



of income are distributed within and between different social groups. If we can discover this it will go some way towards helping us understand concepts such as poverty and, of course, why some individuals and groups are more unequal than others.

To make income meaningful, therefore, we need to measure it – and this, as we are about to discover, is not as simple and straightforward as you might expect, for a couple of reasons.

- **Masking:** Some groups in society have the ability to hide their real income from the prying eyes of tax officers (and sociologists of course – although they are probably slightly more concerned about the activities of the former).

The wealthy, for example, may employ accountants to find (legal) ways of minimising their income for tax purposes.

Prem Sikka ('Socialism in reverse', 2003), for example, estimates UK tax avoidance schemes (legal ways of avoiding taxation) cost the government £25 billion each year.

On the other hand, some groups may minimise their declared income by working in the:

- **Hidden economy**, where income is either from illegal sources (such as theft or drug-dealing) or paid 'cash-in-hand' (that is, paid directly to an employee without the money being declared for tax purposes by either the employer or employee). **Dilip Bhattacharyya** ('On the Economic Rationale of Estimating the Hidden Economy', 1999) for example, argues the existence of 'unrecorded economic activities' casts doubt on national income estimates and, by so doing, has implications for social and welfare

American property developer Leona Helmsley (pictured) once famously said 'Only little people pay taxes'

This was, of course, before she was imprisoned for four years (in addition to a \$7 million fine) for failing to declare her true earnings to the US tax authorities.



policies (which we will discuss in more detail later).

Leaving these complicating factors aside, measuring 'net disposable household income' involves, according to **Simon Lunn** ('Low-Income Dynamics 1991–2001', 2003), counting, where applicable, all of the following:

- net employment earnings
- profit or loss from self-employment
- social Security benefits and tax credits
- occupational and private pensions
- investments and savings
- maintenance payments (if received directly)
- educational grants and scholarships (including loans)
- payments in kind (such as luncheon vouchers or free school meals).