

What changes had been taking place in living standards during the years preceding the survey? The evidence suggests two general phases. While there is common agreement about the first phase, there is considerable controversy about the second. There was a levelling of standards during the war years of 1939-45, maintained by the Labour government for at least the first few years after the war. Secondly, there was some reversion to former inequalities, slow at first but probably quite fast by the middle and late 1950s. In aggregate, the country was becoming more prosperous, but certain minorities were losing ground and there was some evidence that poverty (in the relative, structural, sense of that term) was growing. It is possible to go further and suggest that by the mid 1960s a new, third, phase may have begun, but it is as yet too soon to be sure. The increased emphasis on economic growth, and therefore on rewards for certain professional, managerial and skilled manual groups, at a time when there has been a disproportionately large increase of dependants in the population, may have been strengthening the living standards of the former at the expense of the latter. Part of additional resources becoming available has been taken up by the expansion in professional and managerial numbers. However, these three phases could still be regarded as short-run fluctuations within a more stable and continuing inequality, determined by the elaborate interrelationship of social institutions and values, which forms a dense and in many respects highly rigid and impermeable network.

How far can these phases be properly defined and documented? This chapter diverges from some previous attempts to trace the trends. It builds upon analyses of trends in cash incomes, but it also uses the searching criticisms that have been made of available statistics on cash incomes to prepare the ground for a more comprehensive approach. That approach cannot be conclusive, for reasons which will become obvious. I will attempt to trace the trends over the three decades up to 1968-9 in the distribution of resources in the United Kingdom. The term 'resources' is used deliberately to incorporate items which are usually excluded from the definition of the concept of income. Five broad categories are identified: cash income; capital assets; value of employment benefits in kind; value of public social

services in kind; and 'private' income in kind. Special weight has to be attached to the distribution of earnings, the occupation structure (particularly in relating the retired and the unemployed to the employed population) and the effects upon the distribution of both cash incomes and overall resources of taxation and fiscal welfare. Trends in indices of poverty, nutrition and health must also be traced to provide further confirmation of any changes that may be taking place in the structure of living standards.

Personal Incomes: Before and After Tax

In the period immediately following the Second World War, the expansion of employment of women as well as continuing high rates of employment of men, the introduction of promised social reforms, and the maintenance, despite the budget of 1946, of high levels of taxation, led to the belief that Britain had abolished poverty and created a much more equal society. The difference between rich and poor, it was widely supposed, had been sharply reduced. Moreover, some interpretations of the statistics suggested that 'levelling' was continuing into the 1950s. When the evidence came to be weighed, this interpretation was first shown to be highly questionable and then likely to be the reverse of the truth. If differences in living standards and the prevalence of poverty are ever to be properly explained, then the structure of and trends in living standards have to be carefully documented.

A lot of evidence about changes in living standards must be taken into the reckoning. However, it is important at the outset to show that the way in which the evidence can be related and combined is more a matter of judgement than an automatic process of measurement. The series of conventional statistics on personal incomes are deficient. Data about some components of income are better than others. All along there has been a failure to call sufficient attention to the changing importance of each of these components, to measure them and examine their consistency. Too much reliance has been placed on trends as shown by general income statistics. The influence of fiscal and social service policies has not been adequately analysed or understood.

We will begin with a review of the general data on personal incomes, as conventionally defined, and then try to incorporate certain missing strands of information. In 1950 the Board of Inland Revenue stated that there had been 'a very considerable redistribution in incomes since pre-war' and that this redistribution was 'most marked in the case of net incomes after tax'.¹ The distinction between pre- and post-tax incomes is, of course, most important. When inflation is allowed for, the board's Report reveals only a relatively small increase in pre-tax incomes in the middle of the distribution. Any really substantial change between 1938 and 1950 is attributable to higher taxation.

¹ Board of Inland Revenue, 92nd Annual Report, Cmd 8052, HMSO, London, 1950, p. 86.

Table 4.1. Percentages of allocated income received before and after tax by specified, inter-percentile groups (Lydall).

Inter-percen- tile group	Before tax				After tax			
	1938	1949	1954	1957	1938	1949	1954	1957
Top 1%	16.2	11.2	9.3	8.0	11.7 (12.7)	6.5 (8.1)	5.4 (7.1)	4.9 (6.7)
2-5%	12.8	12.3	11.2	10.2	12.4	10.8	10.0	9.1
6-10%	9.0	9.5	9.5	9.8	9.5	9.6	9.7	9.5
11-20%	12.0	14.5	16.0	13.5	12.8	12.8	16.8	14.5

SOURCE: Lydall, H. F., 'The Long-Term Trend in the Size Distribution of Income', *Journal of the Royal Statistical Society*, Series A (General), 122, Part 1, 1959, pp. 14 and 31. The figures in brackets represent Lydall's adjustments to take account of some unallocated income, such as employers' superannuation and life-assurance contributions, other fringe benefits, and income unreported to the tax authorities, but not social services and undistributed company profits. Adjustments were estimated only for the top 1 per cent. The effects of indirect taxation are not allowed for in these calculations.

Other studies have assessed the changes in more detail and have come to the same conclusion, that is, between 1938 and the 1950s there was some levelling up of pre-tax incomes accompanied by more progressive fiscal measures.¹ A general 'trend' towards greater equality was postulated on the basis of piecemeal analyses and inadequate statistics. For example, 'A study of the period 1938-57 reveals a continuous trend towards greater equality in the distribution of allocated personal income ... For the future, unless there is a catastrophic slump, the trend towards equality is likely to continue, though probably not as fast as in the past twenty years.'² Tables 4.1 and 4.2 summarize the data presented by Lydall and Paish respectively.³

But since the hypothesis of decreasing inequality seemed in the mid 1950s to run counter to other social developments, particularly the growing problems of the dependency of the old, it invited closer inspection. Professor Richard Titmuss

¹ Between 1938-9 and 1948-9, the aggregate net redistribution had increased from about 8.8 per cent of the national income to roughly 13.1 per cent - Carter, A. M., *The Redistribution of Income in Post-War Britain*, Yale University Press, 1955, p. 117. See also Seers, D., *The Levelling of Incomes Since 1938*, Blackwell, Oxford, 1951.

² Lydall, H. F., 'The Long-Term Trend in the Size Distribution of Income', *Journal of the Royal Statistical Society*, Series A (General), 122, Part 1, 1959, p. 34. See also Paish, F. W., 'The Real Incidence of Personal Taxation', *Lloyds Bank Review*, 43, 1957.

³ It must be noted that the numbers in the table presented by Paish remain the same in the two years, even though there were about 1½ million more tax units in 1955 than in 1938. The proportionate fall is therefore exaggerated.

Table 4.2. Percentages of total personal income received before tax by different income groups (Paish).

<i>Group of income recipients</i>	<i>1938</i>	<i>1959</i>
First 100,000	11.7	5.3
Second 100,000	3.6	2.4
Third 100,000	2.6	1.8
Fourth 100,000	2.0	1.5
Fifth 100,000	1.6	1.3
All first 500,000	21.5	12.3
Second 500,000	6.3	5.1
Second million	8.2	7.8
Third million	6.0	6.4
Fourth million	5.1	5.7
Fifth million	4.5	5.3
Second 5 million	16.8	22.6
Remainder	31.6	34.8
Total	100	100

SOURCE: Paish, F. W., 'The Real Incidence of Personal Taxation', *Lloyds Bank Review*, vol. 43, 1957.

examined the frailty of the statistics, and of the interpretations based upon them, in detail.¹ Recipients of income were, he pointed out, ill-defined. Individuals and income units were mixed together. The increase between 1938 and 1955 in the proportion of incomes in the middle range might be attributed to a decrease in unemployment and an increase in early marriage coupled with more employment of married women, many of whom were counted with their husbands in one tax unit. The apparent levelling of pre-tax incomes might be attributed not just to a fall in incomes from investment and rent but to the employment of tax-evasion techniques. Thus a man might give away part of his capital to his heirs or dependants and by so doing raise them up into the middle ranges of the distribution of income while lowering his own apparent income.²

The definition of income used by the Board of Inland Revenue was, he also pointed out, limited. For example, the definition excluded important forms of capital appreciation and benefits in kind from employers. These omissions had come to be very important in the 1950s. By 1960 the incomes described by the Board of Inland Revenue represented a smaller proportion of real personal resources than they had in

¹ Titmuss, R. M., *Income Distribution and Social Change*, Allen & Unwin, London, 1962.

² In 1961 *The Economist* concluded that this process must explain the relative fall in the investment incomes of the rich (14 January 1961, p. 112); quoted by Titmuss, *Income Distribution and Social Change*, p. 75.

the late 1930s. This is partly indicated by Lydall (see Table 4.1). It can be seen that unallocated income increased both proportionately and absolutely between 1938 and the 1950s (compare the figures in brackets for the top 1 per cent with the other figures for their after-tax incomes).¹

Finally, the comparisons that were made involved certain groups in society and not all. It is possible for changes to take place in the middle rather than at the extremes of a distribution. Thus, Lydall reached his conclusions on the basis of tables which covered the first, fifth, tenth, twentieth and fiftieth percentiles. When pressed about the bottom 50 per cent, he said, 'I accept this criticism in principle and agree that much more thought is needed about this matter. But the real difficulty is the lack of data on the lower incomes, especially for pre-war... The true situation can only be revealed by means of sample surveys in which the lowest income groups are covered equally with others.'² Similarly, it might be pointed out that the 'remainder' referred to in Table 4.2 (following Paish) in fact cover the bulk of the population. There is the possibility therefore of there being a redistribution from the top to the upper-middle rather than from the top to the bottom of the distribution of incomes. In recent years, Atkinson has most clearly called attention to such differences in the conceptualization of inequality.³

But lack of good information about the low paid and others with low incomes accounts only in part for the tendency to misinterpret the board's incomes data. The relative increase in managerial and professional occupations and the relative decrease in semi-skilled and unskilled occupations, which has probably led to a small shift in population between strata, particularly the middle strata, may have been interpreted as a form of levelling'.⁴ In fact there have been such striking changes in the occupational structure of the United Kingdom, particularly during the period 1938-48, that related trends in the distribution of incomes must be described with caution.

¹ The Royal Commission on the Distribution of Income and Wealth failed to note and thoroughly discuss this point made earlier by Lydall. See Report No. 1, *Initial Report on the Standing Reference*, Cmnd 6171, HMSO, London, 1975.

² Lydall, 'The Long-Term Trend in the Size Distribution of Income', loc. cit., pp. 42 and 47. Lydall was in fact aware that 'scepticism has grown up about the reliability of the official figures of allocated income as an indicator of the changes in the distribution of real income'. He therefore attempted to adjust the figures given in Table 4.1 by estimating the extent to which income recipients would have benefited from unallocated personal income, namely life assurance and superannuation contributions paid by employers, investment income from life and superannuation funds, interest on national savings, miscellaneous fringe benefits and income unreported to the tax authorities. But adjustments were made only to the figures for the top 1 per cent (shown in brackets in the table).

³ Atkinson, A. B., 'On the Measurement of Inequality', *Journal of Economic Theory*, vol. 2, 1970.

⁴ See also the discussion in Abel-Smith, B., and Townsend, P., *The Poor and the Poorest*, Bell, London, 1965, Chapter 1.

Differential trends in some of the components of total income are another source of confusion. One example will be given for purposes of illustration. Personal property incomes increased in aggregate by less during the period 1938-50 than did earned incomes.¹ But in the 1950s they began to catch up, as Table 4.3 shows. Over the period 1955-65, property incomes increased disproportionately to earned incomes, and increased as a proportion of total incomes from 10.6 to 13.2 per cent. Hughes estimated that if an allowance for the long-run accrual of capital gains to property owners is added, the figures would be raised to around 20 per cent. 'This suggests that the wealthiest 1 per cent in Britain in the mid 1960s secured about 14 per cent of total personal incomes from work and property, and that the next wealthiest 4 per cent took 12-13 per cent of the total.'² Hughes also points out that, between 1957 and 1964, taxes on capital and on property income decreased as a percentage of Gross National Product from a total of 11.7 per cent to 7.3 per cent, while there was a net increase in regressive taxes estimated at 4 per cent of GNP.³

Table 4.3. *Personal property income and earned income (1955-65).*

<i>Index/£ mil.</i>	<i>Year</i>	<i>Personal property income (rents, dividends and net interest)</i>	<i>Earned income</i>
1955 = 100	1955	100	100
	1960	155	133
	1965	234	184
£ mil.	1955	1,534	12,905
	1960	2,372	17,168
	1965	3,595	23,736

SOURCE: *National Income and Expenditure in 1968*, Table II, p. 4.

We must conclude cautiously that the statistics for incomes in general for the period 1938-50 and for the 1950s are insufficiently comprehensive to justify exact specification of trends in distribution. Certainly the proportion of aggregate personal cash income *after tax* received by the top 1 per cent diminished, and the proportion received by the next 4 per cent seems also to have diminished between 1938 and 1949, but the proportion received by the next 15 per cent increased (see Table 4.1). As Lydall himself showed, the decline in the income received by the top 1 per cent

¹ See, for example, Seers, D., 'Has the Distribution of Income Become More Unequal?', *Bulletin of the Oxford University Institute of Statistics*, February 1956.

² Hughes, J., 'The Increase in Inequality', *New Statesman*, 8 November 1968, p. 820.

³ *ibid.*, p. 821.

was in fact smaller than the decline suggested by Board of Inland Revenue data - because of the increasing importance of income, like employers' superannuation contributions and unassessed profits and investment income, which was not allocated by the board. We can only conjecture to what extent this section of the population also protected themselves from high rates of taxation during the immediate post-war years, by spreading income over life and by converting certain forms of income into assets.

Studies carried out subsequently, and which cover the 1960s, also contradict the hypothesis that the trend is set towards greater equality. Some writers have argued that the criticisms of the Board of Inland Revenue's statistics of income distribution by Titmuss and others do not totally invalidate comparisons over shorter periods from the late 1940s or early 1950s onwards. Even allowing for the criticisms, the general direction of trends as shown by the statistics over periods of, say, at least ten years are thought to be reasonably reliable.¹ R. J. Nicholson presented data for the periods 1949-57 and 1957-67. As Table 4.4 shows, the proportion of income after tax received by the top 10 per cent of income recipients appears to have decreased at some stage during the period 1949-57, but, with minor fluctuations, the proportion remained about the same in the subsequent ten years. The middle-income groups gained, although not uniformly, during the two periods. But the incomes of the bottom 30 per cent of income recipients appear to have diminished during both periods. Nicholson concluded that the reduction in inequality of personal incomes came to an end in the mid 1950s, and he accepted the possibility that if certain 'tax avoidance' incomes and other claims on wealth outside personal income had increased in the late 1950s and early 1960s, 'the distribution of incomes on some wider definition may have moved towards greater inequality'.² Professional incomes began to increase quickly, and rents, dividends and interest comprised the most rapidly growing sector of personal income. Nicholson did not attempt to allocate about 15 per cent of personal income represented by employers' superannuation contributions, other fringe benefits, unassessed profit and investment income, particularly of professional persons and farmers, interest on national savings certificates, post-war credits, unreported income and so on.

Lydall had already shown in his study that when allowance is made for these forms of income, the share of the top income groups increases sharply. Moreover, the share is larger still when capital gains are built into the picture. From information on asset holding, Prest and Stark estimated for 1959, 'That when capital gains

¹ Nicholson, R. J., 'The Distribution of Personal Income', *Lloyds Bank Review*, January 1967, pp. 11-12. It is, of course, difficult, in the absence of information about capital gains, fringe benefits and other types of income, to accept this proposition, since we do not know whether they counterbalance any trend.

² *ibid.*, p. 18.

Table 4.4. Percentages of income received after tax in 1949, 1957, 1963 and 1967 by different income groups (Nicholson).

Group of income recipients	1949	1957	1963	1967
Top 1 %	6.4	5.0	5.2	4.9
2-5 %	11.3	9.9	10.5	9.9
6-10 %	9.4	9.1	9.5	9.5
11-40%	37.0	38.5	39.5	39.2
41-70%	21.3	24.0	23.5	24.5
Bottom 30 %	14.6	13.4	11.8	12.0
Total	100	100	100	100

SOURCE: Nicholson, R. J., 'The Distribution of Personal Income', *Lloyds Bank Review*, January 1967, p. 16. I am grateful to the author for supplying further estimates for 1967. They are based on data on personal incomes published annually in the National Income and Expenditure Blue Book, which have been converted by a method described in Nicholson, R. J., *Economic Statistics and Economic Problems*. McGraw-Hill, London, 1969, pp. 292-302. The estimates must be interpreted with care, particularly for the earlier years, for the share of the bottom 30 per cent is sensitive to the method of interpolation. Only 85 per cent of personal income can be distributed by range.

are allowed for in addition to pre-tax income the share of the top 1 per cent of incomes rises from 8 to 14 per cent and the share of the top 5 per cent from 20 to 27 per cent.¹

Thus, two general conclusions can be reached. One is that even if the limited CSO data on incomes are accepted, the 'trend towards equality' applied only to the upper half of incomes for 1949-57 as well as subsequent periods. As Atkinson, and before him R. J. Nicholson, had emphasized, the poor and not only the rich lost ground.² The second conclusion is that if a wider definition of income is used, even the trends in the upper half of the distribution become problematic. It is not just that the data are deficient. The *weighting* of the five types of resource, some of which cannot even be comprehensively measured, has been changing over time.

The Royal Commission on the Distribution of Income and Wealth has also reviewed trends for this period. In 1975 it called attention to the decline in the share of income of the top 10 per cent between 1938 and the 1950s, and went on to say that 'in general changes in the distribution of income since 1959 have not been very

¹ Prest, A. R., and Stark, T., 'Some Aspects of Income Distribution in the UK since World War II', *Manchester School*, vol. 35, 1967. However, it should be noted that 1959 was characterized by large gains.

² Nicholson, 'The Distribution of Personal Income'; and Atkinson, A. B., 'Poverty and Income Inequality in Britain', in Wedderburn, D. (ed.), *Poverty, Inequality and Class Structure*, Cambridge University Press, 1974, p. 66.

pronounced, but there has been a continuing decline in the share of the top 5 per cent ... accounted for largely by the drop in the share of the top 1 per cent'.¹ The figures they gave for 1938-72 showed a slight fall in the percentage share of the bottom 30 per cent both before and after tax in the 1960s, compared with both 1938 and 1949, but a recovery by 1972-3. At the beginning and end of a thirty-four year period (to 1972-3), the official figures show no change in the percentage share of the bottom 30 per cent.²

While the Royal Commission concluded that since the end of the 1950s there had been a 'continuing decline' in the share of the top 5 per cent (principally accounted for by the top 1 per cent), two aspects of their own analysis threw this conclusion into doubt. First of all, they conceded many of the criticisms about the deficiencies of the data³ made by Titmuss, Atkinson and others, which are discussed elsewhere in this report.⁴ These consist of deficiencies in the statistics of income distribution as such *and* lack of information on resources derived from fringe benefits, capital gains and social services in kind. 'The coverage of official information on both the value of fringe and non-monetary benefits and their distribution among individuals is less than adequate for our purposes.'⁵ In a later report, when discussing top employment incomes, the commission did not discuss the possible effect on income distribution of trends in the distribution of such benefits, although they did incorporate an appendix on fringe benefits.⁶

Secondly, the Royal Commission did not comment on the fact that the series on income distribution which was an alternative to the series adapted by the Central Statistical Office from the Inland Revenue's *Survey of Personal Incomes*, namely the series derived from the annual Family Expenditure Survey, did not bear out the conclusion that there had been a continuing decline in the 1960s in the percentage share of top-ranking incomes. Thus, a table in an appendix shows that the top 10 per cent had 23.5 per cent of net income in 1961, 24.7 per cent in 1968, and 23.7 per cent in 1973. There are slight variations from year to year, as one would expect from a sample survey, but no evidence of a trend in either direction.⁷ In Table 4.5, with the help of the commission's staff, I have compared the top 1 per cent, next 4 per

¹ Royal Commission on the Distribution of Income and Wealth, Report No. 1, *Initial Report on the Standing Reference*, Cmnd 6171, HMSO, London, 1975, p. 156.

² *ibid.*, p. 36.

³ *ibid.* See, for example, pp. 37-8, 44, 127, 132 and 159.

⁴ In particular, Chapters 5 (p. 184) and 26 (p. 911).

⁵ Royal Commission on the Distribution of Income and Wealth, Report No. 1, p. 159.

⁶ Royal Commission on the Distribution of Income and Wealth, Report No. 3, *Higher Incomes from Employment*, Cmnd 6383, HMSO, London, 1976, Appendix H, Details of Particular Fringe Benefits?.

⁷ Royal Commission on the Distribution of Income and Wealth, Report No. 1, p. 213.

Table 4.5. *Distribution of personal income (United Kingdom): two sources compared.*

<i>Quantile group</i>	<i>Percentage share of income after income tax</i>					
	<i>(tax units; I R Survey of Personal Incomes supplemented by other data by the Central Statistical Office)</i>					
	<i>1949</i>	<i>1959</i>	<i>1964</i>	<i>1967</i>	<i>1972/3</i>	
Top 1%	6.4	5.3	5.3	4.9	4.4	
2-5 %	11.3	10.5	10.7	9.9	9.8	
6-10 %	9.4	9.4	9.9	9.5	9.4	
Top 10 %	27.1	25.2	25.9	24.3	23.6	
	<i>Percentage share of net income</i>					
	<i>(households; CSO, based on Family Expenditure Survey)</i>					
	<i>1961</i>	<i>1965</i>	<i>1968</i>	<i>1971</i>	<i>1972</i>	<i>1973</i>
Top 1 %	4.4	4.8	5.9	4.4	3.8	4.4
2-5 %	9.9	9.5	9.7	9.9	9.6	10.0
6-10 %	9.2	9.1	9.1	9.6	9.3	9.5
Top 10%	23.5	23.4	24.7	23.9	22.7	23.9
	<i>Percentage share of final income</i>					
	<i>(households; CSO, based on Family Expenditure Survey)</i>					
	<i>1961</i>	<i>1965</i>	<i>1968</i>	<i>1971</i>	<i>1972</i>	<i>1973</i>
Top 1%	4.6	4.5	4.2	4.2	3.8	4.2
2-5 %	9.8	9.6	9.8	9.8	9.7	9.8
6-10 %	9.3	9.2	9.4	9.4	9.5	9.4
Top 10 %	23.7	23.3	23.4	23.4	23.0	23.4

NOTE: The estimates shown in B and C were generously provided by the staff of the Royal Commission (in a personal communication) to supplement Tables G.13 and G.15 in the first interim Report (of the Royal Commission), which gave estimates only for the top 10 per cent, next 10 per cent and so on. The estimates depend on extrapolation using the top two ranges in the FES range tables and, since the highest earnings groups also tend to be represented erratically in the FES, have to be treated with caution. *Net income* is defined as income after direct taxes and the receipt of cash benefits, and *final income* relates to the distribution after the allocation of all taxes, both direct and indirect, and certain benefits both in cash and kind which can be allocated to specific households.

cent and next 5 per cent on the two series. Estimates of 'final' income from the FES, which takes account of indirect as well as direct taxes and a limited measure of fringe benefits,¹ are also given. Certain reservations must be borne in mind. The FES estimates for the top 10 per cent are more reliable than for the top 5 per cent, and the figures for the top 1 per cent are distinctly hazardous.

Survey Data on Personal Income

The annual Family Expenditure Survey represents an important alternative source of information about overall trends in income distribution. For many years, data about incomes have been collected and analysed to show the burden of taxation upon, and the money value of the social services to, different income groups and types of household.² When allowance is made for minor fluctuations which may be largely attributable to sampling error, the incomes structure is represented as remarkably stable. Table 4.6 brings out three conclusions which can be drawn from the data for the period 1961-9: (a) except for the lagging of households with one child and the faster growth of households with three adults and two children, the 'final' incomes of different types of family have been rising at roughly similar rates during the decade; (b) as a result, the levels of income of different types of family remain in roughly the same relationship as they were in 1961 (the family with three children, for example, having 150 per cent more income than the one-person household after paying all taxes and receiving all benefits, compared with 148 per cent eight years previously); and (c) among the families within each type, there has been no pronounced change in the dispersion of incomes, the poorest 20 per cent being in 1969 at about the same and if anything a little below the level of income reached in relation to the median income in 1961. There is no evidence of a trend towards equality at low levels of living, but if anything a faint reverse trend. Compared with a very slight improvement in the incomes of the poorest couples with two children, there has been a slight deterioration in the incomes of the poorest couples with one child and four or more children and of households comprising three adults and one child and three adults and two children. The figures dip for seven out of ten categories, and although the fluctuations due to sampling must be remembered, the trends were broadly the same in 1968. These results allow for indirect as well as direct taxes.³

¹ Covering the value of meals vouchers, meal subsidies, food and other goods in kind, like concessionary coal for miners.

² See Nicholson, J. L., *Redistribution of Income in the United Kingdom in 1959, 1957 and 1953*, Bowes & Bowes, Cambridge, 1965; *Economic Trends*, esp. February 1970 and February 1971.

³ For further discussion, see Townsend, P., *Sociology and Social Policy*, Allen Lane, London, 1975, Chapter 24. Some commentators have taken the view that there was a shift towards greater equality during 1964-70. See Stewart, M., 'The Distribution of Income', in Beckerman, W. (ed.), *The Labour Government's Economic Record 1964-70*, Duckworth, London, 1972, and a review

Table 4.6. *Income after all taxes and benefits of different types of household 1961, 1965 and 1968 (CSO Family Expenditure Survey).*

Type of household	As % of average income in 1961 for each type			As % of income received by one adult			Lowest quintile as % of median		
	1961	1965	1969	1961	1965	1969	1961	1965	1960
1 adult (excl. pensioners)	100	131	160	100	100	100	70	72	71
2 adults (excl. pensioners)	100	120	153	181	167	173	70	72	69
2 adults, 1 child	100	124	147	206	194	189	74	75	73
2 children	100	120	158	230	210	227	73	75	76
3 children	100	126	162	248	238	250	78	73	78
4 children	100	121	158	276	254	271	86	77	79
3 adults	100	121	156	255	235	249	74	75	73
3 adults, 1 child	100	118	148	291	261	270	80	76	79
2 children	100	135	170	294	303	311	80	76	77
4 adults	100	121	155	333	306	322	81	78	78
All households	100	(123) ^a	(156) ^a	208	192	196	56	55	54

NOTES: ^aEstimated to maintain 1961 distribution by size of households.

^bThe figures published in Table 4, *Economic Trends*, February 1971, have been adjusted slightly to conform with income as defined for 1961 and 1965.

SOURCE: Based on *Economic Trends*, February 1970, Tables 2 and 5, and February 1971 Tables 4 and 5. Further information provided by the Central Statistical Office.

The trends have been reviewed by Semple, who was concerned to trace the effect of changes in household composition. For the period 1961-73 he concluded that there was 'relative stability of the income distribution both before, and after, standardization for household composition ... The apparent slight increase in equality, more evident in the highest quintile relative to the median, is *virtually eliminated* after household composition standardization'¹ (my emphasis). I have referred to Semple's analysis in the concluding chapter (p. 910) because of its relevance to what has been happening in the mid and late 1970s. However, one graph shows that between 1961 and 1969 the relative distance from the median of the highest and lowest quintiles *increased* very slightly. While the highest quintile re-

by the author of this paper in the *Listener*, 27 April 1972, and the subsequent sharp correspondence.

¹ Semple, M., 'The Effect of Changes in Household Composition on the Distribution of Income 1961-73', *Economic Trends*, December 1975, p. 102.

mained about constant, the lowest quintile diminished marginally.

The FES data are based on a definition of 'final' income which approaches a broad conception of resources. But there are a number of limitations in the definition which may have the effect of underestimating inequality. Although a more comprehensive concept of income has been developed, the process whereby the value of benefits is allocated is still rough and ready. For example, health service benefits are averaged very crudely. The value of some social services to middle- and upper-income groups may also be underestimated. The costs of secondary education are averaged for all families with a child attending a secondary school, although children of middle-class parents are more likely than other children to be attending the costlier grammar schools. Again, improvement grants and the full value to the owner-occupier of tax relief on payments of interest on mortgages are not allocated.

Incomes Policy

The trends which I have sought to describe have been determined by an admixture of policies. One of these policies has been incomes policy. I shall discuss this policy first because the chief component of pre-tax income is earned income and the state's and other organizations' incomes policies therefore determine a predominant part of the distribution of income. But a distinction needs to be made between the incomes policies which successive governments have widely publicized and negotiated and those which the government and non-government organizations have practised. During the period under review, incomes policy as promulgated by the government was a curiously incomplete policy and it was not expressed in the context of a comprehensive statistical picture of earnings.¹ Throughout the three decades no attempt was made to relate salaries and wages to common criteria or principles, and differences in remunerating manual and non-manual work remained very unclear. In 1948, the government said that traditional differentials might be based on outdated and undesirable criteria and that the appropriate criterion was the efficient distribution of labour. No attempt was made to develop criteria of just reward.² Instead, comparisons were made with neighbouring professions and occupations. The Royal Commission on the remuneration of doctors, for example, took account of the pay of accountants, lawyers and university teachers.³ The Willink Commission compared the pay of policemen with the wages of skilled manual workers.⁴

None of this is very surprising. Wage bargaining is a social and political as well as

¹ As Barbara Wootton has said, during the 1960s both the Conservative and Labour governments presented 'a façade of comprehensiveness' - Wootton, B., *Incomes Policy: An Inquest and a Proposal*, Davis-Poynter, London, 1974, p. 35.

² Statement on Personal Incomes, Costs and Prices. Cmnd 7321, HMSO, London, 1948.

³ Report of the Royal Commission on Doctors' and Dentists' Remuneration, 1957-1960, Cmnd 939, HMSO, London, 1960.

⁴ Report of the Royal Commission on the Police, Cmnd 1222, HMSO, London, 1960.

an economic process, as Barbara Wootton has argued powerfully.¹ Wages are regarded not just as cash to be spent, but as symbolic evaluation of the social worth of a role. Any attempt to change the level of one occupation relative to others has not only to be fought with an alternative reward system in mind, but tends very quickly to be converted into a wholesale political struggle against those interests representing the entire *existing* hierarchy of rewards. The creation of a clear statistical picture of earnings is fraught with political implications and tends to have been avoided by the government, and despite the introduction in recent years of an annual earnings survey, this can still be asserted. For example, the full value of fringe benefits is not added to earnings, and earnings are not standardized to take account of unsocial hours of work and risk of redundancy or unemployment.

Thus Royal Commissions have been shy of questioning the social justice of the present distribution of income. For example, the Royal Commission on Doctors' and Dentists' Remuneration made clear at the start of their report that their task was big enough without evaluating the entire occupational reward structure.² They contented themselves with comparing the rewards, career patterns and special problems of a chosen group of professions, explicitly linking the public medical sector with the operations of the private market. They justified this on grounds that the public services had to compete with the private market for scarce resources of skilled manpower. Perhaps the major function of such Royal Commissions is to alleviate the strains caused by the relatively inflexible mechanisms of public-sector wages policy in face of competition from the private sector. Certainly they operate more to prepare public opinion for the awkward necessity of paying out additional sums to preserve the existing reward system, rather than to appraise that system from an olympian position of detachment.³

Nor was a broader incomes policy framework provided directly by the government or indirectly through the ill-fated National Board for Prices and Incomes. Although the board was concerned with the full range of incomes from work, it was empowered only to *restrict* claims for higher wages that had been referred to it. In doing so, it was able in principle to recommend preferential treatment for some employed groups. The government had made gestures in the direction of the low paid. A White Paper of 1965 had already allowed exceptional increases in pay 'where there is general recognition that existing wage and salary levels are too low to maintain a reasonable standard of living'.⁴ Eighteen months later, another White

¹ Wootton, B., *The Social Foundations of Wages Policy*, Allen & Unwin, London, 1955.

² Report of the Royal Commission on Doctors' and Dentists' Remuneration, p. 1.

³ It is difficult to take any other interpretation of the Report of the Pilkington Commission and the consequent reports of the review body on remuneration (the Kindersley Committee). See also the account for example by Forsyth, G., *Doctors and State Medicine: A Study of the British Health Service*, Pitman, London, 1966, Chapter 3.

⁴ *Prices and Incomes Policy*, Cmnd 2639, HMSO, London, 1965.

Paper stated that 'Improvement of the standard of living of the worst off members of the community is a primary social objective ... However, it will be necessary to ensure that any pay increases justified on this ground are genuinely confined to the lowest paid and not passed on to other workers?'¹ In 1968, when increases of pay were restricted by the government to a ceiling of 3.5 per cent, the government stated that those whose earnings were too low to maintain a reasonable standard of living would be given priority over other workers in being considered for such increases. The government was also prepared to concede a larger increase for the lowest paid in exceptional cases.² But such statements have always been worded in the most general terms and the government did not work out any viable policy for the low paid. When it invited the National Board for Prices and Incomes to advise how the criterion of low pay would be applied in practice, the board avoided any commitment to a specific amount for fear of precipitating many embarrassing claims. Instead, the pay of certain groups was shown to be low by comparison with similar groups in the same or roughly similar industries.³

Admittedly the board did allow wage increases considerably in excess of the 3 to 3.5 per cent norm in 1965 for adult nurses and midwives (up to 12.5 per cent), postal workers (about 13 per cent) and gas workers, road-haulage workers, prison and tax officers. Mr George Brown, citing the Priestly principle of fair comparisons for the Civil Service, said that the increase for postal workers was a 'catching-up' exercise and that there was no solution to be found by 'returning to the policy of penalizing the lower paid and weaker group of public servants'. But the problems of the pay structure were not considered as a whole and the government made no effort to deal with claims even in the public services, unless they were politically inescapable and urgent. Thus, in 1969, about a quarter of all male manual workers earning less than £15 per week were employed by local or central government, including the health and education services.⁴

The board was hampered by lack of information about low pay and discrepancies between wage *rates* (which may be fixed by Wages Councils) and earnings. Wages Councils are empowered only to raise the minimum rates and have no control over earnings. When examining the retail drapery trade, the National Board of Prices and Incomes found that the lowest paid were on rates tied to the statutory minimum fixed by the Wages Council. The board felt that the best solution was to raise the statutory minimum, so ensuring that workers with the lowest earnings would receive

¹ Prices and Incomes Standstill: Period of Severe Restraint, Cmnd 3150, HMSO, London, November 1966.

² Productivity, Prices and Incomes Policy in 1968 and 1969, Cmnd 3590, HMSO, London, 1968.

³ The board made recommendations for increases for the low paid, and not always for others as well, in, for example, Reports 25, 27, 29, 40, 48, 49 and 63.

⁴ For example, Employment and Productivity Gazette, June 1969, p. 518.

most.¹ But action generally to raise basic rates was believed to be inflationary, and inequitable. An inter-departmental committee studying the prospects of a minimum wage argued that an earnings-based minimum was better than a wage tied to basic rates. If the minimum were related to the basic rate it would have a very unequal, and indeed inequitable, result. It would, in fact, benefit many workers whose basic rates are low, possibly simply for historical reasons, but whose actual remuneration is high.²

By December 1969, the government was beginning to recognize that the inclusion of general expressions of good intent about the low paid in its policy statements was not having tangible results. A White Paper admitted that, 'One of the weaknesses of the system of free collective bargaining has been its inability to solve the problem of the low-paid.' Among the public, low earning was increasingly regarded as inequitable, and as contributing to the perpetuation of poverty.³ In March 1970, the board was commissioned by the government to study three low-paid industries and comment more generally on the problems of low pay. Its work was hastened after the fall of the government in June 1970, and its reports were published just before the board was finally wound up in the spring of 1971.⁴ A useful range of secondary information was assembled in the general report, the results of a social survey contributed to knowledge about the low paid, but little progress was made towards spelling out a general policy. Low pay was defined very weakly as the levels below which the earnings of a tenth of all men and all women in full-time manual work were distributed.⁵ This ruled out any clarification of a national objective, progress towards which might be measured from year to year. The possibilities of strengthening Wages Councils, and gradually developing a phased programme leading to the introduction of a minimum earnings level, were not explored. The role

¹ Report No. 27, *Pay of Workers in the Retail Drapery, Outfitting and Footwear Trades*, Cmnd 3224, HMSO, London, March 1967.

² Department of Employment and Productivity, *A National Minimum Wage: An Enquiry*, HMSO, London, 1969, p.28.

³ Productivity, Prices and Incomes Policy After 1969, Cmnd 4237, HMSO, London, December 1969.

⁴ See Report No. 166, *The Pay and Conditions of Service of Ancillary Workers in the National Health Service*, Cmnd 4644, HMSO, London, April 1971; Report No. 167, *The Pay and Conditions of Service of Workers in the Laundry and Dry Cleaning Industry*, Cmnd 4647, HMSO, London, April 1971; Report No. 168, *Pay and Conditions in the Contract Cleaning Trade*, Cmnd 4637, HMSO, London, April 1971; Report No. 169, *General Problems of Low Pay*, Cmnd 4648, HMSO, London, April 1971.

⁵ The possibility that low pay might be defined as earnings below a fixed percentage is mentioned in paragraph 12 of the General Report, but then discussed in relation to supplementary benefit rates for a family with two children. The possibility of taking, say, 75 per cent of median or mean earnings for men in full-time work (counting salary earners as well as wage-earners) as a definition of low pay was nowhere discussed. Yet the advantage of some such definition in providing a criterion by which to measure progress from year to year, and also allow for the change taking place in the proportion of salaries to wage-earning employees, is very clear.

of a minimum wage in countries which were stated to have a more equal wage structure was not investigated. The question of supplementing earnings by means of a graduated disability pension was not considered.

None of this would be easy to understand without appreciating that the primary aim of prices and incomes policies has been to regulate aggregate demand in order to contain inflation. Policies have been developed, often in a great hurry, simply in order to freeze wages - and more particularly wages than salaries also.¹ All along, problems of equity and low pay have been of secondary importance and tend to have been given very little prominence by the government and even, as an inevitable consequence, by the board itself. In practice, the board emphasized its economic function at the expense of any social function that might have been attributed to it.² The possibilities of linking wage increases to productivity have perhaps been exaggerated over the necessary task of evaluating qualitative improvements in working performance and finding social and economic criteria for existing differentials in reward. To sum up, too much was expected of the National Board for Prices and Incomes. It began to contribute to a more rational discussion of incomes differentials, but (a) it was a regulatory body only, and had no authority to initiate changes in the wage system; (b) it followed government directives by construing its task as primarily one of controlling inflation, rather than dealing effectively with low pay and inequality; and (c) it was hampered in its understanding of the problems and its capacity to provide solutions by lack of information about low pay and the complexity of the wages system. In so far as Britain can be said to have an incomes policy at all, it has to be recognized, like that embodied in the National Incomes Commission and the earlier attempts to restrain wages in 1936 and 1948, as essentially a negative policy - as an attempt to regulate market processes when these are felt to be incompatible with other national goals. It remains to be seen whether the incomes policies of the mid 1970s have had any lasting effect in improving the relative position of the low paid and reducing income inequality. But for the kind of reasons given, the policies of the 1960s did not have that result, as we shall now see.

¹ The failure to develop a long-term policy, and one which pays at least some heed to social objectives, is reviewed by Balogh, T., *Labour and Inflation*, Fabian Tract No. 403, Fabian Society, London, October 1970.

² Britain is not the only country to have limited incomes policy largely to the problems of inflation. Most countries have not attempted to question or tamper with incomes differentials, and most studies of incomes policies have shied away from problems of poverty and equity, even when recognizing that they are fundamental. 'In concentrating on possible inflationary aspects the present study covers of course but a small - and by no means the most important - area of income formation and distribution. Questions of equity, of improving economic opportunity, and of tackling extreme poverty are more basic and important . . . These questions however are not the subject of this study . . .' - Turner, H. A., and Zoetewij, H., *Prices, Wages and Incomes Policies in Industrialized Market Economies*, International Labour Office, Geneva, 1966, p. 1.

Earnings

Part of the problem of the ineffectiveness of incomes policy was a dearth of the information which would have allowed that policy to be formulated more exactly. Apart from the Board of Inland Revenue's annual returns and the limited surveys of the Family Expenditure Survey, there was not much detailed information about the distribution of earnings of manual workers until the Ministry of Labour carried out a special survey in 1960.¹ Derek Robinson, a former statistical adviser to the National Board for Prices and Incomes, suggested how the survey could be put into a form which allowed it to be brought up to date.² But the survey itself did not cover some employing establishments and did not give precise enough information about occupations and all ranges of earnings. A survey carried out in 1968 at last provided a good base of information about the earnings structure,³ and since then the New Earnings Survey has begun to provide evidence of trends.

There are various ways in which changes in the earnings structure might affect the overall distribution of real personal resources. First, it may be argued that some process internal to the labour market itself is leading to a more equal distribution of wages and salaries. Differentials can be examined in broad terms of class, categories of skill and occupation. One of the problems, however, in tracing the relative levels of wages and salaries over the three decades is that the difference between them has become less clear-cut. Until 1944, the two were treated differently for purposes of income tax and unemployment insurance, but not thereafter. Some groups of manual workers have come to be paid other than weekly. Moreover it is becoming rather difficult to distinguish 'manual' and 'non-manual' among the semi-skilled and routine occupations produced by computer technology for example. Ideally we need to trace the dispersion of earnings within the major categories of occupations and as between men and women, and then attempt to construct the changes that have been taking place over time.

Between 1938 and 1950, differentials between wage and salary earners seemed to be narrowing. Most of the improvement in the position of wage earners occurred in the war. According to Seers, average wages more than doubled but average salaries increased by only 72 per cent between 1938 and 1949.⁴

For the 1950s and 1960s, on the other hand, there is no marked change in relativity between wages and salaries. Wages rose sharply as a percentage of gross national product in 1954, but otherwise the share of wages remained fairly constant throughout this period. The index of average salary earnings maintained by the

¹ Ministry of Labour Gazette, April 1961 and June 1961.

² Robinson, D., 'Low Paid Workers and Incomes Policy', *Bulletin of the Oxford University Institute of Economics and Statistics*, vol. 29, February 1967.

³ Department of Employment and Productivity, *New Earnings Survey, 1968*, HMSO, London, 1970.

⁴ Seers, D., *The Levelling of Incomes Since 1938*, Blackwell, Oxford, 1957.

Department of Employment and Productivity had increased from 100 in 1955 to 133.4 in 1960, compared with 130.1 for average weekly earnings of manual workers. During the early and mid 1960s, salaries maintained a slight lead over wages, but by 1968 both were in about the same relationship again as in 1955. The index for salaries was then 206.9, compared with 208.1 for weekly wage earnings.¹

When the two phases are placed in longer perspective, there is little evidence of structural change. After a detailed study of occupational and pay structure between 1906 and 1960, Guy Routh concluded that 'the most impressive finding was the rigidity of the inter-class and inter-occupational relationships ... According to our calculations the average for semi-skilled men was 86 per cent of the all-class average in 1913 and 85 per cent in 1960.'² The earnings of skilled and unskilled groups had also remained relatively stable. However, professional and clerical groups had lost ground and managerial groups gained slightly.

In the 1960 survey, information was collected only about the numbers of employees with earnings in specified ranges and not about either hours or occupations. The annual Family Expenditure Survey provided general data, but was not based on a sample of a size sufficient to provide detailed analyses. Between September 1968 and March 1969, the Department of Employment and Productivity therefore conducted a survey of the earnings of employees throughout Britain. Forms were completed for about 84,000 individual employees from a sample of 92,500 selected by means of national insurance numbers. In the autumn of 1968, average weekly earnings were £23 for male manual workers aged 21 and over and were just under £30 for non-manual workers. In comparison with these figures, 9.4 per cent of the manual and 4.6 per cent of the non-manual workers in the sample were earning less than £15 per week, corresponding with roughly 0.7 million and 0.2 million men respectively in the population as a whole. Table 4.7 sets out some selected results.

The median earnings of non-manual workers were about 24 per cent higher than of manual workers in 1968, but there were wide variations in both categories in the percentage of men in different occupations earning much less than the median. For example, in the manual category, 62 per cent of farmworkers earned less than £17, although the figure for all manual workers was 18 per cent. In the non-manual category, very few general managers earned as little as this, but as many as 45 per cent of routine clerks did so compared with the figure of 10 per cent for all non-manual employees. Indeed, the disproportionate growth in the number of office clerks (with relatively low earnings) among the total of non-manual employees may, in fact, have concealed a disproportionate rise in the earnings of other non-manual employees.

¹ Employment and Productivity Gazette, June 1969, Table 129.

² Routh, G., *Occupation and Pay in Great Britain 1906-60*, Cambridge University Press, 1965, p. x.

Table 4.7. Percentages of men aged 21 and over with different earnings (and their median earnings).

<i>Characteristics</i>		<i>Less than £15</i>	<i>Less than £17</i>	<i>More than £30</i>	<i>More than £40</i>	<i>Median earnings £</i>
All men		8	16	25	8	23.6
Manual		9	18	17	3	22.4
Non-manual		5	10	42	19	27.8
Manual aged	21-4	12	24	10	2	20.3
	30-39	5	11	23	5	24.1
	60-64	18	32	8	1	19.6
	65 and over	37	52	6	1	16.6
Non-manual aged	21-4	20	36	5	1	18.7
	30-39	1	3	52	21	30.5
	60-64	5	13	40	20	26.4
	65 and over	20	31	26	15	21.2
<i>Selected occupations</i>						
Farmworker		39	62	1	0	15.9
Coalminer (surface)		29	46	3	0	17.5
Coalminer (underground)		8	15	15	3	24.4
Shop salesman, assistant		30	46	4	1	17.0
Painter/decorator		2	13	10	2	21.7
Electrician (maintenance)		1	5	30	7	25.5
Office clerk (considerable responsibility)		3	6	28	5	25.9
Office clerk (routine)		21	45	3	0	17.4
General manager		2	3	82	67	52.8
<i>Earnings subject to national agreement in the public sector</i>						
<i>Manual</i>						
Local authority (England and Wales)		33	54	3	0	16.6
Government industrial establishments		24	40	7	1	18.2
Health services ancillary staff		29	46	4	1	17.4
Police		0	2	27	5	25.3
<i>Non-manual</i>						
Civil service - clerical		13	28	3	0	20.6
Civil service - executive		0	1	60	26	32.9
Primary and secondary school teachers		0	5	60	14	32.2

SOURCE: 'Results of a New Survey of Earnings in September 1968', *Employment and Productivity Gazette*, May 1969 and June 1969.

The table shows marked variations with age. High proportions of young and of elderly employees were low paid. However, the earnings of manual employees in their early twenties were higher relative to men in their thirties, than those of employees in the non-manual category. The variations by age-group apply to the employed population at a particular time and it would be wrong to infer too much from the table about the changes in earnings that individuals experience over a working lifetime. There are skilled manual workers who may be obliged to work less overtime when they get older or to take less skilled jobs. Some may even cross the manual/non-manual boundary and enter low-paid clerical occupations. There are non-manual employees who improve their earnings steadily by promotion and through increments of salary up to the sixties, but there are others who languish in an occupational backwater or who are obliged to retire early from one job and take another which is much less well paid. Little is so far known about profiles of earning experience, and yet they are highly relevant to any understanding of the problems of poverty.

One further fact brought out by the table is the large proportions of certain types of employee in the public sector who are low paid. Nearly a quarter of all manual workers whose earnings are covered by national agreements in the public sector were earning less than £17 in 1968. Not all occupations in the public sector are low paid, as illustrated in the table by police and school teachers.

Table 4.8 provides corresponding data for women. Earnings were about half those of men and the differential between manual and non-manual workers was more marked. The median earnings of non-manual employees were 31 per cent higher than those of manual employees (and were 47 per cent higher among those aged 30-39). To a large extent, this wider differential is explained by the fact that certain non-manual occupations in the public sector, such as clerical work and teaching, attract levels of pay not far short of those of men, while this is not true of manual occupations in either the public or private sectors (compare, for example, the median earnings in Tables 4.7 and 4.8 of local-authority manual workers, National Health Service ancillary staff and shop assistants). Again, some very low-paid manual occupations, such as that of kitchen hands, tend to be filled only or predominantly by women.

Variations in earnings according to age were less marked among women than among men. The median earnings of different age-groups and the distribution of earnings within these groups do not vary much at least for the age-groups between 30 and 60.

Table 4.9 shows the distribution of earnings for men and women, and for manual and non-manual employees. The dispersion of earnings among manual workers and among non-manual workers is broadly the same for each sex, but in each case the non-manual dispersion is wider than the manual. The 10 per cent in each category who receive the highest earnings in fact earn more than twice as much, and in the

Table 4.8. Percentages of women aged 18 and over with different earnings (and median earnings).

<i>Characteristics</i>		<i>Less than £8</i>	<i>Less than £10</i>	<i>More than £15</i>	<i>More than £20</i>	<i>Median earnings £</i>
All women		7	25	32	13	12.5
Manual		12	39	14	3	10.8
Non-manual		4	15	4	19	14.1
<i>Manual</i>						
Aged	21-4	7	33	15	3	11.2
	30-39	12	39	17	4	10.9
	60-64	19	51	13	3	10.0
	65 and over	16	51	11	2	9.9
<i>Non-manual</i>						
Aged	21-4	1	8	34	5	13.5
	30-39	2	7	58	28	16.0
	60-64	2	7	64	39	17.2
	65 and over	9	21	48	21	14.9
<i>Selected occupations</i>						
Kitchen hand		40	77	2	0	8.3
Shop saleswoman, assistant		20	68	6	1	9.1
Office clerk (considerable responsibility)		1	4	63	35	16.8
Office clerk (routine)		5	25	21	1	11.8
Nurse, midwife, etc.		13	25	41	19	13.8
<i>Earnings subject to national agreement in the public sector</i>						
<i>Manual</i>						
Local authority (England and Wales)		29	66	5	1	9.0
Health Services ancillary staff		3	28	8	1	11.1
<i>Non-manual</i>						
Civil service clerical		0	5	59	20	15.8
Primary and secondary school teachers		1	1	96	68	25.3

SOURCE: As for Table 4.7.

Table 4.9. *Earnings of full-time adult employees at different points relative to the medians (1968)*

Full-time employees	Quantiles as a % of the median				Median earnings £
	Lowest decile	Lower quartile	Upper quartile	Highest decile	
<i>Men</i>					
Manual	67.3	81.0	122.3	147.8	22.4
Non-manual	61.2	75.9	131.1	178.5	27.8
All	65.7	80.0	126.7	161.4	23.6
<i>Women</i>					
Manual	71.1	83.4	121.1	148.4	10.8
Non-manual	65.4	78.8	129.3	175.5	14.1
All	67.0	80.0	129.7	171.2	12.5

SOURCE: Results of a New Survey of Earnings in September 1968¹, *Employment and Productivity Gazette*, May 1969, p. 413.

case of non-manual employees nearly three times as much, as the 10 per cent with lowest earnings.

Comparative information about the earnings structures of other countries is scarce. The chief contribution is that of Lydall. His data for both the upper deciles and lower quartiles show that among male employees the distribution of earnings is less unequal in New Zealand and Australia than in the United Kingdom. Germany has a more equal distribution among male manual employees than the United Kingdom, while Sweden is roughly similar.¹ In general, inequalities are largest in countries with high proportions of their labour forces in agriculture. In Britain, an inter-departmental working party of government officials made a study of a national minimum wage, and although a summary of the minimum-wage legislation of France, the Netherlands, Canada and the United States was included, and references were made to wage regulations and negotiations in Australia, West Germany, Italy, Denmark, Norway and Sweden, no attempt was made to establish whether the low paid in Britain were relatively worse paid than their contemporaries, or whether the higher relative earnings of the lowest decile of manual employees in countries such as Australia and New Zealand were due to minimum-wage legislation.² The National Board for Prices and Incomes refrained from discussing the possible link, even though it pointed out both the more egalitarian distribution of earnings in these

¹ See Lydall, H., *The Structure of Earnings*, Oxford University Press, 1968.

² Department of Employment and Productivity, *A National Minimum Wage: An Inquiry*, HMSO, London, 1969 (see esp. pp. 55-65).

two countries, and the fact that there was minimum-wage legislation.¹

What changes have been taking place in the UK structure of earnings? For a lengthy span the only useful information that exists is for manual workers. Various writers have called attention to the similarities between the distributions found in the four Board of Trade and Ministry of Labour surveys of 1886, 1906, 1938 and 1960.² Table 4.10 adds data from the 1968 and 1970 surveys of the Department of Employment and Productivity. While some care has to be exercised in interpreting figures from surveys which have differed in certain respects in method and scope the chief conclusion that must be drawn from Table 4.10 is of the remarkable stability in the overall dispersion of earnings of male manual workers.³ This stability has been

Table 4.10. *Earnings of full-time adult male manual workers, relative to the median (1886-1970).*

Date	Median £	Quantiles as a % of the median			
		Lowest decile	Lower quartile	Upper quartile	Highest decile
1886	1.21	68.6	82.8	121.7	143.1
1906	1.47	66.5	79.5	126.7	156.8
1938	3.40	67.7	82.1	118.5	139.9
1960	14.17	70.6	82.6	121.7	145.2
1968	22.40	67.3	81.0	122.3	147.8
1970	25.60	67.3	81.1	122.3	147.2

SOURCES: Bowley, A. L., *Wages and Income in the United Kingdom Since 1860*, Cambridge University Press, 1937, p. 42; Ainsworth, R. B., 'Earnings and Working Hours of Manual Wage-Earners in the United Kingdom in October 1938', *Journal of the Royal Statistical Society*, A, 115, 1949, pp. 56 and 64; *Ministry of Labour Gazette*, June 1961, p. 247; *Employment and Productivity Gazette*, May 1969, p. 411, and November 1970, p. 974.

¹ The board does not discuss the evidence, fails to see any connection between Wages Council machinery and the possible introduction of a minimum wage, and concludes that, 'No false hopes should be attached to a national minimum wage' - Report No. 169, *General Problems of Low Pay*, pp. 41-2, 169 and 193.

² For example, Crossley, J. R., 'Prices and Wages', *London and Cambridge Economic Bulletin*, June 1961; Routh, *Occupation and Pay in Great Britain*; and Thatcher, A. R., 'The Distribution of Earnings of Employees in Great Britain', *Journal of the Royal Statistical Society*, A, 131, Part 2, 1968.

³ There is evidence from other countries of similar stability. For France, for example, there was little change in the period 1948-64, despite the introduction of minimum-wage legislation in 1950. 'In relation to the average earnings of unskilled labourers (which are influenced by the minimum wage), differentials have remained remarkably constant over the last 15 years' - Mouly, J., 'Wage Determination: Institutional Aspects', *International Labour Review*, November 1967. For both France and the United States, minimum-wage legislation led initially to a narrowing of differentials between unskilled and skilled workers, but within three to five years former differentials had been restored. It is, of course, possible that the initial effects could have been sustained if minimum-wage levels had been increased more rapidly in subsequent years.

maintained during a period of more than eighty years when the level of earnings increased by a factor of over 18. It seems to conflict with the supposition that differentials between skilled and unskilled workers have narrowed. This supposition could be based on changes of wage rates rather than of earnings, and there may indeed have been a narrowing of differentials in certain occupations as well as a relative increase in the numbers in skilled occupations. But such changes seem to have been counterbalanced by a widening of differentials elsewhere or the advent of new occupations.

A number of further qualifications have to be made. The comparative stability of overall distribution of manual earnings applies only to earnings before tax and does not take account either of supplementary earnings in second jobs or earnings of more than one person in a household. Information about non-manual earnings is harder to compile and interpret. Routh has assembled some of the evidence. He found that, overall, women's earnings remained in about the same ratio to men's earnings in 1913 and 1960 as in 1906. On the other hand, he reported certain changes. Male clerks had lost ground relative to both female clerks and to male manual workers. At least up to 1960, the earnings of unskilled manual workers had increased relative to the earnings of 'higher' professional workers, from approximately 19 per cent in 1913/14 to 26 per cent in 1960. In relation to the managerial class, on the other hand, the unskilled had lost ground marginally.¹

Although it has to be concluded from the data we have that there has not been any profound long-term change in the distribution of earnings among manual and non-manual employees, this does not rule out the possibility of short-term changes of a cyclical kind taking place within any particular 'band' of the earnings structure, nor does it rule out the long-term rise and fall, in terms of levels of earnings, of particular occupations.² Two important modifications need to be made to the apparent 'stability' of the structure of male manual earnings, as portrayed in Table 4.10. First, reliable information on the distribution of earnings is lacking for the late 1940s and early 1950s, and there is some reason for believing that the dispersion was narrower than, say, for 1960.

¹ Estimated from Tables 30 and 47 in Routh, *Occupation and Pay in Great Britain*.

² However, 'there has been considerable long-run stability in the UK interindustry wage-structure. For example, one study of average weekly earnings in 132 industries in October 1948 and October 1959 showed that only 11 industries changed ranking by 25 places or more - that of the 20 industries ranked lowest in 1948, 15 were still among the lowest 20 in 1959; and that 11 other industries similarly maintained a position among the top 20. The coefficient of rank correlation had a value of +0.87... Our own examination of movements of average weekly earnings in 128 industries for full-time adult male manual workers ... indicates that only moderate changes took place between October 1960 and October 1969 in rankings of industries on the basis of their average earnings. Only 19 industries changed rankings by 25 places or more and 12 of the lowest 20 and 13 of the top 20 in 1960 were still in the same groups in 1969' - Report No. 169, *General Problems of Low Pay*, pp. 159-61.

Secondly, the data from the special surveys for 1960, 1968 and 1970, and from the Family Expenditure Survey for intervening years, shows that despite continuous official and other references to the difficulties of low-paid male manual workers, there is no evidence of a relative improvement taking place in their earnings during the decade. If anything, there would appear to have been a slight deterioration in their position, as Table 4.11 suggests. The figures for women manual workers are more difficult to interpret, for there is some fluctuation in the FES data for 1963-8, but the data for 1960, 1968 and 1970 suggest little change. The FES figures for male and female non-manual workers are also rather hard to interpret and are a little erratic. They disclose no consistent trend - except that the male non-manual groups when taken together seem to follow the same trend as male manual workers. It must, of course, be remembered that the Family Expenditure Survey is subject to sampling errors, and until 1967 involved a sample of a size which included only 1,500 male and 400 female manual employees and 600 and 500 non-manual employees respectively. These numbers do not allow detailed analyses of small sub-groups to be made.

Table 4.11. *Gross earnings of full-time earners at the lowest decile in different categories relative to the median (1960-1970).*

<i>Lowest decile as a % of the median</i>											
	1960	1963	1964	1965	1966	1967	1968		1969	1970	
							(A)	(B)		(A)	(B)
<i>Men</i>											
Manual	70.6	70.7	71.6	69.7	68.6	69.7	68.9	67.3	68.4	67.4	67.3
Clerical	-	73.8	70.4	72.7	67.2	70.8	69.9	} 61.2	67.5	67.6	} 61.8
Managerial	-	61.5	65.9	66.0	61.7	60.5	62.8		61.4	61.9	
All	-	68.9	68.9	68.1	67.0	67.8	67.4	65.7	66.1	65.2	65.4
<i>Women</i>											
Manual	72.0	68.5	65.1	66.5	66.3	67.2	71.8	71.1	70.5	69.2	69.0
Clerical	-	67.8	63.5	68.4	73.3	71.6	69.9	} 65.4	66.1	66.0	} 64.2
Managerial	-	44.3	53.7	51.6	49.2	55.5	55.3		57.0	64.3	
All	-	66.5	62.2	64.9	67.6	66.2	69.5	67.0	66.4	65.0	66.4

SOURCES: Reports of the Family Expenditure Survey for the appropriate years, supplemented by Thatcher, 'The Distribution of Earnings of Employees in Great Britain', Table 12, p. 161. For 1968 and 1970, (A) gives the results of the FES report and (B) of the special survey carried out by the Department of Employment and Productivity, *Employment and Productivity Gazette*, May 1969, p. 413, and November 1970, p. 974.

Some confirmation of the suggestion in the FES data of a slight relative fall during the decade in the earnings of the low paid is to be found in other reports. For 1960, the Ministry of Labour listed average earnings in 128 industries. During the next six years, the average increase was 44 per cent, but the earnings of as many as seventeen of the twenty-four lowest-paid industries increased by less than that amount.¹ The differences in wage rates between unskilled and skilled workers have widened in a number of the major industries.² Between 1965 and 1970 the wage rates and the average weekly earnings of low-paid industries rose by less than average - though most of the lag took place in 1969-70, as a Report of the NB PI shows. 'The statutory minima laid down by Wage Councils rose per cent per annum slower than average over the five years' - again because of the short fall over the last year. Wage settlements took longer in low-paid than high-paid industries.³ Lydall has also found a tendency for the distribution of earnings to widen during the 1950s and early 1960s in other industrial countries as well as Britain. In ten of eleven countries for which information could be assembled, the distribution of pre-tax incomes had not merely remained stationary but had actually widened. They were France, Germany, the Netherlands, Sweden, Australia, Canada, Argentina, New Zealand and the United States, as well as the United Kingdom. This tendency did not apply to the distribution of earnings of male manual workers in some countries, but was marked for non-manual and female employees in most countries.⁴

Social Stratification and Occupations

One important means of checking trends in the distribution of earnings lies in the changes taking place in the occupational and class structure. During the three decades under review, there have been at least five important trends in the distribution of the population by occupation which have implications for income distribution. The proportion of men in professional, managerial and senior administrative and intermediate occupations has grown, while the proportion in unskilled and partly skilled occupations has diminished (Table 4.12). The percentage

¹ Ministry of Labour, Statistics on Incomes, Prices, Employment and Production, No. 18, September 1966, pp. 26-7.

² Though this does not necessarily imply a widening of *earnings* differentials. The comparisons of the time rates of wages of unskilled workers as percentages of those of skilled workers for five different activities (building, shipbuilding, engineering, railways, police) demonstrated that there was a long run narrowing of the skill differential up to the 1950s, and that the effects of the war-time wage policies and trade union growth were to narrow markedly the differential ... More recent evidence ... indicates that the differential has been widening over the last 20 years' - Report No. 169, *General Problems of Low Pay*, p. 162.

³ *ibid.*, pp. 14-16.

⁴ Lydall, *The Structure of Earnings*, pp. 249-53.

of men who are in professional occupations nearly doubled between 1951 and 1971. The chief novelty of the table is in showing the effects of changes in definition. The proportion of men in unskilled manual occupations has fallen from 9.7 per cent to 8.4 per cent and in partly skilled manual occupations from 23.3 per cent to 18.0 per cent.

Table 4.12. Percentages of economically active men in different social classes, 1931, 1951, 1961, 1966, 1971 (England and Wales).

Social class (Registrar General)	1931 ^a	1951 ^a	1961 ^b	1966 ^c	1971
I	1.8 (2.2)	2.7 (3.2)	4.0	4.5	5.0
II	12.0 (12.8)	12.8 (14.3)	14.9	15.7	18.2
III	47.8 (48.9)	51.5 (53.4)	51.6	50.3	50.5
IV	25.5 (18.2)	23.3 (16.2)	20.5	20.6	18.0
V	12.9 (17.8)	9.7 (12.9)	8.9	8.8	8.4
Total	100.0 (100.0)	100.0 (100.0)	100.0	100.0	100.0
Number (000s)	13,247	14,064	14,649	15,686	15,668

NOTES: ^aPercentages have been weighted to allow for changes in classification between the 1931 and 1951 censuses and 1951 and 1961 census: the *General Report*, 1951, and the *General Report*, 1961, give the percentage change for each social class between the two censuses, and I have adjusted the figures accordingly to bring both the 1931 and 1951 figures up to the 1961 classification. Figures in brackets are based on the classification at that time. The reweighting must be regarded as approximate only, since it depends on experimental coding operations carried out with sub-samples by GRO staff.

^bSubstantial numbers who were unclassified in 1961 (518,000) have been excluded. (Only 84,034 unclassified in 1971 have been excluded.

^cPercentages given are for economically active and retired males. Substantial numbers who were unclassified in 1966 have been excluded.

SOURCES: Census 1951, *General Report*, Table 66, p. 147.

Census 1961, *General Report*, Table 55, p. 193.

Census 1966, *Economic Activity Tables Part III*, Table 30, p. 415.

Census 1971, *Economic Activity Tables Part IV*, Table 29, p.96 (10 per cent sample).

Two other important trends have been the fall and rise of unemployment and the growth of paid employment among women. Table 4.13 shows that after dwindling during and after the Second World War, the unemployment rate increased slightly again between 1951 and 1961, and again during the later 1960s. The number of married women entering employment continued to rise steadily after the war, and in the late 1960s was still rising steadily. Between 1951 and 1969, the number of married women in paid employment increased by more than 2 million. The fastest

Table 4.13. *Employed and unemployed population (Britain).*

<i>Working population (000s)</i>	<i>1951</i>	<i>1961</i>	<i>1969</i>
Males	15,798	16,366	16,191
Females (married)	3,194	4,448	5,371
Females (others)	4,247	3,958	3,645
Registered wholly unemployed (000s)	253	341	559
As % employees	1.2	1.5	2.4

SOURCES: *Social Trends*, No. 1, 1970, pp. 72 and 74.

increase has been among women aged 45-59, that is, among women whose children are no longer at school. Compared with earlier generations, the proportion of the population comprising middle-aged married couples without dependent children who are both earning a wage or salary is substantial. In this section of the population living standards have increased relatively.

Finally, there are two trends at either end of life. Partly because of the raising of the school-leaving age in 1944 and 1973, but also because of the continuing increase in the numbers of young people aged under 25 who are in full-time and part-time education, the number of employed people under 25 has been declining. Between 1961 and 1969, for example, the numbers of pupils at school aged 15-19 increased from 551,000 to 942,000, and the percentage of 17-year-olds at school from 12 to 19 per cent. By 1967-8, there were 520,000 students in higher education - nearly 100,000 more than only two years earlier.¹ At the other end of working life, the proportion of men remaining at work has been falling rapidly. As late as 1959, only 47 per cent of men retired at the age of 65, but by 1969 more than 70 per cent did so.²

Assets

The assets held by people can make a considerable difference to the standard of living implied by their incomes. Up to the mid 1930s, Campion and others had traced a reduction in the unequal distribution of property. Campion compared the periods 1911-13, 1926-8 and 1936 and, while calling attention to the inequality that remained, waxed enthusiastic about the diffusion of wealth, saying, for example, that because one third of the adult population possessed more than £100 each 'the

¹ *Social Trends*, No. 1, 1970, pp. 121 and 132.

² Department of Health and Social Security, Report by the Government Actuary on the Financial Provisions of the National Superannuation and Social Insurance Bill, 1969, Cmnd 4223, HMSO, London, p.21. See also Chapter 19.

ownership of property ... is widespread among different classes of the community'.¹ However, evidence about Post Office savings, home ownership and possession of durable goods showed that few working-class families had any property.² In 1952, the Oxford University Institute of Statistics carried out a national survey of personal holdings of liquid assets³ as well as of income. The most striking finding was that some 32 per cent of income units had no liquid assets at all; over half had less than £20. On the other hand, 'the top 10 per cent of liquid asset holders, who are those with more than £500 each, hold between them some three-quarters of the total'.⁴ This was the first reliable survey of the distribution of assets in Britain. Later surveys confirmed the broad findings and also showed that the skilled manual worker was in a less favourable position than even the least well-paid non-manual workers.⁵

The distribution of wealth appears to be more unequal in Britain than in the United States (Table 4.14), though the distribution of incomes appears to be more equal. Nearly half the spending units had less than £50 wealth in 1954, while only a quarter of American spending units had less than \$500. Among the American population, ownership of physical assets, such as homes, other real estate, farms and cars, is more widespread. A much larger proportion of middle- and low-income groups in the United States own their homes. But the difference between the two countries in the distribution of financial assets is much less marked. The percentage of the population owning some liquid assets, some corporate stock and life insurance policies, is only slightly larger in the United States than in Britain.

Can any exact account be given of changes in the distribution of personal wealth over the three decades? Unfortunately, regular surveys of the kind carried out in the early 1950s by the Oxford University Institute of Statistics have not been undertaken. In the absence of a wealth tax, the government itself has not collected information about the distribution of assets. But, traditionally, economists, statisticians and others have made aggregate estimates of the distribution. As discussed in Chapter 9, these estimates are based on a technique of inflating the statistics of estates left at death with a multiplier reflecting the mortality rates applicable to the deceased property-owners. Some post-war studies using

¹ Campion, H., *Public and Private Property in Great Britain*, Oxford University Press, 1939, p. 120.

² Runciman, W. G., *Relative Deprivation and Social Justice*, Routledge & Kegan Paul, London, 1966, pp. 75-6.

³ These assets included deposits in the Post Office Savings Bank, Trustee and other savings banks and joint-stock banks; Savings Certificates and Defence Bonds; and shares and deposits in building societies and cooperative societies.

⁴ Lydall, H. F., *British Incomes and Savings*, Blackwell, Oxford, 1955, p. 12.

⁵ Hill, T. P., 'Incomes Savings and Net Worth - the Savings Surveys of 1952-4', *Bulletin of the Oxford University Institute of Statistics*, XVII, 1955; Hill, T. P., and Straw, K. H., 'Consumers' Net Worth: the 1953 Savings Survey', *Bulletin of the Oxford University Institute of Statistics*, XVIII, 1956.

Table 4.14. *Distribution of spending units by comparable ranges of net worth, United States and Britain (percentage of spending units).*

Comparable ranges of net worth	United States 1953	Great Britain 1954
Negative	11	13
Zero	4	21
Under £50 (\$500)	10	14
£50 (\$500)	6	6
£100 (\$1,000)	10	8
£200 (\$2,000)	11	8
£400 (\$4,000)	8	5
£600 (\$6,000)	11	5
£1,000 (\$10,000)	15	8
£2,000 (\$20,000)	10	7
£5,000 (\$50,000)	4	5
Total	100	100

SOURCE: Lydall, H. F., and Lansing, J. B., 'A Comparison of the Distribution of Personal Income and Wealth in the United States and Great Britain', *American Economic Review*, March 1959.

this technique at first suggested that a reduction in inequality had taken place.¹ Estimates produced annually by the Board of Inland Revenue have also maintained this interpretation.²

However, there does not appear to have been a large reduction in the concentration of wealth. Figures were compiled by Revell on a broadly comparable basis for 1911-60 and have been widely quoted.³ For the three decades of our review. The percentages of total wealth owned by the top groups are:

1936-8 Share of top 1%: 56; 5%: 79; 10%: 88
 1954 Share of top 1%: 43; 5%: 71; 10%: 79
 1960 Share of top 1%: 42; 5%: 75; 10%: 83

¹ Langley, K. M., 'The Distribution of Private Capital 1950-51', *Bulletin of the Oxford University Institute of Statistics*, XVI, 1954; Lydall, H. F., and Tipping, D. G., 'The Distribution of Personal Wealth in Britain', *Bulletin of the Oxford University Institute of Statistics*, XXIII, 1961.

² See, for example, the Reports of the Commissioners of H M Inland Revenue, 1960-61 to 1967-8, plus *Inland Revenue Statistics*, 1970.

³ Revell, J., 'Changes in the Social Distribution of Property in Britain during the Twentieth Century', *Proceedings of the International Economic History Conference*, vol. 1, Munich, 1965. See also Revell, J., Hockley, G., and Moyle, J., *The Wealth of the Nation*, Cambridge University Press, 1967. Revell's estimates were quoted by the Royal Commission on the Distribution of Income and Wealth in their Report No. 1, *Initial Report on the Standing Reference*, Cmnd 6171, HMSO, London, 1975, p.97.

A measured and detailed review of trends between 1923 and 1972 by Atkinson and Harrison has led them to put forward amended estimates, which indicate 'a steady arithmetic downward trend of some 0.4 per cent per annum in the share of the top 1 per cent (with a once-for-all jump between 1959 and 1960), no apparent acceleration in the arithmetic rate of decline in the share of the top 1 per cent and no apparent downward trend in the share of the next 4 per cent (but a jump upwards between 1938 and 1950, and a jump downwards between 1959 and 1960)'.¹ However, they emphasize that attempts to produce a consistent series over a long span of years have to be treated with as much caution as estimates of the concentration of wealth in any particular year. A review of Inland Revenue estimates for the 1960s also warns against uncritical acceptance of the apparent trend.² The estimates made on the basis of estate duty paid in any particular year are sensitive to chance variations, so that small changes from year to year cannot be treated as very significant. The estimates are also defective in excluding small estates for which probate is not required, pension rights and annuities and property held in trust. Conclusions about trends therefore have to be strongly qualified. One of the major shortcomings of statistical series on living standards is the lack of any routine collection of data on assets.³

All those undertaking reviews of trends have shown the continuing high concentration of wealth in Britain compared with other countries, and this has attracted much comment.⁴

Taxation

Taxation has a major influence on the actual dispersion of incomes available for spending. During the war new taxes and higher rates of existing taxes were introduced. Taxation undoubtedly played a major part in reducing the differentials between income levels during this period. Although there is a large literature on the

¹ Atkinson, A. B., and Harrison, A. J., *Distribution of Personal Wealth in Britain*, Cambridge University Press, 1978, p. 170.

² Meacher, M., 'Wealth: Labour's Achilles Heel', in Bosanquet, N., and Townsend, P., *Labour and Inequality*, Fabian Society, London, 1971.

³ The problems of estimating the distribution of wealth, and the need to distinguish between accumulated and inherited wealth, are discussed in Atkinson, A. B., *Unequal Shares - the Distribution of Wealth in Britain*, Penguin Books, Harmondsworth, 1972. The Royal Commission on the Distribution of Income and Wealth has endorsed the value of specially organized surveys - but has not, at the time of writing, put one in hand. See Royal Commission on the Distribution of Income and Wealth, Report No. 1, *Initial Report on the Standing Reference*, p.160.

⁴ Estimates of the share of the top 1 per cent in the United States are only a little over half the British figures. See, for example, Lampman, R. J., 'The Share of Top Wealth-Holders in National Wealth 1922-1956', *Review of Economic Statistics*, 1959. 'It seems likely that Britain has the doubtful distinction of leading the international inequality league' - Atkinson, A. B., 'The Reform of Wealth Taxes in Britain', *Political Quarterly*, January 1971.

relationship between taxation and changes in real *aggregate* incomes, there is not very much useful information on the precise redistributive effect of changes in taxation between 1938 and 1968. In relation to some other countries, the overall tax 'burden' cannot be regarded as excessive. Table 4.15 gives a summary of the scale and structure of taxation in five countries, including social security contributions as a 'tax'. Too much should not be read into the differences. For example, West Germany raises more money than does Britain in taxes as a percentage of GNP. One major reason is that, in financing capital expenditure, Germany uses taxes while the United Kingdom tends to borrow. Taxation needs to be considered in relation to the institutional structure as well as the financial policy of each. Britain differs primarily from several European countries in obtaining less tax through employers' social security contributions and more from direct personal taxes. An attempt to compare the overall effects of taxation in the United States, West Germany and Britain shows, first, 'the similarity in the level of tax rates for positive tax payers'; secondly, 'the tendency for taxes to be proportional to income for positive tax payers' (rather than progressive); and thirdly, that, taking both government cash transfer expenditures and taxes into account, income is redistributed via the government to a larger proportion of the population of Britain than of the other two countries.¹

Some cautious attempts have been made by J. L. Nicholson and by the Central Statistical Office to estimate from the Family Expenditure Survey the incidence of taxes and social service benefits on households of different size and in different income ranges.² One conclusion that can be drawn from the published data is that, for each type of family for which there are sufficient data (with one, two, three and four children), the poorer families tend to pay as high a proportion of their original incomes in all kinds of taxes as more prosperous families. In some groups, the poorer families pay a higher proportion in taxes. There was little change in the pattern for the period 1961-8.³ During the 1960s, real incomes increased and the proportion of incomes taken in tax also increased. But the poorest among families with one child, two children and three children retained proportionately less of their original incomes in 1968 than they did in 1961. The poorest households with three adults and two children also lost ground. Those with three adults and one child and two adults and four children just about held their 1961 relativities to original income. In 1968 there was even little difference in the proportion of original income paid in tax by families of different size, being 34 per cent on average for one-child

¹ Brown, C. V., and Dawson, D. A., *Personal Taxation, Incentives and Tax Reform*, Political and Economic Planning, London, January 1969, pp. 16-33.

² Nicholson, J. L., *Redistribution of Income in the United Kingdom in 1959, 1957 and 1953*, Bowes & Bowes, London, 1965; *Economic Trends*, November 1962, February 1964, August 1966, February 1968, 1969, 1970, 1971, 1972, November 1972 and 1973, December 1974 and January 1976.

³ *Economic Trends*, July 1968, p. xxviii, and February 1970, p. xix.

Table 4.15. *The level and structure of taxation in five countries.*

Country	Years	Tax receipts as %GNP	Selected taxes as %personal primary income	
			Personal income tax	Socialsecurity contributions
United Kingdom	1959-61	28.1	10.6	5.0
	1962-4	29.1	11.3	5.7
	1965-6	30.6	12.8	6.4
West Germany	1959-61	34.0	9.5	13.6
	1962-4	35.2	11.4	13.8
	1965-6	34.6	10.5	13.1
United States	1959-61	27.0	11.4	5.1
	1962-4	27.6	12.6	5.7
	1965-6	27.7	12.3	6.1
France	1959-61	34.5	5.4	16.3
	1962-4	36.5	5.5	18.3
	1965-6	38.4	6.3	19.7
Sweden	1959-61	31.6	18.6	4.7
	1962-4	35.9	19.6	6.9
	1965-6	40.0	24.4	8.6

SOURCE: UN and OECD sources cited in Tables 4 and 6 in Brown, C. V., and Dawson, D. A., *Personal Taxation, Incentives and Tax Reform*, Political and Economic Planning, London, January 1969.

families and 33 per cent, 32 per cent and 33 per cent respectively for two-, three- and four-child families.¹ Certainly on the available evidence Britain does not have a system of taxation which can be said to be 'progressive'.² The progressive element in direct taxation might be said to have been counter-balanced by regressive elements - such as national insurance contributions, domestic rates and tobacco taxes; and the progressivity' of direct taxes has diminished with the fall in the tax threshold and the abolition of the reduced rates of tax.

Secondly, the proportion of original income paid in taxes does not decrease substantially within particular income ranges with each additional dependant. For example, among households with an income of £817 to £987 per annum, single-person households (not pensioner households) paid 37 per cent in taxes in 1966. Yet

¹ *Economic Trends*, February 1970, p. xix.

² Even the official conclusion that all taxes combined are only mildly progressive' plainly is not true for some types of household and is not consistent for all others. See *Economic Trends*, February 1970, pp. xxvii and xix.

households consisting of two adults and of two adults and one child paid about the same proportion as this (in fact 36 per cent and 38 per cent respectively), and households with two adults and either two or three children paid 32 per cent and 31 per cent respectively. To put the same statistic into alternative form, a man and wife with three children whose income was around £19 a week in 1966 were paying only £1 less a week in total taxes than a single person or two adults of under pensionable age without dependants who were in the same income range (paying £6 per week, compared with £7).¹ Although family allowances were raised in 1968, the data for that year show much the same thing. Families with four children, for example, paid £7 per week compared with £8.50 by single adults from the same income or around £22 (original income plus cash benefits).²

In the early 1970s the government substituted earnings-related for flat-rate social security contributions. This suggested that the total system of taxation might become a little more progressive, but the evidence for the early 1970s from the F E S does not confirm this possibility.³ The low level of earnings on which contributions have to be paid and the ceiling on graduated contributions have limited the potentially egalitarian effect of the change. Although it would be wrong to come to a hard-and-fast conclusion without further evidence from a special survey (especially one where incomes could be checked with Inland Revenue data and information obtained about resources other than income), it seems that the tax system is barely, if at all, redistributive. The system contributes hardly at all to a more egalitarian structure of incomes, if taxes of all kinds are compared with original incomes plus cash benefits.⁴ Other analysts have gone even further and have denied that taxes redistribute income from the rich to the poor.⁵

Fiscal Welfare

Just as the amounts of taxes actually paid by different income groups and families provide one test of the functions of the tax system, so the differential allocation of tax allowances provides another. Tax allowances for dependants were first

¹ *Economic Trends*, July 1968, pp. xxviii, xxxii-xxxvi.

² The subsequent report of February 1970 which describes the 1968 survey does not contain data comparable with that of July 1968. See *Economic Trends*, February 1970, pp. xxviii-xxix.

³ For households with children, those with the smallest incomes pay about the same percentage of original income and in some cases a higher percentage of original income than those with higher incomes. See *Economic Trends*, December 1974, p. xxv.

⁴ Nicholson, J. L., 'The Distribution and Redistribution of Income in the United Kingdom', in Wedderburn, D. (ed.), *Poverty, Inequality and Class Structure*, Cambridge University Press, 1974, p. 80.

⁵ Field, F., Meacher, M., and Pond, C., *To Him Who Hath*, Penguin Books, Harmondsworth, 1977, pp. 238-40, but also see pp. 172-9.

introduced by Lloyd George early in this century. During the past sixty years there have been gradual extensions of the scope and amounts of these allowances. Today fiscal welfare is a major means of effecting a redistribution of resources. Two matters need to be established. The first is that tax allowances benefit high- rather than low-income recipients. In a memorandum to the prime minister at the end of 1965, the Child Poverty Action Group gave examples of the combined value of family allowances and tax allowances for children to families with different incomes and numbers of children. Family allowances were being paid at a flat rate to the second and subsequent children in families. Table 4.16 shows that the combined value was then three times as large for a family of three with £30 per week as it was for a similar family with £10 per week.

Table 4.16. *Combined value of family allowances and tax allowance for children, according to earned income and number of children (1965).*

Number of children	Annual value of combined allowances with earned weekly income of						Family allowances	
	£10		£18		£30		£	p
	£	p	£	p	£	p		
1	12	40	44	17½	47	44	-	
2	33	20	94	97½	109	49	20	80
3	59	20	147	05	174	26	46	80
4	85	20	188	27½	239	45	72	80
5	111	20	214	27½	304	64	98	80
6	137	20	240	27½	367	24	124	80

SOURCE: Child Poverty Action Group, *Memorandum to the Prime Minister*, 1965 (reprinted in *Poverty*, No. 2, 1966).

Secondly, the relationship between direct payments and tax allowances has changed. For Britain the rates for tax allowances and family allowances are given in the table. After being introduced in 1946 and raised slightly in 1952 and then in 1956, family allowances were not raised again until 1968. Between 1957-8 and 1967-8, the cost of family allowances increased from £128 million to £160 million, but the value to families of tax allowances rose from £230 million to £630 million. In 1968, tax allowances were reduced to pay in part for increased family allowances, and, despite inflation, were not again raised until 1971.¹

Among other tax allowances which were of substantial value to some families were allowances on mortgage interest paid by owner-occupiers. Between 1964-5 and 1969-70, the total value to owner-occupiers of such allowances increased from

¹ For a detailed account of the government's policy, see Lynes, T., 'Clawback', in Bull, D. (ed.), *Family Poverty*, Duckworth, London, 1971.

£90 million to £215 million.¹ These allowances are now officially recognized to be a form of housing subsidy.²

Finally, exemption of many forms of income from tax represents a kind of 'allowance', and changes in both the amounts and kind of income that are exempt, such as imputed rent on owner-occupied houses, capital gains and contributions to pension funds, can seriously influence the final 'dispersion' of living standards.

Employer Welfare

One marked change since 1938 has been the rapid development of employer welfare. Of course, people in certain occupations had received fringe benefits for many years. Some were manual workers. Miners received free coal, railwaymen free travel and domestic servants board and lodgings. But non-manual workers were the principal beneficiaries. In the 1950s, Richard Titmuss called attention to the rapid expansion of employer schemes for lunch expenses, subsidized housing, education, free travel and entertainment.³ In 1952, Lydall found that 27 per cent of employees were contributing to occupational pension schemes, but while this figure covered 21 per cent of manual employees, it covered 40 per cent of non-manual employees, including well over half of professional and administrative staff.⁴ To these totals should be added members of non-contributory schemes. For 1956-7, Titmuss reported that about 86 per cent of salaried staffs in the private sector belonged to some kind of occupational pension scheme compared with 20 per cent of wage-earners.⁵ Some industries have continued to provide few benefits for manual workers. Even by 1970, fewer than a third of the men employed full time in the laundry and dry-cleaning industry, for example, were entitled to any form of pension.⁶

The proportion of old people actually receiving occupational pensions is fairly low. A government survey found that, in 1965, there were 48 per cent of men, 24 per cent of women on their own insurance, and only 11 per cent of widows. Even among people aged 65-9, the figures were only 58, 24 and 17 per cent respectively. Many of the amounts of pension were also very small. Forty-five per cent of men, 32 per cent of women on their own insurance and 61 per cent of the widows actually getting pensions were receiving under £2 per week, many of them under £1. More disturbing still, the average pension for former manual workers was only one third

¹ *Hansard*, 2 March 1970.

² See, for example, the inclusion of both housing subsidies and the value of tax relief on mortgages in *Social Trends*, No. 1, 1970, Table 100.

³ Titmuss, R. M., *Essays on the Welfare State*, Allen & Unwin, London, 1958, Chapter 3.

⁴ Lydall, H. F., *British Incomes and Savings*, Blackwell, Oxford, 1955, p. 117.

⁵ Titmuss, R. M., *Income Distribution and Social Change*, Allen & Unwin, London, 1962, p.155.

⁶ Report No. 169, General Problems of Low Pay, p. 76.

of the average for former non-manual workers, being £225 for men and £1.75 for women.¹

Schemes covering pay during sickness multiplied after the end of the Second World War. One for local-authority administrative, professional and technical workers was introduced in 1946, and for manual employees two years later. A number of schemes for the white-collar staff of the nationalized industries were started in this period, and between 1956 and 1958 modest schemes were started for railway and other transport workers and for mineworkers. By 1961, nearly all of the manual workers in the public sector (2½ million) but only about a third in the private sector (4½ million among 13½ million) were estimated to be covered by sick-pay schemes. Altogether 90 per cent of men in white-collar occupations but only about two fifths of manual workers were covered.²

However, the cover varied. First, nearly 40 per cent of men in unskilled and semi-skilled occupations who were covered by sick-pay schemes had to wait before payment could begin (usually three to six days), whereas only 4 per cent of professional and managerial staff had to wait. Secondly, 72 per cent of the unskilled could receive sick pay for only a limited number of weeks, some up to four weeks, but others up to thirteen weeks, compared with only 12 per cent of professional and managerial staff being paid for that period. Finally, although 69 per cent of men covered by schemes received full pay, or full pay less national insurance benefit, during the appropriate period, the figure varied from over 90 per cent for professional workers, administrators and managers to below 20 per cent for some groups of manual workers, for example, mineworkers who received flat-rate amounts of between £1 and £2 only.³

The evidence published up to the end of the 1960s suggested that, on the whole, fringe benefits reinforced rather than compensated for existing inequalities. They reflected the distribution of earnings, even within manual grades.⁴ The study of three low-paid industries by the National Board for Prices and Incomes found 'no evidence from our survey to contradict this view'.⁵

¹ Occupational Pensions - Memorandum by the Government Actuary's Department in Ministry of Pensions and National Insurance', *Financial Circumstances of Retirement Pensioners*, HMSO, London, 1966, pp. 153-63.

² Ministry of Labour, *Sick Pay Schemes*, Report of a Committee of the National Joint Advisory Council on Occupational Sick Pay Schemes, HMSO, London, 1964, pp. 5,10 and 51. Also see Ministry of Pensions and National Insurance, Report on an Enquiry into the Incidence of Incapacity for Work, HMSO, London, 1964.

³ *ibid.*, pp. xxv-xxvii and pp. 44-51.

⁴ Reid, G. L., and Robertson, D. J., *Fringe Benefits, Labour Costs and Social Security*, Allen & Unwin, London, 1965.

⁵ Among full-time and part-time male employees and full-time female employees, sick-pay and pension schemes were positively related to the size of gross weekly earnings within each industry. See Report No. 169, *General Problems of Low Pay*, p. 50.

Public Social Services

The public social services have been regarded traditionally as modifying the inequalities of the private market. Certainly there is a widespread assumption that there is through them a substantial transfer of income vertically from rich to poor. However, a number of studies called attention first to the fact that much of the redistribution was 'horizontal' in different senses - from young to elderly working class, from employed to unemployed or to sick working class and even (in the case of residential care) from the married to the single. Secondly, some scholars have increasingly called attention to the need to look more broadly at the policies of the state, at the ways in which publicly subsidized and managed transport services 'support' the operation of private industry, for example, and not only at fiscal and employer welfare policies, in order to comprehend 'social' redistribution in the fullest sense. Here, attention will be confined to the 'public' social services, namely those which are conventionally defined or treated¹ by the government as social services - health, education, social security, welfare and housing. During recent years certain studies have begun to question whether some parts of these services are even mildly redistributive.² One of the paradoxical facts about their growth is that they have fostered a form of inequality, in that well-paid professional posts have been created on a large scale.

The public social services grew substantially between 1938 and 1968. In 1938 their cost was a little under 11 per cent of the Gross National Product of the United Kingdom (Table 4.17). By 1947, the figure had increased to nearly 13 per cent. Because of the big fall in unemployment, the total sums paid to the unemployed and their families had been reduced but the number of young children and old people had increased disproportionately. Family allowances and bigger pensions had been introduced. The war-time subsidies for school meals, welfare milk and foods were being maintained and a major housing programme had been launched to make good the destruction and lack of building in the war. By 1951, the cost of the social services reached 16 per cent of GNP, mainly because of the transfer in 1948 of health expenditure from the private to the public sector and the start of the National

¹ Strictly, housing is not included in the definition of social services as published in the May issue of the *Monthly Digest of Statistics* and incorporated in the annual *National Income and Expenditure* Blue Book and the Annual Abstract of Statistics. It seems often to be treated as a 'borderline' category, e.g. *Social Trends*, No. 1, 1970, Table 2; and local authority housing subsidies are counted as 'indirect' social service benefits in *Economic Trends*. Social scientists are, however, increasingly treating the social services as also including voluntary and private or occupational education, health, insurance and other services, including purchases of services from the public sector by way of charges and services subsidized directly (e.g. payments to voluntary organizations) or indirectly (employer fringe benefits allowed against tax) by the state. There are also fringe benefits for public service employees.

² See Webb, A. L., and Sieve, J. E. B., *Income Distribution and the Welfare State*, Bell, London, 1971, esp. Chapter 7.

Table 4.17. *Expenditure of social services as percentage of Gross National Product (UK 1938-69).*

<i>Social service</i>	<i>1938</i>	<i>1951</i>	<i>1959</i>	<i>1969</i>	<i>1969</i> (£ mil.)
Education	2.4	3.1	4.0	6.0	2,328
National Health Service	1.4	3.8	3.7	4.7	1,813
Housing	1.4	3.1	2.0	2.9	1,118
Social security	5.4	6.0	7.1	9.6	3,723
Welfare and child care	0.1	0.24	0.25	0.42	163
All social services	10.7	16.2	17.1	23.7	9,145
Current expenditure on goods and services	3.9	6.6	7.2	9.7	3,754
Capital expenditure	1.4	3.3	2.3	3.6	1,388
Transfer income	5.3	6.3	7.5	10.4	4,003

SOURCES: Estimates based on *National Income and Expenditure*, HMSO, London, 1970; *Social Trends*, No. 1, 1970; PEP, *The Cost of the Social Services, 1938-1952*, Planning No. 354, June 1953, and information supplied additionally by the Treasury and the Central Statistical Office.

Health Service.¹ The nature and scale of this transfer had not been fully understood and there was considerable, though unnecessary, public alarm over the cost of the National Health Service which led to restrictions on expenditure during the mid 1950s. Neither the Report of the Guillebaud Committee on the costs of the service nor the news of bigger proportionate spending on health services by other countries lifted these restraints. By 1959, expenditure on the social services grew to only 17 per cent, but in the next ten years increased to a total of nearly 24 per cent. A large part of the total does not, of course, represent a direct use of resources, and the total is reduced to about 13 per cent if transfer incomes are excluded.²

The rise from 17 per cent to 24 per cent of GNP during the period 1959-69 in fact represents only a small improvement for the lowest income groups. Of the extra 7 per cent of GNP, nearly 1 per cent is attributable to more pupils of 15 years of age and over staying on at school and more students entering further and higher education. The main beneficiaries of this increase are middle-income families. Perhaps as much as 3.5 per cent of the increase is attributable to demographic change, including about 2 per cent for the rise in number of social security

¹ Estimates of costs before and after the war are made in Political and Economic Planning, *The Cost of the Social Services, 1938-1952*, Planning No. 354, June 1953.

² For the purposes of examining trends historically and cross-nationally, there are advantages in comparing all forms of public expenditure on the social services with GNP. Several UN agencies, including the International Labour Office, follow this convention.

allowances (mainly retirement pensions and family allowances) in payment, but also more housing, home help and welfare services for the larger numbers of children and old people. The residue represents a number of improvements - an increase in hospital and school staffing ratios, the modernization of parts of the capital stock of health, education and welfare services, and a slight relative increase in the rates of benefit paid to some groups living on social security. However, the same period saw the emergence of new problems and the growth of old ones - such as racial disturbances, environmental planning, the social problems of motorway planning and high flats and new forms of homelessness and isolation.

The rate of growth of expenditure on the social services is faster than that of the economy as a whole, but this is a common phenomenon in industrial societies. In the United Kingdom the rate seems to be lower than some other countries. In the early and mid 1960s, expenditure, excluding education and housing, grew faster in Austria, Belgium, Czechoslovakia, France, Italy, Japan, the Netherlands, Sweden and New Zealand than in the United Kingdom.¹ Expenditure on education was higher, as a percentage of GNP, in eleven countries in 1955 and higher in thirteen countries in 1965, than in the United Kingdom.² During the 1950s, the rate of growth in the United Kingdom was a little over 3 per cent, but in the 1960s fluctuated around 5 per cent (Table 4.18). However, much of the increase was attributable to sporadic increases in expenditure on housing, particularly in the mid 1960s.³ The rates for different services partly reflect economic vicissitudes, especially when capital expenditure represents a large proportion of the total. But current expenditure can also be affected. Part of the increase in national spending in the late 1960s is attributable to the marked rise in expenditure on unemployment benefit.

Increased expenditure on public social services may arise because of an increase in the numbers in the population who are made redundant, or retired though still physically active and willing to work; higher unit costs in surgery and acute medicine, at the expense of the care of the chronic sick; and an increase in the proportion of young people, particularly of those from middle-income families, who

¹ International Labour Office, *The Cost of Social Security, 1964-1966*, Geneva, 1971; Wedel, J., 'Social Security and Economic Integration - II', *International Labour Review*, December 1970.

² Debeauvais, M., *et al.*, *Comparative Study of Education Expenditure and its Trends in OECD Countries since 1950*, Background Study No. 2, Conference on Policies for Educational Growth, OECD, 1970. See also Edding, F., 'Expenditure on Education: Statistics and Comments', in Robinson, E. A. G., and Vaizey, J. E. (eds.), *The Economics of Education*, Macmillan, London, 1966.

³ For a discussion of the rate of growth of public expenditure, see Dolmans, A. E., 'The Growth of Public Expenditure in the United Kingdom since 1950', *Manchester School of Economic and Social Studies*, December 1968.

Table 4.18. Annual percentage rate of increase in public expenditure (current and capital) at constant prices.^a

<i>Social service</i>	<i>1951-9</i>	<i>1959-64</i>	<i>1964-9</i>
Education	4.9	5.9	4.7
National Health Service	1.9	3.2	3.3
Housing	-2.3	10.3	2.9
Social security	5.4	4.9	6.5
Welfare and child care	2.7	7.4	5.6
All social services	3.3	5.5	4.9
Social services less housing	4.3	4.8	5.3

NOTE: ^aIncluding subsidies for school meals, milk and welfare foods.

SOURCES: Estimates based on *National Income and Expenditure*, HMSO, London, 1970; *Social Trends*, No. 1, 1970; PEP, *The Cost of the Social Services, 1938-1952*, Planning No. 354, June 1953; and information supplied additionally by the Treasury and the Central Statistical Office. Method of revaluation based on official indices.

enter the sixth forms of schools and colleges and universities. Certainly, compared with 1938, the functions of the public social services can be said to have diversified and become more complex. They involve very much more than the protection and subsidy of the lower income groups.

Some, but only limited information, is available about the distribution by value of the social services. The Central Statistical Office periodically reviews the relationship between incomes, taxes and social services, using the data from the Family Expenditure Survey. Table 4.19 summarizes the data for the period 1961-8. These show first that, as a proportion of original income plus cash benefits, total benefits gradually increased during the seven years; and second that total benefits form a much smaller proportion of the incomes of the high-income than of the low-income groups. On these data, the social services make a big contribution to the equalization of standards of living. The use of fixed-income groups by the CSO, however, makes comparison over the years difficult.

There are two major reservations to the figures in Table 4.19. First, a few high-income groups benefit more in *absolute* money value from the public social services than do low-income groups, and all of them benefit more from certain services. Thus, allowing for fluctuations because of sample numbers, Table 4.20 shows that, for several types of family, the middle- and high-income groups receive broadly as much in total benefits as low-income groups, sometimes more. An exception is the one-child family. While cash benefits tend to decline with income, direct benefits (which include the value of secondary and university education) tend to increase. It should also be recognized that the estimates of the benefits received by different families are, for education and health, for example, based on crude averages rather

Table 4.19. *Total social service benefits as a percentage of original incomes plus cash benefits (1961-8).*

Range of original income £per year	Two adults and two children			All households		
	1961	1965	1968	1961	1965	1968
260-				52	55	72
315-				40	49	67
382-				36	51	59
460-	31			29	39	48
559-	28	41		23	38	44
676-	23	34	42	21	27	34
816-	19	24	32	17	24	29
988 -	17	18	25	14	18	23
1,196	16	18	20	12	15	20
1,448	12	15	17	10	13	16
1,752	9	15	15	8	11	13
2,122		10	12	6	10	12
2,566			12	5	8	10
3,104			8	3	6	8
Average all ranges	18	19	18	17	19	20

SOURCE: *Economic Trends*, February 1970, p. xxxix.

than upon services actually used. Although low-income groups tend to need more medical consultations than high-income groups, the latter may use the more expensive sectors of both the health and education services relatively more heavily than the former.

Secondly, certain kinds of benefit which are of proportionately greater value to high-income than to low-income groups are not included in the Central Statistical Office's definition of social service benefits. Thus, subsidies to council housing are counted as indirect benefits in Table 4.20 (defined for each local-authority dwelling as the excess of the estimated economic rent over the actual rent paid by the tenant). But subsidies to owner-occupiers, in the form of tax reliefs on mortgage interest, averaging about £42 per annum in 1968, are not counted.¹ Similarly, the value to families of tax allowances for children is not counted, although the statistical

¹ The benefit is, of course, included in total income, after all taxes and benefits, and unlike council-housing subsidies, is not counted in the value of the social services.

Table 4.20. Average value in pounds per annum of social services to different types of household in selected income groups (1968).

Type of family		Range of original incomes (£ per year)		
		816- 987	1,448- 1,751	3,104 and above
2 adults, 1 child	<i>Benefits</i>			
	Direct : cash	80	19	11
	Direct: in kind	155	140	157
	Indirect (council housing)	15	5	-2
	All	250	164	166
2 adults, 2 children	Direct : cash	116	50	48
	Direct: in kind	207	229	288
	Indirect	7	7	-
	All	330	286	336
2 adults, 3 children	Direct: cash	107	85	80
	Direct: in kind	318	335	377
	Indirect	15	5	-
	All	440	425	457
2 adults, 4 children	Direct: cash	211	136	
	Direct: in kind	455	469	
	Indirect	-1	20	
	All	665	625	
3 adults, 1 child	Direct: cash		116	39
	Direct: in kind		240	468
	Indirect		24	10
	All		380	517
3 adults, 2 children	Direct : cash		86	189
	Direct: in kind		350	430
	Indirect		8	5
	All		444	624

SOURCE: *Economic Trends*, February 1970, pp. xxix and xxx.

departments of some other countries now treat this as part of social security expenditure.¹ If the value of fiscal welfare were to be included in the total estimated benefits of the social services, the absolute and relative figures in Tables 4.19 and 4.20 for the middle- and high-income groups would be much larger.²

Poverty

Throughout this chapter the true living standards of the poorest sections of the population have remained shadowy. What can in fact be said about trends in the distribution of incomes at the lowest ranges? Before the Second World War there were a number of surveys of poverty in particular areas, based on the costs, for families of different composition, of attaining a defined level of subsistence. Table 4.21 shows the percentage of working-class households found to be in poverty. It should be noted that, although the operational definition of the 'poverty line' which was applied to household incomes was similar in broad principle in each of the studies, it differed in detail. The poverty line was fixed at a slightly more generous level in Seebohm Rowntree's survey of York in 1936 than in other surveys carried out in the late 1930s.

Only one survey of a similar kind was carried out after 1945, that by Rowntree and Lavers in York in 1950.³ This survey was limited in conception and the report left many questions unanswered.⁴ The number of people in poverty in York was found to be 1.7 per cent (or 2.8 per cent of working class) compared with 18 per cent in 1936.⁵ A secondary analysis of the Family Expenditure Survey data for 1953-4 produced an estimate of 5.4 per cent of all households in the United Kingdom and 4.1 per cent of people living in poverty in that year, according to the Rowntree-Lavers standard. Another 4.5 per cent of households (4 per cent of people) had incomes of less than 20 per cent above this standard.⁶

By this standard, poverty seemed to have been reduced between the 1930s and the early 1950s. But although Rowntree had redefined his poverty line at a higher real level, in purchasing terms, than in 1936, he had not raised it by as much as increases in earnings.⁷ It was inevitable that he should have found a much smaller proportion of the population in poverty. Moreover, it could be argued in detail that the standard

¹ *Social Security in the Nordic Countries*, Statistical Reports on the Nordic Countries, 16, Copenhagen, 1970, e.g. pp. 16-17 and 46-7.

² Some other benefits, such as improvement grants, are also not allocated.

³ Rowntree, B. S., and Lavers, G. R., *Poverty and the Welfare State: A Third Social Survey of York Dealing Only with Economic Questions*, Longmans, Green, London, 1951.

⁴ See PEP, *Poverty: Ten Years After Beveridge*, Planning, XIX, No. 344, 1952.

⁵ Rowntree, and Lavers, *Poverty and the Welfare State*, p. 30.

⁶ Abel-Smith, B., and Townsend, P., *The Poor and the Poorest*, Bell, London, 1965, p. 36.

⁷ For a family of five, the poverty standard was in 1936 about 69 per cent and in 1950 60 per cent of average industrial earnings. See *ibid.*, p. 16.

reflected an out-dated conception of needs in modern society. It tended, in practice, to be a fixed historical standard which was ludicrously generous from the viewpoint of, say, Britain in the nineteenth century¹ or India in the twentieth century. Or it could be near destitution from the viewpoint of Britain in the 1970s or of the United States in the 1950s. The same point has been made at length about the Social Security Administration measures of poverty in the United States.²

None the less it can be estimated that, even if Rowntree's 1950 definition had fully reflected increases in earnings between 1936 and 1950, he would have found a diminution of poverty - from 18 per cent to probably between 6 per cent and 10 per cent. Unemployment had fallen drastically, family allowances and a more comprehensive social insurance scheme, especially for retirement pensioners, had been introduced; and welfare foods and subsidies played a much more important part in buttressing the living standards of the poor, especially families with children.

Society itself had, in practice, adopted a standard of poverty for its social security schemes. Ironically enough, this had been based on the principles of inquiry used formerly by Rowntree himself. Beveridge had defined a subsistence standard which was subsequently used in deciding social insurance benefits (though at a lower level) and national assistance benefits.³ The basic scales, which were raised from time to time with movements in prices and earnings, offered a means of tracing changes in the prevalence of poverty. If the scales were regularly applied in field surveys of household income, the numbers and types of families in poverty according to conventional standards could be established. In fact, the data from the Family Expenditure Survey of 1953-4 and 1960 were adapted for this purpose, and the results are shown in Table 4.21. A standard of about 40 per cent higher than the basic scale rates of national assistance (allowing for income which is disregarded as well as discretionary additions to basic rates) was found broadly to represent the actual living standards experienced by recipients of national assistance. As can be seen from the tables, the proportion of the population living below this standard increased from 7.8 per cent in 1953-4 to 14.2 per cent in 1960. However, these findings are not directly comparable because one is on an expenditure basis and the other on an income basis. Allowing for this, the authors conclude cautiously that about a third of the difference between the two figures may not be real, and therefore that, to be comparable with the figure for 1953-4, the figure for 1960 would have to

¹ Rowntree himself showed that if he had used the standard adopted in his first study in York in 1899, he would have found only 4 per cent, and not 18 per cent, in poverty in 1936. See Rowntree, *Poverty and Progress*.

² Ormati, O., *Poverty and Affluence*, The Twentieth Century Fund, New York, 1966, pp. 27-33.

³ *Social Insurance and Allied Services* (The Beveridge Report), Cmd 6404, HMSO, London, 1942, pp. 76-90.

Table 4.21. Percentages of households and people, and estimated total population with low levels of living (1953-4 and 1960).

<i>Total expenditure (1953-4) or income (1960) as % of basic national assistance scale plus rent/housing costs</i>	<i>Percentage of households</i>		<i>Percentage of persons</i>		<i>Estimated population in United Kingdom (000s)</i>	
	<i>1953-4</i>	<i>1960</i>	<i>1953-4</i>	<i>1960</i>	<i>1953-4</i>	<i>1960</i>
Under 80	0.5	1.3	0.3	0.9	152	471
80-99	1.6	3.4	0.9	2.9	455	1,519
100-109	1.9	4.7	1.4	2.8	709	1,467
110-19	1.7	3.1	1.4	2.4	709	1,257
120-39	4.4	5.5	3.8	5.2	1,923	2,724
140 and over	89.9	82.1	92.2	85.5	46,663	44,945
Total	100.0	100.0	100.0	100.0	50,611	52,383

SOURCE: Abel-Smith, B., and Townsend, P., *The Poor and the Poorest*, Bell, London, 1965, p. 58.

be reduced to about 12 per cent. A further difference of 2 per cent is attributable to differences in the samples surveyed.¹

There is therefore evidence of some increase in the prevalence of poverty as conventionally defined in the 1950s. To a certain extent this is explained by demographic factors. The number of aged and of families with four or more children increased disproportionately.² But changes in the distribution and weight of particular forms of income are of probably greater importance. Property income and gains increased disproportionately to other forms of income, salaries moved faster than wages, and tax changes (including the extension of tax allowances) improved the net position of middle- and upper-income groups relative to lower-income groups. Most important of all, the family allowance for the second child remained at 8s. between 1953 and 1960, and the allowance for third and subsequent children increased from 8s. to only 10s., or by 25 per cent, in a period when average money

¹ On an expenditure basis, the percentage in poverty increased from 8 to 12 per cent and on an income basis from 9 or 10 to 14 per cent. However, about half the increase is attributable to improvements in the representation of the aged and national assistance recipients in the sample surveyed by the government.

² Between 1953 and 1960, the proportion of the population in the United Kingdom which was aged 65 and over increased from 11.1 to 11.7 per cent. The number of families with four dependent children increased by about 20 per cent, five children by 26 per cent and 6 or more children by 45 per cent. See Abel-Smith and Townsend, *The Poor and the Poorest*, pp. 60-61.

incomes increased by over 50 per cent. This was a crucial factor in contributing to the widening of the gap in incomes between poor families with children and others.

In 1960, 35 per cent of the people in low-income households were older people with pensions as their main source of income. Another 23 per cent depended primarily on state social-security benefits other than pensions, but 41 per cent were M households in which incomes consisted primarily of earnings. The extent of poverty varied with size of household, as Table 4.22 shows. The highest prevalence of poverty was, in fact, to be found among women pensioners living alone, fatherless

Table 4.22. Percentages of households of different size with low levels of living (1953-4 and 1960).

<i>Number of persons in household</i>	<i>1953-4 (low expenditure)</i>	<i>1960 (low income)</i>
1	38.6	52.1
2	9.6	18.2
3	4.9	7.5
4	4.6	6.4
5	5.4	10.0
6+	11.5	25.2
All sizes	10.1	17.9

SOURCE: As for Table 4.21.

families and families with four or more children. Of the 71 million people estimated to be living in households with low incomes in 1960, about 3 million were over the minimum pensionable ages and about 21 million were children. Altogether about 2¼ million had incomes of less than the basic national assistance scales, including about a million of pensionable age and 600,000 children. The million people of pensionable age and about half the remaining million seemed to have a *prima facie* entitlement to supplementary national assistance.¹

During the 1950s and early 1960s, the existence of a large proportion of old people living in poverty, about one million of whom seemed to be eligible to receive supplementary national assistance, was only gradually established.² Well over half the total of 6 million people aged 65 or more in 1962 had subsistence incomes

¹ Abel-Smith and Townsend, *The Poor and the Poorest*, Chapter 4 *passim*, and pp. 61-7.

² The following three studies all estimated the numbers of the elderly eligible for, but not receiving, supplementary national assistance at between half a million and a million: Cole Wedderburn, D., with Utting, J., *The Economic Circumstances of Old People*, Codicote, Welwyn, 1962; Report of the Committee of Inquiry into the Impact of Rates on Households (The Allen Report), Cmnd 2582, HMSO, London, 1965, p. 117; Townsend, P., and Wedderburn, D., *The Aged in the Welfare State*, Bell, London, 1965, pp. 117-19 and 124-7.

derived wholly from the state or incomes including no more than £1 a week additional to state benefits. The median income of the retired was about half that of younger adults in the population with no dependants.¹ Some evidence was also published in the 1950s as well as the 1960s about the poverty of fatherless families, the unemployed and the sick.² But it was not until the mid 1960s that poverty was recognized to be a widespread problem, and one which included a large number of low-paid wage-earners and their families.³

The results of the empirical surveys of the old, and of the secondary analyses of budget data, were subjected to a special kind of government scrutiny - and vindicated. In 1965, a survey of retirement pensioners was carried out by the Ministry of Pensions and National Insurance. On the basis of the results, up to 750,000 old people were estimated to be living below national assistance standards. Of all widowed and unmarried female retirement pensioners, only 19 per cent had a net available income exceeding needs (as defined by the national assistance scale rates) by £1 a week or more; there were 34 per cent receiving national assistance, but another 21 per cent provisionally entitled to it. The corresponding figures for widowed and unmarried male pensioners are 33, 22 and 13 per cent; and for married pensioners 50, 18 and 11 per cent.⁴

In 1966, the ministry carried out another survey, this time of families with two or more children. There was no comprehensive register of families with one child, and they were not included in the survey,

but it is possible to make rough estimates of the number whose resources did not match their requirements, to supplement the information provided by the enquiry. In the summer of 1966 there were in all about seven million families with children. Of these - including those with one child - it seems probable that approaching half a million families, containing up to 1¼ million children, had incomes from earnings, contributory benefits, family allowances or other sources (but excluding national assistance which was paid to a substantial proportion of them) amounting to less than would now be paid to a family which qualified for supplementary benefit. About 145,000 of these families were fatherless; 160,000 were those of men who were sick or unemployed; and 140,000 of men in full-time work.⁵

¹ Townsend and Wedderburn, *The Aged in the Welfare State*, p. 137.

² For example, Marris, P., *Widows and their Families*, Routledge & Kegan Paul, London, 1958; Marsden, D., *Mothers Alone: Poverty and the Fatherless Family*, Allen Lane, London, 1969; Shaw, L. A., and Bowerbank, M., 'Living on a State-Maintained Income', I and II, *Case Conference*, March and April 1958.

³ See, for example, Land, H., *Large Families in London*, Bell, London, 1970, and *Poverty*, the journal of the Child Poverty Action Group, for 1966-70.

⁴ Ministry of Pensions and National Insurance, *Financial and Other Circumstances of Retirement Pensioners*, HMSO, London, 1966, p.20.

⁵ Ministry of Social Security, *Circumstances of Families*, HMSO, London, 1967, p. iv.

Table 4.23 shows some of the ways in which deprivation increased according to family size in families with a father in full-time work.¹ Although the percentage of families with five, six or more children who are in poverty is much larger than that of families with two or three children, it must be remembered that there are many fewer such families in the population. They account for only 20 per cent of the families and 36 per cent of the children in poverty, compared with 64 per cent and 45 per cent respectively for families with two or three children.²

Table 4.23. *Percentages of families in the United Kingdom (with fathers in full-time work) with certain characteristics (1966).*

<i>No. of children</i>	<i>In poverty (with resources less than supplementary benefit level)</i>	<i>Working 60 hours a week or more</i>	<i>With savings of £300 or more</i>	<i>With defective housing</i>	<i>Over-crowded</i>	<i>Wife suffers ill-health</i>
2	3	14	22	17	5	14
3	3	19	18	19	11	16
4	7	20	16	20	19	16
5	9	24	11	19	35	23
6 or more	21	25	6	33	62	24
All sizes	4	16	19	18	11	15

SOURCE: Ministry of Social Security, *Circumstances of Families*, HMSO, London, 1967, pp. 11, 38, 40, 56, 57 and 145.

During the late 1960s, the government announced that secondary analyses of data from the Family Expenditure Survey, now based on a much larger annual sample, would be undertaken to find how many households were living below the official 'subsistence' or supplementary benefit standard. A short report on two-parent families, in which the father was in full-time work or wage-stopped, was published in July 1971.³ This compared FES data for 1968-71 with the Circumstances of Families survey data for 1966, but not also with the Family Expenditure Survey of

¹ For a detailed account of the particular difficulties of large families, see Land, *Large Families in London*.

² One-child families are not allowed for in these figures. See *Circumstances of Families*, p. 11.

³ Howe, J. R., *Two-Parent Families: A Study of their Resources and Needs in 1968, 1969 and 1970*, Department of Health and Social Security, Statistical Report Series No. 14, HMSO, London, 1971.

Table 4.24. *Number of two-parent families with incomes under the basic SBC scales plus rent, father in full-time work or wage-stopped (thousands).*

Year	In full time work			In full-time work and wage-stopped		
	Families	People (children included)		Families	People (children included)	
1960 ^a	85	370 (200)		-	-	-
1966 ^b	95	470 (280)		110	552 (332)	
1968 ^c	73	334 (188)		102	500 (296)	
1969 ^c	96	527 (335)		122	677 (433)	
1970 ^c	74	336 (188)		105	505 (295)	

SOURCES: ^aAbel-Smith, B., and Townsend, P., *The Poor and the Poorest*, Bell, London, 1965.

^b*Circumstances of Families*, HMSO, London, 1967.

^cDHSS Statistical Report Series No. 14, *Two Parent Families*, HMSO, London, 1971 (Tables 2, 10A and 10B). The self-employed below the supplementary benefit level were, in fact, excluded from the tables in the DHSS report for 1968, 1969 and 1970, and an estimate equivalent to the proportion of the employed below the level substituted. In this table an estimate for the self-employed has been restored to allow comparisons with the 1960 and 1966 figures. In the absence of actual information, this estimate for 1968, 1969 and 1970 is based on the number found in the *Circumstances of Families* survey (i.e. 11,500 additional families in each case). For later years, this figure is likely to be an underestimate since it is known that, in the late 1960s, the proportion of employed men who were self-employed increased.

1966. A number of questionable adjustments were made to the survey data,¹ and Table 4.24 does not follow them. Instead it presents figures as close as possible to the original data in order to bring out the fluctuations attributable to sampling variation and other possible factors. These data do not suggest any clear rise or fall in the numbers of such families with incomes below the basic scale rates of the Supplementary Benefits Commission. In relation to known events, like the increase in family allowances towards the end of 1968, they are puzzling. However, official data for this period about the unemployed generally, the sick, disabled, elderly, fatherless families and households with men who are in paid employment but do not have dependent children, remain to be produced. Measures of poverty independent of conventional government definitions of need, as implied by SBC scales, also remain to be developed.

¹ Discussed in full in Townsend, P., 'Politics and the Statistics of Poverty', *Political Quarterly*, January-March 1972.

Nutrition

One supplementary indicator of trends in poverty and inequality in living standards is that provided by nutritional data. The war certainly transformed national food habits. For example, between the mid 1930s and the end of the war the consumption per head of milk increased by a third. There were sharp increases in the consumption of milk solids, potatoes, other vegetables and wheat flour, balanced by decreases in the consumption of meat, fruit and fish.¹ Pre-war studies had called attention to widespread malnutrition. Wartime studies showed a marked improvement brought about by a national food policy of which rationing formed a significant part. 'The variation in diet between various social groups had been much reduced, and the diet of nearly all population groups was on average either very close to or above recommended nutrient requirements.'²

From the experience of war-time surveys, the National Food Survey was started on a national basis in 1950. Its results have shown that the narrowing of inequalities that took place in the war have been broadly maintained. But there has been surprisingly little further improvement during the 1950s and 1960s. In a careful review of the results of the food surveys between 1950 and 1960, Royston Lambert found little or no reduction in inequality. In some respects, there was cause for anxiety.

Though the intrinsic accuracy of the data may be questioned, the trends revealed by reworking the published evidence are clear enough: while the dietary levels of some groups, childless couples and Old Age Pensioners in particular, have improved since 1950, the most vulnerable groups have shown no overall improvement and in many respects are definitely worse off. In terms of an analysis by family size, there are now more segments of the population below the BMA standard and for more nutrients than in 1950. As far as numbers of the population are concerned, the indications are that at least a quarter and probably a third of the people of Britain live in households which fail to attain all the desirable levels of dietary intake. And, contrary to what is so often believed, the numbers in this situation seem to have increased since the mid fifties.³

A review by the Office of Health Economics registered four concerns. First, the recommended allowances for protein and calcium were not reached by subgroups among the population, including households with a man and woman and three or more children, and households including adolescents and children. Secondly, 'the trend over time also demonstrates a slight decline in standards compared with the period of austerity in 1950'. Families with only one child had a lower nutrient intake of protein, calcium, and vitamin C than in 1950. Families with four or more children

¹ Greaves, J. P., and Hollingsworth, D. F., in *World Review of Nutrition and Dietetics*, VI, 1966.

² *Malnutrition in the 1960's?*, Office of Health Economics, London, 1967, p. 5.

³ Lambert, R., *Nutrition in Britain, 1950-60*, Codicote Press, Welwyn, 1964, p. 18.

had a lower intake for protein, calcium and the vitamins thiamine, riboflavin and vitamin C.¹ Thirdly, results were presented in terms of the nutrients absorbed *on average* by sub-groups of the sample. Many families were bound to fall short of the average, including some in groups which *on average* minimally achieved an adequate diet. In seventeen years there had been little improvement in the National Food Survey 'in order to assess more realistically individual intake of nutrients' and collect better evidence 'on which to assess the nutritional status of the community'.²

Those in charge of the National Food Survey have always stressed its limitations. These arise not only in gaining good information about intakes from a sample of the population, but also in assessing adequacy. There is room for considerable disagreement about desirable intakes of nutrients, and the allowances which are recommended differ sharply in some instances from those recommended in other countries. Moreover, the National Food Survey Committee has now replaced the allowances recommended as adequate by the British Medical Association with a new set of allowances, a number of which represent a lower standard. While certain groups, such as those quoted above by the Office of Health Economics, are considered by the British Medical Association to have inadequate intakes of protein and calcium, they are now considered by the Department of Health and Social Security to have intakes which are (*on average*) perfectly adequate.³

While there may be disagreement over the point at which the line of nutritional adequacy may be drawn, inequalities in nutritional intakes for different groups can be shown reliably for lengthy periods. Table 4.25 compares certain low-income groups with certain high-income groups for 1956-68. Although there are some slight fluctuations from year to year, there seems to have been a very slight improvement in the intakes of the low-income families during the period, but not yet to the level recommended by the British Medical Association. But there has been very little narrowing of nutritional inequality during this period.

The possibility raised by Lambert and the Office of Health Economics that the intakes of some minority groups may have deteriorated remains unresolved. Certainly Department of Health panels have tended to produce reassuring reports about children and the elderly.⁴ But the National Food Survey data have not been submitted to further analysis and presented like data on the distribution of personal incomes. One report of a survey in 1967-8 of pre-school children suggests that

¹ Malnutrition in the 1960's?, pp. 8-11.

² *ibid.*, pp. 11-18 and 29.

³ Department of Health and Social Security, *Recommended Intakes of Nutrients for the United Kingdom*, Reports on Public Health and Medical Subjects, No. 120, HMSO, London, 1969; and *Household Food Consumption and Expenditure: 1967*, HMSO, London, 1969, Chapter 4.

⁴ For example, Department of Health and Social Security, *Interim Report on Vitamin D by the Panel on Child Nutrition*, and *First Report by the Panel on Nutrition of the Elderly*, Reports on Public Health and Medical Subjects, No. 123, HMSO, London, 1970.

Table 4.25. *Intakes of protein and calcium as a percentage of intakes recommended by the British Medical Association.*

	<i>High income Man and woman only</i>				<i>Low income Man and woman and children and adolescents</i>			
	<i>pro- tein</i>	<i>cal- cium</i>	<i>pro- tein</i>	<i>cal- cium</i>	<i>pro- tein</i>	<i>cal- cium</i>	<i>pro- tein</i>	<i>cal- cium</i>
			<i>3 children</i>		<i>4 or more children</i>		<i>children and adolescents</i>	
1956	128	144	87	87	85	82	81	85
1957	127	141	87	88	80	79	79	85
1958	130	145	89	90	83	81	81	88
1959	133	151	90	93	78	77	79	86
1960	136	151	90	89	82	80	81	88
1961	138	155	90	92	87	86	83	90
1962	139	156	93	93	84	81	85	91
1963	138	153	95	94	87	83	84	87
1964	128	145	93	92	90	84	87	90
1965	136	152	95	91	86	80	82	86
1966	134	150	95	96	88	85	86	88
1967	136	147	97	97	91	89	85	89
1968a	(131)	(142)	(93)	(95)	(91)	(91)	(91)	(91)

NOTE: ^aA new standard of nutritional adequacy has been adopted by the DHSS and the figures given in brackets are estimates.

SOURCES: Annual Reports of the National Food Survey Committee.

disturbing findings have not been fully published.¹ In a preface to the report of this survey (not published until 1975), the Chairman of the Committee on Medical Aspects of Food Policy, Sir George Godber, flatly stated, 'the results of the study produced no evidence that our pre-school children were underfed'. There were no satisfactory statistical data in the report showing variations in individual intakes according to income or occupational class. Yet a scatter diagram at the end of the report clearly showed that a very large number of children had *less than 80 per cent of the recommended daily energy intakes*.² The government's analyses of food survey data have remained unsatisfactory throughout the 1960s and early 1970s and could still be repeated.

¹ Department of Health and Social Security, *A Nutrition Survey of Pre-School Children, 1967-68*, Report No. 10 on Health and Social Subjects, HMSO, London, 1975.

² *ibid.*, p. 91.

Health

Indicators of health and disease in the population represent another important source of information about poverty and about trends in the distribution of living standards. Many different indicators might be devised. Among the most familiar are mortality rates, prevalence or incidence morbidity rates, sickness absence rates and restricted-activity rates.

One measure which has been commonly used as a guide to a nation's health is the infant mortality rate. Since the turn of the century, infant mortality has fallen from well over 150 per 1,000 live births to under 20. However, the relative disparity between the social classes did not change between 1911 and 1932,¹ and does not appear to have changed consistently between the 1930s and the 1960s. Thus, writing in 1959, Morris pointed out for England and Wales that there was 'no evidence of a narrowing of the gap between the social classes',² and despite the fact that the Registrar General has not published exactly comparable data for the 1960s, there are data for combinations of classes (I and II and IV and V) which do not suggest any marked change.³ Moreover, after a narrowing of the gap between the classes in the experience of stillbirths and neonatal deaths, compared with pre-war years, the data for Scotland suggest a reversion in the late 1960s to the same levels of inequality between social classes I and V as ruled in the late 1940s. It should be remembered that relativities in mortality rates between the classes tend to fluctuate from year to year and in the table, following conventions adopted in these matters by the Registrar General, I have given the means for periods of three years.

One other comment might be made about the trends in infant mortality over this period of three decades. Throughout, the gap between social classes I and V in their mortality experience has been wider after than during the early weeks of life.⁴

Reduction in infant mortality has been slower in Britain than in some other industrial societies. A recent review of trends between 1948 and 1968 for sixteen countries showed that England and Wales slipped from seventh to eleventh place in the ranking (Scotland fell even more sharply in ranking). Whereas the rate fell from

¹ Titmuss, R. M., *Birth, Poverty and Wealth: A Study of Infant Mortality*, Hamish Hamilton Medical Books, London, 1943, p. 26.

² Morris, J. N., 'Health and Social Class', *Lancet*, 7 February 1959, p. 303.

³ Hart, J. T., 'Data on Occupational Mortality, 1959-63', *Lancet*, 22 January 1972, p. 192; Spicer, C. C., and Lipworth, L., *Regional and Social Factors in Infant Mortality*, GRO Studies, on Medical and Population Subjects, No. 19, HMSO, London, 1966.

⁴ Titmuss noted this for the first third of the century. 'These statistics epitomize the chances of death of two infants; one born to well-to-do parents, the other to poor parents; both potential citizens of Britain. During the first few weeks of life, little separates the two children in their chances of death, but slowly at first and then with increasing effect, as week succeeds week, the gulf widens.' See Titmuss, *Birth, Poverty and Wealth*, pp. 45-6.

Table 4.26. *Number of stillbirths, neonatal and post-neonatal deaths per 1,000 live births in Scotland (1939-68).*

<i>Stillbirths</i>				
	<i>1939</i>	<i>1946-8</i>	<i>1956-8</i>	<i>1966-8</i>
I	341	18.8	17.0	102
II	38.1	27.6	20.5	12.5
III	44.9	291	22.1	15.5
IV	38.3	32.6	26.5	15.7
V	42.7	38.5	28.8	20.0
Percentage excess of social class V over social class I				
	25	105	69	96
<i>Neonatal deaths (1st month of life)</i>				
I	25.9	16.5	13.4	9.5
II	25.1	20.2	14.7	11.0
III	38.6	27.0	19.0	13.4
IV	34.8	29.8	202	15.2
V	39.9	36.5	22.8	19.5
Percentage excess of social class V over social class I				
	54	121	70	105
<i>Post neonatal deaths (2nd to 12th month of life incl.)</i>				
I	7.6	8.1	4.0	31
II	14.8	12.8	5.5	3.9
III	30.2	21.4	8.2	6.7
IV	33.4	27.5	10.9	8.8
V	44.9	38.3	14.8	14.6
Percentage excess of social class V over social class I				
	491	373	270	371

SOURCE: Annual Reports of the Registrar General for Scotland, Part I: *Mortality Statistics*.

34.5 per 1,000 live births in 1948 to 18.3 in 1968, it fell from 55.9 to 17.0 in France, from 57.9 to 14.5 in Finland and from 61.7 to 15.3 in Japan. By 1968, the rate was below 14 per 1,000 in the Netherlands, Sweden and Norway.¹ In the early 1960s,

¹ Doll, Professor Sir R., 'Monitoring the National Health Service', *Proceedings of the Royal Society of Medicine*, vol. 66, August 1973, p. 732; Scottish Home and Health Department, Joint Working Party on the Integration of Medical Work, *Towards an Integrated Child Health Service*, HMSO, Edinburgh, 1973, p. 8.

partly as a consequence of this kind of information, the Department of Health became concerned about the slow decrease in the death-rate for infants at ages between a month and a year old and undertook a study in three areas to try to identify avoidable factors contributing to death. Two paediatric assessors estimated that there were indeed avoidable factors in 28 per cent of cases - due to social, parental, general practitioner and hospital factors. The general practitioner factors included diagnostic delay or failure, slowness in reference to hospital, failure to realize severity of the situation and delay in visiting. The hospital service factors included diagnostic failures or delay, hospital-acquired infection and faulty management.¹

There has been much less improvement in mortality rates during the course of this century at later ages. One source (the *United Nations Statistical Yearbook*) shows that while the expectation of life of males at birth in England and Wales lengthened by 2 or 3 per cent in the twenty years to 1970, it has lengthened more dramatically in other industrial nations, some of which have now surpassed, and others almost attained, the English figure. The ratio of female to male expectation of life in England and Wales has increased at all ages. The male expectation of life has increased to only a modest extent in their twenties and thirties, has barely increased at age 45, and has decreased marginally at older ages.²

The trends are different for people of different occupational class and need to be examined carefully. Later in this report, attention is called to the poor conditions of work in some occupations (Chapter 12). Among men aged 35-44, those in certain skilled or unskilled manual occupations have two, three or even four times as much risk of dying as men in certain non-manual occupations. But, in addition to specific occupational risks, there are general social risks which relate to occupational class and income.

Between 1949-53 and 1959-63 the risk of adult men of different social class dying appears, from data published by the Registrar General, to have become more unequal and, ten years later, there was little or no sign of any narrowing of the gap. Unfortunately the figures reproduced in Table 4.27 do not represent the real trends very accurately, because of changes introduced in 1960 in the classification of occupations, possible changes in the number and extent of discrepancies between the recording of occupations on death certificates and on census schedules, and the fact that occupations in the Census of 1961 were based on a 10 per cent sample. I have

¹ DHSS, *Confidential Enquiry into Postneonatal Deaths, 1964-66*, Reports on Public Health and Medical Subjects, No. 125, London, HMSO, London, 1970, pp. 21-3.

² DHSS, *Health and Personal Social Services Statistics for England* (with summary tables for Great Britain), HMSO, London, 1973, Table 1.6.

discussed these reservations elsewhere¹ and have argued that, because the Registrar General had already adjusted some figures to allow for changes in classification, it was possible for him to publish a revised, and more reliable, version of Table 4.27. Others had made the same plea.² I estimated from the Registrar General's

Table 4.27. *Standardized mortality ratios by social class: men aged 20-64 (1921-72).*

<i>Social class</i>	<i>England and Wales</i>				
	<i>1921-3</i>	<i>1930-32</i>	<i>1949-53</i>	<i>1959-63^a</i>	<i>1970-72^{ab}</i>
I	82	90	86	76	77
II	94	94	92	81	81
III	95	97	101	100	104
IV	101	102	104	103	113
V	125	111	118	143	137

^aMen aged 15-64.

^bProvisional data.

NOTES:

1. Information about occupations in the 1961 census, with which information from death certificates for 1959-63 was compared, was based on a 10 per cent sample.
2. Occupations in 1961 and 1971 were reclassified on a new basis, with the result that approximately 26 per cent would have been allocated to a different class if the 1950 basis of classification had been used. The vast majority of these were reclassified to the next ascending or descending class in rank order.
3. The standardized mortality ratios in the third column for 1949-53 have been corrected by the Registrar General and are different from the figures first published.

SOURCE: Table published in *Social Trends*, No. 6, HMSO, London, 1975, p. 26, and based on (a) 1921-30 Registrar General's Decennial Supplements, Occupational Mortality, 1951 and 1961, and (b) 1970-72 Office of Population Censuses and Surveys.

adjustments for different age-groups in social class V that, according to the 1950 classification, the figure of 143 for social class V in the fourth column of the table should read 128.³ On both original and adjusted figures therefore there is evidence of *greater* inequality between adult men of different social class in risk of dying from 1959 onwards than earlier. Among men, inequality between social classes I and V is greater at ages 35-44 than at younger or older ages, while for married women it is greatest at ages 15-44 and for single women in the early twenties.⁴

¹ Townsend, P., 'Inequality and the Health Service', *Lancet*, 15 June 1974.

² Hart, 'Data on Occupational Mortality', p. 193.

³ Townsend, 'Inequality and the Health Service', p. 1182.

⁴ Registrar General's Decennial Supplement, England and Wales 1961: Occupational Mortality Tables, HMSO, London, 1971.

Like mortality rates, both sickness absence rates and measures of 'chronic' or 'limiting long-standing' illness show the disadvantage of the partly skilled and unskilled manual classes. Unusual care is needed in interpreting sickness absence rates. Certain studies have found high correlations between mortality and inception rates of sickness and between mortality and days of sickness.¹ Such findings are subject to reservations about particular types of diseases and causes of mortality. But although much work remains to be done to delineate the relationship between morbidity and class, different national² and overseas³ studies show that the inequality between the highest and lowest classes is, in general, at least as wide according to various measures of morbidity as it is for measures of mortality. For example, in 1971 in England and Wales nearly two and a half times as many unskilled as professional men reported absence from work due to illness or injury during a two-week period, and they lost an average of four and a half times as many days from work in the year.⁴

There are other supplementary indicators of inequalities in state of health. A review of data from the National Child Development Study showed little if any change in social class differences between 1953 and the mid 1960s in the height of children. The actual figures from the two studies in fact show a slight widening of the gap, but this could be attributable to sampling variation and slight differences in method.⁵

Conclusion

Living standards depend on the total contribution of not one but several systems distributing resources directly and indirectly to individuals, families, work groups and communities. To concentrate on cash incomes is to ignore the subtle ways developed in both modern and traditional societies for conferring and redistributing benefits. Furthermore, to concentrate on income as the sole criterion of poverty carries the misleading implication that relatively simple adjustments, as, for example, through the introduction of a scheme for negative income tax, or tax credits, will relieve it.

¹ For example, mortality ratios are compared with inception ratios of sickness and duration ratios of sickness by Daw, R. H., *Journal of the Institute of Actuaries*, 1971.

² See *ibid.*, and reports of the General Household Survey, including a summary in *Social Trends*, No. 4, HMSO, London, 1973, Table 69.

³ Puroila, T., Kalimo, E., Sievers, K., and Nyman, K., *The Utilization of the Medical Services and its Relationship to Morbidity, Health Resources and Social Factors*, Research Institute for Social Security, Helsinki, 1968.

⁴ Office of Population Censuses and Surveys, Social Survey Division, *The General Household Survey*, HMSO, London, 1973, p. 304.

⁵ Goldstein, H., *Human Biology*, vol. 43, 1971, p. 92; Douglas, J. W. B., and Simpson, H., *Milbank Memorial Fund Quarterly*, vol. 42, 1964, p. 20.

A plural approach is unavoidable. Resources derive from a number of different systems, each of which distribute and redistribute them according to a body of socially sanctioned and controlled principles. The problem is to establish the part that different types of resource play in determining the overall standards of living of different strata in the population. Five broad categories have been identified: cash income; capital assets; and the value of employment benefits, public social services and 'private' benefits in kind. The distribution of cash income was considered in relation to incomes policy and the earnings and occupational structure; and both cash income and assets in relation to taxation and fiscal welfare. Finally, supporting evidence about changes that have been taking place in the distribution of living standards - about poverty, nutrition and health - has also been included. Our means of combining quantitatively the different types of resource in order to gain some comprehension of overall inequalities in living standards is still negligible, and the combination of *some* types, as in the studies by the Central Statistical Office and the Royal Commission on the Distribution of Income and Wealth, remains primitive - as these bodies would be the first to agree.

Despite the range of statistical material which has been discussed, information on some other factors has not been included. Their importance is problematic and they cannot easily be documented. For example, the price of certain goods tends to vary for different areas and communities. The distributional structure of cash income, assets and fringe benefits could remain the same and yet inequalities in living standards could change. Whether there is any trend of a favourable or unfavourable kind among certain poor communities is unknown. However, there have been indicative studies of an illustrative kind. For an area of the United States, Caplovitz has shown the higher costs paid by the poor for some goods.¹ For Britain, Piachaud has discussed the same question.² Tipping has shown for the United Kingdom generally that, at the lowest levels of income, prices increased on average by 4.3 per cent more between 1955 and 1966 than they did at the highest levels of income - mainly because of a disproportionate rise in rents and fuel and light.³ Between 1964 and 1970, Pond has estimated, the cost of living of the poorest household rose by 1.5 per cent more than that of the richest (and the differential actually grew between 1970 and 1974).⁴ There may have been different effects on the cost of living in different areas of, for example, the abandonment of retail price maintenance and the development of chain stores. One fact about the differential impact of a rise in prices in the 1950s is, however, known. There were gains to low-income families from the maintenance of rationing and food subsidies for some years after the war. Food

¹ Caplovitz, D., *The Poor Pay More*, The Free Press, New York, 1963.

² Piachaud, D., *Do the Poor Pay More?*, Child Poverty Action Group, London, 1974.

³ Tipping, D. G., 'Price Changes and Income Distribution', *Applied Statistics*, No. 1, 1970.

⁴ Pond, C., *The Low Pay Bulletin*, Nos. 1 and 5, Low Pay Unit, London, 1974 and 1976. As we have seen, there was a relative increase between the early 1950s and the early 1960s in the risk of death of adult males in social class V as compared with social class I.

subsidies were worth more absolutely to families with children than to those without children and represented 27 per cent of the food expenditure of a family with four children, corn-pared with 16 per cent for a married couple.¹

Information is also needed on the changing value to different sections of the population and communities of services other than the public social services which are financed wholly or partly through taxation and local rates. This would cover public roads and transport, law and order, water, electricity and gas (such as the effects of changes from time to time in tariffs charged to different types of consumer) as well as a range of community facilities, such as libraries, playgrounds and public parks and gardens.

During the three decades under review, there was, first, a marked reduction of inequality in the distribution of resources during the war, in the sense that the proportions of the population with relatively high and relatively low resources both diminished. This structure was maintained in the years immediately following the war, but, secondly, there was a partial reversion to former inequalities in the mid and late 1950s. There was a relaxation of certain taxes for the rich, a property boom, abandonment of food subsidies and the expansion of occupational pension schemes and other fringe benefits, for example. Part of the problem of generalizing about changes in distribution over time is due to the changing structure of the population, occupationally as well as in age and family composition. Compared with the 'austerity' of the early 1950s there was some increase in poverty and a considerable growth, for example, in property incomes, by 1960. Finally, in the 1960s, there was higher unemployment, more dependency and a continuing shift of the reward system (and of the overall value of social services) to professional, managerial and higher supervisory non-manual groups, prompted not only by the unequivocal emphasis of successive governments upon economic growth, but also by professional unionization and the preoccupation of such organizations as the National Board for Prices and Incomes with productivity. The structure tended to be reinforced and there was a further slight increase in the numbers and proportion of the population in poverty or on the margins of poverty (as defined by the government), despite the introduction of new ameliorative measures by successive administrations. One indicator might, finally, be given. At 31 January 1961, for example, there were 1,844,000 recipients (not including dependants) of national assistance, or 3.6 per cent of the population, while ten years later, at the end of November 1971, there were 2,909,000 recipients, or 5.4 per cent.²

¹ Domestic Food Consumption, 1950, HMSO, London, 1952, p. 73.

² *Social Trends*, No. 5, HMSO, London, 1974, p. 121.