

## 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 aged 15 years old or over at the date of interview. The figures represent the average monthly amounts received by households during the appropriate 4-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 of age and older for the 4-month reference period was divided by 4. 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.

The income amounts represent amounts actually received during the 4-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 4-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 4-month reference period, property income amounts, such as interest, dividends, and rental income, were recorded as totals for the 4-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 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 1991 was \$36,623, substantially less than the mean of \$102,118. 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.

**With a job.** Persons are classified as "with a job" during the period if, during the 4-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 (e.g., meals, living quarters, and 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; 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 4-month reference period, (b) tried to get work or establish a business or profession, and (c) were available to accept a job. Examples of job-seeking 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 4-month reference period if they were "with a job" but "absent without pay" from that job for at least 1 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 1 week during the 4-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 4-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 are not eligible in the CPS; 3) in SIPP the data relate to the entire 4-month reference period, but in CPS the data are based on activities occurring in the week containing the 12th of each of the months; 4) the recall period in SIPP extends up to 4 months, but is only 1 week in the CPS; and 5) the labor force questions used in SIPP are not identical to, or 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 with "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 is a labor force survey.

#### **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
- State Administered Supplemental Security Income
- State unemployment compensation

Supplemental Unemployment Benefits  
 Black Lung payments  
 Worker's compensation  
 State temporary sickness or disability benefits  
 Employer or union temporary sickness policy  
 Payments from a sickness, accident, or disability insurance policy purchased by individual  
 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, and G.I. Bill/VEAP education benefits  
 Income assistance from a charitable group  
 Other unemployment compensation (e.g., 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  
 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