



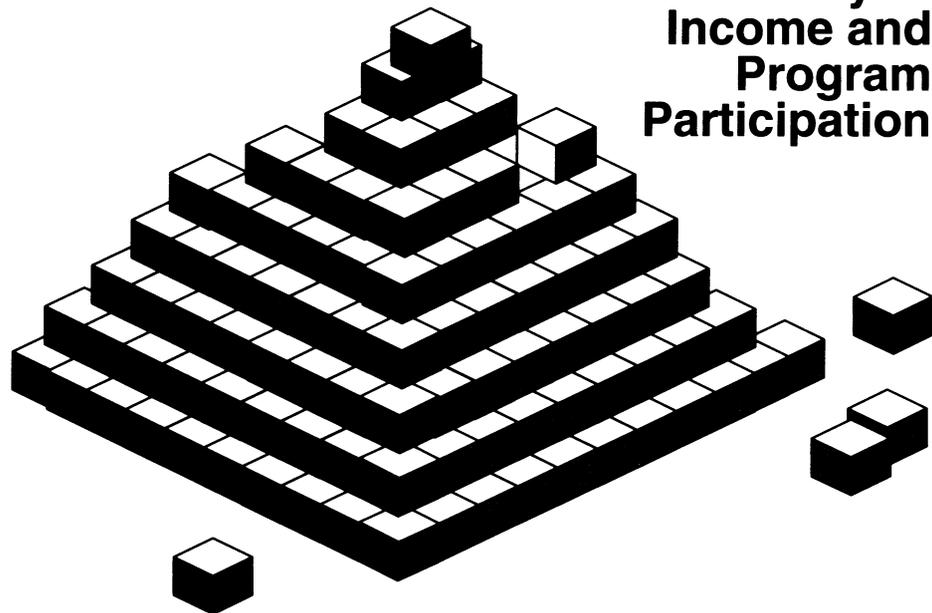
CURRENT POPULATION REPORTS
Household Economic Studies

Series P-70, No. 26

by
Larry M. Radbill
Kathleen Short

Extended Measures of Well-Being:

**Selected Data
from the 1984
Survey of
Income and
Program
Participation**



U.S. Department of Commerce
Economics and Statistics Administration
BUREAU OF THE CENSUS

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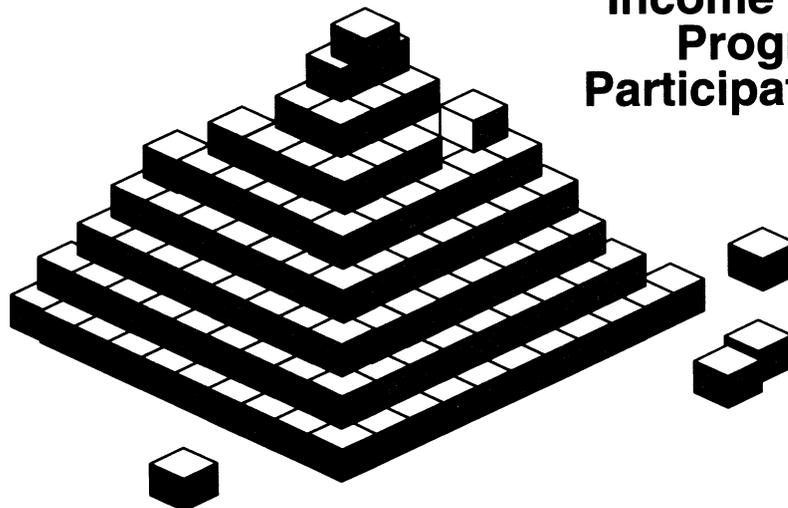
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Introduction

Purpose of Report. This report addresses the question: "Who is disadvantaged?" Most statistics are indirect indicators of conditions that cannot be measured directly. Sometimes the inability to directly measure these conditions is due to the inherent complexity of the phenomenon. For example, no single indicator will ever completely capture the many aspects of a multi-dimensional problem like poverty. Sometimes the inability to measure conditions directly is due to the sensitivity of the topic: for example, many survey respondents are uncomfortable telling interviewers about all of their income from every source. The result is a collection of indicators which inform but may not accurately represent reality.

In this report a collection of traditional and nontraditional indicators of hardship and well-being will be considered. This exercise is exploratory. Each step along the way poses the question, "Who appears to be disadvantaged?" When many different indicators lead to similar conclusions, we gain confidence that patterns apparent in the data represent reality. The alternatives used here are illustrative of a potential use of data from the Survey of Income and Program Participation (SIPP) and sometimes yield different conclusions from those reached using traditional measures. These indicators illustrate other possible dimensions of what it means to be disadvantaged. The relative well-being of various segments of our population will also be assessed. The collection of traditional and alternative indicators presented are intended to complement each other. In the end, we hope to provide a more complete picture of the quality of life experienced by different segments of the population.

The SIPP makes available in a single data set information on a wide variety of topics not found together in other data sets. This richness of information, together with the advantage of following all household members for 32 months, lends the SIPP a great flexibility for analysts. While the data presented here are not new, the report illustrates the types of analyses for which the SIPP is well-suited and we hope it will encourage researchers to explore the many facets of these data.

Structure of the Report. The first part of the report focuses on traditional measures of household income and poverty, as well as on some extensions of those measures. Chapter 1 begins by describing the distribution of income and poverty as they are traditionally measured in household surveys. This provides a baseline against which other

measures of economic resources can be compared. Chapters 2 and 3 explore in more detail the relationships between current and permanent income. Measures of household wealth and short-term income fluctuations provide some indication of how useful traditional measures of income and poverty may be as guides to the economic resources available to people.

The second part of the report considers other forms of household resources. Chapter 4 considers fringe benefits and other nonmoney income which people receive from their jobs. Chapter 5 explores the distribution of noncash benefits provided by the government. Both of these are economic resources which are not incorporated in traditional household income and poverty statistics¹.

Household resources are only part of overall well-being. It is what people do with their resources that determines their material well-being: the goods and services they actually consume and the extent to which their choices are constrained by the economic resources at their disposal. The connection between resources on the one hand and material well-being on the other is not straightforward. Households with the same levels of current income can have widely divergent needs and values and therefore face different constraints when making decisions about what to consume. Some have also argued that some households are more efficient consumers than others: they are able to get more "bang for their buck."² These differences in needs and efficiency are difficult to quantify. This report will not attempt that exercise. Instead, the third part of this report focuses directly on some indicators of living conditions.

Two domains of social and material well-being will be studied. The choices here have been motivated by two considerations: the policy priorities which have dominated national politics during the last 25 years, and the reality of what we are able to study using the 1984 Survey of Income and Program Participation (SIPP).

¹U.S. Bureau of the Census, Current Population Reports, Series P-60, No. 169-RD, *Measuring the Effect of Benefits and Taxes on Income and Poverty: 1989* for the Census Bureau's most recent report on the impact of incorporating government-provided noncash benefits into income and poverty estimates.

²Robert Michaels, *The Effect of Education on Efficiency in Consumption*, 1972, Columbia University Press for the National Bureau of Economic Research, New York, N.Y.

National social policy since the 1960's has largely focused on three areas of people's living conditions: health, hunger, and housing. The SIPP provides no information about food consumption patterns or hunger. It does, however, have extensive information on health and disability status, and on utilization of health care services. The 1984 SIPP provides limited information about housing conditions. Chapter 6 will examine some aspects of health and disability status, and the utilization of medical care services. Chapter 7 considers some indicators of housing conditions.

While others have attempted similar studies using a variety of data sources,³ this study is the first to draw indicators of a variety of domains of well-being from a single data source. The SIPP also provides income data superior to the other data sources used in similar studies.

In each section of the report, the question: "Who appears to be disadvantaged?" will be posed. The results suggested by alternative indicators will be compared with those based on more traditional measures. Groups who reported similar household incomes will be compared in terms of other indicators of well-being. By comparing people who reported similar household incomes we have statistically controlled for the differences in other indicators of well-being which are related to reported income. The observed differences which remain, between the old and the young, between Blacks and Whites, and between those living with male and female householders, are differences that would be observed if reported household incomes were the same among these groups.

The report concludes with a brief summary followed by appendixes including definitions of concepts and detailed analytic tables from which the tables in the body of the text were extracted.

No attempt will be made, in this report, to construct a single "index of well-being." This has been a conscious decision based on the belief that the various indicators considered here provide information about aspects of people's lives (health, housing conditions, money, and nonmoney economic resources) that cannot be readily substituted for each other. Additionally, different outcomes matter for different social policies (e.g., there is no reason to assume that housing programs have any direct impact on cash income or health status). For these reasons different dimensions of well-being are considered separately.

Before delving into the detailed discussion, we begin with some basic concepts and definitions used throughout the balance of this report.

³See, for example, Susan Mayer and Christopher Jencks, "Poverty and the Distribution of Material Hardship," *Journal of Human Resources*, 1988, Vol. XXIV, No. 1, and Christopher Jencks and Barbara Torrey, "Beyond Income and Poverty: Trends in Social Welfare Among Children and the Elderly Since 1960," in John L. Palmer, Timothy Smeeding, and Barbara Boyle Torrey, eds., *The Vulnerable*, The Urban Institute Press, Washington, DC., 1988.

Concepts and Definitions. Throughout this report the unit of analysis is the individual. At various times people will be described in terms of the types of households in which they live, but percentages and means (averages) always use the person as the basic unit of analysis. For example, consider a universe with just two households. Household A contains three people (husband, wife, and child), and household B contains two people (mother and child). Household A has a total income of \$30,000, household B has a total income of \$25,000. If the household were the unit of analysis, we would compute an average income of \$27,500. However, using the person as the unit of analysis the average household income of persons is \$28,000. The table illustrates this method.

Computation of Average Household Income of Persons

Household	Person	Person's income	Household income
Average Household Income of Persons			\$28,000
A	Husband	\$20,000	\$30,000
	Wife	10,000	30,000
	Child	-	30,000
B	Mother	25,000	25,000
	Child	-	25,000

This approach allows us to describe the situations experienced by individuals. Larger households are weighted more heavily than smaller households in our computations because more people are affected in a household with five people than in a household with two people.

Thus, the measures reported here for individuals are calculated using the household as the context. A household consists of all persons who occupy a housing unit regardless of relationship, while the term "family" refers to a group of two or more persons residing together and related by birth, marriage, or adoption. Thus, more than one family may reside in a single household. Many of the measures of money resources (income, poverty, and wealth) presented here are therefore not comparable with measures which are based on family membership published in other Census Bureau reports.⁴

A Note on Statistical Significance. Results in this report are based on a sample of individuals who are representative of the United States noninstitutional population in 1984. Because the results are based on a sample rather than on the full population the actual numbers may not be the same as those we would calculate from the full population. The concept of statistical significance refers to the level of confidence we have that the results obtained from the sample are representative of what we would find

⁴The ideal unit to use as the context for an assessment of material well-being would be a consumer unit. A consumer unit is a group of people who pool their resources for purposes of acquiring the goods and services which they use. As discussed in chapter 1, many unrelated people who live together do in fact pool their resources.

were we to conduct the same analysis on data drawn from the entire population.

Except where noted, results reported in this publication are statistically significant at the 90-percent level. This means that the sample is sufficiently large that differences as large as those described here would have shown up by chance less than one time in ten if there were no group differences in the population (see appendix C for further discussion of data reliability).

Data. This report uses data from the 1984 Survey of Income and Program Participation. Appendix A provides a detailed description of the survey design. Data were drawn from the 1984 SIPP Panel File as well as from topical modules from Waves 3 through 6. The SIPP Panel File contains monthly data on income, employment, program participation, and household composition. The topical modules from Waves 3 through 6 of the 1984 SIPP provide information on assets, liabilities, support for nonhousehold members, child care arrangements, employment-tied fringe benefits, health status, disability status, health care utilization, housing conditions, consumer durables, and motor vehicles. Appendix B provides detailed descriptions of all indicators used in this report.

HIGHLIGHTS

(The figures in parentheses denote 90-percent confidence intervals.)

- Many people experienced relatively large month-to-month variations in their household incomes. For example, 45 (± 2) percent of persons in households with annual incomes between one and two times the poverty line reported household incomes below the poverty line for at least 1 month during 1984.
- Those living with male householders generally reported higher average household net worth than those living with female householders.
- At similar income levels, Whites lived in households with substantially higher net worth than Blacks.
- Even when persons with similar household incomes are compared, those aged 65 and over are found to have substantially higher household liquid assets than younger people except for persons in the first decile. For example, among those with household incomes in the second decile, persons aged 65 and over had mean household liquid assets 2.4 (± 0.5) times higher than persons under age 18.
- At similar adjusted income levels, persons living with female householders were slightly less likely than persons living with male householders to have a household member with fringe benefits from employment. These include employment-tied medical and life insurance, use of a company vehicle, or use of an expense account.
- Within a given income level, persons living with female householders tended to use noncash public programs including Food Stamps, Medicaid, Medicare, WIC, rent subsidies, and public housing to a greater extent than did persons living with male householders.
- Within a given income level, Blacks were more likely to use noncash public programs than Whites.
- Regardless of income level, about 70 (± 2) percent of people saw a doctor at least once in 1984. People in households with low incomes were more likely to report being in poor health than those in higher-income households.
- When people with similar adjusted annual household incomes were compared, there were few differences in the percentages of Blacks and Whites who reported being in poor health, and who reported having seen a doctor at least once during 1984.
- At similar household income levels, those in households with male householders were more likely than those living with female householders to live in owner-occupied housing, to have a food freezer, a clothes washer, a clothes dryer, and a dishwasher. Those in households with a White householder were more likely to have such amenities than those living with Black householders at similar income levels.