



DISTRIBUTIONS OF HOUSEHOLD INCOME,
CONSUMPTION AND WEALTH
-
DRAFT GUIDANCE NOTE

MEETING OF ADVISORY EXPERT GROUP
ON NATIONAL ACCOUNTS

-
SESSION ON WELL-BEING AND SUSTAINABILITY

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Change to current statistical guidance

- Proposal is to **add a specific chapter** on compilation of distributional results
 1. Highlighting **importance** of distributional information
 2. Discussing **scope** of the work
 3. Presenting **main balancing items**, explaining where they may differ from SNA
 4. Presenting possible **breakdowns**
 5. Highlight **specific issues** in compilation of distributional results



Scope





Scope

- **Population:**

- Focus on **households**, not individuals: households share living accommodation, pool income and wealth, consume certain types of goods and services collectively
- Focus on **private** households, as institutional households behave differently and results are not comparable (results on institutional households should be presented in a separate subgroup)

- **Unit of observation:**

- Focus on **equivalized** results, i.e. taking into account different consumption needs of households of different size and composition



Main balancing items



Main balancing items (1)

- **Income:** Primary income and (adjusted) disposable income
 - Proposal: Different treatment of **non-life insurance benefits** and **lottery winnings**

Treatment as capital transfer instead of current transfer makes more sense from household perspective
 - Possibly envisage additional **broader income concepts:** including undistributed profits; (realised and unrealised) holding gains; ...
- **Consumption:** Final consumption and actual final consumption
 - Proposal: Different treatment of **non-life insurance premiums** and **lottery tickets**

Treatment as consumption instead of current transfers makes more sense from household perspective
 - Proposal: Record **consumer durables** as separate (of which) category – they cannot be regarded as part of current consumption and may significantly affect savings



Main balancing items (2)

- **Wealth:** Net (financial) worth
 - Envisage broader wealth concept: Including **social security pension entitlements**
 - Proposal: Record **stock of consumer durables** as memorandum item





Possible breakdowns



Possible breakdowns

- Standard of living on basis of **current income and/or wealth**
- Standard of living on basis of **permanent income** (i.e. removing temporary income shocks)
- **Main source of income**
- **Household type** (number and age of household members)
- Regional
- **Age** of reference person
- Labour market status of reference person
- ...



Specific issues in compiling distributional results



Practical, conceptual and methodological issues

- How to allocate **imputed items**?
 - Auxiliary information may be available
 - Specific issue with **social transfers in kind on health**
 - Proposal:
 - 1) Show that government is providing **free insurance** against certain health risks: insurance value approach to allocate amounts
 - 2) Show the **actual benefits** from this insurance (via capital transfers): actual value approach
- **Equivalence scales**
 - Taking into account consumption needs of various household members
 - Applied to income, consumption and wealth
 - Different policy purposes may ask for different scales
 - Modified OECD scale is used in EG DNA, but not prescribed
 - Compilers should be transparent on equivalence scale used
- ...



Questions for AEG



Questions for AEG

The AEG is requested:

- to provide feedback on the proposal to focus the distributional analyses on **private households** and to present results for **institutional households** separately;
- to provide its views on the **alternative balancing items** proposed for the distributional analyses;
- to share its views on the proposed **breakdowns** (and level of detail);
- to provide feedback on the proposal for allocating **social transfers in kind related to health care** to the relevant households; and
- to provide feedback on ways to further improve the guidance note.



Thank you for your attention!



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