

Collection, construction and checks  
of income data  
in the Swiss Household Panel

Swiss Household Panel, Lausanne

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Ursina Kuhn

Correspondence to:

Panel Suisse de Ménages, FORS, c/o Université de Lausanne, Bâtiment Geopolis, CH-1015  
Lausanne

Tel. +41 (0)21 692 37 22

Fax. +41 (0)21 692 37 35

E-mail: [ursina.kuhn@fors.unil.ch](mailto:ursina.kuhn@fors.unil.ch)

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# 1 Introduction

The aim of the module on income in the Swiss Household-Panel (SHP) is to provide reliable data on yearly individual and household income. In this documentation we describe the collection of income data, the preparation of variables in the User Files as well as checks and data editing carried out. It also presents changes in these processes that have taken place since the start of the panel. Some parts of this documentation are based on earlier reports on income data in the SHP.

Section 2 gives a very brief introduction to the concept of income in the SHP and questions asked in the interviews. Section 3 describes income data at the individual level in more detail. The focus is on changes in the collection of income-data over time, which have been introduced mostly in order to improve quality, but which have implications for the comparison of income over time. Also checks and data editing are addressed. Section 4 describes household income variables. Section 5 contains information of the inclusion of the SHP III sample in 2013.

This documentation describes income variables in the SHP user files (shp\$\$\_p\_user, shp\$\$h\_user). We'd like to point to some supplementary (SHP-) data on income available (but not included in the user files):

- CNEF-variables: The SHP cross-national equivalent file (CNEF) contains income sources defined slightly differently than in the SHP user file (e.g. imputed rent). The main difference is that household level variables (all income variables with the exception of professional income) refer to the sum of individual income of all household members (imputed for item and unit non response). The total household income indicated by the reference person in the household questionnaire is not taken into account. CNEF-variables are distributed by the Ohio State University (<http://cnef.ehe.osu.edu>). Registered users of the SHP can download the CNEF variables of the SHP from our webpage<sup>1</sup> (->SHP-Data -> SHP-CNEF).
- Imputed income: The annualised income variables of the SHP user files have been imputed for item non-response for all income sources of the

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<sup>1</sup> <http://forscenter.ch/en/our-surveys/swiss-household-panel/>

questionnaire (do not know, no answer, implausible value).<sup>2</sup> These imputed values can be downloaded from our webpage.

- Original survey answers: The income variables in the user files are constructed and checked. Original responses on the questionnaire (see individual and household questionnaires for details) are available from the SHP-team upon request.
- Additional sample SHP-Lived Vaud, which contains the same income variables as the SHP samples.

## **2 Concepts**

Income questions may refer to resources or expenses. The SHP emphasizes the resource questions and includes only a few questions concerning expenditure on the household level (taxes, rent of accommodation, financial obligations). Only monetary income sources are considered in the SHP.

Income is primarily collected at the individual level. All respondents of the individual questionnaire (household members aged 14 and over) are asked about their personal income, distinguishing several income sources.

For example, for income for employment, the question is:

“Since (month-year of the last interview) have you received a professional income as an employee?”

And if the answer is yes:

“Could you tell me how much you have earned from this activity per month (if it is more convenient, you can also indicate your income per year)?”

Although not explicitly stated, the question can be interpreted as asking about income at the moment of the interview. Respondents may indicate either monthly or yearly amounts, gross or net income. For some income sources, the respondent is asked to give an estimate if the answer for the amount is missing (no answer, do not know).

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<sup>2</sup> For the simulated variables (taxes, disposable income) imputed values are not provided.

A global assessment of income (total personal income) has been collected during all individual interviews until 2003, and since 2004 only for individuals with item-non response in at least one income variable. The question is:

“Can you tell me what is your personal total monthly income, everything taken into account? Think about all the sources of personal income: professional income, old age pension, welfare, pensions, grant, maintenance allowance, income from capital – for example interest, shares or income from rentals. If it is easier, you may also indicate your yearly income”.

On the household level, only total household income is asked. Again, respondents may indicate monthly or yearly amounts, gross or net income.

### **3 Individual income**

#### **3.1 Income components**

The questions concerning the sources of income in the individual questionnaire can be divided into five main categories:

- (1) Working Income (from employment or from self-employment)
- (2) Old age and disability pensions
- (3) Public transfer income (income from institutions)
- (4) Income from private persons
- (5) Other sources (capital income, income from rents, inheritance, 3<sup>rd</sup> pillar)

Table 1 gives an overview over question on income sources asked in each wave. The shades represent the categories described above. The name of the corresponding variable in the user data file is included in parenthesis.

W1	W2 - W3	W 4-W5	W6 – W15	W16
Employment and self-employment (i\$\$wy)	Employment and self-employment (i\$\$wy)	Employment (i\$\$empy)	Employment (i\$\$empy)	Employment (i\$\$empy)
-	AVS/AI Pension (1 <sup>st</sup> pillar) (i\$\$avsy)	Self-employment (i\$\$indy)	self-employment(i\$\$indy)	self-employment (i\$\$indy)
		AVS pension (1 <sup>st</sup> pillar) (i\$\$oasiy)	AVS/AI pension (1 <sup>st</sup> pillar) (i\$\$oasiy)	AVS/AI pension(1 <sup>st</sup> pillar) (i\$\$oasiy)
		disability pension (i\$\$aiy)	disability pension (i\$\$aiy)	disability pension (i\$\$aiy)
		2 <sup>nd</sup> pillar pension (i\$\$peny)	2 <sup>nd</sup> pillar pension (i\$\$peny)	2 <sup>nd</sup> pillar pension (i\$\$peny)
social public transfers (i\$\$stpy)	social public transfers (i\$\$stpy)	unemployment (i\$\$uney)	unemployment (i\$\$uney)	unemployment (i\$\$uney)
		social assistance (i\$\$wely)	social assistance (i\$\$wely)	social assistance (i\$\$wely)
		grants, scholarships (i\$\$gray)	grants, scholarships (i\$\$gray)	grants, scholarships (i\$\$gray)
		other institutions (i\$\$insy)	other institutions (i\$\$insy)	other institutions (i\$\$insy)
			family or child allowances (i\$\$famy)	family or child allowances (i\$\$famy)
Social informal transfers (i\$\$stfy)	social informal transfers (i\$\$stfy)	private transfers (inside hh) (i\$\$pihy)	private transfers (inside hh) (i\$\$pihy)	private transfers (inside hh) (i\$\$pihy)
		private transfers from other hh (i\$\$pnhy)	private transfers from other hh (i\$\$pnhy)	private transfers from other hh (i\$\$pnhy)F
other sources (i\$\$osy)	other sources (i\$\$osy)	other sources (i\$\$osy)	other sources (i\$\$osy)	Capital income (i\$\$capy) Rental income (i\$\$renty) Other income (i\$\$othy)

**Table 1 : Income sources collected in the SHP**

There are some important changes which affects the comparability between waves:

- Old age pension in W1: No information on old age pension was collected in wave 1. We do not know how respondents have reported such pensions (not reported, part of other income, part of public transfers, part of total income). In some cases it is therefore advisable to exclude wave 1 from analysis of income data.

- More detailed questions from 2002 (wave 4) on: income components of the different categories are collected in more detail. With the exception of family allowances (see below), the more detailed questions should allow the comparability between waves. Variables from wave 1 to W 3 (i\$\$wy, i\$\$stpy, i\$\$stfy) can be constructed by aggregating different income sources from later waves and are included in the User Files for all waves (but see the next point for employment income). However, once income components are asked in more detail, total income tends to increase.
- Employment income: From 1999- 2001 it was only possible to declare income either from employment or from self-employment (according to the main activity). Persons not in the labour force or unemployed at the time of the interview have not been asked about income from employment or self-employment, even though they could have been receiving such an income in the previous month. Since 2002, all respondents are asked about income from employment and about income from self-employment (independent of their current working status).
- More detailed questions from 2014 (wave 16) on: income from other sources is collected in more detail. While from 1999 to 2013 one question on other income sources has been asked (i\$\$osy), information on capital income (i\$\$capy), income from rents (i\$\$renty) and other income (i\$\$othy) are collected separately from 2014 on. The variable i\$\$osy is the aggregate of these three separate variables ( $i$$osy = i$$capy + i$$renty + i$$othy$ ).
- Family allowances (i\$\$famy): A question on family allowances has been introduced in 2004 (wave 6). Family allowances are part of the federal social security system, and therefor part of public transfers. However, because they are linked to employment and paid together with the salary, they are often included in income from employment.<sup>3</sup> From 1999-2003, family allowances might not have been reported, be part of the salary, part of “income from other institutions” or other income.

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<sup>3</sup> From wave 6 on, respondents have been asked specifically whether they included family allowances in the amount of income from employment. In wave 6 for example, this was the case for 55% of the respondents receiving family allowances.

- Number of month income received: If respondents report their monthly income, they are generally asked on the number of month they received their income. However, from 1999-2001, information on the number of months is only collected for income from employment or self-employment (i\$\$wyn, i\$\$wyg) and income from old age or disability pension (i\$\$avsy). Since 2002, the number of month is collected for each income component.

### **3.2 Annual income**

The aim of the construction of the yearly income variables is to get at an estimation of income received in the 12 months before the interview. For each individual income source and for total personal income, the first step consists in constructing a yearly income. If income has been declared on a monthly basis, the amount is multiplied by 12. If the income has only been received during parts of the year, yearly income is constructed according to the number of months the income has been received and the activity calendar. The coefficient is calculated by the ratio of the number of months an income has been received to the interval between the two interviews. Additionally, information from the activity calendar is taken into account.<sup>4</sup>

### **3.3 Income from employment and self-employment**

#### **Bonus and 13<sup>th</sup> month**

In case of income from employment or self-employment, respondents are asked about a 13<sup>th</sup> or 14<sup>th</sup> month salary, a bonus or a gratification. Amounts are added to the yearly income from employment or self-employment according to the following rules:

- One monthly salary if the respondent declared to receive any (but only one) of the following: 13<sup>th</sup> month salary, bonus, or gratuity.
- Two monthly salaries if the respondent either declared to receive a 14<sup>th</sup> month salary or both a 13<sup>th</sup> month salary and a bonus or gratuity.
- Three monthly salaries if the respondent either declared to receive a 14<sup>th</sup> month salary and a bonus or gratuity.

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<sup>4</sup> Two separate coefficients are calculated: from the number of month of income received since the last interview and from the activity calendar. If both are available the higher one is used.

- No additions if professional income has been declared on a yearly basis (it is assumed that these additions are already included in the total amount declared).

### **Gross and net income**

For total personal income and work income, the amount given by the respondent can be either as net, gross or estimated. Net income refers to salary received by employees or self-employed. It excludes social security contributions, but not direct taxes.

The difference between gross and net income consists of contributions for old age and disability insurance, non-professional accident insurance, unemployment insurance and second pillar:

- Individuals aged 16 to 24 working more than 12 hours/week: 1.5% contribution (for accident and disability insurance by employer)
- Individuals between 25 to retirement age<sup>5</sup> and yearly prof. income < 19890<sup>6</sup> CHF: 8% contribution (1.5% for accident and disability insurance by employer; 6.5% for state old age insurance (first pillar))
- Individuals between 25 to retirement age and yearly prof. income ≥ 19890 CHF: 19% contribution (1.5% for accident and disability insurance by employer; 6.5% for state old age insurance, first pillar, 11% for company pension plan, second pillar)
- Individuals above retirement age and yearly prof. income ≥ 16800: 8% contribution.

Net income is given by subtracting social security contribution from gross income (and the other way round).

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<sup>5</sup> The retirement age for men is 65 years. For women, the retirement age was 62 years until 2004, 63 years in 2005, and 64 years since 2005.

<sup>6</sup> The thresholds for second pillar pension plans vary slightly between years.

## Change in working status

Respondents who declare a change in their working status since the previous interview are asked to give their working status during each month by month in the activity calendar. This information is used to compute the percentage of time spent in each of the five following statuses:

- working full-time (37 hours or more per week)
- working part-time (19-36 hours per week)
- working low-time (1-18 hours per week)
- unemployed
- other

For the respondents who declared no change, their working status at the time of the actual interview is considered to be their status during 100% of the elapsed time since the previous interview. For those respondents having declared a change, an hourly wage is computed from actual occupation rate and work income. The computed hourly wage is multiplied by the percentage spent in each working status, using the following assumptions: average low-time work is 9 hours a week, average part-time work is 28 hours a week and average full-time work is 42 hours a week.

To illustrate how changes in the employment status are treated, we consider an example.

A respondent works 40 hours a week at the time of the W2 interview, and is earning 4'000 CHF a month. He receives a 13 month salary and bonus. The interval since the previous interview is 14 months. During this period, the respondent worked 2 months low-time, 6 months part-time and 6 months full-time.

<b>Declared monthly work income [A]</b>		4000
<b>Annualized work income [B]</b>	$[A]*12$	48000
<b>Extra salaries and bonus [C]</b>	$[B]*(2/12)$	8000
<b>Annualized work income including extra salaries and bonus [D]</b>	$[B]+[C]$	56000
<b>Hours worked weekly at time of interview [E]</b>		40
<b>Annualized number of hours [F]</b>	$[E]*52$	2080
<b>Hourly wage</b>	$[D]/[F]$	26.9

As shown in the following table, the constructed work income using information from the activity calendar leads to a smaller amount compared to the annualised work income using only the situation at the time of the W2 interview (42563 vs 56000 CHF).

Occupation	Number of months	% time	Average hours worked weekly	Average hourly wage in CHF	Amount earned
Low-time	2	14%	9	26.9	1798
Part-time	6	43%	28	26.9	16786
full-time	6	43%	40	26.9	23979
<b>Total</b>	14	100%	30.4	26.9	42563

The main problem for income variables presenting a status quo of the information at one point in time is the implicit assumption that respondents answering with monthly information did not experience any change in the preceding year (given that the yearly income is regarded to cover the preceding year). Such changes may concern a change in the different sources of income or a change of the level of income in one more sources. For instance, we consider a person who changed job after 6 month and increased his salary from 4000 CHF to 8000 CHF. He indicates to earn 8000 CHF during 6 month. In this case, the lower income received during six months is not declared.

In W2 and W3, unemployed persons have not been asked whether they received an income from employment or self-employment in the previous year (see section 2). If an unemployed person at the time of the interview declares a total personal income but no income in the detailed questions regarding the different sources (other than work income because unemployed persons were not asked about their work income), we assume that the total income comes from previous work if the work calendar indicates that this person has worked during the year preceding the interview. In this case, if the total income is declared as a monthly amount, it is recomputed taking into account the number of months it was received according to the respondent's indications.

### 3.4 Monthly working income

The principal aim of the collection of income in the Swiss Household Panel (SHP) was to provide income on a yearly basis. The amount of the yearly income depends both on the income level and the length of the period this income has been received. Although the SHP does not ask explicitly about monthly income from employment

and self-employment, it is possible to construct monthly income variable at the basis of the information available in the survey.

Even though not explicitly stated, the question wording can be interpreted as asking about income at the moment of the interview. Respondents have the choice to report their income either on a monthly basis or a yearly basis. For income from employment, about 78 percent of respondents choose to report their salary on a monthly basis. For income from self-employment, about 42 percent report their monthly income.<sup>7</sup> The gross and net amounts are calculated at the basis of the same assumptions as for the yearly income variables.

If respondents indicate their income on a monthly basis, this amount is taken for the monthly variable. If extra month salaries or bonuses have been declared, 1/12 of this amount has been added to the reported income amount. For bonuses and gratifications, the assumptions are equivalent to the yearly income variables.

For respondents who reported yearly income amounts, the situation is more complex. They may not have worked during the entire year or they may have changed their income level. Unfortunately, we do not know whether the yearly income reported refers to the yearly income level at the moment of the interview or whether it represents an average over different income levels received during the year.

The transformation of yearly amounts to monthly income is problematic if respondents have changed their job. The yearly income amount may reflect an average over the old and the new jobs. There is a similar problem if respondents have not worked during the entire year. As a consequence, we do not construct monthly income if respondents whose jobs or working status has changed since the previous interview (or in the last 12 month)<sup>8</sup>. If income has been provided on a yearly

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<sup>7</sup> Ca. 39 percent report their income from self-employment on a yearly basis. The rest involves irregular income, one-off payments or no answer.

<sup>8</sup> This information is provided in the variable p\$\$w18 in the individual user file of the SHP.

basis and neither working status nor jobs have changed, the monthly income simply amounts to the yearly income amount divided by 12.<sup>9</sup>

In Switzerland, family allowances are paid together with salaries. The amounts paid per child are defined by the cantonal security system and are independent of job characteristics. We therefore consider them as part of the social security system and not as part of wages. Yet, because they are added to the ordinary salary, survey respondents often include family allowances in the income amount. Since 2004, we know whether the amount of employment income given included family allowances or not (variable p*i*58e). For the construction of monthly employment income, family allowances are deducted if they have been included in the employment income. Before 2004, no such adjustment for family allowances could be made.

The monthly income amounts obtained are subjected to a series controls described in table 2. For manual corrections, we consider income variables and working hours reported in other panel waves, as well as job and education related variables. Only if a problem in the income is obvious, manual corrections are applied. A manual correction either means to replace the income by the correct value if the correct value is known or to set the income to missing (-8, other error).

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<sup>9</sup> Instead of the original answers, the constructed yearly income (i*emp*y and i*indy* from the user file) have been taken for this procedure, because the constructed variable has already passed a number of plausibility checks and has been corrected for clear mistakes in the original codes.

<b>Criteria for checks</b>	<b>Measure</b>
Yearly income has been set to -4 "no personal income".	Monthly income is set to -4.
Manual corrections have been applied to the yearly incomes.	Manual checks
Monthly income is available but yearly income has been set to missing.	Cases are manually checked for plausibility. Usually, the yearly income was considered as missing or implausible, because it was not clear during how many months the income has been touched. For monthly income, this information is not relevant, so that in these cases monthly income even though yearly amounts are missing.
Monthly income is at least 1000 CHF higher than the yearly income divided by 12	Manual checks
Monthly income is higher than 30'000 CHF.	Manual checks on whether the reference period has been coded correctly by interviewers, to be sure that the amount given does not refer to yearly income.
Income amount represents only a rough estimate without further indication regarding the reference period.	Monthly amount is set to -8 (missing for other reasons), because no reference period has been provided with the income.
Hourly wages are lower than 10 CHF, respondent is over 20 years old.	Manual checks
Hourly wages are higher than 200 CHF, respondent is over 20 years old.	Manual checks
Strong variation in hourly wages over	Manual checks

time	
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Table 2: Plausibility checks and measures taken for the construction of monthly salaries

### 3.5 Total personal income

The method to collect information on total personal income has changed in 2004:

- 1999-2003: The total yearly personal income in the Swiss Household Panel (SHP) is built on the comparison of two distinct ways of collecting information on income: in a first step, a global assessment of the total personal income was asked. In a second step, the respondents were asked about income from various sources (see section 2 for the question wordings). Ideally, the sum of the various sources should correspond to the assessment of total global personal income.
- Since 2004: Only respondents with missing information on at least one income source are asked about total personal income. The total personal income is constructed by summing the different income components.

### 3.6 Plausibility checks of yearly personal income variables

After having computed the various income variables, they pass a series of plausibility checks.

From W1 to W5, the basic problem results from the fact that information on total personal income is collected in two different ways: by asking total personal income directly and by adding information of the different income sources. In various cases, these two amounts do not correspond. We allow an error of +/- 15% between the sum of the different income sources and total personal income. If the difference amounts to more than 15%, a number of tests is carried out in order to detect the cause of this difference and to correct for it. However if this is not possible, the total personal income ( $i\$\$ptotn$   $i\$\$ptotg$ ) is set to a missing value (-8). Amounts for single income sources were considered as valid if they were plausible. Also if the sum of income sources was higher than total income indicated, the sum of sources was taken as total personal income if single income sources are plausible (manual checks).

From W6 on, this double information on total personal income is not available any more. As a consequence of this change in the method of data collection, some checks of compatibility carried out from W1 to W5 are not necessary or not possible any more.<sup>10</sup> The checks on the variables carried out are now described in further detail. For each check we indicate the waves of the SHP concerned.

#### A. Correction of typing mistakes

When collecting income variables, typing mistakes are inevitable. They can have different causes:

- A zero too much or too less
- Wrong reference period (yearly amount and monthly reference period or monthly amount and yearly reference period).

Checks for such mistakes are primarily effectuated directly at the survey agency (warning screen for large amounts). In the process of plausibility checking in the SHP, the programme tries to detect such mistakes automatically up to W5 (comparison of sum of individual sources and total personal income indicated). Some mistakes the program couldn't detect are corrected manually. From W6 on, typing and coding mistakes are corrected by manual controls in case very high incomes, large changes since the previous waves, or other inconsistencies between waves are observed. Values of previous and future waves are taken into account for manual correction. For manual correction, also relevant side information (change of job, calendar, household income, household structure) is considered.

#### B. Omission of an income source in the total income declared

Two types of omissions are encountered quite frequently:

- Total income declared equals professional income or old age pension. However, when asked about income sources specifically, other income sources are also declared.

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<sup>10</sup> As the same program as in previous waves is used however, all data for each respondent still pass these checks and help sometimes to detect irregularities.

- Total income declared doesn't include certain income sources if they have been received during only part of the year or in an irregular way.

If total income is equal to one of the income sources, we add the other income sources to the total income originally declared. However unique amounts of income greater than 12000 CHF are not taken into account as they are considered as wealth and not as income. From W6 on, this check can only be applied to cases where information on at least one income source was missing and therefore total personal income has been asked.

#### C. Working income missing

Not all individuals declare an income from employment or self-employment even though they reported to be economically active. Up to W6, this problem is most likely due to the fact that the question was incomprehensible to the respondent (as they have been first been asked about total income). They understand the question about total income concerning professional income and the following question "Can you tell me the amount of your total monthly professional income and all other incomes from paid activities?" is then understood in the sense of an additional income. A detection and correction is carried out in the following way: if a person has declared a total personal income but didn't declare any specific income source and if this person was economically active during all the year, the professional income is considered to be equal to total income. From W6 on, this problem cannot occur any more.

#### D. No total personal income declared, but declaration of some income sources

This problem is most likely linked to the fact that most individuals – asked about their total income – associate this with professional income. So even though an individual reported to have no income, they declare some income amounts when asked about specific income sources. In this case, total income is corrected and replaced by the sum of the different income sources declared. This test is carried out from W1 to W5.

#### E. Gross or net income

A difference of the sum of income sources and total income (from W1 to W5) may be linked to the fact, that for some income sources gross amounts have been declared

and for other, net amounts have been declared. After having computed net amounts for all income sources, tests of coherence are repeated. This test is carried out from W1 to W5.

#### F. Mark extreme income

Extreme income is marked for manual controls. Extreme income is declared in the following way:

- Yearly income less than 100 CHF for individuals of at least 18 years of age
- Yearly income above 500'000 CHF
- Yearly income less than 5000 CHF for individuals living by themselves
- High hourly wage

#### G. Comparison with previous waves

If the difference between income from a previous wave and the current wave exceeds a given amount, manual checks are performed.

#### H. Total personal income = sum of partner's and own income

The notion of pooling all the income sources, leads some respondents to answer that they dispose of the totality of their household income, i.e. their own and their partner's income as well. In this case the sum of individual income sources is applied. This test is less important from W6 on as this problem is less likely to occur as only income variables on specific sources are asked.

#### I. Old age pension for couple declared as individual old age pension

Married retired persons receive the first pillar old age pension (AHV/AVS) as a couple and not individually. Sometimes, the entire pension of the couple has been declared by an individual (or both), overestimating old age pension. Rents which exceed the maximum of AHV/AVS are checked for double reporting. However, it may be possible to have supplementary pension, if a couple has no other income sources.

## J. Partners persons report the same income

Similar to old age pension (1<sup>st</sup> pillar), also rental or capital income might be reported double by partners (or other household members). In contrast to old age pensions, there is however no upper limit which helps to detect such double information. Therefore, cases with two or more persons within a household report a rental, capital, or other income are checked manually. Information on total household income (or total personal income if given) and income of other panel waves are taken account of. If two partners report similar rental income, the amount is usually divided by two (unless total household income suggests otherwise). If an individual names a much higher rental income than his or her partner, the amount given by his or her partner is deducted from the higher amount (again, unless other information indicates that the amounts indicated by both partners are correct). For non-partnered household members, rental and capital income is usually not corrected. Each case is assessed manually.

## 4 Household income

### 4.1 Construction of household income (i\$\$htyn i\$\$htyg)

There are usually two different sources for household income: (1) from adding individual income of household members (collected in personal questionnaires) and (2) directly from the household questionnaire (variable h\$\$i58 h\$\$i59). For the addition of individual income, income from other household members is not taken into account from W4 on.<sup>11</sup> Depending on the household, household income variables (i\$\$htyn, i\$\$htyg) either refer thus to information from the personal, or from the household questionnaire. Generally, information from the personal interview is considered to be more reliable than the estimation by the reference person. The following rules apply for the construction of household income:

- Single adult households: If only one person of 14 years of age or older is living in the household, no question about total household income is asked and only information from the personal interview is available. For all other households.

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<sup>11</sup> From W1 to W3 this was not possible, as income from persons outside of the household and income from person inside the household have not been distinguished.

- Total personal income from all household members (14 years or older) available: Household income refers to the sum of individual income
- Sum of personal income is higher than estimation from household questionnaire (or less than 15% lower): Household income refers to the sum of individual income.
- Item non-response in personal income: We calculate the sum of all income sources considered as being plausible. Again, income from other persons inside the household is not taken into account. If the sum of income sources of all household members available is higher than the reported total household income, household income is replaced by the sum of the income sources.

If household income refers to information from the household questionnaire, no adjustments to gross and net income are applied (as we do not know the income source of the household income). If the sum of individual income and household income indicated in the household questionnaire are inconsistent (Sum of individual incomes exceeds the total household income by more than 180%) manual checks are carried out. A relatively frequent case is that, at the individual level, someone declares the income of the main earner as his or her own income (typically, a professionally non-active wife responds her husband's income as her own income).

#### **4.2 Equivalised household income**

For gross and net household income (i\$\$htyg, i\$\$htyn), equivalised income taking account of the household size and age structure, equivalence income is provided according to the modified OECD scale (variables i\$\$eqog, i\$\$ieqon) and the SKOS (SCIAS) scale (variables i\$\$eqsg, i\$\$eqsn).

#### **4.3 Simulated taxes**

The variable i\$\$htax simulates direct taxes at the municipal, cantonal and federal level in relation to the household income (i\$\$htyg, i\$\$htyn). Taxes are calculated for tax units (individuals or married couples) and then aggregated to the household level. The procedure used to simulate taxes is described in SHP Working paper 4\_09 "Tax simulation in the SHP".

#### 4.4 Disposable household income

Disposable household income refers to household income after the deduction of compulsory expenses (social security contributions, direct taxes, health insurance premiums, payments to other households). It has been constructed as  $i\$htyn - i\$htax - \text{health insurance premiums} - \text{payments to other households}$ .

##### Health insurance premiums

Health insurance premiums are completely simulated at the basis of mean health care premiums (for minimum franchise) by canton and age category. Additionally subsidises of health care premiums have been taken into account at the basis of the share of the population (by canton) receiving subsidies and the mean subsidies. First, subsidised and non-subsidised household are distinguished according to equalised net income. Within the subsidised households, households are divided into 3 equally large groups again according to their equivalised income. The lowest group received the 125% of the mean subsidy, the second group the mean subsidy and the highest group 75% of the mean subsidy. The total 4 groups (high subsidy, mean subsidy, low subsidy, no subsidy) have been constructed by canton and year.<sup>12</sup> Regular payments to other households (in particular alimony) are computed using the information from the household questionnaire (h\$\$i71, h\$\$i72, h\$\$i73, h\$\$i75). These payments are deducted even if it is not further specified they are compulsory or freely agreed.<sup>13</sup> Payments have been checked for their plausibility manually if they exceeded 80% of the household income. In addition, payments are only deducted from household income up to the poverty line defined by the Swiss Conference on Social Assistance (SKOS/SCIAS), that amount to 25'752 equivalised disposable income.

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<sup>12</sup> Exception is the canton of VD since 2014, where subsidies for health insurance are computed according the individual situation and cantonal legislation. The reason for the different treatment in the canton of VD is the additional sample SHP LIVES – Vaud that started in 2014.

<sup>13</sup> The question wording is: “Since (month, year) have you or a member of your current household paid money to persons who are not, or no longer, part of your household (child not living with you any more, relative in care, former partner retired) ?”. In case of a positive answer, amount, reference period (per month, per year, unique payment) and number of month is collected.

### **Payments to other households**

For disposable income, payments to other households are deducted. From a theoretical perspective, compulsory payments such as alimonies for children should be deducted for disposable households, as individuals cannot influence these costs. To measure payments to other households, we use the questions h\$\$i71: “Since (month, year), have you or a member of your current household paid money to persons who are not, or no longer, part of your household (child not living with you any more, relative in care, former partner retired) ? “ Respondents are then asked about the amount, the reference period (year, month, unique payment) and the number of months that this payment has been made. These payments are then deducted from household income. There are several difficulties associated with this variable.

## **5 Household income of SHP III, wave 1 (2013)**

The SHP III has started with its first wave in 2013. Because the first wave collected uniquely biographical information at the individual level (see User Guide), there is no information on individual income. In 2013, information on income of the SHP III sample therefore relies only on the household questionnaire. The household income variables of the SHP III sample in 2013 (i\$\$htyn, i\$\$htyg, i\$\$eqon, i\$\$eqog, i\$\$eqsn, i\$\$eqsg) refer to the estimation by the reference person. If monthly income has been indicated, this amount has been simply multiplied by 12. Because this information cannot be validated or improved by using individual-level information, the household income variables of SHP III in 2013 cannot be compared directly with household income from SHP I and SHP II and with income from other years. The household income in SHP III in 2013 is underestimated and is therefore lower than the income of the SHP I & II. In 2014, the difference between the SHP III sample to the other households has decreased, although income levels of SHP III households are still slightly lower in 2014 as can be seen in Figure 1. Both attrition and age (SHP III households are slightly younger) contribute to lower household income of SHP III households. Weights (w14css in Figure 1) reduce the differences between samples. If samples are combined, the inclusion of the SHP III sample does hardly influence time trends.

**Figure 1: Net equivalised household income in 2013 and 2014 by sample (analysis at individual level)**

