



the wealth

of

irish households

Brian Nolan

THE WEALTH OF IRISH HOUSEHOLDS:

What Can We Learn from Survey Data?

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FOREWORD

The Combat Poverty Agency has a statutory duty both to research and to promote greater public understanding of the nature, causes and extent of poverty. In commissioning and then publishing this study by Professor Brian Nolan of the ESRI, the Agency hopes to further both of these objectives. In previous research and publications the Agency has focused especially on the issue of income distribution and poverty. However, the Agency is very aware that poverty is a complex and multi faceted phenomenon. There are thus many other aspects of the distribution of resources and opportunities which it is important to examine and understand if effective policies to combat poverty are to be developed. One of these is the distribution of wealth. Surprisingly little is known about wealth in Ireland and the forms in which it is held. It was in order to begin to address this gap in our knowledge that the Agency commissioned this study.

This report presents, for the first time, data on the wealth of Irish households collected in the *Survey of Income Distribution, Poverty and Usage of State Services*, carried out by the ESRI in 1987. It provides a detailed breakdown of household assets and examines the relationship between wealth and other household characteristics including age, social class and current income.

This study adds significantly to knowledge of the distribution of wealth in our society. The Agency hopes that its publication will assist all those seeking to understand the underlying causes of poverty and to develop policies to address poverty and promote greater social equity in the years ahead.

Gerry Flynn
Chairman

CHRONOLOGICAL

14. 1989-1990: Introduction

15. 1991-1992: Introduction

16. 1993-1994: Introduction

and the distribution of wealth in Ireland. The distribution of wealth in Ireland is a complex issue, and the distribution of wealth in Ireland is a complex issue. The distribution of wealth in Ireland is a complex issue, and the distribution of wealth in Ireland is a complex issue. The distribution of wealth in Ireland is a complex issue, and the distribution of wealth in Ireland is a complex issue.

CHAPTER 1

INTRODUCTION

Little is known about the wealth of Irish households and the forms in which it is held. Empirical research on household wealth holdings in Ireland has been sparse. Lyons, in a number of studies carried out in the early 1970s, analysed the distribution of wealth among individuals, using estate duty data from 1965. More recently, Sandford and Morrissey (1985) studied the operation of the Wealth Tax in the 1970s, and explored the very limited data published on those who paid it. Apart from those studies, as the report by Byrne (1989) commissioned by the Combat Poverty Agency emphasises, very little information about wealth and its distribution in Ireland is available.

This study looks at a new data source on the wealth holdings of households — the information obtained in the ESRI's *Survey of Income Distribution, Poverty and Usage of State Services*, carried out in 1987. This survey has already been used as the basis for a series of studies on, *inter alia*, poverty, low pay, the tax and social welfare systems, and the health services, including three for the Agency, *Poverty and the Social Welfare System in Ireland* (Callan, *et al.*, 1988), *Low Pay — The Irish Experience* (Blackwell and Nolan, in Daly and Harvey, eds., 1990), and *Child Poverty in Ireland* (Nolan and Farrell, 1990). However, the present report is the first to make use of data also gathered in the survey on a range of assets and property held by households. This offers a perspective not previously available on the wealth of Irish households and the forms in which it is held.

It is essential to clarify at the outset the nature of the wealth data obtained in such household surveys, and the types of question

which they can most usefully address. Different types of data sources on wealth have different advantages and disadvantages. Data produced as a by-product of the operation of estate duty or wealth taxes, in general, will be much more revealing about the situation of the wealthy than about the remainder of the population who are effectively outside those tax nets. Data from a general household survey, on the other hand, will generally *not* be able to provide a reasonable picture of the position of those towards the very top of the income and wealth distribution — say, the top 1 per cent. This is for several reasons. First, a general survey intended to provide a sample representative of the population as a whole will not be a reliable source on *any* very small subset of the population. Secondly, evidence from other countries suggests that the top 1 per cent of the income or wealth distribution may be particularly elusive in such surveys, being less likely than other households to respond.

This has serious consequences for the information on wealth obtained in a general survey, precisely because of the high degree of concentration of wealth. It is common in developed countries for the top 1 per cent of wealth holders to own about one-third of all personal wealth, and the top 5 per cent may own as much as 60 per cent (see, for example, Wolff (1987), Atkinson and Harrison (1978)). This means that any data source which fails to adequately capture the situation of the very top of the distribution cannot give a reliable picture of either the total wealth held by households or the concentration of that wealth. Thus data from a general survey such as the ESRI one cannot serve, alone, as a reliable basis for results of the type “the top X per cent of the population own Y per cent of total wealth”.

This reflects not only the problems associated with the survey approach as a source of asset data but also what can be expected of a general survey representative of the population as a whole. Research in the US has shown that where it has been possible to *oversample* heavily very high income households, survey-based estimates of aggregate wealth holdings appear at least as credible as those produced by other methods (Avery, Eliehausen and Kennickell, 1988). This has important implications in considering the other major question mark over household survey-based wealth

data, namely their reliability. Asset holdings are generally perceived as an area of particular sensitivity for survey respondents, prone to both relatively high non-response and mis-statement. This has been seen as one explanation for the fact that total wealth measured in surveys usually falls substantially short of aggregate estimates from other sources. However, it is not clear to what extent this shortfall arises from the failure to pick up the top of the income distribution holding a high proportion of total wealth, rather than major problems of unreliability and understatement throughout the distribution. The issue of reliability is considered in detail in Chapter 2 of this report: it is important to note at the outset, though, that while great care is required, evidence from other countries does *not* lead to an all-encompassing scepticism about survey-based data on asset holdings.

While the nature of the data rules out meaningful results on the top wealth holders, then, the survey may provide the basis for an analysis of the way in which property and other assets are held throughout most of the income distribution. Thus, the assets of the bottom half or two-thirds of the distribution, on which estate duty or wealth tax records often provide little information, can be studied and compared with those nearer the top of the distribution. Furthermore, the value of the data on household asset holdings is greatly enhanced by the wide range of other information obtained in the survey on the characteristics of the household and its members. Thus, in a manner not possible with other data sources, asset holdings can be related to a variety of characteristics, and the level and composition of wealth analysed across, for example, social classes or urban versus rural location. The relationship between current income and savings and other assets for different household types can be studied, which is of particular importance if we are to understand the relationship between current income and living standards, especially between low current income and deprivation. The potential also exists for an analysis of the *behaviour* of households and the factors influencing the level of wealth and the way in which that wealth is held, in a manner not previously possible. None of these issues can be addressed with data from estate duty or other tax records, since information on characteristics other than the level of wealth itself is not generally

available, and survey evidence has been widely used for such purposes elsewhere (see for example King and Dicks-Mireaux (1981), Wolff (1987)).

This report first (in Chapter 2) describes the data on assets obtained in the ESRI Survey and assesses their reliability, in so far as possible, with the external information available and the help of similar studies elsewhere. It then presents (in Chapters 3-8) a range of results on the level and composition of assets held by households in the sample. The overall concentration of wealth, some of the implications of the results, and possible developments of the analysis, are discussed in the final chapter.

CHAPTER 2

THE SURVEY DATA

2.1 The ESRI Survey

The *Survey of Income Distribution, Poverty and Usage of State Services*, carried out by the ESRI in 1987, was designed to provide a national household sample. The organisation of the survey, the sampling procedure, response rate and representativeness of the sample are discussed in detail in Callan, Nolan, *et al.* (1989, Ch. 4) and will not be dealt with here. The survey produced a sample of 3,294 households, and for the purpose of analysis these are re-weighted to correct for non-response bias. When compared with external information, the sample appears to represent the population well in terms of such variables as age and sex composition, the number of household members at work, the percentage of households in the different health services entitlement categories and with Voluntary Health Insurance, and the percentage of employees at work in different occupational and industrial sectors.¹

The survey gathered a wide range of information for each adult and for the household itself. The age, sex, marital status and interrelationships of all those living in the household, as well as the nature of the accommodation and tenure type, were obtained. For each individual aged 15 or over and not in full-time education, this included labour force status, occupation and industry, education, and income from various sources. In addition, a range of questions explored attitudes, indicators of style of living, access to social support, and psychological stress.

Full individual questionnaires were completed for about 6,600 adults. For the remaining 1,650 adults in sample households, only

an abbreviated questionnaire with key information on income, labour force status and occupation was obtained. This occurred either because the person was ill, never at home or refused to co-operate fully, or for certain households containing many adults, where the individual was a young adult still living in the parental home.

The sample data on income, style of living, perceptions and individual and household characteristics has been used to analyse a variety of topics including poverty, the tax and social welfare systems, low pay, and unemployment and psychological distress (see, for example, Callan, *et al.*, 1988; Callan, Nolan, *et al.*, 1989; Nolan and Farrell, 1990; Blackwell and Nolan, 1990; Callan, 1991a). The survey also included a set of questions on property, assets and savings, which are examined for the first time in this study.

2.2 ESRI Survey Data on Wealth

The ESRI survey sought information on the following types of property, assets and savings:

- (i) The value of the house in which the household lived, their tenure status, and details of the mortgage, if any;
- (ii) For the self-employed, the value of the business;
- (iii) For farmers, the value of the farm;
- (iv) The level of balances in bank, building society, Post Office, ACC, ICC or Credit Union deposits;
- (v) The level of savings held in Savings Certificates or Index-Linked Savings Bonds;
- (vi) The level of savings held in National Instalment Savings;
- (vii) The value of Prize Bonds owned;
- (viii) The value of Government Stocks owned;
- (ix) The value of shares owned;
- (x) The level of savings held in Investment Bonds or unit-linked funds;
- (xi) The value of any houses, land or other property, apart from the house/land occupied by the household or included in the farm;

- (xii) The value of any investment in the names of children (under 15) exceeding £100.

The value of the house was asked of the household member responding to the household questionnaire, and the interviewer was also asked to estimate the house value (before asking the respondent). The data on savings, etc., was sought in the full personal questionnaire completed by most adults. Such information was not contained on the abbreviated questionnaire completed by 1,650 out of the 8,250 adults in the sample. Most of the latter were young adults still living in the parental home, though a minority were ill or never at home so an abbreviated questionnaire was completed on their behalf by another household member. The implications of the absence of assets data for these individuals will be addressed below.

Not all the individuals who were administered the full personal questionnaire were willing to complete the section on savings and assets (containing items (v) to (xii) above), while some either refused or said they did not know the answer to particular asset questions.² For a small number of households, neither the respondent nor the interviewer completed the questions on house value. Some self-employed people did not give a value for their business: where possible this was estimated on the basis of the reported profit and/or turnover (assuming a profit/value relationship similar to that observed for the fully-responding cases), but in some cases this too was missing. Likewise, a small number of farmers did not give a value for the farm, and where possible this was estimated. Taking together all those refusing or failing to respond to one or more of the questions on property/assets/savings, a total of 205 out of the 3,294 households in the sample, 6 per cent, have to be treated as missing observations in the present analysis. The patterns and implications of these refusals/failures to respond will be considered in the next section.

2.3 Reliability and Representativeness of the Wealth Data

To assess the reliability and representativeness of the survey responses on property and savings/assets, we make use of the information available on each type of property/asset from external

sources.

We begin with the data on house values. Callan (1991b) examines the ESRI survey responses on house values in some detail. He shows that the breakdown of households by tenure status is broadly similar in the ESRI survey and the 1987 Household Budget Survey, with the former having a slightly higher percentage of households owning their houses outright — 45 per cent compared with 41 per cent. Overall, 80 per cent of households in the ESRI sample own their house outright or with a mortgage, compared with 77 per cent of those in the Household Budget Survey. Callan also compares respondents' estimates of the value of the house with those provided by the interviewer. Respondents, on average, gave estimates about 6 or 7 per cent greater, but much of this difference was at very high values where respondents might be expected to be more reliable. Overall, experience elsewhere and the survey evidence itself suggests that owner-occupiers' valuations of their own property are reasonably accurate (see Callan for further information on validation of the house value data).

For farms, the distribution by size of farms in the sample can be compared with external information. As Table 2.1 shows, the percentage of farms in each size category in the ESRI sample is very similar to that shown by CSO/Teagasc national statistics. There is, however, some underrepresentation in the sample of very large farms, of 100 hectares or over — $\frac{1}{2}$ per cent of sample farms are in that size category compared with $1\frac{1}{2}$ per cent in the national statistics. While our interest is in farm values rather than farm sizes, the farm size profile in the sample is in itself encouraging, suggesting a satisfactory representation of the national picture except at the very top.

No external information exists for Ireland against which the value of (non-farm) businesses in the sample could be checked; evidence from elsewhere on the reliability of survey-based data in this area will be discussed below.

For the responses on different forms of savings/ investments, some — though by no means complete — external information does exist. It must be emphasised that what is required is data on *household* savings, holdings of securities, etc., not the total held by household and other sectors. Beginning with the level of deposits

in banks, building societies, etc., comprehensive data on total deposits are published by the Central Bank. The sectoral breakdown of these deposits is published only for banks at present. About 40 per cent of bank deposits are held by the personal sector.³ It is generally accepted that a higher proportion of deposits, those in building societies and the Post Office and Trustee Savings Banks, are personal rather than corporate. On the basis of published data for 1986/87 for total deposits in each type of institution, taking 40 per cent of bank deposits and making assumptions about the proportion of other deposits attributable to

Table 2.1: *Distribution of Farms by Size, ESRI Sample and National*

Size (hectares)	ESRI Sample	National ^a
	%	%
< 10	20.1	18.4
10 < 20	26.0	28.0
20 < 30	18.0	16.3
30 < 50	14.5	13.6
50 < 100	6.7	6.9
> 100	0.5	1.4
Hill farms	14.1	15.3
All	100.0	100.0

^aThis is the pattern which An Foras Taluntais state is represented by the farms in the 1986 Farm Management Survey (AFT, 1988, Table 78, p. 2.41). That is, it is not the distribution of sample farms in that Survey, but rather the national picture which, after reweighting, the sample is to represent — which is based on the 1980 Farm Structure Survey carried out by the CSO.

households, a figure of about £5,000 million appears to represent a reasonable estimate of total personal deposits at end-1986.⁴ Grossing-up the sample responses to the implied totals for all households, using the inverse of the proportion of all households sampled as the grossing-up factor, produces a figure of about £2,060 million. There may clearly be some imprecision for the self-employed in the definition of personal versus business accounts. Even taking such factors into account, the sample appears to 'miss' more than half of all savings held in the form of bank/building

society deposits.

External totals are also published for the Government Savings Schemes, namely Savings Certificates, Index-Linked Savings Bonds, National Instalment Savings and Prize Bonds, virtually all of which are presumably held by the personal sector. The total outstanding in Savings Certificates and Index-Linked Savings Bonds at end-1986 was £901 million.⁵ The responses in the ESRI sample, grossed up to implied national totals, give a figure of only £200 million. For National Instalment Savings, the published total at end-1986 was £108 million,⁶ while the grossed-up sample figure is £38 million.

For Prize Bonds, the published total is £78 million⁷ while the sample figure is £25 million. The sample responses thus represent an even smaller proportion of such savings than was the case for bank deposits.

The only other asset type which can be checked in this way is the value of government securities. Data published by the Central Bank show the breakdown of total domestic holdings of gilts by sector, and the personal sector holdings are seen to be about £340 million at end-1986 early-1987.⁸ The grossed-up sample figure for the value of gilts held by households is £94 million. No such published data on the value of personal sector holdings of stocks and shares, or of unit-linked funds are available.

The comparisons which have been possible between external totals and the grossed-up sample figures for savings and investments are summarised in Table 2.2. The sample figures come to about 38 per cent of the estimated external population total for these financial assets taken together. Bank deposits are best represented, while Savings Certificates/Index Linked Bonds have the lowest proportion represented in the sample. Some underrepresentation might result from factors such as the failure of respondents to take into account interest accruing to their investments or increases in values over time. The fact that about one-fifth of adults, completing abbreviated questionnaires, were not asked about their savings would also bias the sample figures downwards — though since most of these were young, their savings would not in general be substantial. However, the nature of the data itself — that is, the fact that it has been obtained through a general household survey

— is clearly the primary explanation for the divergence. While disappointing, this is not particularly surprising given the experience of such surveys elsewhere, and the implications for use of the data must be carefully considered.

Table 2.2: *Comparison of Grossed-up ESRI Sample Survey Aggregates for Holdings of Financial Assets with External Totals*

	Grossed-up Sample	External totals (end-1986)	Sample as % of Total
	£m	£m	%
Bank, building society, Post Office and Trustee Savings Bank deposits	£2,060	£5,000e	41
Savings Certificates and Index-Linked Savings Bonds	£200	£901	22
National Instalment Savings	£38	£108	35
Prize Bonds	£25	£78	32
Government Securities	£94	£340e	28
Total	£2,417	£6,427	38

Sources: See footnotes 3-7 to text.

2.4 The Underrepresentation of Wealth in Surveys: Lessons from International Research

Household surveys which attempt to gather data on savings and investments almost always fall substantially short of independent aggregate estimates. For example, the US study by Avery, *et al.* (1988), mentioned in Chapter 1, documents the way in which the 1983 Survey of Consumer Finances, when carried out as a standard general household survey, underrepresents various types of assets compared with external estimates. Deposits in savings accounts in the survey amount to 44 per cent of independent totals, stocks and shares to 47 per cent of independent totals, Government Savings Bonds and other Government bonds to 31 per cent of independent totals.⁹ Similar findings were produced by surveys of asset-holdings carried out in the US and the UK during the 1950s (see Ferber, 1966; Hill, Klein and Shaw, 1955; Lydall and Tipping, 1969; Atkinson and Harrison, 1978). For example, the

Oxford Savings Survey in 1953 produced grossed-up estimates of bank and Post Office deposits which came to 52 per cent of external totals, building society deposits came to only 24 per cent, and National Savings Certificates came to 50 per cent of external totals.¹⁰

The reasons why such underrepresentation of financial assets is found in household savings have been explored on the basis of the US and UK experience in the 1950s and 1960s.

- (i) The first problem arises from the concentration of wealth, in particular certain forms of assets, in the hands of a very small number of persons right at the top of the distribution. It is likely that a general sample survey will fail to 'pick up' any of this very small group.
- (ii) Secondly, non-response appears to be relatively high among self-employed, the retired, and the wealthy. This means that the upper wealth groups are likely to be underrepresented in the survey. (Since even if the very wealthy were sampled, they are also likely to fail to respond, this also compounds the problems at the very top of the distribution arising from (i).)
- (iii) Under/Mis-statement is likely among those who do respond. This may arise from a deliberate desire to withhold information, or from the genuine difficulties which arise in remembering all asset holdings and making an accurate valuation. US studies (Ferber, 1969) surveying households on whom external information was actually available, indicate that failure to report holdings entirely is a much more significant problem than understatement or errors by those who do report holdings of particular types of assets.

The study by Avery, *et al.* (1988) was able to explore the factors leading to underrepresentation of wealth holdings in surveys, by over-sampling those at the top of the distribution. As part of the 1983 US Survey of Consumer Finances, a special sample of high-income households was obtained from income tax files. This allowed households in the top half per cent to be oversampled, at a rate fifteen times greater than a simple random cross-section

of households. The resulting sample was then re-weighted so that those high-income households were attributed their appropriate weight in the population as a whole. The reported wealth holdings of this 'enhanced' sample could then be compared with those produced by the standard survey without this enhancement, and with external totals. The results showed that the success of the enhanced sample in representing more adequately the top of the distribution significantly reduced the differences between survey and external estimates for some important types of wealth holdings.

As would be expected, this was most important for those types of wealth-holding most concentrated towards the top of the distribution. The enhanced sample provided an estimate of total household holdings of stocks and shares which was 70 per cent higher than the standard sample, and was quite close to the external total. Holdings of Government stock were 38 per cent higher in the enhanced sample, and State and local government bond holdings were over twice as high as in the standard sample. It is worth noting that there was no such difference between the enhanced and standard sample in the case of bank deposits and owner-occupied housing which would not be heavily concentrated towards the top. The enhanced sample continued to underrepresent deposits very substantially, whereas enhanced and standard samples gave similar estimates of the total valuing of housing which actually exceeded external totals. Avery, *et al.*, suggest that the difficulties in distinguishing between household and business accounts for the self-employed may contribute to the understatement of savings accounts, and note Ferber's results on the frequency with which account-holders fail to report them.¹¹

Atkinson and Harrison (1978), having reviewed UK and US experience in the 1950s and 1960s, conclude that sample surveys cannot provide a satisfactory source of evidence about wealth holding at the top of the scale. They may, however, be a valuable supplement to other sources — notably data on estates left at death — particularly about certain types of assets such as consumer durables.¹² Avery, *et al.*, conclude, on the basis of their exercise, that their survey, with enhancement at top of the distribution, generates adequately representative totals and distributions of household wealth.¹³ Without such enhancement, though, the

findings show that the survey would seriously understate total wealth and give a misleading picture of its distribution, significantly underestimating its concentration at the top. This needs to be kept firmly in mind in any consideration of asset data from a sample such as the ESRI one which did not have any over-sampling at the top of the distribution — because it was not designed primarily for the production of wealth data — and the implications will be highlighted throughout the present study.

2.5 Non-Response on Wealth in the ESRI Survey

On the basis of experience elsewhere, then, the degree of underrepresentation of savings and investments in the ESRI survey is not surprising. Much of this is likely to arise from underrepresentation of households at the very top — say the top 1 per cent of the distribution — either because they were not sampled or because of non-response to the survey. With available data, there is little that can be done to quantify the extent of those problems. It may also be the case, though, that *selective* non-response by higher income groups, refused to respond to the specific questions on savings and assets, also contributes to the overall degree of underrepresentation. This can be assessed using the survey data, and does appear to be a factor.

Of the 3,294 households responding to the survey, 102, or 3 per cent, refused to respond to the entire section on savings and investments (though most of these did provide house value and, where relevant, value of farm/business). Table 2.3 shows the distribution of those households over the income distribution (using deciles of disposable household income). It is clear that these households are indeed disproportionately drawn from the upper income deciles, with about 34 per cent from the top two deciles and 61 per cent from the top half of the distribution, though the refusals are by no means simply concentrated at the top. A total of 103 other households did not or could not respond to at least one of the questions on property/savings, although responding to some. Table 2.3 shows that 16 per cent of these households are from the top income decile. It is interesting, though, that there is also a concentration of such cases in the second decile from the bottom, which may be age-related since this decile has a high

Table 2.3: *Position in the Income Distribution of Households Refusing or Failing to Respond to Questions on Financial Assets, ESRI Survey*

Decile	Refused Entire Section	Refused/Didn't Know One or More Questions
	%	%
Bottom	5.7	3.2
2	10.9	16.6
3	5.2	8.4
4	6.0	9.5
5	10.9	11.7
6	4.3	8.7
7	11.6	5.4
8	11.7	10.2
9	20.2	10.7
Top	13.5	15.6
All	100.0	100.0
Number of cases	102	103

proportion of elderly.

Another factor contributing to underrepresentation of wealth in the ESRI survey is the fact that not all adults were asked the questions about savings and investments.

However, most of those only administered an abbreviated questionnaire were young adults living in the parental home.

Analysis of individuals of this age group who did complete a full questionnaire suggests that their level of savings would be small in most cases, and that in aggregate the wealth 'missed' in the survey for this reason would not be substantial — though for particular households the omission could still be serious.

2.5 Overall Assessment of the Data

The evidence from analysis of the ESRI survey itself, and the experience with similar surveys elsewhere, suggests that great caution is required in utilising survey-based property/savings/assets data, but that such data may nevertheless be useful for some purposes. Indeed, it may not be possible to address certain important questions with data from any other source, given the

limitations of other sources of wealth data discussed in Chapter 1. It is clear that a general household survey does not by itself provide a basis on which to estimate reliably the total of wealth holdings, the overall composition of these holdings, and their distribution. This arises primarily because of the major weaknesses in surveys in adequately reflecting the top of the distribution, where particular asset types are highly concentrated. It appears though that the survey reflects two key types of property holdings, houses and farmland, reasonably well. This may not extend to the very top of the distribution, but throughout most of the distribution the pattern revealed by the survey may be reasonably accurate. This is particularly important, given that houses and land make up such a high proportion of the wealth on the 'non-wealthy', in other words most of the distribution.

For bank and other deposits, and perhaps Government savings schemes, there is clearly a problem of underrepresentation in the sample, which is *not* likely to be concentrated at the very top of the distribution. Evidence from other countries would suggest that this mostly reflects non-reporting of accounts rather than understatement by those who say they do have an account — though over half of all sample households report having a deposit account of some sort. This could lead to distortion throughout the distribution, depending on how the non-reporting occurs.

For holdings of Government securities and stocks and shares, and for investments in unit-linked funds it appears likely that much of the underrepresentation in the survey arises at the top of the distribution, this form of asset being highly concentrated towards the top. Property other than principal residence and farmland — for example, second homes, jewellery, yachts — is probably also concentrated at the top of the distribution and underrepresented in aggregate for that reason.

Finally, the aggregate value of businesses cannot be checked against external totals. Evidence from elsewhere (see Avery, *et al.*) suggests that overall underrepresentation may not be such a problem but that individual responses may be quite prone to error, particularly small businesses. This arises because of the inherent difficulties in valuing sole proprietorships/partnerships and of distinguishing personal assets from those of the business. There

may also be some underrepresentation due to failure to capture adequately the top of the distribution.

What does this imply for the use of the survey data on property and financial assets? It would clearly be unreliable, taken alone, as a basis for an examination of the overall level or distribution of wealth, since the very top of the distribution — say the top 1 per cent — holding a substantial proportion of the wealth is not adequately represented. It is also likely that wealth holdings of those near but not at the very top of the distribution will be underestimated since a significant proportion of their wealth is likely to be in the form of financial assets which are underreported or missed through non-response bias. For the remainder of the distribution, though, the survey offers evidence not available from any other source, and appears to be reasonably reliable on the dominant forms of wealth holding, namely housing and land. While the underrepresentation of financial assets — particularly deposits — remains a serious concern for these households, none the less, the survey may add very considerably to our knowledge of their asset holdings.

This potential in the survey is particularly important since one of the major obstacles facing previous research on wealth in Ireland was lack of evidence about the bottom two-thirds or so of the wealth distribution. One of the main critiques of Lyons' estimates of the wealth distribution related to the assumptions made about those for whom no information was available from the estate duties data. Lyons' estimates of the concentration of wealth were on the basis that two-thirds of the Irish population (*individuals* rather than households) held no *net* wealth. This was the subject of subsequent contributions by Harrison and Nolan (1975) and Chesher and McMahon (1976),¹⁴ who attempted to estimate the value of the missing estates and assess the implications for the degree of concentration. This highlights the importance of survey data as a supplement to other sources of information.

More generally, given what is known from studies elsewhere about the likely direction of biases in survey-based wealth data, it is clearly fruitful to examine the pattern revealed for Ireland by the ESRI survey. This can then be interpreted in the light of the known limitations of such data, and external evidence employed

on the likely direction and magnitude of the biases.

Before proceeding with the analysis, it is important to emphasise its coverage — the areas of wealth holding which are included and those which are not. It will be clear from our discussion that property held in the form of houses or farm land, and other property to the extent that it is covered by responses to the 'catch-all' question on other houses, land or other property, is included. The value of unincorporated business is also covered (however uncertain the estimates of their self-employed owners may be). Financial assets included are deposits in banks, building societies and other institutions, savings in government small savings media, government securities, stocks and shares, and investments in unit-linked funds.

No attempt is made here to include the value of consumer durables, including cars. A very important area also not dealt with is the value of the pension rights accruing to those who are in employment and accumulating such rights. The value of life assurance-based investments are not covered either. Apart from mortgages and farm loans, no liabilities are taken into account — for example, term loans. Information on these areas was obtained in the ESRI Survey and it is hoped to make use of that information to broaden the coverage of assets and liabilities in future work. Making use of such data to estimate, for example, the value of pension rights is extremely complex, and it appears preferable to proceed on the basis of the more usual spread of assets covered in such studies.

FOOTNOTES

1. See Callan, Nolan, *et al.* (1989), pp. 44-46; Nolan (1990, 1991); Callan (1990, 1991).
2. For some of those responding, incomplete information was provided which allowed an estimate to be made — for example, some respondents did not know the value of their investment bonds, but did say when and how much they had invested.
3. See Central Bank Quarterly Bulletin Spring 1991, Table C7, p. 40-41.
4. This figure is based on 40 per cent of resident deposits in licensed banks (£6,490 million) plus 60 per cent of resident building society shares and deposits (£2,901 million) plus 60 per cent of the total due to deposits in Post Office and Trustee Savings Banks (£1,045 million), all at end-December 1986. The figures are from Central Bank Bulletin, Summer 1987, Tables C3, C21 and C20, respectively.
5. Central Bank Bulletin, Spring 1990, Table D7.

6. Central Bank Bulletin, Spring 1990, Table D7.

7. Central Bank Bulletin, Spring 1990, Table D7.

8. Personal sector holdings of Government Stock are separately identified in the published statistics only from June 1987, when the figure was £338.8 million (*Central Bank Annual Report* 1988, Table D2). It should also be noted that this refers to the nominal value of the holdings. The survey asks respondents to estimate the value of their holdings, and is intended to elicit market values — though respondents may be influenced by nominal values.

9. See Avery, *et al.* (1988), Table 3, p. 348-349.

10. See Atkinson and Harrison (1978), Appendix I, Table I.1, p. 273.

11. The results in this paragraph are in Avery, *et al.* (1988), Table 3, p. 348-349, and discussion p. 347-353.

12. Atkinson and Harrison (1978), p. 275.

13. Avery, *et al.* (1988), p. 340.

14. Elaborations of these contributions were Harrison (1979) and Chesher (1979).

CHAPTER 3

WEALTH AND INCOME

3.1 Introduction

We begin analysis of the survey data in this chapter by looking at the overall level of property, savings and other financial assets in the survey, and then at the level and composition of wealth over the income distribution and by age and social class of the household head. This analysis at an aggregate level will be followed, in later chapters, by further decomposition of households by characteristics such as age of the household head, occupation and labour force status, social class, urban versus rural location, and others. This will allow variation in both the level of the wealth holdings, and their composition, to be related to the nature of the households themselves.

3.2 The Composition of Wealth Holdings

All the analysis in this study relates to households for whom full information on wealth holdings of the various types covered was available (or could be estimated as described in Chapter 2). The mean level of wealth holdings of different types, averaged over all these sample households, is shown in Table 3.1. For property — housing, land and other types — the net value of the asset, that is, the estimated market value less any outstanding mortgage or farm loan, is used.

As Table 3.1 shows, the total of all the assets covered averages about £37,500 for sample households (in 1987 terms as is the case for all the sample nominal magnitudes). Over half this total — 55 per cent — comprises the (net) value of the principal residence.

A further quarter is in the form of farm land, 7 per cent is in the value of unincorporated business, and 4 per cent is other property. Only 8 per cent is in the form of financial assets, of which two-thirds is made up by bank, etc., deposits.

In the light of the discussion of the biases inherent in any sample survey on wealth, discussed in detail in the previous chapter, it is clear that this cannot be taken as a reliable estimate of the overall composition of wealth held by Irish households. Using available external information, though, the survey data can provide a base and the likely biases can be assessed. Suppose, for the purpose of the exercise, that the survey data on property was taken at face value. We know from external information that financial assets are seriously underrepresented. That external information allows us to put an approximate upper bound on the value of household financial asset holdings — approximate because we only have information on certain types of assets, not others (notably equities or investment bonds, etc.). On the basis of this information and the sample data on property, financial assets might represent up to 20 per cent of total wealth holdings rather than the 8 per cent seen in the sample.

Table 3.1: *Mean Wealth Holdings by Type, All Households, ESRI Sample 1987*

Property/Asset Type	Mean Value	% of Total
	£	
Property		
principal residence	20,583	55.0
business	2,617	7.0
farm land	9,606	25.7
other property ^a	1,540	4.1
Financial Assets		
deposits	2,040	5.4
government savings	258	0.7
gilts	87	0.2
equities	351	0.9
investment bonds, etc.	310	0.8
investments for children	47	0.1
Total	37,441	100.0

^aIncludes the reported value of houses other than principal residence, land not included in household's farm, and any other property reported.

Of course, property holdings may in fact also be underrepresented in the sample, but — as argued in Chapter 2 — it is likely that this is much less serious than in the case of financial assets. We can therefore make some assessment of the importance of the bias in the sample due to the underrepresentation of financial assets, and also — as discussed below — say something about the likely distributional pattern of that bias.

The averages shown in Table 3.1 are the product of both the proportion of the sample who hold wealth of each type, and the average value of the holdings for those who do so.

These may operate quite differently for different forms of wealth, so Table 3.2 distinguishes the two elements. Almost 80 per cent of households are owner-occupiers and thus hold property in the form of their principal residence. The average house value for these households, net of outstanding mortgage, is £26,000. The other forms of property — businesses, farm land and other property — are held by a much smaller percentage of households, but the average value for those who do possess them is high. About 15 per cent of households own farm land, with an average value of

Table 3.2: Percentage of Households With Each Property/Asset Type and Average Value of Holdings

Property/Asset Type	% having Property/Asset	Mean value for These Households
Property		£
principal residence	78.5	26,221
business	5.2	50,520
farm land	15.2	63,154
other property	5.5	28,074
Financial Assets		
deposits	53.2	3,838
Government savings schemes	42.7	605
gilts	1.7	5,035
equities	4.2	8,301
investment bonds, etc.	2.0	15,654
investments for children	5.0	930
Total	88.5	42,310

£63,000 (net of farm loans). Only 5 per cent have an (unincorporated) business, with average value of £50,000. Interestingly, 5½ per cent said they had other property, with an average value (net of mortgage) of £28,000.

Over half of all households said they had savings in the form of deposits in a bank, building society or POSB/Trustee Savings Bank. (This refers strictly to deposit rather than current accounts, it should be noted.) The average value of deposit was almost £4,000. A very substantial percentage of households had savings through the Government small savings media — 43 per cent — but the average value of these savings was much less, at £600. Only a small minority of households said that they held gilts or equities or had invested in unit-linked trusts, etc. However, the average value of the holding was quite high in each case — £5,000 for gilts, £8,000 for equities and almost £16,000 for unit-linked funds, etc. Finally, 5 per cent of households said that they had invested/saved in their children's name(s), but the average value was less than £1,000.

Taking all these forms of property/asset together, 88½ per cent of households in the sample had some wealth. The average value of these holdings, for those who did have a positive figure, was about £42,000, compared with the figure of £37,400 in Table 3.1 when we average over all households in the sample.

Again, the implications of the underrepresentation of certain assets in the sample may be considered. If the underrepresentation of gilts, equities and investment bonds arises primarily from failure to report holdings rather than understatement, then the percentage having such assets is actually somewhat higher than in Table 3.2. Even so, only a small minority would be holding such assets. There is a good deal of overlap between holdings of these three financial assets — households having gilts frequently have equities and so on. In the sample, only 7 per cent of households have *any* of these three asset types. While the true figure may be higher, it appears unlikely to be very much higher. It is more difficult to say how the mean levels of these holdings are affected. Given the concentration of these assets towards the top of the distribution and the likely underrepresentation of the very top in such a survey, it may be that a relatively small number of substantial holdings

are missed. Thus, the actual percentage with such assets may not be much higher than in the sample, but the average value over all holders may be considerably higher.

Clearly, while mean levels are of considerable interest, we also want to know the variation in wealth holdings across households and across different forms of property/asset. We begin in the next section by examining wealth holdings over the income distribution.

3.2 Wealth Holdings Over the Income Distribution

In order to relate wealth holdings to current household income, we categorise sample households by current disposable income decile — the bottom 10 per cent, next 10 per cent, etc. ranked by total income of all household members. Table 3.3 shows the mean level of wealth (of the forms covered) for households by decile and the percentage of total wealth going to each decile. What is immediately striking is the absence of a clear trend in mean wealth as we move up the income distribution. From the bottom to the 7th decile — over the bottom 70 per cent of the income dis-

Table 3.3: Mean Household Wealth by Current Disposable Income Decile

Decile	Mean level of Wealth (£)	% of Total
Bottom	32,484	8.7
2	29,983	8.0
3	20,066	5.4
4	25,575	6.8
5	31,699	8.5
6	35,371	9.4
7	32,922	8.8
8	39,983	10.7
9	46,155	12.3
Top	81,713	21.8
All	37,441	100.0

tribution — the mean value of wealth holdings by decile varies from £20,000 to £35,000, but the minimum is in the third decile, not the bottom one. The bottom two deciles have mean wealth

similar to deciles 5, 6 and 7, and higher than deciles 3 or 4. Only when we move to deciles 8, 9 and 10 is a steady and substantial increase in mean wealth seen, so that the top decile has a mean 2½ times higher than that of decile 7.

To begin to see how this pattern is produced, we look first at the way in which the wealth holdings of the different deciles are made up from the various types of property and financial assets. Table 3.4 shows the percentage of total wealth coming from each type for each decile.

Interestingly, the importance of owner-occupied housing does not vary greatly over the distribution, except for the top decile. Wealth held in this form makes up between 53 per cent and 66 per cent of all the wealth held by deciles 1-9, with no consistent trend in its importance as we move up the deciles. Housing only accounts for 41 per cent of total wealth for the top decile, however.

Farm land is the next most important form of wealth-holding throughout the distribution, but is most important in relative terms towards the bottom. Farm land accounts for 38 per cent of the wealth held by the bottom decile, compared with 18-25 per cent for deciles 6, 7, 8 and 9. Taken together, owner-occupied housing and farm land account for 93 per cent of the wealth held by the

Table 3.4: Composition of Wealth Holdings by Income Decile

Decile	House	Business	Farm Land	Other Property	Deposits	Govt. Savings	Gilts, Equities, etc.	Invest- ments for Children	All
	%	%	%	%	%	%	%	%	%
Bottom	54.5	3.1	38.3	0.8	2.9	0.1	0.1	—	98.8
2	57.0	0.5	27.5	6.9	7.3	0.2	0.6	—	100.0
3	65.3	1.2	23.3	4.4	4.5	0.4	0.9	—	100.0
4	58.2	0.9	32.7	2.2	5.0	0.8	0.2	0.2	100.0
5	53.1	6.4	31.2	2.1	4.7	0.7	1.9	0.2	100.0
6	57.4	3.8	23.1	8.1	5.1	0.6	2.0	—	100.0
7	66.4	4.4	20.3	2.2	4.7	0.9	0.8	0.2	100.1
8	60.1	3.3	25.5	2.6	5.8	0.8	1.7	—	99.8
9	58.5	5.9	17.9	4.3	7.2	1.2	4.6	0.3	100.0
Top	41.0	19.6	23.8	5.3	5.8	0.9	3.4	0.2	100.0
All	55.0	7.0	25.7	4.1	5.4	0.7	1.9	0.1	100.0

bottom decile, and 80 per cent or more of that held by each of deciles 2-8. For the top two deciles, though, these two forms of wealth holding, though still dominant, account for only 76 per cent and 65 per cent, respectively, of total wealth in the survey.

Wealth held in the form of unincorporated businesses is most important at the top of the distribution, accounting for almost 20 per cent of the wealth of the top decile. It is least important for deciles 2-4, but does account for 3 per cent of the wealth of the bottom decile, where a number of self-employed people making little profit, or losses, are located. Other property accounts for between 2 per cent and 7 per cent of the wealth of deciles 2-10, with no clear pattern, but less than 1 per cent for the bottom decile.

Savings in bank deposits do not vary very much in importance, making up between 3 per cent and 7 per cent of the wealth of the different deciles, and show no consistent pattern over the distribution. Savings in Government small savings schemes are insignificant towards the bottom of the distribution, and make up about 1 per cent of wealth throughout the top half. Gilts, equities and investment-linked funds are also insignificant towards the bottom of the distribution, but are more concentrated towards the top. These forms of financial asset make up $3\frac{1}{2}$ - $4\frac{1}{2}$ per cent of the wealth of the top two deciles in the survey.

The known biases in the survey, particularly with respect to financial assets, probably mean that the importance of gilts, equities and investment bonds at the top of the distribution is particularly underestimated. The degree of concentration of wealth over the income distribution is probably biased downwards as a result. This could also be produced by the likely failure to capture the very top wealth holders in the survey. It must be emphasised that what is being examined here is the spread of wealth over households ranked by income — *not* the degree of concentration when households are ranked by wealth itself, a topic to which we will return in Chapter 9.

It may be surprising at first glance that a stronger and more direct relationship between income and wealth — as reflected in decile averages — is not found. However, income is being measured over a short period — generally that received last week or month (except for the self-employed and farmers where it is

the average for a year). Wealth holdings will reflect many factors other than current income, and to understand the pattern of wealth holding, other key characteristics must be analysed. The most obvious is age, since wealth will generally be built up over a prolonged period. Savings will be strongly influenced by stage in the life cycle, and the value of owner-occupied housing net of the outstanding mortgage will be highly dependent on the age of the mortgage itself. Given the importance of farm land, it is also critical to look at the distribution of that land and its relationship with current income.

In later chapters we focus one by one on the various forms of wealth-holding covered in the survey, which is essential if the overall pattern is to be understood. Here, though, it is useful to look at the relationship between aggregate reported wealth and age.

3.3 Wealth Holdings and Age

In looking at the relationship between wealth holdings and age, we classify households by the age of the household head. Table 3.5 shows mean reported wealth for the sample households by age category. The pattern shown is that mean wealth levels rise sharply as the age of the household head rises, to peak at the 45-64 age range. There is then a decline, so that households with a head aged 75 or over have mean wealth well below average. As a result of this pattern, households with a head aged between 45 and 74 have 60 per cent of all reported wealth, though they account for about 50 per cent of all households.

We again look at the way in which these wealth holdings are made up from the various types of asset, and whether that composition varies over the age range. Table 3.6 shows that wealth in the form of housing forms about 52-55 per cent of all reported wealth for each age group except the oldest, where the head is aged 75 or over. There, housing makes up over two-thirds of the total. Wealth in the form of farm land accounts for 25-28 per cent of total wealth throughout most of the age range, but is less important for the 75 or over group. Wealth in the form of unincorporated businesses is most important in the 25-54 range, whereas financial assets are most important for the older categories.

The relationship between wealth and age is one of the factors

Table 3.5: Mean Reported Wealth by Age of Household Head

Age Category	Mean Reported Wealth £	% of Households	% of Wealth
Under 25	12,024	2.0	0.6
25-34	23,333	22.3	13.9
35-44	39,790	18.5	19.7
45-54	47,314	16.7	21.1
55-64	46,687	17.8	22.2
65-74	42,053	15.3	17.2
75 or over	26,651	7.3	5.2
All	37,441	100.0	100.0

Table 3.6: Composition of Wealth Holdings by Age

Age Category	House	Business	Farm Land	Other Property	Govt. Deposits	Gilts, Equities etc.	All
	Per cent						
Under 25	55.6	—	25.7	10.9	7.7	0.1	100.0
25-34	52.2	10.3	23.7	7.0	5.2	0.5	100.0
35-44	52.7	8.8	27.9	3.3	4.3	0.4	99.8
45-54	55.4	8.4	25.2	5.4	3.8	0.5	99.8
55-64	54.7	6.6	27.2	2.4	6.2	0.9	100.0
65-74	55.7	3.0	25.0	4.0	7.3	1.3	100.0
75 or over	67.8	1.3	20.0	1.5	7.7	0.3	100.0
All	55.0	7.0	25.7	4.1	5.4	0.7	99.8

underlying the pattern of wealth holdings over the current income distribution, described in the previous section. To explore the links, Table 3.7 shows the composition of the households in each current income decile by the age of the household head. Households with elderly heads are seen to be concentrated towards the bottom of the income distribution. Those with heads aged 65-74 or 75 or over form a relatively high proportion of the households in the bottom three deciles. On the other hand, there are very few

households with heads aged between 25-34 in the bottom two deciles. (There are so few households in the sample with heads under 25 years of age that these can be ignored.) Households where the head is 'middle aged', between 35-64, form a relatively high proportion of those in the top half, and particularly the top 30 per cent of the income distribution.

It is useful to focus on the proportion of each decile between 35 and 74, since we have seen that over this broad age range mean wealth is considerably higher than for households with either an older or a younger head. Those households make up over three-quarters of the bottom two deciles, only 56-59 per cent of the next two deciles, about 66 per cent of deciles 5, 6, and 7, 70 per cent of deciles 8 and 9, and 77 per cent of the top decile. This pattern fits in with the observed mean wealth level by income decile (Table

Table 3.7: Households in Each Current Income Decile by Age of Head

Decile	Age of Household Head				
	Under 25	25-34	35-64	65-74	75 +
	%	%	%	%	%
Bottom	1.1	7.6	47.3	29.1	14.9
2	2.1	7.8	44.2	32.4	13.5
3	4.5	22.3	34.0	22.2	17.0
4	0.6	29.1	44.2	15.4	9.8
5	1.8	27.0	55.8	11.1	4.2
6	3.5	27.7	54.3	9.8	5.0
7	0.8	30.0	55.1	10.9	3.5
8	0.8	26.4	62.8	8.1	1.9
9	1.3	26.3	62.5	8.2	1.7
Top	3.3	18.3	71.5	5.4	1.5
All	2.0	22.3	53.1	15.3	7.3

3.3), which is higher for the bottom two deciles than the rest of the bottom half of the distribution, and rises sharply over the top three deciles. It is clear, then, that variations in wealth holdings over the life cycle play an important part in producing the observed wealth/current income pattern.

3.4 Wealth Holdings and Social Class

To examine the pattern of wealth holding by social class, we employ the six-category classification adopted by the CSO. Households are categorised by the social class of their head, and Table 3.8 shows mean levels of reported wealth for sample households classified in this way. The strength of the relationship between wealth holding and social class is clear: mean wealth rises steadily as we move from the unskilled manual through to the higher professional/managerial class, and is almost 5 times as high for the latter. The semi-skilled and unskilled manual classes do have significant reported wealth, with an average level of £23,000 and £16,000, respectively. Whereas the two professional/managerial classes contain 22 per cent of the sample households, though, they have 40 per cent of the reported wealth.

Table 3.9 shows the composition of the wealth held by the different classes by type of asset. There are substantial differences in composition across the classes. Wealth in the form of housing forms 84 per cent of the wealth of the unskilled manual class and 62-67 per cent for the semi-skilled and skilled manual ones, but only 45-47 per cent for the three higher classes. Unincorporated businesses make up a much higher proportion of the wealth of the higher professional class than any of the others, and gilts, equities, etc., are also more important for that class. Farm land is most important for the lower professional and intermediate non-manual

Table 3.8: Mean Reported Wealth by Social Class

Social Class	Mean Reported Wealth £	% of households	% of wealth
Higher professional	75,347	9.9	19.8
Lower professional	60,928	12.0	19.5
Intermediate non-manual	48,308	17.7	22.7
Skilled manual	29,582	23.8	18.7
Semi-skilled manual	22,980	20.5	12.5
Unskilled manual	15,949	16.1	6.8
All	37,638	100.0	100.0

Table 3.9: Composition of Wealth Holdings by Social Class

Social Class	House	Business	Farm Land	Other Property	Deposits	Govt. Savings	Gilts, Equities etc.	All
Higher Professional	48.0	18.4	14.3	7.0	5.5	0.9	5.6	100.0
Lower Professional	44.9	4.8	38.2	3.3	5.6	0.9	2.2	100.0
Intermediate Non-manual	47.3	1.8	40.2	3.6	4.9	0.7	1.3	100.0
Skilled Manual	62.3	7.0	21.8	2.6	5.3	0.4	0.4	100.0
Semi-skilled Manual	66.8	6.8	18.4	1.3	5.2	0.5	0.9	100.0
Unskilled Manual	84.3	1.4	5.6	3.5	4.2	0.2	0.7	100.0
All	55.0	7.0	25.7	4.1	5.4	0.7	1.9	100.0

classes. This is a reflection of the way in which farmers are classified by social class, on the basis of farm size: only farmers with farms over 200 acres would be placed in the higher professional category, but those with 100-199 acres and 50-99 acres would be in the lower professional and intermediate non-manual classes respectively.

Table 3.10: Mean Reported Wealth by Social Class and Age of Head

Age Category	Social Class					
	1	2	3	4	5	6
	(£'000)					
Under 25	60.0	14.3	21.0	6.2	8.8	3.6
25-34	44.2	35.6	30.0	18.7	14.2	4.4
35-44	72.9	61.0	54.0	32.2	20.1	16.0
45-54	87.5	72.8	51.8	35.1	25.6	17.6
55-64	92.2	92.1	58.4	37.2	34.7	19.8
65-74	103.5	84.0	58.4	35.4	26.0	21.0
75 or over	64.5	44.5	52.3	26.5	19.3	15.2

The interaction of social class and age is also of interest. Table 3.10 shows mean reported wealth levels for households cross-

classified by social class and age of household head. The decline in mean wealth when the household head is 75 or over, compared with 65-74, is seen for all the social classes, but is steepest for the professional/managerial classes. The variation in wealth with age is a good deal less pronounced for the intermediate non-manual class than for either the professional/managerial or the manual classes.

In order to understand the observed patterns in aggregate wealth holdings in the sample described in this chapter, it is necessary to look separately at the various forms in which wealth is held. This we do in Chapters 4-8, beginning with the most important single type of wealth holding, namely owner-occupied housing.

CHAPTER 4

OWNER—OCCUPIED HOUSING

4.1 The Importance of Housing in Wealth Holdings

As we have seen, the value of owner-occupied housing constitutes over half of all household wealth reported in the ESRI survey. Even taking into account the underrepresentation of other forms of wealth holding in the survey, particularly financial assets, owner-occupied housing is clearly the single most important form in which wealth is held by households in Ireland.

This reflects the fact that almost 80 per cent of households in the survey were owner-occupiers. This is consistent with the percentage of owner-occupiers in the 1987 Household Budget Survey, which was 77 per cent.¹ Both surveys may understate somewhat the percentage of households in private rented accommodation, due to the difficulties in obtaining interviews from such households, with the ESRI survey underrepresenting such households slightly more than the HBS. None the less, the broad picture whereby owner-occupation dominates housing tenure is clearly correct.

Table 4.1 shows the way in which owner-occupiers in the ESRI are distributed by house value, and by their net wealth in the form of housing — the value of the house less than outstanding amount of mortgage debt. The outstanding debt is estimated on the basis of information obtained in the survey on the original amount of the mortgage and when it was taken out. The table shows that 7 per cent of owner-occupiers own houses worth £10,000 or less (generally on their own estimate of the market value). Another 24 per cent have houses worth more than £10,000 and up to

£20,000. About one-third of house owners are in houses worth more than £20,000 up to £30,000. A further 19 per cent are between £30,000-£40,000, 9 per cent between £40,000-£50,000, and 8 per cent have houses worth over £50,000. Given the extent to which house prices fluctuate, it is to be emphasised once again that these figures refer to 1987.

For all owner-occupiers in the sample, the average market price is £30,600. However, on average these house owners have outstanding mortgage debt of £4,500, so their equity — their net worth in the form of housing — is £26,100.

Thus, as Table 4.1 also shows, 14 per cent of owner-occupiers have net wealth in housing of £10,000 or less, 29 per cent are between £10,000-£20,000, a further 29 per cent are between £20,000 and £30,000, and 28 per cent have net house values in excess £30,000.

The degree of concentration of wealth held in the form of housing may be illustrated by ranking households according to their net house value — including those who are not owner-occupiers, whose net value is, of course, zero. On the basis of this ranking, the top 10 per cent of households have about 28 per cent of total net housing wealth, the top 30 per cent have about 60 per cent of the total, and the bottom 30 per cent have about 2½ per cent of total housing wealth.

Table 4.1: *Owner-occupiers by House Value, Before and After Deduction of Outstanding Mortgage*

	House Value	House Value Net of Outstanding Mortgage
> £10,000 or less	7.0	14.3
> £10,000 < £15,000	7.5	13.0
> £15,000 < £20,000	16.5	15.8
> £20,000 < £25,000	14.4	14.6
> £25,000 < £30,000	17.9	14.3
> £30,000 < £35,000	9.1	7.1
> £35,000 < £40,000	10.0	7.1
> £40,000 < £50,000	9.4	7.5
> £50,000	8.2	6.2
All	100.0	100.0

This will clearly be biased by any underrepresentation of the housing wealth of the very wealthy who may not be captured in the survey. However, it appears likely that such a bias would be much less serious in the case of housing than for other forms of wealth (that is certainly suggested by the comparison between 'enhanced' and standard samples in the exercise carried out by Avery, *et al.* (1988) for the US).

4.2 Housing and Current Income

We now examine in more detail the way in which the value of owner-occupied housing varies over the income distribution. Table 4.2 shows the average house value, net of outstanding mortgage for households in each current disposable income decile. There is not very much variation in average net house value over the bottom 5 deciles, the third decile from the bottom rather than the bottom two having the lowest figure. Even for deciles 6-9, while the average value rises with income, the increase is not dramatic. The top decile, with average net house value of £33,500, has about twice as much wealth held in this form as the households in the bottom half of the distribution. To disentangle how these averages are produced, we need to know (a) how many households in each decile are owner-occupiers, (b) the average market value of their houses, (c) how many owner-occupiers own their houses outright/have outstanding mortgages, and (d) for those who do have mortgages, the average amounts outstanding.

Table 4.2 shows the percentage of households in each decile who are owner-occupiers. There is some variation in this percentage across the deciles. The third and fourth deciles from the bottom have the lowest proportion of owner-occupiers, two-thirds or less, while the bottom decile has almost 80 per cent owning their own house. In the top half of the income distribution the percentage of owner-occupiers rises to 84 per cent or more, reaching 90 per cent for the top two deciles. This variation in the percentage owning their own house can be seen to be responsible for a good deal of what little variation there is in net house value averaged across all households in the decile. Table 4.2 also shows the net value averaged over owner-occupiers only, and this changes very little indeed over the bottom 7 deciles. For the top 2-3 deciles there is

Table 4.2: Mean House Value and Percentage Owner-Occupiers by Current Income Decile

Decile	Mean Net House Value	% Owner-Occupiers	Mean Net Value for Owner-Occupiers
Bottom	17,711	78.8	22,475
2	17,093	73.8	23,149
3	13,102	59.0	22,196
4	14,890	67.4	22,095
5	16,848	71.9	23,441
6	20,294	83.9	24,178
7	21,876	88.7	24,653
8	24,050	83.4	28,842
9	26,984	92.7	29,120
Top	33,501	90.1	37,171
All	20,583	78.9	26,081

some increase in average net house value among house owners, but for most of the distribution that figure is remarkably steady at about £23,000-£24,000.

For owner-occupiers, it is interesting in turn to break down the average net house value by looking at the influence of outstanding mortgage debt. Table 4.3 shows, for owner-occupiers only, average house values before outstanding mortgage debt is deducted, again by decile. This is about £24,000 for each of the bottom 4 deciles, but then rises steadily, if undramatically, as income rises, reaching £44,000 for the top decile. The average amount outstanding on mortgages, averaged over all owner-occupiers, is also shown and rises steadily with income from less than £1,000 to £8,500 for the second decile from the top, falling to £6,700 for the top decile.

This in turn is a product of the percentage of owner-occupiers who have an outstanding mortgage and the average amounts outstanding. Table 4.3 goes on to show how the percentage of owner-occupiers in each decile who have a mortgage outstanding rises steadily as income increases from the bottom decile to the ninth. Only 11 per cent of owner-occupiers in the bottom decile have a mortgage, but this percentage rises to about two-thirds of those in the ninth decile, while in the top decile about half the

owner-occupiers have a mortgage outstanding. The average amount outstanding, for those who do have a mortgage, is about £7,000-£8,000 for those in the bottom half of the distribution (except the second decile) and £10,000-£13,000 for the top half.

The limited variation across the income distribution in net wealth held in the form of owner-occupied housing is thus the product of a number of factors. Those towards the top or at the bottom of the income distribution are more likely to be owner-occupiers than those in deciles 3-5. The average market value of the house owned does rise as income increases, but the proportion of owners

Table 4.3: Mean House Value and Outstanding Mortgage for Owner-Occupiers by Current Income Decile

Decile	Mean Gross House Value	Mean Outstanding Mortgage	% of Owner-Occupiers with Outstanding Mortgage		Mean Amount Outstanding for those with Mortgage
			Outstanding Mortgage	with Outstanding Mortgage	
	£	£	%		£
Bottom	23,331	856	11.4		7,526
2	23,921	771	19.4		3,977
3	23,906	1,739	22.2		7,814
4	24,578	2,491	37.3		6,678
5	27,072	3,631	42.6		8,527
6	29,203	5,035	47.4		10,624
7	30,918	6,276	59.9		10,479
8	35,583	6,741	58.5		11,526
9	37,564	8,464	65.5		12,923
Top	43,857	6,687	50.7		13,190
All	30,598	4,525	43.0		10,519

with mortgage debt outstanding also rises. Thus, the value of housing net of debt averaged over all households is lowest for deciles 3-5, and highest for the top three deciles.

To understand the pattern of house ownership and housing-related debt, several key variables suggest themselves. The first is age: those in the early stages of the life cycle are less likely to have become house owners, and if they are, will generally have

substantial mortgages. Those who have owned their house for, say, 10 years or more will not have paid off very much of their mortgage, but given house price inflation, their equity in the house will nevertheless have risen very substantially since purchase. House owners who are aged over 50 or 55 are likely to have paid off their mortgage entirely.

A second variable which must be analysed is occupation/social class. Taken as an indicator of 'permanent' income, this is likely to be more strongly related to the ability to purchase a house and the value of that house than current income.

A third factor which must be included in the analysis is the special position of farm households. Irrespective of income or age, such households are very likely to be owner-occupiers, and may also be less likely than other households to have a mortgage. We now proceed to look at these factors in turn.

4.3 House Property and Age

Table 4.4 shows how net house value varies across households with the age of the household head. (Here we are including all households rather than only owner-occupiers.) Where the household head is aged under 25, the average net value is less than £7,000. This rises to £12,000 for households headed by someone aged between 25-34, and reaches a peak of £26,000 for heads aged 45-54. There is then a decline in average net wealth in the form of housing as the age of the head increases, falling to £18,000 for those aged 75 or over.

The table also shows that much of this variation is due to differences across the categories in the percentage of households owning their own house, rather than in the net value of housing for those who do so. Only 36 per cent of those with a head aged under 25 own their own house. This percentage rises to two-thirds for households headed by someone aged between 25-34, and to 85 per cent or more for the ages 35-74, falling to 77 per cent for those aged 75 or over. The net house value is, however, relatively low for those aged under 35 who do own their house, at about £18,500. The figure is significantly higher for older age groups, reaching almost £30,000 for heads aged 55-64.

The reasons why mean net house value varies for owner-

occupiers in this way with the age of the head are elucidated in Table 4.5. It shows that, for owner-occupiers, the average market value of the house rises from £26,500 for the under 25s to £34,000 for those aged 45-54. The market value is lower for households with older heads, the average for those aged 75 or over being only £24,000. However, the mean outstanding mortgage — averaged over all owner-occupiers — is highest for the 25-34 age group, falling rapidly thereafter and being small for households with head aged 55 or over. This in turn reflects the pattern of mortgage holding and age of mortgage. The percentage of owner-occupiers who have a mortgage peaks at 79 per cent for the 25-34 age group, then falls steadily as the age of the head rises. The average amount outstanding, for those who do have a mortgage, also falls rapidly from the 35-44 age group onwards.

Thus we see that households where the head is aged between 35-74 are (a) much more likely to be owner-occupiers, (b) own more expensive houses on average, and (c) have much less mortgage debt outstanding, compared to households with a younger head. Households with a head aged 75 or over have less wealth in the form of housing than the 'middle aged' primarily because a lower proportion are owner-occupiers, though they also own less valuable houses on average.

Age clearly influences the pattern of housing wealth by current

Table 4.4: House Value by Age of Household Head

Age of Head	Mean Net House Value	% Owner-Occupiers	Mean Net Value for Owner-Occupiers
	£	%	£
Under 25	6,689	36.0	18,584
25-34	12,178	66.6	18,298
35-44	20,964	79.0	26,529
45-54	26,195	85.2	30,741
55-64	25,556	86.7	29,488
65-74	23,442	87.2	26,875
75 or over	18,077	77.4	23,362
All	20,583	78.9	26,081

Table 4.5: Mean House Value and Outstanding Mortgage for Owner-Occupiers by Age of Household Head

Age of Head	Mean Gross House Value	Mean Outstanding Mortgage	% with Outstanding Mortgage	Mean Amount for these
	£	£	%	£
Under 25	26,464	7,880	44.2	17,829
25-34	31,101	12,836	79.0	16,253
35-44	33,266	6,741	62.4	10,796
45-54	33,696	2,959	47.9	6,176
55-64	30,277	789	23.7	3,331
65-74	27,180	305	11.9	2,557
75 and over	24,072	711	12.4	5,754
All	30,598	4,525	43.0	10,519

income decile described in Section 4.2. The composition of households in each decile by the age of the head was seen in Chapter 3. Households with heads aged 35-74 form a high proportion of those in the bottom 2 deciles, contributing to the relatively high levels of house property owned by the bottom deciles. 'Young' households, with relatively low levels of house property on average, are relatively scarce in the bottom 2 deciles, and are most important in deciles 3-7, helping to bring down the housing wealth of those deciles. The top three deciles have the highest proportion of household heads in the 35-64 age range, the type of household with the highest average levels of housing wealth.

4.4 House Property and Social Class

We now examine the pattern of house property holdings by social class. Table 4.6 shows mean net house value for households in each of the social classes. In contrast to the pattern by current income, we see a consistent increase in average net housing wealth across the classes moving from the unskilled manual class up to higher professional groups. Housing wealth rises from an average of £13,500 for the unskilled manual class to £36,000 for higher professionals.

As the table makes clear, these class differentials reflect both

differences in the extent of owner-occupation and in the average net housing wealth for owner-occupiers across classes. Whereas over 90 per cent of those in the professional/managerial classes own their own houses, this is the case for about 80 per cent of those in intermediate non-manual or skilled manual groups, 72 per cent of semi-skilled manual and only 64 per cent of the unskilled manual class. Mean net house value for those who are owner-occupiers is £21,000 for the unskilled and semi-skilled groups, rising to £39,000 for the higher professionals.

Table 4.7 shows how the market value of houses and mortgage debt produce this pattern for owner-occupiers. The average market price of the house is £22,500 for the unskilled manual class, rising to £48,000 for the higher professional group — a significantly wider gap than for net house value. This is because owner-occupiers in the professional classes have significantly higher levels of mortgage debt outstanding. The table shows that very few of the owner-occupiers in the unskilled manual class have mortgages — many may be buying their houses through rent/purchase agreements with local authorities. The percentage of owner-occupiers with a mortgage rises to 50-60 per cent for the professional classes, and those with mortgages also have higher average levels of debt outstanding here than in other classes.

Table 4.6: Mean Net House Value and Percentage Owner-occupiers by Social Class

Social Class	Mean Net House Value	% Owner-Occupiers	Mean Net House Value for these
	£	%	£
Higher professional	36,198	93.0	38,902
Lower professional	27,357	91.2	29,987
Intermediate non-manual	22,842	82.4	27,712
Skilled manual	18,429	79.8	23,080
Semi-skilled manual	15,352	72.1	21,295
Unskilled manual	13,447	64.2	20,961
All	20,607	78.9	26,130

4.5 House Property and Farm Households

The third factor mentioned as important in understanding the distributional pattern of housing wealth was the role played by farm households. About 15 per cent of the households in the sample had a farm, and almost all of these owned their own house. The average market value of these houses was below the overall average for all households in the sample — at £25,000 compared with £30,000 — but there was little outstanding mortgage debt. As a result, average net house value for farm households was not much lower than the overall average for all households, at £24,500.

A significant proportion of these farm households owning their own houses are at the bottom of the current income distribution — 27 per cent are in the bottom two deciles of that distribution. The mean net house value for these farm households at the bottom of the distribution is about £22,000, not very far below the average for all households. Both the high proportion of farm households in the bottom 2 deciles, and the fact that their housing wealth is not much below average, play a significant part in raising the housing wealth of the bottom two deciles. This helps to explain the pattern discussed in Section 4.2, where the bottom 2 deciles had higher housing wealth than the next 20 per cent of the current income distribution. The distributional profile of farm households is analysed in detail in the next chapter.

4.5 Conclusions

In this chapter, the importance of owner-occupied housing as a form of wealth holding in Ireland has been emphasised. Almost 80 per cent of households in the ESRI sample were owner-occupiers, and their average net wealth in the form of housing — estimated market value of the house less outstanding mortgage debt — was £26,000. When households were ranked by their position in the distribution of current disposable income, those in the third and fourth deciles from the bottom, rather than the bottom deciles, had the lowest net housing wealth. This was primarily because of the relatively low percentage of owner-occupiers in that part of the distribution. That in turn is related *inter alia* to the variation in age composition over the income distribution — very few households with young (under 35) heads are in the bottom two deciles, but are more important in the middle of the distribution. Housing wealth has a consistent relationship with the social class of the household, those in the higher professional class having, on average, almost three times as much wealth in that form than unskilled manual households. A relatively high proportion of farm households — almost all of whom are owner-occupiers — is found at the bottom of the current income distribution, helping to raise the net housing wealth of that part of the distribution.

Table 4.7: *Gross House Value and Mortgages by Social Class*

<i>Social Class</i>	<i>Mean gross house value</i>	<i>Mean outstanding mortgage</i>	<i>% with outstanding mortgage</i>	<i>Mean amount for these</i>
Higher professional	47,897	9,000	59.4	15,151
Lower professional	37,392	7,431	50.5	14,723
Intermediate non-manual	31,737	4,030	42.9	9,382
Skilled manual	27,516	4,441	48.0	9,242
Semi-skilled manual	24,534	3,240	37.1	8,739
Unskilled manual	22,511	1,560	3.3	4,771
All	30,833	4,711	44.7	10,539

CHAPTER 5

FARM LAND

5.1 The Level and Distribution of Wealth in the Form of Farm Land

As we have seen, about 15 per cent of the households in the sample are farm households. The average market value of the farm, for these farm households, is £66,600 — reflecting households' own estimates. The average debt outstanding on farm loans — averaged over all farm households — is £3,600, so mean farm value net of this debt is £63,000.

Table 5.1 shows the variation around these means in the gross and net value of farm land owned by farm households. About 10 per cent have farms with market value of £10,000 or under, while 57 per cent have farms valued at £50,000 or under. About one-quarter have farms valued between £50,000 and £100,000, while 18 per cent have farms valued at over £100,000. Since farm loans do not on average make up a substantial proportion of gross farm value, the distribution of households by value net of these loans is very similar.

Table 5.2 shows the breakdown of farm households in the sample by farm size. We saw in Chapter 2 that this is very similar to the distribution shown by CSO data for the country as a whole, except that very large farms — of over 100 hectares — are underrepresented in the sample. (While such farms constitute 1½ per cent of all farms, they make up only ½ per cent of those in the ESRI survey.) The sample also appears to represent the main types of farm activity quite well. While there may be some underrepresentation at the very top in value terms, otherwise the

sample seems likely to provide a reasonably reliable picture in terms of farm values.

Farm land can thus be seen to represent a very valuable asset for the minority of households who are farm owners. The average

Table 5.1: *Farm Households by Gross and Net Value of Farm*

	Market Value of Farm Land	Net Value of Farm Land
	%	%
< £10,000	10.5	10.5
> £10,000 < £20,000	12.5	13.2
> £20,000 < £30,000	13.2	14.5
> £30,000 < £40,000	10.5	9.9
> £40,000 < £50,000	9.9	9.2
> £50,000 < £60,000	7.9	8.6
> £60,000 < £70,000	5.9	5.9
> £70,000 < £80,000	5.3	4.6
> £80,000 < £90,000	3.9	3.9
> £90,000 < £100,000	2.6	2.6
> £100,000 < £150,000	7.9	7.9
> £150,000 < £200,000	5.3	5.2
> £200,000	4.6	4.0
All	100.0	100.0

Table 5.2: *Sample of Farm Households by Size of Farm*

Size of Farm (hectares)	Percentage of Farm Households
	%
> 10	20.1
10 < 20	26.0
20 < 30	18.0
30 < 50	14.5
50 < 100	6.7
> 100	0.5
Hill farms	14.1
All	100.0

farm household has net wealth in the form of farm land worth 2½ times the mean net housing wealth averaged over all owner-occupiers. Wealth held in this form is also much more concentrated than housing; ranking all households by farm value only, 75 per cent have no such wealth, the top 5 per cent have two-thirds of all net wealth in the form of farm land, and the top 1 per cent have 22 per cent of all such wealth. The distributional pattern of this form of wealth therefore merits careful analysis.

5.2 Farm Land and Current Income

Table 5.3 shows where farm households are located in the current income distribution, and the average (net) farm value of those in the different deciles. As already noted in the previous chapter, a significant proportion of farm households had very low current income in the sample, relative to other households — 14 per cent were in the bottom decile, and a further 11½ per cent were in the second decile from the bottom. Apart from that, farm households are spread fairly evenly over the income distribution.

It should be noted that current income from farming, in the sample, represents estimated income over the calendar year 1986. The estimates were based on information obtained from respondents on farm size, soil type, farm system and stocking, and costs, together with data supplied by Teagasc on averages for similar farms for those elements of output and costs for which information could not be directly collected. On this basis, family farm income — gross output plus grants less total direct and overhead costs — was estimated. The year to which the estimates apply, 1986, was a particularly poor year for farming, with substantial increases in farm incomes being recorded in each of the following three years.

In addition to their location in the income distribution, Table 5.3 also shows the average (net) farm value for farm households at different points in that distribution. It is notable that the farm households at the bottom of the distribution do *not* have the lowest average farm value — it is in fact those in the third decile from the bottom who have the lowest mean value. This arises because some of the farm households at the bottom, with very low current income, have large farms on which losses were incurred or very

Table 5.3: *Farm Households by Current Income Decile, With Average Net Farm Value*

Decile	Percentage of Farm Households %	Average Net Farm Value £
Bottom	14.5	56,651
2	11.5	46,640
3	7.7	40,608
4	10.8	51,491
5	10.4	61,710
6	9.5	57,778
7	8.5	52,560
8	9.1	73,354
9	7.0	76,176
Top	11.0	113,472
All	100.0	63,154

little earned in net terms in the year in question. This does not mean that most of the farm households in the bottom 1 or 2 deciles have large farms — about half those in the bottom decile had farms valued at £30,000 or less, and about three-quarters were below the mean farm value of about £65,000. However, a small number of very large/valuable farms in that decile was enough to bring up the average farm value — 13 per cent of the farm households in the bottom decile had farms worth more than £100,000.

Over the middle of the income distribution there is no consistent pattern in average farm value, but a significant increase is seen over the top 3 deciles. For the 11 per cent of all farm households who are located in the top decile, the mean net value of the farm is £113,000.

The mean market value of farms, before farm debt is subtracted, shows a similar pattern. Farm debt is not very much concentrated among particular parts of the distribution, occurring in a similar proportion of farm households (about 20%) throughout. However, those in the top half of the income distribution and those at the very bottom have the highest levels of debt. Thus average gross market value of farms is slightly higher at the bottom, relative to the adjacent deciles, than is net farm value. Otherwise, though,

the patterns are rather similar.

5.3 Farm Value and Age

Table 5.4 shows the distribution of farm households by age of household head, and the variation in net farm value across these age categories. About two-thirds of farm households are headed by someone aged between 35 and 64. About 11 per cent have a head aged under 35, nearly all of whom are aged between 25 and 34. Of the 23 per cent with a head aged 65 or over, most are in the 65-74 category. It is interesting that mean farm value is slightly below average for these farm households with an elderly head — at about £56,000-£57,000. Mean farm value is highest for those with a younger head — aged between 25 and 44.

By gross rather than net farm value this pattern is slightly accentuated. The 35-44 age group have a mean farm value of £84,000, but also have much more debt than other groups. This arises both because a relatively high proportion of the farmers in that group have farm loans, and because their average debt is high. Thus the variation in farm value is reduced somewhat when farm debt is taken into account.

5.5 Farm Value and Social Class

Table 5.5 shows the distribution of farm households in the survey by social class. In the CSO social class schema, farmers are classi-

Table 5.4: Farm Households and Mean Farm Value by Age of Household Head

Age of Head	Percentage of Farm Households	Mean Net Farm Value
	%	£
< 25	0.8	52,090
> 25 < 35	10.6	75,958
> 35 < 45	18.6	72,553
> 45 < 55	19.5	67,203
> 55 < 65	27.5	54,156
> 65 < 75	18.4	57,643
> 75	4.6	55,941
All	100.0	63,154

Table 5.5: Farm Households and Mean Farm Value by Social Class

	Percentage of Farm Households	Mean Net Farm Value
	%	£
Higher professional	4.6	147,490
Lower professional	14.3	125,149
Intermediate non-manual	30.1	72,590
Skilled manual	25.3	38,828
Semi-skilled manual	23.0	24,126
Unskilled manual	2.7	34,078
All	100.0	62,832

fied on the basis of farm size.

Agricultural labourers are classified into the unskilled manual class, those farming less than 30 acres into semi-skilled manual, those with 30-49 acres into skilled manual, 50-99 acres into intermediate non-manual, 100-199 into lower professional, and 200 acres and over into the higher professional social class. Table 5.5 shows that half of all farm households are in the manual social classes (the small number in the unskilled manual have very small farms but the head considered himself to be an agricultural labourer). About 30 per cent are in the intermediate non-manual class and 19 per cent are in the professional/ managerial classes.

Apart from the small group in the unskilled manual group, average farm value shows a marked class differential — which is hardly unexpected given that farmers are being categorised on the basis of size. The mean net farm value for the small number of farm households in the higher professional category is almost £150,000. For the much more sizeable number in the manual classes, that average is about £30,000. With a good deal of the farm debt attributable to those with large farms, the differential in gross farm value is even wider — the mean market value for farmers in the higher professional group is £180,000. It is notable that even at the top, this debt is concentrated in a relatively small percentage of the farms — about one-quarter of the farms in the higher professional class reported farm debt, but the average debt

for those who did was almost £140,000.

5.6 Summary

About 15 per cent of households in the sample own a farm, and on average these farms represent significant wealth. Averaged over all farm households — and on the basis of respondents' own valuations — the mean market value was £66,600. Subtracting reported farm loans, this represents net wealth of £63,000 on average.

Reflecting the distribution of farms by size, there is very considerable variation around these averages. Over half of all farm households had net farm value of £50,000 or under, while 18 per cent were valued at over £100,000.

While most of the large and most valuable farms, were owned by households towards the top of the current income distribution, a small number were estimated to have experienced very low or negative farm incomes in 1986. This meant that a small number of households at the bottom of that distribution had substantial wealth in the form of farm land.

However, most farm households towards the bottom of the income distribution were at the other end of the scale, owning small farms. About one-quarter of farm households were headed by someone aged 65 or over, but on average farm value was higher for those with a younger head.

CHAPTER 6

BUSINESS

6.1 Introduction

In this chapter we examine the information in the survey about the value of unincorporated businesses — businesses owned and run by the self-employed. In the survey, those who were self-employed were asked, in addition to details of their earnings, to estimate what their business or professional practice “would raise if it had to be sold”. Joint owners or those in partnerships were also asked to give their share of this total. While the measure this provides of the value of the business is crude, it is difficult to see how a better estimate could be arrived at without seeking a great deal more information, which would not be possible in a general household survey of this kind. However, the responses are clearly to be treated with great care, as indicators rather than very precise estimates of the likely value of such businesses.

In the sample, 5 per cent of households reported such businesses — that is, contained at least one self-employed person who provided either an estimate of the value of their business or enough information (on turnover, profits, etc.) to allow that value to be estimated. (Some self-employed respondents said their business did not have a market value, which seemed reasonable in certain cases.) One-quarter of these valued the business at less than £10,000, a further 21 per cent were between £10,000 and £25,000, 29 per cent were between £25,000 and £50,000 and 25 per cent had businesses with estimated value of over £50,000. About 13 per cent were over £100,000, of whom a very small number were over £200,000. The average value of the business for all those with

one was £50,500. This form of wealth is clearly highly concentrated; ranking all households by business value, only 5 per cent have any and 1 per cent have over 60 per cent of all such wealth. It appears likely that the survey fails to capture fully those at the very top of the income and wealth distribution with very valuable businesses, for a variety of reasons already discussed.

6.2 Business Wealth and Current Income

Table 6.1 shows the position in the current income distribution of households with businesses. Almost one-third are in the top decile, almost three-quarters are in the top half, only 10 per cent are in the bottom three deciles. The mean value of the business by decile is also shown. For those in the top decile, the average value is very substantial, at £95,000. For those in deciles 2, 3 or 4 the value is low, at about £15,000. Interestingly, the 4½ % of such households who are in the bottom decile (on the basis of reported profit in the previous 12 months) have a relatively high mean business value of £42,000. The actual numbers in the sample here are very small, though, since those with businesses form such a small proportion of the total anyway — those in the bottom decile

Table 6.1: *Households with Businesses by Current Income Decile and Value of Business*

Decile	% of the households with a business	Mean value of business
	%	£
Bottom	4.6	42,544
2	1.9	16,436
3	3.8	12,394
4	3.1	15,101
5	10.3	37,325
6	9.0	29,836
7	11.7	24,287
8	9.4	27,207
9	14.6	35,416
Top	31.8	95,266
All	100.0	50,520

with businesses constitute only ¼ per cent of the sample. The very small numbers involved would not, therefore, have much impact on the situation of the bottom decile as a whole — making up only 21 per cent of the households in that decile — which is not the case with the farm households at the bottom of the distribution examined in the previous chapter.

Apart from the very top and the bottom 4 deciles of the income distribution, already discussed, there is not a consistent or marked pattern in the mean value of businesses by income decile. The mean value for those in deciles 5-9 is about £30,000, which is significant but, to give some point of comparison, not much more than the average housing wealth of owner-occupiers.

6.3 Business Wealth and Age

Table 6.2 shows the breakdown of households with businesses by the age of the household head. (It should be noted that the household head is not necessarily the owner of the business in all cases.) Most are in households headed by a person in the 25-65 age range — none are in households where the head is under 25, 11 per cent are in households where the head is 65 or over. Mean value of the business is clearly highest for households where the head is between 45-65, especially 55-65 — there is a very marked difference between the businesses owned by such households and those with a younger or an older head.

Table 6.2: *Households with Businesses and Value of Business by Age of Household Head*

Age	% of the households with a business	Mean value of business
		£
< 25	0	—
> 25 < 35	24.9	41,447
> 35 < 45	30.7	40,848
> 45 < 55	20.6	62,257
> 55 < 65	13.1	80,504
> 65 < 75	9.0	41,789
> 75	1.7	30,029
All	100	50,520

6.4 Business Wealth and Social Class

Table 6.3 shows the distribution of households with businesses by social class. (Again, it should be noted that the household's social class is determined on the basis of the occupation of the household head, the occupation of the household head, who will not in all cases be the owner of the business.) When the self-employed person is the head, the CSO's social class schema categorises such households on the basis of the precise occupation and whether or not there are employees in the business.

Table 6.3: *Households with Businesses by Social Class*

	Households with businesses	Mean value of business
	%	£
1. Higher professional	35.2	72,981
2. Lower professional	19.4	33,772
3. Intermediate non-manual	7.9	35,425
4. Skilled manual	26.0	35,643
5. Semi-skilled manual	8.3	72,503
6. Unskilled manual	3.1	21,989

'Proprietors' are categorised into the two professional/managerial classes, and this is where 55 per cent of the households in the sample with businesses are located. Most of the rest — about one-quarter of the total — are in the skilled manual class, which is where self-employed tradesmen such as electricians, mechanics, carpenters, painters and so on would be placed. A small number are in the semi-skilled and unskilled manual classes, probably because the head of household is in that class and is not the owner of the business.

The average value of the businesses involved is significantly higher for those in the higher professional class than most of the other groups — at £73,000, it is more than twice that of the lower professional and skilled manual groups where most of the other households with businesses are found. (The average value of business for the small number of households with businesses in social class 2 — the semi-skilled manual class — is also high: this

is attributable to one case with a very high value which brings up the average for that group.)

6.5 Summary

For a small number of households in the sample, wealth held in the form of unincorporated businesses is important. About 5 per cent of sample households have such a business, and the mean market value — on the basis of their own valuations — was about £50,000. There was considerable variation around this figure, with one-quarter having businesses worth less than £10,000, over half between £10,000 and £50,000, and 13 per cent with businesses worth over £100,000. A high proportion of those with businesses were towards the middle and top of the income distribution, though there was a very small number with relatively valuable businesses but little or no reported profit. The highest valued businesses, on average, were in households with a middle-aged head and in the top social class.

CHAPTER 7

FINANCIAL ASSETS

7.1 Holdings of Financial Assets

In this chapter we analyse wealth held in the form of financial assets. For the purpose of analysis three groupings are employed:

- (i) deposits in banks, building societies and so on;
- (ii) Government 'small savings' — Savings Certificates, Index-Linked Savings Bonds, National Instalment savings, and Prize Bonds;
- (iii) gilts, equities, and investments in guaranteed income/growth, etc., bonds or unit-linked funds.

We saw in Chapter 3 that the first two groups of financial assets — deposits and small savings — were held widely throughout the sample. As Table 7.1 shows, over half of all the households in the sample — 54 per cent — reported having money on deposit, and 43 per cent reported having invested in one of the 'small savings' schemes. Far fewer had gilts, equities or investment bonds. Only 7 per cent of households reported having either gilts, equities, or investment bonds. A majority of these had equities, while a significant proportion had more than one of the three forms of asset. As discussed in detail in Chapters 2 and 3, it is likely that households with financial assets, particularly gilts, are underrepresented in the sample.

Table 7.1 also shows the average level of asset, for those who hold them, for the various types. The mean level of deposits is almost £4,000. Much less is held in the form of small savings — the average value is only £600. For the much smaller number

Table 7.1: *Percentage of Households with Financial Assets and Mean Asset Levels*

	% of households in sample with asset	Mean level for those who had
	%	£
Deposits	53.2	3,838
Small savings	42.7	605
Gilts, equities, etc.	6.9	10,876
— gilts	1.7	5,035
— equities	4.2	8,301
— investment bonds	2.0	15,654
Any of these	65.5	4,650

holding gilts, the value of these holdings is quite high — almost £11,000. In making up this figure, the investment bonds play a significant role — although held by only 2 per cent of households, the mean value for those who do hold them is £15,650. The amounts held in gilts and equities are on average lower — £5,000 for gilts and £8,300 for equities.

The variation around these means in the level of wealth held in financial assets is wide. Table 7.2 shows the distribution of household holdings of the three forms of financial assets by size of holding. Most of the households reporting small savings have relatively small amounts held in that way — 87 per cent have less than £500 in small savings instruments. Deposits are much more diverse: 29 per cent of households reporting deposits had under £500 in such accounts, but significant numbers had much larger amounts. About 29 per cent had between £500 and £2,000, 23 per cent had between £2,000 and £5,000, and 18 per cent had £5,000 or more in deposit accounts. Holdings of gilts, equities and investment bonds — for the much smaller percentage of households who had them — were larger. About 23 per cent of such households had less than £500 in the form of gilts, 41 per cent had between £500 and £5,000, 25 per cent had between £5,000 and £25,000, and 12 per cent had £25,000 or more held in these assets. Ranking households by their holdings of financial assets, the top 10 per cent of households had three-quarters of all such wealth and the top 1 per cent had over one-quarter.

Table 7.2: Holdings of Financial Assets by Size

	Deposits	Small Savings	Gilts, etc.
£	%	%	%
< 500	28.9	87.4	23.2
> 500-1,000	16.3	2.6	11.6
> 1,000 < 2,000	12.8	3.7	11.6
> 2,000 < 5,000	23.5	3.3	17.4
> 5,000 < 10,000	9.8	1.6	11.6
> 10,000 < 25,000	6.0	1.1	13.0
> 25,000	2.6	0.2	11.6
All	100.0	100.0	100.0

7.2 Financial Assets and Current Income

Table 7.3 shows the way in which households with the three groupings of financial assets are spread over the current income distribution. About 36 per cent of those with deposits and those with small savings are in the bottom half of the income distribution, while only 23 per cent of those with gilts are in that part of the distribution. Those holding gilts are particularly concentrated at the top of the distribution — 27 per cent are in the top decile, 47 per cent in the top 20 per cent of households.

The table also shows the average value of the holdings for the households in each decile who have the asset, again for each of the three groups. The mean level of deposit does not vary greatly over much of the distribution, but the top decile has £6,000 on average, compared with about £3,000 for many of the other deciles. It is interesting, though, that the second decile from the bottom also has a relatively high mean level of deposit, as high as the top decile. The mean level of small savings rises fairly steadily going from the bottom to the top of the income distribution. For gilts there is an uneven pattern, with holders in the third, fifth, sixth and top two deciles having relatively high mean levels. The numbers in the sample involved are very small, and the detailed pattern across the deciles cannot be taken with very much confidence in that case. It is interesting, though, that those in the top deciles who did report holdings of gilts, equities on investment,

etc., bonds have quite substantial holdings — of about £15,000 on average — in that form.

Table 7.3: Households with Financial Assets, and Mean Levels of Assets, by Current Income Decile

Decile	% of Households with			Mean Level of Asset for Holders		
	Deposits	Small Savings	Gilts, etc.	Deposits	Small Savings	Gilts, etc.
	%	%	%	£	£	£
Bottom	5.4	7.1	3.1	3,318	100	2,054
2	6.5	7.0	6.9	6,241	193	3,604
3	7.2	6.6	2.6	2,402	301	9,864
4	8.3	8.5	3.1	2,960	424	2,256
5	8.5	7.8	7.3	3,243	443	11,864
6	11.1	10.8	8.8	3,120	401	12,030
7	12.6	11.5	7.9	2,326	611	5,094
8	12.8	12.6	13.0	3,421	611	7,509
9	13.3	13.3	20.1	4,577	987	15,140
Top	14.2	14.7	27.2	6,116	1,172	14,320
All	100.0	100.0	100.0	3,838	605	10,876

7.3 Financial Assets and Age

Table 7.4 shows the spread of those holding financial assets by the age of the household head. Households where the head is aged under 25 or over 74 are somewhat less likely than others to have such assets. For households which do, the table shows that those with head aged between 55 and 74 have the highest mean level of assets, for all three groups of assets.

7.4 Financial Assets and Social Class

Table 7.5 shows the distribution of households with the various types of financial assets across the social classes. Those in the professional/managerial classes are somewhat more likely than other households to have deposits, small savings, and particularly gilts, etc. About 30 per cent of households with deposits come from these two classes, the figure for small savings is slightly higher,

and over half the households with gilts are from professional/managerial classes — although only about 22 per cent of all households are in these classes. None the less, holders of deposits and small savings are spread over the classes, the most marked feature here being the relatively small proportion from the unskilled manual classes. This is more pronounced in the case of gilts with only 12 per cent of holders coming from semi-skilled or unskilled manual classes.

Table 7.4: *Households with Financial Assets, and Mean Levels of Assets, by Age of Household Head*

Age of Household Head	Deposits	Small Savings	Gilts, etc.	Deposits	Small Savings	Gilts, etc.
	%	%	%	£	£	£
< 25	1.8	1.0	—	1,948	34	—
> 25 < 35	22.0	17.6	22.3	2,320	360	3,398
> 35 < 45	18.4	19.7	19.2	3,241	387	13,594
> 45 < 55	18.3	18.5	17.6	3,078	473	7,429
> 55 < 65	17.6	19.7	16.7	5,464	873	14,255
> 65 < 75	15.6	18.5	19.6	5,704	1,049	17,573
> 75	6.3	5.0	3.9	4,445	240	9,462
All	100.0	100.0	99.3	3,838	605	10,876

The average level of savings for households with deposits is relatively high for those in the professional/managerial classes. There is little variation in the average amounts reported across the other classes, though. Average amounts in small savings are also higher for the professional/managerial class, as is the case for holders of gilts. The households in the semi-skilled and unskilled classes who do have gilts also report relatively substantial amounts on average — of about £7,000-£8,000 — but the numbers involved are very small indeed and must be treated with great care.

In the previous section, the age profile of financial asset holdings was analysed. We saw that, while households with a head aged between 55-75 had relatively high levels of these assets, the variation across age ranges was not dramatic. It is useful to explore this

further by looking at the average level of such assets when households are cross-classified by age and social class. Table 7.6 shows the average level of combined holdings of deposits, small savings and gilts, by social class and age of head, for households who have at least one of the assets in question.

The way in which holdings vary with age shows some interesting differences across the social groups. For social class 1 — the higher professional, etc., group — the value of financial assets is highest in the oldest age group, those aged 75 or over, and is also high for the 55-74 groups. For the lower professional group, the 65-74 age group has substantially higher asset levels on average than others, including the 75 and over group. For the intermediate non-manual group, the 55-64, 65-74 and 75 + group have very similar asset levels, which are significantly higher than the holdings of younger groups. For skilled manual households there is little variation across the whole range from 35 up.

Table 7.5: *Households with Financial Assets, and Mean Levels of Assets, by Social Class*

	Deposits	Small Savings	Gilts, etc.	Deposits	Small Savings	Gilts, etc.
	%	%	%	£	£	£
Higher professional	12.7	15.9	29.1	6,026	979	20,872
Lower professional	15.9	16.5	22.2	4,807	936	10,506
Intermediate non-manual	21.2	19.9	23.0	3,661	758	7,246
Skilled manual	24.5	24.1	13.5	2,833	288	3,307
Semi-skilled manual	17.1	15.3	9.0	2,657	340	6,987
Unskilled manual	8.7	8.3	3.2	2,329	170	8,688
All	100.0	100.0	100.0	3,652	596	11,432

(The semi-skilled and unskilled groups have so few holders of these assets that their age pattern does not merit comment.)

7.5 Conclusions

Over half of the households in the sample reported savings in the form of deposits in banks, building societies, etc. The average

amount held in this form by these households was almost £4,000. About 45 per cent of these households had amounts of less than £1,000 on deposit, 46 per cent had between £1,000 and £10,000, and 9 per cent had £10,000 or more. While the households reporting deposits were spread throughout the income distribution, about 64 per cent were in the top half and 28 per cent were in the top two deciles. Those in the top two deciles and the second decile from the bottom had relatively large amounts in their deposit accounts on average. This was also the case for those in the 55-74 age range and in the professional/managerial classes.

Table 7.6: *Mean Level of Financial Assets for Households with Such Assets, by Social Class and Age of Head*

Age Category	Social Class					
	1	2	3	4	5	6
	£	£	£	£	£	£
< 25	—	2,477	2,197	1,511	310	—
> 25 < 35	2,762	4,162	3,533	1,870	926	292
> 35 < 45	12,201	3,798	2,858	3,188	1,432	2,050
> 45 < 55	5,651	3,844	3,639	2,695	3,649	923
> 55 < 65	15,616	10,001	6,286	3,034	5,152	3,859
> 65 < 75	19,450	18,314	6,394	3,591	3,367	1,465
> 75	21,726	9,822	6,665	3,313	1,452	2,763
All	10,389	6,373	4,387	2,756	2,785	2,088

While 43 per cent of households in the sample reported some savings through Government small savings schemes, the average amount involved was only £600, and 87 per cent of these households had less than £500 in this form. Households with small savings are also spread over the income, age and class distributions, though households towards the top of the income distribution with the head aged 55-75 or in the professional or intermediate non-manual classes have higher amounts on average.

Only 7 per cent of sample households reported savings in the form of gilts, equities or investment bonds. Of those who did, a majority had equities. For those who did have those forms of financial assets, the average amount held was almost £11,000.

About 23 per cent had holdings worth less than £500, while 25 per cent had £10,000 or more. These households were concentrated towards the top of the income distribution — 60 per cent were in the top three deciles — and in the professional or intermediate non-manual classes.

CHAPTER 8

OTHER PROPERTY AND INVESTMENTS FOR CHILDREN

8.1 Households with Other Property

As described earlier, in addition to asking specific questions about housing, farm land, businesses and financial assets, the ESRI Survey included a question about "any other houses, land or other property" which households possessed.

The respondents' estimate of the present market value of the property, and if there was a mortgage, the amount and year it was taken out, were asked. For present purposes we focus on the net value of such property — the market value attributed by respondents less the estimated amount outstanding on the mortgage, if any.

About 5½ per cent of households in the sample reported having such 'other property'. The average net value of the property for these households was £28,000. About 31 per cent of these households had property valued at under £10,000, 25 per cent were between £10,000 and £20,000, 31 per cent were between £20,000 and £50,000 and 13 per cent had property with net value of over £50,000. While other property is of significance for only a small percentage of households in the sample, then, for many of these the amounts involved are substantial — considerably greater than the average value of financial assets for households holding those assets, for example.

Table 8.1 shows the spread of households reporting other property over the income distribution. Very few are in the bottom decile, significant numbers are in deciles 2-8, but 45 per cent are

in the top 2 deciles. The average value of the property, for those who have some, shows little consistent pattern over the distribution.

Table 8.2 shows the way in which households with other property are distributed by the age of the household head. Very few are under 25 or over 74, but they are spread over the intervening age ranges. Again, there is no consistent pattern in the average value of the property across groups.

Table 8.1: Households with 'Other Property' by Current Income Decile

Decile	% of Households with 'Other Property'	Average Net Value of 'Other Property'
Bottom	1.1	43,776
2	10.8	34,524
3	7.6	21,629
4	6.6	16,088
5	5.5	21,190
6	7.5	71,384
7	7.3	18,724
8	8.3	23,028
9	13.2	27,017
Top	32.0	24,260
All	100.0	28,074

Table 8.2: Households with 'Other Property' by Age of Head

Decile	% of Households with 'Other Property'	Average Net Value of 'Other Property'
		£
25 <	2.1	23,036
> 25 < 35	15.8	41,870
> 35 < 45	21.0	20,897
> 45 < 55	27.0	28,779
> 55 < 65	14.3	25,347
> 65 < 75	17.0	27,308
> 75	2.8	19,601
All	100.0	28,074

Finally, Table 8.3 shows the households with such property classified by social class. There is in fact a significant number from each class, though 40 per cent are from the professional/managerial classes. The average value of property held is considerably higher for the higher professional/managerial class than for other classes.

Table 8.3: *Households with 'Other Property' by Social Class*

Decile	% of Households with 'Other Property'	Average Net Value of 'Other Property'
		£
1. Higher professional	22.4	43,312
2. Lower professional	19.3	23,040
3. Intermediate non-manual	21.9	26,538
4. Skilled manual	17.6	19,145
5. Semi-skilled manual	10.4	10,846
6. Unskilled manual	8.4	19,797
All	100.0	26,126

8.2 Investments for Children

The survey also asked respondents if they had more than £100 invested in the names of children aged under 15 or in full-time education (who would not have been interviewed independently). If they had such investments, the total amount involved was sought. In the sample, 5 per cent of households responded that they had invested some money on behalf of their children. The average amount invested was £930 (that is, the average across the households involved rather than the average per child). About one-quarter of these households had less than £200 invested on behalf of children, one-third had between £200 and £500, 22 per cent had between £500 and £1,000 and 22 per cent had £1,000 or more.

Most of the households with investments for children are in the top half of the current income distribution, and 40 per cent are in the top two deciles. The average amount invested is also relatively high towards the top of the distribution, reaching about £1,500 for those in the top two deciles. Most of the households with such investments have heads aged between 25-55, but the

highest average amounts invested are for households where the head is aged between 45-75. These households are drawn from all of the social classes except the unskilled manual one, and there is not a great deal of variation in the average amounts involved across classes.

CHAPTER 9

THE DISTRIBUTION OF REPORTED WEALTH

9.1 Introduction

In previous chapters, the extent and patterns of wealth holdings of sample households have been examined for each of the major forms of wealth holding covered in the survey. In this chapter, we bring together the different types of property and financial assets, to analyse the distribution of total wealth reported in the sample. In Chapter 3, the way in which total wealth varied over the income distribution, across age groups and social classes was described. Here, though, we focus on the wealth distribution itself — the degree to which wealth holdings are concentrated when households are ranked by the size of wealth holdings themselves.

In discussing the nature of survey-based data on wealth, in Chapter 2, we emphasised the limitations of such data, particularly for certain purposes. The known degree of underrepresentation of certain types of assets, and in particular the inability of such surveys to capture the very top of the wealth distribution where a high proportion of total wealth is held, make survey-based data alone an unreliable basis for answering certain types of questions.

These include, importantly, questions about the degree of concentration of wealth, the shape of the wealth distribution.

However, this does not mean that the survey-based data are of no value in that context. It remains a productive exercise to examine the distribution of wealth in the survey, while keeping firmly in mind the known problems with the data. The pattern shown by the survey data can then serve as a basis for

supplementation with information from other sources, and — at a minimum — the sensitivity of the results to a range of assumptions about the wealth ‘missed’ by the survey can be analysed. This is the approach taken in the present chapter: the wealth distribution found in the sample is outlined, and the implications of the ‘missing’ wealth are then assessed.

9.2 The Distribution of Reported Wealth

To analyse the distribution of total wealth, we rank households by the total value of their reported wealth holdings — the market value of the house less outstanding mortgage, the value of farm land less farm loans outstanding, the value of unincorporated businesses, deposits, small savings, gilts, equities and investment bonds, investments on behalf of children, and other property.

Classifying households by total wealth, we then look at the mean wealth and percentage of total wealth of the bottom 10 per cent of wealth holders, the next 10 per cent, etc. This is shown in Table 9.1.

Table 9.1: *The Distribution of Total Wealth Reported in the Survey*

Decile (by Wealth Holding)	Decile has Wealth Above	Mean Wealth	Share of total Reported Wealth
£	£	%	
Bottom			
2 ...	0	0	0
3	0	387	0.2
4	3,755	8,508	2.3
5	12,267	15,364	4.1
6	18,405	21,017	5.6
7	23,692	26,482	6.7
8	30,000	33,641	9.6
9	39,229	44,776	11.9
Top	51,950	65,410	17.3
	85,000	156,760	42.3
Top 5%	125,865	214,530	28.7
Top 1%	253,530	379,038	10.4

We see that the bottom 50 per cent of households ranked in this manner have only 12 per cent of total reported wealth. The bottom 70 per cent have 28½ per cent of total wealth, the top 30 per cent of households have 71½ per cent. Much of this is concentrated in the top 10 per cent of wealth holders, who have 42 per cent of total wealth. The top 5 per cent have 29 per cent of the total, and the top 1 per cent of households have 10 per cent of total wealth. Mean wealth is valued at about £20,000 in the middle of the distribution — deciles 4, 5 and 6 — rising to £65,000 for the second decile from the top and £150,000 for the top decile. Households in the top 1 per cent all have wealth valued at over £250,000, with a mean of £380,000.

The composition of wealth holdings and how this varies with the size of the holding is shown in Table 9.2. For the bottom 70 per cent of households, the net value of their house accounts for most — 87 per cent — of their wealth. The only other significant elements are farm land and bank deposits, making up 4 per cent and 6 per cent, respectively.

For the next 20 per cent of households, the house is still the most important single component, accounting for 64 per cent of total

Table 9.2: *The Composition of Wealth Holdings Over the Wealth Distribution*

Type of Asset	Composition of Wealth of Households Ranked by Total Wealth:				
	Bottom 70%	Next 20%	Top 10%	Top 1%	All
	%	%	%	%	%
Principal residence (net)	86.7	64.5	27.0	15.5	55.0
Farm land (net)	3.9	18.7	45.2	45.9	26.5
Unincorporated business	1.1	4.2	12.9	23.0	7.0
Deposits	5.7	6.5	4.6	2.8	5.4
Small savings	0.5	0.9	0.7	0.1	0.7
Gilts, equities and investment, etc., bonds	0.5	1.3	3.5	5.6	2.0
Other property	1.5	3.8	6.0	6.9	4.1
All	99.9	99.9	99.9	99.8	100.7

wealth. Farm land is now much more important, accounting for 19 per cent, businesses make up 4 per cent, deposits 6 per cent, and other property 4 per cent.

For the top 10 per cent and even more so the top 1 per cent, the value of the house is no longer such an important element in total wealth. For the top 10 per cent, it accounts for 27 per cent of wealth, with farm land now the most important component at 45 per cent. Businesses have also become more important, making up 13 per cent, while deposits and other properties account for 5 per cent and 6 per cent, respectively. While gilts, equities and investment, etc., bonds have become more significant, they still only make up 3½ of total wealth.

For the top 1 per cent, the net value of the house accounts for only 16 per cent of total wealth. Farm land is very important, making up 46 per cent of the total, and the value of businesses has become much more important at 23 per cent of the total. Deposits and other property account for 3 per cent and 7 per cent, respectively. Gilts still only make up less than 6 per cent of total wealth, even for this top group.

It is also interesting to look at the degree of concentration of particular types of wealth which underlies Tables 9.1 and 9.2. Table

Table 9.3: *The Distribution of Reported Wealth by Type*

Type of Asset	% of Wealth of Given Type Going to			
	Bottom 70%	Next 20%	Top 10%	Top 1%
	%	%	%	%
Principal residence (net)	30.0	49.3	20.7	2.9
Farm land (net)	2.0	23.6	74.4	18.6
Unincorporated businesses	2.1	19.9	78.0	33.2
Deposits	2.1	43.8	35.4	5.4
Small savings	10.0	46.4	43.5	1.3
Gilts, equities and investment, etc., bonds	4.3	21.4	74.3	29.1
Other property	3.7	34.3	62.1	17.4
All	28.4	29.3	42.3	10.4

9.3 shows the share of reported wealth by type going to the bottom 70 per cent — still ranked by total wealth — the next 20 per cent, and the top 10 per cent and 1 per cent. Assessed in this manner, housing wealth is the least concentrated — the bottom 70 per cent of wealth holders have 30 per cent of wealth held in this form, the next 20 per cent have just under half the total, and the top 10 per cent of households have only 21 per cent. Farm land and the value of businesses, by contrast, are highly concentrated — the bottom 70 per cent have virtually none, the next 20 per cent have about 20 per cent of the total, and the top 10 per cent have about three-quarters of total wealth held in these forms. Gilts, equities and investment bonds have a similar degree of concentration to farm land. Deposits and small savings are less concentrated in the top 10 per cent than gilts, etc. Finally, 'other property' is somewhat less concentrated than gilts but much more so than deposits or small savings.

In terms of the share held by the top 1 per cent, unincorporated businesses are the most concentrated, with about one-third of the total held by this group. Gilts, equities and investment bonds are also quite highly concentrated at the very top, considerably more so than other property.

9.3 Sensitivity of the Results

We know, both from experience elsewhere and examination of the survey responses, that household wealth is far from fully reflected in the survey. As analysed in detail in Chapter 2, there are particular problems of underrepresentation with financial assets, where less than half the total wealth apparently held by households appears to be reflected in the survey. Property holdings — in particular farm land and houses — are probably much more reliably captured throughout most of the distribution, but even there it is not likely that the survey is a reliable source for the very top of the distribution.

Some limited information is available about both the extent and nature of this underrepresentation of financial assets which allows something to be said about its implications. Evidence from elsewhere and the patterns in the survey suggest that the 'missed' gilts, equities and investments in unit linked funds are probably

concentrated towards the top. Deposits and small savings missed may be more evenly spread, but even there, a small number of substantial accounts/amounts may account for much of the missing wealth, even if they only represent a minority of the missing accounts.

Wealth held in the form of unincorporated businesses poses very special problems. Here, we have little idea about the extent of understatement or the way in which it might be spread over the distribution. Indeed, given the problems inherent in valuing such businesses, it would be difficult to get any indication of the nature or direction of biases.

For property — whether houses, farm land or other property — it appears likely that the wealth held in these forms at the very top of the distribution is underrepresented in the survey, simply because the small number of households at that point in the distribution are not captured. As a proportion of total wealth held in the form of farm land and principal residence, this seems likely to be much less significant than for businesses or equities — though the same may not be true for other property.

It is perhaps useful to make some extreme assumptions, on the basis of the limited information available, to illustrate the possible importance of the biases inherent in the survey data for the observed degree of concentration of wealth holdings. Suppose, for this purpose, that the survey provided a reasonably accurate picture of the total wealth held in the form of principal residence and farm land, and the degree of concentration of these forms of wealth. Suppose further that the survey 'missed' one-third of the value of businesses, half of total deposits, and two-thirds of small savings and gilts, equities and investment bonds. This would imply that total wealth in the survey was about 15 per cent too low. (This figure is not higher because houses and farm land, assumed to be accurate, account for over 80 per cent of all reported wealth — the forms of wealth being 'adjusted' in this exercise are relatively unimportant.)

If *all* this 'missing' wealth was held by the top 10 per cent of households, then the share of that group in (the new, larger) total household wealth would rise from the 42 per cent found in the survey to about half of all wealth.

Similarly, if it is all allocated to the top 1 per cent, that group's share would rise from the observed 10 per cent to over 20 per cent.

It may clearly be the case that some of the 'missed' wealth in the form of businesses and financial assets is held by households outside the top 10 per cent/1 per cent. As against this, any missed property is probably concentrated fairly heavily there. On the basis of such considerations — which must be taken as highly speculative and tentative — it could be that the top 10 per cent holds something of the order of half of all household wealth, and the top 1 per cent holds about 20-25 per cent of total wealth. This appears more likely to overestimate the share of the top 1 per cent than the top 10 per cent.

An alternative assumption might involve assuming that the 'missed' wealth of each type is no more concentrated towards the top than the reported wealth of that type. (We take this to be the other extreme, since it appears unlikely that the 'missed' wealth is *less* concentrated towards the top.) On that basis, the share of the top 10 per cent would still rise substantially, from the 'observed' 42 per cent in the sample to about 48 per cent. This happens because the top 10 per cent in the sample actually have a very large share of total reported unincorporated businesses and gilts, equities, etc., and a substantial proportion of deposits and small savings. For the top 1 per cent, though, the alternative assumption does make a big difference: rather than rising from 10 per cent to 20 per cent or more, the share of that group now rises to 13-14 per cent. This is because only about $\frac{1}{3}$ of total unincorporated business wealth and gilts, equities, etc., and much smaller proportions of deposits and small savings, are held by the top 1 per cent in the sample. Thus the alternative assumption attributes much of the 'missed' wealth to the top 10 per cent but much less to the top 1 per cent.

Such figures cannot be meaningfully compared with the estimates produced by Lyons of the distribution of wealth in Ireland in the 1960s. This is because the unit of analysis here has been the *household* throughout, whereas for Lyons it was the wealth holding of *individuals* which was being studied. (This was determined by the nature of the data he was using, estate duty information being on an individual basis.) It is, therefore, difficult, if not impossible,

to assess the implications of our findings for his estimates, and vice versa — an issue to which we return in the final chapter.

It is interesting, though, to compare the — highly speculative — pattern produced for Irish households with estimates on a household basis for the US. These show the top 10 per cent of US households holding 65 per cent of total wealth, and the top 1 per cent holding about 30 per cent.¹ The Irish figures do not look totally implausible in broad orders of magnitude when set against these estimates — but the extremely wide confidence intervals which must surround the Irish figures cannot be emphasised enough.

Why is the degree of concentration of wealth so much greater than that found in Chapter 3 when households were ranked by income? There we saw that the top 10 per cent of households by current income had only 22 per cent of total wealth. Clearly, it must be the case that the rankings by income and wealth do not correspond very closely — otherwise all the top wealth holders would be at the top of the income distribution, and it would make little difference whether income or wealth was used to rank them.

Table 9.4: *Households at the Top of the Wealth Distribution by Position in the Income Distribution*

Decile of Income	Top 10% of Wealth Holders	Top 1% of Wealth Holders
	%	%
Bottom	7.4	11.9
2	7.3	3.3
3	2.7	3.2
4	7.7	1.6
5	8.4	7.9
6	9.3	—
7	5.9	6.5
8	9.6	6.9
9	13.2	8.3
Top	28.4	50.5
All	100.0	100.0

In fact, as Table 9.4 shows, the households in the top 10 per cent ranked by wealth are by no means all at the top when ranked by current income: only 28 per cent are in the top 10 per cent, and one-third are not even in the top half of the income distribution. When we focus on the top 1 per cent of wealth holders the picture is rather different: half of these households are in the top 10 per cent in terms of income. A significant number are still right at the bottom of the income distribution, though, these being large farmers or those with businesses which, though valuable, are currently (reported as) making little or no profit or a loss.

In fact, the predominance of households with farmland or businesses towards the top of the wealth distribution appears to be the key factor underlying the observed spread of top wealth holders over the income distribution. Of the top 10 per cent of households by wealth, almost half are headed by a farmer and about 60 per cent own farm land, while about 20 per cent have a self-employed (non-farmer) person as head.

The wealthy households in the bottom half of the current income distribution are almost all either farm households or headed by a self-employed person. It is clear that many different elements can contribute to such a finding, both in terms of issues related to measurement and those relating to the conceptual differences between income and wealth. Both the measurement of the income from an unincorporated business, and valuing the business in terms of its market value, are fraught with difficulty. As far as farm land is concerned, it is also possible that the market value of land may not reflect the average productivity and therefore profitability of farm land, since only a small proportion of the stock of land ever comes on the market. Market values for the land which actually changes hands, which may itself be particularly productive or may be bought by farmers with above average productivity, may not bear a very close relationship to the profitability of farm land in general.

The importance of farm land in the Irish wealth distribution clearly requires further analysis. It certainly means that the implications of a particular degree of concentration in wealth may be rather different from elsewhere, where the composition of wealth and the make-up of households at the top of the wealth distribution

may be rather different. It must also be stressed that the biases inherent in the survey approach may also lead to the importance of farm land (and farm households) towards the top of the distribution being exaggerated, simply because it is better measured than certain other forms of wealth.

Keeping these qualifications in mind, other characteristics of wealth-holding households in the sample may also be briefly noted. Of the households in the top 10 per cent by reported wealth, only half are in the top two, professional/managerial, social classes — most of the remainder being in the skilled manual or intermediate non-manual classes. Over 80 per cent of the top 1 per cent of wealth holders are in the professional/managerial classes, though. Most top wealth-holding households are headed by someone in the 35-65 age range, this being the case for two-thirds of the top 10 per cent of wealth holders and three-quarters of those in the top 1 per cent in terms of reported wealth.

FOOTNOTES

1. These figures are calculated from Avery, *et al.* (1988), Table 5, p. 358, taking total wealth to be gross assets minus principal residence debt. This, rather than the 'net worth' figure presented there, is used because it comes closest to the definition of total wealth employed with the Irish data.

CHAPTER 10

SUMMARY AND CONCLUSIONS

10.1 Objectives of the Study

There has been little research on the wealth of Irish households or the forms in which it is held. Lyons, using estate duty data, analysed the distribution of wealth among individuals in the mid-1960s, and Sandford and Morrissey (1985) studied those paying Wealth Tax in the 1970s. Such tax-based data sources provide a more satisfactory picture of the wealth held by top wealth holders than do sample surveys, for a variety of reasons. However, they tell us little about the bottom half or two-thirds of the wealth distribution, relate to individuals rather than households, and do not allow the level and composition of wealth to be related to other characteristics, such as current income or social class.

If we are interested in the way in which wealth and its composition varies among households, and wish to relate this to household characteristics such as stage in the family cycle, location, current income and social class, then wealth data from sample surveys offer great potential. Such data have clear limitations and must be used with care, but for many questions of interest they are indispensable. This study has looked at the first data on wealth holdings available for a large-scale sample of Irish households, obtained in the ESRI's *Survey of Income Distribution, Poverty and Usage of State Services* carried out in 1987. The level and composition of asset holdings in this sample has been described, and the relationship with current household income, the age of the household head, and social class explored. In this final chapter we bring together the main findings and highlight the issues raised for further research.

10.2 Nature and Reliability of the Data

The survey asked respondents for information on:

- house value and mortgage for owner-occupiers,
- the value of unincorporated businesses of the self-employed,
- the value of farm land,
- the value of any other houses, land or other property,
- the level of deposits in banks, building societies, or other financial institutions,
- the value of Savings Certificates, National Instalment Savings, Prize Bonds, etc.,
- Government stocks and other stocks and shares,
- savings in investment bonds or unit-linked funds, etc.

Total wealth for the purpose of the study was calculated as the aggregate reported value of all these forms of asset holding (with outstanding loans deducted from house and farm values). The value of accrued pension entitlements is not included, though it is hoped to do so in future work.

The survey and checks on its representativeness were fully described elsewhere. Out of the 3,294 households in the sample, 6 per cent did not (fully) respond to the questions on assets and are not included in the analysis. These were located throughout the current income distribution, though disproportionately towards the top.

Comparing the sample responses with available external data, the information on house ownership and house values appears to be satisfactory. Farms in the sample correspond closely to the size distribution shown by external data but with some underrepresentation of very large farms. For financial assets, it is clear that the sample underrepresents external totals substantially, this being the common experience with such surveys internationally. For example, when grossed up to the implied population total, reported bank deposits in the sample account for only 40 per cent of the known population figure. No external information is available against which the reported value of businesses could be checked.

Evidence from research internationally is illuminating about the biases and problems with survey-based wealth data, and in particular about the reasons for the underrepresentation of financial assets. General surveys of this kind usually fail to capture adequately the top of the wealth distribution, because of sampling and non-response problems. Surveys which have been able to obtain information on those at the top, through over-sampling, have been much more successful in representing the total stock of assets.

Such research suggests that the failure to represent adequately the top of the wealth distribution is the most important explanation for the underrepresentation in general surveys of assets such as gilts and equities, which tend to be highly concentrated towards the top.

The survey data would therefore clearly be unreliable, taken alone, as a basis for the examination of the overall distribution of wealth or of the very top of the distribution. For much of the distribution, though, the survey offers evidence not available from any other source, and appears to be reasonably reliable on the dominant forms of wealth holding, namely housing and land. The underrepresentation of savings in the form of bank deposits remains a serious concern for these households, but the survey none the less adds very considerably to our knowledge.

10.3 Principal Findings

Levels and Composition of Asset Holdings

The analysis of the reported levels of wealth holdings of different kinds for sample households showed that housing and farm land were the dominant asset types, accounting for 80 per cent of all reported wealth. Even taking underrepresentation of financial assets and probably the value of businesses into account, it is clear that houses and farm land account for most of the wealth held by households outside the top 10 per cent or so of the wealth distribution.

The fact that almost 80 per cent of households in the sample were owner-occupiers was seen to be central to the pattern of wealth holding. The average level of reported wealth for sample households

was about £37,500 (in 1987 terms) and housing accounted for £20,600 of that figure. For the 80 per cent who were owner-occupiers, the average value of their house net of outstanding mortgage was £26,000, and many were in the range £15,000-£40,000 range. Thus, owner-occupation implied a significant level of wealth holding for a majority of Irish households: three-quarters of all households in the sample had wealth of over £10,000 in the form of housing alone.

For the much smaller proportion with farms, farm land was also seen to represent very significant wealth holding.

About 15 per cent of sample households had a farm, and the average reported value of the farm (net of farm loans) for these households was over £60,000. The distribution of this form of wealth was more skewed than was the case for housing, though: almost 40 per cent of farms were valued at less than £30,000.

About 5 per cent of households had an (unincorporated) business, the average value of such businesses being £50,000, so this form of wealth holding is very important for a small minority. Bank, etc., deposits, on the other hand, are reported by over half of all households, with an average value of £4,000. Almost as many households reported having savings in Government small savings schemes, but the average value was only £600. Only a small minority of households reported holdings of gilts or equities or investment bonds — 7 per cent had one or more of these asset types — but their average value for these households was substantial, at almost £11,000. About 5½ per cent of sample households had other property such as housing or land not included under the principal residence or farm, and again for this minority the average level of holding was substantial.

Taking all these forms of wealth holding together, about 86 per cent of sample households do report some wealth holding, and about 70 per cent of households have wealth of £10,000 or more.

Wealth and the Life-Cycle

The variation in wealth and its composition when households were categorised by the age of the head was analysed in some detail. There was a clear relationship with age, mean wealth rising as the age of the household head rose up to the age of 55-64, and

then declining. This reflected a variety of factors, among the most important being:

- (i) The proportion of owner-occupier households rises sharply with the age of the household head up to 35-44 years of age, is about 85 per cent for the 45-74 age range, but then declines;
- (ii) Younger owner-occupiers have much greater outstanding mortgage debt than those aged 45 or over, so their net house value is less;
- (iii) Most farms are owned by households where the head is in the 35-74 age range;
- (iv) Most businesses are owned by households where the head is in the 25-64 age range, with the more valuable ones concentrated in the 45-64 range;
- (v) The average level of savings in the form of deposits, small savings, gilts and equities, and investment bonds is highest for the 55-74 age range; for households headed by someone aged under 35 or over 74, both the proportion with such savings and the mean level for those who do are relatively low.

Wealth and Social Class

The variation in mean wealth holdings across the social classes was more pronounced than that by age. Mean wealth rose steadily from the unskilled manual class up to the higher professional/managerial one, and was almost five times as high for the latter class. Housing was most important for the manual social classes, accounting for 84 per cent of total wealth for the unskilled manual class and about 65 per cent for the skilled and semi-skilled ones, compared with about 46 per cent for the non-manual classes. Housing wealth varied over the classes both because the proportion of owner-occupiers and the mean net value of the house rose moving up the class hierarchy. Farm households were distributed among the social classes on the basis of farm size, contributing directly to class wealth differentials.

Households with (unincorporated) business assets were concentrated in the professional/managerial and skilled manual

classes, with the reported value of the business well above average for those in the higher professional/managerial class. The level of savings, and particularly gilts, equities and investment bonds, was also substantially higher for professional/managerial than for other classes.

Wealth and Current Income

The relationship between household wealth and current income is a complex one. Mean wealth was seen to be lowest, not right at the bottom of the current income distribution, but rather among households in the third and fourth decile from the bottom. There is certainly no direct linear relationship between current income and average wealth, although households in the top 30 per cent, and particularly the top 10 per cent, do have relatively high mean wealth. Once again, a number of factors contribute to this pattern:

- (i) Some farm households with relatively high farm wealth are at the bottom of the current income distribution, making little profit or experiencing losses in the year in question (1986 for farm incomes, which was a particularly bad year). Over the middle of the income distribution there is no clear relationship between farm value and income ranking; farm households in the top income decile have very substantial farm wealth, on the other hand, contributing significantly to the high mean wealth of that decile;
- (ii) A small number of households in the bottom decile have substantial wealth in the form of an unincorporated business, but are reporting losses or very low profits; there is also a concentration of valuable businesses right at the top of the current income distribution;
- (iii) While households with 'other property' are disproportionately towards the top, again significant assets in this form occur throughout the income distribution.

Income is being measured over a short period — last week/month for employee earnings and pensions and over a year for self-employment, farming and investment income — whereas wealth will generally be built up over a prolonged period. The

relationship between current income and wealth is therefore influenced by a variety of underlying factors including age/stage in the life cycle and social class.

The Wealth Distribution

Survey-based data is not on its own a reliable source for examining the degree of concentration of wealth, because of the underrepresentation of particular forms of wealth and especially because the top of the wealth distribution, which is known to hold a substantial proportion of all wealth, will not be adequately captured. None the less, it is useful to look at the distribution of wealth in the survey and supplement it with other information, so that the sensitivity of the results to assumptions about the 'missing' wealth can be assessed. Ranking sample households by total reported wealth, the bottom 50 per cent of households had 12 per cent of total wealth and the bottom 70 per cent had 29 per cent of total wealth. The top 10 per cent of households had 42 per cent, and the top 1 per cent had 10 per cent of total wealth.

For the bottom 70 per cent of the wealth distribution, housing accounts for almost 90 per cent of the wealth held.

For the top 10 per cent and even more so the top 1 per cent, though, the value of the house is much less important, accounting for only 27 per cent and 16 per cent, respectively, of total reported wealth. Farm land accounts for almost half the wealth of the top 1 per cent, and the value of businesses for a further 23 per cent. Even at the very top, financial assets — deposits, stocks and shares — only account for less than 10 per cent of reported wealth.

On the basis of comparison of the sample with available external information on total personal wealth holdings of various types, and evidence from research internationally, we know that this is not an accurate representation of the wealth distribution. In particular, we know that financial assets are seriously underrepresented in the sample. It is probable that 'missed' stocks and shares are relatively heavily concentrated at the top of the distribution. 'Missed' deposits may be more evenly spread, but a small number of sizeable missed deposits may still account for much of that missing wealth. Property holdings and unincorporated businesses of the very wealthy may also be underrepresented because most

such households are missed by the sample. If it is assumed that almost all of the missed wealth is held by the top 10 per cent, most of it by the top 1 per cent, then the share of the top 10 per cent of the wealth distribution would be about half of all household sector wealth, while the top 1 per cent would have about 20 per cent of total wealth.

Even on the basis of less extreme — but perhaps less plausible — assumptions, the share of the top 10 per cent approaches 50 per cent, though that of the top 1 per cent could be as low as about 15 per cent.

10.3 Relationship to Previous Research

The survey-based figures on the concentration of wealth cannot be meaningfully compared with the estimates produced by Lyons for the distribution of wealth in Ireland in 1966.

Lyons estimated that the top 5 per cent of adult individuals ranked by wealth held about 60 per cent of all personal wealth, and the top 1 per cent owned about one-third of all wealth. These estimates were based on estate duty records, and applied to *individuals*: they cannot therefore be compared with the survey-based data which apply to households. We would expect the distribution of wealth (or income) to be more concentrated among individuals than households, and the household-based estimates do indeed show lower shares for the top of the distribution than Lyons' estimates, but not very much could be read into that. One of the main criticisms of Lyons' work related to the assumption that those not covered by the estate duty data — about two-thirds of adults — had net wealth of zero. Further work by Harrison and Nolan (1975) and Chesher and McMahon (1976) looked at the sensitivity of Lyons' estimates to this assumption. Making alternative assumptions the share of the top 1 per cent and 5 per cent were slightly lower, but were still as high as 57 per cent and 30 per cent, respectively. Our finding that three-quarters of all *households* reported positive net wealth does not have direct implications for the wealth of most *individuals*; if house, farm land and businesses are held in the name of only one adult in most households, then many individuals would be reporting little or no wealth in other forms.

Since asset data was sought on an individual basis in the ESRI survey, it may however be possible to use that data to say something, however tentative, about the wealth holdings of the majority of adults. If we make the crucial assumption that the house (for owner-occupiers) and farm (for farm households) are wholly owned by the household head in all cases, then it is indeed found that a significant proportion of all adults have little or no net wealth. In the sample, about 35-40 per cent of adults are not household heads, or the heads of households with no house or farm wealth, and report no holdings of financial assets, unincorporated businesses or other property.¹ About half of all adults in the sample are not heads of households with house/farm wealth and report assets of less than £500 (in 1987 terms). While some assets, particularly savings, may be underrepresented in the sample, this may be offset by the fact that borrowings (other than house or farm-related) are not taken into account. In terms of net wealth, then, the overall impression conveyed by the sample may not be misleading. Of course, the crucial assumption about house property and land may not be satisfactory. The survey did not attempt to obtain data on the legal ownership of these assets within the household, and for some purposes even where the property is not held jointly it may be appropriate to take the legal entitlements of the spouse of the owner (in terms of inheritance) into account. Since the focus in the present study has been on the household rather than the individual, these issues will not be pursued; it is useful, though, to be able to throw some light on a much debated aspect of Lyon's study.

It is also interesting to compare the — highly speculative — household-based estimates for Ireland with those for other countries constructed on a similar basis.

Recent estimates for the USA show the top 10 per cent of households holding 65 per cent of total household wealth, and the top 1 per cent holding about 30 per cent. The Irish survey-based estimates, with assumptions about the wealth missed by the survey, do not appear implausible in broad order of magnitude when set against these figures, though no stronger conclusion than that could be justified.

10.4 Implications and Priorities

This study has been primarily concerned to describe and assess the value of the data on wealth holdings obtained in the ESRI survey. Given the paucity of the information available on this topic for Ireland, the survey represents a significant advance. The variation in wealth and its composition by age, social class and current income, analysed here, reveal many interesting patterns. The potential of the survey for further analysis in this area is considerable, and in conclusion it is worth highlighting some priorities.

The important role of farm land in the distribution of wealth in the Irish context is clear from the study. It is necessary, though, to further explore the nature of the asset and its valuation. The role of land as a means of wealth holding is secondary, for most holders, to its function as a factor of production. Many small-to-medium farm holdings, while representing a substantial asset, may not be particularly profitable; if the farm were sold, though, there might not be alternative employment available. Thus farm land may often not be an asset which is readily convertible into command over resources. The implications of the importance of land in the Irish context, therefore, need to be teased out and data available from the National Farm Surveys could be employed in doing so.

In analysing the distribution of wealth, alternative sources on the distribution of financial assets and business wealth, which could be used to complement the survey data, may merit investigation. The scope for relating data collected in the course of the administration of income and capital transfer taxes to the survey data, the former being more satisfactory for the top of the distribution and the survey for the remainder, could be examined.

Finally, the survey data on asset holdings itself offers great potential for research in a number of areas. This could aim to exploit the wide range of data in the survey on the characteristics of sample households, which could be related to their reported wealth holdings. One area worth investigation is how different households hold their wealth.

It will be possible to analyse the choices which different households make about the form of financial asset in which they

save, and the relationship between holdings of financial assets and other forms of wealth, and relate these to the characteristics of the household.

Another particularly important issue is the relationship between wealth holdings, current income, command over resources and living standards. A significant number of households with low current incomes hold assets. In many cases these are in the form of housing or land, but some also have savings or other assets. The implications of household wealth levels for the impact of current income on living standards can be explored, using the information on style of living and indicators of deprivation available in the survey, and research on this topic is currently under way.

A final issue which may be mentioned is the importance of accrued pension entitlements. Research elsewhere has shown that these pension rights represent a significant asset, and taking them into account can significantly alter the pattern and degree of concentration of the wealth distribution (Dunn and Hoffman, 1983). The ESRI Survey obtained a good deal of information on respondents' pension arrangements, and the use of this information and valuation of these entitlements will repay analysis.

FOOTNOTES

1. This is based on the reported asset holdings of those who completed full individual questionnaires in the survey, together with an estimate of the probable position of the minority who completed abbreviated questionnaires without such data, based on the age, occupation and so on of the latter.

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Little is known about wealth in Ireland and the form in which it is held. This study presents, for the first time, data on the wealth of Irish households drawn from a large-scale sample survey. It provides a detailed breakdown of household assets and examines the relationship between wealth and other household characteristics such as age, social class and current income.

This study demonstrates the usefulness of a general household survey as a source of information on wealth in Ireland. The limits of the survey approach are also examined and areas for future work identified.

The Wealth of Irish Households will be of interest to all those concerned with the distribution of resources in Irish society, including economic and social researchers, politicians and voluntary and community organisations.

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