

**12th Meeting of the Advisory Expert Group on National Accounts,
27-29 November 2018, Luxembourg**

Agenda item: 4.f

Distributional aspects

Introduction

The Expert Group on Disparities in National Accounts (EG DNA) was launched in 2011 to carry out a feasibility study on compiling distributional measures of household income, consumption and saving within the framework of national accounts. So far, the Expert Group engaged in two exercises in which distributional results have been compiled, using the methodology developed by the group. While several NSOs have already started to publish distributional results on the basis of the methodology developed by the EG DNA, the OECD-Eurostat Expert Group is still working on further improvements. This note provides an overview of the main activities of the Expert Group over the last year and its plans for the near future.

This item is for information

1. Introduction

1. The Expert Group on Disparities in National Accounts (EG DNA) was launched in 2011 to carry out a feasibility study on compiling distributional measures of household income, consumption and saving within the framework of national accounts. In the compilation process, national accounts data are taken as a starting point, while micro information from surveys and administrative data are used for breaking down the household sector of the national accounts into income quintiles and other socio-demographic groups, such as those based on main source of income or household type. In doing so, variables in micro data sources are identified that provide the best link with the relevant national accounts items. Subsequently, micro data are scaled in order to match the national accounts totals, and imputations are made for items that are not covered in micro data sources. After these steps, households can be clustered into income quintiles or into alternative groupings, and distributional measures can be derived. The Expert Group developed a template and guidelines for the compilation of these results, to ensure comparability of methods across countries.

2. So far, the Expert Group engaged in two exercises in which distributional results have been compiled using the methodology developed by the group, one of which has been finalised in 2012 and the other one in 2015 (see Zwijnenburg, Bournot and Giovannelli, 2016). While several NSOs (Australia, Canada, France, the Netherlands, New Zealand, Slovenia and the United Kingdom) have already started to publish distributional results on the basis of the methodology developed by the EG DNA, the OECD-Eurostat Expert Group is still working on further improvements. This note provides an overview of the main activities of the Expert Group over the last year and its plans for the near future.

2. Further research of micro-macro gaps

3. The methodology to compile distributional results within the framework of the national accounts is very dependent on the quality and the alignment of micro and macro data used in the process. Any gaps between these data need to be bridged and allocated to the relevant households. For that reason, the overall quality of the distributional results heavily depends on the size and information on these gaps. To better deal with this issue, which is perceived to be one of the most important remaining challenges for the Expert Group, a framework has been developed to allocate the gaps to underlying reasons and accordingly to the relevant households.

4. In 2016, the members of the Expert Group were asked to apply this framework for items that showed the largest gaps in their countries, to assess the usefulness of the framework and to obtain more insight in the most likely underlying reasons for micro-macro gaps. Because of the importance of these gaps on the overall distributional results and for the development of further guidance on how to deal with these gaps, the Expert Group conducted a follow-up study in 2018. The results will become available at the end of November and will be discussed in the upcoming meeting that will take place on the 4th and 5th of December. The results will feed into the EG DNA Handbook that is currently being drafted.

3. Other methodological issues

5. The Expert Group is also working on some other remaining issues, to further improve the methodology. One of these issues concerns the different treatment of self-employed income in micro and macro statistics, which may significantly affect the distributional results. The Expert Group

discussed this issue in more detail and agreed that a further exchange of information and best practices of the treatment of self-employed income at the country level may benefit the analysis of the micro-macro gaps and the compilation of distributional results. Because this is also an important issue in compiling distributional results on wealth, the expert group also works closely together with the ECB Expert Group on Linking Micro and Macro statistics to make progress in this area. The issue will be further discussed at the December meeting of the EG DNA on the basis of which more specific guidance will be included in the handbook.

6. Another issue that is being discussed by the Expert Group is how to deal with items for which micro data is lacking. Imputations may have a large impact on distributional results and countries may apply diverging techniques that may affect the international comparability of the results. Several countries already provided feedback on the current guidance on how to deal with these items and also provided more insight in specific techniques that are currently being applied. This information will be incorporated in the next version of the handbook.

4. Handbook

7. As mentioned before, the Expert Group is drafting a handbook that describes the methodology to compile distributional estimates of household income, consumption and saving consistent with national accounts, in line with the methodology as developed by the Expert Group. It aims to assist compilers in deriving good quality distributional results that are comprehensive, consistent and comparable over time and across countries. Furthermore, it aims to provide users of these data with more insight in how these results are being derived, so that they can better assess the quality of the results and understand any differences that may exist with other distributional results.

8. A first version of the handbook was discussed at the meeting of the Expert Group in March this year. As a follow up, members were asked to provide comments and also to fill out a questionnaire to obtain more up-to-date information on data sources used by countries, to feed into the next version of the handbook. The Secretariat is currently processing the input from the member states and a next version of the handbook is expected to become available in the first half of 2019.

5. Centralized approach

9. As not all countries are participating in the EG DNA project, Eurostat and the OECD are developing a centralized approach to compile results for missing countries. The current methodology is based on combining EU-SILC data with national accounts totals and allocating any micro-macro gaps as well as any amounts for which micro data is lacking to the underlying households. On the basis of feedback from the Expert Group, the methodology will be further improved after which the plausibility of the methodology will be checked by comparing results with national estimates. Furthermore, the robustness will be assessed by conducting sensitivity analyses to assess the impact of specific assumptions on the results. If the methodology turns out to be robust, experimental results will be compiled for a range of countries to be discussed at an upcoming EG DNA meeting. Furthermore, it will then be explored whether a more generic approach can be developed that may also be applied to data sources other than EU-SILC.

6. Possible publication of the results

10. The EG DNA started its work in 2011 and since then engaged in two exercises in which countries compiled experimental results on the basis of methodology as derived by the expert group. As noted before, several countries have already started to publish their results, i.e. Australia, Canada, France, the Netherlands, New Zealand, Slovenia and the United Kingdom. The Expert Group would like to discuss whether more countries are willing to publish their results and whether international organisations should start including these results in their official data sets. At the December meeting this issue will be discussed in more detail, exploring what is currently been published by member states and what a possible publication may look like.

7. Nowcasting

11. In addition to further improving the methodology, the Expert Group has also started exploring possibilities to compile more timely estimates. As the current methodology heavily relies on micro data sources that typically only become available a certain time period after the release of national accounts data for the household sector, the distributional results also have a substantial time lag. Through nowcasting techniques, in which historical micro, meso and macro results are combined with newly available information, the Expert Group is testing various methodologies that could be used to arrive at more timely distributional results.

12. Due to limited data availability the Secretariat has only been able to explore the macro approach so far, but intends to expand the calculations on the basis of longer time series that have become available since the last exercise. Furthermore, it wants to liaise with countries to assist in exploring micro and meso approaches. On the basis of updated results, the Secretariat aims to update the draft working paper (that was first circulated at the end of 2015) and finalise it in the first half of 2019.

8. Wealth

13. With regard to the distribution of wealth, the Expert Group is in close cooperation with the ECB Expert Group on Linking Micro and Macro statistics that is focusing on the compilation of distributional results on wealth in line with national accounts totals on the basis of data from the Household Finance and Consumption Survey (HFCS). Ideally, both projects would focus on the same breakdowns into household groups when estimating and publishing their distributional results, providing users with a comprehensive overview of the distribution of income, consumption and wealth. Furthermore, as both groups may deal with similar issues, they may benefit from exchanging best practices. Finally, it may lead to the possibility of crosschecking results, which is particularly relevant to assess the plausibility of the savings rates derived from the EG DNA exercise, which in some cases look implausibly low.

14. Whereas the ECB is currently focusing on developing a methodology to derive distributional results on wealth for European countries, the OECD would like to expand this to non-European countries as well. It is intended to further explore these possibilities in the course of 2019, in close cooperation with the ECB and Eurostat.

9. Upcoming EG DNA meeting

15. The next meeting of the EG DNA will take place on the 4th and 5th of December in Luxembourg. The main topics that will be discussed are the issue of micro-macro gaps, the first results of the centralised approaches by Eurostat and the OECD, updates on the drafting of the handbook, and a proposal to start publishing EG DNA results for a selected number of countries.