

**8th Meeting of the Advisory Expert Group on National Accounts,
29-31 May 2013, Luxembourg**

Agenda item: 13

**Topic: Eurostat/OECD Expert Group on Disparities in National Accounts (EG
DNA)**

Introduction

The 2009 report of the Stiglitz-Sen-Fitoussi Commission stressed the importance of a greater focus on the household perspective. In the area of household material living conditions, the standard national accounts aggregates already provide valuable information (disposable income, social transfers in-kind, consumption expenditure and investment, assets and liabilities). In addition, measures of the distribution of income, consumption and wealth are provided by micro data. The goal of Eurostat/OECD Expert Group on Disparities in National Accounts (EG DNA) is to consider how existing data can be used to produce measures of disparities between groups of households that are consistent with National Accounts totals. The EG DNA will report on the results of the Expert Group and the possible extension of its mandate.

Guidance on documentation provided

A note on the work of the Expert Group on Disparities in National Accounts is attached

Main issues to be discussed

The AEG is requested to express its views on the work of the Expert Group on Disparities in National Accounts

Information on the Expert Group on Disparities in National Accounts

1. Currently, National accounts data on household income, consumption and wealth hardly provide any information on how income, consumption and wealth are distributed across socio-economic classes of households¹. Only a very few countries regularly publish data by subsectors of households.

2. Distributional information can be derived from other sources, in particular household surveys and administrative data. Such information is clearly of direct interest for economic policy. It's an important issue in public debate. How to arrive at inclusive growth, an economic growth without people dropping out, drives many political agendas. A strongly skewed distribution of wealth and its composition can also be indicative of the exposure of some groups of households to financial risk. However, often surveys only focus on one dimension (income, consumption or wealth), while information on the joint distribution is also relevant. Moreover, international statistical standards on household micro statistics are currently lacking, especially on household wealth, which make comparisons across countries difficult.

3. For a variety of reasons, there is also a need to integrate results from micro data sources with macro-economic statistics. Some of these reasons are discussed in the Stiglitz-Sen-Fitoussi report². The G-20 Data Gaps Initiative which aims at closing information gaps highlighted by the economic and financial crisis also made a number of recommendations encouraging the compilation of more detailed household measures in National Accounts³. However, achieving such integration requires confronting a number of challenges. For instance, distributional information needs to be adjusted before it can be used to inform about the distribution of income, consumption and wealth in a national accounts framework, e.g. to take account of differences in concepts, to deal with under-representation of specific subpopulations in surveys (immigrants, homeless, people living in institutions, etc.), and to adjust for the underreporting of particular income and wealth items in households surveys.

4. To address the above issues, the OECD announced at its 2009 meeting of the Working Party on National Accounts its intention to create an Expert Group to devise a robust and internationally comparable methodology that would allow the generation of distributional information on households consistent with national accounts estimates. This plan was endorsed by the OECD Statistics Committee (CSTAT) at its meeting of 7-8 June 2010. At around the same time, Eurostat and INSEE established a sponsorship program on the follow-up to the Stiglitz-Sen-Fitoussi report with one of its task forces dealing with the issue of providing information on the distribution of income, consumption and wealth.

5. In the end, a joint Expert group has been launched early 2011 by OECD and Eurostat⁴ to consider how existing micro data could be used to produce estimates of disparities between groups of households that are consistent with SNA concepts and SNA averages in a cross country context. 25 countries nominated experts to participate to this Expert Group⁵. The European Central Bank and the

¹ The 2008 SNA (Chapter 4) recommends various breakdowns for the household sector, including a breakdown according to size of income.

² <http://www.stiglitz-sen-fitoussi.fr>

³ G20-Gap initiative - Recommendation 16: *“As the recommended improvements to data sources and categories are implemented, statistical experts to seek to compile distributional information (such as ranges and quartile information) alongside aggregate figures, wherever this is relevant. The IAG is encouraged to promote production and dissemination of these data in a frequent and timely manner. The OECD is encouraged to continue in its efforts to link national accounts data with distributional information.”*

⁴ In parallel to the Expert Group work, Eurostat launched a similar study, the “a minima” exercise, carried out at the centralized level by making use of the information available at Eurostat.

⁵ Australia, Austria, Canada, Chile, Denmark, Finland, France, Germany, Israel, Italy, India, Japan, Korea, Mexico, Netherlands, New-Zealand, Poland, Portugal, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States

Luxembourg Income Study also joined the Expert Group that was chaired by Wim Van Nunspeet (Statistics Netherlands).

6. The work of the Expert Group according to its two years mandate is nearing completion. The main outputs of the Expert Group will be released by way of two working papers in the course of 2013. The two reports on the integration of distributional information the national accounts will consist of:

- A detailed comparison between micro and macro sources on household economic resources at the level of detailed components; twenty countries studied all (or part) of the components for adjusted disposable income, twenty-one all (or part) of the components for actual final consumption and seven all (or part) of the components for household net worth. The paper also presents a detailed picture of the extent to which existing micro sources can be aligned to national accounts aggregates.
- A second report containing the results of an exercise to arrive at a breakdown of national account totals by groups of households with different characteristics based on distributive information from a range of micro sources. This breakdown has been performed by country experts from national statistics offices participating in the Expert Group using agreed common methodologies and assumptions. The breakdown has been completed by 16 countries for a given year (generally 2008, 2009 and 2010). Measures of disparities in household income and consumption, including social transfers in kind, and in household saving are presented for different groups of households: a grouping based on income quintiles, a grouping based on main source of income, and a grouping based on type of household. The paper also illustrates the main assumptions that are required to produce estimates on distribution across households consistent with national accounts definitions and totals.

7. Valuable work has been undertaken by the Expert Group members. Computation of distributional information on households consistent with the national accounts estimates is, however, quite demanding bringing to the fore the question of how to continue this work in the future, i.e. through a continuation of the existing group, by individual NSOs undertaking such analysis for their own country on a regular basis, or by international organisations on the basis of simplified assumptions. Two options are currently considered as possible follow-up of the work of the Expert Group: (i) to compile distributional information on income and consumption for another benchmark year, thus allowing the analysis of developments over time; and/or (ii) to have a more detailed analysis of data on wealth, to allow for a combined analysis of income, consumption and wealth. The possible ways forward will be discussed at the meeting of the OECD Committee on Statistics next June.