
Appendix B. Definitions and Explanations

Population coverage. The estimates in this report are restricted to the civilian, noninstitutional population of the United States and members of the Armed Forces living off post or with their families on post. The estimates exclude group quarters.

Geographic regions. Some of the data in this report are presented for the four major regions of the United States.

Northeast. Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont.

Midwest (formerly North Central). Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin.

South. Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Louisiana, Kentucky, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia.

West. Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming.

Householder. Survey procedures call for listing first the person (or one of the persons) in whose name the home is owned or rented as of the interview date. If the house is owned jointly by a married couple, either the husband or the wife may be listed first, thereby becoming the reference person, or householder, to whom the relationship of the other household members is recorded. One person in each household is designated as the "householder." The number of householders, therefore, is equal to the number of households.

Household. A household consists of all persons who occupy a housing unit. A house, an apartment or other group of rooms, or a single room is regarded as a housing unit when it is occupied or intended for occupancy as separate living quarters; that is, when the occupants do not live and eat with any other persons in the structure and there is either (1) direct access from the outside or through a common hall or (2) a kitchen or cooking equipment for the exclusive use of the occupants.

For this report, the household composition was determined as of the interview date. A household includes the related family members and all the unrelated persons, if any, such as lodgers, foster children, wards, or employees who share the housing unit.

A person living alone in a housing unit or a group of unrelated persons sharing a housing unit as partners is also counted as a household. The count of households excludes group quarters. Examples of group quarters include rooming and boarding houses, college dormitories, and convents and monasteries.

Family. A family is a group of two or more persons (one of whom is the householder) related by blood, marriage, or adoption and residing together; all such persons (including related subfamily members) are considered members of one family.

Family household. A family household is a household maintained by a family; any unrelated persons (unrelated subfamily members and/or secondary individuals) who may be residing there are included. The number of family households is equal to the number of families. The count of family household members differs from the count of family members, however, in that the family household members include all persons living in the household, whereas family members include only the householder and his/her relatives.

Nonfamily households. A nonfamily household is a household maintained by a person living alone or with nonrelatives only.

Race. The population is divided into three groups on the basis of race: White, Black, and "other races." The last category includes American Indians, Asian/Pacific Islanders, and any other race except White and Black.

Persons of Hispanic origin. Persons of Hispanic origin were determined on the basis of a question that asked for self-identification of the person's origin or descent. Respondents were asked to select their origin (or the origin of some other household member) from a "flash card" listing ethnic origins. Persons of Hispanic origin, in particular, were those who indicated that their origin was Mexican, Puerto Rican, Cuban, Central or South American, or some other Hispanic origin. It should be noted that persons of Hispanic origin may be of any race.

Monthly income. The monthly income estimates shown in this report for households are based on the sum of the monthly income received by each member of the

household age 15 years old or over at the date of interview. The figures represent the average monthly amounts received by households during the appropriate four-month reference period for each rotation group. To calculate the monthly income figures, the composition of the household was fixed at the date of the interview and the total cash income of household members 15 years and older for the four-month reference period was divided by four. The cash income concept used in this report includes the sum of all income received from any of the sources listed in table B-1. Rebates, refunds, loans, and capital gain or loss amounts from the sale of assets, and interhousehold transfers of cash such as

allowances are not included. Accrued interest on Individual Retirement Accounts, KEOGH retirement plans, and U.S. Savings bonds are also excluded. This definition differs somewhat from that used in the annual income reports based on the March CPS income supplement questionnaire. The data in those reports, published in the Consumer Income Series, P-60, are based only on income received in a regular or periodic manner and, therefore, exclude lump-sum or one-time payments, such as inheritances, or insurance settlements. The March CPS income definition also excludes those same income sources excluded by SIPP.

Table B-1. **Income Sources Included in Monthly Cash Income**

Earnings from Employment

Wages and salary

Nonfarm self-employment income

Farm self-employment income

Income from Assets (Property Income)

Regular/passbook savings accounts in a bank, savings and loan or credit union

Money market deposit accounts

Certificate of deposit

NOW, Super NOW, or other interest-earning checking accounts

Money market funds

U.S. Government securities

Municipal or corporate bonds

Other interest-earning assets

Stocks or mutual fund shares

Rental property

Mortgages

Royalties

Other financial investments

Other Income Sources

Social Security

U.S. Government Railroad Retirement

Federal Supplemental Security Income

State Administered Supplemental Security Income

State unemployment compensation

Supplemental Unemployment Benefits

Black Lung payments

Worker's compensation

State temporary sickness or disability benefits

Other Income Sources—Continued

Employer or union temporary sickness policy

Payments from a sickness, accident, or disability insurance policy purchased on your own

Aid to Families with Dependent Children (AFDC), (ADC)

General assistance or General relief

Indian, Cuban, or Refugee assistance

Foster child care payments

Other welfare

Child support payments

Alimony payments

Pensions from a company or union

Federal Civil Service or other Federal civilian employee pensions

U.S. Military retirement

National Guard or Reserve Forces retirement

State government pensions

Local government pensions

Income from paid-up life insurance policies or annuities

Estates and trusts

Other payments for retirement, disability or survivors, G.I. Bill/VEAP education benefits

Income assistance from a charitable group

Other unemployment compensation (Trade Adjustment Act benefits, strike pay, other)

Veterans' compensation or pensions

Money from relatives or friends

Lump sum payments

Income from roomers or boarders

National Guard or Reserve pay

Incidental or casual earnings

Other cash income not included elsewhere

Table B-2. **Assets and Liabilities Included in Net Worth****I. Assets**

Interest-earning assets held at financial institutions
 Passbook savings account
 Money market deposit accounts
 Certificate of deposit
 Interest-earning checking accounts
 Other interest-earning assets
 Money market funds
 U.S. Government securities
 Municipal or corporate bonds
 Other interest-earning assets
 Stocks and mutual fund shares
 Rental property
 Mortgages held for sale of real estate
 Amount due from sale of business or property
 Regular checking accounts
 U.S. Savings bonds
 Home ownership
 Vacation homes and other real estate

The income amounts represent amounts actually received during the four-month reference period, before deductions for income and payroll taxes, union dues, Part B Medicare premiums, etc.

The SIPP income definition includes three types of earnings: wages and salary, nonfarm self-employment, and farm self-employment. The definition of nonfarm self-employment and farm self-employment is not based on the net difference between gross receipts or sales and operating expenses, depreciation, etc. The monthly amounts for these income types are based on the salary or other income received from the business by the owner of the business or farm during the four-month period. Earnings from all jobs and self-employment are included.

The Bureau of Labor Statistics publishes quarterly averages for an earnings concept called "usual weekly earnings" for employed, full-time wage and salary workers. The concept differs from the SIPP earnings concept since it is based on usual, not actual earnings, excludes the self-employed, and excludes earnings from secondary jobs.

While the income amounts from most sources are recorded monthly for the four-month reference period, property income amounts such as interest, dividends, and rental income, were recorded as totals for the four-month period.

Median income. The median income is the amount which divides the distribution into two equal groups, one having incomes above that amount and the other having incomes below that amount.

Net worth. The household net worth estimates shown in this report are based on the sum of the market value

IRA and KEOGH accounts
 Motor vehicles
 Other financial assets

II. Liabilities

A. Secured liabilities
 Margin and broker accounts
 Mortgages on own home
 Mortgages on rental property
 Mortgages on other homes or real estate
 Debt on business or profession
 Vehicle loans

B. Unsecured liabilities
 Credit card and store bills
 Doctor, dentist, hospital and nursing home bills
 Loans from individuals
 Loans from financial institutions
 Educational loans
 Other unsecured liabilities

of assets owned by every member of the household minus liabilities (secured or unsecured) owed by household members. The estimates represent the net worth of households as of the end of the appropriate reference period. The net worth concept is based on the value of all assets minus all liabilities listed in table B-2. The major assets not covered in this report are equities in pension plans, the cash value of life insurance policies, and value of home furnishings and jewelry. These items were not covered because it is particularly difficult to obtain reliable estimates of the value of these assets in a household survey.

Median net worth. The median net worth is the amount which divides the net worth distribution into two equal groups, one having household net worth less than that amount and the other having net worth above that amount.

Mean net worth. The mean net worth is the average obtained by dividing the total net worth of a group by the number of households in that group.

Comparison of median and mean values of net worth. Mean and median values are measures of central tendency of distributions. For symmetric distributions, mean and median values are the same. For skewed distributions, however, mean and median values differ. The distribution of net worth is skewed with a concentration of households at the low end of the distribution and a tail of households with high values. In this case, the median is less than mean net worth; the large proportion of values at the low end bring the median down, while less frequent but large values

increase the mean. For example, the median household net worth in 1988 was \$35,752, substantially less than the mean of \$78,666. Since means are more sensitive to outliers and the data is sparse at the upper tail, medians are used in the analysis presented in this report.

When comparing net worth for specific subgroups of the population, the ratio of net worth for one group to that of another group differs according to whether the ratio is expressed in terms of means or medians. The difference arises because the shapes of the net worth distribution are not the same for all groups. For example, the ratio of median net worth of White householders to that of Black householders was 10, while the ratio of the means was 4. The distribution of net worth of Black householders was more skewed toward low net worths than the distribution of White householders. As a result, the differences in net worth by race are larger when measured using medians.

With a job. Persons are classified as "with a job" during the period if, during the four-month reference period, they either (a) worked as paid employees or worked in their own business or profession or on their own farm or worked without pay in a family business or farm or (b) were temporarily absent from work either with or without pay. In general, the word "job" implies an arrangement for regular work for pay where payment is in cash wages or salaries, at piece rates, in tips, by commission, or in kind (meals, living quarters, supplies received). In this report "job" also includes self-employment at a business, professional practice, or farm. A business is defined as an activity that involves the use of machinery or equipment in which money has been invested or an activity requiring an office or "place of business" or an activity that requires advertising. Payment may be in the form of profits or fees.

The Current Population Survey (CPS), the official source of labor force statistics for the Nation, uses the same definition for a job or business. The term "with a job," however, should not be confused with the term "employed" as used in the CPS. In SIPP "with a job" includes those who were temporarily absent from a job because of layoff and those waiting to begin a new job in 30 days; in the CPS these persons are not considered employed, but are classified as "unemployed."

Looking for work. Persons who "looked for work" during the entire period are those who (a) were without a job during at least 1 week during the four-month reference period, (b) tried to get work or establish a business or profession and (c) were available to accept a job. Examples of jobseeking activities are (1) registering at a public or private employment office, (2) meeting with prospective employers, (3) investigating possibilities for starting a professional practice or opening a business, (4) placing or answering advertisements, (5) writing letters of application, (6) being on a professional register, and (7) asking friends or relatives.

Layoff. In general, the word "layoff" means release from a job because of slack work, material shortages, inventory taking, plant remodeling, installation of machinery, or other similar reasons; the released workers anticipate recall at some future date, either specified or not. For this survey, persons were also on "layoff" who did not have a job but responded that they had spent at least one week on layoff from a job and that they were available to accept a job.

In addition, persons were on "layoff" during the four-month reference period if they were "with a job" but "absent without pay" from that job for at least one full week during that period, and they responded that their main reason for being absent from their job or business was "layoff." In this report, the figures for persons "on layoff" also include a small number of persons who responded that they were waiting to report to a new wage and salary job that was to begin within 30 days.

With labor force activity. The term "with labor force activity" as used in this report includes all persons with a job (as defined above) and those looking for work or on layoff from a job for at least one week during the four-month reference period. Conversely, those persons "with no labor force activity" had no job, were not on layoff from a job and made no effort to find a job during the entire four-month reference period.

Comparability of SIPP and CPS labor force data.

SIPP and CPS labor force estimates differ not only because of the differences in labor force definitions discussed previously, but also because of differences in procedures and designs of the two surveys. For example: 1) In this report the data does not cover persons in group quarters; 2) members of the Armed Forces living off post in households are eligible for interview in SIPP, but not eligible in the CPS; 3) in SIPP the data relate to the entire four-month reference period, but in CPS the data are based on activities occurring in the week containing the 12th day of each of the months; 4) the recall period in SIPP extends up to four months, but is only one week in the CPS; and 5) the labor force questions used in SIPP are not identical to, nor as extensive and probing as those in the CPS; and 6) the classification scheme used in processing the CPS gives priority to "employment" before "unemployment" and "unemployment" before "not in the labor force," whereas in SIPP a person may be in each of these statuses in a single reference period.

Because of these procedural and design differences, estimates derived from the CPS and SIPP will be different. It is, therefore, inappropriate to compare "employed" in CPS to "having a job" in SIPP, or compare "unemployed" in CPS with "looking or on layoff" in SIPP. Moreover, it should be remembered that SIPP is primarily an income survey and the CPS a labor force survey.