WHY DOES THE REPORTED MEDIAN HOUSEHOLD INCOME DIFFER FROM MY PERSONAL EXPERIENCE?

1 Employment income comprises **(i) income received from employment and business** (including overtime pay and/ or allowances), **(ii) one-twelfth of annual bonuses** and **(iii) employer CPF contributions**.

Example 1

John, his wife, 5-year-old son and his retired parents live together, forming a household of **5 members**. John and his wife are employed, earning a basic monthly income of $5,000 and $4,000, respectively.

Calculation of monthly employment income

Employed Person	John (36 years old)	John's Wife (34 years old)
Basic monthly employment income	$5,000	$4,000
Annual bonus received	2 months x $5,000 = $10,000	1.5 months x $4,000 = $6,000
Average bonus received per month	$10,000 ÷ 12 = $833	$6,000 ÷ 12 = $500
Employer monthly CPF contributions	17% x ($5,000 + $833) = $992	17% x ($4,000 + $500) = $765
Gross monthly employment income	$5,000 + $833 + $992 = **$6,825**	$4,000 + $500 + $765 = **$5,265**
Monthly Household Income of John's Family = $6,825 + $5,265 = **$12,090**		

💡 If median monthly household income for the year was $11,000, the **monthly household income for John's family ($12,090) is higher** than the reported median monthly household income.

Gross monthly income is used to represent an individual's income as bonuses and employer CPF contributions **form a part of compensation from employment.**

2 As household income per household member and individual income (gross monthly income) are **different measures**, they can **show different trends**.

- **Household income per household member** is the sum of monthly employment income of all household members, including part-time employed persons, divided by the total number of members in the household.
- Household income per household member is used to compare across households as it **accounts for differences in household size.**

Example 1 (continued)

John's household income and household income per household member are:

Household Income = $6,825 + $5,265 = $12,090

Household Income Per Household Member = $12,090 ÷ 5 = **$2,418**

💡 John's household income per household member, i.e., accounting for the household size (5 members some of whom are not employed), differs from his or his wife's individual income.

Experiences based on individual income and household income per household member can differ **depending on the changes to the individual's household characteristics, the consumption and use of resources by household members.**

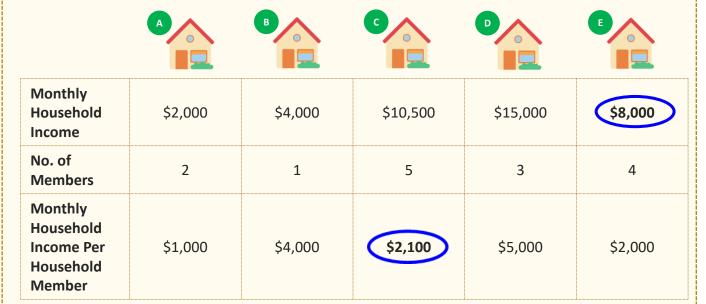# WHY DOES THE REPORTED MEDIAN HOUSEHOLD INCOME DIFFER FROM MY PERSONAL EXPERIENCE?

3 The **median monthly household income** is a **summary statistic that provides a broad indication of household income trends.** It is not meant to reflect the lived experience of all households or individual members of the household.

- The **lived experience of each household or individual may differ** depending on the household characteristics such as the number of household members and employed persons in the household.

Example 2

Suppose there are 5 households as shown below:

	A	B	C	D	E
Monthly Household Income	$2,000	$4,000	$10,500	$15,000	**$8,000**
No. of Members	2	1	5	3	4
Monthly Household Income Per Household Member	$1,000	$4,000	**$2,100**	$5,000	$2,000

The **median household income** will be that of **Household E ($8,000)**, i.e., the household in the middle when the 5 households are arranged from the lowest to the highest monthly household income.

The **median household income per household member** will be that of **Household C ($2,100)** as Household C is in the middle when arranged from the lowest to the highest monthly household income per household member.

These **median values remain** even if the household with the lowest income (i.e., Household A) had their **household income halved** to $1,000 or the household with the highest income (i.e., Household D) had their **household income doubled** to $30,000.

💡 The median is a **summary** statistic that is not impacted by changes in the extreme ends of the distribution. It may not be reflective of the lived experience of all households as some households can experience a growth in their household income while other households can experience a decline in their household income.

Additional Resources:

View the infographic on 'Why does the reported inflation differ from my personal experience'

Watch the video on 'Understanding the Gini Coefficient'

Check out the interactive dashboard on Key Household Income Trends