

Distributional results in line with National Accounts

Seminar on Reconciliation of information sources for the measurement of income distribution 12 October 2023

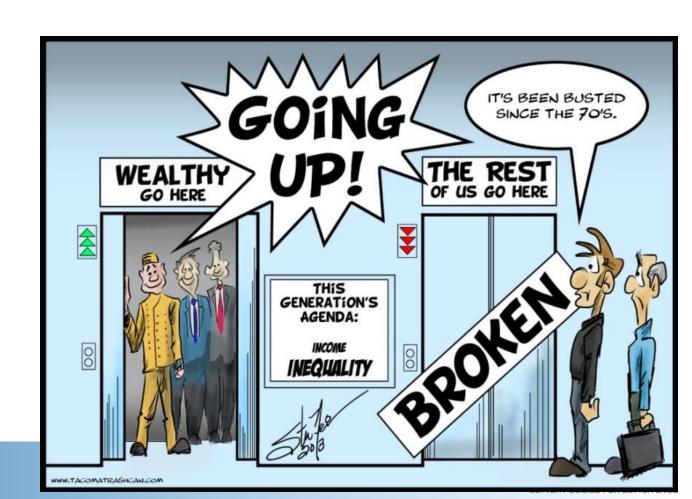






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Introduction





Introduction

- Clear need for systematic, robust and comprehensive data on economic inequality
- A lot of information is already available from micro statistics, but increasing emphasis on importance of alignment to macroeconomic aggregates
- Various initiatives by international statistical community (e.g., UN NTA; OECD EG DNA; ECB EG DFA; Eurostat TF HDA) and academia (e.g., WID.world)
- Several countries are already publishing distributional results in line with NA totals
- However, a lot of work is still needed, among others to broaden the range of countries and to increase the quality, granularity, frequency and timeliness of the results
- Specific ambitions expressed in the new G20 Data Gaps Initiative
- The SNA 2025 will include a specific section on the compilation of household distributional results in line with NA totals





Distributional results as part of new G20 DGI (1)

- Data Gaps Initiative dates back to 2007/08 Global Financial Crisis and the need to develop more timely and accurate information for policy makers
- There have been two phases already and, in 2022, the G20 launched a new DGI with the aim to focus on gaps in areas of:
 - Climate change
 - Household distributional information
 - Fintech and financial inclusion
 - Access to private and administrative data and data sharing





Distributional results as part of new G20 DGI (2)

- Joint work by OECD (lead), ECB, Eurostat, IMF, UN and World Bank
 - Recommendation 8: Distributional results on income, consumption and saving in line with national accounts totals
 - Recommendation 9: Distributional results on wealth in line with national accounts totals

• Target:

- By end-2024: Results for 2021, 2022 and/or 2023 at income/wealth quintile level
- By end-2026: Annual results within 1.5 years after reference period at income/wealth decile level and, if possible, according to main source of income and household type

Second best:

• By end-2026: Results at least every 3 years, published within 4 years after reference period, at income quintile/decile level





Main benefits of distributional national accounts

Distributional results aligned to national accounts complement micro results, by providing:

- More comprehensive picture of economic inequality, including elements not covered in micro statistics (e.g., social transfers in kind)
- Consistent information on three dimensions of economic well-being, i.e., income, consumption and wealth
- In line with important macroeconomic aggregates such as GDP, household disposable income, consumption and wealth, broadening scope for analyses
- Providing users with "drill-down" possibilities for key macroeconomic aggregates
- Capturing households and transactions that are typically underrepresented in micro data
- A high degree of international comparability





Distribution of income, consumption and saving

- OECD and Eurostat launched an <u>Expert Group on Distributional National Accounts</u>
- Group developed template and guidelines, and engaged in three data collection rounds
- Calculations performed by members of the group: AUS, AUT, BEL, CAN, CHE, CHL, CZE, DEU, DNK, ESP, FIN, FRA, GBR, IND, IRL, ISR, ITA, JPN, KOR, LUX, MEX, NLD, NZL, PRT, SVK, SVN, SWE, USA, ZAF
- Centralized approach to compile results for countries not engaging in work
- Several countries have started to publish their results
- Results have been included in online databases of OECD and Eurostat
- The work continues, focusing on broadening the coverage and improving the quality, granularity and timeliness, also in view of the new DGI-3





Distribution of wealth

- OECD launched an Expert Group on Distribution of Household Wealth (EG DHW) in 2023
- Group will develop template and guidelines, and engage in collection rounds
- Calculations will be performed by members of the group: AUS, AUT, BEL, CAN, CHE, CHL, CRI, CZE, DEU, DNK, ESP, EST, FIN, FRA, GBR, GRC, HRV, IRL, ITA, JPN, KOR, LTU, LVA, MEX, NLD, NOR, NZL, PRT, ROU, SVK, USA, ZAF
- Work will leverage off work already done by the ECB Expert Group on Distributional Financial Accounts (EG DFA) and by various countries already compiling distributional wealth results
- Centralized approach will be developed to compile results for countries not engaging in work
- First results expected by end-2024





Aim of the work

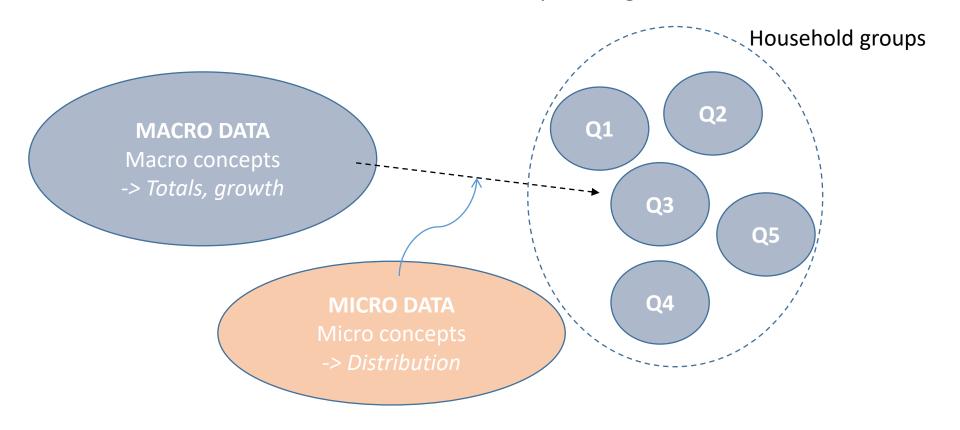






Aim of the work

Develop methodology to produce distributional results for household income, consumption and wealth consistent with national accounts concepts using micro data sources







Scope of the project

- Distributional results for various household groupings:
 - Standard of living by disposable income and net wealth group (quintile/decile/percentile)
 - Main source of income
 - Household type (size and composition of the household)
 - •
- The unit of analysis is the household, with a focus on private households
- Equivalence scales are used to arrive at comparable results across households
- Also collection of socio-demographic information (age, gender, education level, housing status, etc.) accompanying the distributional results





Overview of methodology







Step-by-step approach

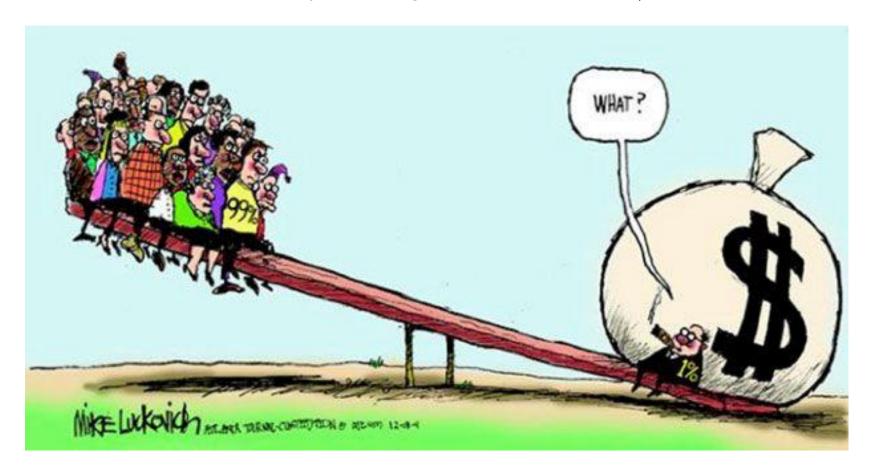
Step 1	Adjust national accounts totals
Step 2	Determine relevant variables from micro data sources in relation to the national accounts variables
Step 3	Impute for missing elements and scale the micro data to the adjusted national accounts totals
Step 4	Cluster households
Step 5	Derive relevant indicators for the household groups





Results

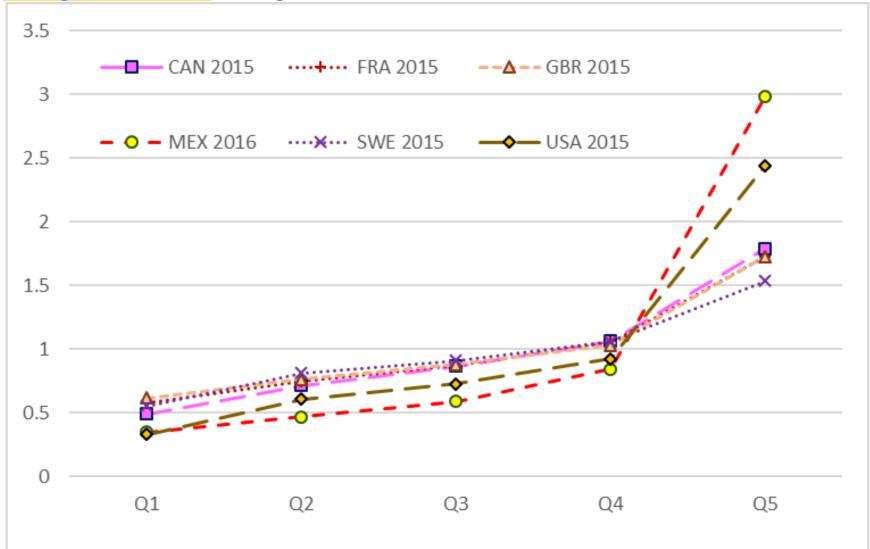
(See https://doi.org/10.1787/615c9eec-en)







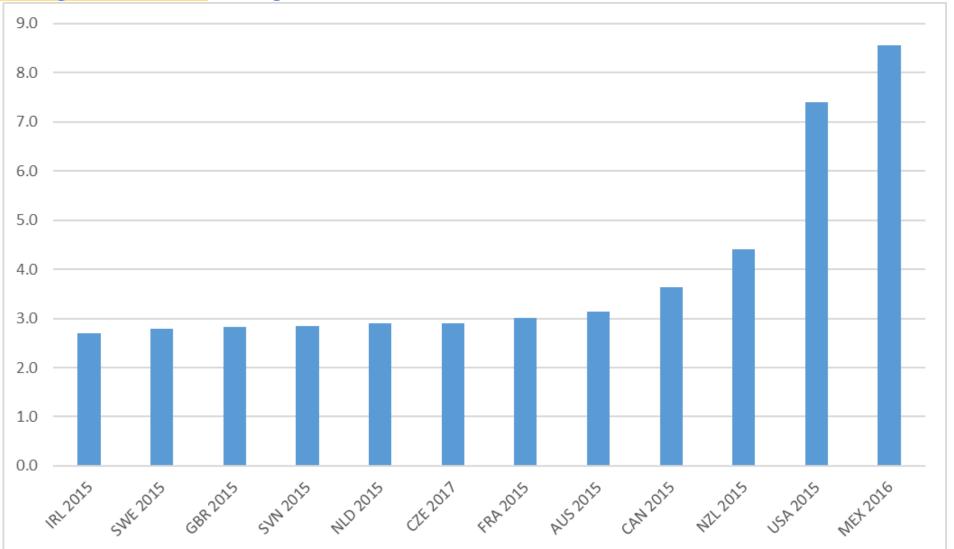
Results: Ratio to the average Adjusted disposable income







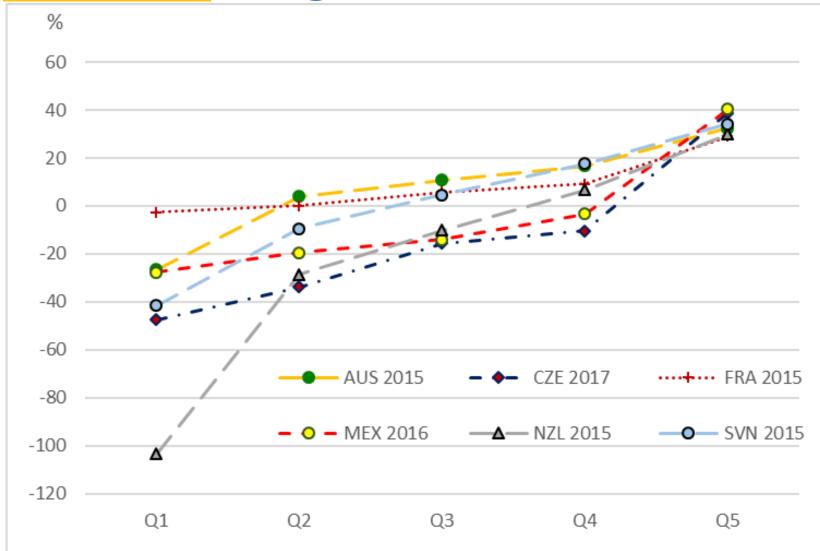
Results: Ratio highest to lowest (Q5/Q1) Adjusted disposable income







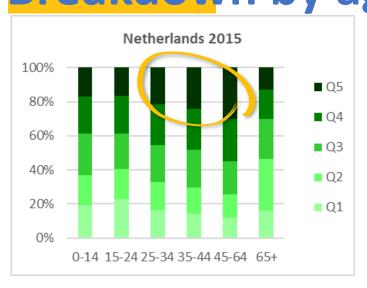
Results: Saving ratio

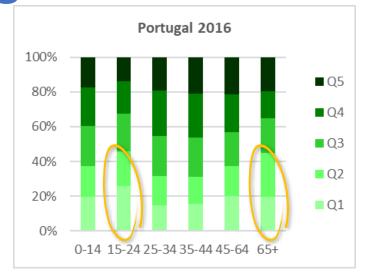


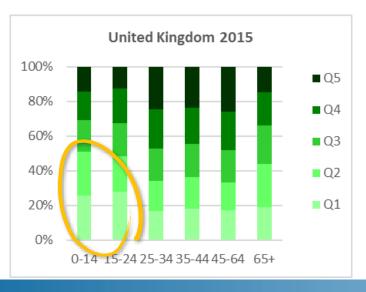


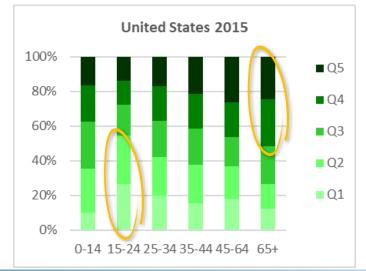


Results: Socio-demographic information Breakdown by age









Younger persons more concentrated in lower income quintiles in GBR

In US group 15-24 tends to be in lowest income quintiles

Relatively strong concentration of 65+ in higher income quintiles in US

Persons in middle age groups have highest income in NLD

Homogenous composition in PRT, with slightly larger concentration of 15-24 and 65+ in lower quintiles





Next steps





Next steps

- Next steps on income, consumption and saving (EG DNA):
 - Broaden the range of countries, among others via a centralized approach
 - Explore possibilities to increase granularity, timeliness and frequency
 - Further improve methodology, particularly in areas of micro-macro gaps and imputations
 - Engage in a new collection round, focusing on decile results
- Next steps on wealth (EG DHW):
 - Develop a collection template
 - Develop internationally harmonized guidelines
 - Engage in first experimental calculations
 - Develop a centralized approach for countries not participating in the work





THANK YOU

For more information please contact:

Jorrit.Zwijnenburg@oecd.org







