

Appendix A: Household Aggregation and Sources of Income

The unit of analysis we label “household” in the CGE model is our best approximation of a “consumption unit” and is not identical with the CPS household, which is defined by a common address. It is important to emphasize this because a “household” in the CPS data structure sometimes includes more than one “household” as we use the word (if there is a related subfamily, the CPS considers this unit as part of the primary family).

For the household aggregation, we first distinguished households by family structure: single-parent, dual-parent, single-adult, multi-adult, and elderly households. A household was categorized as elderly if the household head was 65 years old or older. This was the category of preference if the household fit in multiple categories. The presence of children was determined by whether any person in the household was under age 18 and not a reference person (respondent) or spouse in a primary family, nonfamily householder, or unrelated subfamily. That is, minors who were reference persons or spouses (except in a related subfamily) were not considered children for this classification. All units with children (except elderly-headed) were classified as dual-parent or single-parent, based on the “FKIND” variable in the CPS. All units with no children and without an elderly head were classified “multiple adult” if there was more than one person and “single adult” if there was only one person.

Within each of these five types of households, we distinguished three income classes: low-income, mid-income and high-income. The 1996 data for household income are from the 1997 March Supplement of the Current Population Survey (CPS), Bureau of the Census. The income classes were determined with respect to the poverty level for each household and to income quartiles for the household type.

The poverty level for each household type was defined according to Census Bureau guidelines. The official definition of poverty is based on pretax money income. It does not include capital gains or the value of noncash benefits such as employer-provided health insurance, food stamps, Medicaid, Medicare, or public housing. Specifically, for official poverty statistics, each household in the CPS sample was queried as to the amount of money income received by all persons age 15 and over in the preceding calendar year.

We excluded two types of households from the analysis: those whose head is in the military and who live off-base and those with large negative self-employed income for the year.¹⁹

Household Groups

Single Parent

Low-income—0 to 130% of poverty line
Mid-income—130% of poverty line to income below which 75% of households lie (31,000)
High-income—75% of households and above

Dual Parent

Low-income—0 to 130% of poverty line
Mid-income—130% of poverty line to income below which 50% of households lie (50% = 52,022)
High-income—50% and above

Single Adult

Low-income—0 to 130% of poverty line
Mid-income—130% of poverty line to income below which 75% of households lie (75% = 34,450)
High-income—75% and above

Multi-Adult

Low-income—0 to 130% of poverty line
Mid-income—130% of poverty line to income below which 50% of households lie (50% = 52,128)
High-income—50% and above

Elderly

Low-income—0 to 130% of poverty line
Mid-income—130% of poverty line to income below which 75% of households lie (75% = 33,973)
High-income—75% and above

¹⁹A small number of households with large negative self-employed income biased the characteristics of low-income household groups. Most of these households did not participate in welfare transfer programs despite their below-poverty level of income.

Sources of Income

Labor-related income

Wages and salaries, plus other labor income
Self-employed income, nonfarm
Self-employed income, farm

Capital-related income

Interest
Dividends
Rent

Retirement income

Federal employee
State and local employee
Private funds

Government transfers

Social Insurance fund plus veterans' benefits (less medical and Federal employee retirement):
 Workers' compensation
 Social Security income
 Survivor's income
 Disability income
 Veterans' Administration benefits
Unemployment compensation
Supplemental Security Income (SSI)
Aid to Families with Dependent Children (AFDC)
General Assistance
Education assistance

Income from government that is not part of money income for calculation of poverty levels but is included in net income calculations

Earned Income Tax Credit
Energy assistance

Noncash government transfers

Medicare (fungible value)
Medicaid (fungible value)
Food stamps (market value)
School lunch (market value)
Housing assistance (value)

Data in CPS but not used

Other income
Interhousehold transfers (not used, since the CPS data does not state from whom the income is received):
 Child support
 Alimony
 Financial assistance