

Appendix 4

Different concepts of income

The concepts of income used here relate to the family. The concepts of a family's disposable income, income standard and income per consumption unit are used. When reporting a child's income standard, etc., this refers to the income standard of the family to which the child belongs. Children belong to wealthy families, families that have difficulties in making ends meet and so on. A child's own income from work is included in the family income but is also reported separately.

Data on income concern the annual income. Therefore, only the part of the population that has been registered in Sweden during the full income year is included in the calculations.

Disposable income

The total income in a family, including benefits and after tax and other payments have been deducted, is called **disposable income**. The value of items produced in the home as well as the use of public consumption is not included in the disposable income. The disposable income used here differs in one particular way from that which is reported in the official statistics. To increase comparability between households that live in their own house and households in rented accommodation, house-owners' income has been adjusted with tax deductions for mortgages and property tax for the house.

Disposable income per consumption unit

In order to be able to compare different families' or households' economic standards, it is necessary to relate income to the dependency burden. One simple way of doing this would be

to place income in relation to the number of the persons in the family. However, different persons consume different amounts. It is possible to refine such a measurement by giving each person a weighting depending on age and possible large-scale benefits in a larger family. For this purpose, weightings have been created, presented in an equivalence scale, which starts at 1.0 for the first adult person in the household. The scale differs from that used in the official statistics on income distribution. The relative range between households with different structures is, however, the same. We obtain a higher disposable income per consumption unit than we would have obtained using the official scale. The weighting can be seen to constitute the number of consumption units that a person represents. The weighting of the different family members, i.e. the number of consumption units, is totalled and the disposable income is divided by this total. This gives the measurement for **disposable income per consumption unit**.

Equivalence scale

	This report	Official statistics
Adult person 1	1.00	1.16
Adult person 2	0.66	0.76
Children aged 0-3	0.48	0.56
Children aged 4-10	0.57	0.66
Children aged 11-17	0.66	0.76
Other aged 18+	0.83	0.96

Income standard

The measurement **income standard** combines income and the number of persons that need to

live on that income. The income standard for a family is made up of the disposable income divided by a norm for living costs. The norm is based on previously recommended expenditure levels when qualifying for social assistance. The size of the calculated living costs depends on the family's size and structure.

The norm consists of three parts. The first part is a standardised value that is the base amount multiplied by the value according to the official statistics equivalence scale. This gives an amount that is different for single persons and cohabiting persons and for households with children of different ages. The obtained amount for family members is then totalled. The total should correspond to a reasonable, but not particularly high, base consumption level excluding housing costs. In 2001, the base amount was SEK 36 900.

The second part of the norm for living costs is given either by the actual housing costs (using calculations based on data from The Household Economy HEK) or by a norm for housing costs (using calculations based on data from IoF, the complete income statistics).

The norm for housing costs is made up, in turn, by the average rent for an apartment that is on the border of what is called overcrowded living conditions, according to the overcrowded living conditions norm 2. Overcrowded living conditions are defined as a family with two or more persons per room. In this case, kitchen, living room and bathroom are not included. Rental costs are taken from an annual survey on rental accommodation, in which the average annual rent is given for different cost zones across the country.

The norm for housing expenditure is used to calculate income standard.

Number of rooms	Number of persons	Greater Sthlm	Greater Gbg	Other municipalities with more than 75 000 inhabitants	Other municipalities
1	1	35 401	35 254	31 833	30 053
2	2	48 810	46 946	43 913	41 121
3	3-4	60 183	56 479	53 534	50 731
4	5-6	73 293	70 345	66 307	61 799
5+	7+	95 930	87 575	82 273	72 174

Average annual rent per apartment 2001, Statistics Sweden's Survey on housing and rents (BHU)

The third part of the norm is made up of trade union membership fees and actual costs for childcare. Childcare costs, in particular, have great significance for many families with children. When the income standard is calculated for data from IoF, this part of the norm is not included. Only the first two are included, base consumption and housing costs according to the crowded living conditions norm.

The **HEK** is an annual survey aiming to illustrate the income distribution of the population.

Income data in the HEK concern the whole year and are taken from various registers. Data, for example, on sample persons' family situation, is taken from a questionnaire which is carried out at the beginning of the year following the income year. Family situation concerns the end of the previous year, i.e. the income year. Incomes are reported for a "full year population", i.e. for households in which all adults were registered in Sweden both at the beginning and the end of the income year. Questions and register data concern all family members living together. For the children's part, however, data are taken on both the mother's and the father's circumstances. The non-response to the HEK 2000 questionnaire was 28 per cent.

In addition to the HEK, Statistics Sweden also produces the complete income statistics, **IoF** (income and wealth register). Income data in the IoF concern the full year and cover all of Sweden's population. The structure of the family is in accordance with that described in Statistics Sweden's population register and concerns the end of the income year. Incomes are reported for families where all persons were registered in the country both at the beginning and the end of the year. Data on income, taxes and other payments are collected for all family members. As IoF is a complete survey, it is possible, unlike with the HEK, to break down the material into a lower regional level, i.e. municipality level.

Calculation example:

Income standard HEK =

Household's disposable income

Base amount x number of consumption units + actual measured housing expenditure + trade union membership fee + childcare costs

Income standard = 1.0 indicates that the family lies right on the edge of the lowest reasonable standard, roughly the same as when constructing the 1986 social assistance norm.

An income standard under 1.0 indicates that the family is in a worse situation than the norms would allow. The family then falls under the "lowest reasonable standard".

An income standard over 1.0 indicates that the family lies over the "lowest reasonable standard".

Income standard = 2.0 means that the family could support a further family of the same size and structure without either families falling below the "lowest reasonable standard".

Median, P10 and P90

A number of different statistical measurements have been used in the chapter on the family economy. The median, P10 and P90 represent the delimitation between different parts of the population when it is sorted by the searched income or income standard. The median is the value in the middle, i.e. one half of the

population has a value below the median and the other half has a value above the median. The median is not affected by extreme values, as the mean value is, and is therefore better suited to describing the income of the population in general. P10 is the value that distinguishes the 10 per cent of the lowest incomes and P90 distinguishes the 10 per cent with the highest incomes.

One way to measure the spread or distribution of incomes in the population is to calculate the ratio of P10/median and P90/median. These measurements of spread give an idea of the distance between the worst/best situations and those with median incomes.

Children's income from work

The income from work which can be reported is that for which the employer has submitted a salary statement. Many children have very small incomes and the employer does perhaps not always submit a salary statement. Therefore, all children's incomes are not reported.

Many teenagers with their own income from work do not pay tax on their incomes. This is because they come under the limit for exemption from taxes. This limit, in 2001, with a basic deduction of SEK 10 000 and a certain tax discount, was around SEK 10 599 per year.