

## **The effects of taxes and benefits on household income, 1978**



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## Introduction

Articles on the impact 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 1978.

The article consists of a commentary and two appendices. The first part of the commentary seeks to describe redistribution for the latest year for which data from the Family Expenditure Survey (FES) are available, in this case 1978. The second part analyses movements in redistribution for the years 1973 to 1978. The first appendix describes various aspects of methodology, such as the FES, the income concepts, definitions of various types of households, and the method of imputing the benefits which individual households derive from certain parts of public expenditure. Appendix 2 gives the detailed tables, summaries of which are used in the commentary to highlight significant changes.

## I. RESULTS FOR 1978

To be able to interpret the results, a brief explanation of the stages of redistribution is essential. The starting point is *original income*, i.e. income before the effects of taxation or state benefits, or pre-tax, pre-benefit income. The first step is to modify original income by adding direct cash payments such as unemployment benefit paid to households

and by deducting direct taxes. The result is *disposable income*, i.e. the income available for spending. Finally, we estimate the redistributive effects on disposable income of indirect taxes, subsidies and direct benefits in kind, such as health and education services, to arrive at '*final income*'.

The nature and level of redistribution can be gauged from a comparison between original income, disposable income and final income for each decile group, i.e. each one-tenth of the household population, as shown in Table A. It is clear from this table, in which households are ranked by original income, that, as a result of the tax-benefit-subsidy system, income is redistributed from households with high incomes to those with low. This pattern is the net effect of, on the one hand, a decline in average cash benefits and subsidies as original incomes rise, and, on the other hand, an increase in average taxes, both direct and indirect, with increases in original income. However, unlike cash benefits, direct benefits in kind tend to rise with original incomes. This is a consequence of the correlation between size of original income and household size, by which the amount of benefit in kind varies.

To illustrate, Table A shows that as a result of cash benefits the average original income of the bottom 20 per cent of households increased from £240 to £1,710. This marked redistribution is due to the fact that most cash benefits are designed to support people during periods when they are not earning, i.e. when their average original income is low. About 60 per cent of cash benefits are state pensions, mainly retirement pensions, and about three-

## Summary of results for all households, 1978

By decile groups of original income

TABLE A

	Decile groups										All households
	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	
Number of households in sample	700	700	700	700	700	700	700	700	700	701	7,001
<b>Average</b>											
Number of workers per household	0.1	0.2	0.7	1.1	1.4	1.6	1.8	1.9	2.2	2.6	1.4
Number of persons per household	1.7	1.7	2.1	2.4	2.9	3.1	3.2	3.2	3.3	3.7	2.7
Number of adults per household	1.4	1.5	1.7	1.8	2.0	2.1	2.2	2.3	2.5	2.9	2.0
Number of children per household	0.4	0.2	0.4	0.6	0.9	1.0	1.0	0.9	0.8	0.7	0.7
Number of persons per worker	17.0	7.4	3.1	2.2	2.1	2.0	1.8	1.6	1.5	1.4	2.0
<i>£ per household per year<sup>1</sup></i>											
<b>Average</b>											
Original income	20	460	1,560	2,960	4,050	4,990	5,900	7,010	8,510	12,770	4,830
plus Cash benefits	1,560	1,390	1,180	600	470	390	320	280	270	240	670
less Direct taxes		10	150	420	720	900	1,140	1,370	1,800	2,960	950
Disposable Income	1,580	1,830	2,600	3,150	3,800	4,470	5,090	5,920	6,980	10,050	4,550
plus Subsidies	250	160	130	120	100	90	80	80	80	80	120
less Indirect taxes	320	370	580	710	830	960	1,060	1,220	1,390	1,780	920
plus Direct benefits in kind	510	450	550	540	660	730	750	750	770	870	660
Final income	2,020	2,080	2,700	3,100	3,750	4,340	4,860	5,530	6,450	9,220	4,410

<sup>1</sup> Rounded to the nearest £10.

quarters of all households in the bottom 20 per cent of the income distribution are retired. Indeed, over 30 per cent of cash benefits go to this group of retired households.

Direct taxation is made up of employees' (and self-employed persons') national insurance contributions and income tax. Original income plus some of the cash benefits, mainly pensions, is broadly the basis on which tax liability is assessed. Not surprisingly, better-off households pay a substantially higher proportion of their income in tax. For example, in 1978 20 per cent of original income of the top 10 per cent of households was paid in income tax. However, tax payments are determined not only by size of original incomes but also by tax reliefs such as those on mortgage interest and life insurance premiums. The tax figures in this article are shown net of these reliefs because of the nature of the available data. (The alternative of showing a notional tax liability before reliefs might be of some interest but it would not alter the overall redistributive effect of taxes.)

Disposable income, which is effectively the income people have available for spending, reflects the net 'gains' and 'losses' of direct taxes and cash benefits and is much more evenly distributed than original income. The lowest fifth of households received 8 per cent of total disposable income compared with 1 per cent of original income, and the top fifth received 37 per cent of disposable income and 44 per cent of original income.

Indirect taxes are taxes on expenditure, such as VAT, excise duties and local authority rates. Subsidies are payments by the government to reduce market prices. Thus, the benefit a household receives from subsidies and the amount of indirect taxes it pays depends on how it spends its income. Indirect tax payments are larger for higher income households than for lower income households, reflecting the higher expenditure of the former and the fact that most indirect taxes are roughly proportional to expenditure. However, indirect taxes represent a lower proportion of the disposable income of higher income households than of those with lower incomes, being 18 per cent of disposable income in the highest decile group and 20 per cent in the lowest decile group of households. This is because higher income households spend a lower proportion of their income – they save more. At the same time the measured impact on the lowest income groups is overstated for two reasons. First, some recipients of supplementary benefit get an increased allowance and pay their rates in full instead of receiving their entitled rebate; secondly, some student households are largely dependent on maintenance grants, which are included in education benefits rather than disposable income, and so they are shown as being in the lowest decile groups of income although their expenditure from their grants gives them a relatively high level of indirect taxes.

The subsidies that it is practicable to allocate are in value mainly housing subsidies. These are shown to be higher for households in the lower decile groups, particularly the lowest, both because there are more households living in local authority housing in these income groups than in other groups and because those with low incomes receive rent rebates (which are part of housing subsidies).

Apart from cash benefits and subsidies, the other categories of government expenditure which are allocated to

households are current expenditure on health, on education and on welfare foods, collectively described in this article as benefits in kind. The distribution of these benefits depends far more directly on the size and composition of recipient households than on their income. Thus, retired households generally receive higher benefits from health expenditure than non-retired households of the same size because of the greater cost of elderly people to the health service; and households with children of school age tend to receive more from education expenditure than households without such children. Generally, the larger the household the greater are the benefits in kind allocated to it. As Table A shows, the number of persons per household increases with income and, over the first seven decile groups, so does the number of children per household. As an indirect consequence, benefits in kind increase markedly with income.

The effect of these indirect taxes, subsidies and benefits in kind is to lessen the inequality of household income a little further, the bottom quintile group receiving 9 per cent of total final income and the top quintile group 36 per cent, compared with 8 per cent and 37 per cent of disposable income. Table B shows these changes in shares in greater detail.

### Percentage shares of total household incomes by quantile groups of households, 1978

Quantile groups of households ranked by original income  
TABLE B

Quantile group	Percentages		
	Original income	Disposable income	Final income
Top 20 per cent	44	37	36
21–40 per cent	27	24	24
41–60 per cent	19	18	18
61–80 per cent	9	13	13
81–100 per cent	1	8	9
Total	100	100	100
Top 10 per cent	27	22	21
Lowest 10 per cent	—	4	5

The interpretation of these results should take account of three very important qualifications. First, because of conceptual difficulties and lack of data, a large amount of government expenditure and revenue is not allocated to households. For example, there is no non-arbitrary way of dividing the benefits of government expenditure on defence to households of different types and different levels of income. In 1978 about £33 thousand million, or nearly one-half of total expenditure and about £42 thousand million, or nearly three-fifths of total receipts were allocated. The consequences of this imbalance are that households are collectively shown in the tables as paying more in taxes than they receive in benefits and that greater significance should be attached to the broad pattern of redistribution than to the precise figures of 'gains' and 'losses', particularly in the middle of the distribution of final income.

## Quintile groups of all households analysed by household composition types, 1978

All households ranked by original income

TABLE C

Quintile groups	Percentages				All households
	1 and 2 adults retired	1 and 2 adults non-retired	2 adults 1-4 children	Others	
Top 20 per cent	1	28	24	47	100
21-40 per cent	1	36	38	25	100
41-60 per cent	4	38	43	15	100
61-80 per cent	27	41	19	13	100
81-100 per cent	75	11	4	10	100
All households	21	31	26	22	100

Secondly, the allocations show only the initial impact of taxes and benefits on household income. It is not practicable in this article to measure indirect and lagged effects, such as incentive effects of changes in taxation on output or the productivity effects of 'human investment' in education.

The third qualification is that the absolute size of benefits is more meaningful when related to the size and composition, and hence, by implication, the varying needs of households. To illustrate, Table A shows that the lowest quintile group of households contains 13 per cent of individuals and the highest quintile group 26 per cent, so that the distribution of final income would appear even less unequal on a per capita basis than on a household basis. However, even a per capita basis would not be adequate because it treats all individuals as homogeneous units when in fact children, disabled individuals and the elderly have different needs from the average individual of working age. It is not feasible to allow for these complex differences in household characteristics and needs in this article but some indication of their importance can be obtained from Table C.

From the table, it is clear that three-quarters of the households in the bottom quintile group are retired, which accounts for the large proportion of pensions which goes to this group. However, the needs of pensioners would not be identical to those of households with children, which predominate the third quintile group.

## II. RESULTS FOR THE YEARS 1973 TO 1978

### Summary

This part of the commentary covers the more significant trends in redistribution between 1973 and 1978. The chief observation, which is elaborated below, is that, despite significant changes in government expenditure and fiscal policies, the relative distribution of household final income remained broadly the same between 1973 and 1978. However, without the tax-benefit-subsidy system, the distribution of income and of welfare in the United Kingdom, in any one year, would have been much more unequal than it was. The supporting figures are given in Table D.

As Table D shows, the percentage shares of final income received by the top 20 per cent of households varied within a narrow range in the period, between 35 and 37 per cent. The corresponding variation for the bottom quintile group was between 8 and 9 per cent. However, the pre-tax, pre-benefit share of the top quintile group was 43 to 44 per cent and of the bottom group only 1 per cent. Thus, redistribution reduced the share of income of the top 20 per cent of households by between 7 and 9 per cent in the period and it increased the share of the bottom quintile group by between 7 and 8 per cent.

## Percentage distribution of original and final income, 1973-1978

Households ranked by original income

TABLE D

Quintile group	Percentages					
	Original income					
	1973	1974	1975	1976	1977	1978
Top 20 per cent	44	44	43	44	44	44
21-40 per cent	26	26	26	26	27	27
41-60 per cent	19	19	19	19	19	19
61-80 per cent	11	11	10	10	10	9
81-100 per cent	1	1	1	1	1	1
Total original income	100	100	100	100	100	100
Quintile group	Final income					
	1973	1974	1975	1976	1977	1978
	37	36	35	35	35	36
21-40 per cent	24	24	24	23	23	24
41-60 per cent	18	18	19	18	18	18
61-80 per cent	13	13	14	14	14	13
81-100 per cent	8	8	9	9	9	9
Total final income	100	100	100	100	100	100

The stable pattern of final income is largely explained by two factors. First, as Table D shows, the starting point i.e. the percentage distribution of original income, was itself remarkably stable throughout the period 1973 to 1978. (Strictly, the more fundamental explanation lies in the share of original income in final income; if that share is small, as it is for the bottom quintile group of households, even large percentage changes in it would not materially affect the share of final income; and vice versa.) The second factor is that annual changes in the redistributive components often offset one another, e.g. between 1973 and 1975 nearly half the increase in direct taxes for the top quintile group was offset by increases in the various benefits they received. The changes in individual components are discussed in detail below. But, before that discussion, these two factors are illustrated by a more detailed consideration of two of the more noticeable changes in Table D.

The first is the fall from 37 per cent in 1973 to 35 per cent in 1975 in the share of final income which went to the top quintile group of households. This reduction was due partly to the fall in their share of original income from 44 to 43 per cent and partly to the simultaneous increase in the average direct taxes paid by the group. These changes were sufficiently large to swamp changes in the opposite direction; for example, the increase in the share of subsidies received by the group.

The second is the fall from 11 per cent to 9 per cent in the share of original income received by the second lowest quintile group of households, without a corresponding reduction in its share of final income. The share of original income fell because the number of retired households in the population increased and because some of this increase appeared in the second lowest quintile group, rather than being confined to the lowest quintile group where retired households predominate. As retired households generally have very small incomes, their greater numbers in the second lowest quintile group led to a reduction in its share of original income. However, their greater numbers also led to offsetting changes; the share of subsidies rose, the share of direct taxes fell, and, more important, the share of cash benefits increased. Since, even compared with original income, cash benefits form a relatively large part of final income of this quintile group, the share in final income did not fall in line with the share of original income.

### Changes in individual components

#### Total government expenditure 1973-78

The broad changes in total government expenditure are given in Table E.

### Growth of gross domestic product and government expenditure, 1973-1978

TABLE E

	Index numbers (1973 = 100) and percentage changes over previous year (in brackets)					
	1973	1974	1975	1976	1977	1978
Gross domestic product (at current market prices)	100	113 (+13)	143 (+26)	169 (+19)	195 (+15)	222 (+14)
General government expenditure and financing	100	128 (+28)	169 (+32)	191 (+13)	202 (+6)	234 (+16)
Government expenditure						
Transfer payments	100	135	175	195	205	254
Govt final consumption	100	124	173	200	219	245
Capital investment	100	120	137	148	133	122

In 1978 the combined expenditure of local and central government, that is general government expenditure, amounted to £71 thousand million. Besides expenditure on goods and services this figure comprised both current and capital transfer payments, capital investment and non-trading capital consumption. It was financed by receipts of £23 thousand million from direct taxes on persons, by £23 thousand million from indirect taxes falling on expenditure and by £25 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 government spending on social services including state education, the National Health Service, and housing and rail travel subsidies, as well as payments in cash.

Table E shows that government expenditure and revenue at current prices rose throughout the period, largely because of inflation. However when allowance is made for the effects of inflation, the pattern of growth from year to year has been rather uneven, as is clear from comparing the growth of government expenditure with that of gross domestic product (GDP).

### Allocated and unallocated expenditure

Variations in the parts of government transfers allocated to households are given in Table F.

### Shares in government transfer payments, 1973-1978

TABLE F

	Percentages					
	1973	1974	1975	1976	1977	1978
Allocated transfers						
Cash benefits	39	36	36	41	46	45
Subsidies	5	8	9	9	8	7
Education scholarships and grants	5	4	4	5	5	5
	49	49	50	55	59	56
Unallocated transfers	51	51	50	45	41	44
All government transfers	100	100	100	100	100	100

The transfer payments allocated are total cash benefits, some subsidies to households, and education grants and scholarships. Cash benefits, which are by far the largest single category have, in absolute terms, grown steadily throughout the period. However, as Table F shows, the fluctuations in the share of cash benefits in total transfers, a fall from 39 per cent in 1973 to 36 per cent in 1974 and a rise to 45 per cent in 1978, are due to changes in the other components of transfers. With the expansion of subsidies on housing and rail travel and with the introduction of consumer food subsidies, subsidies grew very rapidly in 1974 and 1975. This caused their share in total transfers almost to double, from 5 to 8 per cent. Over the following three years, 1976 to 1978, their value at current prices changed little, with the gradual phasing out of food subsidies offsetting the continued growth of housing subsidies. Rail travel subsidies remained fairly stable over these three years. Thus the share of subsidies in the total government transfers declined from its peak in 1975 of 9 per cent to 7 per cent in 1978\*.

\* A detailed account of subsidy changes during this period is contained in, 'The redistributive effect of subsidies on households', Stephenson and Harris, *Economic Trends* No 289 November 1977.

The specific government expenditures which are allocated to households in this study and which in the national accounts are treated as part of government final consumption are those on the National Health Service, education and welfare foods (including school meals). As Table G shows, together these allocated items increased as a proportion of government final consumption between 1973 and 1975 and then remained unchanged up to 1978. This increase was due largely to the slightly higher rate of growth of health expenditure.

### Shares in government final consumption, 1973-1978

TABLE G

	Percentages					
	1973	1974	1975	1976	1977	1978
Allocated expenditure						
Health	20	21	21	21	22	22
Education (excluding grants and scholarships to students)	20	19	21	20	20	20
Welfare foods	1	2	2	2	1	1
	41	42	44	43	43	43
Unallocated expenditure	59	58	56	57	57	57
Government final consumption	100	100	100	100	100	100

#### Allocated revenue and unallocated revenue

The growth of total government revenue during the period 1973-1978 exactly matched that of government expenditure, which is shown in Table E and discussed above. The parts of total government revenue which are allocated to individual households in this article are direct taxes, namely income tax and employees' (and self-employed) national insurance contributions, and indirect taxes on consumers expenditure, such as VAT, a full description of which is given in Appendix 1.

### Shares in general government financing, 1973-1978

TABLE H

	Percentages					
	1973	1974	1975	1976	1977	1978
Allocated revenue						
Direct taxes on households	31	31	33	34	34	32
Indirect taxes on households	30	26	25	26	29	28
Unallocated revenue						
Borrowing	12	14	19	14	8	13
Other receipts	28	29	23	26	29	28
Total financing	100	100	100	100	100	100

Although the pattern of government financing in 1978 was little changed from 1973, apart from a slight shift from

indirect taxation to direct taxation, there were, as Table H shows, some significant movements during that period. Between 1973 and 1975, there was an appreciable shift from indirect taxation to income tax and borrowing, the share of government financing borne by indirect taxation on households falling from 30 per cent to 25 per cent. In 1976, the share of borrowing fell from 19 per cent to 14 per cent, with rising shares for each of the other forms of financing. In 1977 the share of borrowing fell further to 8 per cent with a complementary increase in the share of indirect taxes; the share of direct taxes remained almost unchanged. This trend was reversed in 1978, when the share of direct taxes fell and that of borrowing increased.

#### Distribution of household types

In Table J and subsequent similar tables in the text of this section of the article slight adjustments have been made for the random variation in the proportion of different types of households revealed by the sample. The proportions used to modify the distributions of income, benefits and taxes for each household type are shown in Table I.

### Percentage distribution of household types, 1973-1978, adjusted for sample variation

TABLE I

	1973	1974	1975	1976	1977	1978
Household type						
1-2 adults retired	19½	20	20½	21	21½	22
1-2 adults non-retired	30½	30½	30½	30½	30½	30½
2 adults, 1-4 children	28	27½	27	26½	26	25½
Others	22	22	22	22	22	22
All households	100	100	100	100	100	100

#### Original income

In the period 1973 to 1978, the average original income of households rose from £2,300 to £4,800 per annum, an increase of 109 per cent. This is slightly lower than the corresponding growth of such income in the household sector as a whole, 116 per cent, perhaps because of a slight reduction in the average size of households from 2.8 persons per household to 2.7 and therefore a slight increase in the number of households. The general index of retail prices rose by 111 per cent in this period.

Table J shows how original income was distributed between different types of household and groups at different levels in the income distribution. The most noticeable features are the rise in the proportion of total original income received by 1 and 2 adult non-retired households and the fall in the proportion received by households composed of 2 adults and 1-4 children. The fall in the proportion of original income received by households with children is largely explained by the fall in the proportion of these types of household in the sample, shown in Table I. However, although the percentage of retired households grew, the proportion of original income which they received remained static, because the growth was entirely amongst the over seventies, who, in general, have ceased working and are

dependent on state retirement pensions. The fall in the share of original income received by the second lowest quintile group is due to the increase in the percentage of retired households in this group from 16 per cent in 1973 to 27 per cent in 1978. Although the percentage of 1 and 2 adult non-retired households remained the same during the period, their share of original income rose from 31 per cent in 1973 to 33 per cent in 1978. A fuller analysis of the determinants of original income, and in particular its relation to the number of workers in the household, was given in last year's article.†

### Percentage of original income by household type and by quintile groups of original income, 1973-1978

TABLE J

	Percentages					
	1973	1974	1975	1976	1977	1978
Household type <sup>1</sup>						
1-2 adults retired	4	3	4	4	4	4
1-2 adults non-retired	31	32	32	32	32	33
2 adults 1-4 children	33	33	32	31	31	30
Others	32	32	33	33	32	33
All households	100	100	100	100	100	100
Quintile group						
Top 20 per cent	44	44	43	44	44	44
21-40 per cent	26	26	26	26	27	27
41-60 per cent	19	19	19	19	19	19
61-80 per cent	11	11	10	10	10	9
81-100 per cent	1	1	1	1	1	1
All households	100	100	100	100	100	100

<sup>1</sup>Adjusted for sample variation.

For all quintile groups, except the lowest, the weight of original income was much greater than that of the other, redistributive components in final income; and so changes in the shares of original income would have had a preponderant effect on the distribution of the shares of final income. But, in the event, the shares of original income were little changed over the period.

#### Cash benefits

Cash benefits, which form about half of government transfer payments, increased by 186 per cent between 1973 and 1978. During the same period the general index of retail prices rose by 111 per cent and the pensioner price indices by 120 per cent for one person households and by 118 per cent for two person households. The cash increase per beneficiary was smaller because the number of beneficiaries had increased.

The main change in the system of cash benefits during the period has been the replacement of family allowances by child benefit, which has extended financial support to all children. Child interim benefit was introduced in April 1976

for the first or only child in certain one parent families, and child benefit was introduced for all children in April 1977, replacing family allowances and child interim benefit. A further change was the phased introduction of mobility allowance from January 1976. Table K shows how the different components of cash benefits have shifted with these changes, in particular the introduction of child benefit. Pensions formed a lower proportion of the total in the last two years. The increase in other cash benefits is due partly to the increase in unemployment, affecting both supplementary benefit and unemployment benefit, partly to a rise in the number of one parent families receiving supplementary benefit, and partly to the introduction of mobility allowances.

### Percentage of cash benefits by principal types, 1973-1978

TABLE K

	1973	1974	1975	1976	1977	1978
Pensions	67	69	68	67	64	60
Family allowance/ Child benefit	8	7	7	6	8	12
Other cash benefits	25	24	25	27	28	28
Total cash benefits	100	100	100	100	100	100

In Table L we see how these changes have affected the distribution of cash benefits to households of different types and at different income levels. The jump in the rates of pensions relative to other benefits, e.g. supplementary benefit in 1973-74, led to the initial move towards a higher proportion of cash benefits for retired households and thus for those in the lowest quintile groups of the income distribution. The subsequent introduction of child benefit and the increases in other benefits, as explained above, have led to the recent move towards more cash benefits being distributed to households with children (their average cash benefits increased by 40 per cent in 1977 and by 46 per cent in 1978). As most households with children are in the higher parts of the income distribution this benefit increase has been concentrated there. The increase in retired people in the second lowest quintile group, referred to above, partially offset the other effects relative to the income distribution.

As shown in Table M, the outcome of these various movements, viz a rise in the real value of benefits, initially in pensions and then in child support and other cash benefits, is a rise in the proportion which cash benefits form of pre-tax income (roughly original income plus cash benefits). The effect is most noticeable in the lowest quintile groups where the rise in the numbers of one-parent families and single pensioners dependent entirely on state benefits is reflected in a rise in the proportion of their income from this source.

Cash benefits had a crucial role in determining the shares of final income for retired households and those in the lowest quintile group, and so changes in these benefits would have had a substantial impact on the shares of final income received by these groups. Cash benefits were also relatively important, even compared with original income, in the final incomes of the second lowest quintile group of

† *Economic Trends* Number 303 January 1979. 'The effects of taxes and benefits on household income, 1977.'



households. For the remaining groups the influence of changes in cash benefits on the distribution of shares of final income was limited.

### Percentage of cash benefits by household type and by quintile groups of original income, 1973-1978

TABLE L

	1973	1974	1975	1976	1977	1978
<b>Household type<sup>1</sup></b>						
1-2 adults retired	44	47	48	46	45	44
1-2 adults, non-retired	18	18	18	18	17	15
2 adults, 1-4 children	12	12	11	11	13	16
Others	26	24	23	25	25	25
All households	100	100	100	100	100	100
<b>Quintile groups</b>						
Top 20 per cent	7	7	7	7	8	8
21-40 per cent	9	9	8	8	9	9
41-60 per cent	12	11	11	11	12	13
61-80 per cent	25	25	27	28	27	27
81-100 per cent	47	48	48	46	45	44
All households	100	100	100	100	100	100

<sup>1</sup> Adjusted for sample variation.

### Cash benefits as a percentage of original income plus cash benefits by household type and by quintile groups of original income, 1973-1978

TABLE M

	1973	1974	1975	1976	1977	1978
<b>Household type</b>						
1-2 adults retired	56	60	59	61	61	60
1-2 adults non-retired	6	6	6	6	7	6
2 adults 1-4 children	4	4	4	4	5	7
Others	8	8	7	9	9	10
All households	10	10	10	11	12	12
<b>Quintile group</b>						
Top 20 per cent	2	1	2	2	2	2
21-40 per cent	3	4	3	3	4	4
41-60 per cent	6	6	6	7	8	9
61-80 per cent	20	21	22	27	27	28
81-100 per cent	79	81	83	83	86	86

#### Direct taxes

From 1973 to 1976, the share of direct taxes in revenue grew from a little under 31 per cent to just over 34 per cent. Between 1976 and 1978, the share fell back, to under 32 per cent. The effect of these movements can be seen in Table N, which shows that direct taxes as a percentage of pre-tax income rose from 16 per cent in 1973 to 20 per cent in 1975 and 1976, and then fell back to 17 per cent in 1978. This table also shows that, apart from retired households, who pay comparatively little direct tax, the increases were spread evenly across all household types and income levels. Indeed Table O shows that the proportion of direct taxes paid by different household types was remarkably stable

over the period, except for households with children, where there was a slight decline.

This stable pattern was due to the bulk of additional revenue from direct taxes being raised by a combination of fiscal drag, in the sense that allowances were not increased in line with earnings, and of increases in the main rates. For example, between 1974 and 1975 average earnings rose by 27 per cent whilst personal allowances were raised by only 10 per cent in the April 1975 Budget. This disparity also accounts for the rise in the proportion of tax paid by the second lowest quintile group, from 11 to 12 per cent in 1975 shown in Table N. This trend was reversed in 1978, with the introduction of a reduced rate band for those at the lower end of the taxable income distribution. Thus in 1978 the proportion of income paid in tax by those in the lowest two quintile groups fell, although other factors might have played a part.

### Direct taxes as a percentage of original income plus cash benefits by household type and by quintile groups of original income, 1973-1978

TABLE N

	Percentages					
	1973	1974	1975	1976	1977	1978
<b>Household type</b>						
1-2 adults retired	8	6	8	7	8	7
1-2 adults non-retired	18	20	23	23	22	20
2 adults 1-4 children	15	17	20	19	19	17
Others	16	17	20	20	19	18
All households	16	17	20	20	19	17
<b>Quintile group</b>						
Top 20 per cent	19	21	25	24	23	22
21-40 per cent	16	18	21	22	20	19
41-60 per cent	15	16	19	19	18	16
61-80 per cent	11	11	12	11	11	9
81-100 per cent	1	1	1	1	1	—

### Percentage distribution of direct taxes by household type and by quintile groups of original income, 1973-1978

TABLE O

	Percentages					
	1973	1974	1975	1976	1977	1978
<b>Household type<sup>1</sup></b>						
1-2 adults retired	4	3	3	3	4	4
1-2 adults non-retired	35	36	34	36	35	36
2 adults 1-4 children	30	30	30	29	29	28
Others	31	31	32	33	32	32
All households	100	100	100	100	100	100
<b>Quintile group</b>						
Top 20 per cent	50	49	49	50	49	50
21-40 per cent	25	26	26	27	26	26
41-60 per cent	17	17	17	17	17	17
61-80 per cent	8	8	7	7	7	6
81-100 per cent	—	—	—	—	—	—
All households	100	100	100	100	100	100

<sup>1</sup> Adjusted for sample variation.

At the time that child benefit was introduced, in 1977, child tax allowances began to be phased out. These allowances were still at significant levels in 1978 however, and it is not possible to disentangle the effect of this fall from the other factors when interpreting Tables N and O.

Direct taxes were the most important of the redistributive factors in reducing the share of original incomes of the higher quintile groups. However, the impact of changes in direct taxes on the distribution of shares of final income was limited because of the smaller relative importance of direct taxes, compared with original income, in their final incomes.

### Disposable income

The size of a household's original income is determined to a large extent by the number of workers in it. Households with no workers, which are mainly retired households but include also a number of one-parent families, have little or no original income. Their income is derived largely from cash benefits from the state. Similarly, the main source of income for the sick, the unemployed and the very poor is state benefits. For the rest of the population, original income is substantial, and it is reduced much more by taxes than it is increased by benefits. The resulting disposable income, i.e. income available for spending after direct taxes and cash benefits, is more evenly distributed than original income. Table P shows how disposable income is distributed, which can be compared with the distribution of original income in Table J. The comparison would show for example, that, amongst household types, the most noticeable difference is that retired households, who receive on average large amounts of cash benefits and who pay comparatively little in direct taxes, had a more than doubled share of income, the shares of the other household types all being lower after redistribution. Amongst the quintile groups, the two lowest groups had increased their share of income at the expense of the two highest groups.

### Percentage distribution of disposable income by household type and by quintile groups of original income, 1973-1978

TABLE P

	Percentages						Percentage of people 1978
	1973	1974	1975	1976	1977	1978	
<b>Household type<sup>1</sup></b>							
1-2 adults retired	8	9	9	10	10	10	11
1-2 adults non-retired	29	29	29	29	29	30	20
2 adults 1-4 children	31	31	30	29	29	28	37
Others	32	31	32	32	31	32	32
All households	100	100	100	100	100	100	100
<b>Quintile group</b>							
Top 20 per cent	39	38	37	38	37	37	26
21-40 per cent	24	24	24	24	24	24	23
41-60 per cent	18	18	18	18	18	18	22
61-80 per cent	13	13	13	13	13	13	17
81-100 per cent	7	7	7	8	8	8	13
All households	100	100	100	100	100	100	100

<sup>1</sup> Adjusted for sample variation.

The distribution of disposable income has remained remarkably stable over the period 1973 to 1978, the only significant movements being a rise in the share received by retired households and a fall in that of households with children, both associated with the demographic changes shown in Table I. As noted above it is difficult to relate this distribution directly to relative needs which tend to vary by household size and composition. However, some indication is obtainable from Table P, which shows the proportion of individuals in each group of households; thus the lowest 20 per cent of households contain 13 per cent of individuals compared with the 26 per cent in the top 20 per cent.

### Subsidies

While allocated subsidies are not a large proportion of total benefits to households – about 7 per cent in 1978 – they varied appreciably from year to year in the period 1973 to 1978. The peak in 1974-75 was due to the government's anti-inflation policy. Rents were frozen, thereby increasing housing subsidies. Nationalised industries had their prices restrained and the consequent shortfall in revenue was made up by the Government. Food subsidies were introduced. In 1973 housing subsidies, including rent rebates and allowances, were 90 per cent of allocated subsidies; this had fallen to 61 per cent in 1975 but has since returned to 88 per cent in 1978. Excluding rent rebates and allowances, the subsidy to the local authority housing revenue account fell from 60 per cent of allocated subsidies in 1973 to 48 per cent in 1975 but accounted for 68 per cent in 1978. The effects of the increases in subsidies are evident from Table Q, which expresses subsidies as a percentage of disposable income. This table suggests that total subsidies went predominantly to retired households and other low income groups, although the benefits from food subsidies introduced in 1974 were spread throughout the income distribution, with larger households receiving more than smaller ones.

### Subsidies as a percentage of disposable income by household type and by quintile groups of original income, 1973-1978

TABLE Q

	Percentages					
	1973	1974	1975	1976	1977	1978
<b>Household type</b>						
1-2 adults retired	6	7	9	8	8	7
1-2 adults non-retired	1	2	3	3	3	2
2 adults 1-4 children	1	3	3	2	3	2
Others	2	3	5	3	3	2
All households	2	3	4	4	3	3
<b>Quintile group</b>						
Top 20 per cent	1	2	2	2	1	1
21-40 per cent	1	3	3	2	2	2
41-60 per cent	2	3	4	4	3	3
61-80 per cent	3	5	6	5	5	5
81-100 per cent	10	11	13	13	13	12

This pattern is clearer from Table R, which shows the proportions of subsidies received by different types of household groups. Housing subsidies are primarily of benefit to poor households, which are mainly retired households. The fall in the proportion of housing subsidies in total subsidies between 1973 and 1975 thus led to a fall in the proportion of subsidies received by those households. The gradual phasing out of food subsidies from their peak in 1975, and the continued strong growth of housing subsidies, re-established the 1973 pattern by 1978.

### Percentage distribution of subsidies by household type and by quintile groups of original income, 1973-1978

TABLE R

	Percentages					
	1973	1974	1975	1976	1977	1978
Household type <sup>1</sup>						
1-2 adults retired	28	20	20	23	25	28
1-2 adults non-retired	23	24	25	25	25	24
2 adults 1-4 children	23	28	25	24	24	22
Others	26	28	30	29	27	26
All households	100	100	100	100	100	100
Quintile group						
Top 20 per cent	12	18	19	17	15	14
21-40 per cent	15	19	17	16	15	14
41-60 per cent	19	19	19	20	17	18
61-80 per cent	19	20	20	19	22	20
81-100 per cent	35	24	25	28	31	34
All households	100	100	100	100	100	100

<sup>1</sup> Adjusted for sample variation.

Compared with original incomes in the higher quintile groups and cash benefits in the lowest quintile group, subsidies were too small for changes in them to have had a great impact on the distribution of shares of final income amongst quintile groups.

### Indirect taxes

Indirect taxes are taxes on households' expenditure on a variety of the items that they buy. Some of the taxes, such as duty on tobacco products, fall on individual items and others, such as VAT, affect a wide range of goods and services. Since the growth in total indirect taxes closely followed the movement in the general index of retail prices and the weight of the individual taxes in the total also remained fairly constant, they formed a constant proportion of total expenditure and thus of disposable income. As Table S shows, there were no significant changes in the proportion of disposable income taken in indirect taxes either across the income distribution or for different household types. Thus changes in the distribution of indirect taxes for the different groups, shown in Table T, follow those in disposable income itself. For this reason, changes in indirect taxes had very little impact on changes in the distribution of shares of final income during the period.

### Indirect taxes as a percentage of disposable income by household type and by quintile groups of original income, 1973-1978

TABLE S

	Percentages					
	1973	1974	1975	1976	1977	1978
Household type						
1-2 adults retired	19	19	18	20	19	18
1-2 adults non-retired	20	20	20	21	21	20
2 adults 1-4 children	20	20	21	21	21	20
Others	21	21	22	21	22	21
All households	20	20	21	21	21	20
Quintile group						
Top 20 per cent	18	18	19	19	19	19
21-40 per cent	20	21	21	22	22	21
41-60 per cent	22	22	22	23	23	22
61-80 per cent	23	23	23	22	23	22
81-100 per cent	21	21	20	21	21	20

### Percentage distribution of indirect taxes by household type and by quintile groups of original income, 1973-1978

TABLE T

	Percentages					
	1973	1974	1975	1976	1977	1978
Household type <sup>1</sup>						
1-2 adults retired	8	8	8	9	9	9
1-2 adults non-retired	29	29	28	29	29	30
2 adults 1-4 children	31	31	30	29	29	28
Others	32	32	33	33	33	33
All households	100	100	100	100	100	100
Quintile group						
Top 20 per cent	35	34	35	34	34	34
21-40 per cent	24	25	24	25	25	25
41-60 per cent	20	20	19	20	20	19
61-80 per cent	14	14	14	14	14	14
81-100 per cent	7	7	7	7	7	7
All households	100	100	100	100	100	100

<sup>1</sup> Adjusted for sample variation.

### Benefits in kind

The principal two benefits which were allocated to households are current expenditure on health and education. Spending on health rose faster than that on education, a contributory factor being the rise in the proportion of elderly people in the population relative to the number of children of school age. The allocation of these benefits depends principally on the size and composition of each household, that is the number of members in different age groups. Thus the changes from year to year shown in Table U were determined to a large extent by the rise in the elderly population and the fall in the number of households with children. Thus 11 per cent of benefits in kind went to retired households in 1978 compared with 8 per cent in 1973; and 38 per cent to households with children in 1978 compared with 40 per cent in 1973.

Compared with original incomes in the higher quintile groups and cash benefits in the lowest quintile group, benefits in kind were not large enough for changes in them to have had a great impact on the distribution of shares of final income amongst quintile groups.

### Percentage distribution of direct benefits in kind by household type and quintile groups of original income, 1973-1978

TABLE U

	Percentages					
	1973	1974	1975	1976	1977	1978
Household type <sup>1</sup>						
1-2 adults retired	8	8	9	10	10	11
1-2 adults non-retired	13	12	11	13	12	13
2 adults 1-4 children	40	39	41	40	38	38
Others	39	41	39	38	39	38
All households	100	100	100	100	100	100
Quintile group						
Top 20 per cent	25	25	25	24	26	25
21-40 per cent	23	24	23	23	22	23
41-60 per cent	21	22	22	22	21	21
61-80 per cent	17	17	18	17	17	17
81-100 per cent	13	12	12	14	13	15
All households	100	100	100	100	100	100

<sup>1</sup> Adjusted for sample variation.

### Conclusion

The distribution of percentage shares of final income between quintile groups of households ranked by original incomes remained broadly the same during the period. This was so despite significant changes in government expenditure and fiscal policies and also despite demographic changes. There were mainly two reasons for this stability. First, the underlying distribution of shares of original income itself changed little over the period. Second, changes in the other, redistributive components of final income such as retirement pensions tend to offset the impact of demographic changes, and often changes in the components themselves have offset one another. However, without the tax-benefit-subsidy system the distribution of income and of welfare would have been much more unequal than it was.

*Central Statistical Office*

## APPENDIX 1

### Methodology and Definitions

#### The allocation of government expenditure and its financing

There are considerable difficulties in moving from the aggregates of government expenditure and financing published in the *National Income and Expenditure Blue Book* 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.

#### Family Expenditure Survey

The estimates in this article are based mainly on data derived from the 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 1978*. 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 1978 was 7,001, compared with 7,198 in 1977.

#### 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 effects 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

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. By 1978 these subsidies had been largely phased out, leaving only a subsidy on butter.

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 1978.

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.

Since the responsibility for the sewerage service was transferred from local authorities in England and Wales to the regional water authorities in 1974, there has been a gradual shift in collection of sewerage rates from local authorities, who continued in many cases to collect this portion of the rates on behalf of the water authorities, to the water authorities themselves. During this period we therefore continued to include the sewerage rates in the total with general local authority rates. Although we could now separate them, we have decided to continue this practice to preserve the continuity of this series, although we may review this in the future. 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.
- National insurance surcharge

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.

In conclusion 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).

#### **Previous articles**

This article is the latest in an annual series. Earlier articles covering the years 1957 to 1977 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, February 1978 and January 1979. 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 1978 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 01-233-7644.



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General government expenditure<sup>1</sup> in 1973 and 1978

TABLE 1

	1973		1978	
	£ million	Percentage of total expenditure	£ million	Percentage of total expenditure
<b>Allocated expenditure</b>				
Allocated cash benefits and subsidies <sup>2</sup>				
Benefits in cash .. .. .	5,310	17.4	15,240	21.4
Subsidies				
Housing (including rent rebates and allowances) .. .. .	570	1.9	2,120	3.0
Food .. .. .	—	—	20	—
Rail travel .. .. .	60	0.2	270	0.4
Allocated benefits in kind				
Health services .. .. .	2,640	8.6	7,170	10.1
Education .. .. .	3,290	10.8	8,030	11.3
School meals, milk, welfare foods .. .. .	200	0.7	460	0.6
	12,070	39.6	33,320	46.6
<b>Unallocated expenditure</b>				
Other current expenditure on social, environmental and protective services				
Social services				
Social security benefits				
Administration .. .. .	270	0.9	730	1.0
Personal social services .. .. .	430	1.4	1,320	1.9
Other .. .. .	20	0.1	30	—
Environmental services				
Housing .. .. .	80	0.3	230	0.3
Water, sewerage, land drainage, and public health .. .. .	340	1.1	660	0.9
Parks, etc. .. .. .	130	0.4	370	0.5
Miscellaneous local authority services .. .. .	250	0.8	670	0.9
Libraries, museums, and arts .. .. .	140	0.5	360	0.5
Protective services				
Police .. .. .	530	1.7	1,290	1.8
Parliaments, courts and prisons .. .. .	240	0.8	680	1.0
Fire services .. .. .	110	0.4	280	0.4
	2,540	8.4	6,630	9.2
Capital expenditure on social, environmental and protective services				
Social services .. .. .	1,040	3.4	1,100	1.5
Environmental services				
Housing .. .. .	1,680	5.5	2,720	3.8
Other .. .. .	770	2.5	830	1.2
Protective services .. .. .	70	0.2	120	0.2
	3,560	11.7	4,770	6.7
Other current expenditure				
Defence and external relations .. .. .	3,840	12.6	9,250	13.0
Roads, transport and communications .. .. .	670	2.2	1,550	2.2
Industry, trade, agriculture, research and employment .. .. .	1,430	4.7	2,760	3.9
Other .. .. .	550	1.8	1,300	1.8
	6,490	21.3	14,860	20.8
Other capital expenditure .. .. .	2,650	8.7	3,440	4.8
Debt interest .. .. .	2,740	9.0	7,300	10.2
Non-trading capital consumption .. .. .	450	1.5	1,040	1.5
<b>Total expenditure</b> .. .. .	<b>30,500</b>	<b>100.0</b>	<b>71,350</b>	<b>100.0</b>

<sup>1</sup> 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.

<sup>2</sup> Including benefits to people not living in private households.

Financing of general government<sup>1</sup> expenditure in 1973 and 1978

TABLE 2

	1973		1978	
	£ million	Percentage of total financing	£ million	Percentage of total financing
<b>Allocated financing</b>				
Allocated taxes <sup>2</sup>				
Direct taxes				
Income and surtax	7,480	24.5	18,640	26.1
Employees' and self-employed NI contributions	1,880	6.2	3,970	5.6
Indirect taxes				
On final goods and services	6,940	22.7	13,940	19.5
On intermediate goods and services	2,080	6.8	5,790	8.1
	<u>18,380</u>	<u>60.3</u>	<u>42,330</u>	<u>59.3</u>
<b>Unallocated financing</b>				
Unallocated taxes				
Corporation tax, etc.	1,790	5.9	3,680	5.2
Taxes on expenditure not allocated to consumers' expenditure	1,930	6.3	6,090	8.5
Employers' NI contributions not allocated to consumers' expenditure	1,230	4.0	3,480	4.9
Taxes on capital	880	2.9	900	1.3
	<u>5,830</u>	<u>19.1</u>	<u>14,150</u>	<u>19.8</u>
Other receipts <sup>3</sup>	2,610	8.6	5,840	8.2
Government borrowing requirement	3,680	12.1	9,030	12.7
<b>Total financing</b>	<u>30,500</u>	<u>100.0</u>	<u>71,350</u>	<u>100.0</u>

<sup>1</sup> See footnote 1 of Table 1.<sup>2</sup> Including taxes paid by people not living in private households.<sup>3</sup> Receipts of rent, interest, dividends, trading income and miscellaneous transactions (net).Source: *National Income and Expenditure 1968-78*, Table 9.1

## Average incomes, taxes and benefits, 1973 and 1978

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	
<b>1978</b>	156	886	2,290	3,532	4,516	5,418	6,431	7,619	9,607		
<i>(i) All households</i>											
Number of households in the sample	700	700	700	700	700	700	700	700	700	701	7,001
Original income	23	461	1,559	2,964	4,050	4,987	5,904	7,014	8,514	12,766	4,825
Direct benefits in cash											
Family allowance/child benefit	40	25	50	70	96	114	107	103	97	94	80
Pensions	947	1,074	869	364	223	159	128	91	91	78	402
Unemployment/sickness/injury benefit	36	40	111	88	59	59	41	40	45	39	56
Other direct benefits	535	248	154	80	88	59	48	46	39	30	133
Original income and cash benefits	1,581	1,848	2,744	3,585	4,516	5,377	6,229	7,294	8,786	13,007	5,496
Direct taxes	—1	14	148	417	718	904	1,139	1,371	1,801	2,958	947
Disposable income	1,582	1,835	2,596	3,148	3,798	4,474	5,091	5,923	6,985	10,049	4,549
Subsidies	252	163	125	121	100	88	82	84	82	82	122
Indirect taxes	324	366	575	714	832	963	1,063	1,217	1,388	1,779	922
Income after all taxes and transfers	1,509	1,632	2,146	2,555	3,087	3,611	4,115	4,788	5,682	8,352	3,748
Direct benefits in kind											
Education	190	121	205	227	324	372	397	403	416	471	313
National Health Service	294	318	323	295	312	327	324	321	334	375	322
Welfare foods	28	15	21	22	25	26	26	21	21	21	23
Income after all taxes and benefits	2,021	2,086	2,696	3,099	3,747	4,337	4,862	5,533	6,452	9,219	4,406
<b>1973</b>	98	533	1,272	1,756	2,139	2,528	2,937	3,473	4,408		
<i>(i) All households</i>											
Number of households in the sample	713	712	713	712	713	713	712	713	712	713	7,126
Original income	19	283	907	1,539	1,951	2,345	2,728	3,193	3,889	6,238	2,309
Direct benefits in cash											
Family allowance	7	4	12	20	25	27	29	26	24	21	19
Pensions	421	472	313	129	88	63	57	48	38	47	168
Unemployment/sickness/injury benefit	8	20	41	38	25	24	15	14	16	14	22
Other direct benefits	178	54	36	31	12	24	15	8	7	7	37
Original income and cash benefits	633	833	1,308	1,757	2,101	2,483	2,843	3,290	3,975	6,326	2,555
Direct taxes	—	11	102	220	292	376	457	543	711	1,276	399
Disposable income	633	822	1,206	1,536	1,809	2,107	2,386	2,747	3,264	5,050	2,156
Subsidies	94	48	38	37	38	34	34	25	25	23	40
Indirect taxes	130	172	268	351	399	445	503	532	632	875	431
Income after all taxes and transfers	597	698	977	1,222	1,447	1,700	1,917	2,240	2,657	4,197	1,765
Direct benefits in kind											
Education	66	74	105	129	140	171	189	193	192	239	150
National Health Service	107	119	115	121	125	130	128	123	122	134	122
Welfare foods	7	5	8	10	8	11	11	10	10	8	9
Income after all taxes and benefits	777	896	1,204	1,482	1,719	2,012	2,246	2,566	2,981	4,579	2,046

## Average incomes, taxes and benefits, 1973 and 1978

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	
<b>1978</b>											
Deciles . . . . .	—	—	13	95	273	359	546	884	1,626		
<b>(i) 1 Adult retired</b>											
Number of households in sample . . . . .	84	84	85	84	84	84	84	85	84	84	842
Original income . . . . .	—	—	2	46	159	284	441	587	1,225	3,131	597
Direct benefits in cash											
Retirement and old age pension . . . . .	870		865	842	895	899	874	907	864	785	867
Other pensions . . . . .	26		61	36	25	22	52	45	37	37	37
Supplementary benefits . . . . .	363		336	303	123	107	72	17	12	3	170
Other direct benefits . . . . .	42		26	44	9	23	42	21	12	15	28
Original income and cash benefits . . . . .	1,301		1,291	1,271	1,211	1,334	1,480	1,677	2,150	3,972	1,698
Direct taxes . . . . .	—		—	2	4	12	20	37	160	729	96
Disposable income . . . . .	1,301		1,292	1,269	1,207	1,322	1,461	1,640	1,990	3,243	1,602
Subsidies . . . . .	188		230	242	184	170	167	59	94	26	155
Indirect taxes . . . . .	222		238	217	199	236	263	260	376	511	274
Income after all taxes and transfers . . . . .	1,266		1,284	1,295	1,191	1,257	1,365	1,439	1,707	2,758	1,483
Direct benefits in kind											
National Health Service . . . . .	236		232	233	236	234	230	239	223	224	232
Income after all taxes and benefits . . . . .	1,503		1,516	1,527	1,427	1,491	1,595	1,678	1,931	2,982	1,715
<b>1973</b>											
Deciles . . . . .	—	—	3	39	89	157	234	388	663		
<b>(i) 1 Adult retired</b>											
Number of households in the sample . . . . .	80	80	81	80	80	80	80	81	80	80	802
Original income . . . . .	—	—	17	17	65	125	194	299	522	1,643	286
Direct benefits in cash											
Retirement and old age pension . . . . .	332		362	362	362	367	362	355	343	357	350
Other pensions . . . . .	30		15	8	9	9	10	20	43	14	21
Supplementary benefits . . . . .	136		122	87	49	35	35	11	1	—	71
Other direct benefits . . . . .	15		3	2	2	3	3	6	5	8	7
Original income and cash benefits . . . . .	513		519	524	524	553	604	692	913	2,022	736
Direct taxes . . . . .	—		1	1	2	2	4	13	63	399	48
Disposable income . . . . .	513		518	524	524	551	600	679	850	1,623	688
Subsidies . . . . .	101		106	44	44	50	42	40	33	6	63
Indirect taxes . . . . .	94		101	96	101	101	128	131	149	251	124
Income after all taxes and transfers . . . . .	520		523	472	500	514	588	733	1,378	1,378	626
Direct benefits in kind											
National Health Service . . . . .	86		88	84	88	88	85	87	85	87	86
Income after all taxes and benefits . . . . .	606		611	556	588	599	675	818	1,466	1,466	713

## Average incomes, taxes and benefits, 1973 and 1978

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	
<b>1978</b>	Deciles .. .. .	354	1,253	1,965	2,507	3,045	3,455	3,976	4,755	5,872		
<b>(iii) 1 Adult non-retired</b>												
Number of households in the sample .. .. .		60	61	60	61	60	61	60	61	60	61	604
Original income .. .. .		57	800	1,638	2,206	2,767	3,280	3,696	4,364	5,299	7,786	3,188
Direct benefits in cash .. .. .												
Family allowance/child benefit .. .. .		1	2	2	2	2	2	4	4	—	1	1
Pensions .. .. .		407	620	402	198	96	99	130	30	80	53	212
Unemployment/sickness/injury benefit .. .. .		16	96	44	51	28	18	13	27	1	5	30
Other direct benefits .. .. .		591	90	89	34	12	1	7	5	2	17	84
Original income and cash benefits .. .. .		1,071	1,607	2,172	2,489	2,905	3,400	3,846	4,429	5,381	7,862	3,515
Direct taxes .. .. .		.3	57	242	348	544	790	872	986	1,373	1,958	717
Disposable income .. .. .		1,068	1,550	1,930	2,141	2,361	2,610	2,974	3,443	4,008	5,904	2,798
Subsidies .. .. .		237	126	157	100	51	75	90	124	34	30	102
Indirect taxes .. .. .		278	374	400	547	616	596	649	708	783	1,014	596
Income after all taxes and transfers .. .. .		1,026	1,302	1,687	1,694	1,797	2,089	2,415	2,859	3,259	4,919	2,304
Direct benefits in kind .. .. .												
Education .. .. .		431	135	60	17	60	—	—	3	—8	—	70
National Health Service .. .. .		114	157	145	135	124	123	122	111	119	102	125
Income after all taxes and benefits .. .. .		1,571	1,595	1,892	1,846	1,981	2,212	2,537	2,973	3,370	5,021	2,499
<b>1973</b>	Deciles .. .. .	304	561	895	1,165	1,363	1,584	1,799	2,080	2,575		
<b>(iii) 1 Adult non-retired</b>												
Number of households in the sample .. .. .		55	55	54	55	55	55	55	54	55	55	548
Original income .. .. .		119	445	741	1,055	1,269	1,479	1,701	1,950	2,356	3,889	1,501
Direct benefits in cash .. .. .												
Family allowance .. .. .		—	—	—	—	—	1	—	—	—	—	—
Pensions .. .. .		240	250	192	60	90	66	15	18	22	34	99
Unemployment/sickness/injury benefit .. .. .		13	13	9	19	7	3	7	1	1	2	8
Other direct benefits .. .. .		115	14	9	11	1	4	21	—	1	—	18
Original income and cash benefits .. .. .		487	721	951	1,144	1,367	1,552	1,744	1,970	2,379	3,974	1,624
Direct taxes .. .. .		36	36	99	172	206	282	339	379	522	958	300
Disposable income .. .. .		487	685	852	972	1,160	1,270	1,406	1,590	1,857	2,966	1,325
Subsidies .. .. .		52	37	27	26	28	23	15	27	8	13	26
Indirect taxes .. .. .		122	156	183	225	260	265	291	351	351	463	267
Income after all taxes and transfers .. .. .		417	566	696	773	929	1,029	1,130	1,266	1,514	2,516	1,084
Direct benefits in kind .. .. .												
Education .. .. .		287	97	29	—	21	—	—	—	29	—	46
National Health Service .. .. .		50	56	50	44	44	42	40	38	41	42	45
Income after all taxes and benefits .. .. .		754	719	775	817	993	1,070	1,170	1,304	1,583	2,558	1,175

## Average incomes, taxes and benefits, 1973 and 1978

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		
<b>1978</b>												
Deciles . . . . .	—	110	268	439	670	956	1,405	2,044	3,188			
<b>(iv) 2 adults retired</b>												
Number of households in sample . . . . .	67	67	67	66	67	66	67	66	67	66	67	667
Original income . . . . .	—	40	187	361	546	807	1,152	1,676	2,514	5,469	1,277	
Direct benefits in cash												
Retirement and old age pension . . . . .	1,371	1,519	1,460	1,494	1,510	1,410	1,397	1,361	1,447	1,408	1,438	
Other pensions . . . . .	206	70	95	99	39	71	136	137	71	29	95	
Supplementary benefits . . . . .	276	239	74	67	43	10	31	22	11	—	77	
Other direct benefits . . . . .	92	52	93	62	144	149	83	96	22	64	86	
Original income and cash benefits . . . . .	1,945	1,921	1,908	2,082	2,281	2,447	2,798	3,292	4,065	6,970	2,973	
Direct taxes . . . . .	—	2	2	6	14	41	93	232	416	1,440	225	
Disposable income . . . . .	1,945	1,918	1,906	2,076	2,267	2,406	2,705	3,059	3,649	5,530	2,747	
Subsidies . . . . .	322	320	303	171	76	170	50	63	65	8	155	
Indirect taxes . . . . .	375	428	407	440	425	471	568	631	674	861	528	
Income after all taxes and transfers . . . . .	1,891	1,810	1,803	1,807	1,917	2,104	2,187	2,491	3,040	4,678	2,374	
Direct benefits in kind												
National Health Service . . . . .	435	448	437	455	452	438	444	419	430	437	439	
Income after all taxes and benefits . . . . .	2,326	2,258	2,240	2,262	2,369	2,542	2,631	2,910	3,470	5,114	2,813	
<b>1973</b>												
Deciles . . . . .	—	31	100	187	261	378	547	827	1,688			
<b>(iv) 2 adults retired</b>												
Number of households in the sample . . . . .	60	59	59	59	59	59	59	59	59	59	591	
Original income . . . . .	—	7	66	146	219	312	457	671	1,144	3,296	631	
Direct benefits in cash												
Retirement and old age pension . . . . .	555	634	631	609	613	625	613	613	571	496	596	
Other pensions . . . . .	59	39	40	38	92	28	60	38	56	17	47	
Supplementary benefits . . . . .	153	118	70	36	28	11	9	9	4	—	43	
Other direct benefits . . . . .	16	3	8	1	—	19	6	13	15	4	9	
Original income and cash benefits . . . . .	782	802	815	830	952	995	1,139	1,345	1,790	3,812	1,325	
Direct taxes . . . . .	—	—	—	3	2	8	27	67	189	861	116	
Disposable income . . . . .	782	801	815	828	950	987	1,112	1,278	1,601	2,951	1,210	
Subsidies . . . . .	118	93	85	67	21	40	42	13	17	—	50	
Indirect taxes . . . . .	175	159	164	176	204	205	229	242	303	508	237	
Income after all taxes and transfers . . . . .	726	735	736	718	767	821	925	1,049	1,315	2,443	1,023	
Direct benefits in kind												
Education . . . . .	—	—	—	19	—	—	—	—	—	19	4	
National Health Service . . . . .	159	164	166	162	166	163	162	162	156	155	162	
Welfare foods . . . . .	1	—	—	1	—	—	—	—	—	—	—	
Income after all taxes and benefits . . . . .	885	899	902	900	933	985	1,087	1,211	1,471	2,617	1,189	

**Average incomes, taxes and benefits, 1973 and 1978**

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	
<b>1978</b>	Deciles .. .. .	2,108	3,291	4,134	4,850	5,537	6,280	7,133	8,050	9,807		
(v)	<b>2 adults non-retired</b>											
	Number of households in the sample .. .. .	157	157	158	157	157	157	157	158	157	157	1,572
	Original income .. .. .	1,064	2,774	3,714	4,518	5,215	5,931	6,695	7,555	8,797	12,885	5,914
	Direct benefits in cash .. .. .	2	2	1	1	1	1	1	1	1	2	1
	Family allowance/child benefit .. .. .	989	483	271	212	124	98	42	58	45	88	241
	Pensions .. .. .	170	102	60	49	47	38	35	22	26	20	57
	Unemployment/sickness/injury benefit .. .. .	232	84	40	16	16	35	6	21	6	16	47
	Other direct benefits .. .. .											
	Original income and cash benefits .. .. .	2,457	3,445	4,086	4,794	5,404	6,101	6,780	7,657	8,874	13,011	6,260
	Direct taxes .. .. .	42	385	646	871	982	1,200	1,363	1,645	1,988	3,321	1,244
	Disposable income .. .. .	2,415	3,060	3,440	3,924	4,422	4,901	5,417	6,011	6,886	9,690	5,016
	Subsidies .. .. .	200	123	100	115	95	80	99	35	51	57	96
	Indirect taxes .. .. .	574	746	761	897	980	1,007	1,141	1,151	1,245	1,607	1,011
	Income after all taxes and transfers .. .. .	2,041	2,437	2,779	3,142	3,537	3,974	4,376	4,895	5,691	8,140	4,101
	Direct benefits in kind .. .. .											
	Education .. .. .	210	129	66	93	64	—	28	—	49	—	64
	National Health Service .. .. .	324	287	264	262	252	239	232	230	231	243	256
	Welfare foods .. .. .	1	—	—	—	—	—	—	—	—	—	—
	Income after all taxes and benefits .. .. .	2,576	2,852	3,109	3,497	3,852	4,213	4,637	5,125	5,971	8,383	4,421
<b>1973</b>	Deciles .. .. .	899	1,428	1,738	2,035	2,380	2,714	3,085	3,517	4,243		
(v)	<b>2 adults non-retired</b>											
	Number of households in the sample .. .. .	167	166	166	166	166	166	166	166	166	166	1,661
	Original income .. .. .	480	1,182	1,580	1,892	2,215	2,550	2,911	3,275	3,837	6,422	2,633
	Direct benefits in cash .. .. .	461	222	131	115	64	63	37	23	27	27	117
	Pensions .. .. .	60	39	26	23	25	14	11	11	11	7	23
	Unemployment/sickness/injury benefit .. .. .	63	16	16	10	7	5	2	3	1	4	13
	Other direct benefits .. .. .											
	Original income and cash benefits .. .. .	1,064	1,458	1,754	2,040	2,311	2,633	2,961	3,312	3,875	6,459	2,786
	Direct taxes .. .. .	24	150	256	310	395	507	531	603	774	1,486	503
	Disposable income .. .. .	1,041	1,308	1,497	1,730	1,916	2,126	2,430	2,709	3,101	4,973	2,282
	Subsidies .. .. .	64	36	32	39	39	32	28	14	12	12	31
	Indirect taxes .. .. .	234	306	352	410	434	462	495	499	583	733	451
	Income after all taxes and transfers .. .. .	871	1,038	1,177	1,359	1,522	1,696	1,963	2,223	2,530	4,252	1,862
	Direct benefits in kind .. .. .											
	Education .. .. .	158	83	50	27	9	2	7	—	7	7	35
	National Health Service .. .. .	125	106	109	97	92	89	83	78	77	84	94
	Income after all taxes and benefits .. .. .	1,154	1,227	1,337	1,484	1,622	1,787	2,052	2,302	2,614	4,343	1,992



## Average incomes, taxes and benefits, 1973 and 1978

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	
<b>1978</b>	2,689	3,716	4,276	4,842	5,356	5,872	6,571	7,497	9,019		
(vi) 2 adults, 1-4 children	179	179	179	179	179	179	179	179	179	180	1,791
Number of households in the sample	1,423	3,256	4,021	4,572	5,102	5,598	6,202	7,006	8,161	11,840	5,721
Original income	222	175	180	190	213	212	194	205	208	218	202
Direct benefits in cash	340	39	19	28	19	7	4	9	8	—	47
Family allowance/child benefit	383	89	57	40	45	21	24	15	21	14	71
Pensions	491	102	100	55	42	30	36	36	23	15	93
Unemployment/sickness/injury benefit	2,860	3,662	4,376	4,885	5,421	5,867	6,460	7,271	8,422	12,087	6,134
Other direct benefits	—	26	643	725	890	1,058	1,180	1,353	1,756	2,632	1,055
Original income and cash benefits	2,886	3,333	3,733	4,160	4,531	4,809	5,280	5,918	6,666	9,454	5,079
Direct taxes	202	192	122	93	123	81	76	69	41	39	104
Disposable income	710	775	861	930	971	1,010	1,017	1,116	1,291	1,439	1,012
Subsidies	2,377	2,750	2,994	3,323	3,683	3,860	4,338	4,871	5,416	8,054	4,171
Indirect taxes	650	450	515	496	542	606	609	559	598	657	568
Income after all taxes and transfers	393	368	363	365	369	365	353	362	357	357	365
Direct benefits in kind	98	40	43	40	43	49	43	41	49	47	49
Education	3,518	3,608	3,915	4,224	4,636	4,900	5,344	5,834	6,419	9,116	5,154
National Health Service	1,489	1,840	2,054	2,295	2,511	2,721	3,022	3,403	4,146		
Welfare foods	195	195	195	194	195	195	194	195	195	195	1,948
Income after all taxes and benefits	1,002	1,684	1,952	2,174	2,405	2,608	2,855	3,196	3,740	5,826	2,745
<b>1973</b>	1,489	1,840	2,054	2,295	2,511	2,721	3,022	3,403	4,146		
(vi) 2 adults, 1-4 children	195	195	195	194	195	195	194	195	195	195	1,948
Number of households in the sample	1,002	1,684	1,952	2,174	2,405	2,608	2,855	3,196	3,740	5,826	2,745
Original income	47	41	46	44	42	42	49	45	44	52	45
Direct benefits in cash	114	16	4	7	9	14	4	6	2	—	18
Family allowance	126	45	27	20	18	13	7	6	12	3	28
Pensions	67	26	9	18	9	12	8	7	4	2	16
Unemployment/sickness/injury benefit	1,357	1,812	2,038	2,263	2,483	2,689	2,922	3,260	3,802	5,883	2,851
Other direct benefits	183	263	297	297	360	394	468	533	649	1,082	431
Original income and cash benefits	1,729	1,629	1,775	1,965	2,124	2,296	2,455	2,727	3,154	4,801	2,421
Direct taxes	61	44	37	44	38	26	27	25	16	9	33
Disposable income	364	372	398	422	445	447	512	506	559	776	480
Subsidies	977	1,301	1,414	1,588	1,717	1,874	1,969	2,246	2,610	4,033	1,973
Indirect taxes	267	204	208	205	229	225	253	262	270	257	238
Income after all taxes and transfers	158	151	152	145	150	143	146	139	132	128	144
Direct benefits in kind	28	15	13	15	15	16	19	18	19	17	17
Education	1,430	1,670	1,788	1,953	2,112	2,257	2,388	2,665	3,031	4,436	2,373
National Health Service	195	195	195	194	195	195	194	195	195	195	1,948
Welfare foods	1,002	1,684	1,952	2,174	2,405	2,608	2,855	3,196	3,740	5,826	2,745
Income after all taxes and benefits	1,489	1,840	2,054	2,295	2,511	2,721	3,022	3,403	4,146		

## Average incomes, taxes and benefits, 1973 and 1978

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		
1978	1,234	3,387	4,965	6,090	7,000	7,939	9,109	10,280	12,420			
(vi) Other households												
Number of households in the sample	152	153	152	153	152	153	152	153	152	153	152	1,525
Original income	329	2,378	4,241	5,517	6,558	7,460	8,485	9,670	11,287	15,904		7,186
Direct benefits in cash												
Family allowance/child benefit	238	163	145	120	113	112	87	102	96	86		126
Pensions	500	631	489	368	324	143	147	143	89	70		290
Unemployment/sickness/injury benefit	64	138	156	134	88	78	77	69	56	55		92
Other direct benefits	1,292	355	247	188	126	71	83	35	53	39		249
Original income and cash benefits	2,422	3,666	5,279	6,327	7,208	7,864	8,879	10,019	11,581	16,153		7,943
Direct taxes	10	239	629	881	1,078	1,375	1,694	1,907	2,431	3,656		1,391
Disposable income	2,412	3,427	4,650	5,445	6,130	6,489	7,185	8,113	9,150	12,497		6,552
Subsidies	221	200	147	120	132	138	147	132	122	98		146
Indirect taxes	560	799	1,005	1,228	1,412	1,495	1,558	1,730	1,856	2,193		1,384
Income after all taxes and transfers	2,073	2,828	3,792	4,338	4,850	5,131	5,773	6,515	7,416	10,401		5,313
Direct benefits in kind												
Education	962	621	659	731	656	676	523	643	627	651		675
National Health Service	388	400	436	425	418	389	409	434	421	459		416
Welfare foods	155	80	50	37	32	18	22	22	21	17		45
Income after all taxes and benefits	3,557	3,928	4,937	5,530	5,957	6,214	6,727	7,614	8,485	11,529		6,449
1973												
Deciles	947	1,760	2,340	2,784	3,167	3,595	4,035	4,793	5,867			
(vi) Other households												
Number of households in the sample	158	157	158	157	158	158	157	158	157	158		1,576
Original income	325	1,389	2,059	2,565	2,978	3,385	3,829	4,410	5,272	7,487		3,370
Direct benefits in cash												
Family allowance	47	47	37	41	33	27	25	20	18	19		31
Pensions	355	284	249	163	106	99	50	66	60	55		149
Unemployment/sickness/injury benefit	21	76	47	42	34	23	22	26	19	25		34
Other direct benefits	403	111	49	74	21	16	15	9	6	17		72
Original income and cash benefits	1,151	1,907	2,440	2,886	3,172	3,551	3,941	4,531	5,375	7,603		3,656
Direct taxes	29	139	266	350	439	555	631	747	960	1,572		569
Disposable income	1,122	1,768	2,174	2,536	2,733	2,996	3,310	3,784	4,415	6,030		3,087
Subsidies	87	59	46	48	55	37	40	39	40	33		48
Indirect taxes	251	381	467	558	593	637	678	778	917	1,087		635
Income after all taxes and transfers	958	1,446	1,752	2,025	2,195	2,397	2,672	3,045	3,538	4,977		2,501
Direct benefits in kind												
Education	361	339	310	371	348	299	297	253	359	351		329
National Health Service	142	164	163	166	157	154	147	153	157	158		156
Welfare foods	51	30	17	21	11	12	9	10	7	8		18
Income after all taxes and benefits	1,512	1,980	2,242	2,583	2,711	2,862	3,124	3,461	4,060	5,494		3,003

## Average incomes, taxes and benefits, 1973 and 1978

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	
<b>1978</b>	1,533	2,173	2,808	3,489	4,141	4,811	5,518	6,447	7,861		
<b>All households</b>											
Number of households in the sample	700	700	700	700	700	700	700	700	700	701	7,001
Original income	274	739	1,794	2,892	3,990	4,966	5,818	6,969	8,359	12,442	4,825
Direct benefits in cash	4	26	53	78	91	117	112	107	102	106	80
Family allowance/child benefit	783	897	652	483	330	224	198	150	158	151	402
Pensions	11	31	71	91	75	54	56	53	57	60	56
Unemployment/sickness/injury benefit	233	262	216	140	111	74	70	76	80	63	133
Other direct benefits	1,305	1,954	2,786	3,684	4,598	5,434	6,254	7,355	8,756	12,822	5,496
Original income and cash benefits	90	302	302	534	773	973	1,101	1,379	1,657	2,563	947
Direct taxes	1,216	1,858	2,484	3,150	3,825	4,460	5,153	5,977	7,098	10,260	4,549
Disposable income	197	181	142	132	128	95	90	81	86	87	122
Subsidies	259	402	597	706	840	959	1,072	1,200	1,376	1,808	922
Indirect taxes	1,153	1,637	2,029	2,576	3,113	3,596	4,170	4,857	5,808	8,538	3,748
Income after all taxes and transfers	119	97	196	246	313	401	378	425	428	524	313
Direct benefits in kind	224	304	308	323	326	324	332	335	350	396	322
Education	1	16	27	24	26	30	25	28	24	23	23
National Health Service											
Welfare foods											
Income after all taxes and benefits	1,497	2,055	2,559	3,169	3,778	4,352	4,906	5,644	6,610	9,481	4,406
<b>1973</b>	669	995	1,351	1,669	1,962	2,248	2,574	2,988	3,732		
<b>All households</b>											
Number of households in the sample	713	712	713	712	713	713	712	713	712	713	7,126
Original income	101	373	955	1,512	1,966	2,314	2,694	3,184	3,822	6,171	2,309
Direct benefits in cash	4	10	18	27	27	25	28	30	27	25	19
Family allowance	333	406	277	172	99	91	87	74	73	64	168
Pensions	4	11	30	32	28	30	24	16	20	19	22
Unemployment/sickness/injury benefit	92	81	56	25	23	26	14	18	24	14	37
Other direct benefits	531	874	1,328	1,759	2,143	2,486	2,847	3,321	3,966	6,293	2,555
Original income and cash benefits	12	44	146	242	322	378	436	548	667	1,196	399
Direct taxes	519	830	1,183	1,517	1,822	2,108	2,412	2,774	3,299	5,097	2,156
Disposable income	71	58	49	38	38	36	32	28	27	24	40
Subsidies	118	184	268	347	399	449	490	537	636	880	431
Indirect taxes	471	704	964	1,208	1,460	1,695	1,953	2,264	2,690	4,241	1,765
Income after all taxes and transfers	94	39	80	115	139	162	182	220	208	257	150
Direct benefits in kind	84	116	117	121	128	130	129	125	132	142	122
Education	1	5	7	9	10	12	11	12	11	10	9
National Health Service											
Welfare foods											
Income after all taxes and benefits	651	865	1,168	1,454	1,737	1,999	2,276	2,621	3,041	4,650	2,046

## Average incomes, taxes and benefits, 1978

By ranges of original income

TABLE 5

	£ per year										Average over all income ranges						
	Under 381	381- 557	557- 816	816- 987	987- 1,194	1,194- 1,446	1,446- 1,749	1,749- 2,116	2,116- 2,830	2,830- 3,424		3,424- 3,750	3,750- 4,537	4,537- 5,490	5,490- 6,642	6,642- 8,038	8,038 and above
<b>All households</b>																	
Number of households in the sample	988	183	189	102	113	140	126	170	215	284	425	579	738	793	746	1,210	7,001
Original income	92	463	684	902	1,092	1,332	1,598	1,928	2,333	2,830	3,424	4,158	5,028	6,051	7,311	11,087	4,825
Direct benefits in cash:																	
Family allowance/child benefit	36	27	21	31	44	43	40	63	74	66	71	102	115	103	106	93	80
Retirement and old age pension	834	967	1,024	965	909	771	675	536	468	327	197	153	124	89	66	63	333
Widows' pension	33	41	44	24	55	36	57	75	53	42	37	23	14	16	14	8	25
Disability and war disability pension	11	8	28	3	16	5	—	14	8	2	3	4	7	5	1	7	7
Incapacity pension and allowances	96	69	39	71	85	119	93	106	62	30	25	29	11	15	5	7	37
Mobility allowance	22	50	12	28	28	16	21	8	8	17	8	13	10	6	6	4	12
Unemployment benefit	21	49	29	58	50	87	57	49	51	53	33	26	23	20	18	18	28
Sickness, industrial injury benefit	9	14	12	56	42	52	56	54	63	35	38	34	32	24	23	22	27
Industrial injury disablement benefit	10	27	9	6	—	18	—	4	—	4	7	4	5	9	1	2	6
Family income supplement	1	—	3	—	9	3	2	4	15	3	5	2	1	1	—	—	2
Supplementary benefits	411	169	131	99	124	126	153	106	44	48	44	52	27	22	19	18	98
Maternity benefit	1	—	—	2	3	1	—	2	3	8	11	8	10	10	6	3	5
Death/maternity grant	1	1	1	1	2	1	1	1	1	2	2	2	2	2	1	1	1
Redundancy payment	—	1	—	—	1	1	—	1	2	1	1	1	1	1	1	1	1
Other cash benefits	21	10	20	10	10	20	7	5	10	5	2	4	1	3	6	4	7
Original income plus cash benefits	1,598	1,894	2,057	2,255	2,470	2,630	2,760	2,954	3,196	3,472	3,909	4,614	5,413	6,376	7,586	11,338	5,496
Direct taxes:																	
National Insurance	—	—	—	2	7	5	16	40	61	98	136	174	208	252	292	395	180
Income tax	2	14	22	48	58	89	135	182	156	292	436	567	702	915	1,167	2,105	767
Disposable income	1,596	1,882	2,037	2,204	2,405	2,535	2,610	2,731	2,980	3,082	3,338	3,873	4,503	5,209	6,126	8,838	4,549
Subsidies:																	
Housing subsidy	233	172	100	106	101	143	118	120	129	110	121	110	89	76	66	58	111
Food subsidy	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Rail travel subsidy	2	1	1	3	4	2	3	3	6	5	6	6	7	10	14	26	10
Indirect taxes:																	
Local rates	84	82	88	98	99	106	110	110	118	110	112	124	134	140	155	187	130
On final goods and services	146	195	185	217	314	308	295	337	368	413	429	492	573	653	749	969	535
Intermediate products	95	111	110	134	159	159	160	167	178	184	206	233	260	293	348	469	257
Income after all taxes and transfers	1,508	1,667	1,756	1,866	1,940	2,108	2,167	2,242	2,452	2,490	2,718	3,140	3,634	4,210	4,955	7,299	3,748
Direct benefits in kind:																	
Education benefit	177	130	87	81	190	208	166	270	303	208	220	336	377	392	409	448	313
National Health Service	298	327	328	336	345	327	315	308	306	297	292	316	328	322	323	358	322
Welfare foods	24	16	11	10	27	22	12	27	24	22	19	26	26	25	22	21	23
Income after all taxes and benefits	2,008	2,140	2,183	2,294	2,502	2,665	2,660	2,846	3,084	3,018	3,249	3,818	4,364	4,948	5,709	8,127	4,406

Quantile shares of income by household type—1978

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	
<b>1 adult</b>																							
<b>Pensioner</b>																							
Original income	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	
Disposable income	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	
Income after all taxes and benefits	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	
		3.5	3.8	4.0	4.2	4.3	4.4	4.6	4.7	4.9	5.0	5.1	5.1	5.3	5.4	5.4	5.5	5.7	5.9	6.1	6.1	7.2	100.0
		3.0	3.7	3.9	4.1	4.3	4.5	4.6	4.7	4.8	4.9	5.0	5.1	5.2	5.3	5.5	5.6	5.7	6.0	6.5	6.5	7.6	100.0
<b>Non-pensioner, retired</b>																							
Original income	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Disposable income	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Income after all taxes and benefits	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
		0.1	1.3	1.5	1.6	1.8	2.0	2.2	2.4	2.7	3.0	3.4	3.8	4.5	5.1	5.7	6.6	7.8	9.9	12.6	22.0	100.0	100.0
		2.7	3.1	3.3	3.4	3.6	3.7	3.8	3.9	4.0	4.2	4.4	4.6	4.9	5.1	5.3	5.8	6.3	7.3	8.4	12.2	100.0	100.0
		2.5	3.2	3.5	3.7	3.8	3.9	4.1	4.1	4.3	4.4	4.6	4.7	4.9	5.1	5.4	5.8	6.3	7.0	7.9	10.8	100.0	100.0
<b>Non-pensioner, non-retired</b>																							
Original income	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Disposable income	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Income after all taxes and benefits	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
		0.2	0.9	1.6	1.6	2.3	2.9	3.2	3.7	4.1	4.6	5.0	5.3	5.6	6.0	6.5	7.1	7.9	8.7	10.3	14.1	100.0	100.0
		1.0	2.1	2.5	2.8	3.2	3.4	3.6	3.9	4.2	4.4	4.6	4.9	5.2	5.5	5.9	6.4	7.1	7.8	9.1	12.4	100.0	100.0
		1.1	2.2	2.6	3.0	3.3	3.5	3.7	3.8	4.1	4.3	4.6	4.8	5.2	5.5	6.0	6.6	7.1	7.8	8.8	12.1	100.0	100.0
<b>2 adults</b>																							
<b>Pensioner</b>																							
Original income	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Disposable income	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Income after all taxes and benefits	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
		3.8	4.0	4.2	4.3	4.4	4.5	4.7	4.7	4.8	4.9	4.9	5.0	5.1	5.2	5.3	5.4	5.6	5.8	6.1	7.4	100.0	100.0
		3.3	3.9	4.1	4.2	4.3	4.5	4.7	4.7	4.8	4.9	5.0	5.1	5.2	5.3	5.4	5.6	5.7	6.0	6.2	7.0	100.0	100.0
<b>Non-pensioner, retired</b>																							
Original income	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Disposable income	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Income after all taxes and benefits	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
		0.1	1.0	1.5	1.7	1.9	2.1	2.4	2.6	2.9	3.3	3.6	4.1	4.6	5.2	5.8	6.6	7.8	10.0	12.6	20.2	100.0	100.0
		2.5	3.2	3.3	3.4	3.6	3.7	3.8	4.0	4.1	4.3	4.5	4.7	4.9	5.2	5.5	5.9	6.4	7.2	8.4	11.2	100.0	100.0
		2.4	3.2	3.4	3.6	3.7	3.9	4.0	4.2	4.3	4.4	4.6	4.8	4.9	5.2	5.5	5.9	6.2	7.0	8.0	10.9	100.0	100.0
<b>Non-pensioner, non-retired</b>																							
Original income	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Disposable income	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Income after all taxes and benefits	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
		0.5	1.3	2.1	2.6	2.9	3.3	3.7	4.0	4.3	4.6	4.9	5.2	5.5	5.8	6.2	6.6	7.1	7.8	8.9	12.9	100.0	100.0
		1.8	2.5	2.8	3.1	3.4	3.6	3.8	4.1	4.3	4.5	4.8	5.0	5.2	5.6	5.9	6.3	6.7	7.2	8.1	11.6	100.0	100.0
		1.8	2.6	2.9	3.2	3.4	3.6	3.8	4.0	4.2	4.5	4.7	5.0	5.2	5.5	5.8	6.2	6.6	7.1	8.2	11.7	100.0	100.0

### Quantile shares of income by household type—1978

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	2.0	2.6	3.1	3.4	3.6	3.9	4.0	4.3	4.6	4.8	5.1	5.3	5.6	5.9	6.2	6.7	7.4	8.3	12.6	100.0
	Disposable income	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
	Income after all taxes and benefits	2.1	2.9	3.1	3.4	3.6	3.8	4.0	4.2	4.3	4.5	4.7	4.9	5.1	5.3	5.6	6.0	6.4	6.9	7.7	11.3	100.0
2 adults, 2 children	Original income	0.9	2.3	2.8	3.2	3.4	3.7	3.9	4.1	4.3	4.5	4.7	5.0	5.2	5.5	5.9	6.3	6.7	7.4	8.4	11.7	100.0
	Disposable income	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
	Income after all taxes and benefits	2.2	2.8	3.1	3.3	3.6	3.8	4.0	4.2	4.4	4.6	4.7	5.0	5.2	5.4	5.7	6.0	6.4	6.9	7.8	10.9	100.0
2 adults, 3 children	Original income	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
	Disposable income	2.3	2.9	3.3	3.5	3.7	3.9	4.1	4.3	4.5	4.7	4.8	5.0	5.2	5.4	5.6	6.0	6.3	6.8	7.6	10.2	100.0
	Income after all taxes and benefits	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
2 adults, 4 children	Original income	1.1	2.1	2.1	2.8	3.4	3.7	3.9	4.1	4.4	4.6	4.9	5.1	5.3	5.7	6.1	6.6	6.9	7.9	9.7	11.7	100.0
	Disposable income	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
	Income after all taxes and benefits	2.3	2.7	3.0	3.2	3.5	3.7	3.9	4.0	4.3	4.5	4.6	4.9	5.1	5.4	5.6	5.9	6.3	7.1	8.7	11.3	100.0
All households in the sample	Original income	0.2	1.1	1.8	2.2	2.6	3.1	3.4	3.7	4.1	4.8	5.3	5.4	5.6	5.8	6.3	6.7	7.3	7.8	9.0	14.1	100.0
	Disposable income	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
	Income after all taxes and benefits	3.0	3.3	3.7	3.8	3.9	4.2	4.3	4.5	4.6	4.7	4.9	5.1	5.2	5.3	5.4	5.7	6.0	6.3	6.9	9.2	100.0
All households in the sample	Original income	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
	Disposable income	1.1	1.5	1.9	2.2	2.6	2.9	3.3	3.7	4.0	4.4	4.7	5.1	5.5	5.9	6.3	6.8	7.4	8.2	9.4	13.2	100.0
	Income after all taxes and benefits	1.2	1.7	2.0	2.4	2.7	3.0	3.3	3.7	4.0	4.3	4.7	5.0	5.4	5.8	6.3	6.8	7.3	8.1	9.3	12.9	100.0

## Average incomes before and after taxes and benefits—1961-1978

TABLE 7

	Average income							Percentage of original income							Percentage of corresponding income in 1961						
	£ per year							Percentages							1961 = 100						
	1961	1965	1969	1977	1978	1961	1965	1969	1977	1978	1961	1965	1969	1977	1978	1965	1969	1977	1978		
<b>Retired and non-retired households</b>																					
<b>1 adult</b>																					
Original income	312	420	510	1,459	1,679	100	100	100	100	100	100	100	100	100	135	163	468	538			
Disposable income	375	502	618	1,834	2,102	120	120	121	126	125	125	121	126	125	134	165	439	560			
Income after all taxes and benefits	341	439	546	1,774	2,042	109	105	107	122	122	122	107	122	122	129	160	520	599			
<b>2 adults</b>																					
Original income	824	1,007	1,351	3,873	4,533	100	100	100	100	100	100	100	100	100	122	164	470	550			
Disposable income	809	988	1,273	3,659	4,340	98	98	94	94	96	96	94	94	96	122	157	452	537			
Income after all taxes and benefits	698	828	1,054	3,310	3,942	85	82	78	85	87	87	78	85	87	119	151	474	565			
<b>2 adults, 1 child</b>																					
Original income	1,016	1,281	1,586	4,838	5,418	100	100	100	100	100	100	100	100	100	126	156	476	533			
Disposable income	921	1,148	1,398	4,126	4,747	91	90	88	85	88	88	88	85	88	125	152	448	515			
Income after all taxes and benefits	836	1,032	1,220	3,860	4,429	82	81	77	80	82	82	77	80	82	123	146	462	530			
<b>2 adults, 2 children</b>																					
Original income	1,026	1,245	1,762	5,160	6,070	100	100	100	100	100	100	100	100	100	121	172	503	592			
Disposable income	961	1,159	1,582	4,401	5,289	94	93	90	85	87	87	90	85	87	121	165	458	560			
Income after all taxes and benefits	936	1,113	1,473	4,480	5,350	91	89	84	87	88	88	84	87	88	119	157	479	572			
<b>2 adults, 3 children</b>																					
Original income	967	1,289	1,705	5,637	5,436	100	100	100	100	100	100	100	100	100	133	176	583	662			
Disposable income	962	1,225	1,618	4,876	5,165	99	95	95	86	95	95	95	86	95	127	168	507	537			
Income after all taxes and benefits	1,008	1,263	1,625	5,403	5,882	104	98	95	96	108	108	95	96	108	125	161	536	584			
<b>2 adults, 4 children</b>																					
Original income	1,030	1,219	1,638	4,310	5,000	100	100	100	100	100	100	100	100	100	118	159	418	485			
Disposable income	1,023	1,227	1,650	4,220	5,028	99	101	101	98	101	101	101	98	101	120	161	413	492			
Income after all taxes and benefits	1,123	1,343	1,760	5,400	6,372	109	110	107	125	127	127	107	125	127	120	157	481	567			
<b>3 adults</b>																					
Original income	1,282	1,616	2,140	6,153	7,121	100	100	100	100	100	100	100	100	100	126	167	480	555			
Disposable income	1,197	1,475	1,907	5,323	6,317	93	91	89	87	89	89	89	87	89	123	159	445	528			
Income after all taxes and benefits	1,035	1,248	1,609	4,806	5,624	81	77	75	78	79	79	75	78	79	121	155	464	543			
<b>3 adults, 1 child</b>																					
Original income	1,457	1,571	2,123	6,507	8,013	100	100	100	100	100	100	100	100	100	108	146	447	550			
Disposable income	1,280	1,453	1,879	5,642	6,902	88	92	89	87	86	86	89	87	86	114	147	441	539			
Income after all taxes and benefits	1,182	1,387	1,743	5,677	6,777	81	88	82	87	85	85	82	87	85	117	147	480	573			
<b>3 adults, 2 children</b>																					
Original income	1,289	1,661	2,232	6,307	7,016	100	100	100	100	100	100	100	100	100	129	173	489	544			
Disposable income	1,214	1,565	2,070	5,735	6,621	94	94	93	91	94	94	93	91	94	129	171	472	545			
Income after all taxes and benefits	1,190	1,607	2,014	6,170	7,152	92	97	90	98	102	102	90	98	102	135	169	518	601			
<b>4 adults</b>																					
Original income	1,742	2,064	2,789	8,415	10,036	100	100	100	100	100	100	100	100	100	118	160	483	576			
Disposable income	1,558	1,860	2,456	6,991	8,476	89	90	88	83	84	84	88	83	84	119	158	449	544			
Income after all taxes and benefits	1,352	1,625	2,079	6,400	7,777	78	79	75	76	77	77	75	76	77	120	154	473	575			
<b>All households in the sample</b>																					
Original income	960	1,172	1,519	4,234	4,825	100	100	100	100	100	100	100	100	100	122	158	441	503			
Disposable income	922	1,121	1,421	3,907	4,549	96	96	94	92	94	94	94	92	94	122	154	424	493			
Income after all taxes and benefits	847	1,019	1,271	3,808	4,406	88	87	84	80	81	81	84	80	81	120	150	450	520			

## Distribution of households co-operating in the Family Expenditure Survey, 1973 and 1978

By decile groups of original income

TABLE 8

	Decile groups										All households
	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	
<b>1978</b>											
1 adult retired .. .. .	374	300	118	29	12	2	4	2	—	1	842
2 adults retired .. .. .	151	232	173	52	19	20	7	4	6	3	667
1 adult non-retired .. .. .	51	45	125	151	95	55	29	31	15	7	604
2 adults non-retired .. .. .	24	36	115	190	188	196	220	226	206	171	1,572
2 adults, 1-4 children .. .. .	32	22	85	181	290	311	302	229	205	134	1,791
Others .. .. .	68	65	84	97	96	116	138	208	268	385	1,525
Number of households in the sample ..	700	700	700	700	700	700	700	700	700	701	7,001
Average original income (£ per year) ..	23	461	1,559	2,964	4,050	4,987	5,904	7,014	8,514	12,766	4,825
<b>1973</b>											
1 adult retired .. .. .	411	273	75	22	4	7	3	2	2	3	802
2 adults retired .. .. .	177	232	105	21	13	10	7	8	10	8	591
1 adult non-retired .. .. .	29	72	147	126	71	44	24	13	10	12	548
2 adults non-retired .. .. .	21	71	187	230	210	185	189	226	197	145	1,661
2 adults, 1-4 children .. .. .	11	24	92	212	310	344	335	255	212	153	1,948
Others .. .. .	64	40	107	101	105	123	154	209	281	392	1,576
Number of households in the sample ..	713	712	713	712	713	713	712	713	712	713	7,126
Average original income (£ per year) ..	19	283	907	1,539	1,951	2,345	2,728	3,193	3,889	6,238	2,309

## Distribution of households co-operating in the Family Expenditure Survey, 1973 and 1978

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	
<b>1978</b>											
1 adult retired .. .. .	560	171	61	22	13	7	5	1	1	1	842
2 adults retired .. .. .	19	286	180	86	34	17	17	15	6	7	667
1 adult non-retired .. .. .	85	87	129	115	75	43	30	22	12	6	604
2 adults non-retired .. .. .	18	44	133	186	206	207	215	218	186	159	1,572
2 adults, 1-4 children .. .. .	3	33	112	218	280	309	281	231	192	132	1,791
Others .. .. .	15	79	85	73	92	117	152	213	303	396	1,525
Number of households in the sample ..	700	700	700	700	700	700	700	700	700	701	7,001
Average original income <i>plus</i> cash benefits (£ per year) .. .. .	1,255	1,925	2,722	3,640	4,530	5,391	6,270	7,350	8,818	13,047	5,496
<b>1973</b>											
1 adult retired .. .. .	571	148	34	19	10	7	4	3	3	3	802
2 adults retired .. .. .	25	313	140	38	16	15	11	11	8	14	591
1 adult non-retired .. .. .	71	94	126	110	55	37	22	10	12	11	548
2 adults non-retired .. .. .	19	71	208	225	202	202	202	206	190	136	1,661
2 adults, 1-4 children .. .. .	5	20	133	239	327	325	299	253	199	148	1,948
Others .. .. .	22	66	72	81	103	127	174	230	300	401	1,576
Number of households in the sample ..	713	712	713	712	713	713	712	713	712	713	7,126
Average original income <i>plus</i> cash benefits (£ per year) .. .. .	526	862	1,305	1,750	2,122	2,488	2,859	3,309	3,989	6,338	2,555



## Distribution of households co-operating in the Family Expenditure Survey, 1973 and 1978

By decile groups of disposable income

TABLE 10

	Decile groups										All households
	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	
<b>1978</b>											
1 adult retired .. .. .	549	191	50	27	11	8	3	1	1	1	842
2 adults retired .. .. .	12	251	183	104	48	23	19	15	7	5	667
1 adult non-retired .. .. .	98	124	145	89	63	33	20	17	11	4	604
2 adults non-retired .. .. .	19	35	146	195	218	216	216	210	185	132	1,572
2 adults, 1-4 children .. .. .	4	27	105	223	265	315	295	228	190	139	1,791
Others .. .. .	18	72	71	62	95	105	147	229	306	420	1,525
Number of households in the sample ..	700	700	700	700	700	700	700	700	700	701	7,001
Average disposable income (£ per year)	1,216	1,858	2,484	3,150	3,825	4,460	5,153	5,977	7,098	10,260	4,549
<b>1973</b>											
1 adult retired .. .. .	569	152	36	17	11	5	6	2	2	2	802
2 adults retired .. .. .	23	294	143	50	23	12	16	10	9	11	591
1 adult non-retired .. .. .	77	124	135	92	47	30	16	12	5	10	548
2 adults non-retired .. .. .	17	69	218	243	216	206	206	188	177	121	1,661
2 adults, 1-4 children .. .. .	7	19	117	232	326	326	308	254	202	157	1,948
Others .. .. .	20	54	64	78	90	134	160	247	317	412	1,576
Number of households in the sample ..	713	712	713	712	713	713	712	713	712	713	7,126
Average disposable income (£ per year)	519	830	1,183	1,517	1,822	2,108	2,412	2,774	3,299	5,097	2,156

## Distribution of households co-operating in the Family Expenditure Survey, 1973 and 1978

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	
<b>1978</b>											
1 adult retired .. .. .	444	261	74	32	17	4	4	5	1	—	842
2 adults retired .. .. .	41	155	223	111	50	33	22	16	8	8	667
1 adult non-retired .. .. .	123	127	111	78	60	44	25	18	11	7	604
2 adults non-retired .. .. .	36	58	125	197	221	197	196	221	179	142	1,572
2 adults, 1-4 children .. .. .	20	45	97	208	257	290	296	228	199	151	1,791
Others .. .. .	36	54	70	74	95	132	157	212	302	393	1,525
Number of households in the sample ..	700	700	700	700	700	700	700	700	700	701	7,001
Average income after all taxes and transfers (£ per year)	1,029	1,597	2,059	2,557	3,079	3,589	4,177	4,883	5,837	8,670	3,748
<b>1973</b>											
1 adult retired .. .. .	473	224	56	14	15	6	7	3	2	2	802
2 adults retired .. .. .	57	208	166	68	24	21	17	11	6	13	591
1 adult non-retired .. .. .	94	118	112	90	55	23	23	15	7	11	548
2 adults non-retired .. .. .	41	83	198	247	199	207	202	177	174	133	1,661
2 adults, 1-4 children .. .. .	26	31	117	221	311	302	305	260	210	165	1,948
Others .. .. .	22	48	64	72	109	154	158	247	313	389	1,576
Number of households in the sample ..	713	712	713	712	713	713	712	713	712	713	7,126
Average income after all taxes and transfers (£ per year)	418	702	949	1,200	1,442	1,697	1,962	2,267	2,720	4,294	1,765

## Distribution of households co-operating in the Family Expenditure Survey, 1973 and 1978

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	
<b>1978</b>											
1 adult retired .. .. .	485	253	59	26	8	5	5	—	1	—	842
2 adults retired .. .. .	18	159	252	119	57	19	19	11	10	3	667
1 adult non-retired .. .. .	141	160	112	68	55	35	13	9	9	2	604
2 adults non-retired .. .. .	29	80	160	253	230	225	202	182	114	97	1,572
2 adults, 1—4 children .. .. .	9	23	79	161	250	268	311	279	242	169	1,791
Others .. .. .	18	25	38	73	100	148	150	219	324	430	1,525
Number of households in the sample ..	700	700	700	700	700	700	700	700	700	701	7,001
Average income after all taxes and benefits (£ per year) .. .. .	1,302	1,927	2,499	3,085	3,686	4,285	4,954	5,734	6,805	9,773	4,406
<b>1973</b>											
1 adult retired .. .. .	520	199	40	15	11	8	4	3	1	1	802
2 adults retired .. .. .	35	219	186	67	28	18	13	9	9	7	591
1 adult non-retired .. .. .	101	152	113	82	33	29	18	8	5	7	548
2 adults non-retired .. .. .	33	98	244	271	243	234	172	155	110	101	1,661
2 adults, 1—4 children .. .. .	15	19	76	204	292	300	318	291	256	177	1,948
Others .. .. .	9	25	54	73	106	124	187	247	331	420	1,576
Number of households in the sample ..	713	712	713	712	713	713	712	713	712	713	7,126
Average income after all taxes and benefits (£ per year) .. .. .	536	836	1,118	1,401	1,698	1,993	2,287	2,639	3,155	4,800	2,046