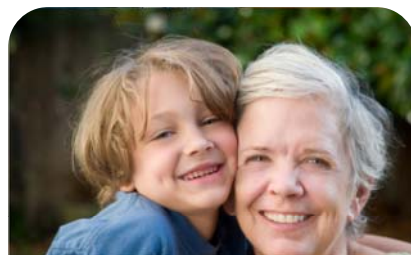


The effects of taxes and benefits on household income, 2008/09

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Office for National Statistics



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Contacts

This publication

For information about the content of this publication, contact: Andrew Barnard
Tel: 01633 455951
Email: andrew.barnard@ons.gsi.gov.uk

Other customer enquiries

ONS Customer Contact Centre
Tel: 0845 601 3034
International: +44 (0)845 601 3034
Minicom: 01633 815044
Email: info@statistics.gsi.gov.uk
Fax: 01633 652747
Post: Room 1.101, Government Buildings,
Cardiff Road, Newport, South Wales NP10 8XG
www.ons.gov.uk

Media enquiries

Tel: 0845 604 1858
Email: press.office@ons.gsi.gov.uk

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Andrew Barnard
Office for National Statistics

The effects of taxes and benefits on household income, 2008/09

SUMMARY

This article looks at how taxes and benefits affect the income of households in the UK. It provides estimates of household incomes, including the average amount of taxes that households paid, and also the value of benefits that they received in 2008/09, a period when the UK economy was in recession. The analysis highlights that the level of inequality, as measured by the Gini coefficient, fell slightly between 2007/08 and 2008/09 for retired households, but for non-retired households it was almost unchanged. This analysis is published annually and has been undertaken each year for over 30 years. Additional ONS analysis of the effect of the recession on households' incomes will be published in August 2010, as part of a wider investigation of the recession.

Taxes and benefits affect the incomes of households. Generally speaking, households with the highest incomes pay more in taxes than they receive in benefits. The reverse is true for those with lower incomes – these households tend to receive more in benefits than they pay in taxes. Taxes and benefits therefore tend to decrease the inequality of income.

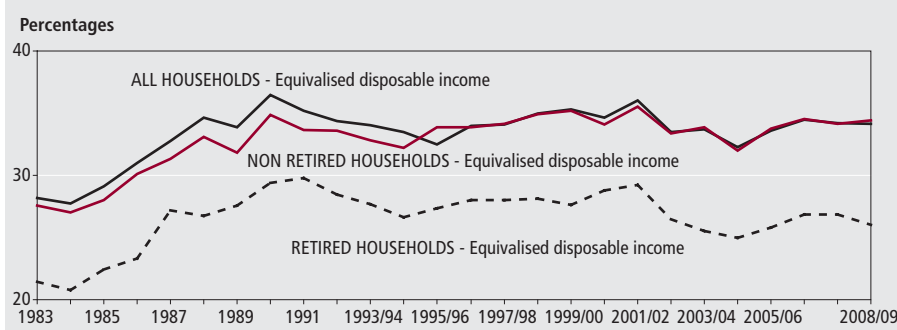
The effect of taxes and benefits on income inequality can be seen by their effect on the Gini coefficient, which can take values from 0 to 100 per cent where higher values indicate greater inequality. In 2008/09, before taxes and benefits, the level of inequality as measured by the Gini coefficient was 52 per cent. The addition of cash benefits decreased the level of inequality to 38 per cent, a fall of 14 percentage points. After direct taxes are taken into account the level of inequality fell a further 4 percentage points to 34 per cent. However, when indirect taxes are then subtracted from households' incomes the level rose back to 38 per cent. Therefore, in 2008/09 the overall effect of taxes and benefits is that they reduced inequality by 14 percentage points. Of this decrease, cash benefits played the largest part. For details of how the Gini coefficient is calculated see Appendix 2, paragraph 53.

When the entire household population is considered, inequality of disposable income was almost unchanged between 2007/08 and 2008/09, as shown in **Figure 1**. For non-retired households (who make up almost three-quarters of all households), the situation was similar – inequality was

almost unchanged. However, the inequality of retired households fell slightly, from 27 to 26 per cent. This estimate will be subject to a degree of sampling variability. The fall was primarily driven by changes to the household characteristics of retired households. In particular, there were proportionally more one-adult retired households in 2008/09, and these households were located toward the bottom of the income distribution (but crucially not at the extreme bottom of the distribution). Due to the effect of equivalisation, this had the effect of increasing the average retired equivalised household income, especially for households at the bottom of the income distribution (for more details about equivalisation, see Appendix 2, paragraph 48). This has an equalising effect on the level of income inequality.

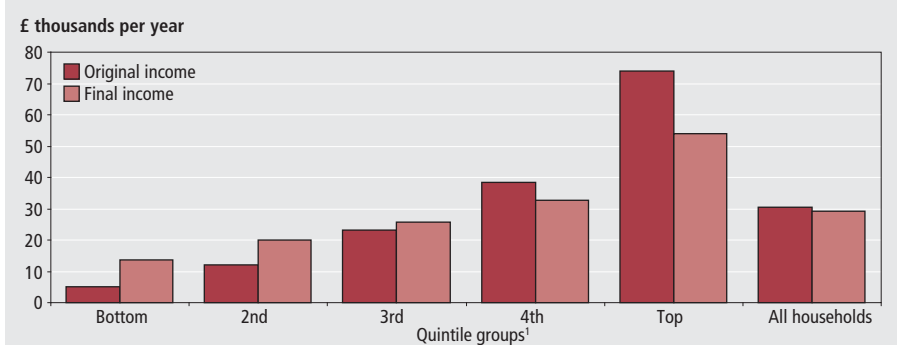
In 2008/09, the average *original* income (before taxes and benefits) received by households was £30,500 per year. This income came from sources such as earnings, occupational pensions and investments. The bottom fifth of households received an average income of £5,000 per year. On the other hand, the top fifth of households received an average of £73,800 per year from these sources, approximately 15 times as much. After taking account of all taxes and benefits, the average *final* income of household was £29,100. The top fifth had an average final income of £53,900 per year, now only four times the size of the income for the bottom fifth of households (£13,600 per year). The difference between original income and final income, broken

Figure 1
Gini coefficients 1983 to 2008/09



Source: Office for National Statistics

Figure 2
Original income and Final income by quintile groups for ALL households, 2008/09

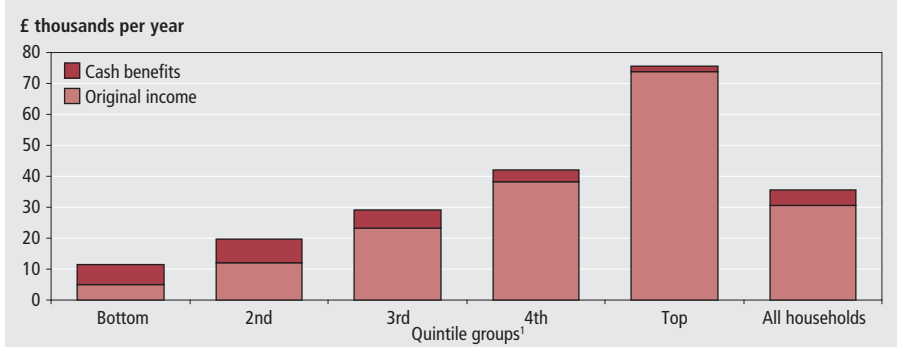


Note:

Source: Office for National Statistics

1 Households are ranked throughout by their grossed equivalised disposable incomes.

Figure 3
Gross Income by quintile groups for ALL households, 2008/09



Note:

Source: Office for National Statistics

1 Households are ranked throughout by their grossed equivalised disposable incomes.

down by quintiles, is also shown graphically in **Figure 2**.

As already mentioned, cash benefits (such as Jobseeker's Allowance and the retirement pension) play the largest part in reducing inequality. **Figure 3** shows the extent to which cash benefits increased incomes, from the bottom fifth to the top fifth of households. It can be seen that the majority of cash benefits go to households with incomes below average. When cash benefits are added to a household's original income it forms their *gross income*. In

2008/09 the average cash benefits received by households was £5,000 per year, or 14 per cent of the average gross income. This proportion was almost unchanged on the estimate for 2007/08.

Disposable income is defined as gross income minus direct taxes. All direct taxes (income tax, employees' National Insurance contributions and council tax and Northern Ireland rates), except for council tax and Northern Ireland rates, take a larger proportion of income from those with higher incomes. This means that direct

taxes are said to be *progressive*. Therefore, direct taxes also contribute to reducing the level of inequality, although not to the same extent as cash benefits.

Indirect taxes (taxes on final goods and services, such as Value Added Tax (VAT), and intermediate taxes, such as employers' National Insurance contributions) have the opposite effect to direct taxes, as they take a higher proportion of income from those with lower incomes, that is, they are *regressive*. While households higher up the income distribution pay more indirect tax in absolute terms, they pay a lower proportion of their income in indirect tax. However, recent analysis by Carrera (2010) found that there are a number of additional issues that should be considered when analysing indirect taxes. For example, the analysis demonstrates that indirect taxes can be progressive if expenditure is used to rank households (rather than income).

In 2008/09, households paid an average of £4,700 per year in indirect taxes, or 13 per cent of their gross income, down from 14 per cent in 2007/08. The fall in the proportion of indirect taxes paid was primarily driven by a decrease in stamp duty payments. This was caused by the downturn in the housing market over the period and the introduction in September 2008 of an exemption from stamp duty for house purchases of less than £175,000. Secondly, there was a fall in the amount of VAT paid, caused in part by the reduction in the rate of VAT from 17.5 per cent to 15 per cent which came into effect in December 2008.

Households also receive benefits in kind from services provided free or at subsidised prices by government, such as health and education services. The amount of benefits in kind which households receive falls gradually as income increases, indicating that they also lead to a reduction in inequality. Changes to the methodology implemented for this analysis mean that comparisons of benefits in kind received in 2008/09 with previous years are not possible. However, all other estimates remain comparable.

Changes to the analysis

The following changes have been introduced to this year's publication:

- Additional analysis, based on household tenure type and Government Office Region have been provided
- Tables based on the modified-OECD equivalisation scale have been added (Tables 3, 14, 14A, 16 and 18). These tables are prefixed by 'OECD'

- The methodology used for the calculation of the in kind benefit from education and the National Health Service (NHS) have been updated. These estimates are now based on more up-to-date data on the per-unit cost of these services to the Government. In particular, the NHS method is now more closely based on that presented in Cardarelli et al (1999)

Concepts and Sources

This analysis looks at how taxes and benefits affect the distribution of income. **Diagram 1** shows the five stages in the redistribution of income used in this analysis:

1. Household members receive income from employment, occupational pensions, investments and from other non-government sources
2. Households receive income from cash benefits
3. Households pay direct taxes
4. Indirect taxes are paid via expenditure
5. Households receive a benefit from services (benefits in kind).

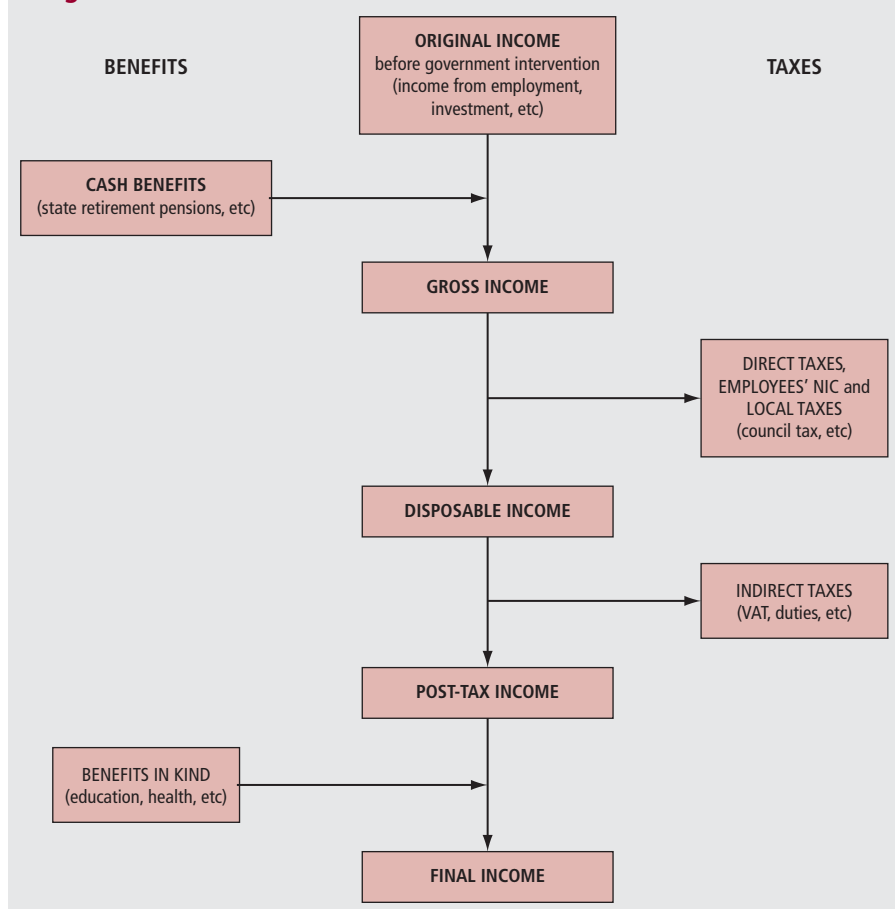
The analysis allocates taxes and benefits that can reasonably be attributed to households. Therefore, some government revenue and expenditure is not allocated, such as revenue from corporation tax and expenditure on defence and public order. There are three main criteria for including taxes and benefits in the analysis:

1. The tax or benefit should clearly affect people who live in private households
2. There should be a clear conceptual basis for allocation to particular households
3. Finally, there must be data available to enable allocation.

In this study, some £365 billion of taxes and compulsory social contributions have been allocated to households. This is equivalent to 55 per cent of general government expenditure, which totalled £658 billion in 2008. Similarly, £342 billion of cash benefits and benefits in kind have been allocated to households, making up 52 per cent of general government expenditure. These proportions are broadly the same to those in recent years' analyses.

The estimated values of taxes and benefits reflect the methodology used in this study. They are based on assumptions about which taxes and benefits should be covered and to whom they should apply. Where it is practical, the methodology used is similar to that used in previous years.

Diagram 1
Stages of redistribution



Source: Office for National Statistics

However, there have been some changes in the underlying surveys and improvements made to the methodology. For this reason, one should be cautious about making direct comparisons with earlier years. Comparisons with previous years are also affected by sampling error (for more details see Appendix 2, paragraph 57). This is especially true for estimates which are based on sub-samples such as the results for decile or quintile groups, or particular types of household. Time series are presented for some of the more robust measures, and these include Gini coefficients and other measures of inequality.

Unit of analysis

The unit of analysis used in this study is the household. The households are ranked by their equivalised disposable income, which the analysis uses as a proxy for standard of living. Equivalisation is a process that adjusts households' incomes to take account of their size and composition, to recognise that this affects the demand on resources. For example, a couple with a child would need a higher income than a childless couple for the two households to achieve the same standard of living. The equivalence scale used in this

analysis is the *McClements scale* (before housing costs are deducted). In the earlier example, a childless couple's (unequalised) income of £10,000 is treated as equivalent to an (unequalised) income of £12,300 for a couple with a ten year old child. Households with the same equivalised income do not necessarily have the same standard of living where other characteristics are different. For example, households which own their homes outright would be in a better position than identical households with the same income which had to pay rent or mortgage payments. Equivalisation does not adjust for these differences. Additionally, following consultation from users, tables based on the modified-OECD equivalisation scale have been produced. These can be found in Appendix 1, and are prefixed by 'OECD'. Further details of how this publication is planning to move from using the McClements to OECD equivalisation scales can be found in Anyaegbu (2010).

Equivalised income is used only to rank the households and most monetary values shown in the analysis are not equivalised. Once the households have been ranked, the distribution is split into five or ten equally sized groups – that is quintile groups

Table 1

Summary of the effects of taxes and benefits by quintile groups on ALL households,¹ 2008/09

	Quintile groups of ALL households ¹						Ratio All top/bottom households quintile
	Bottom	2nd	3rd	4th	Top		
Income, taxes and benefits per household (£ per year) ²							
Original income	4 970	12 020	23 305	38 321	73 810	30 485	15
plus cash benefits	6 431	7 602	5 787	3 609	1 805	5 047	0
Gross income	11 401	19 622	29 092	41 930	75 615	35 532	7
less direct taxes ³ and employees' NIC	1 270	2 523	5 046	8 798	18 255	7 178	14
Disposable income	10 130	17 099	24 047	33 133	57 360	28 354	6
less indirect taxes	2 862	3 592	4 316	5 579	7 354	4 741	3
Post-tax income	7 269	13 507	19 731	27 553	50 006	23 613	7
plus benefits in kind	6 315	6 411	5 969	5 000	3 870	5 513	1
Final income	13 584	19 918	25 699	32 553	53 876	29 126	4

Notes:

Source: Office for National Statistics

- Households are ranked by equivalised disposable income.
- All the tables in Part 1 of this article show unequivalised income. Equivalised income has only been used in the ranking process to produce the quintile groups (and to produce the percentage shares and Gini coefficients).
- These are income tax (which is after deducting tax credits and tax relief at source on life assurance premiums), council tax and Northern Ireland rates but after deducting discounts, council tax benefits and rates rebates.

Table 2

Percentage shares of household income and Gini coefficients,¹ 2008/09

	Percentage shares of equivalised income for ALL households ²			
	Original income	Gross income	Disposable income	Post-tax income
Quintile group²				
Bottom	3	7	7	6
2nd	7	11	12	12
3rd	14	16	16	16
4th	24	23	22	22
Top	51	44	42	44
All households	100	100	100	100
Decile group²				
Bottom	1	3	3	2
Top	33	28	27	28
Gini coefficient (per cent)	52	38	34	38

Notes:

Source: Office for National Statistics

- This is a measure of the dispersion of each definition of income (see Appendix 2, paragraph 51).
- Households are ranked by equivalised disposable income.

or decile groups. The bottom quintile (or decile) group is that with the lowest equivalised disposable incomes, while the top quintile (or decile) is that with the highest.

Data sources

The main data source for this analysis is the Living Costs and Food Survey (LCF), formally known as the Expenditure and Food Survey. The LCF covers about 5,800 households in the UK each year. It only covers private households – people living in hotels, lodging houses and in institutions, such as old people's homes, are excluded. The LCF is used for this analysis because as well as collecting data on household income, it also collects expenditure data which are used here to estimate payment

of indirect taxes. The LCF data is weighted using 2001 Census data, for further details please refer to Appendix 2, paragraph 5.

There is known to be a degree of under-reporting in the LCF for some benefits. For example, when compared to administrative data from HM Revenue and Customs (HMRC), the LCF estimate of total tax credit payments is only around two-thirds of the HMRC figure. Further details of the concepts and methodology used are given in Appendix 2.

The results of the analysis are reported in three sections; for all households, non-retired households and retired households. Retired households have distinct income and expenditure patterns, compared with their non-retired counterparts, and therefore taxes and benefits affect the two

groups in different ways. By presenting the results separately for non-retired and retired households it is then possible to investigate how the tax and benefit system redistributes income both between, and within, the two groups.

Results for all households**Overall effect**

Taken as a whole, the tax and benefit system leads to income being shared more equally between households. Original income (income from earnings, occupational pensions and investments) varies considerably between households. Those in the top quintile group have an average original income of £73,800 per year compared with £5,000 for the bottom group (Table 1).

The extent of inequality in this measure of income can be seen by looking at the proportion of total original income received by groups of households in different parts of the income distribution. At this stage, the richest fifth of households (those in the top quintile group) receive 51 per cent of all original income (Table 2). This compares with only 3 per cent for households in the bottom fifth.

Adding cash benefits to original income gives gross income. In contrast to original income, the amount received from cash benefits is higher for households lower down the income distribution than for those at the top. However, the largest cash benefits were received by households in the second quintile group, £7,600 per year compared with £6,400 for households in the bottom group. This is largely because more retired households are located in the second quintile group, compared with the bottom group, and therefore the average amount received in retirement pension is higher in the second group. Nevertheless, the overall effect of cash benefits is that they reduce the inequality of income.

Direct taxes

Direct taxes include income tax, National Insurance contributions (NICs) and council tax or Northern Ireland rates. Households with higher incomes pay both higher amounts of direct tax and higher proportions of their income in direct tax with the top quintile group paying an average of £18,300 per household per year in direct taxes. In contrast, the direct tax bill for households in the bottom quintile group is around £1,300 per year. As a result, direct taxes also reduce inequality of income, that is, they are progressive. For all direct taxes, the top two quintile groups pay 75 per cent

Table 3

Taxes as a percentage of gross income, disposable income and expenditure for ALL households by quintile groups,¹ 2008/09

	Quintile groups of ALL households ¹					ALL
	Bottom	2nd	3rd	4th	Top	households
(a) Direct and indirect taxes as a percentage of gross income						
Direct taxes						
Income tax ²	3.4	5.6	9.4	12.6	17.2	12.7
Employees' NIC	1.6	3.0	4.4	5.5	5.0	4.6
Council tax & Northern Ireland rates ³	6.2	4.2	3.6	2.9	1.9	2.9
<i>All direct taxes</i>	<i>11.1</i>	<i>12.9</i>	<i>17.3</i>	<i>21.0</i>	<i>24.1</i>	<i>20.2</i>
Indirect taxes						
VAT	9.6	7.3	6.1	5.7	4.4	5.6
Duty on alcohol	1.4	1.1	0.8	0.8	0.6	0.8
Duty on tobacco	2.6	1.6	1.1	0.7	0.3	0.8
Duty on hydrocarbon oils & vehicle excise duty	2.8	2.2	2.0	1.9	1.2	1.7
Other indirect taxes	8.7	6.1	4.9	4.2	3.2	4.4
<i>All indirect taxes</i>	<i>25.1</i>	<i>18.3</i>	<i>14.8</i>	<i>13.3</i>	<i>9.7</i>	<i>13.3</i>
<i>All taxes</i>	<i>36.2</i>	<i>31.2</i>	<i>32.2</i>	<i>34.3</i>	<i>33.9</i>	<i>33.5</i>
(b) Indirect taxes as a percentage of disposable income						
VAT	10.8	8.4	7.4	7.2	5.8	7.0
Duty on alcohol	1.6	1.2	1.0	1.1	0.9	1.0
Duty on tobacco	2.9	1.9	1.3	0.9	0.4	1.0
Duty on hydrocarbon oils & vehicle excise duty	3.2	2.6	2.4	2.4	1.6	2.2
Other indirect taxes	9.8	7.0	5.9	5.3	4.2	5.5
<i>All indirect taxes</i>	<i>28.2</i>	<i>21.0</i>	<i>17.9</i>	<i>16.8</i>	<i>12.8</i>	<i>16.7</i>
(c) Indirect taxes as a percentage of expenditure⁴						
VAT	7.3	7.7	7.1	7.2	6.8	7.2
Duty on alcohol	1.1	1.1	1.0	1.1	1.0	1.0
Duty on tobacco	2.0	1.7	1.3	0.9	0.5	1.1
Duty on hydrocarbon oils & vehicle excise duty	2.1	2.4	2.3	2.4	1.9	2.2
Other indirect taxes	6.7	6.4	5.7	5.3	4.9	5.5
<i>All indirect taxes</i>	<i>19.2</i>	<i>19.3</i>	<i>17.5</i>	<i>16.9</i>	<i>15.2</i>	<i>17.0</i>

Notes:

Source: Office for National Statistics

¹ Households are ranked by equivalised disposable income.² After deducting tax credits and tax relief at source on life assurance premiums.³ After deducting discounts, council tax benefits and rates rebates.⁴ Calculated to be consistent with disposable income. See paragraph 34 of Appendix 2 for the definition of expenditure.

of the total, while the bottom two quintile groups together pay 11 per cent.

However, while direct taxes are progressive when taken as a whole, some direct taxes are progressive, whereas others are regressive. Households at the lower end of the income distribution pay smaller amounts of income tax and employees' National Insurance Contributions (NICs) compared with higher income households. This is because these taxes are not paid at all on the first part of income and higher rates of income tax are paid on higher incomes. Therefore, income tax is progressive. On the other hand, although the proportion of gross income paid in NICs rises with income, it does so only until the fourth quintile group. In 2008/09, employees' NICs were levied at 11 per cent on weekly earnings from £105 to £770 and at 1 per cent above this. Many people in households in the top quintile group will

have a significant part of their earnings taxed at this lower rate and hence they will contribute less, as a proportion of their income. As a result, NICs are progressive only up until the fourth quintile group. **Table 3** shows the size of the direct and indirect taxes paid by each quintile group.

In contrast, council tax (and domestic rates in Northern Ireland) is regressive, even after taking into account council tax benefits and rates rebates. Although households in the lower part of the income distribution pay smaller absolute amounts - average net payments by the bottom fifth of households are half those of the top fifth - when expressed as a proportion of gross income, the burden decreases as income rises. Council tax in Great Britain and domestic rates in Northern Ireland represent 6 per cent of gross income for those in the bottom fifth but only 2 per cent for those in the top fifth.

Indirect taxes

Indirect taxes are taxes that are paid on items of expenditure, such as VAT, duties on alcohol and tobacco and duties on fuels. Therefore, the amount of indirect tax each household pays is determined by their expenditure rather than their income. While the payment of indirect taxes can be expressed as a percentage of gross income in the same way as for direct taxes, this can be potentially misleading. This is because some households have an annual expenditure that exceeds their annual income, particularly those towards the bottom of the income distribution. For these households, their expenditure is not being funded entirely from income. It is possible that, for these households, expenditure is a better indicator of standard of living than income. Therefore, payment of indirect taxes is also presented as a percentage of expenditure.

Carrera (2010) presented some of the most common alternative methods that were used to fund expenditure in households where their expenditure was at least twice the level of their disposable income. For these households the most common source of funds was savings, followed by credit/store cards and then loans. This may be due to a number of reasons. For example, the bottom decile in particular includes some groups who have, or report, very little income (for example people not currently in employment and some self-employed people). For some people this spell of very low income may only be temporary and, during this period, they may continue with previous patterns of spending. Secondly, some types of one-off receipts are not included as income in this analysis, for example, inheritance and severance payments. Finally, the income and expenditure data are measured in different ways in the LCF, and either could be affected by measurement errors of different kinds (see Appendix 2, paragraph 6).

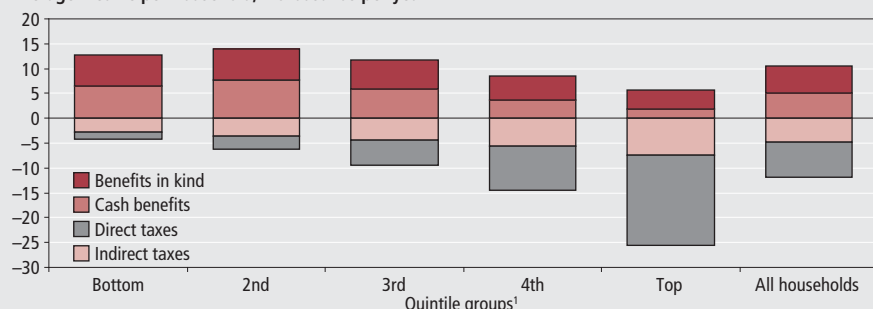
In cash terms (see **Table 14A**) the top fifth of households pay three times as much indirect tax as the bottom fifth. This simply reflects higher expenditure by higher income households. The only indirect taxes where average payments do not vary much across the income distribution are duties on tobacco, television licences and the tax element of the National Lottery.

To give a more complete picture of the impact of indirect taxes, they are shown in **Table 3** separately as a proportion of gross income, disposable income and expenditure. Direct taxes are also shown as a proportion of gross income so that the

Figure 4

Summary of the effects of taxes and benefits on ALL households, 2008/09

Average income per household, £ thousands per year

**Note:**

Source: Office for National Statistics

1 Households are ranked throughout by their grossed equivalised disposable incomes.

Table 4

Summary of household characteristics of quintile groups of ALL households,¹ 2008/09

	Quintile groups of ALL households ¹					All households
	Bottom	2nd	3rd	4th	Top	
Number of individuals per household						
Children ²	0.6	0.6	0.5	0.5	0.3	0.5
Adults	1.7	1.8	1.9	2.0	1.9	1.8
Men	0.7	0.8	0.9	1.0	1.0	0.9
Women	0.9	1.0	1.0	1.0	0.9	0.9
People	2.3	2.4	2.4	2.4	2.2	2.3
People in full-time education	0.6	0.5	0.5	0.4	0.3	0.5
Economically active people	0.7	0.8	1.3	1.5	1.7	1.2
Retired people	0.5	0.6	0.5	0.3	0.2	0.4
Household type (percentages)						
Retired	38	41	29	16	7	26
Non-retired						
1 adult without children	16	10	13	16	22	15
2 adults without children	9	12	17	27	40	21
1 adult with children ³	11	7	5	3	1	5
2 adults with children	15	17	22	22	19	19
3 or more adults ⁴	10	13	14	17	11	13
All household types	100	100	100	100	100	100

Notes:

Source: Office for National Statistics

- Households are ranked by equivalised disposable income.
- Children are defined as people aged under 16 or aged between 16 and 18, unmarried and receiving non-advanced further education.
- This group is smaller than the category of 'one parent families' (sometimes used in publications) because some of these families will be contained in the larger household types.
- With or without children.

impact of direct and indirect taxes can be compared.

When expressed as a percentage of expenditure, the proportion paid in indirect tax tends to be lower for households at the top of the distribution compared with those lower down (15 per cent for the top quintile compared with 19 per cent for the bottom quintile). The higher percentage of expenditure by low income groups on tobacco (2.0 per cent of total expenditure

for the bottom quintile group compared with 0.5 per cent for the top quintile group) and on the 'other indirect taxes' which include television licences, stamp duty on house purchases and the Camelot National Lottery Fund (6.7 per cent compared with 4.9 per cent, respectively) accounts for part of this difference.

On the other hand, the impact of indirect taxes, as a proportion of gross or disposable income, declines much more sharply as

income rises. This is because those in higher income groups tend to channel a larger proportion of their income into places which do not attract indirect taxes, such as savings and mortgage payments. For this reason, and those already mentioned regarding high expenditure households, indirect taxes expressed as a proportion of income appear more regressive than when expressed as a proportion of expenditure.

The final stage in the redistribution process is the addition of benefits received in kind (as opposed to those received in cash), such as those from state education and the health service. Households in the bottom quintile group receive the equivalent of around £6,300 per year from all benefits in kind, compared with £3,900 received by the top fifth (see **Figure 4**). These are described in more detail later in the analysis. Estimates of final income therefore include receipt of all benefits and payment of all taxes. After redistribution through taxes and benefits, the share of income received by the bottom quintile group increased from 3 per cent for original income to 6 per cent for post-tax income. The share of income received by the top quintile group fell from 51 per cent to 44 per cent.

Characteristics of households

Some types of household are more likely to be located in one part of the income distribution than another and hence it is possible to provide analysis of how different household characteristics may affect households' incomes. Information about the characteristics of households in the different income groups is shown in **Table 4**. Household size does not vary much across the income distribution, with an average of between 2.2 and 2.4 people per household in each quintile group in 2008/09. There are fewer children in the upper part of the income distribution. Men are slightly more likely to be in the upper part of the distribution while women are spread more evenly across the distribution. Higher income groups also contain more economically active people, the top fifth of households have two and a half times as many economically active people as the bottom fifth.

Of those households in the top quintile group, 62 per cent are one or two adult non-retired households without children. In fact, childless two adult non-retired households make up 40 per cent of the total households in the top quintile group. For two adult households with children, the position in the income distribution

Figure 5
Gini coefficients¹ 1983 to 2008/09

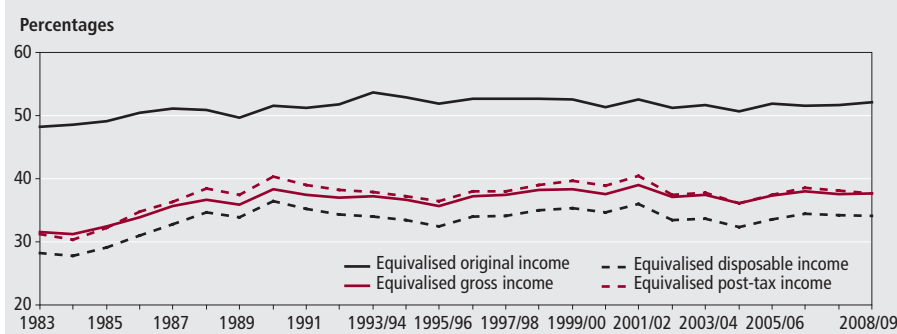
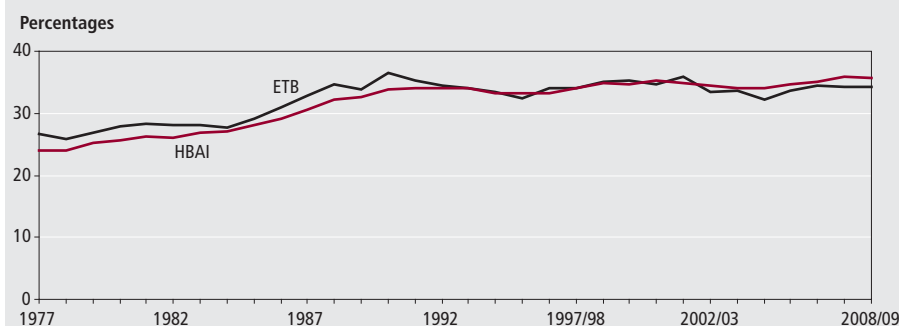


Figure 6
Gini coefficients¹ from the Effects of Taxes and Benefits (ETB) analysis (disposable income) and Households Below Average Income (HBAI) (BHC² income)



Notes (Figures 5 and 6): Source: Office for National Statistics and Department for Work and Pensions

1 See technical note 5 for an explanation of the Gini coefficient.

2 Before housing costs.

tends to vary according to the number of children. Households with more children, unless there is a corresponding increase in income, will have lower equivalised incomes to reflect the additional demand on resources. Non-retired households with one adult and one or more children are concentrated in the lower groups. Whereas these households make up 5 per cent of all households, they constitute 11 per cent of the bottom group and only 1 per cent of the top group.

Retired households are over-represented at the lower end of the income distribution. Although 26 per cent of all households are retired, these households make up 38 and 41 per cent of the bottom and second from bottom quintile groups, respectively, but only 7 per cent of the top group.

Changes in inequality over time

Figure 5 shows how the Gini coefficients for the various measures of income have changed since 1983. As with other estimates presented here, they are subject to sampling error and some caution is needed particularly in the interpretation of year-to-year changes. However, by looking at data

over several years it is possible to see some underlying trends.

As shown in **Figure 5**, the Gini coefficient for disposable income was unchanged between 2007/08 and 2008/09, at 34 per cent, having fallen only slightly between 2006/07 and 2007/08. In fact, the level of inequality in 2008/09 was approximately the same as 10 (1998/99–2008/09) and 15 year (1993/94–2008/09) averages.

Inequality was almost unchanged between 2006/07 and 2008/09 because there was very little change in average disposable incomes, especially at the top and bottom of the income distribution, over this period. Incomes were unchanged at the top of the distribution because of the lower than average growth in income from wages and salaries, and self-employment for these households. For households at the bottom of the distribution, who get the majority of their income from cash benefits, these benefits also remained almost unchanged on average.

This followed a period between 2004/05 and 2006/07 when there was a slight increase in inequality, due to increased inequality of original income. It was due in

part to the faster rate of growth of wages and salaries and investment income in the upper part of the distribution compared with the low.

The growth in inequality between 2004/05 and 2006/07 followed a period between 2001/02 and 2004/05 when income inequality was falling. Over this period there was a slight fall in inequality of original income due to faster growth in income from earnings and self-employment income at the bottom end of the income distribution. Policy changes such as the increases in the national minimum wage, increases in tax credit payments, and the increase in National Insurance contributions in 2003/04 would also have resulted in small reductions in inequality of disposable and post-tax income during this period.

Inequality of disposable income increased in the late 1980s and late 1990s during periods of faster growth in income from employment, and fell in the early 1990s during a period of slower growth in employment income. Households which typically benefit the most during periods of growth in employment income are those in the middle and upper part of the income distribution. This is due to the much higher proportion of economically active adults in higher quintile households compared with households in the lower part of the income distribution.

The Department for Work and Pensions (DWP) publishes analysis each year of the income distribution in their publication *Households Below Average Income (HBAI)*, based on data from the Family Resources Survey. Due to HBAI being based on a different survey, and some conceptual differences (for example, the use of the OECD equivalisation scale), HBAI estimates will differ slightly. However, the underlying trends are similar, as shown in **Figure 6**.

Additional analysis

Analyses of two additional household groups have been provided in this publication for the first time, based on:

1. Housing tenure type (**Tables 28 and 29**)
2. Government Office Region (**Tables 30 and 31**)

The results by housing tenure show the very large differences in the levels of income that exist between these groups. For example, households that own their residence with a mortgage (or rental purchase) had an average disposable income of £39,000 per year, almost one and a half times the all

household average. This income was mainly derived from wages and salaries, and self-employment income as these households had many more economically active people than the average for all households (1.8 economically active people per household compared with 1.2). This is in contrast with households that own their residence outright, who on average had a disposable income of £24,800 per year, slightly less than the all household average. In contrast to the households with a mortgage, households that owned their residence outright also had substantial income from occupational pensions, and the retirement pension, owing to the large number of retired people in this group.

Table 30 presents the average incomes, taxes and benefits by Government Office Region. The differences between regions are less pronounced than for those between the different housing tenure groups. However, households in the South East and London, received an average of £38,100 and £37,300 per year, respectively, in original income, approximately £8,000 per year more than the all household average. Also, these households received a larger than average amount in cash benefits, mainly due to much larger than average housing benefit.

Results for non-retired households

This section looks at the effect of taxes and benefits on the income of non-retired households. It examines how the characteristics of non-retired households affect the receipt of benefits and payment of taxes (for a definition of retired and non-retired households refer to Appendix 2, paragraph 9).

Overall effect

As for all households, the tax and benefit systems lead to income being shared more equally between non-retired households. Before taxes and benefits, there is less inequality of non-retired households' income, as shown in **Table 5**, than for all households, as shown in Table 2. However, after the process of redistribution, inequality of post-tax income (as measured, for example, by the Gini coefficient) is very similar to that for all households. The effect of taxes and benefits is therefore smaller for non-retired households than for all households, and a summary is shown in **Table 6**.

Characteristics of non-retired households

There is more variation in the size of non-retired households, compared with

households in total. The average non-retired household size tends to decrease as income increases. This fall is largely accounted for by the decrease in the average number of children in each household from 1.0 in the bottom quintile group to 0.3 in the top.

Original income

The average original income for non-retired households is £38,200 per year. As mentioned above, inequality of original income is lower for non-retired households than for all households. For example, the ratio of the average original incomes for the top and bottom quintiles is 11 to one, compared with 15 to one for all households.

The original income of non-retired households shows a relatively strong relationship to the number of economically active people they contain. On average, households in the top three quintile groups contain almost twice as many economically active people as those in the lowest group.

Cash benefits

Table 7 gives a summary of the cash benefits that each non-retired quintile group receives. There are two types of cash benefits: contributory benefits which are paid from the National Insurance Fund (to which individuals and their employers make contributions while working) and non-contributory benefits. For non-retired households, non-contributory benefits make up nearly three-quarters of all cash benefits on average.

Most non-contributory benefits, particularly income support, tax credits and housing benefit, are income related and so payments are concentrated in the

two lowest quintile groups. The presence of some individuals with low incomes in high income households means that some payments are recorded further up the income distribution. Of the total amount of income support, tax credits and housing benefit paid to non-retired households, just over half goes to households in the bottom quintile.

Child benefit is based on the number of children in the household. Levels of child benefit received are also higher at the lower end of the distribution, as these households tend to have more children.

In contrast to non-contributory benefits, a criterion for receipt of contributory benefits is the amount of National Insurance contributions that have been paid by, or on behalf of, the individual. The amounts received from these benefits are also higher in the lower half of the distribution, but to a lesser extent than for non-contributory benefits.

Cash benefits provide 45 per cent of gross income for households in the bottom quintile group, falling to just 2 per cent for households in the top quintile. Their payment results in a significant reduction in income inequality.

Direct and indirect taxes

Tables 8 and **9** show estimates of how much direct and indirect taxes are paid by non-retired households. The patterns are similar to those described for all households. As noted for all households, National Insurance contributions as a proportion of gross income increase from the bottom to the fourth quintile group, but are then lower for the top quintile group of households.

Table 5

Percentage shares of household income and Gini coefficients¹ for NON-RETIRED households, 2008/09

	Percentage shares of equivalised income for NON-RETIRED households ²			
	Original income	Gross income	Disposable income	Post-tax income
Quintile group ²				
Bottom	4	6	7	6
2nd	9	11	12	11
3rd	16	16	17	16
4th	24	23	23	23
Top	47	43	42	44
All non-retired households	100	100	100	100
Decile group ²				
Bottom	1	2	3	2
Top	30	28	26	28
Gini coefficient (per cent)	45	37	34	38

Notes:

- 1 This is a measure of the dispersion of each definition of income (see Appendix 2, paragraph 51).
- 2 Households are ranked by equivalised disposable income.

Source: Office for National Statistics

Table 6

Summary of the effects of taxes and benefits by quintile groups on NON-RETIRED households,¹ 2008/09

	Quintile groups of NON-RETIRED households¹						Ratio
	Bottom	2nd	3rd	4th	Top	All non-retired households	top/bottom quintile
Income, taxes and benefits per household (£ per year)							
Original income	7 599	20 258	33 678	47 435	81 878	38 170	11
<i>plus</i> cash benefits	6 184	5 446	3 319	1 874	1 256	3 616	0.2
Gross income	13 784	25 704	36 997	49 310	83 134	41 786	6
<i>less</i> direct taxes² and employees' NIC	1 561	4 133	7 359	11 262	20 538	8 971	13
Disposable income	12 223	21 571	29 638	38 048	62 596	32 815	5
<i>less</i> indirect taxes	3 496	4 517	5 202	6 327	7 589	5 426	2
Post-tax income	8 727	17 054	24 436	31 720	55 006	27 389	6
<i>plus</i> benefits in kind	7 836	6 912	6 082	4 795	3 744	5 874	0.5
Final income	16 563	23 966	30 518	36 515	58 751	33 263	4
Number of individuals per household							
<i>Children</i> ³	1.0	0.8	0.7	0.5	0.3	0.7	
<i>Adults</i>	1.8	2.0	2.1	2.0	1.9	2.0	
<i>Men</i>	0.8	1.0	1.1	1.1	1.0	1.0	
<i>Women</i>	1.0	1.0	1.0	1.0	0.9	1.0	
People	2.9	2.8	2.8	2.5	2.2	2.6	
People in full-time education	1.0	0.8	0.6	0.5	0.3	0.6	
Economically active people	1.1	1.5	1.8	1.9	1.8	1.6	
Retired people	0.0	0.1	0.1	0.1	0.1	0.1	

Notes:

Source: Office for National Statistics

- Households are ranked by equivalised disposable income.
- These are income tax (which is after deducting tax credits and tax relief at source on life assurance premiums), council tax and Northern Ireland rates but after deducting discounts, council tax benefit and rates rebates.
- Children are defined as people aged under 16 or aged between 16 and 18, unmarried and receiving non-advanced further education.

Table 7

Cash benefits for NON-RETIRED households by quintile groups,¹ 2008/09

	Quintile groups of NON-RETIRED households ¹					All non-retired households
	Bottom	2nd	3rd	4th	Top	
Average per household (£ per year)						
Contributory						
Retirement pension	175	895	881	688	507	629
Incapacity benefit	599	424	209	126	23	276
Jobseeker's allowance ²	106	16	9	-	0	26
Other	60	99	148	154	233	139
Total contributory	941	1 433	1 248	968	764	1 071
Non-contributory						
Income support ³	972	633	278	41	10	387
Tax credits ⁴	1 254	786	234	92	33	480
Child benefit	824	693	576	424	288	561
Housing benefit	1 269	805	250	23	20	473
Jobseeker's allowance ⁵	159	31	18	10	-	43
Sickness/disablement related	459	837	600	235	82	443
Other	306	226	117	85	59	159
Total non-contributory	5 243	4 012	2 072	907	492	2 545
Total cash benefits	6 184	5 446	3 319	1 874	1 256	3 616
Cash benefits as a percentage of gross income	45	21	9	4	2	9

Notes:

Source: Office for National Statistics

- Households are ranked by equivalised disposable income.
- Contribution based.
- Including pension credit.
- Child tax credit and working tax credit.
- Income based.

Benefits in kind

The Government provides a number of goods and services to households that are either free at the time of use or at subsidised prices. These goods and services can be assigned a monetary value and this analysis allocates this value to individual households. The addition of benefits in kind to disposable income results in an estimate of households' final income. The largest two categories for which a value is assigned are health and education services and, in total, six categories are assigned values (in some tables only five categories are presented as transport subsidies are shown as a combination of rail and bus travel subsidies). The value given to these benefits is based on the estimated cost of providing them, which for all households is detailed in **Table 13**. However, the actual value to households may be greater, or smaller, than the cost to the Government of provision. This analysis includes a number of improvements to these estimates, particularly for the value of the NHS and education.

Table 10 gives a summary of the value of benefits in kind for each quintile group for non-retired households. The benefit in kind from education is allocated to a household according to its members' use of state education (Appendix 2, paragraph 38). Households in the lower quintiles receive the highest benefit from education, as shown in Table 10. This is due to the concentration of children in this part of the distribution. In addition, children in households in the higher quintiles are more likely to be attending private schools and an allocation is not made in these cases. Free school meals and welfare milk go predominantly to lower income groups, where children are more likely to have school meals provided free of charge.

The benefit from the health service is estimated according to the age and sex of the household members rather than their actual use of the service, as the LCF does not contain this information (Appendix 2, paragraph 40). The assigned benefit is relatively high for young children, low in later childhood and through the adult years until it begins to rise from late middle age onwards. This benefit is similar in the first four quintiles and lower in the top group, as shown in Table 10. This pattern is a reflection of the demographic composition of households. Studies by Sefton (2002 and 1997) have attempted to allow for variations in use of the health service according to socio-economic characteristics. Due to data limitations this analysis does not take

Table 8

Taxes as a percentage of gross income for NON-RETIRED households by quintile groups,¹ 2008/09

	Quintile groups of NON-RETIRED households ¹					All non-retired households
	Bottom	2nd	3rd	4th	Top	
Percentages						
Direct taxes						
Income tax ²	4.0	7.8	11.1	14.0	17.9	13.6
Employees' NIC	2.5	4.6	5.8	6.3	5.1	5.3
Council tax & NI rates ³	4.8	3.7	3.1	2.6	1.8	2.6
All direct taxes	11.3	16.1	19.9	22.8	24.7	21.5
All indirect taxes	25.4	17.6	14.1	12.8	9.1	13.0
All taxes	36.7	33.7	34.0	35.7	33.8	34.5

Notes:

Source: Office for National Statistics

- Households are ranked by equivalised disposable income.
- After deducting tax credits and tax relief at source on life assurance premiums.
- Council tax and Northern Ireland rates after deducting discounts, council tax benefit and rates rebates.

Table 9

Indirect taxes as a percentage of (a) disposable income and (b) household expenditure¹ for NON-RETIRED households by quintile groups,² 2008/09

	Quintile groups of NON-RETIRED households ²					
	Bottom	2nd	3rd	4th	Top	All non-retired households
(a) Percentages of disposable income						
VAT	10.7	8.3	7.2	7.1	5.5	7.0
Duty on alcohol	1.5	1.2	1.0	1.1	0.8	1.0
Duty on tobacco	3.4	1.8	1.3	0.8	0.4	1.1
Duty on hydrocarbon oils & vehicle excise duty	3.2	2.8	2.5	2.4	1.5	2.2
Other indirect taxes	9.8	6.7	5.5	5.2	3.9	5.3
All indirect taxes	28.6	20.9	17.6	16.6	12.1	16.5
(b) Percentages of expenditure¹						
VAT	7.2	7.4	7.1	7.1	6.7	7.0
Duty on alcohol	1.0	1.1	1.0	1.1	1.0	1.0
Duty on tobacco	2.3	1.6	1.3	0.8	0.5	1.1
Duty on hydrocarbon oils & vehicle excise duty	2.1	2.5	2.5	2.4	1.8	2.2
Other indirect taxes	6.6	6.0	5.4	5.2	4.7	5.3
All indirect taxes	19.1	18.7	17.2	16.6	14.7	16.7

Notes:

Source: Office for National Statistics

- Calculated to be consistent with disposable income (see Appendix 2, paragraph 35, for the definition of expenditure).
- Households are ranked by equivalised disposable income.

Table 10

Benefits in kind for NON-RETIRED households by quintile groups,¹ 2008/09

	Quintile groups of NON-RETIRED households ¹					
	Bottom	2nd	3rd	4th	Top	All non-retired households
Average per household (£ per year)						
Education	5 145	4 073	3 344	2 322	1 497	3 276
National health service	2 438	2 649	2 595	2 320	2 037	2 408
Housing subsidy	47	31	14	7	3	20
Travel subsidies	96	95	113	139	207	130
School meals and welfare milk ²	110	64	17	6	1	40
All benefits in kind	7 836	6 912	6 082	4 795	3 744	5 874
Benefits in kind as a percentage of post-tax income	90	41	25	15	7	21

Notes:

Source: Office for National Statistics

- Households are ranked by equivalised disposable income.
- Welfare Milk scheme has been replaced by Healthy Start vouchers. For 2008/09 Healthy Start data have been imputed based on responses to Welfare Milk question, as it was unchanged in LCF interviews.

account of these variations in the use of the health service.

The benefit given to households for the NHS is estimated to be equivalent to 9 per cent of the average post-tax income for non-retired households, or an average of £2,400 per year.

The housing subsidy, which excludes housing benefit (Appendix 2, paragraph 41), fell in the years leading to 2006/07, as the proportion of households in public sector, housing association and Registered Social Landlord housing has declined. The average value attributed to housing subsidy remained almost unchanged between 2007/08 and 2008/09.

Travel subsidies cover the support payments made to bus and train operating companies. The use of public transport by non-retired households is partly related to the need to travel to work and therefore to the number of economically active people in a household. This results in estimates of these subsidies being higher for households in higher income quintiles. This pattern is also due to London and the South East having higher levels of commuting by public transport together with higher than average household incomes.

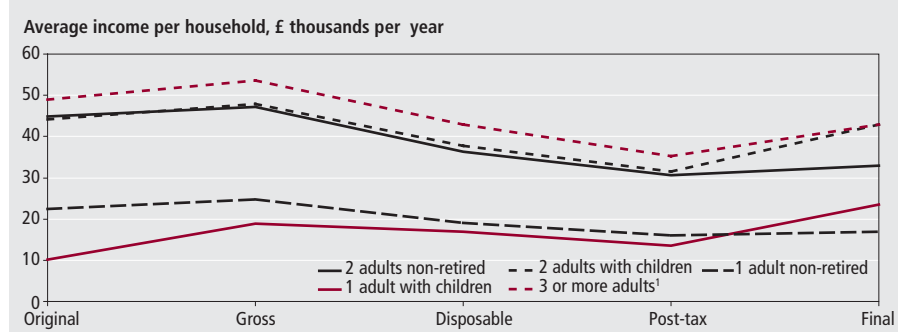
Taken together, the absolute value of these benefits in kind declines as household income increases. The ratio of benefits in kind to post-tax income decreases from 90 per cent for the lowest quintile group to 7 per cent for the highest. This indicates that these benefits contribute to the reduction of inequality.

The effects of taxes and benefits by household type

The tax and benefit systems affect different types of household in different ways reflecting, in part, the number and ages of people within each household type. Of the types of non-retired households shown in Figure 7, only those containing one adult and children make significant net gains when comparing original to final income, with average incomes of £23,500 and £10,100 per year, respectively. Households with two adults and three or more children, and households with three or more adults with children are also net beneficiaries, but to a smaller extent.

Original income is strongly related to the number of adults in the household. For two adult households, those with children have broadly similar levels of original income to those without, but they receive more cash benefits such as tax credits and child benefit than those without children. Final incomes are also higher for those with children due

Figure 7
Income stages by non-retired household types, 2008/09



Note:

1 With or without children.

Source: Office for National Statistics

Table 11
Percentage shares of household income and Gini coefficients¹ for RETIRED households, 2008/09

	Percentage shares of equivalised income for RETIRED households ²			
	Original income	Gross income	Disposable income	Post-tax income
Quintile group ²				
Bottom	4	10	10	9
2nd	8	14	14	14
3rd	11	17	17	18
4th	20	22	22	22
Top	57	38	36	37
All households	100	100	100	100
Decile group ²				
Bottom	2	4	4	3
Top	40	24	22	23
Gini coefficient (per cent)	62	28	26	29

Notes:

Source: Office for National Statistics

1 This is a measure of the dispersion of each definition of income (see Appendix 2, paragraph 53).

2 Households are ranked by equivalised disposable income.

to the value assigned to education services.

For one adult households, original income is much lower for those with children as the adult is less likely to be economically active. Benefits, both in cash and in kind, are significantly higher for those with children.

Results for retired households

In this analysis retired households are those where the income of retired household members accounts for more than half of the household gross income (see Appendix 2, paragraph 9 for the definition of a retired person). These households have quite distinct income and expenditure patterns. The tax and benefit systems affect them in different ways from non-retired households.

Retired households are much more likely to be towards the bottom of the income distribution. Whereas 38 and 41 per cent of the bottom and second quintile groups, respectively, are made up of retired households, these households only make up 7 per cent of the top group.

Among retired households, there is a high degree of inequality in income before taxes and benefits. **Table 11** shows that, before government intervention, the richest fifth of retired households receive 57 per cent of total original income, while the Gini coefficient for this measure of income is 62 per cent. Both these measures are higher (showing more inequality) than equivalent figures for non-retired households. After the impact of taxes and benefits there is a large reduction in inequality. Cash benefits play by far the largest part in bringing about this reduction. Payment of direct taxes makes a further, though much smaller, contribution. Payments of indirect taxes result in an increase in inequality.

Overall, retired households receive an average of £8,800 per year in original income with most of this coming from occupational pensions and investments (**Table 12**). Original income ranges from £1,600 for the bottom quintile group to £25,200 per year for the top. On the other hand, amounts received from cash

benefits vary less across the distribution. On average, households in the bottom fifth receive around £7,000 per year from this source, while those in the other quintile groups receive between £8,600 and £10,400 per year. These cash benefits make up large proportions of the gross incomes for the bottom four quintiles ranging from 82 per cent for the bottom quintile group to 54 per cent for the fourth quintile group. The top fifth are much less dependent on cash benefits – these account for only 28 per cent of their gross incomes.

Most retired people will have made contributions to the National Insurance Fund throughout their working lives. Many of the benefits which retired households receive are paid out of this fund in the form of contributory benefits. The most significant of these is the state retirement pension, which on average accounts for just over three-quarters of retired households' cash benefits.

Non-contributory benefits are lowest in the bottom two quintile groups. Housing benefit and disability benefits can sometimes make up a significant proportion of the income of retired households, who as a result will appear higher up the income distribution. However, this does not necessarily mean that they have a higher standard of living. Households receiving housing benefit are likely to have higher housing costs than owner occupiers (who may own their property outright), and similarly the income from disability benefits may be offset by additional costs incurred by the individual due to their illness or disability.

Retired households derive significant benefits from health services. Health benefit is spread fairly evenly between retired households and in 2008/09 was worth an average of £4,300 per year per household. This is almost twice the figure for non-retired households, and increases their post-tax income by 33 per cent. The benefits received by retired households from travel subsidies are mainly for bus travel, particularly in the form of concessionary fares and passes for senior citizens and, since these are not usually means-tested, there is no particular relationship with income.

Overall, retired households are major beneficiaries from redistribution through the tax and benefit system. Retired households with two or more adults have an average original income of £14,000, but a final income of £23,000. The corresponding figures for one adult retired households are £4,700 and £13,100. Among one adult

Table 12

Summary of the effects of taxes and benefits on RETIRED households by quintile groups,¹ 2008/09

	Quintile groups of RETIRED households ¹					All retired households
	Bottom	2nd	3rd	4th	Top	
Income, taxes and benefits per household (£ per year)						
Original income						
Earnings	28	149	311	774	1 238	500
Occupational pensions	1 219	2 869	3 992	6 860	19 276	6 843
Investment income	291	428	521	1 207	4 314	1 352
Other income	34	56	62	180	365	139
Total original income	1 572	3 502	4 886	9 020	25 192	8 835
<i>plus</i> Contributory benefits	5 780	7 063	7 196	7 560	7 472	7 014
Non-contributory benefits	1 175	1 539	2 645	2 862	2 097	2 064
Total cash benefits	6 955	8 602	9 842	10 422	9 569	9 078
Gross income	8 527	12 104	14 728	19 442	34 761	17 912
<i>less</i> Income tax ²	139	346	530	1 168	3 826	1 202
Employees' NIC	1	5	13	37	66	24
Council tax & Northern Ireland rates ³	806	769	746	907	1 285	903
Disposable income	7 582	10 985	13 438	17 330	29 584	15 784
<i>less</i> Indirect taxes	1 923	2 244	2 361	2 961	4 554	2 809
Post-tax income	5 659	8 741	11 077	14 369	25 030	12 975
<i>plus</i> National health service	4 281	4 257	4 318	4 375	4 174	4 281
Housing subsidy	11	18	40	25	18	22
Other benefits in kind	205	140	232	203	182	193
Final income	10 155	13 157	15 667	18 972	29 404	17 471
Cash benefits as a percentage of gross income	82	71	67	54	28	51
Retirement pension as a percentage of cash benefits	81	81	72	72	77	76

Notes:

- 1 Households are ranked by equivalised disposable income.
- 2 After deducting tax credits and tax relief at source on life assurance premiums.
- 3 Council tax and Northern Ireland rates after deducting discounts, council tax benefit and rates rebates.

Source: Office for National Statistics

households, women have a lower original income than men, but after the addition of benefits and the deduction of taxes, the differences are greatly reduced.

ACKNOWLEDGEMENTS

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APPENDIX 1

Table 13

Taxes and benefits allocated to households as a percentage of general government expenditure, 2008

Taxes and compulsory social contributions ¹ allocated to households			Benefits allocated to households		
	£ million	% of GGE ²		£ million	% of GGE ²
Income tax (gross)	149 910	22.8	Cash benefits		
Tax reliefs	– 20	0.0			
Income tax (net)	149 890	22.8	Contributory (National Insurance, etc)		
Employees' & self-employed NI contributions	43 500	6.6	Retirement	60 770	9.2
Council tax	24 360	3.7	Incapacity benefit	6 580	1.0
			Widows' and guardians' allowances	700	0.1
			Maternity/Statutory maternity pay	1 920	0.3
			Job seeker's allowance	480	0.1
			Social fund	2 970	0.5
			Other	340	0.1
Taxes on final goods and services					
VAT	61 160	9.3	Non-contributory		
Duty on hydrocarbon oils	12 500	1.9	Income support	16 240	2.5
Duty on tobacco	8 010	1.2	Working and child tax credits	17 640	2.7
Vehicle excise duty	4 510	0.7	Other family benefits	10 950	1.7
Duty on wines, cider, perry and spirits	5 160	0.8	War pensions	1 010	0.2
Duty on beer	2 930	0.4	Other	24 290	3.7
Betting duties	900	0.1			
Camelot: payments to the National Lottery Distribution Fund	1 280	0.2	Student support	840	0.1
Stamp duty on house purchase	2 590	0.4			
Other	1 560	0.2	Rent rebates and allowances	16 650	2.5
Taxes & NI contributions on intermediate goods & services ³			Benefits in kind		
Employers' NI contributions	19 260	2.9	Health services	101 660	15.4
Commercial & industrial rates	10 490	1.6	Education	73 750	11.2
Duty on hydrocarbon oils	6 280	1.0	Travel subsidies ⁴	2 970	0.5
VAT	4 420	0.7	Housing subsidy	530	0.1
Vehicle excise duty	510	0.1	School meals and welfare milk ⁵	1 210	0.2
Other	5 720	0.9			
Total	365 030	55.5	Total	341 500	51.9
Total government expenditure	658 200				

Notes:

Source: United Kingdom National Accounts, 2009 Edition.

¹ Paid to UK central and local government and European Union institutions.² Expressed as a percentage of general government expenditure.³ These are taxes paid by industry and commerce assumed to be passed on to households in the prices of goods and services they buy. For instance, duty on derv used in the transportation of goods is an 'intermediate' tax whereas the duty on petrol bought by the private motorist is a tax on final goods and services.⁴ Including concessionary fares expenditure.⁵ Welfare Milk scheme has been replaced by Healthy Start vouchers. For 2008/09 Healthy Start data have been imputed based on responses to Welfare Milk question, as it was unchanged in LCF interviews.

Table 14

Average incomes, taxes and benefits by decile groups of ALL households, 2008/09

	Decile groups of all households ranked by equivalised disposable income										All house- holds
	Bottom	2nd	3rd	4th	5th	6th	7th	8th	9th	Top	
Average per household (£ per year)											
Decile points (equivalised £)	10 845	13 576	16 223	18 997	21 858	25 332	29 853	35 895	47 329		
Number of households in the population ('000s)	2 585	2 580	2 591	2 590	2 587	2 591	2 587	2 587	2 587	2 589	25 874
Original income											
Wages and salaries	2 615	3 955	6 501	11 180	14 285	21 819	26 271	34 708	43 892	67 979	23 320
Imputed income from benefits in kind	—	—	18	19	39	184	340	376	655	1 229	286
Self-employment income	464	587	708	777	1 191	2 295	2 495	3 235	5 070	13 623	3 044
Occupational pensions, annuities	356	1 117	1 588	2 148	2 564	2 726	3 005	3 674	3 533	5 264	2 597
Investment income	206	274	286	366	493	600	804	1 069	1 592	4 451	1 014
Other income	129	236	164	288	134	281	329	337	217	116	223
Total	3 769	6 170	9 264	14 777	18 706	27 905	33 243	43 399	54 960	92 660	30 485
Direct benefits in cash											
Contributory											
Retirement pension	1 844	2 793	3 564	3 283	3 067	2 391	2 146	1 620	1 051	985	2 274
Job seeker's allowance (Contribution based)	83	65	36	6	11	12	1	—	1	—	21
Incapacity benefit	367	460	336	309	245	194	193	112	37	22	228
Widows' benefits	6	39	15	25	21	3	23	—	—	20	15
Statutory Maternity Pay/Allowance	—	20	70	35	36	92	130	168	144	200	89
Non-contributory											
Income support and pension credit	594	952	718	606	514	384	359	69	31	2	423
Child benefit	512	453	535	409	449	473	408	378	287	257	416
Housing benefit	802	1 005	928	917	676	386	284	27	26	24	507
Job seeker's allowance (Income based)	121	116	41	6	3	11	17	9	—	—	32
Invalid care allowance	53	77	109	151	61	52	20	13	32	8	58
Attendance allowance	14	9	64	63	91	41	55	53	14	11	42
Disability living allowance	165	265	373	622	525	559	407	140	188	25	327
War pensions/War widows' pensions	—	—	9	3	8	46	36	1	5	7	11
Severe disablement allowance	24	45	22	61	68	45	33	35	20	—	35
Industrial injury disablement benefit	3	5	22	38	33	19	29	21	4	4	18
Student support	147	107	134	84	73	49	27	48	18	5	69
Government training schemes	6	12	4	3	0	1	6	0	0	1	3
Tax credits ¹	601	794	795	471	444	227	86	97	21	28	356
Other non-contributory benefits	108	195	168	170	159	105	90	79	50	84	121
Total cash benefits	5 449	7 413	7 940	7 263	6 484	5 090	4 349	2 869	1 929	1 681	5 047
Gross income	9 219	13 583	17 204	22 040	25 190	32 995	37 592	46 268	56 889	94 341	35 532
Direct taxes and Employees' NIC											
Income tax	306	593	1 005	1 700	2 311	3 650	4 494	6 348	8 855	17 306	4 657
less: Tax credits ²	24	104	253	249	282	236	185	122	66	19	154
Employees' NI contributions	138	216	413	765	987	1 596	1 971	2 661	3 367	4 191	1 631
Council tax and Northern Ireland rates ³	1 053	1 034	1 054	1 105	1 138	1 209	1 211	1 303	1 320	1 573	1 200
less: Council tax benefit/Rates rebates	300	371	280	213	180	101	69	17	12	4	155
Total	1 172	1 368	1 939	3 108	3 973	6 118	7 423	10 172	13 463	23 047	7 178
Disposable income	8 047	12 214	15 265	18 933	21 217	26 876	30 169	36 096	43 425	71 294	28 354
Equivalised disposable income	7 741	12 187	14 953	17 556	20 360	23 550	27 538	32 739	40 957	71 408	26 899
Indirect taxes											
Taxes on final goods and services											
VAT	1 101	1 085	1 295	1 562	1 609	1 927	2 155	2 616	2 871	3 747	1 997
Duty on tobacco	288	310	317	320	295	341	286	311	235	251	296
Duty on beer and cider	65	72	73	114	89	115	130	152	199	178	119
Duty on wines & spirits	85	95	109	129	133	146	176	240	251	348	171
Duty on hydrocarbon oils	255	216	283	384	390	467	555	656	702	722	463
Vehicle excise duty	94	73	90	121	129	165	172	195	207	227	147
Television licences	110	102	107	106	108	120	119	126	129	132	116
Stamp duty on house purchase	39	24	33	45	50	62	82	114	129	279	86
Customs duties	21	20	22	25	26	30	32	36	40	51	30
Betting taxes	14	27	32	34	34	43	37	48	67	29	36
Insurance premium tax	25	22	27	34	39	45	49	62	67	86	45
Air passenger duty	19	10	22	21	30	31	49	83	103	119	49
Camelot National Lottery Fund	25	42	59	60	62	63	56	51	51	37	51
Other	7	5	4	5	3	12	53	34	82	27	23
Intermediate taxes											
Commercial and industrial rates	179	170	194	220	229	261	273	316	351	441	264
Employers' NI contributions	320	304	346	393	408	466	487	563	626	787	470
Duty on hydrocarbon oils	105	100	114	129	134	153	160	185	206	259	155
Vehicle excise duty	9	8	9	11	11	13	13	15	17	21	13
Other	144	136	155	177	183	210	219	253	281	354	211
Total indirect taxes	2 904	2 820	3 292	3 892	3 964	4 668	5 104	6 054	6 613	8 095	4 741
Post-tax income	5 143	9 394	11 973	15 040	17 253	22 208	25 065	30 042	36 812	63 199	23 613
Benefits in kind											
Education	3 419	2 602	3 168	2 521	2 610	2 792	2 195	2 065	1 732	1 221	2 433
National health service	2 953	3 237	3 452	3 298	3 141	3 077	2 809	2 620	2 280	2 119	2 899
Housing subsidy	31	38	37	29	28	15	14	9	4	2	21
Rail travel subsidy	33	37	17	23	25	40	68	56	88	157	55
Bus travel subsidy	73	78	87	92	78	79	63	86	49	86	77
School meals and welfare milk ⁴	70	60	63	34	37	15	9	6	1	1	30
Total	6 578	6 052	6 825	5 998	5 920	6 017	5 158	4 841	4 154	3 585	5 513
Final income	11 721	15 447	18 798	21 038	23 173	28 225	30 222	34 883	40 967	66 784	29 126

Notes:

Source: Office for National Statistics

1 Child tax credit and working tax credit.

2 Including tax relief at source on life assurance premiums.

3 Council tax and Northern Ireland rates after deducting discounts.

4 Welfare Milk scheme has been replaced by Healthy Start vouchers. For 2008/09 Healthy Start data have been imputed based on responses to Welfare Milk question, as it was unchanged in LCF interviews.

Table 14A

Average incomes, taxes and benefits by quintile groups of ALL households, 2008/09

	Quintile groups of all households ranked by equivalised disposable income					All
	Bottom	2nd	3rd	4th	Top	house- holds
Average per household (£ per year)						
Quintile points (equivalised £)		13 576	18 997	25 332	35 895	
Number of households in the population ('000s)	5 165	5 181	5 178	5 174	5 176	25 874
Original income						
Wages and salaries	3 285	8 840	18 052	30 489	55 935	23 320
Imputed income from benefits in kind	—	18	112	358	942	286
Self-employment income	525	742	1 743	2 865	9 346	3 044
Occupational pensions, annuities	736	1 868	2 645	3 340	4 398	2 597
Investment income	240	326	546	937	3 021	1 014
Other income	182	226	207	333	167	223
Total	4 970	12 020	23 305	38 321	73 810	30 485
Direct benefits in cash						
Contributory						
Retirement pension	2 319	3 424	2 729	1 883	1 018	2 274
Job seeker's allowance (Contribution based)	74	21	11	0	0	21
Incapacity benefit	414	323	219	153	30	228
Widows' benefits	22	20	12	11	10	15
Statutory Maternity Pay/Allowance	10	53	64	149	172	89
Non-contributory						
Income support and pension credit	773	662	449	214	16	423
Child benefit	483	472	461	393	272	416
Housing benefit	904	922	531	155	25	507
Job seeker's allowance (Income based)	118	23	7	13	—	32
Invalid care allowance	65	130	57	16	20	58
Attendance allowance	12	64	66	54	12	42
Disability living allowance	215	498	542	273	106	327
War pensions/War widows' pensions	—	6	27	19	6	11
Severe disablement allowance	35	42	56	34	10	35
Industrial injury disablement benefit	4	30	26	25	4	18
Student support	127	109	61	38	11	69
Government training schemes	9	4	0	3	0	3
Tax credits ¹	698	633	335	91	25	356
Other non-contributory benefits	151	169	132	85	67	121
Total cash benefits	6 431	7 602	5 787	3 609	1 805	5 047
Gross income	11 401	19 622	29 092	41 930	75 615	35 532
Direct taxes and Employees' NIC						
Income tax	449	1 352	2 980	5 421	13 080	4 657
less:Tax credits ²	64	251	259	154	43	154
Employees' NI contributions	177	589	1 291	2 316	3 779	1 631
Council tax and Northern Ireland rates ³	1 043	1 079	1 174	1 257	1 447	1 200
less: Council tax benefit/Rates rebates	336	247	140	43	8	155
Total	1 270	2 523	5 046	8 798	18 255	7 178
Disposable income	10 130	17 099	24 047	33 133	57 360	28 354
Equivalised disposable income	9 964	16 255	21 955	30 138	56 182	26 899
Indirect taxes						
Taxes on final goods and services						
VAT	1 093	1 429	1 768	2 386	3 309	1 997
Duty on tobacco	299	319	318	299	243	296
Duty on beer and cider	69	94	102	141	189	119
Duty on wines & spirits	90	119	139	208	299	171
Duty on hydrocarbon oils	236	334	429	605	712	463
Vehicle excise duty	84	106	147	183	217	147
Television licences	106	106	114	123	130	116
Stamp duty on house purchase	32	39	56	98	204	86
Customs duties	20	24	28	34	46	30
Betting taxes	20	33	38	42	48	36
Insurance premium tax	23	30	42	55	76	45
Air passenger duty	14	22	30	66	111	49
Camelot National Lottery Fund	34	60	62	53	44	51
Other	6	4	7	44	54	23
Intermediate taxes						
Commercial and industrial rates	175	207	245	294	396	264
Employers' NI contributions	312	369	437	525	706	470
Duty on hydrocarbon oils	102	121	144	173	232	155
Vehicle excise duty	8	10	12	14	19	13
Other	140	166	197	236	317	211
Total indirect taxes	2 862	3 592	4 316	5 579	7 354	4 741
Post-tax income	7 269	13 507	19 731	27 553	50 006	23 613
Benefits in kind						
Education	3 011	2 845	2 701	2 130	1 477	2 433
National health service	3 095	3 375	3 109	2 714	2 199	2 899
Housing subsidy	35	33	22	11	3	21
Rail travel subsidy	35	20	33	62	123	55
Bus travel subsidy	76	90	78	74	67	77
School meals and welfare milk ⁴	65	49	26	7	1	30
Total	6 315	6 411	5 969	5 000	3 870	5 513
Final income	13 584	19 918	25 699	32 553	53 876	29 126

Notes:

Source: Office for National Statistics

1 Child tax credit and working tax credit.

2 Including tax relief at source on life assurance premiums.

3 Council tax and Northern Ireland rates after deducting discounts.

4 Welfare Milk scheme has been replaced by Healthy Start vouchers. For 2008/09 Healthy Start data have been imputed based on responses to Welfare Milk question, as it was unchanged in LCF interviews.

Table 15

Household characteristics of decile groups of ALL households, 2008/09

	Decile groups of all households ranked by equivalised disposable income										All house- holds
	Bottom	2nd	3rd	4th	5th	6th	7th	8th	9th	Top	
Average per household (number)											
People	2.34	2.22	2.32	2.38	2.31	2.57	2.44	2.42	2.29	2.15	2.34
Adults	1.68	1.66	1.68	1.89	1.77	2.02	1.96	1.98	1.94	1.84	1.84
Men	0.74	0.73	0.74	0.90	0.84	1.00	0.98	1.04	1.02	0.95	0.89
Women	0.94	0.93	0.94	0.99	0.93	1.03	0.98	0.93	0.92	0.90	0.95
Children	0.66	0.56	0.64	0.49	0.54	0.55	0.47	0.44	0.34	0.31	0.50
Economically active people	0.69	0.62	0.69	0.99	1.07	1.45	1.49	1.61	1.71	1.63	1.19
Retired people	0.45	0.61	0.66	0.62	0.55	0.42	0.35	0.27	0.17	0.15	0.43
People in full-time education	0.70	0.54	0.60	0.49	0.51	0.52	0.44	0.41	0.32	0.27	0.48
In state primary schools	0.28	0.27	0.32	0.22	0.27	0.24	0.24	0.19	0.15	0.12	0.23
In state secondary schools	0.20	0.14	0.16	0.14	0.16	0.17	0.12	0.13	0.11	0.06	0.14
In further and higher education	0.19	0.11	0.09	0.11	0.07	0.09	0.04	0.06	0.04	0.03	0.08
In other educational establishments	0.03	0.02	0.03	0.01	0.02	0.02	0.03	0.02	0.02	0.06	0.03
Composition (percentages)											
Household type											
Retired											
1 adult	21	24	26	21	19	12	11	7	4	2	15
1 adult men	5	6	6	6	6	3	4	3	2	1	4
1 adult women	16	18	19	15	13	8	7	4	2	1	10
2 or more adults	12	19	19	16	14	12	8	6	5	4	12
Non-retired											
1 adult without children	19	13	9	11	13	13	15	16	21	23	15
1 adult men	12	8	5	6	8	8	7	12	14	14	9
1 adult women	7	5	4	5	5	5	8	4	7	9	6
2 adults without children	10	8	10	13	17	17	25	28	36	45	21
3 or more adults without children	5	6	5	11	6	13	13	13	12	6	9
1 adult with children	10	12	9	6	6	4	3	3	1	1	5
2 adults with 1 child	6	4	5	6	8	9	8	10	9	10	7
2 adults with 2 children	7	6	8	7	11	11	10	10	9	7	9
2 adults with 3 or more children	5	3	5	4	3	3	3	1	1	1	3
3 or more adults with children	5	5	4	6	4	5	3	5	2	2	4
Household tenure											
Rented											
	47	46	48	41	36	26	25	17	15	8	31
Local authority rented	21	19	19	14	11	5	5	1	1	1	10
Housing association or RSL	9	13	15	12	10	7	7	4	1	—	8
Other rented unfurnished	7	7	8	8	8	7	6	4	5	4	6
Rented furnished	10	6	5	6	6	5	5	5	5	3	6
Rent free	1	1	1	1	1	1	2	3	2	0	1
Owner occupied											
	53	54	52	59	64	74	75	83	85	92	69
With mortgage	15	14	17	25	30	45	48	51	60	67	37
Rental purchase	0	0	—	0	0	1	1	1	0	—	0
Owned outright	37	39	35	33	34	29	26	30	24	25	31
Age of chief economic supporter											
Under 25	7	4	4	4	4	3	4	3	2	0	3
Over 24 and under 35	13	11	11	12	12	13	15	18	22	20	15
Over 34 and under 45	21	17	17	13	16	21	22	21	25	28	20
Over 44 and under 55	14	15	11	16	17	22	22	24	24	25	19
Over 54 and under 65	16	15	15	20	18	14	15	18	18	20	17
Over 64 and under 75	11	15	20	16	16	14	11	9	5	5	12
Over 74	18	24	22	20	18	12	10	7	5	2	14
Employment status of chief economic supporter											
Self-employed	6	5	4	3	5	8	8	8	11	13	7
Full-time employee	8	15	23	32	40	55	61	70	74	75	45
Part-time employee	16	11	10	12	12	5	6	6	4	4	9
Unemployed	12	5	2	1	1	0	0	0	0	—	2
Unoccupied and under minimum NI age	27	25	15	13	9	6	5	2	2	2	11
Retired/unoccupied over minimum NI age	31	39	45	38	32	26	20	14	8	6	26
Other	0	0	0	0	0	0	—	0	0	—	0

Source: Office for National Statistics

Table 15A

Household characteristics of quintile groups of ALL households, 2008/09

	Quintile groups of all households ranked by equivalised disposable income					All house- holds
	Bottom	2nd	3rd	4th	Top	
Average per household (number)						
People	2.28	2.35	2.44	2.43	2.22	2.34
Adults	1.67	1.78	1.90	1.97	1.89	1.84
Men	0.73	0.82	0.92	1.01	0.98	0.89
Women	0.93	0.96	0.98	0.96	0.91	0.95
Children	0.61	0.57	0.54	0.46	0.33	0.50
Economically active people	0.65	0.84	1.26	1.55	1.67	1.19
Retired people	0.53	0.64	0.48	0.31	0.16	0.43
People in full-time education	0.62	0.55	0.52	0.42	0.30	0.48
In state primary schools	0.27	0.27	0.26	0.22	0.14	0.23
In state secondary schools	0.17	0.15	0.16	0.13	0.08	0.14
In further and higher education	0.15	0.10	0.08	0.05	0.04	0.08
In other educational establishments	0.03	0.02	0.02	0.03	0.04	0.03
Composition (percentages)						
Household type						
Retired						
1 adult	22	23	15	9	3	15
1 adult men	5	6	5	3	1	4
1 adult women	17	17	11	6	2	10
2 or more adults	16	18	13	7	4	12
Non-retired						
1 adult without children	16	10	13	16	22	15
1 adult men	10	5	8	10	14	9
1 adult women	6	4	5	6	8	6
2 adults without children	9	12	17	27	40	21
3 or more adults without children	6	8	10	13	9	9
1 adult with children	11	7	5	3	1	5
2 adults with 1 child	5	5	8	9	9	7
2 adults with 2 children	7	8	11	10	8	9
2 adults with 3 or more children	4	4	3	2	1	3
3 or more adults with children	5	5	4	4	2	4
Household tenure						
Rented						
	47	45	31	21	12	31
Local authority rented	20	17	8	3	1	10
Housing association or RSL	11	14	9	5	1	8
Other rented unfurnished	7	8	8	5	4	6
Rented furnished	8	6	5	5	4	6
Rent free	1	1	1	3	1	1
Owner occupied						
	53	55	69	79	88	69
With mortgage	15	21	37	50	64	37
Rental purchase	0	0	0	1	0	0
Owned outright	38	34	32	28	24	31
Age of chief economic supporter						
Under 25	6	4	4	3	1	3
Over 24 and under 35	12	11	12	16	21	15
Over 34 and under 45	19	15	19	22	26	20
Over 44 and under 55	14	13	19	23	25	19
Over 54 and under 65	15	17	16	17	19	17
Over 64 and under 75	13	18	15	10	5	12
Over 74	21	21	15	9	4	14
Employment status of chief economic supporter						
Self-employed	5	4	7	8	12	7
Full-time employee	11	28	47	66	75	45
Part-time employee	13	11	8	6	4	9
Unemployed	8	2	0	0	0	2
Unoccupied and under minimum NI age	26	14	8	3	2	11
Retired/unoccupied over minimum NI age	35	41	29	17	7	26
Other	0	0	0	0	0	0

Source: Office for National Statistics

Table 16

Average incomes, taxes and benefits by decile groups of NON-RETIRED households, 2008/09

	Decile groups of non-retired households ranked by equivalised disposable income										All house- holds
	Bottom	2nd	3rd	4th	5th	6th	7th	8th	9th	Top	
Average per household (£ per year)											
Decile points (equivalised £)	11 203	14 679	17 975	21 167	24 547	28 588	33 283	39 709	51 937		
Number of households in the population ('000s)	1 907	1 910	1 906	1 914	1 910	1 911	1 906	1 912	1 907	1 914	19 096
Original income											
Wages and salaries	4 033	8 089	14 811	20 163	27 768	30 364	36 263	44 392	53 068	75 488	31 444
Imputed income from benefits in kind	—	8	17	63	216	371	400	525	770	1 482	385
Self-employment income	773	1 044	1 076	1 715	2 623	2 990	3 642	4 549	5 591	17 033	4 104
Occupational pensions, annuities	131	272	633	887	820	1 067	1 173	1 678	1 559	2 686	1 090
Investment income	148	145	269	321	233	464	606	992	1 185	4 579	894
Other income	268	290	278	284	172	268	321	331	162	153	253
Total	5 352	9 847	17 084	23 433	31 832	35 524	42 405	52 466	62 334	101 421	38 170
Direct benefits in cash											
Contributory											
Retirement pension	84	267	813	977	847	915	834	542	418	596	629
Job seeker's allowance (Contribution based)	113	99	17	14	10	7	—	—	1	—	26
Incapacity benefit	525	674	451	398	254	164	196	55	16	30	276
Widows' benefits	16	33	40	30	16	15	—	—	6	20	18
Statutory Maternity Pay/Allowance	—	71	84	43	144	122	163	144	218	222	121
Non-contributory											
Income support and pension credit	746	1 198	776	491	233	323	51	32	17	3	387
Child benefit	758	890	741	646	648	503	473	376	312	263	561
Housing benefit	1 086	1 451	938	672	264	236	27	19	9	32	473
Job seeker's allowance (Income based)	171	148	58	5	15	21	13	—	—	—	43
Invalid care allowance	61	142	150	115	60	18	22	9	13	4	60
Attendance allowance	18	8	21	1	—	13	30	—	—	7	10
Disability living allowance	218	393	627	544	427	482	220	110	87	34	314
War pensions/War widows' pensions	—	—	—	4	18	84	3	6	—	—	12
Severe disablement allowance	14	61	77	32	11	50	39	—	19	—	30
Industrial injury disablement benefit	3	—	49	54	7	30	22	7	—	—	17
Student support	198	263	154	96	79	37	42	47	7	6	93
Government training schemes	11	14	5	4	0	9	0	0	0	1	4
Tax credits ¹	957	1 551	894	678	369	99	159	25	39	28	480
Other non-contributory benefits	36	90	88	104	60	48	58	23	21	83	61
Total cash benefits	5 015	7 353	5 983	4 908	3 461	3 178	2 352	1 397	1 184	1 328	3 616
Gross income	10 367	17 200	23 067	28 341	35 293	38 702	44 757	53 863	63 518	102 749	41 786
Direct taxes and Employees' NIC											
Income tax	416	1 033	1 959	2 810	4 129	4 653	6 074	7 978	10 334	19 432	5 882
less: Tax credits ²	40	305	408	376	364	232	181	93	66	12	208
Employees' NI contributions	211	470	965	1 424	2 005	2 259	2 812	3 390	3 997	4 473	2 201
Council tax and Northern Ireland rates ³	994	1 029	1 092	1 138	1 199	1 181	1 258	1 307	1 334	1 596	1 213
less: Council tax benefit/Rates rebates	338	349	202	135	62	49	15	5	8	5	117
Total	1 243	1 879	3 406	4 860	6 908	7 811	9 947	12 577	15 591	25 485	8 971
Disposable income	9 124	15 321	19 661	23 481	28 385	30 891	34 810	41 286	47 927	77 264	32 815
Equivalised disposable income	7 622	12 898	16 349	19 652	22 853	26 475	30 718	36 183	44 905	77 893	29 555
Indirect taxes											
Taxes on final goods and services											
VAT	1 244	1 377	1 731	1 866	2 055	2 225	2 587	2 831	3 009	3 899	2 283
Duty on tobacco	366	458	449	343	437	335	325	259	219	292	348
Duty on beer and cider	81	89	134	117	140	131	166	188	205	178	143
Duty on wines & spirits	94	107	147	140	161	186	217	263	243	358	192
Duty on hydrocarbon oils	289	305	447	497	518	605	659	778	674	749	552
Vehicle excise duty	96	88	130	151	184	179	194	214	206	233	168
Television licences	134	139	134	131	135	132	133	136	134	135	134
Stamp duty on house purchase	38	31	42	59	65	73	110	124	156	299	100
Customs duties	24	25	28	30	31	33	36	40	42	53	34
Betting taxes	16	26	34	35	47	36	51	45	38	29	35
Insurance premium tax	25	26	35	43	49	49	58	63	66	88	50
Air passenger duty	21	20	17	35	22	42	83	93	90	134	56
Camelot National Lottery Fund	27	38	66	59	63	60	56	56	45	34	50
Other	8	6	6	5	15	46	36	75	63	25	28
Intermediate taxes											
Commercial and industrial rates	207	218	239	264	270	287	314	345	362	463	297
Employers' NI contributions	369	388	426	471	482	512	560	615	646	826	529
Duty on hydrocarbon oils	121	128	140	155	158	168	184	202	212	271	174
Vehicle excise duty	10	11	12	13	13	14	15	17	18	22	14
Other	166	175	191	212	216	230	252	276	290	371	238
Total indirect taxes	3 338	3 654	4 407	4 627	5 063	5 341	6 037	6 618	6 717	8 461	5 426
Post-tax income	5 786	11 668	15 254	18 854	23 322	25 550	28 773	34 668	41 210	68 803	27 389
Benefits in kind											
Education	5 136	5 155	4 279	3 868	3 996	2 691	2 522	2 122	1 766	1 228	3 276
National health service	2 325	2 551	2 659	2 640	2 704	2 487	2 384	2 257	2 092	1 982	2 408
Housing subsidy	43	50	35	26	16	12	9	4	4	2	20
Rail travel subsidy	41	53	35	33	36	69	83	76	101	173	70
Bus travel subsidy	52	46	58	64	64	57	61	60	61	80	60
School meals and welfare milk ⁴	105	116	74	55	23	12	9	3	0	1	40
Total	7 701	7 971	7 140	6 685	6 838	5 327	5 067	4 522	4 023	3 466	5 874
Final income	13 488	19 638	22 394	25 539	30 160	30 876	33 840	39 190	45 233	72 269	33 263

Notes:

Source: Office for National Statistics

1 Child tax credit and working tax credit.

2 Including tax relief at source on life assurance premiums.

3 Council tax and Northern Ireland rates after deducting discounts.

4 Welfare Milk scheme has been replaced by Healthy Start vouchers. For 2008/09 Healthy Start data have been imputed based on responses to Welfare Milk question, as it was unchanged in LCF interviews.

Table 16A

Average incomes, taxes and benefits by quintile groups of NON-RETIRED households, 2008/09

	Quintile groups of non-retired households ranked by equivalised disposable income					All
	Bottom	2nd	3rd	4th	Top	house- holds
Average per household (£ per year)						
Quintile points (equivalised £)		14 679	21 167	28 588	39 709	
Number of households in the population ('000s)	3 817	3 819	3 821	3 818	3 821	19 096
Original income						
Wages and salaries	6 061	17 487	29 066	40 327	64 278	31 444
Imputed income from benefits in kind	4	40	294	463	1 126	385
Self-employment income	908	1 396	2 807	4 095	11 312	4 104
Occupational pensions, annuities	201	760	944	1 425	2 122	1 090
Investment income	146	295	348	799	2 882	894
Other income	279	281	220	326	158	253
Total	7 599	20 258	33 678	47 435	81 878	38 170
Direct benefits in cash						
Contributory						
Retirement pension	175	895	881	688	507	629
Job seeker's allowance (Contribution based)	106	16	9	—	0	26
Incapacity benefit	599	424	209	126	23	276
Widows' benefits	24	35	15	—	13	18
Statutory Maternity Pay/Allowance	36	63	133	154	220	121
Non-contributory						
Income support and pension credit	972	633	278	41	10	387
Child benefit	824	693	576	424	288	561
Housing benefit	1 269	805	250	23	20	473
Job seeker's allowance (Income based)	159	31	18	7	—	43
Invalid care allowance	102	132	39	16	9	60
Attendance allowance	13	11	6	15	3	10
Disability living allowance	305	586	455	165	61	314
War pensions/War widows' pensions	—	2	51	5	—	12
Severe disablement allowance	38	55	31	19	9	30
Industrial injury disablement benefit	2	51	18	14	—	17
Student support	230	125	58	45	7	93
Government training schemes	12	5	5	0	0	4
Tax credits ¹	1 254	786	234	92	33	480
Other non-contributory benefits	63	96	54	40	52	61
Total cash benefits	6 184	5 446	3 319	1 874	1 256	3 616
Gross income	13 784	25 704	36 997	49 310	83 134	41 786
Direct taxes and Employees' NIC						
Income tax	725	2 384	4 391	7 026	14 883	5 882
less:Tax credits ²	172	392	298	137	39	208
Employees' NI contributions	341	1 194	2 132	3 101	4 235	2 201
Council tax and Northern Ireland rates ³	1 011	1 115	1 190	1 283	1 465	1 213
less: Council tax benefit/Rates rebates	344	169	56	10	7	117
Total	1 561	4 133	7 359	11 262	20 538	8 971
Disposable income	12 223	21 571	29 638	38 048	62 596	32 815
Equivalised disposable income	10 260	18 000	24 664	33 450	61 399	29 555
Indirect taxes						
Taxes on final goods and services						
VAT	1 311	1 799	2 140	2 709	3 454	2 283
Duty on tobacco	412	396	386	292	256	348
Duty on beer and cider	85	126	135	177	192	143
Duty on wines & spirits	101	144	173	240	300	192
Duty on hydrocarbon oils	297	472	562	719	712	552
Vehicle excise duty	92	141	182	204	220	168
Television licences	136	133	134	134	134	134
Stamp duty on house purchase	35	50	69	117	228	100
Customs duties	25	29	32	38	48	34
Betting taxes	21	34	41	48	33	35
Insurance premium tax	25	39	49	60	77	50
Air passenger duty	21	26	32	88	112	56
Camelot National Lottery Fund	33	63	61	56	39	50
Other	7	5	31	56	44	28
Intermediate taxes						
Commercial and industrial rates	212	251	279	329	413	297
Employers' NI contributions	379	448	497	587	736	529
Duty on hydrocarbon oils	125	147	163	193	242	174
Vehicle excise duty	10	12	13	16	20	14
Other	170	201	223	264	331	238
Total indirect taxes	3 496	4 517	5 202	6 327	7 589	5 426
Post-tax income	8 727	17 054	24 436	31 720	55 006	27 389
Benefits in kind						
Education	5 145	4 073	3 344	2 322	1 497	3 276
National health service	2 438	2 649	2 595	2 320	2 037	2 408
Housing subsidy	47	31	14	7	3	20
Rail travel subsidy	47	34	52	79	137	70
Bus travel subsidy	49	61	60	60	70	60
School meals and welfare milk ⁴	110	64	17	6	1	40
Total	7 836	6 912	6 082	4 795	3 744	5 874
Final income	16 563	23 966	30 518	36 515	58 751	33 263

Notes:

Source: Office for National Statistics

1 Child tax credit and working tax credit.

2 Including tax relief at source on life assurance premiums.

3 Council tax and Northern Ireland rates after deducting discounts.

4 Welfare Milk scheme has been replaced by Healthy Start vouchers. For 2008/09 Healthy Start data have been imputed based on responses to Welfare Milk question, as it was unchanged in LCF interviews.

Table 17

Household characteristics of decile groups of NON-RETIRED households, 2008/09

	Decile groups of non-retired households ranked by equivalised disposable income										All house- holds
	Bottom	2nd	3rd	4th	5th	6th	7th	8th	9th	Top	
Average per household (number)											
People	2.80	2.90	2.87	2.80	2.91	2.66	2.56	2.52	2.33	2.14	2.65
Adults	1.82	1.82	1.97	2.03	2.14	2.08	2.01	2.08	1.94	1.83	1.97
Men	0.83	0.85	0.93	1.03	1.08	1.05	1.05	1.10	1.01	0.95	0.99
Women	0.99	0.97	1.04	1.00	1.05	1.03	0.95	0.98	0.93	0.88	0.98
Children	0.97	1.08	0.90	0.77	0.77	0.58	0.56	0.44	0.39	0.30	0.67
Economically active people	1.02	1.09	1.40	1.57	1.85	1.80	1.79	1.93	1.85	1.70	1.60
Retired people	0.02	0.05	0.14	0.14	0.12	0.12	0.11	0.07	0.04	0.06	0.09
People in full-time education	1.07	1.02	0.82	0.77	0.74	0.52	0.50	0.43	0.34	0.27	0.65
In state primary schools	0.43	0.52	0.44	0.38	0.34	0.28	0.26	0.20	0.16	0.13	0.31
In state secondary schools	0.29	0.27	0.22	0.23	0.25	0.16	0.14	0.14	0.11	0.05	0.19
In further and higher education	0.29	0.19	0.12	0.14	0.13	0.05	0.06	0.06	0.04	0.03	0.11
In other educational establishments	0.05	0.04	0.03	0.02	0.02	0.03	0.03	0.03	0.03	0.06	0.03
Composition (percentages)											
Household type											
Non-retired											
1 adult without children	27	19	21	17	17	18	20	19	23	25	21
1 adult men	17	11	11	11	11	9	12	14	14	16	13
1 adult women	9	8	10	6	7	9	8	5	9	9	8
2 adults without children	15	17	18	25	22	30	31	37	41	49	29
3 or more adults without children	9	8	13	13	15	17	13	17	10	7	12
1 adult with children	16	21	12	9	6	4	4	2	1	1	7
2 adults with 1 child	8	7	10	11	10	11	12	9	13	9	10
2 adults with 2 children	11	11	12	14	16	12	13	11	8	8	12
2 adults with 3 or more children	7	7	7	4	5	4	2	1	2	1	4
3 or more adults with children	8	9	7	6	8	4	5	4	3	1	5
Household tenure											
Rented	62	64	48	38	27	24	20	17	14	8	32
Local authority rented	27	26	14	12	5	4	3	2	1	1	9
Housing association or RSL	13	16	15	9	7	5	5	1	1	—	7
Other rented unfurnished	9	11	10	9	8	6	5	5	6	3	7
Rented furnished	14	10	8	8	7	7	5	6	4	4	7
Rent free	—	1	1	1	1	2	2	2	2	1	1
Owner occupied	38	36	52	62	73	76	80	83	86	92	68
With mortgage	21	24	35	39	54	59	59	60	70	70	49
Rental purchase	0	—	0	0	1	0	2	1	—	—	0
Owned outright	16	12	17	22	18	16	20	22	16	21	18
Age of chief economic supporter											
Under 25	11	7	7	5	4	4	4	4	0	0	5
Over 24 and under 35	20	20	17	19	15	21	19	20	26	20	20
Over 34 and under 45	31	32	26	21	29	27	26	25	28	31	27
Over 44 and under 55	22	22	23	25	30	25	28	29	24	27	25
Over 54 and under 65	16	18	21	22	14	18	17	19	19	20	18
Over 64 and under 75	0	2	5	5	6	3	4	3	2	3	3
Over 74	0	0	1	2	1	2	1	1	1	—	1
Employment status of chief economic supporter											
Self-employed	10	8	5	8	10	10	9	10	11	16	10
Full-time employee	12	31	48	58	70	74	80	82	83	77	61
Part-time employee	24	20	18	18	9	8	6	5	5	5	12
Unemployed	17	6	4	1	0	0	0	0	—	—	3
Unoccupied and under minimum NI age	37	35	20	12	6	4	2	1	0	2	12
Retired/unoccupied over minimum NI age	0	0	5	3	4	3	3	1	0	0	2
Other	1	1	—	1	0	0	—	0	0	—	0

Source: Office for National Statistics

Table 17A

Household characteristics of quintile groups of NON-RETIRED households, 2008/09

	Quintile groups of non-retired households ranked by equivalised disposable income					All house- holds
	Bottom	2nd	3rd	4th	Top	
Average per household (number)						
People	2.85	2.83	2.78	2.54	2.23	2.65
Adults	1.82	2.00	2.11	2.04	1.89	1.97
Men	0.84	0.98	1.07	1.08	0.98	0.99
Women	0.98	1.02	1.04	0.96	0.91	0.98
Children	1.03	0.83	0.67	0.50	0.34	0.67
Economically active people	1.06	1.48	1.82	1.86	1.78	1.60
Retired people	0.04	0.14	0.12	0.09	0.05	0.09
People in full-time education	1.04	0.79	0.63	0.46	0.31	0.65
In state primary schools	0.47	0.41	0.31	0.23	0.14	0.31
In state secondary schools	0.28	0.22	0.20	0.14	0.08	0.19
In further and higher education	0.24	0.13	0.09	0.06	0.04	0.11
In other educational establishments	0.04	0.03	0.03	0.03	0.05	0.03
Composition (percentages)						
Household type						
Non-retired						
1 adult without children	23	19	18	19	24	21
1 adult men	14	11	10	13	15	13
1 adult women	9	8	8	7	9	8
2 adults without children	16	22	26	34	45	29
3 or more adults without children	9	13	16	15	8	12
1 adult with children	18	10	5	3	1	7
2 adults with 1 child	8	10	11	11	11	10
2 adults with 2 children	11	13	14	12	8	12
2 adults with 3 or more children	7	6	4	2	1	4
3 or more adults with children	8	7	6	4	2	5
Household tenure						
Rented	63	43	26	18	11	32
Local authority rented	26	13	5	2	1	9
Housing association or RSL	14	12	6	3	0	7
Other rented unfurnished	10	10	7	5	4	7
Rented furnished	12	8	7	6	4	7
Rent free	1	1	1	2	1	1
Owner occupied	37	57	74	82	89	68
With mortgage	23	37	57	60	70	49
Rental purchase	0	0	1	1	—	0
Owned outright	14	20	17	21	19	18
Age of chief economic supporter						
Under 25	9	6	4	4	0	5
Over 24 and under 35	20	18	18	20	23	20
Over 34 and under 45	31	24	28	25	29	27
Over 44 and under 55	22	24	27	29	25	25
Over 54 and under 65	17	22	16	18	19	18
Over 64 and under 75	1	5	5	3	2	3
Over 74	0	1	2	1	0	1
Employment status of chief economic supporter						
Self-employed	9	6	10	9	14	10
Full-time employee	21	53	72	81	80	61
Part-time employee	22	18	9	6	5	12
Unemployed	11	2	0	0	—	3
Unoccupied and under minimum NI age	36	16	5	2	1	12
Retired/unoccupied over minimum NI age	0	4	3	2	0	2
Other	1	0	0	0	0	0

Source: Office for National Statistics

Table 18

Average incomes, taxes and benefits by decile groups of RETIRED households, 2008/09

	Decile groups of retired households ranked by equivalised disposable income										All
	Bottom	2nd	3rd	4th	5th	6th	7th	8th	9th	Top	house- holds
Average per household (£ per year)											
<i>Decile points (equivalised £)</i>	<i>10 325</i>	<i>12 332</i>	<i>13 732</i>	<i>15 366</i>	<i>16 881</i>	<i>18 995</i>	<i>21 088</i>	<i>24 490</i>	<i>30 826</i>		
Number of households in the population ('000s)	674	680	679	675	679	675	680	675	681	680	6 778
Original income											
Wages and salaries	39	3	100	198	357	136	711	765	516	1 510	433
Imputed income from benefits in kind	—	—	—	—	—	—	—	—	27	41	7
Self-employment income	14	—	—	—	3	125	—	73	189	192	60
Occupational pensions, annuities	810	1 627	2 751	2 988	3 468	4 517	5 956	7 764	11 244	27 307	6 843
Investment income	347	235	597	259	522	520	976	1 438	2 023	6 605	1 352
Other income	25	43	35	76	78	47	117	243	558	173	139
Total	1 235	1 909	3 483	3 521	4 428	5 345	7 759	10 282	14 557	35 828	8 835
Direct benefits in cash											
Contributory											
Retirement pension	5 207	6 106	6 717	7 148	7 420	6 812	7 158	7 798	7 303	7 419	6 909
Job seeker's allowance (Contribution based)	12	55	—	—	8	—	—	—	—	—	7
Incapacity benefit	58	87	178	83	80	74	141	22	65	114	90
Widows' benefits	—	35	—	—	—	—	—	—	43	—	8
Statutory Maternity Pay/Allowance	—	—	—	—	—	—	—	—	—	—	—
Non-contributory											
Income support and pension credit	336	588	479	347	415	681	726	564	965	143	524
Child benefit	14	6	4	—	23	8	15	—	9	—	8
Housing benefit	273	138	290	666	943	1 317	840	820	654	90	603
Job seeker's allowance (Income based)	5	18	—	—	—	—	—	—	—	—	2
Invalid care allowance	48	29	61	61	54	43	56	43	50	77	52
Attendance allowance	—	3	46	59	253	78	241	264	174	193	131
Disability living allowance	64	147	217	246	229	499	585	655	597	384	362
War pensions/War widows' pensions	—	—	—	29	3	—	31	11	6	30	11
Severe disablement allowance	9	42	—	8	—	66	23	170	125	49	49
Industrial injury disablement benefit	—	24	—	—	11	48	—	63	27	28	20
Student support	14	—	—	—	—	—	6	—	—	—	2
Government training schemes	—	—	—	—	—	—	—	—	—	—	—
Tax credits ¹	5	—	—	—	16	21	26	—	18	—	9
Other non-contributory benefits	254	333	315	248	329	253	318	267	257	315	289
Total cash benefits	6 298	7 611	8 309	8 896	9 784	9 900	10 165	10 679	10 295	8 843	9 078
Gross income	7 533	9 520	11 792	12 417	14 211	15 245	17 924	20 961	24 852	44 671	17 912
Direct taxes and Employees' NIC											
Income tax	99	181	337	359	445	618	918	1 426	2 091	5 570	1 204
less:Tax credits ²	2	2	1	2	1	2	6	2	5	3	3
Employees' NI contributions	1	—	2	7	22	4	40	35	20	113	24
Council tax and Northern Ireland rates ³	1 176	1 047	1 079	1 004	1 116	1 042	1 158	1 205	1 247	1 565	1 164
less: Council tax benefit/Rates rebates	191	421	243	302	321	344	292	258	192	50	261
Total	1 083	806	1 174	1 066	1 261	1 318	1 819	2 406	3 160	7 195	2 129
Disposable income	6 450	8 714	10 618	11 351	12 950	13 926	16 105	18 555	21 692	37 476	15 784
<i>Equivalised disposable income</i>	<i>8 143</i>	<i>11 323</i>	<i>13 034</i>	<i>14 549</i>	<i>16 177</i>	<i>17 740</i>	<i>20 089</i>	<i>22 491</i>	<i>27 273</i>	<i>43 345</i>	<i>19 416</i>
Indirect taxes											
Taxes on final goods and services											
VAT	794	790	885	973	894	954	1 238	1 255	1 466	2 671	1 192
Duty on tobacco	127	89	112	204	196	96	179	110	131	222	147
Duty on beer and cider	36	28	47	46	49	45	54	60	63	78	51
Duty on wines & spirits	75	84	87	78	86	87	104	110	161	269	114
Duty on hydrocarbon oils	186	123	162	161	181	201	190	224	262	428	212
Vehicle excise duty	87	54	75	72	71	77	88	92	115	172	90
Television licences	62	52	57	74	59	65	63	70	64	78	64
Stamp duty on house purchase	38	25	26	20	33	23	47	43	54	147	45
Customs duties	15	13	15	16	17	18	20	24	22	35	20
Betting taxes	13	18	30	36	36	31	31	41	34	117	39
Insurance premium tax	24	19	21	25	20	22	30	30	43	85	32
Air passenger duty	12	7	8	23	11	19	32	35	46	93	29
Camelot National Lottery Fund	25	34	52	55	75	53	61	58	51	48	51
Other	5	1	1	0	2	10	1	1	37	23	8
Intermediate taxes											
Commercial and industrial rates	126	114	128	139	148	158	177	210	195	302	170
Employers' NI contributions	225	203	228	248	263	283	316	374	347	538	302
Duty on hydrocarbon oils	74	67	75	82	87	93	104	123	114	177	99
Vehicle excise duty	6	5	6	7	7	8	9	10	9	15	8
Other	101	91	102	112	118	127	142	168	156	242	136
Total indirect taxes	2 028	1 818	2 116	2 372	2 352	2 371	2 885	3 036	3 371	5 738	2 809
Post-tax income	4 422	6 896	8 503	8 978	10 598	11 555	13 220	15 519	18 321	31 738	12 975
Benefits in kind											
Education	143	—	25	—	126	76	114	—	49	21	55
National health service	4 207	4 354	4 514	4 000	4 442	4 194	4 310	4 439	4 197	4 151	4 281
Housing subsidy	11	11	13	24	32	47	33	16	24	11	22
Rail travel subsidy	25	2	5	1	0	4	20	14	14	31	12
Bus travel subsidy	114	122	118	130	131	125	126	129	122	129	125
School meals and welfare milk ⁴	3	—	—	—	2	—	3	—	—	—	1
Total	4 502	4 490	4 676	4 156	4 733	4 446	4 606	4 598	4 405	4 343	4 496
Final income	8 924	11 386	13 179	13 134	15 332	16 002	17 826	20 117	22 726	36 081	17 471

Notes:

Source: Office for National Statistics

1 Child tax credit and working tax credit.

2 Including tax relief at source on life assurance premiums.

3 Council tax and Northern Ireland rates after deducting discounts.

4 Welfare Milk scheme has been replaced by Healthy Start vouchers. For 2008/09 Healthy Start data have been imputed based on responses to Welfare Milk question, as it was unchanged in LCF interviews.

Table 18A

Average incomes, taxes and benefits by quintile groups of RETIRED households, 2008/09

	Quintile groups of retired households ranked by equivalised disposable income					All
	Bottom	2nd	3rd	4th	Top	house- holds
Average per household (£ per year)						
Quintile points (equivalised £)	12 332	15 366	18 995	24 490		
Number of households in the population ('000s)	1 354	1 353	1 354	1 356	1 361	6 778
Original income						
Wages and salaries	21	149	246	738	1 013	433
Imputed income from benefits in kind	—	—	—	—	34	7
Self-employment income	7	—	64	36	191	60
Occupational pensions, annuities	1 219	2 869	3 992	6 860	19 276	6 843
Investment income	291	428	521	1 207	4 314	1 352
Other income	34	56	62	180	365	139
Total	1 572	3 502	4 886	9 020	25 192	8 835
Direct benefits in cash						
Contributory						
Retirement pension	5 656	6 933	7 116	7 478	7 361	6 909
Job seeker's allowance (Contribution based)	34	—	4	—	—	7
Incapacity benefit	73	131	77	82	90	90
Widows' benefits	17	—	—	—	21	8
Statutory Maternity Pay/Allowance	—	—	—	—	—	—
Non-contributory						
Income support and pension credit	462	413	548	645	554	524
Child benefit	10	2	16	7	4	8
Housing benefit	206	478	1 130	830	372	603
Job seeker's allowance (Income based)	11	—	—	—	—	2
Invalid care allowance	38	61	48	49	63	52
Attendance allowance	1	53	166	252	184	131
Disability living allowance	105	232	364	620	490	362
War pensions/War widows' pensions	—	15	2	21	18	11
Severe disablement allowance	25	4	33	96	87	49
Industrial injury disablement benefit	12	—	29	31	27	20
Student support	7	—	—	3	—	2
Government training schemes	—	—	—	—	—	—
Tax credits ¹	2	—	18	13	9	9
Other non-contributory benefits	293	282	291	293	286	289
Total cash benefits	6 955	8 602	9 842	10 422	9 569	9 078
Gross income	8 527	12 104	14 728	19 442	34 761	17 912
Direct taxes and Employees' NIC						
Income tax	140	348	532	1 172	3 830	1 204
less:Tax credits ²	2	2	2	4	4	3
Employees' NI contributions	1	5	13	37	66	24
Council tax and Northern Ireland rates ³	1 112	1 041	1 079	1 182	1 406	1 164
less: Council tax benefit/Rates rebates	306	273	333	275	121	261
Total	945	1 120	1 290	2 112	5 177	2 129
Disposable income	7 582	10 985	13 438	17 330	29 584	15 784
Equivalised disposable income	9 733	13 792	16 958	21 290	35 309	19 416
Indirect taxes						
Taxes on final goods and services						
VAT	792	929	924	1 246	2 068	1 192
Duty on tobacco	108	158	146	144	176	147
Duty on beer and cider	32	47	47	57	71	51
Duty on wines & spirits	80	82	86	107	215	114
Duty on hydrocarbon oils	154	161	191	207	345	212
Vehicle excise duty	70	73	74	90	144	90
Television licences	57	66	62	66	71	64
Stamp duty on house purchase	32	23	28	45	101	45
Customs duties	14	15	18	22	29	20
Betting taxes	15	33	34	36	76	39
Insurance premium tax	22	23	21	30	64	32
Air passenger duty	10	16	15	33	70	29
Camelot National Lottery Fund	30	54	64	59	49	51
Other	3	1	6	1	30	8
Intermediate taxes						
Commercial and industrial rates	120	134	153	194	248	170
Employers' NI contributions	214	238	273	345	442	302
Duty on hydrocarbon oils	70	78	90	113	145	99
Vehicle excise duty	6	6	7	9	12	8
Other	96	107	123	155	199	136
Total indirect taxes	1 923	2 244	2 361	2 961	4 554	2 809
Post-tax income	5 659	8 741	11 077	14 369	25 030	12 975
Benefits in kind						
Education	71	13	101	57	35	55
National health service	4 281	4 257	4 318	4 375	4 174	4 281
Housing subsidy	11	18	40	25	18	22
Rail travel subsidy	14	3	2	17	22	12
Bus travel subsidy	118	124	128	127	125	125
School meals and welfare milk ⁴	1	—	1	2	—	1
Total	4 496	4 416	4 590	4 602	4 374	4 496
Final income	10 155	13 157	15 667	18 972	29 404	17 471

Notes:

Source: Office for National Statistics

1 Child tax credit and working tax credit.

2 Including tax relief at source on life assurance premiums.

3 Council tax and Northern Ireland rates after deducting discounts.

4 Welfare Milk scheme has been replaced by Healthy Start vouchers. For 2008/09 Healthy Start data have been imputed based on responses to Welfare Milk question, as it was unchanged in LCF interviews.

Table 19

Household characteristics of decile groups of RETIRED households, 2008/09

	Decile groups of retired households ranked by equivalised disposable income										All house- holds
	Bottom	2nd	3rd	4th	5th	6th	7th	8th	9th	Top	
Average per household (number)											
People	1.47	1.40	1.52	1.43	1.49	1.45	1.49	1.54	1.48	1.58	1.48
Adults	1.45	1.40	1.51	1.43	1.46	1.44	1.47	1.54	1.47	1.58	1.47
Men	0.57	0.53	0.61	0.60	0.61	0.58	0.64	0.65	0.65	0.77	0.62
Women	0.87	0.86	0.90	0.83	0.85	0.86	0.83	0.89	0.82	0.82	0.85
Children	0.03	0.01	0.01	–	0.02	0.01	0.02	–	0.01	–	0.01
Economically active people	0.05	0.03	0.02	0.03	0.05	0.04	0.06	0.09	0.09	0.08	0.05
Retired people	1.34	1.33	1.42	1.37	1.39	1.36	1.37	1.42	1.32	1.47	1.38
People in full-time education	0.02	0.01	0.01	–	0.02	0.02	0.02	–	0.01	0.00	0.01
Composition (percentages)											
Household type											
Retired											
1 adult	61	62	51	58	56	58	58	51	56	46	56
1 adult men	17	14	11	15	15	16	18	14	20	20	16
1 adult women	44	48	40	43	42	43	39	37	35	26	40
2 or more adults	39	38	49	42	44	42	42	49	44	54	44
Household tenure											
Rented	18	17	19	35	43	46	33	26	27	10	27
Local authority rented	8	9	8	14	24	19	15	7	6	1	11
Housing association or RSL	4	3	7	12	13	20	10	9	14	4	10
Other rented unfurnished	4	3	1	6	5	4	5	7	4	1	4
Rented furnished	1	–	1	1	1	2	1	1	–	–	1
Rent free	1	1	1	2	0	1	2	3	4	4	2
Owner occupied	82	83	81	65	57	54	67	74	73	90	73
With mortgage	3	6	2	1	3	3	4	6	6	4	4
Rental purchase	–	–	1	–	–	–	1	–	–	–	0
Owned outright	79	77	78	64	54	51	62	68	67	87	69
Age of chief economic supporter											
Under 25	–	–	–	–	–	–	–	–	–	–	–
Over 24 and under 35	–	–	–	–	–	–	–	–	–	0	0
Over 34 and under 45	–	–	–	–	–	–	1	–	–	–	0
Over 44 and under 55	1	–	0	–	–	1	–	–	2	–	0
Over 54 and under 65	14	12	12	8	14	15	14	9	11	14	12
Over 64 and under 75	33	29	35	48	33	36	36	45	39	44	38
Over 74	52	59	52	45	52	49	49	46	49	42	49
Employment status of chief economic supporter											
Self-employed	–	–	–	–	1	–	–	–	–	–	0
Full-time employee	0	–	–	–	–	–	1	–	–	0	0
Part-time employee	–	–	–	–	–	–	–	–	–	–	–
Unemployed	–	–	–	–	–	–	–	–	–	–	–
Unoccupied and under minimum NI age	8	6	7	2	3	8	9	4	7	12	7
Retired/unoccupied over minimum NI age	91	94	93	98	96	92	90	96	93	88	93

Source: Office for National Statistics

Table 19A

Household characteristics of quintile groups of RETIRED households, 2008/09

	Quintile groups of retired households ranked by equivalised disposable income					All house- holds
	Bottom	2nd	3rd	4th	Top	
Average per household (number)						
People	1.44	1.47	1.47	1.52	1.53	1.48
<i>Adults</i>	<i>1.42</i>	<i>1.47</i>	<i>1.45</i>	<i>1.51</i>	<i>1.53</i>	<i>1.47</i>
<i>Men</i>	<i>0.55</i>	<i>0.60</i>	<i>0.60</i>	<i>0.65</i>	<i>0.71</i>	<i>0.62</i>
<i>Women</i>	<i>0.87</i>	<i>0.87</i>	<i>0.86</i>	<i>0.86</i>	<i>0.82</i>	<i>0.85</i>
<i>Children</i>	<i>0.02</i>	<i>0.01</i>	<i>0.02</i>	<i>0.01</i>	<i>0.01</i>	<i>0.01</i>
Economically active people	0.04	0.02	0.05	0.07	0.09	0.05
Retired people	1.33	1.39	1.37	1.39	1.40	1.38
People in full-time education	0.01	0.01	0.02	0.01	0.01	0.01
Composition (percentages)						
Household type						
Retired						
1 adult	62	55	57	54	51	56
<i>1 adult men</i>	<i>15</i>	<i>13</i>	<i>15</i>	<i>16</i>	<i>20</i>	<i>16</i>
<i>1 adult women</i>	<i>46</i>	<i>41</i>	<i>42</i>	<i>38</i>	<i>31</i>	<i>40</i>
2 or more adults	38	45	43	46	49	44
Household tenure						
Rented						
<i>Local authority rented</i>	<i>9</i>	<i>11</i>	<i>22</i>	<i>11</i>	<i>3</i>	<i>11</i>
<i>Housing association or RSL</i>	<i>4</i>	<i>10</i>	<i>16</i>	<i>10</i>	<i>9</i>	<i>10</i>
<i>Other rented unfurnished</i>	<i>3</i>	<i>4</i>	<i>4</i>	<i>6</i>	<i>3</i>	<i>4</i>
<i>Rented furnished</i>	<i>0</i>	<i>1</i>	<i>1</i>	<i>1</i>	–	<i>1</i>
<i>Rent free</i>	<i>1</i>	<i>1</i>	<i>0</i>	<i>2</i>	<i>4</i>	<i>2</i>
Owner occupied						
<i>With mortgage</i>	<i>4</i>	<i>1</i>	<i>3</i>	<i>5</i>	<i>5</i>	<i>4</i>
<i>Rental purchase</i>	–	<i>0</i>	–	<i>0</i>	–	<i>0</i>
<i>Owned outright</i>	<i>78</i>	<i>71</i>	<i>53</i>	<i>65</i>	<i>77</i>	<i>69</i>
Age of chief economic supporter						
Under 25	–	–	–	–	–	–
Over 24 and under 35	–	–	–	–	0	0
Over 34 and under 45	–	–	–	0	–	0
Over 44 and under 55	1	0	0	–	1	0
Over 54 and under 65	13	10	15	12	12	12
Over 64 and under 75	31	41	34	40	41	38
Over 74	55	49	51	48	45	49
Employment status of chief economic supporter						
Self-employed	–	–	0	–	–	0
Full-time employee	0	–	–	0	0	0
Part-time employee	–	–	–	–	–	–
Unemployed	–	–	–	–	–	–
Unoccupied and under minimum NI age	7	4	5	6	10	7
Retired/unoccupied over minimum NI age	93	96	94	93	90	93

Source: Office for National Statistics

Table 20

Average incomes, taxes and benefits by decile groups of NON-RETIRED households WITHOUT CHILDREN, 2008/09

	Decile groups of non-retired households without children ranked by equivalised disposable income										All house- holds
	Bottom	2nd	3rd	4th	5th	6th	7th	8th	9th	Top	
Average per household (£ per year)											
Decile points (equivalised £)	12 050	16 563	20 281	23 815	27 415	31 727	36 688	44 037	56 417		
Number of households in the population ('000s)	1 171	1 171	1 175	1 174	1 173	1 176	1 169	1 176	1 171	1 178	11 734
Original income											
Wages and salaries	3 490	8 162	14 802	22 016	26 015	29 107	40 491	43 723	50 756	75 956	31 452
Imputed income from benefits in kind	—	5	51	52	249	282	397	490	676	1 279	348
Self-employment income	512	872	1 396	1 737	2 929	3 026	2 058	4 578	5 484	15 373	3 797
Occupational pensions, annuities	263	613	1 507	1 280	1 169	1 882	1 962	1 918	1 973	3 440	1 601
Investment income	190	341	336	287	429	514	700	1 020	1 415	5 048	1 028
Other income	381	210	364	59	134	293	344	344	64	142	233
Total	4 836	10 204	18 457	25 431	30 925	35 104	45 952	52 074	60 369	101 238	38 459
Direct benefits in cash											
Contributory											
Retirement pension	108	994	1 760	1 486	1 164	1 320	873	590	628	590	951
Job seeker's allowance (Contribution based)	52	58	8	40	11	—	—	2	—	—	17
Incapacity benefit	818	973	563	407	271	228	138	27	—	33	346
Widows' benefits	27	33	—	20	—	—	—	—	11	—	9
Statutory Maternity Pay/Allowance	—	—	—	1	—	—	—	—	—	—	0
Non-contributory											
Income support and pension credit	606	875	469	342	199	291	53	30	5	—	287
Child benefit	49	30	9	22	14	17	25	—	4	12	18
Housing benefit	1 041	1 157	601	374	215	131	13	14	—	—	355
Job seeker's allowance (Income based)	261	146	—	9	44	20	1	—	—	—	48
Invalid care allowance	66	124	108	54	4	24	—	13	9	—	40
Attendance allowance	17	3	31	—	21	32	—	—	—	11	12
Disability living allowance	343	572	710	510	533	388	142	119	39	45	340
War pensions/War widows' pensions	—	—	—	30	32	56	—	11	—	—	13
Severe disablement allowance	12	125	88	3	60	63	15	30	—	—	39
Industrial injury disablement benefit	5	30	57	31	48	—	45	—	—	—	22
Student support	157	249	65	37	22	5	10	—	—	—	54
Government training schemes	15	23	—	1	2	—	0	—	—	—	4
Tax credits ¹	66	297	53	102	16	—	—	23	—	—	56
Other non-contributory benefits	57	78	106	92	65	79	50	24	28	24	60
Total cash benefits	3 701	5 767	4 628	3 563	2 721	2 654	1 365	882	723	715	2 672
Gross income	8 537	15 970	23 085	28 995	33 646	37 758	47 317	52 956	61 092	101 953	41 131
Direct taxes and Employees' NIC											
Income tax	371	1 078	2 016	3 298	3 778	4 708	6 710	7 865	10 072	19 581	5 947
less: Tax credits ²	8	60	52	79	42	16	7	15	3	2	28
Employees' NI contributions	174	491	1 005	1 550	1 875	2 227	3 125	3 489	4 001	4 539	2 248
Council tax and Northern Ireland rates ³	903	997	1 092	1 177	1 102	1 132	1 258	1 247	1 347	1 528	1 178
less: Council tax benefit/Rates rebates	324	288	137	124	64	33	8	5	9	6	100
Total	1 116	2 217	3 924	5 823	6 648	8 019	11 078	12 581	15 409	25 640	9 245
Disposable income	7 422	13 754	19 161	23 172	26 997	29 740	36 240	40 375	45 683	76 312	31 886
Equivalised disposable income	8 031	14 363	18 445	21 994	25 609	29 643	34 124	40 077	49 272	85 029	32 659
Indirect taxes											
Taxes on final goods and services											
VAT	1 037	1 275	1 689	1 685	1 846	2 130	2 456	2 617	2 751	3 756	2 124
Duty on tobacco	353	390	410	512	446	319	336	227	313	243	355
Duty on beer and cider	82	122	163	115	133	149	183	240	207	174	157
Duty on wines & spirits	90	164	180	157	217	160	225	251	290	381	212
Duty on hydrocarbon oils	232	313	425	474	482	658	681	714	650	703	533
Vehicle excise duty	83	92	133	162	169	173	197	214	202	217	164
Television licences	129	135	126	132	132	133	132	135	135	134	132
Stamp duty on house purchase	32	25	48	51	48	59	86	110	160	294	91
Customs duties	20	23	27	28	30	31	35	36	39	51	32
Betting taxes	14	38	44	48	48	64	43	41	41	23	40
Insurance premium tax	24	28	36	45	43	52	62	61	65	89	51
Air passenger duty	12	22	15	21	45	86	58	88	83	149	58
Camelot National Lottery Fund	26	76	69	68	69	72	54	58	51	27	57
Other	6	13	5	1	4	17	5	129	36	18	23
Intermediate taxes											
Commercial and industrial rates	173	196	233	242	256	273	302	312	334	443	276
Employers' NI contributions	309	349	416	431	456	487	538	556	596	791	493
Duty on hydrocarbon oils	102	115	137	142	150	160	177	183	196	260	162
Vehicle excise duty	8	9	11	12	12	13	15	15	16	21	13
Other	139	157	187	194	205	219	242	250	268	355	222
Total indirect taxes	2 871	3 542	4 356	4 520	4 791	5 253	5 827	6 237	6 436	8 129	5 196
Post-tax income	4 551	10 212	14 805	18 652	22 206	24 487	30 412	34 138	39 247	68 183	26 689
Benefits in kind											
Education	1 295	645	677	566	146	189	233	170	54	43	402
National health service	1 448	1 861	2 196	2 152	2 066	1 963	1 979	1 756	1 575	1 600	1 860
Housing subsidy	39	40	23	21	14	11	7	3	5	0	16
Rail travel subsidy	35	89	35	42	44	102	72	51	117	176	76
Bus travel subsidy	41	64	88	72	64	58	88	41	71	67	65
School meals and welfare milk ⁴	—	—	—	—	—	—	—	—	—	—	—
Total	2 860	2 699	3 019	2 853	2 334	2 324	2 380	2 020	1 822	1 886	2 420
Final income	7 411	12 911	17 823	21 505	24 540	26 810	32 792	36 158	41 069	70 070	29 109

Notes:

Source: Office for National Statistics

1 Child tax credit and working tax credit.

2 Including tax relief at source on life assurance premiums.

3 Council tax and Northern Ireland rates after deducting discounts.

4 Welfare Milk scheme has been replaced by Healthy Start vouchers. For 2008/09 Healthy Start data have been imputed based on responses to Welfare Milk question, as it was unchanged in LCF interviews.

Table 21

Average incomes, taxes and benefits by decile groups of NON-RETIRED households WITH CHILDREN, 2008/09

	Decile groups of non-retired households with children ranked by equivalised disposable income										All
	Bottom	2nd	3rd	4th	5th	6th	7th	8th	9th	Top	house- holds
Average per household (£ per year)											
Decile points (equivalised £)	10 307	12 902	15 366	18 068	20 702	23 652	27 690	32 659	41 955		
Number of households in the population ('000s)	733	739	733	739	734	737	735	738	733	742	7 362
Original income											
Wages and salaries	4 364	7 752	11 344	19 338	24 072	31 802	35 982	42 876	52 252	84 525	31 431
Imputed income from benefits in kind	—	—	20	35	64	300	427	675	852	2 071	444
Self-employment income	910	1 301	1 550	1 007	1 728	3 082	3 583	4 704	8 629	19 434	4 593
Occupational pensions, annuities	38	8	135	311	213	181	432	261	314	876	277
Investment income	106	14	225	105	279	192	393	671	1 504	3 319	681
Other income	194	170	322	406	240	312	448	302	284	158	284
Total	5 611	9 245	13 595	21 202	26 595	35 869	41 265	49 490	63 835	110 381	37 709
Direct benefits in cash											
Contributory											
Retirement pension	66	9	103	260	184	30	158	171	128	58	117
Job seeker's allowance (Contribution based)	194	84	129	—	—	—	—	—	—	—	41
Incapacity benefit	239	307	353	279	183	35	91	50	85	33	166
Widows' benefits	21	20	—	129	41	2	47	—	—	52	31
Statutory Maternity Pay/Allowance	—	49	136	218	111	338	340	315	581	1 051	314
Non-contributory											
Income support and pension credit	900	1 613	1 119	787	454	377	177	36	—	—	546
Child benefit	1 460	1 507	1 620	1 509	1 455	1 428	1 391	1 335	1 292	1 265	1 426
Housing benefit	1 084	1 765	1 270	918	954	276	113	136	28	83	663
Job seeker's allowance (Income based)	54	247	15	10	7	13	—	—	—	—	35
Invalid care allowance	57	29	193	259	144	84	75	17	35	10	90
Attendance allowance	—	18	21	4	—	—	—	27	—	—	7
Disability living allowance	79	193	322	672	376	384	393	183	104	22	273
War pensions/War widows' pensions	—	—	—	—	10	—	86	—	—	—	10
Severe disablement allowance	19	11	3	67	23	15	21	—	—	—	16
Industrial injury disablement benefit	—	—	—	29	42	24	—	1	1	—	10
Student support	219	220	254	170	205	149	42	147	105	34	155
Government training schemes	4	13	—	—	11	0	—	21	0	2	5
Tax credits ¹	1 535	2 463	2 576	1 664	1 394	823	425	475	66	137	1 156
Other non-contributory benefits	20	83	99	105	112	12	18	5	7	159	62
Total cash benefits	5 950	8 631	8 212	7 081	5 705	3 990	3 376	2 919	2 435	2 905	5 120
Gross income	11 561	17 875	21 807	28 284	32 300	39 859	44 640	52 409	66 269	113 286	42 829
Direct taxes and Employees' NIC											
Income tax	426	923	1 489	2 514	3 346	4 630	5 736	7 323	10 470	20 919	5 777
less: Tax credits ²	43	300	710	784	750	818	590	507	319	114	493
Employees' NI contributions	217	439	746	1 285	1 693	2 318	2 733	3 349	3 736	4 740	2 126
Council tax and Northern Ireland rates ³	1 094	1 059	1 067	1 185	1 144	1 196	1 328	1 399	1 457	1 745	1 267
less: Council tax benefit/Rates rebates	368	380	277	219	112	51	22	7	3	3	144
Total	1 326	1 740	2 314	3 982	5 320	7 276	9 186	11 557	15 340	27 286	8 533
Disposable income	10 235	16 135	19 492	24 301	26 980	32 583	35 455	40 852	50 929	86 000	34 296
Equivalised disposable income	7 190	11 639	14 098	16 745	19 400	22 231	25 366	29 996	36 097	63 315	24 608
Indirect taxes											
Taxes on final goods and services											
VAT	1 433	1 367	1 791	2 082	2 001	2 415	2 651	3 360	3 669	4 583	2 535
Duty on tobacco	377	546	469	433	325	389	185	220	212	228	338
Duty on beer and cider	80	58	68	130	129	146	127	160	138	170	120
Duty on wines & spirits	86	80	90	129	93	160	152	259	253	295	160
Duty on hydrocarbon oils	375	264	401	596	462	615	683	702	868	858	582
Vehicle excise duty	117	83	104	158	152	186	213	220	236	261	173
Television licences	138	139	142	139	136	135	136	136	137	136	137
Stamp duty on house purchase	45	28	49	51	70	70	109	185	186	338	113
Customs duties	28	26	31	32	33	36	37	43	51	64	38
Betting taxes	16	25	21	25	32	37	20	25	44	29	27
Insurance premium tax	25	23	28	46	45	50	58	62	71	86	49
Air passenger duty	34	12	22	24	53	30	33	54	135	126	52
Camelot National Lottery Fund	26	36	34	52	43	51	38	45	35	37	40
Other	12	5	1	3	6	1	117	99	86	37	37
Intermediate taxes											
Commercial and industrial rates	240	222	265	278	287	311	317	377	444	555	329
Employers' NI contributions	428	395	472	496	511	555	565	672	792	989	588
Duty on hydrocarbon oils	141	130	155	163	168	183	186	221	260	325	193
Vehicle excise duty	12	11	13	13	14	15	15	18	21	27	16
Other	192	178	212	223	230	250	254	302	356	444	264
Total indirect taxes	3 803	3 626	4 367	5 071	4 791	5 635	5 894	7 159	7 995	9 589	5 793
Post-tax income	6 433	12 509	15 125	19 231	22 190	26 948	29 561	33 693	42 934	76 411	28 503
Benefits in kind											
Education	8 712	8 438	8 843	8 516	7 877	8 343	7 416	6 828	7 152	6 452	7 858
National health service	3 265	3 025	3 447	3 409	3 201	3 359	3 229	3 142	3 218	3 522	3 282
Housing subsidy	47	62	53	29	26	22	8	6	4	2	26
Rail travel subsidy	45	18	15	34	30	14	102	51	109	170	59
Bus travel subsidy	69	41	45	36	35	56	49	45	46	98	52
School meals and welfare milk ⁴	192	234	196	141	129	64	35	22	14	3	103
Total	12 331	11 819	12 598	12 165	11 298	11 859	10 840	10 095	10 543	10 247	11 379
Final income	18 764	24 328	27 723	31 396	33 487	38 807	40 401	43 788	53 477	86 658	39 883

Notes:

- 1 Child tax credit and working tax credit.
- 2 Including tax relief at source on life assurance premiums.
- 3 Council tax and Northern Ireland rates after deducting discounts.
- 4 Welfare Milk scheme has been replaced by Healthy Start vouchers. For 2008/09 Healthy Start data have been imputed based on responses to Welfare Milk question, as it was unchanged in LCF interviews.

Source: Office for National Statistics

Table 22
Distribution of households¹ by household type, 2008/09

	Retired households				Non-Retired households			
	1 adult Men	1 adult Women	All 1 adult	2 or more adults	1 adult Men²	1 adult Women²	All 1 adult²	
Decile groups of households ranked by equivalised disposable income								
Number of households ('000s)								
Bottom	126	405	530	317	309	172	481	
2nd	150	458	607	491	210	129	339	
3rd	165	497	662	491	125	99	224	
4th	152	400	551	419	153	128	281	
5th	147	346	493	367	197	133	330	
6th	90	209	299	323	205	134	339	
7th	98	190	288	199	192	194	386	
8th	82	109	191	162	305	116	421	
9th	60	45	105	124	350	184	534	
Top	16	36	53	104	362	235	597	
All households in population ('000s)	1 086	2 695	3 780	2 997	2 408	1 525	3 933	
Non-Retired households								
	2 adults²	3 or more adults²	1 adult with children	2 adults with 1 child	2 adults with 2 children	2 adults with 3 or more children	3 or more adults with children	All house- holds
Decile groups of households ranked by equivalised disposable income								
Number of households ('000s)								
Bottom	266	141	267	143	176	129	134	2 585
2nd	214	143	321	99	160	87	118	2 580
3rd	272	124	237	136	218	123	104	2 591
4th	346	278	148	147	173	97	150	2 590
5th	438	163	150	200	277	72	97	2 587
6th	447	340	116	231	279	82	135	2 591
7th	651	345	71	208	265	87	87	2 587
8th	727	335	70	257	266	36	121	2 587
9th	934	323	18	231	238	36	45	2 587
Top	1 159	153	20	253	176	29	44	2 589
All households in population ('000s)	5 455	2 346	1 419	1 904	2 227	777	1 035	25 874

Notes:

- 1 See Appendix 2 for definitions of retired households, adults and children.
 2 Without children

Source: Office for National Statistics

Table 23

Summary of the effects of taxes and benefits, by household type,¹ 2008/09

	Retired households				Non-Retired households			
	1 adult Men	1 adult Women	All 1 adult	2 or more adults		1 adult Men²	1 adult Women²	All 1 adult²
Average per household (£ per year)								
Original income	6 257	4 108	4 725	14 018		23 621	20 407	22 375
plus Cash benefits	7 532	7 952	7 831	10 650		2 243	2 584	2 376
Gross income	13 789	12 060	12 556	24 668		25 864	22 991	24 750
less Direct taxes and employees' NIC	1 588	1 155	1 279	3 201		6 160	5 036	5 724
Disposable income	12 202	10 905	11 277	21 468		19 704	17 955	19 026
<i>Equivalised disposable income</i>	<i>20 003</i>	<i>17 861</i>	<i>18 476</i>	<i>20 602</i>		<i>32 302</i>	<i>29 435</i>	<i>31 190</i>
less Indirect taxes	1 985	1 728	1 802	4 079		3 187	2 903	3 077
Post-tax income	10 217	9 177	9 475	17 389		16 517	15 052	15 949
plus Benefits in kind	3 371	3 741	3 634	5 582		1 024	1 098	1 053
Final income	13 587	12 917	13 110	22 971		17 541	16 151	17 002
Non-Retired households								
	2 adults²	3 or more adults²	1 adult with children	2 adults with 1 child	2 adults with 2 children	2 adults with 3 or more children	3 or more adults with children	All house- holds
Average per household (£ per year)								
Original income	44 871	50 512	10 061	43 255	47 174	37 218	45 399	30 485
plus Cash benefits	2 272	4 099	8 771	3 219	3 402	6 658	6 159	5 047
Gross income	47 143	54 611	18 832	46 474	50 576	43 876	51 558	35 532
less Direct taxes and employees' NIC	10 844	11 432	1 985	10 444	10 644	8 451	9 510	7 178
Disposable income	36 299	43 179	16 847	36 030	39 932	35 425	42 048	28 354
<i>Equivalised disposable income</i>	<i>35 999</i>	<i>27 353</i>	<i>17 136</i>	<i>30 110</i>	<i>27 378</i>	<i>20 941</i>	<i>21 517</i>	<i>26 899</i>
less Indirect taxes	5 609	7 790	3 247	5 820	6 483	6 269	7 389	4 741
Post-tax income	30 691	35 389	13 600	30 210	33 448	29 156	34 659	23 613
plus Benefits in kind	2 303	4 981	9 911	7 065	12 256	18 998	13 721	5 513
Final income	32 994	40 370	23 511	37 275	45 705	48 154	48 381	29 126

Notes:

1 See Appendix 2 for definitions of retired households, adults and children.

2 Without children.

Source: Office for National Statistics

Table 24

Average incomes, taxes and benefits by decile groups of ALL households (ranked by UNADJUSTED disposable income), 2008/09

	Decile groups of all households ranked by UNADJUSTED disposable income										All house- holds
	Bottom	2nd	3rd	4th	5th	6th	7th	8th	9th	Top	
Average per household (£ per year)											
Decile points (£)	8 509	11 708	14 677	18 284	22 281	27 305	33 011	40 931	54 437		
Number of households in the population ('000s)	2 586	2 584	2 589	2 589	2 589	2 587	2 587	2 586	2 584	2 593	25 874
Original income											
Wages and salaries	790	2 243	4 334	7 386	12 930	18 604	26 940	35 766	48 522	75 689	23 320
Imputed income from benefits in kind	—	—	—	36	46	136	189	322	686	1 447	286
Self-employment income	226	267	423	744	717	1 980	2 298	3 221	5 183	15 384	3 044
Occupational pensions, annuities	620	1 256	1 977	2 809	3 385	3 187	3 014	2 723	2 513	4 487	2 597
Investment income	240	277	335	453	662	665	818	1 010	1 337	4 344	1 014
Other income	61	111	264	276	298	284	240	307	238	154	223
Total	1 938	4 154	7 333	11 704	18 037	24 856	33 499	43 349	58 479	101 504	30 485
Direct benefits in cash											
Contributory											
Retirement pension	2 546	3 600	3 560	3 630	2 693	2 125	1 681	1 180	837	893	2 274
Job seeker's allowance (Contribution based)	24	24	49	44	39	16	—	16	1	1	21
Incapacity benefit	367	300	328	247	292	200	179	219	67	76	228
Widows' benefits	21	3	20	22	6	21	28	—	13	15	15
Statutory Maternity Pay/Allowance	—	6	—	70	80	83	75	150	145	285	89
Non-contributory											
Income support and pension credit	488	806	847	697	438	356	294	117	138	49	423
Child benefit	127	174	281	367	421	481	593	596	552	571	416
Housing benefit	724	1 247	1 062	829	488	374	120	128	67	34	507
Job seeker's allowance (Income based)	96	22	62	37	33	22	19	4	21	8	32
Invalid care allowance	25	31	47	91	65	94	116	50	39	18	58
Attendance allowance	9	58	109	77	20	29	66	10	18	20	42
Disability living allowance	97	248	458	460	493	506	398	251	207	150	327
War pensions/War widows' pensions	—	1	—	8	9	22	37	5	16	17	11
Severe disablement allowance	19	25	59	53	67	66	26	1	15	22	35
Industrial injury disablement benefit	1	11	14	13	25	38	57	10	4	4	18
Student support	66	34	42	106	124	90	46	89	62	32	69
Government training schemes	4	1	8	3	5	1	1	0	3	7	3
Tax credits ¹	88	238	497	587	745	570	356	345	50	87	356
Other non-contributory benefits	171	201	179	144	111	116	80	70	54	80	121
Total cash benefits	4 873	7 029	7 622	7 486	6 155	5 208	4 171	3 242	2 310	2 371	5 047
Gross income	6 811	11 182	14 955	19 190	24 193	30 064	37 670	46 591	60 789	103 875	35 532
Direct taxes and Employees' NIC											
Income tax	133	389	846	1 407	2 319	3 160	4 601	6 156	9 111	18 444	4 657
less: Tax credits ²	4	14	42	114	235	301	284	257	190	99	154
Employees' NI contributions	34	122	289	499	883	1 387	2 035	2 671	3 687	4 698	1 631
Council tax and Northern Ireland rates ³	947	941	1 035	1 083	1 137	1 188	1 265	1 349	1 392	1 662	1 200
less: Council tax benefit/Rates rebates	337	364	311	213	138	82	52	28	17	4	155
Total	774	1 073	1 816	2 663	3 967	5 351	7 565	9 890	13 983	24 701	7 178
Disposable income	6 037	10 109	13 139	16 527	20 226	24 712	30 105	36 701	46 806	79 174	28 354
Indirect taxes											
Taxes on final goods and services											
VAT	744	860	1 011	1 264	1 639	1 850	2 244	2 665	3 291	4 400	1 997
Duty on tobacco	205	206	261	287	383	367	344	341	260	302	296
Duty on beer and cider	45	46	68	80	104	134	146	167	185	212	119
Duty on wines & spirits	68	61	82	137	159	171	188	233	259	354	171
Duty on hydrocarbon oils	138	173	217	299	385	456	554	706	715	988	463
Vehicle excise duty	62	65	84	96	120	153	185	202	233	274	147
Television licences	90	93	101	107	119	126	126	131	133	133	116
Stamp duty on house purchase	31	21	28	37	57	58	88	104	145	285	86
Customs duties	15	17	19	22	27	28	33	38	44	60	30
Betting taxes	15	19	23	35	46	49	39	64	38	34	36
Insurance premium tax	19	18	24	28	37	43	53	61	75	97	45
Air passenger duty	4	9	24	21	28	25	60	56	99	160	49
Camelot National Lottery Fund	22	36	47	55	63	64	58	64	52	46	51
Other	7	1	2	10	5	26	18	55	62	44	23
Intermediate taxes											
Commercial and industrial rates	127	148	166	192	235	247	288	325	386	521	264
Employers' NI contributions	226	263	297	342	420	440	513	580	688	930	470
Duty on hydrocarbon oils	74	87	98	113	138	145	169	191	226	306	155
Vehicle excise duty	6	7	8	9	11	12	14	16	19	25	13
Other	102	118	133	154	189	198	231	261	309	418	211
Total indirect taxes	2 000	2 248	2 694	3 289	4 165	4 592	5 350	6 259	7 220	9 589	4 741
Post-tax income	4 037	7 861	10 444	13 239	16 061	20 120	24 755	30 441	39 587	69 585	23 613
Benefits in kind											
Education	817	920	1 499	2 224	2 584	2 619	3 402	3 622	3 231	3 408	2 433
National health service	2 559	2 872	3 086	3 258	2 916	2 889	2 867	2 805	2 729	3 005	2 899
Housing subsidy	32	42	33	35	21	12	10	9	7	4	21
Rail travel subsidy	40	16	12	16	38	36	43	78	98	169	55
Bus travel subsidy	59	83	87	81	83	79	63	63	69	104	77
School meals and welfare milk ⁴	9	21	47	45	57	27	37	38	7	10	30
Total	3 515	3 952	4 764	5 661	5 698	5 662	6 421	6 615	6 141	6 699	5 513
Final income	7 552	11 813	15 208	18 900	21 759	25 782	31 176	37 056	45 728	76 284	29 126

Notes:

- 1 Child tax credit and working tax credit.
- 2 Including tax relief at source on life assurance premiums.
- 3 Council tax and Northern Ireland rates after deducting discounts.
- 4 Welfare Milk scheme has been replaced by Healthy Start vouchers. For 2008/09 Healthy Start data have been imputed based on responses to Welfare Milk question, as it was unchanged in LCF interviews.

Source: Office for National Statistics

Table 25

Cross-tabulation of households ranked by disposable income, unadjusted and equivalised, 2008/09**(i) Quintile groups**

Quintile groups	Quintile groups of equivalised disposable income					All house- holds
	Bottom	2nd	3rd	4th	Top	
Number of households in the population ('000s)						
Quintile groups of unadjusted disposable income						
Bottom	3 352	1 746	71	–	–	5 170
2nd	1 396	1 635	1 459	687	–	5 178
3rd	374	1 274	2 003	1 034	490	5 176
4th	41	493	1 381	2 129	1 128	5 174
Top	–	33	263	1 323	3 558	5 177
All households	5 165	5 181	5 178	5 174	5 176	25 874

(ii) Decile groups

Decile groups	Decile groups of equivalised disposable income										All house- holds
	Bottom	2nd	3rd	4th	5th	6th	7th	8th	9th	Top	
Number of households in the population ('000s)											
Decile groups of unadjusted disposable income											
Bottom	1 526	953	107	–	–	–	–	–	–	–	2 586
2nd	573	301	806	833	71	–	–	–	–	–	2 584
3rd	270	669	385	50	759	456	–	–	–	–	2 589
4th	141	316	645	555	45	199	679	9	–	–	2 589
5th	45	219	307	381	786	167	10	612	63	–	2 589
6th	14	97	217	370	316	735	387	25	427	–	2 587
7th	5	18	98	292	376	329	633	462	153	221	2 587
8th	11	7	27	76	214	462	407	627	547	208	2 586
9th	–	–	–	24	21	193	412	587	836	511	2 584
Top	–	–	–	9	–	49	58	265	561	1 650	2 593
All households	2 585	2 580	2 591	2 590	2 587	2 591	2 587	2 587	2 587	2 589	25 874

Source: Office for National Statistics

Table 26

Percentage shares of equivalised total original, gross, disposable and post-tax incomes by quintile groups for ALL households,¹ 1986 to 2008/09²

	1986	1987	1988	1989	1990	1991	1992	1993	1993/94	1994/95	1995/96	1996/97
Original income												
Bottom	3	2	2	2	2	2	2	2	2	2	3	2
2nd	7	7	7	7	7	7	6	6	6	6	7	7
3rd	16	16	16	16	15	16	15	15	14	15	15	15
4th	26	25	26	26	25	26	26	25	25	25	25	25
Top	49	50	50	49	51	50	50	52	52	51	50	51
All households	100	100	100	100	100	100	100	100	100	100	100	100
Gross income												
Bottom	8	7	7	7	7	7	7	7	7	7	7	7
2nd	11	11	11	11	10	10	11	11	11	11	11	11
3rd	16	16	16	16	16	16	16	16	16	16	16	16
4th	23	23	23	23	23	23	23	23	23	23	23	23
Top	41	43	43	42	44	44	43	44	44	43	43	44
All households	100	100	100	100	100	100	100	100	100	100	100	100
Disposable income												
Bottom	9	8	8	8	7	7	7	8	8	8	8	8
2nd	12	12	11	12	11	11	11	12	12	12	12	12
3rd	17	16	16	17	16	16	16	16	16	16	17	16
4th	23	23	23	23	23	23	23	23	23	23	23	23
Top	40	41	42	41	43	42	42	42	42	41	40	42
All households	100	100	100	100	100	100	100	100	100	100	100	100
Post-tax income												
Bottom	8	8	7	7	6	7	7	7	7	7	7	7
2nd	12	12	11	11	10	11	11	11	11	11	12	11
3rd	16	16	16	16	15	16	16	16	16	16	16	16
4th	22	22	22	23	23	23	23	22	22	22	23	22
Top	41	43	44	43	45	44	44	44	44	43	43	44
All households	100	100	100	100	100	100	100	100	100	100	100	100
	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Original income												
Bottom	2	3	2	2	3	3	3	3	3	3	3	3
2nd	7	7	7	7	7	7	7	8	7	7	8	7
3rd	15	15	15	15	14	15	15	15	15	15	14	14
4th	25	25	25	25	24	25	24	24	24	24	24	24
Top	51	52	52	50	52	50	51	50	51	51	51	51
All households	100	100	100	100	100	100	100	100	100	100	100	100
Gross income												
Bottom	7	7	7	6	6	7	7	7	7	7	7	7
2nd	11	11	11	11	11	11	11	11	11	11	11	11
3rd	16	16	16	16	15	16	16	16	16	16	16	16
4th	23	23	23	23	22	23	22	23	23	23	22	23
Top	44	44	44	44	45	43	44	43	44	44	44	44
All households	100	100	100	100	100	100	100	100	100	100	100	100
Disposable income												
Bottom	8	7	7	7	7	8	8	8	8	8	7	7
2nd	12	12	12	12	12	12	12	13	12	12	12	12
3rd	16	16	16	16	16	17	17	17	16	16	16	16
4th	23	23	23	23	22	23	22	22	22	23	22	22
Top	42	42	42	42	43	41	42	41	41	41	42	42
All households	100	100	100	100	100	100	100	100	100	100	100	100
Post-tax income												
Bottom	7	6	6	6	6	6	7	7	7	7	6	6
2nd	11	11	11	11	11	12	12	12	12	11	12	12
3rd	16	16	16	16	15	16	16	16	16	16	16	16
4th	22	22	22	22	22	23	22	22	22	22	22	22
Top	44	45	45	44	46	43	44	43	43	43	24	44
All households	100	100	100	100	100	100	100	100	100	100	100	100

Notes:

1 Ranked by equivalised disposable income.

2 From 1990 this includes company car benefit and beneficial house purchase loans from employers. From 1996/97 values are based on estimates for the sample grossed up to population totals.

Source: Office for National Statistics

Table 27

Gini coefficients for the distribution of income at each stage of the tax-benefit system and P90/P10 and P75/P25¹ ratios for disposable income for all households, 1985 to 2008/09²

	Gini coefficients (per cent)				Ratios for disposable income	
	Equivalised income				P90/P10	P75/P25
	Original	Gross	Disposable	Post-tax		
1985	49	32	29	32	3.5	2.1
1986	50	34	31	35	3.7	2.1
1987	51	36	33	36	4.1	2.2
1988	51	37	35	38	4.4	2.4
1989	50	36	34	37	4.5	2.4
1990	52	38	36	40	4.9	2.5
1991	51	37	35	39	4.8	2.5
1992	52	37	34	38	4.6	2.4
1993	53	38	35	38	4.5	2.3
1993/94	54	37	34	38	4.5	2.3
1994/95	53	37	33	37	4.5	2.3
1995/96	52	36	32	36	4.2	2.2
1996/97	53	37	34	38	4.4	2.3
1997/98	53	37	34	38	4.5	2.3
1998/99	53	38	35	39	4.5	2.3
1999/00	53	38	35	40	4.6	2.4
2000/01	51	38	35	39	4.5	2.3
2001/02	53	39	36	40	4.5	2.3
2002/03	51	37	33	37	4.3	2.2
2003/04	52	37	34	38	4.1	2.1
2004/05	51	36	32	36	4.1	2.1
2005/06	52	37	34	37	4.2	2.1
2006/07	52	38	34	39	4.4	2.2
2007/08	52	38	34	38	4.4	2.1
2008/09	52	38	34	38	4.4	2.2

Notes:

Source: Office for National Statistics

1 P90/P10 is the ratio of the income at the 90th percentile to the 10th; P75/P25 is the ratio of the income at the 75th percentile to the 25th.

2 From 1990 this includes company car benefit and beneficial house purchase loans from employers. From 1996/97 values are based on estimates for the sample grossed up to population totals.

Table 28

Average incomes, taxes and benefits by tenure type of ALL households, 2008/09

Tenure Type	Groups of all households by tenure type							
	Housing				Owned with a mortgage			
	Local Authority	Registered Social Landlords (RSL)	Other Rented Unfurnished	Rented Furnished	or by Rental Purchase	Owned Outright	Rent Free	All Households
	Rented	Landlords (RSL)	Unfurnished	Furnished	Purchase	Outright	Free	Households
Average per household (£ per year)								
<i>sample number in each band</i>	558	422	342	273	2 166	1 934	71	5 766
Number of households in the population ('000s)	2 562	2 010	1 656	1 443	9 755	8 105	343	25 874
Original income								
Wages and salaries	6 724	8 368	17 999	23 323	40 644	12 826	15 877	23 320
Imputed income from benefits in kind	4	41	134	109	506	123	2 913	286
Self-employment income	376	531	2 747	1 111	5 130	2 458	1 829	3 044
Occupational pensions, annuities	656	768	785	68	985	6 472	1 500	2 597
Investment income	69	59	294	295	829	2 057	785	1 014
Other income	52	51	158	677	188	90	5 055	223
Total	7 882	9 818	22 117	25 582	48 282	24 026	27 959	30 485
Direct benefits in cash								
Contributory								
Retirement pension	2 032	2 321	1 214	153	458	5 119	2 297	2 274
Job seeker's allowance (Contribution based)	65	94	34	29	5	6	—	21
Incapacity benefit	636	437	166	193	140	175	136	228
Widows' benefits	7	36	18	—	9	22	—	15
Statutory Maternity Pay/Allowance	55	26	132	102	173	8	—	89
Non-contributory								
Income support and pension credit	1 258	1 491	665	462	89	237	502	423
Child benefit	490	541	414	347	646	105	256	416
Housing benefit	1 948	2 093	1 268	1 262	1	—	—	507
Job seeker's allowance (Income based)	122	94	50	4	18	9	—	32
Invalid care allowance	146	136	56	6	37	47	—	58
Attendance allowance	33	59	14	11	8	91	56	42
Disability living allowance	673	800	264	199	211	275	352	327
War pensions/War widows' pensions	2	—	12	—	20	9	—	11
Severe disablement allowance	46	139	53	—	15	33	41	35
Industrial injury disablement benefit	2	6	24	—	11	36	—	18
Student support	67	74	58	323	77	19	—	69
Government training schemes	6	4	0	1	3	4	—	3
Tax credits ¹	952	954	521	686	239	81	63	356
Other non-contributory benefits	186	154	60	50	37	218	106	121
Total cash benefits	8 727	9 456	5 024	3 828	2 197	6 494	3 809	5 047
Gross income	16 609	19 275	27 140	29 411	50 479	30 520	31 768	35 532
Direct taxes and Employees' NIC								
Income tax	970	1 235	2 848	3 740	7 613	3 721	2 868	4 657
less: Tax credits ²	175	211	154	139	239	35	126	154
Employees' NI contributions	454	574	1 307	1 641	2 867	857	1 249	1 631
Council tax and Northern Ireland rates ³	909	985	1 079	883	1 306	1 311	892	1 200
less: Council tax benefit/Rates rebates	470	481	246	173	26	109	110	155
Total	1 687	2 103	4 834	5 953	11 522	5 745	4 772	7 178
Disposable income	14 922	17 172	22 306	23 458	38 957	24 775	26 996	28 354
<i>Equivalised disposable income</i>	<i>15 999</i>	<i>17 771</i>	<i>22 790</i>	<i>23 666</i>	<i>34 271</i>	<i>25 126</i>	<i>27 471</i>	<i>26 899</i>
Indirect taxes								
Taxes on final goods and services								
VAT	1 022	1 100	1 399	1 434	2 682	1 950	1 406	1 997
Duty on tobacco	506	483	333	295	298	178	170	296
Duty on beer and cider	92	54	96	119	164	95	83	119
Duty on wines & spirits	88	67	137	145	224	174	112	171
Duty on hydrocarbon oils	173	271	366	331	669	403	334	463
Vehicle excise duty	46	66	112	90	197	158	135	147
Television licences	113	114	125	118	135	94	86	116
Stamp duty on house purchase	—	—	—	—	156	86	—	86
Customs duties	21	24	31	33	36	28	21	30
Betting taxes	40	31	20	11	42	38	27	36
Insurance premium tax	13	18	28	25	62	50	28	45
Air passenger duty	8	10	31	16	70	57	10	49
Camelot National Lottery Fund	61	53	33	21	51	56	34	51
Other	3	6	2	1	45	16	1	23
Intermediate taxes								
Commercial and industrial rates	182	205	271	283	316	240	183	264
Employers' NI contributions	324	366	484	505	563	427	326	470
Duty on hydrocarbon oils	106	120	159	166	185	140	107	155
Vehicle excise duty	9	10	13	14	15	12	9	13
Other	146	164	217	227	253	192	147	211
Total indirect taxes	2 954	3 161	3 859	3 836	6 162	4 392	3 220	4 741
Post-tax income	11 968	14 011	18 447	19 623	32 795	20 383	23 776	23 613
Benefits in kind								
Education	2 744	2 789	2 135	3 552	3 658	666	1 623	2 433
National health service	2 765	2 788	2 449	2 146	2 461	3 714	3 058	2 899
Housing subsidy	116	117	—	—	—	—	—	21
Rail travel subsidy	11	12	59	125	80	35	40	55
Bus travel subsidy	77	80	64	86	50	111	76	77
School meals and welfare milk ⁴	90	89	38	58	19	3	19	30
Total	5 802	5 874	4 745	5 967	6 269	4 528	4 817	5 513
Final income	17 770	19 885	23 192	25 590	39 063	24 911	28 592	29 126

Notes:

Source: Office for National Statistics

1 Child tax credit and working tax credit.

2 Including tax relief at source on life assurance premiums.

3 Council tax and Northern Ireland rates after deducting discounts.

4 Welfare Milk scheme has been replaced by Healthy Start vouchers. For 2008/09 Healthy Start data have been imputed based on responses to Welfare Milk question, as it was unchanged in LCF interviews.

Table 29
Household characteristics of tenure type groups, 2008/09

Tenure Type	Groups of all households by tenure type							
	Housing				Owned with a mortgage			
	Local Authority Rented	Association or Registered Social Landlords (RSL)	Other Rented Unfurnished	Rented Furnished	or by Rental Purchase	Owned Outright	Rent Free	All Households
Average per household (number)								
People	2.13	2.22	2.23	2.45	2.79	1.92	2.03	2.30
Adults	1.54	1.58	1.72	1.90	2.03	1.80	1.70	1.84
Men	0.72	0.71	0.87	1.02	1.01	0.84	0.73	0.89
Women	0.82	0.87	0.85	0.88	1.02	0.95	0.97	0.95
Children	0.59	0.64	0.52	0.55	0.76	0.12	0.33	0.50
Economically active people	0.66	0.73	1.26	1.41	1.81	0.70	1.00	1.19
Retired people	0.38	0.41	0.22	0.04	0.08	0.97	0.42	0.43
People in full-time education	0.51	0.55	0.42	0.75	0.72	0.14	0.36	0.48
In state primary schools	0.28	0.30	0.23	0.24	0.36	0.04	0.11	0.23
In state secondary schools	0.13	0.15	0.11	0.12	0.22	0.05	0.12	0.14
In further and higher education	0.08	0.07	0.05	0.38	0.09	0.04	0.09	0.08
In other educational establishments	0.02	0.02	0.01	0.02	0.04	0.01	0.04	0.03
Composition (percentages)								
Household type								
Retired								
1 adult	22	26	12	3	1	28	24	15
1 adult men	8	7	3	2	0	8	6	4
1 adult women	14	19	8	1	1	21	18	10
2 or more adults	7	6	5	1	2	29	11	12
Non-retired								
1 adult without children	24	18	20	28	15	8	13	15
1 adult men	15	13	13	21	9	5	6	9
1 adult women	9	5	7	7	7	3	6	6
2 adults without children	10	11	23	24	28	18	26	21
3 or more adults without children	5	5	8	15	10	9	7	9
1 adult with children	14	13	11	9	4	1	6	5
2 adults with 1 child	3	5	11	9	13	2	—	7
2 adults with 2 children	6	5	5	6	16	2	11	9
2 adults with 3 or more children	3	4	2	3	5	1	—	3
3 or more adults with children	4	5	2	3	6	2	2	4
Household tenure								
Rented								
Local authority rented	100	—	—	—	—	—	—	100
Housing association or RSL	—	100	—	—	—	—	—	8
Other rented unfurnished	—	—	100	—	—	—	—	6
Rented furnished	—	—	—	100	—	—	—	6
Rent free	—	—	—	—	—	—	100	1
Owner occupied								
With mortgage	—	—	—	—	99	—	—	37
Rental purchase	—	—	—	—	1	—	—	0
Owned outright	—	—	—	—	—	100	—	31
Age of chief economic supporter								
Under 25	6	3	11	22	2	0	6	3
Over 24 and under 35	13	17	27	36	20	1	18	15
Over 34 and under 45	18	20	20	24	34	4	17	20
Over 44 and under 55	18	16	16	12	28	10	15	19
Over 54 and under 65	17	13	10	3	13	27	9	17
Over 64 and under 75	13	13	8	1	2	27	7	12
Over 74	16	18	8	2	1	30	29	14
Employment status of chief economic supporter								
Self-employed	2	2	8	4	10	7	6	7
Full-time employee	21	23	48	56	76	19	41	45
Part-time employee	10	8	12	13	8	8	5	9
Unemployed	7	7	3	5	0	1	—	2
Unoccupied and under minimum NI age	30	26	12	19	3	8	15	11
Retired/unoccupied over minimum NI age	29	33	16	3	3	57	33	26
Other	0	1	0	0	0	—	—	0

Source: Office for National Statistics

Table 30

Average incomes, taxes and benefits by Government Office Region of ALL households, 2008/09

	Groups of all households by Government Office Region												
	Yorkshire												All Households
Government Office Region	North East	North West	and The Humber	East Midlands	West Midlands	East of England	London	South East	South West	Wales	Scotland	Northern Ireland	
Average per household (£ per year)													
sample number in each band	209	569	477	403	506	511	471	788	509	266	488	569	5 766
Number of households in the population ('000s)	1 326	3 116	2 124	1 983	2 211	2 161	3 038	2 948	2 578	1 329	2 392	669	25 874
Original income													
Wages and salaries	14 559	22 084	19 527	22 212	21 200	26 890	30 006	29 568	20 837	17 763	23 196	20 423	23 320
Imputed income from benefits in kind	134	419	234	283	312	462	112	303	372	190	246	208	286
Self-employment income	1 883	1 977	2 029	2 990	3 549	2 699	3 266	3 680	4 615	3 934	2 205	4 520	3 044
Occupational pensions, annuities	2 051	2 294	1 976	2 304	2 341	2 864	2 647	3 078	3 210	2 666	2 751	2 533	2 597
Investment income	534	854	468	1 537	1 104	1 193	1 062	1 303	1 091	864	1 029	475	1 014
Other income	146	180	301	193	241	222	250	137	305	110	349	79	223
Total	19 308	27 807	24 534	29 518	28 748	34 329	37 343	38 070	30 431	25 527	29 776	28 237	30 485
Direct benefits in cash													
Contributory													
Retirement pension	2 296	2 232	2 438	2 087	2 243	2 173	2 036	2 319	2 750	2 363	2 208	2 007	2 274
Job seeker's allowance (Contribution based)	62	16	26	49	39	12	19	7	0	41	5	19	21
Incapacity benefit	369	228	194	260	268	97	154	93	249	443	305	390	228
Widows' benefits	—	—	26	26	7	9	19	24	4	35	25	—	15
Statutory Maternity Pay/Allowance	109	48	21	116	110	35	115	127	51	131	135	108	89
Non-contributory													
Income support and pension credit	956	495	396	322	469	336	462	261	328	528	276	764	423
Child benefit	454	505	398	436	455	393	445	333	440	363	296	544	416
Housing benefit	787	522	372	417	506	356	958	374	437	361	418	497	507
Job seeker's allowance (Income based)	8	59	80	55	8	30	58	8	3	14	16	28	32
Invalid care allowance	42	56	29	70	92	43	37	44	86	99	46	80	58
Attendance allowance	28	42	32	43	56	36	30	28	30	133	31	83	42
Disability living allowance	553	334	313	275	342	170	297	191	331	620	326	644	327
War pensions/War widows' pensions	36	—	3	—	52	11	5	2	7	9	—	79	11
Severe disablement allowance	85	5	36	47	38	16	15	22	40	61	74	40	35
Industrial injury disablement benefit	18	39	20	—	40	12	—	14	13	52	4	12	18
Student support	29	86	59	106	56	62	65	35	50	45	151	54	69
Government training schemes	2	1	11	5	1	2	4	0	0	—	0	39	3
Tax credits ¹	374	502	397	351	423	246	436	230	373	325	205	404	356
Other non-contributory benefits	161	103	119	127	125	121	132	115	120	147	99	104	121
Total cash benefits	6 368	5 271	4 970	4 792	5 331	4 159	5 287	4 227	5 312	5 770	4 619	5 896	5 047
Gross income	25 676	33 079	29 504	34 310	34 079	38 489	42 630	42 296	35 743	31 297	34 395	34 133	35 532
Direct taxes and Employees' NIC													
Income tax	2 611	4 041	3 522	4 522	4 342	5 328	6 513	6 148	4 123	3 771	4 490	3 864	4 657
less: Tax credits ²	243	186	139	169	196	122	141	114	161	92	141	175	154
Employees' NI contributions	1 002	1 539	1 395	1 585	1 534	1 883	1 975	2 002	1 568	1 300	1 603	1 483	1 631
Council tax and Northern Ireland rates ³	1 082	1 162	1 076	1 160	1 147	1 324	1 316	1 341	1 300	1 014	1 201	731	1 200
less: Council tax benefit/Rates rebates	274	168	166	148	153	132	212	111	133	163	127	25	155
Total	4 179	6 387	5 688	6 950	6 673	8 280	9 451	9 267	6 698	5 830	7 028	5 878	7 178
Disposable income	21 498	26 692	23 816	27 360	27 405	30 208	33 179	33 030	29 046	25 467	27 368	28 255	28 354
Equivalised disposable income	20 815	24 160	23 618	25 584	25 909	29 356	31 361	31 514	26 932	24 712	26 946	24 814	26 899
Indirect taxes													
Taxes on final goods and services													
VAT	1 510	1 908	1 776	1 981	2 053	2 241	2 140	2 161	2 083	1 788	1 892	2 232	1 997
Duty on tobacco	277	339	321	287	336	216	271	254	245	310	326	550	296
Duty on beer and cider	117	158	141	130	123	116	94	117	104	122	90	107	119
Duty on wines & spirits	106	184	139	167	187	170	160	192	167	147	214	179	171
Duty on hydrocarbon oils	351	457	418	514	436	526	405	525	504	486	432	490	463
Vehicle excise duty	96	140	126	163	150	178	123	179	165	151	129	162	147
Television licences	105	118	115	118	116	119	117	115	115	112	117	121	116
Stamp duty on house purchase	35	56	67	56	72	106	153	123	84	55	66	111	86
Customs duties	24	29	26	31	30	32	36	32	31	27	29	32	30
Betting taxes	49	31	29	25	59	34	26	31	31	29	63	37	36
Insurance premium tax	32	46	41	49	46	50	52	52	46	36	37	43	45
Air passenger duty	36	51	61	37	36	50	71	48	53	36	37	42	49
Camelot National Lottery Fund	79	50	51	47	62	52	37	45	51	52	48	57	51
Other	4	9	35	28	16	12	28	8	74	5	21	24	23
Intermediate taxes													
Commercial and industrial rates	206	250	228	270	260	279	310	281	268	235	253	281	264
Employers' NI contributions	368	446	407	481	464	498	553	502	478	419	452	501	470
Duty on hydrocarbon oils	121	147	134	158	152	164	182	165	157	138	149	165	155
Vehicle excise duty	10	12	11	13	13	14	15	14	13	11	12	14	13
Other	165	200	183	216	208	224	248	225	215	188	203	225	211
Total indirect taxes	3 689	4 633	4 307	4 771	4 820	5 083	5 020	5 070	4 882	4 347	4 569	5 373	4 741
Post-tax income	17 809	22 059	19 509	22 589	22 585	25 125	28 159	27 960	24 164	21 120	22 798	22 883	23 613
Benefits in kind													
Education	2 400	2 746	2 203	2 552	2 656	2 177	2 970	1 878	2 557	2 066	2 066	3 064	2 433
National health service	3 129	2 959	2 842	2 878	2 911	2 721	2 905	2 834	3 074	2 992	2 714	2 987	2 899
Housing subsidy	15	12	13	10	12	11	74	14	12	14	22	18	21
Rail travel subsidy	26	41	54	64	37	233	6	5	53	32	83	17	55
Bus travel subsidy	60	59	66	43	51	49	190	78	62	93	68	48	77
School meals and welfare milk ⁴	44	40	20	27	32	31	40	12	41	18	14	43	30
Total	5 675	5 856	5 198	5 574	5 698	5 223	6 183	4 821	5 799	5 216	4 968	6 176	5 513
Final income	23 483	27 915	24 707	28 163	28 283	30 348	34 342	32 781	29 963	26 335	27 766	29 059	29 126

Notes:

- 1 Child tax credit and working tax credit.
- 2 Including tax relief at source on life assurance premiums.
- 3 Council tax and Northern Ireland rates after deducting discounts.
- 4 Welfare Milk scheme has been replaced by Healthy Start vouchers. For 2008/09 Healthy Start data have been imputed based on responses to Welfare Milk question, as it was unchanged in LCF interviews.

Source: Office for National Statistics

Table 31

Household characteristics of Government Office Region groups, 2008/09

Government Office Region	Groups of all households by Government Office Region												All house- holds
	North East	North West	Yorkshire and the Humber	East Midlands	West Midlands	East	London	South East	South West	Wales	Scotland	Northern Ireland	
Average per household (number)													
People	2.33	2.47	2.24	2.39	2.38	2.26	2.48	2.25	2.38	2.23	2.16	2.66	2.34
Adults	1.78	1.87	1.77	1.85	1.84	1.80	1.92	1.84	1.85	1.80	1.81	1.99	1.84
Men	0.81	0.91	0.87	0.97	0.89	0.86	0.91	0.93	0.88	0.88	0.84	0.96	0.89
Women	0.96	0.96	0.90	0.89	0.95	0.94	1.01	0.92	0.97	0.91	0.97	1.03	0.95
Children	0.55	0.60	0.47	0.54	0.54	0.45	0.57	0.41	0.53	0.43	0.34	0.67	0.50
Economically active people	0.97	1.22	1.14	1.21	1.15	1.28	1.27	1.30	1.20	1.03	1.13	1.24	1.19
Retired people	0.48	0.43	0.44	0.41	0.41	0.38	0.35	0.42	0.50	0.50	0.42	0.41	0.43
People in full-time education	0.46	0.56	0.42	0.51	0.48	0.43	0.60	0.37	0.51	0.40	0.43	0.60	0.48
In state primary schools	0.25	0.29	0.21	0.23	0.24	0.25	0.25	0.17	0.27	0.17	0.18	0.25	0.23
In state secondary schools	0.14	0.16	0.13	0.17	0.14	0.12	0.13	0.11	0.16	0.13	0.09	0.26	0.14
In further and higher education	0.04	0.08	0.07	0.08	0.06	0.05	0.16	0.06	0.06	0.07	0.15	0.08	0.08
In other educational establishments	0.02	0.03	0.01	0.01	0.03	0.01	0.05	0.03	0.02	0.04	0.01	0.01	0.03
Composition (percentages)													
Household type													
Retired													
1 adult	20	14	15	14	14	14	15	14	13	15	14	13	15
1 adult men	4	5	4	5	4	4	5	4	3	5	4	3	4
1 adult women	16	10	10	10	11	11	10	10	9	10	11	10	10
2 or more adults	13	13	13	11	11	10	7	12	15	15	11	11	12
Non-retired													
1 adult without children	14	12	14	14	16	18	19	15	11	16	17	12	15
1 adult men	9	8	8	11	11	9	12	9	6	10	11	7	9
1 adult women	4	5	5	4	5	9	7	7	5	6	7	5	6
2 adults without children	15	17	26	21	20	22	17	26	24	20	23	15	21
3 or more adults without children	9	10	5	10	8	8	12	9	8	7	11	11	9
1 adult with children	9	7	5	6	4	4	7	3	5	4	6	6	5
2 adults with 1 child	8	9	9	8	9	8	5	7	6	7	7	8	7
2 adults with 2 children	7	10	7	10	8	9	7	7	11	9	8	11	9
2 adults with 3 or more children	3	3	3	3	5	2	4	3	4	2	1	5	3
3 or more adults with children	2	5	3	3	5	4	7	3	3	4	1	7	4
Household tenure													
Rented													
Local authority rented	17	6	14	12	10	6	16	7	8	7	11	11	10
Housing association or RSL	8	13	5	5	9	7	10	8	6	6	8	5	8
Other rented unfurnished	6	4	6	9	6	7	6	8	8	10	4	5	6
Rented furnished	6	5	4	5	4	4	12	5	3	2	8	8	6
Rent free	3	1	0	2	1	1	1	0	2	1	2	1	1
Owner occupied	60	72	71	69	70	76	55	72	73	75	68	70	69
With mortgage	35	37	41	40	37	40	30	39	39	35	35	37	37
Rental purchase	–	0	–	0	0	1	1	0	0	–	–	0	0
Owned outright	25	34	29	28	33	35	23	33	33	39	32	33	31
Age of chief economic supporter													
Under 25	3	5	6	3	2	3	3	2	2	2	8	5	3
Over 24 and under 35	12	13	12	16	18	16	15	16	13	10	16	15	15
Over 34 and under 45	18	22	23	19	20	20	23	19	20	17	19	22	20
Over 44 and under 55	18	20	17	21	17	19	21	19	19	22	15	20	19
Over 54 and under 65	19	16	16	16	18	18	14	18	16	20	17	16	17
Over 64 and under 75	8	11	12	11	11	12	11	13	17	15	14	14	12
Over 74	21	14	15	14	14	13	12	13	13	14	13	9	14
Employment status of chief economic supporter													
Self-employed	5	7	5	7	7	7	8	9	9	8	6	10	7
Full-time employee	39	44	47	47	46	49	46	50	43	41	44	42	45
Part-time employee	5	8	7	10	7	12	10	8	9	7	9	8	9
Unemployed	4	3	3	2	2	1	2	2	1	3	2	1	2
Unoccupied and under minimum NI age	15	14	10	10	12	7	11	5	7	14	13	16	11
Retired/unoccupied over minimum NI age	31	25	28	24	26	23	23	26	30	28	26	23	26
Other	0	0	–	1	0	0	0	0	0	–	0	–	0

Source: Office for National Statistics

OECD Table 3

Taxes as a percentage of gross income, disposable income and expenditure for ALL households by quintile groups,¹ 2008/09

	Quintile groups of ALL households, ¹ using the modified OECD scale					All households
	Bottom	2nd	3rd	4th	Top	
(a) Percentages of gross income						
Direct taxes						
Income tax ²	3.2	5.1	9.3	12.5	17.2	12.7
Employees' NIC	1.4	2.6	4.5	5.6	5.0	4.6
Council tax & Northern Ireland rates ³	6.2	4.4	3.6	2.9	1.9	2.9
<i>All direct taxes</i>	<i>10.9</i>	<i>12.1</i>	<i>17.5</i>	<i>21.0</i>	<i>24.1</i>	<i>20.2</i>
Indirect taxes						
VAT	9.5	7.2	6.3	5.7	4.5	5.6
Duty on alcohol	1.3	1.1	0.9	0.9	0.6	0.8
Duty on tobacco	2.7	1.6	1.1	0.8	0.3	0.8
Duty on hydrocarbon oils & Vehicle excise duty	2.7	2.2	2.0	1.9	1.3	1.7
Other indirect taxes	8.8	6.2	4.9	4.2	3.2	4.4
<i>All indirect taxes</i>	<i>24.9</i>	<i>18.3</i>	<i>15.2</i>	<i>13.4</i>	<i>9.8</i>	<i>13.3</i>
<i>All taxes</i>	<i>35.8</i>	<i>30.4</i>	<i>32.7</i>	<i>34.4</i>	<i>33.9</i>	<i>33.5</i>
(b) Percentages of disposable income						
VAT	10.6	8.2	7.6	7.1	5.9	7.0
Duty on alcohol	1.5	1.2	1.1	1.1	0.8	1.0
Duty on tobacco	3.0	1.9	1.4	1.0	0.4	1.0
Duty on hydrocarbon oils & Vehicle excise duty	3.0	2.5	2.5	2.4	1.7	2.2
Other indirect taxes	9.8	7.0	6.0	5.4	4.2	5.5
<i>All indirect taxes</i>	<i>27.9</i>	<i>20.8</i>	<i>18.4</i>	<i>16.9</i>	<i>12.9</i>	<i>16.7</i>
(c) Percentages of expenditure ⁴						
VAT	7.3	7.6	7.3	7.1	6.9	7.2
Duty on alcohol	1.0	1.2	1.0	1.1	1.0	1.0
Duty on tobacco	2.0	1.7	1.3	1.0	0.5	1.1
Duty on hydrocarbon oils & Vehicle excise duty	2.1	2.3	2.4	2.4	2.0	2.2
Other indirect taxes	6.7	6.5	5.7	5.4	4.9	5.5
<i>All indirect taxes</i>	<i>19.1</i>	<i>19.4</i>	<i>17.7</i>	<i>16.9</i>	<i>15.2</i>	<i>17.0</i>

Notes:

- Households are ranked by equivalised disposable income.
- After deducting tax credits and tax relief at source on life assurance premiums.
- After deducting discounts, council tax benefits and rates rebates.
- Calculated to be consistent with disposable income. See paragraph 34 of Appendix 2 for the definition of expenditure.

Source: Office for National Statistics

OECD Table 14

Average incomes, taxes and benefits by decile groups of ALL households, 2008/09

	Decile groups of all households ranked by equivalised disposable income, using the modified OECD scale										All
	Bottom	2nd	3rd	4th	5th	6th	7th	8th	9th	Top	house- holds
Average per household (£ per year)											
Decile points (equivalised £)	10 405	13 189	15 742	18 607	21 613	25 040	29 599	35 874	46 844		
Number of households in the population ('000s)	2 586	2 585	2 587	2 588	2 588	2 589	2 587	2 581	2 591	2 592	25 874
Original income											
Wages and salaries	2 043	3 859	5 701	9 278	14 984	21 220	25 861	35 255	45 096	69 905	23 320
Imputed income from benefits in kind	-	-	6	18	41	185	280	400	669	1 262	286
Self-employment income	386	641	502	854	1 089	2 000	2 763	3 152	5 046	14 010	3 044
Occupational pensions, annuities	378	1 007	1 565	2 194	2 563	2 977	3 041	3 423	3 748	5 078	2 597
Investment income	213	217	294	400	500	633	842	842	1 673	4 527	1 014
Other income	100	255	207	152	272	210	374	236	310	115	223
Total	3 120	5 979	8 274	12 896	19 451	27 225	33 160	43 309	56 542	94 897	30 485
Direct benefits in cash											
Contributory											
Retirement pension	1 982	2 655	3 535	3 498	2 809	2 642	2 079	1 500	1 097	947	2 274
Job seeker's allowance (Contribution based)	73	65	34	17	7	11	5	-	1	-	21
Incapacity benefit	340	465	281	323	335	123	175	156	55	22	228
Widows' benefits	6	27	26	7	30	10	24	-	5	15	15
Statutory Maternity Pay/Allowance	-	36	68	59	66	98	125	106	173	164	89
Non-contributory											
Income support and pension credit	584	1 015	678	687	430	356	278	174	25	2	423
Child benefit	448	558	439	423	466	472	398	381	319	257	416
Housing benefit	754	1 114	1 054	941	585	363	164	62	13	24	507
Job seeker's allowance (Income based)	126	99	25	34	2	8	20	10	-	-	32
Invalid care allowance	53	45	95	145	114	37	30	18	27	12	58
Attendance allowance	14	8	54	110	69	50	33	53	14	11	42
Disability living allowance	147	199	377	642	579	483	379	289	140	35	327
War pensions/War widows' pensions	-	-	9	-	11	16	66	1	5	7	11
Severe disablement allowance	24	3	65	74	30	56	53	29	20	-	35
Industrial injury disablement benefit	1	8	7	44	39	22	29	21	4	4	18
Student support	123	94	100	128	90	40	34	50	24	8	69
Government training schemes	6	6	6	4	3	0	7	0	0	1	3
Tax credits ¹	469	948	781	491	434	226	130	34	11	39	356
Other non-contributory benefits	119	191	171	168	155	96	98	81	47	81	121
Total cash benefits	5 267	7 536	7 807	7 794	6 255	5 107	4 128	2 964	1 982	1 627	5 047
Gross income	8 386	13 515	16 081	20 690	25 705	32 333	37 289	46 273	58 523	96 524	35 532
Direct taxes and Employees' NIC											
Income tax	238	587	876	1 466	2 430	3 567	4 463	6 255	9 040	17 644	4 657
less:Tax credits ²	13	115	256	207	302	272	157	128	67	22	154
Employees' NI contributions	99	217	359	608	1 064	1 542	1 925	2 717	3 434	4 340	1 631
Council tax and Northern Ireland rates ³	1 034	1 025	1 032	1 085	1 145	1 211	1 214	1 308	1 360	1 586	1 200
less: Council tax benefit/Rates rebates	308	385	289	221	155	98	60	19	11	4	155
Total	1 050	1 329	1 722	2 732	4 183	5 950	7 385	10 134	13 757	23 544	7 178
Disposable income	7 337	12 186	14 359	17 958	21 523	26 383	29 904	36 140	44 766	72 980	28 354
Equivalised disposable income	7 468	11 816	14 444	17 170	19 981	23 319	27 190	32 489	40 650	70 315	26 484
Indirect taxes											
Taxes on final goods and services											
VAT	1 016	1 060	1 252	1 384	1 724	1 909	2 167	2 555	3 130	3 771	1 997
Duty on tobacco	256	325	291	309	332	321	319	317	203	282	296
Duty on beer and cider	61	62	70	95	116	118	128	155	194	188	119
Duty on wines & spirits	78	85	99	137	130	148	213	220	240	360	171
Duty on hydrocarbon oils	226	210	287	332	410	476	549	644	753	743	463
Vehicle excise duty	90	68	90	106	133	165	179	192	219	232	147
Television licences	106	106	102	103	113	118	122	127	130	132	116
Stamp duty on house purchase	37	23	31	38	59	61	79	114	136	277	86
Customs duties	19	20	22	23	27	30	32	36	43	52	30
Betting taxes	13	24	28	37	33	44	52	39	63	29	36
Insurance premium tax	23	21	28	30	39	43	54	59	71	87	45
Air passenger duty	15	12	23	18	30	27	50	83	103	126	49
Camelot National Lottery Fund	24	38	52	73	54	60	65	51	52	37	51
Other	6	4	2	7	4	6	53	43	80	26	23
Intermediate taxes											
Commercial and industrial rates	168	171	189	204	237	261	278	312	370	447	264
Employers' NI contributions	299	304	336	363	423	466	496	556	660	797	470
Duty on hydrocarbon oils	98	100	111	119	139	153	163	183	217	262	155
Vehicle excise duty	8	8	9	10	11	13	13	15	18	22	13
Other	134	137	151	163	190	209	223	250	296	358	211
Total indirect taxes	2 678	2 778	3 175	3 551	4 203	4 631	5 236	5 950	6 977	8 227	4 741
Post-tax income	4 659	9 408	11 184	14 407	17 320	21 752	24 668	30 190	37 789	64 753	23 613
Benefits in kind											
Education	2 783	3 260	2 531	2 513	2 958	2 791	2 088	2 175	1 920	1 306	2 433
National health service	2 910	3 236	3 363	3 363	3 096	3 116	2 803	2 544	2 392	2 164	2 899
Housing subsidy	30	41	38	31	20	20	14	6	4	2	21
Rail travel subsidy	27	40	15	25	27	42	45	83	79	164	55
Bus travel subsidy	73	73	85	87	80	87	63	77	55	90	77
School meals and welfare milk ⁴	51	98	41	42	28	19	9	5	2	1	30
Total	5 874	6 748	6 072	6 061	6 208	6 075	5 022	4 889	4 452	3 727	5 513
Final income	10 533	16 156	17 257	20 468	23 528	27 827	29 689	35 080	42 241	68 480	29 126

Notes:

Source: Office for National Statistics

1 Child tax credit and working tax credit.

2 Including tax relief at source on life assurance premiums.

3 Council tax and Northern Ireland rates after deducting discounts.

4 Welfare Milk scheme has been replaced by Healthy Start vouchers. For 2008/09 Healthy Start data have been imputed based on responses to Welfare Milk question, as it was unchanged in LCF interviews.

OECD Table 14A

Average incomes, taxes and benefits by quintile groups of ALL households, 2008/09

Quintile groups of all households ranked by equivalised disposable income, using the modified OECD scale						All house- holds
	Bottom	2nd	3rd	4th	Top	
Average per household (£ per year)						
Quintile points (equivalised £)		13 189	18 607	25 040	35 874	
Number of households in the population ('000s)	5 171	5 174	5 177	5 168	5 183	25 874
Original income						
Wages and salaries	2 951	7 490	18 102	30 558	57 501	23 320
Imputed income from benefits in kind	-	12	113	340	965	286
Self-employment income	513	678	1 544	2 957	9 528	3 044
Occupational pensions, annuities	692	1 879	2 770	3 232	4 413	2 597
Investment income	215	347	567	842	3 100	1 014
Other income	178	179	241	305	212	223
Total	4 549	10 585	23 338	38 235	75 720	30 485
Direct benefits in cash						
Contributory						
Retirement pension	2 318	3 517	2 725	1 790	1 022	2 274
Job seeker's allowance (Contribution based)	69	25	9	3	0	21
Incapacity benefit	402	302	229	166	39	228
Widows' benefits	17	17	20	12	10	15
Statutory Maternity Pay/Allowance	18	64	82	115	168	89
Non-contributory						
Income support and pension credit	800	683	393	226	13	423
Child benefit	503	431	469	390	288	416
Housing benefit	934	998	474	113	18	507
Job seeker's allowance (Income based)	112	30	5	15	-	32
Invalid care allowance	49	120	75	24	20	58
Attendance allowance	11	82	59	43	12	42
Disability living allowance	173	509	531	334	88	327
War pensions/War widows' pensions	-	4	14	34	6	11
Severe disablement allowance	14	69	43	41	10	35
Industrial injury disablement benefit	4	26	30	25	4	18
Student support	109	114	65	42	16	69
Government training schemes	6	5	2	3	0	3
Tax credits ¹	709	636	330	82	25	356
Other non-contributory benefits	155	170	125	89	64	121
Total cash benefits	6 401	7 801	5 681	3 546	1 804	5 047
Gross income	10 951	18 386	29 019	41 781	77 524	35 532
Direct taxes and Employees' NIC						
Income tax	412	1 171	2 999	5 359	13 342	4 657
less: Tax credits ²	64	231	287	143	44	154
Employees' NI contributions	158	484	1 303	2 321	3 887	1 631
Council tax and Northern Ireland rates ³	1 029	1 058	1 178	1 261	1 473	1 200
less: Council tax benefit/Rates rebates	346	255	127	39	7	155
Total	1 189	2 227	5 066	8 759	18 650	7 178
Disposable income	9 761	16 159	23 953	33 022	58 873	28 354
Equivalised disposable income	9 642	15 807	21 650	29 840	55 483	26 484
Indirect taxes						
Taxes on final goods and services						
VAT	1 038	1 318	1 817	2 361	3 451	1 997
Duty on tobacco	291	300	327	318	243	296
Duty on beer and cider	62	83	117	141	191	119
Duty on wines & spirits	82	118	139	217	300	171
Duty on hydrocarbon oils	218	309	443	597	748	463
Vehicle excise duty	79	98	149	186	225	147
Television licences	106	103	116	124	131	116
Stamp duty on house purchase	30	35	60	97	206	86
Customs duties	20	23	29	34	47	30
Betting taxes	19	32	39	45	46	36
Insurance premium tax	22	29	41	56	79	45
Air passenger duty	13	21	29	66	114	49
Camelot National Lottery Fund	31	62	57	58	44	51
Other	5	5	5	48	53	23
Intermediate taxes						
Commercial and industrial rates	169	196	249	295	408	264
Employers' NI contributions	302	350	444	526	728	470
Duty on hydrocarbon oils	99	115	146	173	239	155
Vehicle excise duty	8	9	12	14	20	13
Other	136	157	200	236	327	211
Total indirect taxes	2 728	3 363	4 417	5 593	7 602	4 741
Post-tax income	7 033	12 796	19 536	27 429	51 271	23 613
Benefits in kind						
Education	3 022	2 522	2 874	2 131	1 613	2 433
National health service	3 073	3 363	3 106	2 673	2 278	2 899
Housing subsidy	35	35	20	10	3	21
Rail travel subsidy	34	20	34	64	121	55
Bus travel subsidy	73	86	84	70	73	77
School meals and welfare milk ⁴	75	42	23	7	1	30
Total	6 311	6 067	6 142	4 956	4 089	5 513
Final income	13 344	18 863	25 678	32 385	55 360	29 126

Notes:

Source: Office for National Statistics

1 Child tax credit and working tax credit.

2 Including tax relief at source on life assurance premiums.

3 Council tax and Northern Ireland rates after deducting discounts.

4 Welfare Milk scheme has been replaced by Healthy Start vouchers. For 2008/09 Healthy Start data have been imputed based on responses to Welfare Milk question, as it was unchanged in LCF interviews.

OECD Table 16

Average incomes, taxes and benefits by decile groups of NON-RETIRED households, 2008/09

	Decile groups of non-retired households ranked by equivalised disposable income, using the modified OECD scale										All
	Bottom	2nd	3rd	4th	5th	6th	7th	8th	9th	Top	house- holds
Average per household (£ per year)											
Decile points (equivalised £)	10 851	14 420	18 013	21 012	24 547	28 363	33 291	39 702	51 080		
Number of households in the population ('000s)	1 905	1 913	1 910	1 910	1 908	1 911	1 907	1 907	1 914	1 911	19 096
Original income											
Wages and salaries	3 582	7 567	13 930	19 248	26 832	30 833	37 010	44 268	54 377	76 792	31 444
Imputed income from benefits in kind	-	-	24	60	250	312	328	593	787	1 497	385
Self-employment income	619	1 024	1 367	1 536	2 315	3 078	3 301	4 724	5 357	17 715	4 104
Occupational pensions, annuities	157	244	488	835	1 022	1 018	1 138	1 606	1 658	2 736	1 090
Investment income	149	131	264	346	218	457	525	1 092	1 138	4 621	894
Other income	113	408	303	323	134	280	358	336	131	141	253
Total	4 620	9 374	16 377	22 348	30 772	35 977	42 660	52 618	63 450	103 501	38 170
Direct benefits in cash											
Contributory											
Retirement pension	85	215	625	1 150	842	820	865	663	419	610	629
Job seeker's allowance (Contribution based)	104	76	47	12	15	7	-	-	1	-	26
Incapacity benefit	531	636	501	392	210	179	201	69	16	30	276
Widows' benefits	25	24	29	41	13	18	-	-	6	20	18
Statutory Maternity Pay/Allowance	8	98	92	97	125	181	155	127	129	200	121
Non-contributory											
Income support and pension credit	699	1 319	750	470	274	130	149	74	2	3	387
Child benefit	714	903	773	627	645	535	440	415	283	274	561
Housing benefit	1 149	1 536	900	666	250	84	101	17	-	32	473
Job seeker's allowance (Income based)	199	119	54	7	7	9	22	12	-	-	43
Invalid care allowance	63	90	153	177	40	20	26	-	23	4	60
Attendance allowance	18	-	11	19	-	10	3	30	-	7	10
Disability living allowance	212	361	546	693	459	322	292	123	99	34	314
War pensions/War widows' pensions	-	-	-	4	18	53	35	6	-	-	12
Severe disablement allowance	14	75	75	21	30	23	16	50	-	-	30
Industrial injury disablement benefit	3	-	49	44	16	30	23	6	-	-	17
Student support	184	176	182	171	46	42	85	32	7	6	93
Government training schemes	8	16	6	4	0	1	9	0	0	1	4
Tax credits ¹	858	1 657	940	645	353	198	70	11	29	38	480
Other non-contributory benefits	43	87	82	73	75	64	42	39	22	83	61
Total cash benefits	4 917	7 390	5 815	5 312	3 416	2 724	2 533	1 675	1 035	1 343	3 616
Gross income	9 537	16 764	22 192	27 660	34 188	38 701	45 193	54 293	64 485	104 844	41 786
Direct taxes and Employees' NIC											
Income tax	370	945	1 834	2 725	3 999	4 768	6 068	7 757	10 582	19 772	5 882
less:Tax credits ²	26	281	443	387	368	240	177	84	58	12	208
Employees' NI contributions	184	435	917	1 353	1 957	2 262	2 846	3 390	4 101	4 560	2 201
Council tax and Northern Ireland rates ³	986	1 032	1 050	1 127	1 179	1 204	1 267	1 321	1 341	1 622	1 213
less: Council tax benefit/Rates rebates	349	376	180	132	55	38	17	13	6	4	117
Total	1 165	1 755	3 177	4 687	6 712	7 955	9 986	12 371	15 961	25 937	8 971
Disposable income	8 371	15 009	19 014	22 973	27 476	30 746	35 207	41 922	48 524	78 907	32 815
Equivalised disposable income	7 431	12 654	16 173	19 512	22 793	26 350	30 604	36 188	44 563	76 485	29 275
Indirect taxes											
Taxes on final goods and services											
VAT	1 153	1 345	1 643	1 877	2 043	2 244	2 575	2 897	3 078	3 971	2 283
Duty on tobacco	344	491	378	425	402	333	318	276	239	278	348
Duty on beer and cider	79	85	119	130	133	133	163	191	212	184	143
Duty on wines & spirits	84	100	142	147	161	215	177	265	256	369	192
Duty on hydrocarbon oils	276	280	435	478	531	586	662	780	692	802	552
Vehicle excise duty	93	83	125	142	177	196	192	217	215	237	168
Television licences	135	139	134	131	134	132	133	136	135	135	134
Stamp duty on house purchase	37	30	41	61	62	81	111	120	150	305	100
Customs duties	23	25	26	31	31	34	36	41	43	54	34
Betting taxes	15	24	33	35	45	54	35	47	37	29	35
Insurance premium tax	24	23	36	40	45	55	56	65	68	89	50
Air passenger duty	20	18	21	27	24	34	95	79	90	149	56
Camelot National Lottery Fund	26	35	68	56	59	58	64	57	45	35	50
Other	8	6	5	6	8	57	24	99	47	26	28
Intermediate taxes											
Commercial and industrial rates	195	218	228	264	266	291	313	352	369	472	297
Employers' NI contributions	348	388	407	472	475	519	558	627	658	842	529
Duty on hydrocarbon oils	114	128	134	155	156	171	184	206	216	277	174
Vehicle excise duty	9	11	11	13	13	14	15	17	18	23	14
Other	156	175	183	212	213	233	251	282	296	378	238
Total indirect taxes	3 138	3 605	4 170	4 703	4 976	5 439	5 962	6 753	6 863	8 654	5 426
Post-tax income	5 233	11 404	14 844	18 270	22 500	25 307	29 245	35 170	41 662	70 253	27 389
Benefits in kind											
Education	4 494	5 133	4 608	3 976	3 685	2 891	2 446	2 532	1 679	1 319	3 276
National health service	2 231	2 637	2 526	2 634	2 658	2 566	2 362	2 353	2 073	2 040	2 408
Housing subsidy	45	55	32	18	20	12	8	5	4	2	20
Rail travel subsidy	30	56	38	30	31	70	72	93	115	164	70
Bus travel subsidy	49	46	51	67	67	53	61	65	58	86	60
School meals and welfare milk ⁴	90	136	70	51	24	13	5	7	0	1	40
Total	6 938	8 062	7 324	6 778	6 484	5 604	4 955	5 054	3 928	3 611	5 874
Final income	12 172	19 466	22 168	25 048	28 984	30 911	34 201	40 224	45 590	73 864	33 263

Notes:

- 1 Child tax credit and working tax credit.
- 2 Including tax relief at source on life assurance premiums.
- 3 Council tax and Northern Ireland rates after deducting discounts.
- 4 Welfare Milk scheme has been replaced by Healthy Start vouchers. For 2008/09 Healthy Start data have been imputed based on responses to Welfare Milk question, as it was unchanged in LCF interviews.

Source: Office for National Statistics

OECD Table 18

Average incomes, taxes and benefits by decile groups of RETIRED households, 2008/09

	Decile groups of retired households ranked by equivalised disposable income, using the modified OECD scale										All
	Bottom	2nd	3rd	4th	5th	6th	7th	8th	9th	Top	house- holds
Average per household (£ per year)											
Decile points (equivalised £)	9 728	11 686	13 251	14 695	16 154	18 090	20 208	23 422	29 092		
Number of households in the population ('000s)	673	683	675	680	674	679	679	676	679	680	6 778
Original income											
Wages and salaries	39	3	62	38	201	419	153	1 171	563	1 684	433
Imputed income from benefits in kind	—	—	—	—	—	—	—	—	27	41	7
Self-employment income	10	4	—	—	—	3	125	73	189	192	60
Occupational pensions, annuities	704	1 472	2 518	2 895	3 387	4 122	5 842	8 000	11 402	28 090	6 843
Investment income	332	236	488	425	286	582	810	1 464	2 111	6 789	1 352
Other income	65	3	49	36	34	116	113	314	487	176	139
Total	1 150	1 718	3 118	3 395	3 908	5 243	7 043	11 022	14 779	36 971	8 835
Direct benefits in cash											
Contributory											
Retirement pension	4 867	6 209	6 604	6 760	7 028	7 691	6 995	7 857	7 596	7 481	6 909
Job seeker's allowance (Contribution based)	12	25	29	—	8	—	—	—	—	—	7
Incapacity benefit	58	46	95	125	94	68	215	7	18	176	90
Widows' benefits	—	35	—	—	—	—	—	—	43	—	8
Statutory Maternity Pay/Allowance	—	—	—	—	—	—	—	—	—	—	—
Non-contributory											
Income support and pension credit	326	600	431	442	561	567	674	603	896	143	524
Child benefit	8	12	—	4	8	24	—	15	9	—	8
Housing benefit	219	126	362	756	1 244	1 070	858	759	578	60	603
Job seeker's allowance (Income based)	—	5	18	—	—	—	—	—	—	—	2
Invalid care allowance	29	19	46	59	70	79	50	35	46	89	52
Attendance allowance	3	—	31	127	84	298	238	195	143	193	131
Disability living allowance	32	103	176	333	182	402	804	592	673	327	362
War pensions/War widows' pensions	—	—	—	—	32	—	12	18	18	30	11
Severe disablement allowance	51	—	—	5	26	27	32	177	151	24	49
Industrial injury disablement benefit	—	3	21	—	—	42	16	63	27	28	20
Student support	14	—	—	—	—	—	—	6	—	—	2
Government training schemes	—	—	—	—	—	—	—	—	—	—	—
Tax credits ¹	5	—	—	—	16	21	—	26	18	—	9
Other non-contributory benefits	232	365	288	316	273	261	322	263	254	316	289
Total cash benefits	5 856	7 548	8 101	8 928	9 627	10 551	10 216	10 615	10 470	8 867	9 078
Gross income	7 006	9 266	11 219	12 323	13 534	15 794	17 259	21 637	25 249	45 838	17 912
Direct taxes and Employees' NIC											
Income tax	99	143	302	362	414	558	860	1 403	2 180	5 723	1 204
less:Tax credits ²	1	2	2	2	2	2	2	5	5	4	3
Employees' NI contributions	1	—	—	2	7	22	6	64	29	114	24
Council tax and Northern Ireland rates ³	1 122	1 058	1 042	1 024	1 030	1 117	1 146	1 210	1 288	1 601	1 164
less: Council tax benefit/Rates rebates	205	396	291	295	377	292	312	238	168	41	261
Total	1 016	803	1 052	1 092	1 073	1 402	1 697	2 434	3 324	7 394	2 129
Disposable income	5 990	8 463	10 166	11 231	12 461	14 392	15 562	19 203	21 925	38 445	15 784
Equivalised disposable income	7 681	10 755	12 411	13 975	15 274	17 082	19 093	21 769	26 030	42 132	18 620
Indirect taxes											
Taxes on final goods and services											
VAT	718	779	913	860	877	1 001	1 184	1 265	1 555	2 766	1 192
Duty on tobacco	110	79	118	198	189	80	189	129	191	183	147
Duty on beer and cider	30	30	37	47	56	36	46	72	68	86	51
Duty on wines & spirits	72	75	86	60	94	84	113	106	182	268	114
Duty on hydrocarbon oils	156	117	178	130	215	168	206	230	270	449	212
Vehicle excise duty	75	60	67	68	76	71	83	102	118	182	90
Television licences	58	48	67	68	58	64	61	76	65	77	64
Stamp duty on house purchase	35	25	26	23	21	29	44	44	56	151	45
Customs duties	13	13	15	15	17	18	20	25	23	36	20
Betting taxes	10	17	30	31	39	31	31	36	36	126	39
Insurance premium tax	22	19	20	23	21	22	28	34	43	88	32
Air passenger duty	12	6	8	18	14	22	22	33	49	102	29
Camelot National Lottery Fund	22	29	50	52	71	66	55	59	60	46	51
Other	5	0	0	1	1	11	1	1	28	31	8
Intermediate taxes											
Commercial and industrial rates	114	117	129	134	147	157	170	219	200	308	170
Employers' NI contributions	203	208	230	239	262	280	303	391	357	549	302
Duty on hydrocarbon oils	67	69	76	79	86	92	100	129	118	181	99
Vehicle excise duty	6	6	6	6	7	8	8	11	10	15	8
Other	91	94	103	108	118	126	136	176	161	247	136
Total indirect taxes	1 821	1 791	2 158	2 163	2 368	2 365	2 801	3 138	3 589	5 892	2 809
Post-tax income	4 169	6 672	8 008	9 068	10 093	12 027	12 761	16 065	18 336	32 552	12 975
Benefits in kind											
Education	92	51	—	25	44	117	42	114	49	21	55
National health service	4 040	4 355	4 194	4 043	4 351	4 531	4 210	4 439	4 357	4 288	4 281
Housing subsidy	11	10	15	27	47	32	32	21	25	4	22
Rail travel subsidy	13	17	2	2	0	2	13	21	15	31	12
Bus travel subsidy	106	118	124	115	133	136	119	137	122	136	125
School meals and welfare milk ⁴	3	—	—	—	2	—	—	3	—	—	1
Total	4 265	4 551	4 335	4 212	4 577	4 817	4 416	4 735	4 566	4 481	4 496
Final income	8 434	11 223	12 343	13 280	14 670	16 844	17 177	20 800	22 903	37 033	17 471

Notes:

Source: Office for National Statistics

1 Child tax credit and working tax credit.

2 Including tax relief at source on life assurance premiums.

3 Council tax and Northern Ireland rates after deducting discounts.

4 Welfare Milk scheme has been replaced by Healthy Start vouchers. For 2008/09 Healthy Start data have been imputed based on responses to Welfare Milk question, as it was unchanged in LCF interviews.

APPENDIX 2

Methodology and Definitions

The allocation of government expenditure and its financing

1. There are considerable difficulties in moving from the aggregates of government expenditure and financing published in the UK National Accounts - the ONS *Blue Book* - to apportioning taxes and benefits to individual households. We can obtain information about the types of household that receive cash benefits and pay direct taxes through surveys such as the Living Costs and Food Survey (LCF). From the replies respondents give to questions on their expenditure, we can take into account their payments of indirect taxes, and from information they supply about such factors as their ages and 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: no attempt is made in this analysis to apportion them to households because it would be too difficult. Similarly, there are other items of government expenditure, such as capital expenditure and 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 have sufficient information to make an allocation.

Living Costs and Food Survey (LCF)

2. The estimates in this analysis are based mainly on data derived from the LCF, which replaced the Family Expenditure Survey (FES) from 2001/02, and was known as the Expenditure and Food Survey until 2009. The LCF is an annual survey of the expenditure and income of private households. People living in hotels, lodging houses, and in institutions such as old peoples' homes are excluded. Each person aged 16 and over keeps a full record of payments made during 14 consecutive days and answers questions about hire purchase and other payments; children aged seven to 15 keep a simplified diary. The respondents also give detailed information, where appropriate, about income (including cash benefits received from the state) and payments of income tax. Information on age, occupation, education received, family composition and housing tenure is also obtained. The survey covers the whole 12-month period.

3. *Family Spending 2009*, published on the ONS web site in January 2010, shows detailed results on expenditure and income from the 2008 survey, and how they vary with household characteristics. The report also includes an outline of the survey design.

4. The number of households in Great Britain responding to the LCF in 2008 was 5,271 (about 1 in every 4,600 households). The response rate was 51 per cent. An additional sample of 574 households covers Northern Ireland, where the response rate was 54 per cent. To count as a co-operating household, all members aged 16 and over must fill in the diaries for both weeks and give full details of income. The available evidence suggests that households containing a couple with non-dependent children, those where the Household Reference Person (HRP) is self-employed, and those where the HRP was born outside the UK are less likely to co-operate than others (see *A comparison of the Census characteristics of respondents and non-respondents to the 1991 Family Expenditure Survey* by Kate Foster, *Survey Methodology Bulletin*, ONS, No 38, Jan 1996). In addition, response in Greater London is noticeably lower than in other areas.

5. The results in the analysis are grossed up so that totals reflect the total population in private households in the UK (that is excluding those in institutions such as residential homes for the elderly). Households were assigned different initial weights based on the non-response in the 2001 FES. These *non-response weights* were derived using 2001 Census-linked data (for further details see *Family Spending 2009*, Appendix B). The non-response weights were then calibrated, again using 2001 Census based population projections, so that weighted totals matched population totals, for males and females in different age groups and for regions.

6. The LCF is designed primarily as a survey of expenditure on goods and services by households. It has been developed to gather information about the income of household members, and is an important and detailed source of income data. However, no information is collected that would enable a balance sheet of income and expenditure to be drawn up for a household over any particular period. Much expenditure relates to the two-week period after the interview,

whereas many income components refer to a much longer period (such as investment income over the previous 12 months). LCF income does not include proceeds from the sale of assets (for example, a car) or windfalls such as inheritances. But recorded expenditure might reflect these items, as well as the effects of living off savings, using capital or borrowing money. Hence, there is no reason why income and expenditure should balance either for an individual household or even averaged over a group of households. Indeed, for many households in the bottom part of the income distribution, measured expenditure exceeds measured income. Moreover, the difference between income and expenditure is not necessarily a measure of savings or dis-savings (where expenditure is greater than income).

Unit of analysis

7. The basic unit of analysis used is the household, and not the family, individual or benefit unit. A household is defined in terms of the harmonised definition as used in the Census and nearly all other government household surveys since 1981. This is one person, or a group of persons, who have the accommodation as their only or main residence and (for a group) share the living accommodation, that is a living or sitting room, or share meals together or have common housekeeping. Up until 1999-2000, the definition was based on the pre-1981 Census definition and required members to share eating and budgeting arrangements as well as shared living accommodation. The definition of a household comprised people who lived at the same address and who shared common catering for at least one meal a day. The effect of the change was fairly small, but not negligible. Spending on many items, particularly on food, housing, fuel and light, is largely joint spending by the members of the household. Without further information or assumptions it is difficult to apportion indirect taxes between individuals or other sub-divisions of households.

8. In classifying the households into various types, a child (ie a dependent) is defined as:

- either aged under 16
- or aged 16, 17 or 18 not married, and receiving full-time non-advanced further education

Most of the 'extra' adults in households with at least three adults are sons or daughters

of the Household Reference Person rather than retired people.

9. A **retired household** is defined as one where the combined income of retired members amounts to at least half the total gross income of the household, where a retired person is defined as anyone who describes themselves as 'retired' or anyone over minimum NI pension age describing themselves as 'unoccupied' or 'sick or injured but not intending to seek work'.

10. By no means all retired people are in retired households: about one in five households comprising three or more adults contains retired people, for example, and households comprising one retired and one non-retired adult are often classified as non-retired.

11. The sample households have been classified according to their compositions at the time of the interview. This classification is sensible for the vast majority of households, but it can be misleading for the very small number of cases where a spouse is absent from the household at the time of interview. The absent spouse may well be working away from home, or living separately - but contributing financially to the household's upkeep. These contributions would be picked up as part of the household's original income. Also, it is likely that some households will have changed their composition during the year.

12. Economically active people comprise persons aged 16 or over who, at the time of interview, were:

- employees at work
- employees temporarily away from work, for example through illness, temporary lay-off or industrial action
- on government training programmes
- self-employed
- not in employment but who had sought work within the last four weeks, or were waiting to start a job already obtained

Income: redistributive stages

13.

Stage one:

Original income plus cash benefits =
Gross income.

Stage two:

Gross income minus income tax,
employees' National Insurance
contributions and Council tax and

Northern Ireland rates (see paragraph 24 below) = Disposable income.

Stage three:

Disposable income minus indirect taxes
= Post-tax income.

Stage four:

Post-tax income plus 'benefits in kind' =
Final income.

14. The starting point of the analysis is **original income**. This is the annualised income in cash of all members of the household before the deduction of taxes or the addition of any state benefits. It includes income from employment, self-employment, investment income, occupational pensions and annuities. The term 'annualised' rather than 'annual' is used advisedly. For instance, annualised income from a respondent's 'main job' is not the current wage or salary multiplied up to an annual value, nor is it the sum of income from this source in the 12 month period prior to interview. Rather it is an estimate of such income expressed at an annual rate based on the respondent's assessment of his 'normal' wage or salary subject to his current employment status.

15. Furthermore, to avoid double counting and to make it consistent with the estimate of income from cash benefits (see paragraph 20), this annualised estimate has to be 'abated' for the number of weeks likely to be lost due to unemployment, sickness, etc. This figure is taken as the number of weeks so lost in the 12 months prior to interview. It should be noted that regardless of whether the respondent is currently working or unemployed the treatment is essentially the same, ie normal gross wage or salary expressed at an annual rate abated as required.

16. In all of this, the crucial determining role of current employment status should also be noted. Thus, no employment income would be assigned to a respondent whose employment status had recently become retired or unemployed even though he or she may have worked for most of the 12 months prior to interview.

17. About 98 per cent of original income comes from earnings, occupational pensions (including annuities) and investment income. The tiny bit remaining comes from a variety of sources: trade union benefits, income of children under 16, private scholarships, earnings as a mail

order agent or baby-sitter, regular allowance from a non-spouse, allowance from an absent spouse and the imputed value of rent-free accommodation. Households living in rent-free dwellings are each assigned an imputed income (although this is counted as employment income if the tenancy depends on the job).

18. In addition to salary, many employees receive as part of their income fringe benefits such as company cars, private medical insurance and beneficial loans. The company car benefit, together with the benefit from fuel for personal use, has been included in the analysis since 1990. This is by far the most important fringe benefit accounting for around 60 per cent of total taxable benefits according to HM Revenue and Customs' (HMRC) statistics. The imputed income allocated to households is the taxable value of the benefit in accordance with HMRC rules. Although, for those earning below £8,500 per year the benefit is not taxable, here the benefit has been allocated to all those with a company car regardless of the level of earnings. Information collected about company cars in the LCF is used to impute the benefit.

19. The benefit of subsidised loans from employers for house purchase has been allocated, since the 1992 analysis. The benefit is taken to be the difference between the interest payments on such loans as reported in the LCF and the interest payments that would have been payable at the ruling market rate of interest.

20. The next stage of the analysis is to add cash benefits and tax credits to original income to obtain **gross income**. This is slightly different from the 'gross normal weekly income' used in the LCF report. Cash benefits and tax credits include:

Contributory:

Retirement pension, part of job seeker's allowance, incapacity benefit, widows' benefits, and statutory maternity pay.

Non-contributory:

Income support, part of job seeker's allowance, child benefit, housing benefit (council tax benefit and rates rebates are treated as deductions from council tax and Northern Ireland rates), carer's allowance, attendance allowance, disability living allowance, war pensions, severe disablement allowance, industrial injury disablement benefits, child tax credit and working tax credit, pension credit,

over 80 pension, Christmas bonus for pensioners, government training scheme allowances, student support, and winter fuel payments.

21. Statutory maternity pay is classified as a cash benefit even though it is paid through the employer. From 2005/06 student support included the new educational maintenance allowance as well as other education grants. Winter fuel payments are included within the category 'other non-contributory benefits'.

22. Child tax credit (CTC) and working tax credit (WTC) are more complicated. They are classified as negative income tax, but only to the extent that income tax less tax credits, remains greater than or equal to zero for each family. So for households paying relatively little or no income tax, tax credit payments are regarded either partially or wholly, as cash benefits.

23. Income from short-term benefits is taken as the product of the last weekly payment and the number of weeks the benefit was received in the 12 months prior to interview. Income from long-term benefits, and from housing benefits, is based on current rates.

24. Income tax, council tax and Northern Ireland rates, and employees' and self-employed National Insurance contributions are then deducted to give **disposable income**. Taxes on capital, such as capital gains tax and inheritance tax, are not included in these deductions because there is no clear conceptual basis for doing so, and the relevant data are not available from the LCF.

25. Income tax is shown after the deduction of those tax credit payments which are regarded as negative income tax.

26. The figures for council tax and Northern Ireland rates include council tax (for households in Great Britain), and domestic rates (for households in Northern Ireland). Council tax is shown after discounts to reduce or remove the personal element of the tax (e.g. the discount of 25 per cent for single person households). All council tax and Northern Ireland rates are shown after the deduction of council tax benefit and rate rebates. This is in line with National Accounts which treats such rebates as revenue foregone. Up to, and including, 1995/96 these rebates were included as part of housing benefits.

27. Up until 2001/02 the figures for local taxes included council tax, Northern Ireland rates and charges made by water authorities for water, environmental and sewerage services. From 2002/03, charges made by water authorities were treated as charges for a service rather than a tax, so the figures for council tax and Northern Ireland rates from 2002/03 onwards are not strictly comparable with those for local taxes up to 2001/02.

28. The tax estimates are based on the amount deducted from the last payments of employment income and pensions, and on the amount paid in the last 12 months in respect of income from self-employment, interest, dividends and rent. The income tax payments recorded will therefore take account of a household's tax allowances, with the exception of tax credits and life assurance premium relief. Where households are eligible for either of these reliefs deductions are made from recorded income tax payments.

29. The next step is to deduct indirect taxes to give **post-tax income**. Indirect tax on final consumer goods and services include:

Duties on alcoholic drinks, tobacco, petrol, oil, betting, etc;
Value Added Tax (VAT);
Customs (import) duties;
Motor vehicle duties;
Air passenger duty;
Insurance premium tax;
Driving licenses;
Television licenses;
Stamp duties;
Camelot: payments to National Lottery Distribution Fund.

30. Taxes levied on final goods and services are assumed to be fully incident on the consumer, and can be imputed from a household's LCF expenditure record. For example, the amount of VAT that is paid by the household is calculated from the household's total expenditure on goods and services subject to VAT.

31. VAT affects the prices of second-hand cars and is therefore assumed to be incident on the purchasers of such cars as well as on the purchasers of new cars. In allocating taxes, expenditures recorded in the LCF on alcoholic drink, tobacco, ice cream, soft drinks and confectionery are grossed up 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. This approach has its drawbacks because there is some evidence to suggest that heavy drinkers, for example, are under-represented in the LCF.

32. The incidence of stamp duty on house purchase on an owner-occupying household has been taken as the product of the hypothetical duty payable on buying their current dwelling (estimated from valuations given in the LCF) and the probability of a household of that type moving in a given year (estimated from the General Household Survey).

33. Indirect taxes on intermediate goods and services include:

Rates on commercial and industrial property;
Motor vehicle duties;
Duties on hydrocarbon oils;
Employers' contributions to National Insurance, the National Health Service, the industrial injuries fund and the redundancy payments scheme;
Customs (import) duties;
Stamp duties;
VAT;
Independent Commission franchise payments;
Landfill tax;
Consumer Credit Act fees.

34. These are taxes that fall on goods and services purchased by industry. Only the elements attributable to the production of subsequent goods and services for final consumption by the UK personal sector are allocated in the analysis, being assumed to be fully shifted to the consumer. Their allocations between different categories of consumers' expenditure are based on the relation between intermediate production and final consumption using estimated input-output techniques. This process is not an exact science, and many assumptions have to be made. Some analyses, such as that by Dilnot, Kay and Keen *Allocating Taxes to Households: A Methodology*, suggest that the taxes could be progressive rather than regressive if different incidence assumptions were to be used.

35. For Tables 3 and 9 of the main analysis, we have constructed a measure of expenditure on goods and services from data from the LCF. Indirect taxes are shown as a proportion both of disposable income and of expenditure. One drawback of comparing the incidence of indirect

taxes on households at different levels of income is that, by whatever measure used, on average, recorded expenditure exceeds income apparently available for it by significant amounts at the bottom of the distribution. Thus, it has been argued that for many households, where, for instance, income fluctuates widely or where it is difficult to measure accurately, a measure based on regular household outgoings would be a far better indicator of resources available to the household and therefore give a better picture of the incidence of indirect taxes.

36. This measure of expenditure has been customised to be analogous to the definition of disposable income used in the analysis in order to facilitate these comparisons. For instance, because the imputed benefit of company cars and beneficial loans will have boosted the figure for disposable income, these items have had to be added to this expenditure measure. Expenditure on alcohol, tobacco and confectionery have been grossed up for under-recording in line with the treatment of the indirect taxes on these items. Payments deemed to be made out of income such as superannuation, regular savings, mortgage repayments and so on, have been included and adjusted where necessary but not items such as lump sum capital payments in line with the exclusion of capital gains and windfalls from income.

37. Finally, we add those notional benefits in kind provided to households by government for which there is a reasonable basis for allocation to households, to obtain **final income**. The benefits in kind allocated are:

State education;
School meals and welfare milk;
National Health Service;
Housing subsidy;
Railway travel subsidy;
Bus travel subsidy (including concessionary fares schemes).

38. Education benefit is estimated from information provided by the Department for Education of the cost per pupil or student in special schools, primary and secondary schools, universities, and other further education establishments. The value of the benefits attributed to a household depends on the number of people in the household recorded in the LCF as receiving each kind of state education (students

away from the household are excluded). No benefit is allocated for pupils attending private schools.

39. The value of school meals and other welfare foods is based on their costs to the public authorities.

40. Data are available on the average cost to the Exchequer of providing the various types of health care - hospital inpatient/ outpatient care, GP consultations, dental services and the cost of pharmaceutical services. Each individual in the LCF is allocated a benefit from the National Health Service according to the estimated average use made of these various types of health service by people of the same age and sex, and according to the total cost of providing those services. The benefit from maternity services is assigned separately to those households containing children under the age of 12 months. No allowance is made for the use of private health care services.

41. In this analysis, public sector tenants are defined to include the tenants of local authorities, Scottish Homes, Northern Ireland Housing Executive (NIHE), housing associations and Registered Social Landlords. The total housing subsidy includes the contribution from central government to the housing revenue accounts of local authorities, and grants paid to Scottish Homes, the NIHE, housing associations and Registered Social Landlords. Within Greater London, the rest of England, Wales, Scotland and Northern Ireland each public sector tenant has been allocated a share of the region's total relevant subsidy based on the council tax band of the dwelling. Housing subsidy does not include, rent rebates and allowances or local tax rebates.

42. The rail travel subsidies allocated are the support payments made to the train operating companies. The subsidy to London and South East services is allocated to households living in the area and subsidies to other services to households living outside the South East, in proportion to households' expenditure on rail fares as recorded in the LCF. In making these allocations, allowances are made for the use of rail travel by the business sector, tourists and the institutional part of the personal sector.

43. In this analysis, bus travel subsidy covers both the cost of concessionary travel schemes for senior citizens and others, and

subsidies to operators. Separate allocations are made for Greater London, the other metropolitan areas and the rest of the UK. The subsidy is divided between households according to recorded expenditure on bus travel and the types of concessionary passes held.

44. We must emphasise that the analysis provides only a 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 criteria used both to allocate taxes and to value and apportion benefits to individual households could be regarded as too simplistic.

45. For example, the lack of data forces us to assume that the incidence of direct taxes falls on the individual from whose income the tax is deducted. This implies that the benefit of tax relief for a life assurance premium, for example, accrues directly to the taxpayer rather than to some other party, for instance, the seller of the policy. It also implies that the working population is not able to pass the cost of the direct tax back to employers through lower profits, or to consumers through higher prices.

46. In allocating indirect taxes we assume that the part of the tax falling on consumers' expenditure is borne by the households which buy 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.

47. 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 to 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.

Equivalence scale

48. The equivalence scale used in this analysis is the McClements scale (before housing costs are deducted). The scales (separate ones for before and after

housing costs) were developed by Dr L D McClements at the Department of Health and Social Security (DHSS) in the mid-1970s, based on expenditure data from the 1971 and 1972 FES. They were based on the assumption that it is possible to estimate equivalence scales from people's spending behaviour as recorded in the LCF without making any specific assumption about the criteria for equivalence. These scales are in regular use and an analysis by Banks and Johnson (Children and Household Living Standards, IFS, 1993) suggests that the scales are as valid as when they were developed. The scales are regarded as plausible and they are well within the range of equivalence scales developed at different times in a number of countries. Hence, their use is fully justified for broad statistical standardisation.

49. The equivalence values are given below:

Type of household member	Equivalence value
Married Household Reference Person (such as a married or cohabiting couple)	1.00
1st additional adult	0.42
2nd (or more) additional adult	0.36 (per adult)
Single Household Reference Person (adult)	0.61
1st additional adult	0.46
2nd additional adult	0.42
3rd (or more) additional adult	0.36 (per adult)
Child aged:	
16-18	0.36
13-15	0.27
11-12	0.25
8-10	0.23
5-7	0.21
2-4	0.18
Under 2	0.09

50. The values for each household member are added together to give the total equivalence number for that household. This number is then divided into the disposable income for that household to give **equivalised disposable income**. For example, a household has a married couple with two children (aged six and nine) plus one adult lodger. The household's equivalence number is $1.00 + 0.21 + 0.23 + 0.42 = 1.86$. The household's disposable income is £20,000, and so its equivalised disposable income is £10,753 ($=£20,000/1.86$).

51. This quantity is used to produce the single ranking used in all the tables in this analysis (apart from the Gini coefficients

which have to be ranked afresh for each different definition of income).

52. It is important to note that most monetary values shown in the analysis are ordinary (i.e. un-equivalised) £ per year, not equivalised £ per year. Where equivalised values do appear (e.g. the quintile points in Table 16A of Appendix 1), they are shown in italics.

53. Where the OECD equivalence scale is used (OECD Tables 3, 14, 16 and 18), the equivalence factors are:

Type of household member	Equivalence value
First adult	0.67
Second and subsequent adults	0.33 (per adult)
Child aged 13 and under	0.20
Child aged 14 and over	0.33

Gini coefficient

54. The Gini coefficient is the most widely used summary measure of the degree of inequality in an income distribution. It can more easily be understood by considering a Lorenz curve of the income distribution, (see **Diagram 2**) is a graph of the cumulative income share against the cumulative share of households. The curve representing complete equality of income is thus a diagonal line while complete inequality (with only one recipient of income) is represented by a curve comprising the horizontal axis and the right-hand vertical axis (see **Diagram 3**). The area between the Lorenz curve and the diagonal line of complete equality, as a proportion of the triangular area between the curves of complete equality and inequality, gives the value of the Gini coefficient. Thus, a distribution of perfectly equal incomes has a Gini coefficient of zero, as inequality increases (and the Lorenz curve bellies out), so does the Gini coefficient until, with complete inequality, it reaches its maximum value of 1 (or 100 per cent).

55. To calculate the Gini coefficient for an income distribution, the first step is to rank that distribution in ascending order. All the Gini coefficients shown in this analysis are based on distributions of equivalised income, in that the coefficient for original income is calculated after dividing the original income for all the households by their appropriate equivalence values.

56. Strictly speaking, it could be argued that the equivalence scales used here are only applicable to disposable income because

Diagram 2
Lorenz curve for a typical income distribution

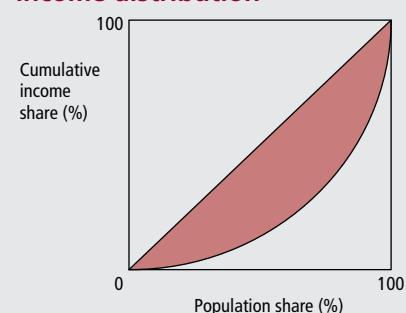
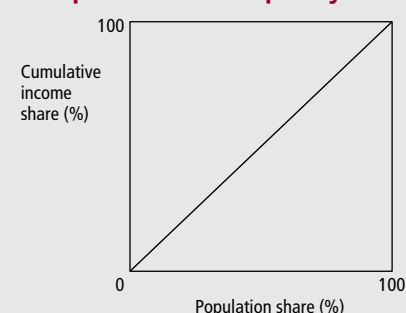


Diagram 3
Complete income equality



this is the only income measure relating directly to spending power. Since the scales are often applied, in practice, to other income measures, we are content to use them to equalise original, gross and post-tax income for the purpose of producing Gini coefficients (and in the tables giving percentage shares of total income). However, we do not think it is appropriate to equalise the final income measure because this contains notional income from benefits in kind (such as state education): the equivalence scales used in this analysis are based on actual household spending and do not, therefore, apply to such items as notional income.

Impact of population weighting

57. The survey results have been re-weighted and grossed so that the population totals reflect the whole household population, a process described as population weighting. Different weights are applied to different types of households in order to correct for over and under-representation of these groups in the responding sample of the LCF. Population weighting raises the quality of the estimates by making the population more representative and by improving the allocation of national accounts aggregates to individual households. Estimates based on the population-weighted data set are different from estimates based on the

sample. Indeed, if they were not, there would be little point in the weighting. The effect of weighting on some of the major variables used in the analysis was given in the 1997/98 analysis.

Sampling errors and reliability

58. As the LCF is a sample survey, data from it will differ in varying degrees from those of all households in the UK. The degree of difference will depend on how widely particular categories of income and expenditure vary between households. This 'sampling error' is smallest in relation to large groups of households and measures that do not vary greatly between households. Conversely, it is largest for small groups of households, and for measures that vary considerably between households. A broad numerical measure of the amount of variability is provided by the quantity known as the standard error.

59. To give some idea of sampling variability, the percentage standard error

for average gross household income for all households is approximately 1.2 per cent, which implies a 95 per cent confidence interval of ± 2.4 per cent (**Table 32**).

60. There will be greater sampling variability associated with estimates for decile and quintile groups, and for particular household types mainly because the sample sizes are smaller (**Table 32**). For decile and quintile groups of given household types, the sample sizes are of course smaller still, which will increase sampling variability further.

61. Aside from sampling error, recording household income through a survey is not easy, particularly where the complexities of the tax and benefit system are concerned. Consequently there will also be a significant amount of non-sampling error attached to some estimates.

Previous analyses

62. This analysis is the latest in an annual series covering the years from 1957

onwards. From 1987 onwards, the analyses have used a very different methodology, in particular households are ranked by their equivalised disposable income. Hence, the results are completely incompatible with earlier years. Last year the analysis was published on the internet in June. A list of the previous articles was included in the article published in March 1997.

63. The results in all analyses are intended to be free standing; they were not designed for direct comparison with other years except where some limited comparisons were made in them. Such comparisons are difficult because of changes in definitions, however, some broader measures like the Gini coefficients are relatively robust and will stand comparison with other years: this year's analysis gives such a comparison for the years 1983 to 2008/09.

Table 32

95 per cent confidence intervals for gross and disposable income of households,¹ and as a percentage of the published estimate, 2008/09

		Gross income				Disposable income			
		Published				Published			
		Lower bound	estimate	Upper bound	% \pm	Lower bound	estimate	Upper bound	% \pm
Average per household (£ per year)									
All households	Bottom decile group	8,748	9,219	9,689	5.1	7,496	7,741	7,986	3.2
	Mean	34,673	35,532	36,391	2.4	26,275	26,899	27,523	2.3
	Top decile group	89,113	94,341	99,569	5.5	67,236	71,408	75,581	5.8
Retired households	Bottom decile group	7,093	7,533	7,973	5.8	7,818	8,143	8,468	4.0
	Mean	17,163	17,912	18,662	4.2	18,824	19,416	20,009	3.1
	Top decile group	39,629	44,671	49,714	11.3	40,385	43,345	46,304	6.8
Non-retired households	Bottom decile group	9,752	10,367	10,982	5.9	7,308	7,622	7,936	4.1
	Mean	40,671	41,786	42,900	2.7	28,753	29,555	30,357	2.7
	Top decile group	96,604	102,749	108,894	6.0	72,560	77,893	83,227	6.8

Notes:

1 Ranked by equivalised disposable income.

Source: Office for National Statistics