Appendix Five

Some Definitions

1. *Net disposable income last year*

   (a) Add earnings in fifty-two weeks previous to interview from employment, including casual and occasional earnings, earnings from second jobs, sick pay, holiday pay, commissions and bonuses, fees and payments for consultancies.

   (b) Add income from self-employment less tax, depreciation and business for the latest period of fifty-two weeks for which information is available.

   (c) Add repayments of tax received in year.

   (d) *Subtract* income tax, surtax, national insurance and graduated contributions and contributions to occupational pension schemes and subtract any tax paid direct to the Board of Inland Revenue.

   (e) Add all state social security allowances and benefits received regularly or occasionally for any periods during the fifty-two weeks preceding interview, including family allowances, retirement pensions, national insurance sickness and unemployment benefits, industrial injury benefits, industrial disablement pensions, war and widows' pensions, war disability pensions, maternity grants, death grants, redundancy payments, supplementary benefits, exceptional needs or other single grants.

   (f) Add local-authority educational maintenance allowances and grants in cash.

   (g) Add allowances in cash from relatives, including maintenance allowances from husbands or wives, children or parents, annuities through private insurance, money gifts, trade-union benefits, benefits from a friendly society, benefits under private sickness or accident insurance, income from a trust or covenant and any other source.

   (h) *Subtract* allowances to any relative outside household.

   (i) Add any pension from a former employer.

   (j) Add income in the form of interest or dividends from savings, investments, including stocks and shares.

   (k) Add receipts of rent for property including garages, and receipts from lodgers or boarders, less expenses and the estimated cost of services.

(l) Add windfalls, including an inheritance, betting or football-pool win, Premium Bond or prize (but only when these have been declared to be used for living expenses).

(m) *Subtract* expenses of going to work, including clothing or equipment allowed for tax purposes as well as cost of travel.

2. *Gross income*

As in 1, without subtracting (d) and (m), that is income tax, surtax and other deductions, and expenses of going to work.

3. *Gross disposable income*

As in 1, without subtracting (m), expenses of going to work.

4. *Non-asset income* (*last year*)

As in 1, without adding (j) and (k), that is, income from rent, property and investments.

5. *Net assets*

(a) Add readily realizable assets, namely deposits in savings and other banks, holdings of Savings Certificates, Defence Bonds and Premium Bonds, and shares and deposits in building societies and Cooperative societies; value of stocks and shares (all marketable securities whether issued by governments, municipalities, public boards or companies) and money owed (ignoring sums below £25).

(b) *Subtract*: debts, namely bank overdraft or loan, rent owed, hire-purchase debts over £25 and any personal debts over £25.

(c) Add less readily realizable assets, namely, the value of any business, farm or professional practice; owner-occupied houses and other houses, boats and caravans; cars and other saleable assets worth over £25 (jewellery, silver and antiques and pictures, but excluding household equipment).

(d) *Subtract* value of mortgages outstanding and money owed on cars.

6. *Imputed income from net assets last year*

Estimates were made for each income unit, starting with the total of net assets in 5. We decided to convert this total into an equivalent annuity value. First, for each adult the number of years he or she expected to live was calculated (using the Registrar General's Life Tables for each specific age). For a married couple, the longest number of years that either spouse expected to live was taken. Secondly, all assets were assumed to produce a rate of interest of 7 per cent (a figure slightly below that being applied by most building societies at the time). The value of owner-occupied flats and houses was included. This represented the estimated market value, less any capital sum remaining to be paid on a mortgage. The previous year's 'income' from the annuity was then calculated. *In an alternative measure* the annual interest (at 7 per cent) on the value of an owner-occupied house or flat, not the annuity value, was included.

7. *Imputed income from employer welfare benefits in kind*

(a) Add value of meals subsidies. The annual value of luncheon or meal vouchers was estimated by multiplying the weekly amount by the number of weeks worked by each individual in the previous twelve months. Each employee was also asked to estimate the weekly amount saved during an average week if meals were subsidized by the employer, whether in the form of cheap meals or meals eaten out and paid for by the firm. Annual values were similarly calculated.

(b) Add value of personal use of car. Employees using a firm's car were asked to estimate the value to them personally of its use. An estimate of annual values was based on answers to questions on mileage driven for personal use, make, type and value of car and miles per gallon.

(c) Add value of other goods and services in kind provided by employer - including free goods and travel (free or concessionary coal, railway tickets), medical expenses, educational fees and shares or options to purchase shares.

(d) Add value of accommodation, occupied free or subsidized. Employees were asked to estimate the annual value to them of such accommodation.

(e) Add annual value of pension rights. The current value of the pension rights which had been earned so far was calculated by taking the pension expected annually by them upon reaching pensionable age, plus any lump sum upon retirement, working out the total sum they would expect to receive in the years up to their deaths (by relating their current age to the Registrar General's tables of expectation of life). The fraction of this total sum which they had so far earned was treated as the number of years served towards pension, divided by the total number they expected to serve before retirement. Finally the total value of pension rights so far earned was converted into an annual value by dividing by the number of years they now expected to live.

(f) Add value of sick-pay rights. Average weeks of sickness for different age groups in the whole period up to retirement were calculated and multiplied by the weekly value of sick pay, less any deduction for national insurance sickness benefits. The annual value until retirement was calculated by dividing by the difference between their age and the number of years they would expect to work until retirement. Any sick pay received in the previous twelve months (already included in net disposable income) was deducted.

8. *Imputed income of social services in kind*

(a) Add the annual value of subsidy per person in households actually receiving cheap-rate or free welfare milk. The cost was estimated by dividing the net expenditure on cheap-rate milk and the gross expenditure on free welfare milk by the estimated number of individuals in receipt of the service.

(b) Add the annual value of the subsidy on welfare clinics per mother using such clinics.

(c) Add the annual value of the subsidy on welfare foods per person said to receive such foods. The annual value was estimated by dividing net expenditure by the estimated number of individuals in receipt of welfare foods.

(d) Add the cost of any birth in hospital by a woman in the household, and of any birth at home. These costs were estimated by taking the average cost per birth respectively in maternity hospitals and at home, making allowance for early discharge cases.

(e) Add the cost per night in hospital of any stay, and the cost of any out-patient attendances. The average costs of in-patient care were estimated for each type of hospital and applied according to information given by patients about the type of hospital in which they had resided. The cost per out-patient attendance was averaged for all types of hospital.

(f) Add the cost of each visit to the household by a district nurse. This was estimated by dividing the net expenditure of the home nursing service by the number of visits made by district nurses.

(g) Add the cost per dental visit. This was estimated by dividing expenditure net of fees received by an estimate of the total number of visits made to dentists in 1968.

(h) Add the cost of each home visit and surgery consultation by a doctor under the National Health Service. Average costs for each of these were worked out and applied to the information given for each member of the household about medical consultations in the previous twelve months.

(i) Add the cost of each visit by a home help for those receiving home help free, and, separately, the subsidized cost for those paying a charge.

(j) Add the annual cost of education in different types of school and college for each pupil or student attending. Information was obtained for each pupil or student of the type of school or college attended, and the average cost according to type of institution applied. In the case of grammar, technical, comprehensive and secondary modern schools, costs were estimated separately for pupils under 15 and over 15.

(k) Add the annual value of school meals for those receiving them free, and the subsidized costs for those paying for them.

(l) Add the annual value of school milk for each recipient.

(m) Add the annual subsidy value of council housing. The average subsidy, including rate subsidy, for the local authority in which the tenancy was situated was applied.

(n) Add the estimated tax foregone on imputed rental income of *home owners.* This was calculated in three steps: (i) the estimated market value of the home was multiplied by

7 per cent (the estimated rate of interest on the capital value of housing at the time); (ii) total housing cost, in the case of outright owners, and total housing cost less the last year's interest payment on the mortgage, in the case of mortgage payers, was deducted from this figure to derive 'imputed rental income'; and (iii) the standard rate of tax (33⅓ per cent) was applied to the outstanding amount. The resulting figure represents 'the notional income subsidy'.

(o) Add the estimated tax foregone on any capital gain on owner-occupied housing. This was calculated by applying a rate of capital gains tax (taken as 33⅓ per cent) to the appreciated value of the house in the previous twelve months (taken as 6 per cent in the late 1960s). The tax foregone was therefore treated as being 2 per cent of the market value of the house (or of the value paid off by the mortgagor).

9. *Private income in kind*

(a) Add the annual value of garden produce and farm produce for personal consumption. Households were asked to estimate the weekly average value, net of the costs and expenses of production.

(b) Add the rental value of consumer durables. Information was obtained about the ownership of a list of consumer durables and average rental values estimated and applied. The list included television sets, record players, radios, refrigerators, washing machines, vacuum cleaners, telephones and central heating.

(c) Add the annual value of home-help services performed by relatives and others, less the value of such services performed for others. Information was obtained about the weekly hours of home help worked by people outside the household and an amount calculated on the basis of the hourly rate paid to local authority home helps.

(d) Add the value of gifts received worth £25 or more less the value of any gifts given worth £25 or more.

10. *Total or gross disposable resources*

(a) Add net disposable income last year less income from assets (4 above).

(b) Add imputed income from net assets last year (6 above).

(c) Add imputed income from employer welfare benefits in kind (7 above).

(d) Add imputed income of public social services in kind (8 above), less tax relief on mortgage interest.

(e) Add private income in kind (9 above).

11. *Total annual housing costs*

(a) *For owner-occupiers* add annual mortgage payments (including any annual insurance payment); annual payment of rates and water rates less any rate rebate; annual ground rent, and any payment for insurance on house or flat (but excluding any payment for insurance of contents). In cases where information is available about source and amount of loan, and term of repayment but not monthly amount of repayment, divide amount of loan by number of years of repayment and treat annual payment of mortgage as this amount plus an amount for interest, at 7 per cent. If a figure for rates has not been divided between business and private use, work out the proportion of total rooms used by the household, exclusive of business, and add this proportion of rates.

(b) *For tenants* add annual rent paid; annual payment, if any, of rates and water rates less any rate rebate. Deduct any costs of lighting, heating, meals and services that are included in the rent. Deduct net receipts from sub-letting.

Special coding instructions and schedules were developed to deal with exceptional types of tenure and instances where information for certain subsidiary types of payment or receipt (e.g. sub-letting) was incomplete.