

NESC REPORT NO. 11

**INCOME DISTRIBUTION:
A PRELIMINARY REPORT**

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NATIONAL ECONOMIC AND SOCIAL COUNCIL

Income Distribution: A Preliminary Report

No. 11

**NATIONAL ECONOMIC AND SOCIAL COUNCIL
CONSTITUTION AND TERMS OF REFERENCE**

1. The main task of the National Economic and Social Council shall be to provide a forum for discussion of the principles relating to the efficient development of the national economy and the achievement of social justice, and to advise the Government through the Minister for Finance on their application. The Council shall have regard, *inter alia*, to:

- (i) the realisation of the highest possible levels of employment at adequate reward,
- (ii) the attainment of the highest sustainable rate of economic growth,
- (iii) the fair and equitable distribution of the income and wealth of the nation,
- (iv) reasonable price stability and long-term equilibrium in the balance of payments,
- (v) the balanced development of all regions in the country, and
- (vi) the social implications of economic growth, including the need to protect the environment.

2. The Council may consider such matters either on its own initiative or at the request of the Government.

3. Members of the Government shall be entitled to attend the Council's meetings. The Council may at any time present its views to the Government, on matters within its terms of reference. Any reports which the Council may produce shall be submitted to the Government and, together with any comments which the Government may then make thereon, shall be laid before each House of the Oireachtas and published.

4. The membership of the Council shall comprise a Chairman appointed by the Government in consultation with the interests represented on the Council

Ten persons nominated by agricultural organisations,
Ten persons nominated by the Confederation of Irish Industry and the Irish Employers' Confederation,
Ten persons nominated by the Irish Congress of Trade Unions,
Ten other persons appointed by the Government, and
Six persons representing Government Departments comprising one representative each from the Departments of Finance, Agriculture and Fisheries, Industry and Commerce, Labour and Local Government and one person representing the Departments of Health and Social Welfare.

Any other Government Department shall have the right of audience at Council meetings if warranted by the Council's agenda, subject to the right of the Chairman to regulate the numbers attending.

5. The term of office of members shall be for three years renewable. Casual vacancies shall be filled by the Government or by the nominating body as appropriate. Members filling casual vacancies may hold office until the expiry of the other members' current term of office and their membership shall then be renewable on the same basis as that of other members.

6. The Council shall have its own Secretariat, subject to the approval of the Minister for Finance in regard to numbers, remuneration and conditions of service.

7. The Council shall regulate its own procedure.

NATIONAL ECONOMIC AND SOCIAL COUNCIL

Income Distribution: A Preliminary Report

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I. INTRODUCTION*

1. The Council by its terms of reference is required to have regard to "the fair and equitable distribution of the income and wealth of the nation". We must therefore be concerned with the distribution of income between individuals and households and the extent to which this distribution is changed by Government policies. After the completion of Report No. 8,[†] the Social Policy Committee undertook to investigate, in the light of this concern, the effect which payments to, and benefits in cash and in kind from, the State have on income distribution.

2. The initial distribution of national income is determined by the market value placed on the services rendered by different individuals and households in the production of the national output, and on the distribution of skills, talents and wealth within the community. This initial distribution of income may not be the distribution which society wants. Government intervention in the economy changes the pattern of income distribution as determined by market forces, and this intervention is used to achieve a more equitable and fairer distribution. If the policy goals on income distribution are to be clearly defined and if the policies to achieve these goals are to be quantified, a comprehensive picture of the distribution of income is necessary.

*A draft of this report was prepared for the Social Policy Committee and discussed and amended by the Council at its meeting on 17 April 1975. The report was drafted by Tom Ferris, Catherine Keehan and Andrew Somerville of the Council's Secretariat. The Council would like to acknowledge technical assistance received from Dr. T. Stark and Professor A. B. Atkinson.

[†]NESC: An Approach to Social Policy (Report No. 8, June 1975).

3. The need for information on income distribution has long been recognised. For example, the *Third Programme for Economic and Social Development*,* published in March 1969, stated that there was:

“need for more information regarding the distribution of incomes. Arrangements are being made to provide more comprehensive statistics about the distribution of income by income ranges from the data which will become available at the Revenue Commissioners’ Computer Centre.”

Again, the National Industrial Economic Council† in 1970 stated that:

“Unless information is available about the existing distribution of income, there is little basis to which to relate the apportionment of the fruits of increased national productivity.”

*Third Programme: Economic and Social Development, 1969–72 (Prl. 431), p. 146.

†NIEC Report on Incomes and Prices Policy (Report No. 27, 1970), p. 18.

II. INFORMATION NOW AVAILABLE

4. Nevertheless, only very limited statistical information on income distribution is yet available. What is available is restricted in scope and diverse in definition. The range of data is confined to two Household Budget Inquiries, a discontinued series on earnings from the Census of Industrial Production, farm income surveys since 1955 and some unpublished distributions of taxable income prepared by the Revenue Commissioners. In none of these sources is the population as a whole surveyed.

5. The acquisition of information about income distribution was not the main objective of the Household Budget Inquiries, the earnings series from the Census of Industrial Production, the farm income surveys or the data prepared by the Revenue Commissioners. These had other aims—e.g. the provision of up-to-date weights for the consumer price index, information on differentials in earnings or the identification of the probable effects of changes in tax rates. In other words, the information on income distribution was a by-product of work done for other reasons. The data which are available, or which are likely to become available in the near future, are summarised in Appendix 1.

6. Despite the inadequate data, and the limitations and problems of interpretation associated with the data that are available, attempts might be made to merge the information from different sources and produce the best possible estimates of income distribution in Ireland. This approach has been adopted in other countries,* but as yet it has not been used in Ireland. There are a number of difficulties which would

*See, for example, Pechman, J. A. and Okner, B., “Who Bears the Tax Burden”, Brookings, 1974, in which an attempt is made to draw together data from a sample survey and from tax records. The resulting file of individual data was used by Pechman and Okner to study the distribution of the tax burden.

have to be overcome in merging the available Irish data on income distribution. First, there is no data source covering the whole population which could act as a "control check" on results. Second, the different methods of compilation and the varying definitions of income-recipient in existing data sources would cause difficulties in any attempt to merge the data. The absence of data on income distribution in Ireland makes it virtually impossible to measure the extent of inequality in income distribution. This point was strongly made in a recent ESRI study:*

"unfortunately in this country, as in most others, statistics of income distribution by size are about the least developed, though obviously most important from the social point of view: without them how can the problem of poverty be properly investigated?"

However, future work planned by the Central Statistics Office and the Revenue Commissioners should go part of the way towards filling the gap in data. For example, the 1973 Household Budget Inquiry will be the first attempt to survey a sample of the whole community (and not merely urban households as in the 1965/66 Inquiry).

*Geary and O'Muircheartaigh "Equalisation of Opportunity in Ireland: Statistical Aspects" (ESRI Broadsheet No. 10, July 1974), p. 11.

III. THE NECESSARY DATA

8. Steps must therefore be taken as a matter of urgency to assemble the statistics that would give a comprehensive picture of income distribution in this country. Before these are taken, certain basic questions must be answered. The most important questions relate to the measurement of income, the definition of the unit whose income is considered relevant and the time period over which income is taken.

9. A definition of income that was restricted to money income would not reflect adequately the command which individuals and households have over material goods and services. A more satisfactory definition would be the amount of money a person could have spent in a given period while maintaining the real value of his wealth intact. As well as income, this definition would include, for example, the imputed value of the benefits received by people living in their own houses, capital gains or losses, fringe benefits (cars, pension entitlements, etc.), and the value of social benefits that accrue in kind, such as medical care, education and housing and food subsidies. However, in the absence of adequate data it is not possible to measure the value of these benefits. Thus, for some time money income is likely to remain the only practicable (albeit crude) definition.

10. The unit whose income is measured may be the individual, the family, the household or the farm. Of these, the distribution of income by family is probably the most useful in the context of income distribution. However, there are difficulties in adopting the family as the income-receiving unit. Since the family is restricted to those living in the same house at the time the statistics are collected, there is a degree of arbitrariness about what constitutes the family. Moreover, individual families can contract or expand over time. Last year's family consisting of a husband, wife and grown-up daughter may in the next survey be

reduced to a widow living on her own. Some of these difficulties can be overcome by converting the family, as the basic income-receiving unit, into adult equivalents.*

11. The period over which income is measured could be as short as a week or as long as a life-time. The period chosen must be determined by the purposes for which the statistics of income distribution are being collected. For families depending on welfare benefits, weekly data are probably most relevant. On the other hand, life-time income would be more relevant for assessing the effects on distribution of (for example) expenditure on education.

12. Perhaps the ideal time period for measuring income distribution would be the life-time cycle of incomes of individuals. This would avoid the bias that is introduced when incomes are measured at a point in time, because this makes no allowance for the way incomes vary with age. However, there are many practical difficulties in measuring life-time incomes.

13. A year might have to be taken as the time period, because most statistics are already presented on an annual basis. While annual income may be most convenient, it may underestimate the number of families below subsistence level and show a smaller dispersion of income than data for shorter periods.

*An example of an adult equivalence scale for the UK is given by T. Stark in "The Distribution of Personal Income in the United Kingdom" (Cambridge University Press, 1972).

Where a Single person	=	1
Couple	=	1.6
Couple with one child	=	2.1
Couple with two Children	=	2.5
Couple with three Children	=	2.8

This scale indicates that where the income of a single person was £2,000 this would be equivalent to £4,200 for a couple with one child.

IV. INTERPRETATION OF DATA

14. However, even if all relevant data were available, problems of interpretation would remain. The data will show that incomes are distributed unequally. But it is important to identify how much of the inequality shown by the statistics constitutes inequality which requires policy action to reduce it. To take a very simple example: suppose that all members of a community who wished to work start doing so at 18 years of age, that all receive £1,000 per annum in their first year and increments of £100 per annum thereafter until they retire at 67. In this very simple example, all people of the same age would be receiving the same income. A cross-sectional study would show, however, that the lowest paid 10% of the working population were receiving only 3½% of the total income, and that the lowest paid 20% were receiving only about 8%.

15. This example is, of course, a gross over-simplification. It does, however, suggest that before policy action is taken to reduce the degree of inequality as shown by any measure of it, an attempt has to be made to distinguish that part of the inequality which is acceptable in the sense that it may be self-correcting, from the part which requires policy action.

V. MEASUREMENT OF INEQUALITY

16. Without adequate data, it is not possible to measure the degree of inequality in the distribution of income as it accrues in the form of wages and salaries, rents, interest and profits, or to quantify the extent to which any initial distribution of income is altered by the tax system and the pattern of Government expenditures.

17. The extent of inequality in income distribution can be measured in a number of ways, but basically they fall into two main categories. First, there are the partial measures of inequality which show the income share of different groups of income-recipients. For example, a partial measurement might show the percentage share of aggregate income received by the "top five per cent" of income-recipients. At the other end of the scale, the emphasis might be placed on the numbers of people who fall below some minimum income standard. The minimum income threshold would be an absolute standard (i.e. so many £'s), so that it could not be used to measure changes in the *relative* inequality of income.

18. Second, there are the total measures of inequality which relate to the whole distribution of income. These are concerned with the *relative* inequality of income. The two main overall measures are the *Lorenz curve* and the *Gini coefficient*. One advantage of the former is that it gives an immediate visual impression of the extent of inequality in the distribution of income. The latter summarises changes in distribution in an index—a fall in the index indicates a move towards greater equality and *vice versa*. Since these measures are technical in character, they are described briefly in Appendix 2.

19. These measures cannot be applied in Ireland because (as we have already indicated) the relevant data are not yet available. No conclusion can therefore be drawn (other than one based on intuition or casual and

partial observation) about the degree of inequality (whether in absolute or relative terms) that now exists, or how this has been altered by changes in Government policies. In our Report No. 8: *An Approach to Social Policy* we emphasised the importance of the distributional aspects and implications of Government policies and programmes. Some time will elapse before all the relevant data are collected that would enable the degree of inequality (or changes in it) to be precisely analysed. In the meantime, given the importance of the issues involved, some preliminary and partial measures of the distributional effect of public policies must be attempted. We have made such an attempt by undertaking a pilot study, the details of which are set out in the section which follows. It must be emphasised, however, that this pilot study is *not* based on a survey of actual families, but rather on hypothetical characteristics of prototype families.

VI. PILOT STUDY

20. We have taken nine prototype families at different income levels and made certain assumptions about their size, direct tax liabilities, expenditure patterns, etc. They may be roughly categorised as follows: senior administrative, middle management, executive, clerical, skilled, unskilled, and an agricultural worker, where these categories refer to the occupation of the head of the household. In addition, families consisting of a married couple both receiving the old age pension and a widow with two children have been included. No family in which the head of the household was self-employed or unemployed was included due to the difficulty of obtaining data on such families. For each family, an attempt has been made to show gross income before tax for four periods between 1965 and 1975 and contributions to and benefits from the public sector in money and in kind at the different dates. The details of the study, and the tentative conclusions that can be drawn from it, are set out in the paragraphs which follow.

21. It must be emphasised that this is a pilot study and that great caution must be exercised in interpreting its results. The absence of relevant comprehensive data and of any full scale survey, mean that assumptions have had to be made about the characteristics of each family, and their expenditure patterns. Many of these assumptions are based on averages and will not therefore be true for particular individual families. If these assumptions are changed (e.g. if in the higher administrative household it is not assumed that two children are at university), then the results could be altered significantly.

22. Apart from the assumptions made about each prototype family, which are set out in detail in Appendix 3, basic assumptions were made about all of them which are worth recording here:

- (a) It is assumed that for each of the years under review the occupation and status of the head of the household remained

constant. This was necessary to ensure that there was a valid basis for comparison year by year.

- (b) It is assumed that expenditure patterns remained unchanged. This was necessary because the most recent data for household expenditure is that contained in the 1965/66 Household Budget Inquiry. (The results of the 1973 H.B.I. are not yet available.)
- (c) It is assumed that benefits from health, education and other subsidies accrued exclusively to the family, and are valued at the cost incurred by the State. However, the benefits of state expenditure on services like education and health are felt also by society in general, and it could be argued that the full cost should not, in an exercise of this kind, be treated as a benefit accruing to the individual family. Indeed, if families had to bear the full cost of (for example) education, they might not be able (or willing) to send their children to university.

23. While many of the assumptions are arbitrary, they were necessary in order to establish a framework within which this study could be carried out, and to ensure that there would be some basis for comparison between the different families over the period under review. Once the assumptions had been made, advice and information as to their consequences were sought from the relevant authorities: for example, the Revenue Commissioners were consulted with regard to income tax payments, and the Voluntary Health Insurance Board advised on the annual payments which families similar to those in the study would incur in order to ensure adequate health insurance.

24. Since this is a first attempt at getting some indication of the effects of public policy changes in income distribution over a period of time, great care must be taken in interpreting the results. However, the exercise is useful in suggesting some tentative conclusions, and in pointing to the need for a much more comprehensive study on income distribution.

25. Table A summarises the characteristics of the families included in this pilot study.

TABLE A
Description of Households

Age	A	B	C	D	E	F	G	H	I
	early '50s	early '40s	late '30s	70 +	early '40s				
Number of children (dependent)	4	4	4	4	4	4	4	—	2
<i>of which at:</i>									
University	2								
Secondary school	1	2	2	2	2	2	2		1
Vocational school									
Primary school	1	2	2	2	2	2	2		1
Local Authority House									
Private House:	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mortgage	✓	✓	✓	✓					
Small Dwellings Act Loan									
Social Insurance	From 1974	From 1974	From 1974	✓	✓	✓	✓	✓	✓
Medical Card	✓	✓	✓	✓	✓	✓	✓	✓	✓
Health Act only	✓	✓	✓	✓	✓	✓	✓	✓	✓
Voluntary Health Insurance	✓	✓	✓	✓	✓	✓	✓	✓	✓

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Notes:

(a) All households (with the exception of the agricultural worker) are assumed to be residing in Dublin city. In the case of the agricultural worker, residence in North County Dublin is assumed.

(b) In each case the head of household is the only income earner and except for the widow each is married.

(c) The occupations of the heads of households are:

A: Senior administrative

B: Middle management

C: Executive

D: Clerical

E: Skilled worker

F: Unskilled worker

G: Agricultural worker

H: Contributory old age pensioner (with wife of pension age)

I: Widow with Contributory pension with part-time job

(d) These characteristics are held *constant* for each income tax year: 1965-66, 1972-73, 1973-74, 1974-75.
 (e) In the case of category A, it is assumed that the two eldest children in this family are not in university, but are attending secondary school, then the value of the benefits accruing to this family from State expenditure on education drops significantly.

*Children over 16 in full-time education from survey year 1972-73 have the benefit of a medical card.

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For the years taken—1965-66, 1972-73, 1973-74 and 1974-75—the characteristics of the different families have been held *constant*. For example, each family is assumed to have the same number of children, of the same age in each year. This study shows the changes in income, taxes paid and benefits received over the ten year period. The detailed data underlying the study are set out in Appendix 3, Tables 1 and 2, together with explanatory notes. The years 1965-66 and 1972-73 were chosen because these were the years when the Household Budget Inquiries were carried out. The most recent financial years are also included.

26. The main tables of the report—Tables B to D—present the results of the pilot study in the form of indices. Table B shows how each family has fared over the years reviewed. Each family's initial income before tax is denoted by 100 in each year. It is then possible to show, for example, how the family has benefited in terms of cash benefits and benefits in kind in relation to original income. Account is also taken of tax payments, both direct and indirect. Table C attempts to show how the families relate to each other, with the skilled worker (category E) being represented by 100 in each year in each row of the table. Table D compares categories H and I (the widow and the old age pensioners respectively) with category E, having adjusted the data to make them more directly comparable with the other categories. This was achieved by using the adult equivalence scales set out in the footnote on page 10 of this report.

27. Table B illustrates how income after all benefits and taxes has changed *for each family* in relation to earned income in the different years. With three exceptions, categories A, D and H (the senior administrator, the clerk and the pensioner), this ratio was lower in 1974-75 than in 1965-66. In other words, the command over resources by most of the families was less after their incomes had been adjusted for benefits received from, and payments made to the public sector. This is because their payments are proportionately more in 1975 than the benefits they are receiving. One reason for this is the change-over from turnover tax to value added tax which results in indirect taxation forming a larger proportion of income. However, the proportion of

indirect taxation has decreased somewhat as a result of food being zero-rated for the purposes of VAT in September 1973, although the proportion remains higher than in 1965-66 when turnover tax applied.

28. For the senior administrator, the clerk and the pensioner, the increase in benefits has exceeded the increase in payments over the period under review. In the case of the senior administrator, an important reason is the increase of 500% in the value of educational benefits assumed to accrue to the senior administrator's family. If it is assumed that the two eldest children in this family are not in university, but are attending secondary school, then the value of the benefits accruing to this family from State expenditure on education drops significantly. If this were so, then the ratio of income after all benefits and taxes to earned income over the period 1965-66 to 1974-75 would fall rather than increase. For the clerk, net benefits (i.e. benefits less payments) increased at a somewhat faster rate than earned income over the ten-year period. With regard to the pensioner, the increase in monetary transfers and benefits in kind have contributed to the relative improvement over the period under review.

29. Table C shows the relationship *between the different families*. It is clear that there has been a narrowing of the spread in terms of "income after all benefits and all taxes" between the families at the top of the range and those at the bottom. In each row of this table, category E (the skilled worker) is represented by 100 in each year. Using this index, it is possible to see how different families have fared as compared with the skilled worker. The position of families A, B, C and D has worsened,* while families F, G, H and I have improved their position relative to family E. For example, the widow's income after all benefits and taxes

*It should be noted that one of the reasons for the worsening position of the first four families relative to the skilled worker is that the latter has benefited from being an "early starter" under the National Wage Agreements. However, under the more recent National Wage Agreements a telescoping of the termination dates has improved the position of the first four families *vis-à-vis* the skilled worker (See Table C).

was 47.6% of that of the skilled worker in 1965-66, but by 1974-75 it had increased to 55.2%. The family of the senior administrator shows the largest relative reduction. In 1965-66 income after all benefits and taxes for this family was 285.4% of that of the skilled worker, but by 1974-75 it had fallen to 235.3%.

30. This study has tried to establish some preliminary and partial measures of the distributional effects of public policies over a ten-year period on nine prototype families. The main conclusion emerging from the analysis of these prototype families is that there has been re-distribution of income after all benefits and taxes over the period 1965-66 to 1974-75. One of the major reasons for this is that the earned income of the lower paid families has increased to a significantly greater extent than that of the higher paid families during the period in question. It should be noted, however, that income tax payments by the end of the period had become more significant for families at the lower end of scale. Nevertheless, these families remained net recipients in their relationship with the State. In the case of the widow and the old age pensioner their improved position is almost entirely explained by the very significant increase in State benefits over the period. The study suggests that payments to and benefits received from the State helped to narrow the spread in the command over resources enjoyed by the prototype families included in this study. The full extent of this influence can only be measured by a more comprehensive study than the one described here.

31. Given the limited resources of the Council, and the present paucity of data, this has necessarily been a preliminary pilot study and *its conclusions are tentative*. The results of the Household Budget Inquiry 1973, due later this year, should enable a more accurate exercise to be carried out. However, the Council believes that this pilot study should be taken over and expanded by the Department of Finance; in particular, detailed information should be included on unemployment benefit and assistance. The study should be up-dated either annually or on the occasion of major changes in tax rates or social payments.

TABLE B
Changes in income after all benefits and taxes for each family:
1965-66 to 1974-75

A: Senior Administrative

Classification	1965-66	1972-73	1973-74	1974-75
(i) Earned Income	100	100	100	100
(ii) Income after benefits in cash	100.3	100.3	100.7	100.7
(iii) Income after benefits in cash and direct taxes	78.3	75.5	74.4	73.4
(iv) Income after all benefits and direct taxes	84.8	90.5	93.3	91.5
(v) Income after all benefits and taxes	74.9	76.6	80.0	79.7

B: Middle Management

Classification	1965-66	1972-73	1973-74	1974-75
(i) Earned income	100	100	100	100
(ii) Income after benefits in cash	101.0	101.1	102.5	102.8
(iii) Income after benefits in cash and direct taxes	86.8	82.5	81.2	83.3
(iv) Income after all benefits and direct taxes	93.0	92.3	91.6	94.1
(v) Income after all benefits and taxes	82.8	77.8	77.6	81.3

C: Executive

Classification	1965-66	1972-73	1973-74	1974-75
(i) Earned income	100	100	100	100
(ii) Income after benefits in cash	102.9	103.1	104.7	105.1
(iii) Income after benefits in cash and direct taxes	98.7	93.8	93.7	93.3
(iv) Income after all benefits and direct taxes	110.6	110.9	111.5	111.6
(v) Income after all benefits and taxes	96.1	91.1	92.6	94.3

TABLE B—continued

D: Clerical

Classification	1965-66	1972-73	1973-74	1974-75
(i) Earned income	100	100	100	100
(ii) Income after benefits in cash	104.2	104.1	106.2	106.6
(iii) Income after benefits in cash and direct taxes	102.8	98.2	98.1	97.2
(iv) Income after all benefits and direct taxes	125.9	129.3	132.5	133.1
(v) Income after all benefits and taxes	110.4	109.6	113.8	115.4

E: Skilled Worker

Classification	1965-66	1972-73	1973-74	1974-75
(i) Earned income	100	100	100	100
(ii) Income after benefits in cash	105.1	104.4	106.6	106.9
(iii) Income after benefits in cash and direct taxes	103.5	98.3	97.9	96.4
(iv) Income after all benefits and direct taxes	151.9	145.5	154.8	149.2
(v) Income after all benefits and taxes	135.4	124.8	135.4	131.1

F: Unskilled Worker

Classification	1965-66	1972-73	1973-74	1974-75
(i) Earned income	100	100	100	100
(ii) Income after benefits in cash	106.3	105.3	107.7	107.9
(iii) Income after benefits in cash and direct taxes	104.3	101.3	102.2	99.7
(iv) Income after all benefits and direct taxes	164.2	158.1	170.8	160.4
(v) Income after all benefits and taxes	145.6	135.8	150.1	141.4

TABLE B—continued

G: Agricultural Worker

Classification	1965-66	1972-73	1973-74	1974-75
(i) Earned income	100	100	100	100
(ii) Income after benefits in cash	109.6	108.0	111.6	111.9
(iii) Income after benefits in cash and direct taxes	107.3	103.5	106.8	106.5
(iv) Income after all benefits and direct taxes	208.1	190.6	208.5	200.3
(v) Income after all benefits and taxes	192.9	171.8	189.2	182.6

H: Contributory Old Age Pensioner

Classification	1965-66	1972-73	1973-74	1974-75
(i) Earned income*	—	—	—	—
(ii) Income after benefits in cash	100	100	100	100
(iii) Income after benefits in cash and direct taxes	100.0	100.0	100.0	100.0
(iv) Income after all benefits and direct taxes	147.3	158.6	163.8	173.9
(v) Income after all benefits and taxes	127.0	141.2	147.6	159.0

*No income earned.

I: Widow with Contributory Pension and Part-Time Job

Classification	1965-66	1972-73	1973-74	1974-75
(i) Earned income	100	100	100	100
(ii) Income after benefits in cash	211.4	208.3	223.0	230.3
(iii) Income after benefits in cash and direct taxes	204.3	196.5	211.7	218.9
(iv) Income after all benefits and direct taxes	362.7	323.9	354.4	355.8
(v) Income after all benefits and taxes	320.5	272.3	305.9	309.4

TABLE C
Range of Income
Each family's income expressed as an index based on income of family E
1965-66

	A	B	C	D	E	F	G	H	I
Earned income	515.7	330.6	173.7	121.6	100	80.9	53.3	—	20.1
Income after cash benefits	493.3	317.8	170.1	120.6	100	81.8	55.6	24.9	40.4
Income after cash benefits and direct taxes	390.0	277.3	165.7	120.8	100	81.5	55.3	25.3	39.7
Income after all benefits and direct taxes	287.9	202.5	126.4	100.8	100	87.4	73.1	25.4	48.0
Income after all benefits and all taxes	285.4	202.2	123.3	99.1	100	87.0	75.9	24.5	47.6

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1972-73

	A	B	C	D	E	E	G	H	I
Earned income	400.6	261.2	142.8	106.4	100	83.2	54.6	—	22.3
Income after cash benefits	385.1	253.0	141.0	106.1	100	83.9	56.5	27.5	44.4
Income after cash benefits and direct taxes	307.5	219.1	136.3	106.3	100	85.8	57.4	29.2	44.5
Income after all benefits and direct taxes	249.2	165.6	108.8	94.5	100	90.4	71.5	31.3	49.6
Income after all benefits and all taxes	245.8	162.8	104.2	93.4	100	90.5	75.1	32.5	48.6

The occupations of the heads of households are:

A: Senior administrative. B: Middle management. C: Executive. D: Clerical. E: Skilled worker.
 F: Unskilled worker. G: Agricultural worker. H: Contributory old age pensioner (with wife of pension age).
 I: Widow with Contributory pension with part time job.

TABLE C—continued
Range of Income
Each family's income expressed as an index based on income of family E
1973-74

	A	B	C	D	E	F	G	H	I
Earned income	382.8	251.6	140.0	105.7	100	84.7	56.4	—	23.7
Income after cash benefits	361.7	242.0	137.5	105.3	100	85.6	59.1	28.7	49.7
Income after cash benefits and direct taxes	290.9	208.8	133.9	105.9	100	88.4	61.5	31.2	51.3
Income after all benefits and direct taxes	230.8	149.0	100.8	90.4	100	93.4	76.0	32.4	54.3
Income after all benefits and all taxes	266.1	144.3	95.7	88.8	100	93.8	78.8	33.3	53.6

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1974-75

	A	B	C	D	E	F	G	H	I
Earned income	387.2	248.3	136.8	104.5	100	87.1	58.1	—	23.4
Income after cash benefits	364.8	238.7	134.4	104.2	100	88.0	60.8	29.9	50.4
Income after cash benefits and direct taxes	295.1	214.7	132.4	105.5	100	90.2	64.2	33.2	53.1
Income after all benefits and direct taxes	237.5	156.6	102.3	93.2	100	93.7	78.0	37.3	55.8
Income after all benefits and all taxes	235.3	153.9	98.4	92.0	100	93.9	80.9	38.8	55.2

The occupations of the heads of households are:

A: Senior administrative. B: Middle management. C: Executive. D: Clerical. E: Skilled worker.
 F: Unskilled worker. G: Agricultural worker. H: Contributory old age pensioner (with wife of pension age).
 I: Widow with Contributory pension with part time job.

TABLE D

Family Income (Categories H and I) expressed as an index based on Family E: adjusted form*

	1965-66 (E=100)		1972-73 (E=100)		1973-74 (E=100)		1974-75 (E=100)	
	H	I	H	I	H	I	H	I
Earned income	—	30.2	—	33.5	—	35.6	—	35.1
Income after cash benefits	46.7	60.6	51.6	66.6	53.8	74.6	56.1	75.6
Income after cash benefits and direct taxes	47.4	59.6	54.8	66.8	58.5	77.0	62.3	79.7
Income after all benefits and direct taxes	47.6	72.0	58.7	74.4	60.8	81.5	69.9	83.7
Income after all benefits and all taxes	45.9	71.4	60.9	72.9	62.4	80.4	72.8	82.8

*Extension of Table C for categories H (pensioners) and I (widow) to take account of the sizes of these households differing from those in the other categories. The figures shown in Table C for these households are transformed into 2 adult + 4 child equivalents, using Dr. Stark's equivalent scale (See footnote to page 10.)

APPENDIX 1

Irish Income Distribution Data

1. This Appendix is concerned with discussing existing and forthcoming Irish income distribution data. The pattern of income distribution in Ireland is inevitably influenced by such factors as the age structure of the population, marriage pattern, participation rate for married females, level of employment and unemployment and the extent of social welfare programmes. It is not possible, however, to say at this stage how significant these factors are in causing a greater or lesser degree of income inequality, in the absence of any official data on income distribution. For very little information has as yet been published on the distribution of income in Ireland, by size of income.* Yet the need for greater information about income distribution has been recognised for many years. For instance, the NIEC† in 1970 stated that:

"Unless information is available about the existing distribution of income, there is little basis to which to relate the apportionment of the fruits of increased national productivity."

Thus, whatever attitudes are adopted towards income distribution, there must first be data on the distribution of incomes before policies can be formulated to change it.

(a) Data Sources

2. The conventional sources of data for income distribution are basically three: household budget surveys, surveys undertaken by income tax authorities and surveys of earnings. The provision of data on

*An unofficial estimate of the distribution of non-agricultural incomes is contained in L. Reason, "Estimates of the Distribution of Non-Agricultural Incomes and Incidence of Certain Taxes" J.S.S.I.S. Vol. XX, Part IV, 1960-61.

†NIEC Report on Incomes and Prices Policy (Report No. 27, 1970).

income distribution is not the main purpose of any of these surveys. In other words, the different surveys are concerned with providing up-to-date base weights for the consumer price index, identifying what the effects of changes in taxation might be, or providing information on relativities in earnings. Accordingly, the information on income distribution is provided only as a by-product of the surveys. The relevant surveys carried out in Ireland are discussed in turn, namely, the Household Budget Inquiries, unpublished data compiled by the Revenue Commissioners and the distribution of wages and salaries contained in the Census of Industrial Production. An additional source of survey material in Ireland is that of the Farm Management Surveys.

(b) Household Budget Inquiries

3. These sample surveys are conducted by the Central Statistics Office. Large scale inquiries were undertaken in 1951-52, 1965-66 and 1973. A small scale continuing annual inquiry was initiated in 1974.* The reporting unit is the household† and information is sought in relation to income and expenditure of each household member. The first two surveys of 1951-52 and 1965-66 were restricted to a sample of urban households. The 1973 survey coverage was broadened to include rural households. The results of the 1973 survey have not yet been published.‡ Like all sample surveys the results of the Household Budget Inquiries are subject to sampling error. Furthermore, as participation is voluntary, the inquiries are also subject to differential response by various sectors of the population, and to recording and recall errors by respondents.

4. The Household Budget Inquiry of 1951-52 realised 12,300 household returns, consisting mainly of four returns per household, each covering a period of one week in each quarter of the twelve-month period covered. Every household provided detailed particulars on

*The principal purpose of this continual annual survey is to monitor changes in both the level and pattern of household income and expenditure and to determine when consumption patterns have changed sufficiently to justify the cost of undertaking a further large scale national survey.

†The household is defined as a single person or group of people who live at the same address and who normally have their meals together.

‡The results are expected to become available towards the end of 1975 and will be published during 1976.

household membership, accommodation, income and regularly recurring expenditure and kept detailed expenditure diaries for a week. As the purpose of the inquiry was to provide a revised weighting basis for the consumer price index, the main emphasis was placed on obtaining details of the pattern of household expenditure. The amount of information which was relevant to income distribution analysis was limited. The fact that income data were provided for only four income bands and in a form which did not distinguish between adults and children also restricted the usefulness of the data for income distribution purposes. Moreover, the returns from households understated average income by about 19% by comparison with average "stated" expenditure; of course, understatement of income is a normal feature of these surveys internationally.

5. The 1965-66 Household Budget Inquiry adopted an analogous sampling procedure to that used for the 1951-52 inquiry, with identical definitions being used for income, expenditure and household. The size of the sample was smaller than in the 1951-52 inquiry—only 2,400 urban households* were surveyed, each household providing two returns, at six-monthly intervals, on expenditure over fourteen consecutive days. Again, the results of this inquiry are of limited value for income distribution purposes. The tables in the inquiry contained only a limited number of income groups,†—too few to enable any detailed analysis of the extent of inequality to be undertaken. Moreover, it has been suggested that there was a bias in the income returns contained in the Household Budget Inquiry of 1965-66, particularly in the case of the understatements of income among the self-employed households.‡ The inquiry indicated a 10% understatement in average income as compared with average "stated" expenditure.

6. The Household Budget Inquiry for 1973 will incorporate many improvements on the earlier surveys. The major changes relate to the

*The Inquiry referred solely to urban households.

†Ten income classes were distinguished in the one-way classification of results by Gross Household Income, while four income classes were used in the two-way and three-way classifications.

‡Cf. Pratschke "Income Expenditure in Ireland 1965-66" (ESRI Paper No. 50, 1969—Page 7).

extension of the survey to include rural households* and to the consequential expansion of the sample to cover 8,000 households with a more extensive questionnaire on income and expenditure details. Each household was sampled for only one fortnightly period, so that for the first time the number of returns will be identical with the number of households sampled. The extension in the range of questions on income should provide improved information on "fringe benefits", i.e. benefits provided by employers in terms of contributions towards housing and motoring costs, and "state welfare benefits". Given that such questions have been included in the inquiry, it would be most useful for income distribution purposes to have the results presented in terms of household income by income source and size; by the proportion of income composed of welfare benefits on a regional basis; number of earners by occupation and industrial group; and even by family size and status. It must be recognised, however, that the degree to which the results of the household budget surveys can be cross-classified is limited, so that this source of information must be supplemented by data sources in other fields.

(c) Redistributive Surveys

7. Income distribution data are particularly important in the analysis of the redistributive effects of government taxation and expenditure. The aim of redistribution studies is to show the pattern of taxes paid and benefits received by households of different types, and to measure the distributional impact of government revenue and expenditure. The only published study† on the distribution of income, which included estimates of the incidence of direct and indirect tax,‡ was that of Reason relating to non-agricultural incomes. This study did not, however, measure the impact of government expenditure. While there is an

*Cf. Sheehy and O'Connor, "Rural Household Budget—Feasibility Study" (ESRI Paper No. 61, 1971)—this study concluded that a full scale rural household budget inquiry was a feasible proposition.

†Reason, "Estimates of the Distribution of Non-Agricultural Incomes and Incidence of Certain Taxes" J.S.S.I.S., Vol. XX, 1960–61.

‡The Household Budget Surveys are useful in this context insofar as the expenditure data provide a basis for estimating the incidence of indirect tax.

absence of published research on redistribution in Ireland, one such study has been undertaken by the CSO, but it has not been published. The CSO study is exploratory and is concerned with redistribution in the context of data from the 1965–66 Household Budget Inquiry. Accordingly, it is restricted to redistribution among the urban community. It is to be hoped that an updated redistribution study could be published following the publication of the 1973 Household Budget Inquiry.

8. So as to give some indication of the manner in which redistribution studies are prepared, it is worth referring to the redistribution studies published by the British Central Statistical Office. These studies start with the *original* income* of households, or their gross income before allowing for any taxes or benefits. Then using the Family Expenditure Survey data (analogous to the Irish Household Budget Inquiry) the direct benefits in cash (e.g. family allowances, pensions, etc.) and in kind (education, etc) are added to the original income. Direct taxation is then deducted, thereby isolating "income after direct taxes and benefits". The latter is adjusted for indirect benefits, such as housing subsidies, and indirect taxes, in order to produce "income after all taxes and benefits". In some cases the input for this type of exercise is obtained from the Family Expenditure Survey, while in other cases estimates have to be prepared. The results of such an exercise show the net benefits received less taxes paid by households of different types—classified by income range and by household type. From the results, the overall redistribution impact of government activity can be summarised. Such a summary has been prepared for 1971 by Nicholson† in terms of the Gini Co-efficient,‡ as follows:

*For some people, for example pensioners, *original* income is very low, as they are mainly dependent on state benefits.

†Nicholson J. L., "The Distribution and Redistribution of Income in the United Kingdom", in D. Wedderburn (Ed.) *Poverty, Inequality and Class Structure*, Cambridge University Press, 1974.

‡The Gini co-efficient is a summary measure of inequality, which ranges from 0 (where there is perfect equality of income) to 1 (where there is the greatest degree of inequality of income).

Form of Income	Gini Co-efficient
Original income	0.34
Income after direct benefits	0.26
Income after direct taxes and benefits	0.23
Income after all taxes and benefits	0.25

This shows that overall inequality was reduced by direct benefits, and to a lesser extent, by direct taxes. However, overall inequality was slightly increased by indirect taxes and benefits.

(d) Revenue Commissioners' data

9. The Household Budget Inquiries are not the only potential source of information in Ireland about the distribution of income. Another relevant source is the Revenue Commissioners' data. The importance of this source was recognised in the Third Programme in 1969 when it was stated that arrangements were being made to provide more comprehensive statistics about the distribution of income by income range from the data that was expected from the Revenue Commissioners Computer Centre. As yet, only a limited amount of data have been published.* The data on the distribution of taxable incomes have certain limitations. Apart from the obvious problems of tax evasion, income tax data exclude certain sources of income, for example, certain income in kind and imputed rent on owner occupied houses. These omissions are likely to introduce bias where the distribution of taxable incomes are used as a basis for the distribution of total income in a community.

10. The Revenue Commissioners' data are likely to have advantages over Household Budget Inquiry data. The advantages are that the response rate is higher and the degree of understatement of income probably less. For the year 1972-73, the four main categories covered by the computer records of the Revenue Commissioners were:

*Incomes distribution data relating to persons liable to *sur-tax* have been published in the Annual Reports of the Revenue Commissioners for the past number of years.

- (i) The Schedule D Income Tax File.
- (ii) The Public Department Income Tax File.
- (iii) The PAYE Employee File, and
- (iv) The Corporation Profits Tax File.

The first three files are relevant to income distribution analysis. The type of information contained on these files regarding individual tax-payers includes income details, the amount of deductions and reliefs, the marital status of the tax-payer, the number of dependants, wives' earnings (if any), life assurance and tax assessed.* The tax charged on an individual not within the ambit of PAYE is normally based on income arising in the year preceding the year of assessment. Because the tax so charged may in many cases be paid in two instalments it need not correspond to the tax actually paid in the year of assessment. Only in the case of income within PAYE and other income taxed at the source are deductions made on a current year basis. Where tax is payable by instalments, such as where the profits of individuals from trades and professions are involved, there may be a substantial lag between the receipt of income and the payment of tax referable to that income.†

11. The information for 1972-73 is available in forty-two extremely detailed tables, which are grouped under five main headings. The headings correspond to the first three files (listed in paragraph 10), together with a surtax heading and a final heading combining income from all sources. Under the different headings a considerable amount of statistical information is provided for varying classifications, including that of income distribution by range of income. In the section on

*For 1972-73 the tax assessment included income tax and surtax.

†To take the extreme case, a trader who makes up his accounts for the year ended April 6, 1972, is normally charged income tax on the profits of that trade for the year of assessment 1973-74. The tax is payable in two equal instalments on January 1, 1974 and July 1, 1974—a lag of almost 27 months from the end of the period in which the income arises until payment is completed. In arriving at the post-tax income for the year of assessment 1973-74 for income distribution purposes the full tax charged on the trading profits is deducted even though half of that tax is not payable until the following tax year.

“income from all sources”, statistics are provided on the distribution of total income, taxable income and income after tax. Each of these are cross-classified with each other, as well as the distribution of allowances and life assurance by range of total income. The Revenue Commissioners’ data do not include distribution by region because of the complications posed by centralised tax returns of organisations such as CIE, which operate on a nation-wide basis. Neither is there a cross-classification of incomes with those of the previous year or a cross-classification of the size distribution of unearned income with that of total income. If it were possible to undertake such cross-classifications, it would enable the trends in income over time to be determined, as well as providing useful information in the context of the distribution of wealth.

12. The Revenue Commissioners’ computer records are certainly a significant source of data on incomes. Naturally, there are certain qualifications which must be taken into account—including obvious ones, such as tax evasion. The population represented by the tax returns refers only to those for whom income is reported* as well as those listed as dependants but, in general, only the income arising from an individual’s wife is included in his total income. Further, in the case of the Revenue Commissioners’ data the population only refers to those whose income tax returns have been computerised.† Not all tax records are computerised. In 1972-73 the main categories omitted were building workers, and approximately two-thirds of persons assessed in Public Departments. However, despite the qualifications which surround the use of income tax data in income distribution analysis, it should be possible to use the data in conjunction with other data, such as the Household Budget Survey data. Moreover, the Revenue Commissioners’ data should be checked against broader economic parameters, such as population, family structure, total personal income, employment, etc., in order to determine the statistical value of the data.

*In 1972-73 income arising from farming was excluded. Non-taxable grants and benefits were also excluded.

†Broadly speaking, all persons within the scope of PAYE in respect of whom returns are received, and those not within PAYE on whom assessments are raised, are included (whether or not they are liable to tax) if particulars in relation to them are on the Revenue Commissioners’ computer file.

(e) Earnings Data

13. Another source of information on income is the *distribution* of industrial earnings,* which is compiled as part of the annual Census of Industrial Production. This Census covers the major industrial sectors, ranging from mining and quarrying to the forty-five sectors of manufacturing industry and including the eight sectors of the building and construction industry. The data on earnings in the Census refer to the number of wage earners,† by size of earnings, for a week in October of each year.

14. The coverage of the Census is restricted when considered in the context of the total economy. For not only are those industrial employees who are employed in small establishments excluded, but also the earnings of employees in such sectors as agriculture, commerce, insurance, finance, public administration and defence are outside the scope of the survey. Another limitation of the survey is the fact that the earnings relate only to the income received by employees in the establishment that has been surveyed, and which therefore may exclude other earnings. Examples of such exclusions might be earnings received by individuals in kind, as in the case of free housing or fringe benefits provided by employers, or income received from other sources outside industry.

15. While the restricted nature of the data on distribution of industrial earning may limit their value for any analysis of incomes distribution in the overall situation in the community, there may be some scope for using the data for specific analysis of the effects of the changing pattern of industrial production on the distribution of industrial earnings. The statistical series goes back to 1938, so that data are available over a thirty-year period for distributions on the different industrial sectors. The breakdown in earnings data are given for male/female and for those aged under 18 years and over 18 years. The types of study that might

*Published by the Central Statistics Office in “Statistics of Wages Earnings and Hours of Work”.

†In each industrial group all establishments regularly employing more than three persons are included in the Census.

be undertaken using these data are the analysis of the trend in the overall differentials in earnings between men and women, trends in earnings differentials within industrial sectors and between sectors, or analysis of the relative changes in earnings for the lower paid industrial workers over time. While the data are available since 1938, the CSO in 1968 discontinued the series on the distribution of earnings obtained from the annual Census of Industrial Production, so that any conclusions from such studies would be of historic rather than of current interest. From 1969 certain changes were made in the collection of basic data on rates of earnings in transportable goods industries. The new series on rates of earnings relates to data collected from a sample of industrial establishments on a quarterly basis—i.e., for a pay week in March, June, September and December. The data are now classified on the basis of adult and non-adult rates of pay. This basis of classification is not comparable with the classification previously adopted—"under 18 years" and "18 years and over". The classification of data by size of earnings has not been undertaken for the new series.

(f) Farm Income Surveys

16. For information on the distribution of income in agriculture, the various farm surveys undertaken in Ireland since 1955 are relevant. The surveys are made up of two groups—the National Farm Surveys carried out by the Central Statistics Office between 1955 and 1958, and the Farm Management Surveys for 1966 to 1969, which have been prepared by An Foras Taluntais.* The National Farm Surveys data refer to average results† for approximately 1,200 farms which were sampled over the three-year period 1955-56 to 1957-58. As regards the Farm Management Surveys, average results for approximately 900 farms covering the three-year period 1966-67 to 1968-69 have been published, together with annual reports containing data on approximately 1,400 farms which were sampled in each of these years. Since the emphasis

*An Foras Taluntais expect to publish the results of the next Farm Management Survey in the near future.

†The National Farm Survey report also contains results for each of the three years—1955-56 1956-57 and 1957-58—covering 1,824, 1,821 and 1,921 farms respectively.

in the surveys is on the provision of extensive information regarding farm output, costs and size of farm, the primary concern is not with the distribution of farm income. The information contained in the surveys on income relates to "family-farm income", which is defined as the revenue accruing to the farm family after all current expenses have been paid, including hired labour and interest charges on borrowed capital. Accordingly, the definition is a combination of business profits and family labour income, i.e., labour other than hired labour.

17. The National Farm Surveys data on family farm income, which are relevant to income distribution analysis are confined to one table—that is the one containing the distribution of farms by family farm income,* divided into fourteen income ranges. The other tables in the National Farm Surveys merely classify income data in terms of low, medium and high income groups. The data contained in the Farm Management Surveys is similarly restrictive in the case of information on family farm income. The one exception is the final report on the three-year period 1966-67 to 1968-69, where a distribution is set out by the level of family farm income.† Besides the limitations in data, there is the added complication that the concept "family labour unit" is primarily a work concept and not a consumption concept (which is the concept of interest for the analysis of income distribution patterns). Furthermore, the surveys do not contain information on family farm income by family size. The limitations noted with regard to industrial earnings, also operate with regard to family farm income. For other sources of income outside the family farm are not covered by these surveys.

18. The indications are that the information on family farm income contained in farm surveys is of limited value in the context of analysing

*This distribution is set out in Table 9 of NFS report. Table 8 of the survey gives a similar distribution but classified by Labour and Family Farm Income per adjusted acre farmed.

†P. G. Cox in "Estimating the Percentage of Farms in the Republic of Ireland obtaining comparable incomes in 1973" (Irish Journal of Agricultural Economics and Sociology, Vol. 4, No. 2, 1973-74) provides estimates for 1973 of the percentage of farms having family farm plus labour income in excess of specified levels, on both a per farm and per labour unit basis.

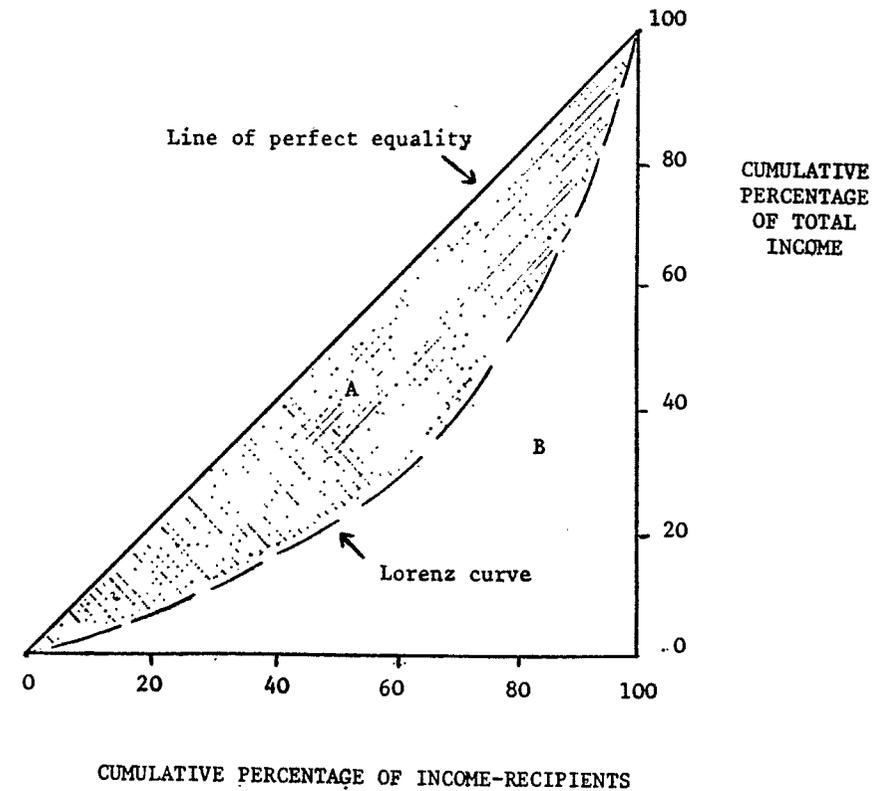
the distribution of incomes. This is not to say that future farm survey questionnaires cannot be adjusted to take account of the requirements of studies on income distribution. As it is, the extension of the Household Budget Inquiry of 1973 to include farm households as part of the rural sample, means that some cross-checks on farm consumption and income data will be provided in future. On another front the extension of direct taxation to the farming sector will also provide a source of income data with regard to farm income.

APPENDIX 2

Measures of Inequality

1. Two of the main overall measures of relative inequality of income are the *Lorenz curve* and the *Gini coefficient*. The former gives a visual impression of the extent of inequality, while the latter summarises inequality in terms of an index.

Diagram 1: Lorenz curve—Illustrative Distribution of Income



2. The *Lorenz curve* shows the proportion of total income accruing to different groups of individuals in the community. It is presented in terms of a graph which plots the percentage of total income recipients (from 0 to 100 on the horizontal axis) against the percentage of total income which each section of the population receives (measured cumulatively on the vertical axis.) Diagram 1 shows a Lorenz Curve for a hypothetical distribution of income. What the Lorenz curve does is to rank income-recipients from the poorest upwards on a cumulative basis. Perfect equality in the distribution of income would give a straight line of 45°; where, for example, the top 10% of the population would receive 10% of total income. The extent to which income is unequally distributed can be gauged by measuring the area between the Lorenz curve and the line of perfect equality at 45° (i.e., the shaded area marked A in Diagram 1 above). Accordingly, the more unequal the distribution of income, the larger the area between the Lorenz curve and line of perfect equality. Conversely, the closer the Lorenz curve is to the line of perfect equality the more egalitarian the distribution of income.

3. The *Gini coefficient* is a summary measure of inequality which is obtained by determining the area between the actual Lorenz curve and the line of perfect equality.* The index ranges from 0 (where there is complete equality of income distribution) to 1 (where, in theory, one person acquires the total income for the population). Changes in the distribution of income can occur which produce no alterations in the Gini coefficient. This can happen where changes in different parts of the distribution offset each other, leaving the overall Gini coefficient unchanged.

4. The overall measures of income inequality should be interpreted with caution insofar as certain movements in the distribution of income may not be adequately reflected in the measures.† However, the

*The Gini coefficient is measured by taking the *area between the Lorenz curve and line of perfect equality* and dividing by the *total area under line of perfect equality*. In Diagram 1 this is given by: $A \div (A + B)$.

†The Gini coefficient for an economy may remain unaltered even though different changes occur in the distribution, as, for example between:

main advantage of the measures lie in the simple way in which they can provide a concise, if crude, indication of the relative inequality of income distribution in a community.

(a) the "poor" section getting richer and the "middle" and "rich" sections getting poorer, and

(b) the "poor" section getting richer, the "rich" section getting poorer and the "middle" section remaining the same.

This can result from changes in the different parts of the distribution offsetting each other, even though the redistribution effects are quite different.

APPENDIX 3

Details of Pilot Study

1. In the pilot study set out in Section VI of this report nine prototype families* were taken and certain data were collected about them. The data collected ranged from earned income to state benefits received both in cash and in kind. In the following paragraphs, the sources of the data are given; the assumptions made about each family where imputation was required are detailed, and definitions of the terms used in the tables are set out. The detailed data are presented in Tables 1 and 2.

2. **Sources.** The information collected for the different families related to

earned income,
income tax,
housing expenditure,
pensions and other Social Welfare benefits in cash and in kind,
health cover,
education subsidies and
indirect taxes.

In order to obtain comparable data over the ten-year period, public sector salary rates were used for the first four families. For the incomes of the skilled and unskilled workers, the data were based on CSO statistics on earnings in the construction industry. For the agricultural worker's family, information was obtained from the Agricultural Wages Board. In the case of the widow and the old age pensioners, it was assumed that they had contributory pensions at the rates current in

*Table A of the main report sets out the families and their characteristics.

the years under review. Tax data were obtained from the Revenue Commissioners. Information on state benefits and subsidies was obtained from the relevant Civil Service departments and data on Local Authority housing rents and rates were obtained from Dublin Corporation and from Dublin County Council. Finally, data on private mortgages and health insurance were obtained from a large building society and the Voluntary Health Insurance Board respectively.

3. Assumptions

(a) Income

Groups A–D: Annual salary in each case.

Groups E–F: Total annual earnings (including overtime, etc.).

(For groups C and D, no account was taken of possible overtime earnings, so to this extent they may appear to fare worse compared with E and F than was in fact the case.)

Group G: The minimum weekly wage, as determined by the Agricultural Wages Board for its Group A, plus £1 per week.

Group H: Based on pension (no earned income assumed).

Group I: It was assumed that the widow has a part time job, and the earned income figure is taken as 50% of the average annual female earnings in manufacturing industry. This in turn was obtained by working up the quarterly weekly figures given in the Irish Statistical Bulletin since 1972, and by multiplying the weekly figure for 1965–66 by 52.

(b) Benefits

Pensions: contributory in each case, increased for two children in the case of I, the widow.

Children's Allowances: all children under 16; also from July 1973, those between 16 and 18 in full time education.

Value of medical card: estimates based on information supplied by the Department of Health.

Value of Health Act: estimates based on information supplied by the Department of Health.

Families A and B each have children over 16 in full time education, and these are eligible for medical cards.

Tax relief on VHI premia, mortgage interest and superannuation and life assurance premia: determined as the value of the relief multiplied by the marginal tax rate, allowance being made in certain cases for:

(a) the effect of the relief on earned income allowance (up to March 1974)

(b) the fact that absence of the relief would increase the taxpayer's marginal tax rate in certain cases.

State and local authority expenditure on local authority housing:

(a) Capital charges relating to houses specified under "Housing" below.

(b) Average current expenditure per rented dwelling, other than capital charges, as given in the accounts of Dublin Corporation.

Subsidy via SDA interest: The rate of interest on SDA loans is fixed at the granting of the loan, and the subsidy is defined as the difference between the interest due if calculated at the current rate, and the interest actually charged.

Primary, Secondary, Vocational and University education: Average current expenditure per enrolled pupil. The figures for 1973–74 and 1974–75 are estimates.

Free Travel and Electricity: Estimates.

Free television licence: Cost of a black and white TV licence.

(c) **Housing.** The following assumptions were made regarding housing for the different families:

A: Senior Administrator

His present house is his third. He obtained it nine years ago on a building society mortgage of $2\frac{1}{2}$ times his income level then. About 73% remains outstanding. Rateable valuation = £50.

B: Middle Manager

His present house is his second. He obtained it five years ago, and has paid off about 7% of the mortgage. Rateable valuation = £30.

C: Executive

He obtained his first and present house ten years ago, and about 73% of the mortgage is outstanding. Rateable valuation = £22.

D: Clerical

He is buying his house, which he obtained ten years ago, on a loan from the local authority. He has paid off 28% of the loan. Rateable valuation: £13 in 1965–66, £13.50 in subsequent years.

E & F: Skilled and Unskilled Workers

Each of these families has been living for about five years in a four roomed corporation house of which it is the first tenant. In 1965–66 the house came under Dublin Corporation scheme A, in subsequent years scheme B. The skilled worker is on maximum rent in each year, the unskilled worker is on a differential rent in 1965–66 and 1973–74. Rateable valuation: £13 in 1965–66. £13.50 subsequently.

G: Agricultural Worker

He is living in a Dublin County Council house.

H: Contributory old age pensioner

This couple lives in a three-roomed corporation house built in the 1930's. Rateable valuation = £8 (came within rates waiver scheme from 1972).

I: Widow

This family lives in a four-roomed corporation house obtained ten years ago. The house comes under Dublin Corporation's scheme A. A

differential rent was paid in 1965–66, maximum rent in 1972–73, and after the inception of the National differential rent scheme during 1973, the rent fell below the maximum again.

(d) Payments

Income tax: The figure shown is the tax which would be due if allowance were made only for children, wife and social welfare contributions.

Social Welfare: Until April 1974, A, B and C earned incomes well above the maximum for compulsory insurance. It is assumed that they did not pay voluntary contributions, whereas it is assumed that D, whose income in those years was also above the maximum, was voluntarily insured. These four families are all compulsorily insured after April 1974. E, F, G and I are insured in all years, but I being in receipt of a widow's pension, was relieved of contributions from July 1973.

Pay related benefits: Paid by all groups except H and I (at 1% of total earnings, maximum payment £25).

Health Charges: From April 1974, payable by those who are not eligible for a medical card and who are eligible for benefits under the Health Acts. It is assumed that D falls in the category of "Non-manual workers earning over £2,250 p.a. who retain their eligibility by way of compulsory or voluntary insurance on or before 31 March 1974".

Rates: The possibility of any of families A, B, C or D having partial relief of rates if their house was new at purchase has been ignored.

Ad Valorem taxes and excise duties: These figures were derived using the Household Budget Inquiry of 1965–66, results of a later Inquiry being unavailable at the time of writing. The table used was Table 7A, "Detailed expenditure classified by gross weekly household income". For each family, gross weekly household income equals: (Annual earned income + annual transfers) ÷ 52. Taking this figure for each family in 1965–66, the relevant column of Table 7A was identified. For example, consider family E. In 1965–66 its (gross weekly household)

income was £18·03. Defining "expenditure pattern" as the proportions of disposable income (gross weekly household income less direct taxes) spent on each group of goods within which the rate of indirect taxation was constant for a given period, it was then assumed that:

(a) E's expenditure pattern could be approximated in 1965–66 by the average for the income group £15–£20.

(b) This same average expenditure pattern could also be used for E in the later years.

Principal determinants of the pattern of expenditure in any year are the family's real disposable income, and the pattern of relative prices. The fact that neither relative (post-tax) prices nor each family's real income has remained constant since 1965–66 must throw doubt on the validity of assumption (b), but any alternative procedure could only be arbitrary.

Given each family's disposable income and expenditure pattern, its payments of turnover tax (1965–66), turnover and wholesale taxes (April to October 1972) and value added tax (from November 1972) were estimated. Furthermore, the proportion of excise duty in the prices of beer, spirits, cigarettes and petrol were established for as many dates as possible so that each family's payment of excise duty could be estimated for each year. No information was available for the excise duty levied on certain other less important items.

No attempt was made to estimate payment of customs duties or taxes levied on intermediate goods and shifted onto the consumer in whole or in part via higher prices.

Road fund licences: Assumptions were made about the total horse power of cars owned by the family, and payment of road fund licences is shown accordingly.

Local authority rents: see "Housing".

4. The Tables

(a) Table 1 contains a *summary* of taxes paid and benefits received for the different families. The figures relate to four tax years—1965–66,

1972–73, 1973–74 and 1974–75, and are presented in four sections in Table 1 (i.e., (a), (b), (c) and (d)). The classifications—earned income, income after benefits in cash and direct taxes, income after all benefits and direct taxes, and income after all benefits and all taxes—are expressed as absolute figures and fractions of earned income.

Guide to headings in Table 1

(i) Earned Income—See Paragraph 3 (a) above.

(ii) Benefits in Cash—See Paragraph 3 (b) above.

(iii) Income after Benefits in Cash
= Earned Income
+ pensions
+ children's allowances

(iv) Direct Taxes—See Paragraph 3 (d) above.

(v) Income after benefits in cash and direct taxes
= Income after benefits in cash
– income/sur tax*
– social welfare payments
– health charges
– pay related benefit contributions.

(vi) Income after all benefits and direct taxes
= Income after benefits in cash and direct taxes
+ value of medical card
+ value of health act
+ (Public authority expenditure on local authority house
–rent paid)
+ subsidy via interest on SDA loan
+ value of education subsidies
+ value of benefits specific to pensioners.

*Where the figure used was "income tax" as in table 2, i.e., tax due before allowance has been made for tax relief on VHI subscriptions, mortgage interest and superannuation and life assurance premia.

- (vii) Income after all benefits and all taxes
- = Income after all benefits and direct taxes
 - local authority rates
 - Ad valorem taxes
 - Excise duties
 - road fund licence payments.

(b) Table 2 contains the *details* of taxes paid and benefits received for the different families. The figures relate to the same years as those in Table 1, and are expressed as absolute figures. The assumptions underlying the amounts of payments and benefits used in this table have already been outlined in paragraph 3 above.

TABLE 1 (a)

Summary of Taxes and Benefits

1965-66

	£'s									
	A	B	C	D	E	F	G	H	I	
Earned Income	4,750	3,045	1,600	1,120	921	745	491	—	185	
Plus benefits in cash	15	31	47	47	47	47	47	241	206	
(i) <i>Income after benefits in cash</i>	4,765	3,076	1,647	1,167	968	792	538	241	391	
Less direct taxes	1,048	433	68	16	15	15	11	—	13	
(ii) <i>Income after benefits in cash and direct taxes (disposable income)</i>	3,717	2,643	1,579	1,151	953	777	527	241	378	
Plus benefits in kind	311	190	190	259	446	446	495	114	293	
(iii) <i>Income after all benefits and direct taxes</i>	4,028	2,833	1,769	1,410	1,399	1,223	1,022	355	671	
Less indirect taxes	469	311	231	174	152	138	75	49	78	
(iv) <i>Income after all benefits and all taxes</i>	3,559	2,522	1,538	1,236	1,247	1,085	947	306	593	
As fraction of earned income	1.003	1.010	1.029	1.042	1.051	1.063	1.096	—	2.114	
(i) Income after benefits in cash	0.783	0.868	0.987	1.028	1.035	1.043	1.073	—	2.043	
(ii) Income after benefits in cash and direct taxes	0.848	0.930	1.106	1.259	1.519	1.642	2.081	—	3.627	
(iii) Income after all benefits and direct taxes	0.749	0.828	0.961	1.104	1.354	1.456	1.929	—	3.205	
(iv) Income after all benefits and all taxes	209	106	42	0	0	0	—	—	—	
Saving in income tax via allowances on certain items of expenditure (£'s)										

TABLE 1 (b)

Summary of Taxes and Benefits

1972-73

	£'s									
	A	B	C	D	E	F	G	H	I	
Earned income	7,142	4,657	2,546	1,897	1,783	1,484	973	—	397	
Plus benefits in cash	24	51	78	78	78	78	78	512	430	
(i) <i>Income after benefits in cash</i>	7,166	4,708	2,624	1,975	1,861	1,562	1,051	512	827	
Less direct taxes	1,775	867	235	112	108	58	44	—	47	
(ii) <i>Income after benefits in cash and direct taxes (disposable income)</i>	5,391	3,841	2,389	1,863	1,753	1,504	1,007	512	780	
Plus benefits in kind	1,076	457	435	589	842	842	848	300	506	
(iii) <i>Income after all benefits and direct taxes</i>	6,467	4,298	2,824	2,452	2,595	2,346	1,855	812	1,286	
Less indirect taxes	995	675	504	373	369	331	183	89	205	
(iv) <i>Income after all benefits and all taxes</i>	5,472	3,623	2,320	2,079	2,226	2,015	1,672	723	1,081	
As fraction of earned income										
(i) Income after benefits in cash	1.003	1.011	1.031	1.041	1.044	1.053	1.080	—	2.083	
(ii) Income after benefits in cash and direct taxes	0.755	0.825	0.938	0.982	0.983	1.013	1.035	—	1.965	
(iii) Income after all benefits and direct taxes	0.905	0.923	1.109	1.293	1.455	1.581	1.906	—	3.239	
(iv) Income after all benefits and all taxes	0.766	0.778	0.911	1.096	1.248	1.358	1.718	—	2.723	
Saving in income tax via allowances on certain items of expenditure (£'s)	374	201	102	59	26	0	—	—	—	

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TABLE 1 (c)

Summary of Taxes and Benefits

1973-74

	£'s									
	A	B	C	D	E	F	G	H	I	
Earned income	7,714	5,070	2,820	2,129	2,015	1,706	1,136	—	478	
Plus benefits in cash	51	125	132	132	132	132	132	616	588	
(i) <i>Income after benefits in cash</i>	7,765	5,195	2,952	2,261	2,147	1,838	1,268	616	1,066	
Less direct taxes	2,028	1,078	311	172	175	95	55	—	54	
(ii) <i>Income after benefits in cash and direct taxes (disposable income)</i>	5,737	4,117	2,641	2,089	1,972	1,743	1,213	616	1,012	
Plus benefits in kind	1,463	529	502	731	1,147	1,171	1,156	393	682	
(iii) <i>Income after all benefits and direct taxes</i>	7,200	4,646	3,143	2,820	3,119	2,914	2,369	1,009	1,694	
Less indirect taxes	1,031	710	532	397	391	354	220	100	232	
(iv) <i>Income after all benefits and all taxes</i>	6,169	3,936	2,611	2,423	2,728	2,560	2,149	909	1,462	
As fraction of earned income										
(i) Income after benefits in cash	1.007	1.025	1.047	1.062	1.066	1.077	1.116	—	2.230	
(ii) Income after benefits in cash and direct taxes	0.744	0.812	0.937	0.981	0.979	1.022	1.068	—	2.117	
(iii) Income after all benefits and direct taxes	0.933	0.916	1.115	1.325	1.548	1.708	2.085	—	3.544	
(iv) Income after all benefits and all taxes	0.800	0.776	0.926	1.138	1.354	1.501	1.892	—	3.059	
Saving in income tax via allowances on certain items of expenditure (£'s)	464	229	122	77	28	27	—	—	—	

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TABLE 1 (d)

Summary of Taxes and Benefits

1974-75

	£ s									
	A	B	C	D	E	F	G	H	I	
Earned income	9,022	5,785	3,188	2,435	2,330	2,030	1,354	—	545	
Plus benefits in cash	65	161	161	161	161	161	161	746	710	
(i) <i>Income after benefits in cash</i>	9,087	5,946	3,349	2,596	2,491	2,191	1,515	746	1,255	
Less direct taxes	2,462	1,126	376	228	246	167	73	—	62	
(ii) <i>Income after benefits in cash and direct taxes (disposable income)</i>	6,625	4,820	2,973	2,368	2,245	2,024	1,442	746	1,193	
Plus benefits in kind	1,634	625	585	873	1,232	1,233	1,270	551	746	
(iii) <i>Income after all benefits and direct taxes</i>	8,259	5,445	3,558	3,241	3,477	3,257	2,712	1,297	1,939	
Less indirect taxes	1,071	743	551	431	422	387	240	111	253	
(iv) <i>Income after all benefits and all taxes</i>	7,188	4,702	3,007	2,810	3,055	2,870	2,472	1,186	1,686	
As fraction of earned income										
(i) Income after benefits in cash	1.007	1.028	1.051	1.066	1.069	1.079	1.119	—	2.303	
(ii) Income after benefits in cash and direct taxes	0.734	0.833	0.933	0.972	0.964	0.997	1.065	—	2.189	
(iii) Income after all benefits and direct taxes	0.915	0.941	1.116	1.334	1.495	1.608	2.012	—	2.567	
(iv) Income after all benefits and all taxes	0.797	0.813	0.943	1.154	1.314	1.417	1.835	—	3.103	
Saving in income tax via allowances on certain items of expenditure (£'s)	666	267	111	79	33	31	—	—	—	

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TABLE 2 (a) Details of Taxes and Benefits 1965/66 (£'s)

	A	B	C	D	E	F	G	H	I
Payments									
Direct:	1,257	539	110	0	0	0	0	—	0
Income tax†	—	—	—	16	15	15	11	—	13
Social welfare	—	—	—	—	—	—	—	—	—
Pay related benefits	—	—	—	—	—	—	—	—	—
Health charges	—	—	—	—	—	—	—	—	—
Rates	147	88	64	35	38	38	18	23	35
<i>Ad valorem</i> taxes	59	42	32	25	21	19	13	7	10
Excise duties	212	151	113	87	71	64	44	19	33
Road fund licence	51	30	22	27	17	17	—	—	—
Local authority rents	—	—	—	—	76	76	51	8	19
Total Payments	1,726	850	341	190	243	229	137	57	110
Benefits									
Direct Monetary:—Pensions									
Children's allowances	—	31	47	—	—	—	—	241	191
Value of medical card	—	—	—	47	47	47	47	—	15
Value of Health Act	—	—	—	45	45	45	65	77	28
Tax relief on VHI premia	15	11	8	0	0	0	—	—	—
State and local authority expenditure	—	—	—	—	187	187	191	45	139
Subsidy via SDA interest	—	—	—	24	—	—	—	—	—
Tax relief on mortgage interest	121	60	20	0	—	—	—	—	—
Primary	38	75	75	75	75	75	75	—	38
Secondary or vocational*	58	115	115	115	215*	215*	215*	—	107*
University	215	—	—	—	—	—	—	—	—
Free travel	—	—	—	—	—	—	—	—	—
Free electricity	—	—	—	—	—	—	—	—	—
Free TV licence	—	—	—	—	—	—	—	—	—
Tax relief on life assurance etc.	73	36	14	0	0	0	—	—	—
Total Benefits	535	327	279	306	569	569	593	363	518
Net benefits (Payments)	(1,191)	(523)	(62)	116	326	340	456	306	408

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†The figure shown for income tax is the tax due before allowance has been made for tax relief on VHI, life assurance and superannuation premia, and on house loan interest (see under Benefits).

TABLE 2 (d) Details of Taxes and Benefits 1974/75
(£s)

	A	B	C	D	E	F	G	H	I
Payments									
Direct:									
Income tax†	3,037	1,302	396	208	181	103	0	—	62
Social welfare	66	66	66	66	66	66	59	—	—
Pay related benefits	25	25	25	24	23	20	14	—	—
Health charge	—	—	—	9	9	9	—	—	—
Indirect:									
Rates	246	148	108	73	82	82	42	12	76
<i>Ad valorem</i> taxes	384	277	193	154	132	109	78	40	73
Excise duties	364	263	208	175	166	167	120	59	104
Road fund licence	77	55	42	29	42	29	—	—	—
Local authority rents	—	—	—	—	187	186	79	5	58
Total payments	4,199	2,136	1,038	738	888	771	392	116	373
Benefits									
Direct Monetary:—									
Pensions	—	—	—	—	—	—	—	746	645
Children's allowances	65	161	161	161	161	161	161	—	65
Value of medical card	79	40	—	—	—	—	—	370	132
Value of Health Act	—	—	—	215	215	215	—	—	—
Tax relief on VHI premia	36	27	20	14	14	14	—	—	—
State and local authority expenditure	—	—	—	—	375	375	209	115	257
Subsidy via SDA interest	—	—	—	73	—	—	—	—	—
Tax relief on mortgage interest	—	—	—	—	—	—	—	—	—
Primary	415	166	60	42	—	—	—	—	—
University	108	215	215	215	215	215	215	—	108
Secondary or vocational*	185	370	370	370	614*	614*	614*	—	307*
Free travel	1,262	—	—	—	—	—	—	—	—
Free electricity	—	—	—	—	—	—	—	38	—
Free TV licence	—	—	—	—	—	—	—	21	—
Tax relief on life assurance etc.	215	74	31	23	19	17	—	12	—
Total benefits	2,365	1,053	857	1,113	1,613	1,611	1,510	1,302	1,514
Net benefits (Payments)	(1,834)	(1,083)	(181)	375	725	840	1,118	1,186	1,141

†The figure shown for income tax is the tax due before allowance has been made for tax relief on VHI, life assurance and superannuation premia, and on house loan interest (see under Benefits).

TABLE 2 (b) Details of Taxes and Benefits 1972/73
(£'s)

	A	B	C	D	E	F	G	H	I
Payments									
Direct:	2,149	1,068	337	103	76	0	0	—	0
Income tax†	—	—	—	60	50	50	44	—	47
Social Welfare	—	—	—	—	—	—	—	—	—
Pay related benefits	—	—	—	—	—	—	—	—	—
Health charges	—	—	—	8	8	8	—	—	—
Rates	300	180	132	72	81	81	33	12	78
<i>Ad valorem</i> taxes	302	215	160	130	117	98	65	37	58
Excise duties	323	230	174	145	133	126	85	40	69
Road fund licence	70	50	38	26	38	26	—	—	—
Local authority rents	—	—	—	—	187	187	91	29	76
Total payments	3,144	1,743	841	544	690	576	318	118	328
Benefits									
Direct Monetary:—Pensions									
Children's allowances	—	—	—	—	—	—	—	512	406
Value of medical card	24	51	78	78	78	78	78	78	24
Value of Health Act	44	22	—	—	—	—	165	194	70
Tax relief on VHI premia	—	—	—	113	113	113	—	—	—
State and local authority expenditure	26	23	23	11	11	0	—	—	—
Subsidy via SDA interest	—	—	—	—	345	345	203	85	227
Tax relief on mortgage interest	—	—	—	41	—	—	—	—	—
Primary	224	118	46	28	—	—	—	—	—
Secondary or vocational*	75	151	151	151	151	151	151	—	75
University	142	284	284	284	420*	420*	420*	—	210*
Pensioners: Free travel	815	—	—	—	—	—	—	—	—
Free electricity	—	—	—	—	—	—	—	29	—
Free TV licence	—	—	—	—	—	—	—	13	—
Tax relief on life assurance etc.	124	60	33	20	15	0	—	8	—
Total benefits	1,474	709	615	726	1,133	1,107	1,017	841	1,012
Net benefits (Payments)	(1,670)	(1,034)	(226)	182	443	531	699	723	684

*Provisional figure.

†The figure shown for income tax is the tax due before allowance has been made for tax relief on VHI, life assurance and superannuation premia, and on house loan interest (see under Benefits).

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TABLE 2 (c) Details of Taxes and Benefits 1973/74
(£'s)

	A	B	C	D	E	F	G	H	I
Payments									
Direct:	2,492	1,307	433	167	134	53	0	—	41
Income tax†	—	—	—	74	61	61	55	—	13
Social welfare	—	—	—	—	—	—	—	—	—
Pay related benefits	—	—	—	—	—	—	—	—	—
Health charge	—	—	—	8	8	8	—	—	—
Rates	285	174	125	68	77	77	42	11	74
<i>Ad valorem</i> taxes	335	241	175	140	122	103	73	38	68
Excise duties	341	245	194	163	154	148	105	51	90
Road fund licence	70	50	38	26	38	26	—	—	—
Local authority rents	—	—	—	—	179	155	80	25	56
Total payments	3,523	2,017	965	646	773	631	355	125	342
Benefits									
Direct Monetary:—Pensions									
Children's allowances	—	—	—	—	—	—	—	616	537
Value of medical card	51	125	132	132	132	132	132	—	51
Value of Health Act	54	27	—	—	—	—	224	268	94
Tax relief on VHI premia	—	—	—	155	155	155	—	—	—
State and local authority expenditure	28	24	24	13	12	12	—	—	—
Subsidy via SDA interest	—	—	—	—	353	353	194	93	235
Tax relief on mortgage interest	—	—	—	74	—	—	—	—	—
Primary	302	141	62	41	—	—	—	—	—
Secondary or vocational*	91	182	182	182	182	182	182	—	91
University	160	320	320	320	636*	636*	636*	—	318
Pensioners: Free travel	1,158	—	—	—	—	—	—	—	—
Free electricity	—	—	—	—	—	—	—	313	—
Free TV licence	—	—	—	—	—	—	—	15	—
Tax relief on life assurance etc.	134	64	36	23	16	15	—	9	—
Total benefits	1,978	883	756	940	1,486	1,485	1,368	1,034	1,326
Net benefits (payments)	(1,545)	(1,134)	(209)	294	713	854	1,013	909	984

*Provisional figure.

†The figure shown for income tax is the tax due before allowance has been made for tax relief on VHI, life assurance and superannuation premia, and on house loan interest (see under Benefits).

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