Chapter 5

Peter,

I brought these to you yesterday but you were out so I've decided to send them so that you can if you wish ~~soon~~ see them over the weekend.

Regards,

Alan

cf. Lydall, British Incomes and Savings p. 24, table 9.

Amounts of Gross Income taken by each income Group. (1968)

| Range of gross income | % of income units (or households) see below | | | Average inc. in each group | | | % of total inc. | | | Cumulative % | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | FES | IR | Poverty Survey | FES | IR | Poverty Survey | FES | IR | Poverty Survey | FES | IR | Pov. Survey |
| Under 300 | 2·6 | 1·2 | 5·1 | 265 | 288 | | 0·4 | 0·3 | | 100 | 100 | 100 |
| 300 - 399 | 5·2 | 5·3 | 7·6 | 356 | 350 | | 1·2 | 1·5 | | 99·6 | 99·7 ~~98·5~~ | |
| 400 - 499 | 3·8 | 6·3 | 4·7 | 468 | 450 | | 1·1 | 2·3 | | 98·4 | 98·2 ~~96·2~~ | |
| 500 - 749 | 9·3 | 32·9 ~~15·3~~ | 9·5 | 640 | 746 | | 3·8 | 20·1 | | 97·3 | 95·9 ~~76·1~~ | |
| 750 - 999 | 10·1 | | 12·4 | 915 | | | 5·9 | | | 93·5 | | |
| 1000 - 1249 | 13·4 | 15·7 | 9·4 | 1175 | 1121 | | 10·1 | 14·4 | | 87·6 | 75·8 ~~61·7~~ | |
| 1250 - 1499 | 13·4 | 13·6 | 17·2 | 1430 | 1366 | | 12·3 | 15·1 | | 77·5 | 61·4 ~~46·6~~ | |
| 1500 - 1749 | 11·3 | 16·1 ~~16·3~~ | 9·6 | 1685 | 1710 | | 12·3 | 22·5 | | 65·2 | 46·3 ~~24·5~~ | |
| 1750 - 1999 | 8·8 | | 6·8 | 1940 | | | 10·9 | | | 52·9 | | |
| 2000 - 2499 | 10·6 | 5·9 | 8·8 | 2306 | 2343 | | 15·8 | 11·2 | | 42·0 | 23·8 ~~24·0~~ | |
| 2500 - 2999 | 5·4 | | 8·8 | 2821 | | | 9·7 | | | 26·2 | | |
| 3000 + | 5·9 | 3·0 | | 4295 | 5320 | | 16·5 | 12·8 | | 16·5 | 12·8 | |
| | 100 = 7184 | 100 = 22 m. | 100 = 1769 | 1560 | 1229 | | 100 | | | | | |

Qualifying Notes :-

i) Poverty survey figs. require additional information not yet available.

ii) Definitions of income vary between surveys, see comments in chapter 5.

iii) For FES and the Poverty survey the inc. unit is the household, for IR it is the individual - hence the lower overall average income

For completion this requires the mean income (or total income) in each range from which the other columns can be calculated. This does not seem to be among the papers you gave me.

## Standard errors in relation to source of income

Assumes a representative sample, obtained by single-stage random selection, of all private households in the United Kingdom. Calculation is as follows:-

$$\text{standard error of } \bar{e} = \sqrt{\frac{\Sigma(e-\bar{e})^2}{n(n-1)}}$$

where $e$ represents individual or household income from a particular source,

$\bar{e}$ " " " " average income from that source,

$n$ is the no. of individuals or households,

$\Sigma$ denotes summation.

So standard error of $\bar{e}$ is the standard error of $\bar{e}$ as a percentage of $\bar{e}$.

Table a) is for households, b) is for individuals their totals being 1768 and 5160 respectively.

The figures have been grouped in the same way as the FES p 110, i.e. into 8 categories, from the original 44 categories of table 5/10. The categories are wages and salaries, self-employment, investments, annuities or pensions (not soc. sec.), soc. sec. retirement & widows' pensions, other soc. sec. bfts., sub-letting etc. and other sources, labelled a-h.

Mean gross disposable income in 1968 : £1263

Sample aggregate of this (£000's) : £2589

Predicted national aggregate (£m) : £22,010

This compares with the following official estimates :-

i) Inland Revenue (1968-9)(£m): £22,829 [total pers. inc. after tax]

ii) Monthly Digest (1968) (£m): £29,304 [total personal disposable income (i.e. total gross pers. inc. less taxes, national insurance etc.)]

You asked me if it would be possible to "clean out" from these figures any employers' contributions, fringe benefits other than in cash and ~~thus~~ thus try and conform with the "poverty" definition. My feeling is that this is very small and that anyway the figures are unavailable. Please tell me if I have misunderstood your intention.

Mean net assets for all households : £3823

Sample aggregate of this (£000's) : £7857

Predicted national aggregate (£m) : £63,097

× No because I was multiplying by 2050 when it should be 1633, households for which info. on assets is complete. Correct figs. are shown below:
Sample agg. £6,592,000
National " £53,071 m

This compares with the following official estimates :-

i) Inland Revenue (1968)(£m) : £87,968

ii) Personal sector net ~~assets~~ worth (1966) (£m) : ~~£75,000~~ £104,900 [Revell & Roe]

Definitional differences are probably the main reason for the shortfall, for the IR figure (although it does miss wealth because of the minimum limit

required for probate to be necessary) is quite extensive in the categories it covers (see IR stats. pp. 194-197 for full list of wealth categories). It does <u>not</u> offset debts as you do which so will contribute in a small way to the shortfall. You have of course discussed with Tony other reasons for the shortfall. Revell (Wealth of the Nation, Ch. 7) does discuss the adequacy of the IR figures, and they average about 75% of the figures produced by Revell and Roe (Economic Trends May 1971). These latter figures take account of settled property, occupational pension rights etc. and hence will inevitably be a good deal in excess of the figure from the survey

| | (i) Pov. Survey (predicted aggregate) | (ii) Official estimate (IR). | (i) as % of (ii) |
|---|---|---|---|
| **Assets breakdown** (according to Poverty survey breakdown). (£ million) | | | |
| 1. Bank deposits | | 3306 | |
| 2. P.O. Savings | Individual items not available. | 2904 | |
| 3. TSB " | | | |
| 4. Co-op " | | – | |
| 56 Bldg. Soc. | | 6547 | |
| 57 Savings Cert | | 2404 | |
| 78 Prem. Bonds | | | |
| 89 Defence Bonds | | 744 | |
| 5, 10 Other (?) | | – | |
| Total | 8090.8 | 15,905 | 50.9%. |

Problems :- The IR estimate for Defence Bonds also includes "Development Bonds and Tax Reserve certificates. Also IR estimates generally are not always entirely adequate (see Revell ch. 7). No figures are available for Co-op savings, nor for the loosely defined "other saving". As it is however the poverty survey seems to fall well short of the official estimate. Finally, n.b. this is in both cases <u>personal</u> wealth, and in theory is comparable.

| | | | | |
|---|---|---|---|---|
| 13. Stocks & shares | 5970.9 | i) | 3360 | Not applicable. |
| | | ii) | 14179 | 42.1% |
| | | iii) | 16007 | 37.3% |
| | | iv) | 18329 | 32.6% |

i) total British unquoted ii) total British quoted
iii) total quoted (British and foreign) shares + unit trusts
iv) " " " " " <u>stocks</u> and shares + unit trusts.

| | | | | |
|---|---|---|---|---|
| 14. Business, farm etc. | 6793.2 | 2636 | (Trade business & prof. assets) | 257.7%. |

Obviously the poverty survey figure embraces more aspects of a business, farm or professional practice.

| | (i) Poverty Survey | (ii) Official (IR) estimate | | (i) as % of (ii) |
|---|---|---|---|---|
| Own House | 23522 | i) | 26991 | 87.1% |
| Other House | | ii) | 2885 | Not applicable. |
| | | iii) | 21214 | 98.0%. |
| | | iv) | 2773 | |
| | | v) | 99 | Not applicable. |

i) Gross Landed Property = ii) + iii) + iv) + v).
ii) Land (Freehold and Leasehold).
iii) Buildings - Freehold (Residential + Other).
iv) " - Leasehold ( " " " ).
v) Other Landed Property.

Listed above are the assets for which I could find comparable official estimates (all IR). Some are as you can see, better than others, not least because of definitional difficulties. I hope this meets your requirements but if not let me know what further figs. you need.