

number of employees and the amount of income falling within certain income ranges related to the average income for all employees. Proportions so determined are shown in Schedule 6 below.

SCHEDULE 6
PROPORTIONS OF NUMBER OF EMPLOYEES AND TOTAL INCOME FALLING
WITHIN DESIGNATED INCOME RANGES

| Income Range expressed as multiples of average income for all employees | Number of Employees | | Amount of Income | |
|--|---------------------|--------------------------|------------------|--------------------------|
| | Proportion | Cumulative Proportion | Proportion | Cumulative Proportion |
| | % | % | % | % |
| 3 to 4..... | 0.84 | 99.34 | 2.95 | 95.62 |
| 2 to 3..... | 4.19 | 98.50 | 9.76 | 92.67 |
| 1.5 to 2..... | 10.07 | 94.31 | 17.11 | 82.91 |
| 1.25 to 1.5..... | 1.88 | 84.24 | 16.20 | 65.80 |
| 1 to 1.25..... | 16.04 | 72.36 | 18.01 | 49.60 |
| 0.8 to 1..... | 13.61 | 56.32 | 12.26 | 31.59 |
| 0.6 to 0.8..... | 13.29 | 42.71 | 9.31 | 19.33 |
| 0.4 to 0.6..... | 11.84 | 29.42 | 5.91 | 10.02 |
| 0 to 0.4..... | 17.58 | 17.58 | 4.11 | 4.11 |

From the relationships set out in Schedule 6 above, augmented by relationships developed from the previously described special D.B.S. tabulations for income ranges below 40% of average income, two continuous graphs were constructed, from one of which could be read off the percentage of workers in a group having earnings less than or equal to any specified amount of earnings (expressed as a proportion of average earnings for the whole group) and from the other, the percentage of total earnings arising from the earnings of such workers.

The formula used to produce modified average earnings rates corresponding to the unmodified rates developed as described in Step 2 above was as follows:

$$\text{M.A.E.} = \frac{\text{A.E.} (1 - U^e - L^e)}{1 - L^a}$$

where

- M.A.E. represents modified average earnings rates,
- A.E. represents unmodified average earnings rates,
- U^e represents the proportion of aggregate earnings excluded by reason of individual earnings exceeding the contributory earnings upper limit,
- L^e represents the proportion of aggregate earnings excluded by reason of individual earnings amounting to less than the minimums allowable for contribution purposes,
- L^a represents the proportion of paid workers excluded by reason of having earnings less than the minimums allowable for contribution purposes.

In Schedule 7 below are shown modified average earnings rates for the years 1966, 1970 and 1975 corresponding to the unmodified rates set out in Schedule 5 above. (Note: The contributory earnings upper and lower limits were assumed to be \$5,000 and \$600, respectively, for 1966 and 1967 and to increase thereafter to 1975 at a rate of 1½% per annum.)