

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



Income from work 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 income from work

Employed Person	John (36 years old)	John's Wife (34 years old)
Basic monthly income from work	\$5,000	\$4,000
Annual bonus received in 2023	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 income from work	\$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**



Median monthly household income in 2023 was \$10,869. In this case, 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 work.

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 income from work 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.

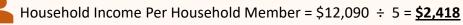
Example 1 (continued)

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



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





John's household income per household member, i.e., accounting for the household size (5 members some of whom are not working), 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?

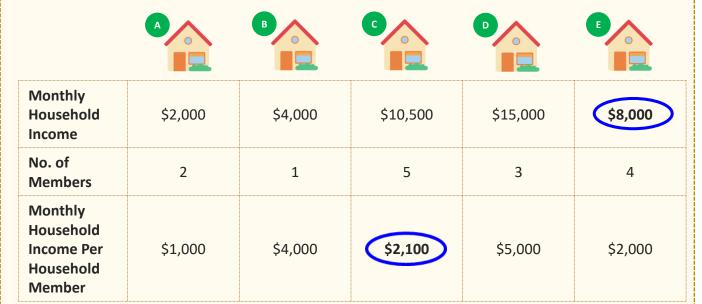


The median monthly household income is a summary statistic that provides a broad indication of household income trends. It is not meant to reflect the lived experience of all households or individual members of the household.

• 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:



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 <u>summary</u> 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 <u>infographic</u> on 'Why does the reported inflation differ from my personal experience'



Watch the <u>video</u> on 'Understanding the Gini Coefficient'



Check out the interactive dashboard on Key Household Income Trends









