	9	128
by decile groups of disposable income	10	129
by decile groups of income after all taxes and transfers	11	129
by decile groups of income after all taxes and benefits	12	130

General government expenditure¹ in 1972 and 1977

TABLE 1

	1972		1977	
	£ million	Percentage of total expenditure	£ million	Percentage of total expenditure
Allocated expenditure				
Allocated cash benefits and subsidies ²				
Benefits in cash	4,930	18.7	12,700	20.5
Subsidies				
Housing (including rent rebates and allowances)	390	1.5	1,880	3.0
Food	—	—	230	0.4
Rail travel	40	0.2	240	0.4
Allocated benefits in kind				
Health services	2,360	9.0	6,310	10.2
Education	2,860	10.9	7,180	11.6
School meals, milk, welfare foods	160	0.6	450	0.7
	10,740	40.8	28,990	46.8
Unallocated expenditure				
Other current expenditure on social, environmental and protective services				
Social services				
Social security benefits				
Administration	250	0.9	680	1.1
Personal social services	330	1.3	1,200	1.9
Other	10	—	20	—
Environmental services				
Housing	30	0.1	220	0.4
Water, sewerage, land drainage, and public health	300	1.1	580	0.9
Parks, etc.	100	0.4	340	0.6
Miscellaneous local authority services	190	0.7	650	1.0
Libraries, museums, and arts	110	0.4	320	0.5
Protective services				
Police	450	1.7	1,130	1.8
Parliaments, courts and prisons	200	0.8	590	1.0
Fire services	100	0.4	230	0.4
	2,070	7.9	5,960	9.6
Capital expenditure on social, environmental and protective services				
Social services	810	3.1	1,140	1.8
Environmental services				
Housing	1,100	4.2	3,010	4.9
Other	570	2.2	640	1.0
Protective services	50	0.2	150	0.2
	2,530	9.6	4,930	8.0
Other current expenditure				
Defence and external relations	3,290	12.5	7,990	12.9
Roads, transport and communications	500	1.9	1,410	2.3
Industry, trade, agriculture, research and employment	1,240	4.7	2,190	3.5
Other	640	2.4	1,200	1.9
	5,670	21.5	12,790	20.6
Other capital expenditure	2,670	10.1	1,820	2.9
Debt interest	2,290	8.7	6,540	10.5
Non-trading capital consumption	350	1.3	950	1.5
Total expenditure	26,320	100.0	61,960	100.0

¹ This table and Table 2 relate to the combined expenditure of central government and local authorities, excluding transactions between the two sectors. Prior to the 1976 article, the tables related to consolidated public sector expenditure, a presentation no longer used in the national accounts. Whereas the present figures include general government payments to and receipts from public corporations, the former tables included the income and expenditure of public corporations other than their receipts from and payments to general government.

² Including benefits to people not living in private households.

Financing of general government¹ expenditure in 1972 and 1977

TABLE 2

	1972		1977	
	£ million	Percentage of total financing	£ million	Percentage of total financing
Allocated financing				
Allocated taxes ²				
Direct taxes				
Income and surtax	6,660	25.3	17,420	28.1
Employees' and self-employed NI contributions	1,630	6.2	3,780	6.1
Indirect taxes				
On final goods and services	6,000	22.8	13,150	21.2
On intermediate goods and services	2,140	8.1	4,420	7.1
	<u>16,430</u>	<u>62.4</u>	<u>38,770</u>	<u>62.6</u>
Unallocated financing				
Unallocated taxes				
Corporation tax, etc.	1,430	5.4	2,880	4.6
Taxes on expenditure not allocated to consumers' expenditure	1,860	7.1	5,280	8.5
Employers' NI contributions not allocated to consumers' expenditure	970	3.7	3,260	5.3
Taxes on capital	760	2.9	910	1.5
	<u>5,020</u>	<u>19.1</u>	<u>12,330</u>	<u>19.9</u>
Other receipts ³	2,760	10.5	6,220	10.0
Government borrowing requirement	2,110	8.0	4,650	7.5
Total financing	<u>26,320</u>	<u>100.0</u>	<u>61,960</u>	<u>100.0</u>

¹ See footnote 1 of Table 1.² Including taxes paid by people not living in private households.³ Receipts of rent, interest, dividends, trading income and miscellaneous transactions (net).Source: *National Income and Expenditure 1967-77*, Table 9.1

Average incomes, taxes and benefits, 1972 and 1977

By decile groups of original income within household type

TABLE 3

	£ per year										Average over all decile groups
	Decile groups										
	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	
1977	122	775	2,159	3,203	4,025	4,788	5,637	6,631	8,308		
(i) All households											
Number of households in the sample	720	720	719	720	720	720	719	720	720	720	7,198
Original income	20	392	1,442	2,703	3,607	4,411	5,194	6,096	7,392	11,079	4,234
Direct benefits in cash											
Family allowance/child benefit	18	13	21	43	54	63	56	59	56	53	43
Pensions	846	970	746	331	197	128	115	104	82	114	363
Unemployment/sickness/injury benefit	31	43	107	87	69	44	42	41	39	36	54
Other direct benefits	463	160	128	92	50	50	38	34	42	16	108
Original income and cash benefits	1,378	1,578	2,444	3,256	3,977	4,696	5,445	6,334	7,611	11,298	4,802
Direct taxes	1	15	168	461	660	893	1,060	1,306	1,637	2,749	895
Disposable income	1,378	1,564	2,275	2,795	3,317	3,802	4,385	5,028	5,974	8,549	3,907
Subsidies	226	143	135	129	102	101	100	86	90	94	121
Indirect taxes	277	328	514	673	755	857	966	1,056	1,242	1,557	823
Income after all taxes and transfers	1,328	1,379	1,897	2,251	2,663	3,047	3,519	4,058	4,822	7,085	3,205
Direct benefits in kind											
Education	111	112	183	273	295	349	354	348	420	447	289
National Health Service	298	291	280	272	288	290	290	294	304	333	290
Welfare foods	18	11	20	26	26	30	27	28	31	25	24
Income after all taxes and benefits	1,714	1,792	2,380	2,823	3,271	3,715	4,191	4,727	5,577	7,891	3,808
1972											
Deciles	92	552	1,139	1,541	1,876	2,202	2,561	3,033	3,793		
(i) All households											
Number of households in the sample	702	701	702	702	702	701	702	701	702	702	7,017
Original income	21	284	871	1,354	1,719	2,029	2,378	2,786	3,374	5,157	1,997
Direct benefits in cash											
Family allowance	7	6	20	22	29	26	27	25	23	24	21
Pensions	345	399	218	93	54	45	46	39	41	42	133
Unemployment/sickness/injury benefit	23	35	58	42	35	21	17	19	20	12	28
Other direct benefits	172	63	47	30	14	15	8	10	9	7	38
Original income and cash benefits	569	786	1,213	1,541	1,852	2,136	2,476	2,880	3,466	5,243	2,216
Direct taxes	11	11	83	175	243	307	387	468	600	1,046	332
Disposable income	569	775	1,130	1,366	1,609	1,829	2,090	2,412	2,866	4,198	1,884
Subsidies	40	30	33	33	30	25	23	22	23	22	28
Indirect taxes	125	179	269	331	375	408	451	515	592	780	403
Income after all taxes and transfers	484	626	894	1,068	1,264	1,446	1,662	1,919	2,297	3,440	1,510
Direct benefits in kind											
Education	63	49	101	110	146	147	163	180	190	209	136
National Health Service	98	108	107	110	113	118	112	109	112	122	111
Welfare foods	6	4	10	8	7	6	8	7	7	6	7
Income after all taxes and benefits	651	788	1,112	1,295	1,531	1,717	1,944	2,214	2,606	3,777	1,764

Average incomes, taxes and benefits, 1972 and 1977

By decile groups of original income within household type

TABLE 3 (continued)

	£ per year										Average over all decile groups	
	Decile groups											
	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th		
1977												
Deciles	86	85	86	9	58	155	285	421	678	1,268		
(ii) 1 Adult retired												
Number of households in the sample	86	85	86	86	86	85	86	86	85	86	86	857
Original income	2	104	1,102	1,151	1,102	1,120	1,239	1,398	1,781	3,636	1,488	
Direct benefits in cash	750	749	776	776	749	791	785	746	752	701	761	
Retirement and old age pension	32	28	32	24	37	28	37	59	59	51	38	
Other pensions	300	300	397	314	182	75	40	27	10	10	165	
Supplementary benefit	17	17	22	7	29	7	20	32	14	17	18	
Other direct benefits	1,095	1,095	1,264	1,151	1,102	1,120	1,239	1,398	1,781	3,636	1,488	
Direct taxes	—	—	—	1	6	4	15	27	142	746	94	
Disposable income	1,095	1,095	1,264	1,150	1,097	1,115	1,224	1,371	1,640	2,890	1,394	
Subsidies	169	169	142	188	145	165	147	94	67	27	131	
Indirect taxes	197	197	222	193	196	186	215	249	298	479	243	
Income after all taxes and transfers	1,067	1,067	1,185	1,146	1,046	1,094	1,155	1,216	1,409	2,439	1,282	
Direct benefits in kind	208	208	210	213	203	214	209	204	200	201	207	
National Health Service	1,275	1,275	1,395	1,359	1,249	1,308	1,364	1,419	1,609	2,639	1,489	
Income after all taxes and benefits	69	70	69	70	69	69	70	69	70	69	694	
1972												
Deciles	69	70	69	4	26	63	104	186	316	666		
(ii) 1 Adult retired												
Number of households in the sample	69	70	69	70	69	69	70	69	70	69	694	
Original income	1	13	45	85	85	85	136	249	483	1,466	247	
Direct benefits in cash	289	289	312	315	317	299	307	309	266	282	299	
Retirement and old age pension	25	25	28	25	11	9	34	21	43	16	24	
Other pensions	130	130	137	128	86	53	51	9	4	—	73	
Supplementary benefit	14	14	10	—	6	17	10	1	2	5	8	
Other direct benefits	458	458	488	482	465	462	540	589	797	1,770	650	
Direct taxes	—	—	—	—	1	2	4	14	59	362	44	
Disposable income	458	458	488	482	464	460	536	575	738	1,407	606	
Subsidies	41	41	38	40	21	21	21	20	14	11	27	
Indirect taxes	86	86	98	94	79	83	114	111	125	230	111	
Income after all taxes and transfers	413	413	428	428	406	399	443	484	627	1,188	522	
Direct benefits in kind	77	77	76	78	77	80	76	76	71	75	76	
National Health Service	491	491	504	506	482	478	519	560	699	1,263	599	
Income after all taxes and benefits	69	70	69	70	69	69	70	69	70	69	694	

Average incomes, taxes and benefits, 1972 and 1977

By decile groups of original income within household type

TABLE 3 (continued)

	£ per year										Average over all decile groups
	Decile groups										
	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	
1977	475	1,133	1,778	2,324	2,683	3,126	3,614	4,263	5,491		
(iii) 1 Adult non-retired											
Number of households in the sample	56	56	57	56	56	56	57	56	56	56	562
Original income	124	807	1,464	2,089	2,495	2,908	3,343	3,952	4,793	7,150	2,912
Direct benefits in cash											
Family allowance/child benefit	455	459	359	224	164	90	62	100	12	55	197
Pensions	62	74	62	35	20	54	25	8	5	3	35
Unemployment/sickness/injury benefit	342	45	26	22	1	19	21	1	23	1	49
Other direct benefits											
Original income and cash benefits	982	1,385	1,909	2,369	2,680	3,071	3,452	4,061	4,833	7,208	3,194
Direct taxes	3	52	198	388	585	761	800	1,020	1,222	1,877	690
Disposable income	985	1,333	1,710	1,981	2,094	2,310	2,651	3,041	3,611	5,330	2,504
Subsidies	259	167	101	108	72	58	70	35	65	22	96
Indirect taxes	267	305	333	465	514	534	583	670	776	1,039	548
Income after all taxes and transfers	976	1,197	1,477	1,624	1,652	1,834	2,138	2,405	2,900	4,314	2,051
Direct benefits in kind											
Education	269	62	—	65	62	18	—	1	—	19	50
National Health Service	101	138	119	110	111	112	98	99	94	95	108
Welfare foods	—	—	—	—	—	—	—	—	—	—	—
Income after all taxes and benefits	1,345	1,398	1,596	1,800	1,825	1,964	2,236	2,505	2,994	4,428	2,209
1972	220	520	782	1,008	1,168	1,328	1,578	1,864	2,370		
(iii) 1 Adult non-retired											
Number of households in the sample	50	50	50	50	50	50	50	50	50	50	500
Original income	67	368	659	904	1,089	1,262	1,464	1,722	2,085	3,112	1,273
Direct benefits in cash											
Family allowance	178	266	134	86	69	37	36	22	32	33	89
Pensions	26	17	15	20	8	16	13	6	9	3	14
Unemployment/sickness/injury benefit	185	9	9	24	1	3	2	1	1	8	24
Other direct benefits											
Original income and cash benefits	455	660	818	1,035	1,168	1,319	1,517	1,750	2,129	3,156	1,401
Direct taxes	5	20	71	138	184	237	263	348	429	727	241
Disposable income	460	640	747	897	984	1,082	1,254	1,401	1,700	2,429	1,159
Subsidies	43	35	27	35	17	15	38	9	8	12	24
Indirect taxes	123	137	150	201	229	230	310	292	360	473	251
Income after all taxes and transfers	380	538	624	731	772	867	982	1,118	1,348	1,968	932
Direct benefits in kind											
Education	98	20	—	16	—	—	—	—	—	1	14
National Health Service	39	52	43	41	41	37	34	38	39	33	40
Welfare foods	—	—	—	—	—	—	—	—	—	—	—
Income after all taxes and benefits	518	610	667	788	813	903	1,015	1,156	1,387	2,003	986

Average incomes, taxes and benefits, 1972 and 1977

By decile groups of original income within household type

TABLE 3 (continued)

		£ per year										Average over all decile groups
		Decile groups										
		1st	2nd	3rd.	4th	5th	6th	7th	8th	9th	10th	
1977	Deciles .. .. .	..	..	..	..	..	..	..	..	..	..	..
	(iv) 2 adults retired	68	68	81	208	333	506	735	1,066	1,535	2,853	680
	Number of households in sample	68	68	68	68	68	68	68	68	68	68	68
	Original income	—	22	151	270	415	598	900	1,293	2,086	5,425	1,116
	Direct benefits in cash	—	—	—	—	—	—	—	—	—	—	—
	Retirement and old age pension	1,184	1,306	1,331	1,275	1,312	1,246	1,306	1,199	1,260	1,170	1,259
	Other pensions	105	133	40	91	95	98	52	130	40	16	79
	Supplementary benefits	222	250	127	105	27	18	—	3	3	1	76
	Other direct benefits	20	105	60	23	61	54	68	35	61	48	52
	Original income and cash benefits	1,530	1,816	1,709	1,764	1,912	2,014	2,326	2,559	3,450	6,660	2,584
	Direct taxes	—	1	3	3	25	30	84	194	425	1,545	231
	Disposable income	1,530	1,815	1,707	1,761	1,887	1,984	2,242	2,465	3,024	5,115	2,353
	Subsidies	313	320	225	151	175	110	71	80	45	40	152
	Indirect taxes	314	356	318	334	405	412	490	539	634	941	474
	Income after all taxes and transfers	1,528	1,780	1,614	1,577	1,658	1,681	1,823	2,007	2,436	4,214	2,032
	Direct benefits in kind	—	—	—	—	—	—	—	—	—	—	—
	Education	28	—	—	—	—	—	—	—	—	—	3
	National Health Service	384	398	400	395	399	386	394	385	375	362	388
	Income after all taxes and benefits	1,941	2,179	2,013	1,973	2,057	2,068	2,218	2,393	2,811	4,576	2,423
1972	Deciles .. .. .	..	..	..	..	..	..	..	..	..	..	..
	(iv) 2 adults retired	57	56	38	86	137	208	337	486	755	1,251	566
	Number of households in the sample	57	56	57	56	57	57	56	57	56	57	566
	Original income	—	12	63	112	174	267	420	591	960	2,402	501
	Direct benefits in cash	—	—	—	—	—	—	—	—	—	—	—
	Retirement and old age pension	483	480	536	487	498	536	452	501	499	449	492
	Other pensions	29	78	11	50	36	16	80	68	31	15	41
	Supplementary benefits	124	121	77	67	56	13	22	—	3	4	49
	Other direct benefits	30	22	2	28	6	24	21	13	14	17	17
	Original income and cash benefits	667	711	689	743	770	856	994	1,172	1,506	2,887	1,100
	Direct taxes	—	1	3	1	4	10	8	72	160	691	96
	Disposable income	667	709	686	742	766	847	986	1,100	1,346	2,197	1,005
	Subsidies	48	56	36	39	33	18	28	7	2	2	27
	Indirect taxes	155	164	175	183	169	193	236	276	284	416	225
	Income after all taxes and transfers	560	601	547	598	630	672	778	831	1,064	1,783	807
	Direct benefits in kind	—	—	—	—	—	—	—	—	—	—	—
	Education	146	140	145	136	148	144	134	142	144	142	3
	National Health Service	—	—	—	—	—	—	—	—	—	—	142
	Income after all taxes and benefits	705	742	692	734	779	815	940	972	1,209	1,925	952

Average incomes, taxes and benefits, 1972 and 1977

By decile groups of original income within household type

TABLE 3 (continued)

	£ per year										Average over all decile groups
	Decile groups										
	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	
1977	1,868	2,823	3,468	4,145	4,786	5,329	6,003	6,883	8,230		
(v) 2 adults non-retired											
Number of households in the sample	161	161	161	161	162	161	161	161	161	161	1,611
Original income	1,011	2,375	3,162	3,812	4,475	5,053	5,683	6,399	7,488	10,915	5,037
Direct benefits in cash		1								1	
Family allowance/child benefit											
Pensions	815	524	217	234	148	109	54	55	35	87	228
Unemployment/sickness/injury benefit	148	94	53	78	48	28	39	24	23	11	54
Other direct benefits	190	78	36	42	20	20	13	3	20	7	42
Original income and cash benefits	2,163	3,073	3,467	4,166	4,691	5,211	5,789	6,481	7,566	11,021	5,362
Direct taxes	93	383	636	769	1,028	1,085	1,302	1,549	1,814	2,865	1,153
Disposable income	2,070	2,689	2,831	3,397	3,664	4,126	4,487	4,933	5,752	8,155	4,210
Subsidies	170	142	123	83	103	88	102	54	64	48	98
Indirect taxes	499	662	674	760	852	936	959	1,059	1,109	1,313	883
Income after all taxes and transfers	1,743	2,170	2,280	2,719	2,914	3,280	3,630	3,928	4,705	6,891	3,426
Direct benefits in kind											
Education	128	57	70	54	58	19	13	16	28	30	47
National Health Service	278	267	235	239	223	213	211	206	200	210	228
Welfare foods										1	
Income after all taxes and benefits	2,149	2,494	2,584	3,012	3,195	3,512	3,853	4,150	4,934	7,132	3,701
1972											
Deciles	776	1,267	1,533	1,805	2,059	2,349	2,655	3,048	3,746		
(v) 2 adults non-retired											
Number of households in the sample	157	158	157	158	157	157	158	157	158	157	1,574
Original income	394	1,048	1,405	1,669	1,930	2,208	2,497	2,838	3,360	5,190	2,254
Direct benefits in cash											
Family allowance											
Pensions	323	177	105	71	45	46	31	36	17	27	88
Unemployment/sickness/injury benefit	88	52	24	38	27	18	15	14	10	3	29
Other direct benefits	101	41	28	8	12	8	4	2			20
Original income and cash benefits	905	1,316	1,562	1,787	2,015	2,279	2,547	2,890	3,389	5,221	2,391
Direct taxes	16	123	211	270	310	394	467	547	661	1,140	414
Disposable income	890	1,194	1,351	1,517	1,705	1,885	2,080	2,343	2,728	4,081	1,977
Subsidies	39	33	31	26	26	21	17	16	15	12	23
Indirect taxes	234	273	330	339	395	435	435	534	551	687	421
Income after all taxes and transfers	695	954	1,052	1,204	1,336	1,471	1,662	1,825	2,192	3,406	1,579
Direct benefits in kind											
Education	64	11	24	17	28	23		25		13	21
National Health Service	106	95	90	82	85	83	73	72	69	72	83
Welfare foods											
Income after all taxes and benefits	865	1,060	1,166	1,302	1,449	1,576	1,735	1,922	2,261	3,491	1,683

Average incomes, taxes and benefits, 1972 and 1977

By decile groups of disposable income

TABLE 4

	£ per year										Average over all decile groups
	Decile groups										
	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	
1977	1,326	1,859	2,474	3,045	3,577	4,137	4,726	5,478	6,742		
All households											
Number of households in the sample	720	720	719	720	720	720	720	719	720	720	7,198
Original income	216	619	1,686	2,629	3,626	4,377	5,114	6,006	7,307	10,756	4,234
Direct benefits in cash	4	10	25	41	56	57	59	61	60	63	43
Family allowance/child benefit	678	818	593	411	252	216	183	154	150	179	363
Pensions	11	28	67	78	70	62	63	55	43	61	54
Unemployment/sickness/injury benefit	198	214	143	132	79	67	64	66	54	58	107
Other direct benefits											
Original income and cash benefits	1,107	1,688	2,514	3,291	4,084	4,779	5,482	6,341	7,614	11,116	4,802
Direct taxes	34	95	347	525	765	927	1,073	1,269	1,565	2,351	895
Disposable income	1,073	1,594	2,167	2,766	3,318	3,853	4,409	5,073	6,050	8,765	3,907
Subsidies	175	176	142	127	115	103	101	85	89	96	121
Indirect taxes	241	346	521	657	761	874	955	1,057	1,238	1,577	823
Income after all taxes and transfers	1,008	1,424	1,788	2,235	2,672	3,081	3,555	4,101	4,901	7,283	3,205
Direct benefits in kind											
Education	100	71	148	241	298	334	354	387	445	514	289
National Health Service	204	273	281	287	290	293	294	309	315	356	290
Welfare foods	2	9	22	24	29	30	30	34	31	30	24
Income after all taxes and benefits	1,314	1,778	2,239	2,786	3,289	3,737	4,233	4,830	5,691	8,183	3,808
1972	623	933	1,222	1,485	1,741	1,971	2,253	2,617	3,232		
All households											
Number of households in the sample	702	701	702	702	702	701	702	702	701	702	7,017
Original income	91	353	934	1,351	1,723	2,028	2,329	2,760	3,330	5,073	1,997
Direct benefits in cash	1	5	15	23	27	26	31	28	26	28	21
Family allowance	295	337	179	120	86	69	63	50	60	61	133
Pensions	10	22	41	36	34	31	30	30	24	22	28
Unemployment/sickness/injury benefit	91	92	49	33	22	25	15	20	16	16	38
Other direct benefits											
Original income and cash benefits	487	810	1,217	1,564	1,891	2,180	2,470	2,887	3,456	5,200	2,216
Direct taxes	8	41	138	209	273	324	362	459	566	939	332
Disposable income	479	769	1,080	1,355	1,618	1,856	2,108	2,428	2,890	4,261	1,884
Subsidies	30	37	35	29	32	25	25	25	23	23	28
Indirect taxes	110	177	272	335	373	409	454	516	597	783	403
Income after all taxes and transfers	399	629	843	1,049	1,277	1,472	1,679	1,937	2,316	3,501	1,510
Direct benefits in kind											
Education	48	40	73	112	135	136	185	187	206	236	136
National Health Service	79	105	104	112	118	116	117	111	119	129	111
Welfare foods	1	4	7	8	7	7	9	9	8	7	7
Income after all taxes and benefits	527	778	1,026	1,281	1,537	1,730	1,990	2,244	2,649	3,874	1,764

Average incomes, taxes and benefits, 1977

By ranges of original income

TABLE 5

	£ per year											Average over all and income ranges						
	Under 381	381- 463	463 557-	557- 685	685 816-	816- 987-	987- 1,089	1,089 1,320	1,320 1,595	1,595 1,749-	1,749- 2,116-		2,116- 2,561-	2,561- 3,099-	3,099- 3,750-	3,750- 4,537-	4,537- 5,490-	5,490- 6,642	6,642 8,038 and above
All households																		
Number of households in the sample	1,094	97	193	190	92	111	130	137	189	290	370	573	728	839	828	620	814	7,198
Original income	1,094	97	193	190	92	111	130	137	189	290	370	573	728	839	828	620	814	7,198
Direct benefits in cash:																		
Family allowance/child benefit	16	11	16	16	9	9	21	21	29	41	42	54	57	58	59	57	52	43
Retirement and old age pension	766	873	823	823	864	799	628	549	446	298	220	154	108	89	61	51	82	296
Widows' pension	37	40	48	48	17	60	60	59	74	80	42	17	23	17	17	15	13	29
Disability and war disability pension	8	10	—	—	9	—	35	4	2	1	3	7	4	4	6	4	7	6
Invalidity pension and allowances	82	43	54	54	25	31	111	71	67	27	35	24	16	14	14	4	12	32
Mobility allowance	14	16	6	6	24	—	12	17	2	2	6	6	7	6	5	8	3	7
Unemployment benefit	23	19	78	78	58	74	35	68	57	40	37	21	28	17	23	21	17	28
Sickness/industrial injury benefit	7	20	17	18	18	33	49	67	55	54	48	42	27	27	20	21	16	26
Industrial injury disablement benefit	11	9	9	9	12	11	9	8	15	6	4	5	8	1	6	8	2	7
Family income supplement	—	—	—	—	—	—	2	4	10	2	9	—	—	—	—	—	—	1
Supplementary benefit	339	99	67	67	105	105	81	78	86	98	53	25	24	19	15	16	12	81
Maternity benefit	—	—	—	—	5	—	—	1	2	1	8	7	8	6	4	4	2	4
Death/maternity grant	1	1	1	1	1	1	2	—	1	1	2	2	2	2	1	1	1	1
Redundancy payment	—	—	—	—	1	1	—	—	2	—	1	1	1	1	1	1	1	1
Other cash benefits	9	12	6	6	13	19	12	—	15	16	6	5	3	5	1	2	1	5
Original income plus cash benefits	1,411	1,617	1,812	1,812	2,020	2,243	2,377	2,550	2,781	3,036	3,342	3,801	4,482	5,276	6,266	7,493	10,966	4,802
Direct taxes:																		
National Insurance	—	—	1	—1	2	6	15	33	49	86	119	154	191	228	269	319	385	172
Income tax and surtax	2	13	43	43	90	102	125	151	220	263	368	483	636	786	1,019	1,306	2,248	723
Disposable income	1,409	1,603	1,769	1,769	1,928	2,135	2,237	2,365	2,512	2,687	2,855	3,165	3,656	4,263	4,978	5,867	8,334	3,907
Subsidies																		
Housing subsidy	197	120	114	114	79	83	158	139	114	133	109	87	82	82	61	65	48	101
Food subsidy	7	7	8	8	7	8	9	9	10	9	10	11	12	13	13	13	15	11
Rail travel subsidy	1	1	1	1	5	3	4	2	5	6	4	6	7	7	11	11	32	9
Indirect taxes:																		
Local rates	77	77	86	86	82	96	96	96	107	106	101	109	118	128	136	148	186	119
On final goods and services	132	178	213	213	226	239	273	314	363	351	442	444	520	580	645	785	943	498
Intermediate products	73	90	97	97	106	115	121	131	149	151	162	181	202	229	263	298	402	205
Income after all taxes and transfers	1,332	1,386	1,496	1,496	1,606	1,780	1,918	1,975	2,032	2,228	2,273	2,535	2,918	3,426	4,019	4,726	6,897	3,205
Direct benefits in kind:																		
Education benefit	109	117	111	111	122	180	165	185	237	277	285	281	327	342	368	417	442	209
National Health Service	270	286	292	292	287	305	277	272	270	270	276	283	288	293	291	303	330	290
Welfare foods	16	8	12	12	15	18	21	18	23	33	25	25	27	27	28	31	25	24
Income after all taxes and benefits	1,727	1,797	1,911	1,911	2,030	2,282	2,381	2,451	2,561	2,809	2,859	3,124	3,561	4,089	4,707	5,477	7,695	3,808

Quantile shares of income by household type—1977

TABLE 6

		Percentage share of total income in groups of 5 per cent of households																					
		1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	11th	12th	13th	14th	15th	16th	17th	18th	19th	20th	Total	
1 adult																							
Pensioner																							
Original income	0.2	0.6	1.3	2.5	3.4	5.1	7.2	9.2	11.9	14.5	17.7	26.6	100.0	
Disposable income	4.8	4.9	5.1	5.2	5.3	5.4	5.5	5.6	5.7	5.8	5.9	6.1	7.1	100.0
Income after all taxes and benefits	4.7	4.9	5.0	5.1	5.3	5.5	5.6	5.7	5.8	6.1	6.5	7.4	100.0	
Non-pensioner, retired																							
Original income	2.4	2.7	3.1	3.5	3.9	4.6	5.1	5.9	7.3	9.7	13.2	25.6	100.0	
Disposable income	4.0	4.1	4.2	4.4	4.6	4.9	5.2	5.5	6.1	7.4	8.8	13.4	100.0	
Income after all taxes and benefits	4.1	4.3	4.5	4.7	4.8	5.0	5.3	5.6	6.1	6.9	8.0	12.1	100.0	
Non-pensioner, non-retired																							
Original income	4.1	4.4	4.8	5.2	5.5	5.9	6.5	7.1	7.7	8.8	10.1	14.4	100.0	
Disposable income	4.1	4.3	4.5	4.8	5.2	5.6	6.0	6.5	7.1	7.8	8.8	12.9	100.0	
Income after all taxes and benefits	4.1	4.3	4.6	4.9	5.2	5.5	5.9	6.4	6.9	7.6	8.7	12.5	100.0	
2 adults																							
Pensioner																							
Original income	3.0	3.7	4.6	5.2	6.0	6.8	7.9	8.7	9.6	10.7	11.8	19.1	100.0	
Disposable income	4.7	4.8	4.9	4.9	5.0	5.1	5.2	5.4	5.7	5.9	6.4	7.6	100.0	
Income after all taxes and benefits	4.7	4.8	5.0	5.1	5.2	5.3	5.5	5.7	5.9	6.1	6.4	7.1	100.0	
Non-pensioner, retired																							
Original income	2.7	2.9	3.2	3.6	4.0	4.6	5.3	6.4	7.8	9.8	13.3	24.8	100.0	
Disposable income	4.1	4.2	4.4	4.5	4.8	5.0	5.3	5.8	6.3	7.0	8.6	13.4	100.0	
Income after all taxes and benefits	4.2	4.4	4.6	4.7	4.9	5.0	5.2	5.6	6.1	6.8	8.2	12.6	100.0	
Non-pensioner, non-retired																							
Original income	4.3	4.6	4.9	5.2	5.5	5.8	6.1	6.6	7.1	7.8	8.7	12.9	100.0	
Disposable income	4.3	4.5	4.8	5.0	5.2	5.5	5.8	6.2	6.6	7.2	8.1	11.7	100.0	
Income after all taxes and benefits	4.3	4.5	4.7	4.9	5.2	5.4	5.7	6.1	6.6	7.2	8.2	12.0	100.0	

Quantile shares of income by household type—1977

TABLE 6 (continued)

		Percentage share of total income in groups of 5 per cent of households																				
		1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	11th	12th	13th	14th	15th	16th	17th	18th	19th	20th	Total
2 adults, 1 child																						
	Original income	0.7	2.1	2.7	3.2	3.5	3.7	3.9	4.2	4.3	4.6	4.8	5.1	5.3	5.6	5.9	6.2	6.7	7.3	8.2	11.9	100.0
	Disposable income	2.1	2.7	3.0	3.3	3.6	3.8	3.9	4.1	4.3	4.6	4.8	5.0	5.2	5.4	5.7	6.0	6.4	7.0	7.8	11.3	100.0
	Income after all taxes and benefits	1.9	2.8	3.1	3.3	3.5	3.8	4.0	4.2	4.4	4.6	4.8	5.0	5.3	5.5	5.7	6.0	6.4	6.9	7.6	11.1	100.0
2 adults, 2 children																						
	Original income	0.7	2.2	2.8	3.2	3.4	3.7	3.9	4.2	4.4	4.5	4.8	5.0	5.3	5.6	5.9	6.2	6.5	7.3	8.6	11.9	100.0
	Disposable income	2.1	2.8	3.2	3.4	3.6	3.8	4.0	4.2	4.4	4.5	4.7	4.9	5.2	5.4	5.7	6.0	6.3	6.9	8.0	10.8	100.0
	Income after all taxes and benefits	2.2	2.9	3.3	3.5	3.7	3.9	4.1	4.3	4.5	4.6	4.8	5.0	5.2	5.4	5.6	5.9	6.3	6.8	7.8	10.0	100.0
2 adults, 3 children																						
	Original income	0.6	1.9	2.5	2.8	3.1	3.4	3.6	3.8	4.1	4.3	4.4	4.7	5.0	5.2	5.5	5.9	6.6	7.5	9.5	15.5	100.0
	Disposable income	2.1	2.8	3.0	3.1	3.4	3.6	3.7	4.0	4.2	4.3	4.5	4.7	4.9	5.2	5.4	5.9	6.5	7.4	8.8	12.6	100.0
	Income after all taxes and benefits	2.2	2.9	3.1	3.4	3.6	3.8	4.0	4.1	4.3	4.5	4.7	4.9	5.1	5.3	5.6	5.9	6.4	7.2	8.1	10.9	100.0
2 adults, 4 children																						
	Original income	—	0.5	1.7	2.7	3.0	3.2	3.7	4.1	4.4	4.7	5.0	5.2	5.4	5.8	6.4	7.1	7.4	8.3	9.9	11.5	100.0
	Disposable income	1.8	2.8	3.0	3.1	3.4	3.8	4.0	4.3	4.4	4.6	4.8	5.1	5.2	5.5	5.9	6.3	7.1	7.5	8.3	9.2	100.0
	Income after all taxes and benefits	2.2	3.0	3.3	3.6	3.8	4.1	4.2	4.4	4.5	4.7	4.8	5.0	5.3	5.6	5.9	6.2	6.5	7.0	7.6	8.2	100.0
All households in the sample																						
	Original income	—	—	0.3	0.6	1.3	2.1	2.9	3.5	4.0	4.5	5.0	5.4	5.9	6.4	6.9	7.5	8.2	9.2	10.7	15.5	100.0
	Disposable income	1.2	1.6	1.9	2.2	2.6	3.0	3.4	3.7	4.1	4.4	4.8	5.1	5.5	5.8	6.3	6.7	7.3	8.1	9.3	13.1	100.0
	Income after all taxes and benefits	1.3	1.7	2.0	2.4	2.7	3.0	3.3	3.7	4.0	4.4	4.7	5.0	5.4	5.8	6.2	6.7	7.3	8.1	9.3	13.0	100.0

Average incomes before and after taxes and benefits—1961–1977

TABLE 7

	Average income							Percentage of original income							Percentage of corresponding income in 1961				
	£ per year							Percentages							1961 = 100				
	1961	1965	1969	1976	1977	1961	1965	1969	1976	1977	1961	1965	1969	1976	1977	1965	1969	1976	1977
Retired and non-retired households																			
1 adult																			
Original income	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Disposable income	312	420	510	1,343	1,459	100	100	100	100	100	100	100	100	100	135	163	430	468	489
Income after all taxes and benefits	375	502	618	1,613	1,834	120	120	121	120	126	120	121	120	122	134	165	430	489	520
	341	439	546	1,576	1,774	109	105	107	117	122	109	105	107	122	129	160	462	520	
2 adults																			
Original income	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Disposable income	824	1,007	1,351	3,471	3,873	100	100	100	100	100	100	100	100	100	122	164	421	470	489
Income after all taxes and benefits	809	988	1,273	3,215	3,659	98	98	94	93	94	98	94	93	94	122	157	397	452	474
	698	828	1,054	2,931	3,310	85	82	78	84	85	82	78	84	85	119	151	420	474	
2 adults, 1 child																			
Original income	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Disposable income	1,016	1,281	1,586	4,328	4,838	100	100	100	100	100	100	100	100	100	126	156	426	476	489
Income after all taxes and benefits	921	1,148	1,398	3,604	4,126	91	90	88	83	85	85	88	83	85	125	152	391	448	462
	836	1,032	1,220	3,476	3,860	82	81	77	80	80	81	77	80	80	123	146	416	462	
2 adults, 2 children																			
Original income	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Disposable income	1,026	1,245	1,762	4,539	5,160	100	100	100	100	100	100	100	100	100	121	172	442	503	479
Income after all taxes and benefits	961	1,159	1,582	3,816	4,401	94	93	90	84	85	93	90	84	85	121	165	397	458	479
	936	1,113	1,473	3,909	4,480	91	89	84	86	87	89	84	86	87	119	157	418	479	
2 adults, 3 children																			
Original income	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Disposable income	967	1,289	1,705	4,726	5,637	100	100	100	100	100	100	100	100	100	133	176	489	563	489
Income after all taxes and benefits	962	1,225	1,618	4,040	4,876	99	95	95	85	86	95	95	85	86	127	168	420	507	536
	1,008	1,263	1,625	4,567	5,403	104	98	95	97	96	98	95	97	96	125	161	453	536	
2 adults, 4 children																			
Original income	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Disposable income	1,030	1,219	1,638	4,272	4,310	100	100	100	100	100	100	100	100	100	118	159	415	418	481
Income after all taxes and benefits	1,023	1,227	1,650	3,911	4,220	99	101	101	92	98	101	101	92	98	120	161	382	413	481
	1,123	1,343	1,760	4,966	5,400	109	110	107	116	125	110	107	116	125	120	157	442	481	
3 adults																			
Original income	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Disposable income	1,282	1,616	2,140	5,705	6,153	100	100	100	100	100	100	100	100	100	126	167	445	480	480
Income after all taxes and benefits	1,197	1,475	1,907	4,851	5,323	93	91	89	85	87	91	89	85	87	123	159	405	445	464
	1,035	1,248	1,609	4,334	4,806	81	77	75	76	78	77	75	76	78	121	155	419	464	
3 adults, 1 child																			
Original income	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Disposable income	1,457	1,571	2,123	5,971	6,507	100	100	100	100	100	100	100	100	100	108	146	410	447	489
Income after all taxes and benefits	1,280	1,453	1,879	4,929	5,642	88	92	89	83	87	92	89	83	87	114	147	385	441	480
	1,182	1,387	1,743	4,924	5,677	81	88	82	82	87	88	82	82	87	117	147	417	480	
3 adults, 2 children																			
Original income	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Disposable income	1,289	1,661	2,232	5,925	6,307	100	100	100	100	100	100	100	100	100	129	173	460	489	489
Income after all taxes and benefits	1,214	1,565	2,070	5,328	5,735	94	94	93	90	91	94	93	90	91	129	171	439	472	518
	1,190	1,607	2,014	5,790	6,170	92	97	90	98	98	92	90	98	98	135	169	487	518	
4 adults																			
Original income	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Disposable income	1,742	2,064	2,789	8,105	8,415	100	100	100	100	100	100	100	100	100	118	160	465	483	483
Income after all taxes and benefits	1,558	1,860	2,456	6,518	6,991	89	90	88	80	83	90	88	80	83	119	158	418	449	473
	1,352	1,625	2,079	6,014	6,400	78	79	75	74	76	79	75	74	76	120	154	445	473	
All households in the sample																			
Original income	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Disposable income	960	1,172	1,519	3,781	4,234	100	100	100	100	100	100	100	100	100	122	158	394	441	441
Income after all taxes and benefits	922	1,121	1,421	3,414	3,907	96	96	94	90	92	96	94	90	92	122	154	370	424	450
	847	1,019	1,271	3,354	3,808	88	87	84	89	90	87	84	89	90	120	150	396	450	

Distribution of households co-operating in the Family Expenditure Survey, 1972 and 1977

By decile groups of original income

TABLE 8

	Decile groups										All households
	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	
1977											
1 adult retired	406	298	107	22	8	5	5	2	2	2	857
2 adults retired	152	264	168	38	20	9	6	8	6	9	680
1 adult non-retired	35	46	123	145	80	52	31	25	15	10	562
2 adults non-retired	24	32	148	207	204	193	224	226	195	158	1,611
2 adults, 1-4 children	33	24	89	208	305	343	294	276	189	163	1,924
Others	70	56	84	100	103	118	160	182	313	378	1,564
Number of households in the sample	720	720	719	720	720	720	720	719	720	720	7,198
Average original income (£ per year)	20	392	1,442	2,703	3,607	4,411	5,194	6,096	7,392	11,094	4,234
1972											
1 adult retired	396	206	64	8	7	3	1	2	3	4	694
2 adults retired	175	244	82	23	11	10	5	2	7	7	566
1 adult non-retired	33	72	135	100	63	32	23	20	13	9	500
2 adults non-retired	25	82	163	207	200	184	197	191	179	146	1,574
2 adults, 1-4 children	23	26	152	256	324	354	316	280	196	163	2,090
Others	50	71	106	108	97	118	160	207	303	373	1,593
Number of households in the sample	702	701	702	702	702	701	702	702	701	702	7,017
Average original income (£ per year)	21	284	871	1,354	1,719	2,029	2,378	2,786	3,374	5,157	1,997

Distribution of households co-operating in the Family Expenditure Survey, 1972 and 1977

By decile groups of original income plus cash benefits

TABLE 9

	Decile groups										All households
	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	
1977											
1 adult retired	567	193	47	23	8	5	6	4	1	3	857
2 adults retired	21	308	202	59	30	20	10	8	10	12	680
1 adult non-retired	76	75	121	108	64	45	31	17	16	9	562
2 adults non-retired	18	46	142	220	208	208	223	212	197	137	1,611
2 adults, 1-4 children	11	31	140	233	304	330	274	270	169	162	1,924
Others	27	67	67	77	106	112	176	208	327	397	1,564
Number of households in the sample	720	720	719	720	720	720	720	719	720	720	7,198
Average original income <i>plus</i> cash benefits (£ per year)	1,090	1,658	2,431	3,267	4,014	4,740	5,476	6,357	7,640	11,343	4,802
1972											
1 adult retired	516	109	42	6	5	4	2	1	4	5	694
2 adults retired	67	296	99	41	19	13	9	7	7	8	566
1 adult non-retired	76	90	122	79	46	30	21	16	12	8	500
2 adults non-retired	17	95	166	226	187	191	194	187	178	133	1,574
2 adults, 1-4 children	5	43	184	272	341	326	310	260	191	158	2,090
Others	21	68	89	78	104	137	166	231	309	390	1,593
Number of households in the sample	702	701	702	702	702	701	702	702	701	702	7,017
Average original income <i>plus</i> cash benefits (£ per year)	484	799	1,194	1,547	1,873	2,162	2,481	2,890	3,474	5,257	2,216

Distribution of households co-operating in the Family Expenditure Survey, 1972 and 1977

By decile groups of disposable income

TABLE 10

	Decile groups										All households
	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	
1977											
1 adult retired	552	215	40	23	10	5	5	3	4	—	857
2 adults retired	18	268	206	83	38	25	13	6	14	9	680
1 adult non-retired	89	108	134	82	54	38	26	10	12	9	562
2 adults non-retired	20	43	162	224	219	228	227	199	166	123	1,611
2 adults, 1-4 children	14	27	128	235	302	305	292	259	196	166	1,924
Others	27	59	49	73	97	119	157	242	328	413	1,564
Number of households in the sample . .	720	720	719	720	720	720	720	719	720	720	7,198
Average disposable income (£ per year)	1,073	1,594	2,167	2,766	3,318	3,853	4,409	5,073	6,050	8,765	3,907
1972											
1 adult retired	514	120	34	7	3	6	2	1	3	4	694
2 adults retired	58	285	106	49	27	15	9	5	6	6	566
1 adult non-retired	89	112	114	74	37	28	16	19	3	8	500
2 adults non-retired	15	86	208	223	186	218	175	172	173	118	1,574
2 adults, 1-4 children	4	40	167	269	353	307	322	268	189	171	2,090
Others	22	58	73	80	96	127	178	237	327	395	1,593
Number of households in the sample . .	702	701	702	702	702	701	702	702	701	702	7,017
Average disposable income (£ per year)	479	769	1,080	1,355	1,618	1,856	2,108	2,428	2,890	4,261	1,884

Distribution of households co-operating in the Family Expenditure Survey, 1972 and 1977

By decile groups of income after all taxes and transfers

TABLE 11

	Decile groups										All households
	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	
1977											
1 adult retired	444	288	67	25	15	4	5	4	5	—	857
2 adults retired	48	173	203	139	44	26	13	13	10	11	680
1 adult non-retired	109	110	109	80	51	39	29	17	9	9	562
2 adults non-retired	47	60	158	187	214	239	205	193	173	135	1,611
2 adults, 1-4 children	41	37	121	230	287	277	284	255	214	178	1,924
Others	31	52	61	59	109	135	184	237	309	387	1,564
Number of households in the sample . .	720	720	719	720	720	720	720	719	720	720	7,198
Average income after all taxes and transfers (£ per year)	886	1,386	1,795	2,218	2,664	3,097	3,557	4,130	4,937	7,318	3,205
1972											
1 adult retired	454	156	49	15	3	3	5	1	4	4	694
2 adults retired	81	222	136	53	29	15	10	7	4	9	566
1 adult non-retired	81	108	107	81	47	26	17	17	10	6	500
2 adults non-retired	33	98	186	197	227	190	188	173	157	125	1,574
2 adults, 1-4 children	25	63	153	264	292	337	295	270	213	178	2,090
Others	28	54	71	92	104	130	187	234	313	380	1,593
Number of households in the sample . .	702	701	702	702	702	701	702	702	701	702	7,017
Average income after all taxes and transfers (£ per year)	364	609	826	1,053	1,262	1,467	1,678	1,955	2,343	3,543	1,510

Distribution of households co-operating in the Family Expenditure Survey, 1972 and 1977

By decile groups of income after all taxes and benefits

TABLE 12

	Decile groups										All households
	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	
1977											
1 adult retired	478	288	47	23	6	6	3	4	2	—	857
2 adults retired	32	155	244	150	41	21	12	8	10	7	680
1 adult non-retired	131	140	108	69	50	31	14	9	4	6	562
2 adults non-retired	41	82	187	247	279	235	187	158	118	77	1,611
2 adults, 1-4 children	19	34	82	175	252	283	320	310	252	197	1,924
Others	19	21	51	56	92	144	184	230	334	433	1,564
Number of households in the sample . .	720	720	719	720	720	720	720	719	720	720	7,198
Average income after all taxes and benefits (£ per year)	1,141	1,674	2,166	2,668	3,198	3,709	4,253	4,914	5,867	8,491	3,808
1972											
1 adult retired	487	144	36	8	5	5	1	2	3	3	694
2 adults retired	59	236	151	57	26	11	11	3	8	4	566
1 adult non-retired	99	144	101	68	36	17	19	9	5	2	500
2 adults non-retired	34	114	230	259	236	208	152	150	106	85	1,574
2 adults, 1-4 children	13	33	131	214	294	333	343	283	247	199	2,090
Others	10	30	53	96	105	127	176	255	332	409	1,593
Number of households in the sample . .	702	701	702	702	702	701	702	702	701	702	7,017
Average income after all taxes and benefits (£ per year)	463	732	976	1,242	1,487	1,730	1,976	2,280	2,732	4,018	1,764