

Disposable Household Income

Disposable Household Income (DHI) is defined as the sum of monetary and non-monetary income from labour, monetary income from capital, monetary social security transfers (including work-related insurance transfers, universal transfers, and assistance transfers), and non-monetary social assistance transfers, as well as monetary and non-monetary private transfers, less the amount of income taxes and social contributions paid.

DHI is the variable used for the LIS Inequality and Poverty Key Figures.

This variable excludes two important non-monetary incomes:

1. Non-monetary incomes from capital

These refer to the imputed value of the service of durable goods owned by the household, including the dwelling and other durables such as cars. As important as these incomes may be, they are rarely available in the income microdata and, when available, they are calculated with widely varying methodologies. For these reasons, they are excluded from DHI. Users wishing to include them can do so with the use of the LIS microdata.

2. Non-monetary universal transfers from government

These refer to government-provided services that benefit individuals, but are provided with the primary objective of meeting the general needs of the overall population, rather than that of assisting the poor. Specifically, we do not include non-monetary transfers in the areas of housing, care (including child care), education, or health. These transfers are very hard to evaluate at the individual level and thus are typically only available at the macro-level. Thus, the value of these transfers is also excluded from DHI and, these non-monetary incomes are not available in the LIS microdata.

Although we state above that we include non-monetary social assistance transfers, note that this does not mean that all non-monetary means-tested public benefits are included in DHI. We exclude means-tested public benefits in cases where they form a portion of a system in which benefits are granted to the whole population (poor and non-poor), although using different tools and programs. For example, in the case of health insurance in the U.S., we have excluded benefits received through the Medicaid program (which provides health insurance to low-income Americans) because most persons who do not receive Medicaid are subsidized either through the U.S. tax system – if employed – or through Medicare (the social insurance program for the elderly and persons with disabilities).