17th Meeting of the Advisory Expert Group on National Accounts, 15, 16 and 19 November 2021, Remote Meeting

Agenda item: 11.1

WS.2 Distribution of household income, consumption and wealth
Responses to the Global Consultation of:
WS.2 Distribution of household income, consumption and wealth

A total of 55 respondents contributed to this global consultation (after removing completely anonymous contributions and duplications). In some cases, multiple institutions from one country responded to the questionnaire.

This document provides an overview of the written comments provided for each question.

2. Is this topic of relevance for your country?

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**Comments in relation to high relevance:**
- To interrelate dimensions of people's economic well-being.
- We are frequently asked by the central bank and the treasure ministry to supply this information. Also there are several government decisions concerned.
- It is one of the indicators that is used in well-being analysis in our country.
- When we worked on this topic (third exercise of the EG DNA), there has already been interest in this field from the general and, above all, the professional public.
- The indicators that measure economic inequality in household groups contribute to the analysis of the economic well-being of households for the formulation of public policies focused on fighting inequality and poverty.
- This information will be of considerable relevance for macroeconomic analyses and the monitoring of economic well-being, providing new insight in how specific household groups are faring and how macroeconomic trends and policies may affect specific household groups. Updating and undertaking distributional account estimates is justified
by the strategic value of contemporary distributional statistics which concurrently present opportunities to improve planning, marketing strategies and policy decisions. It is particularly relevant in discussions around increasing inequalities, poverty, structural unemployment and low investment discussions, and on the impact of the Covid-19 pandemic.

- It would be very useful to have a macroeconomic analysis of distribution of household income, consumption and wealth, given that these subjects are usually only approached from a microeconomic perspective.

- We are in a position to include this work as a component of our National Accounts work program. Many policy interventions involve collective and/or free provision of goods and services by the government that are in scope of the distributed SNA but are impractical to collect from household surveys. This is the main contribution the SNA can make to understanding inequality, beyond that provided by household surveys. Also, the estimates respond to general public criticisms of the SNA’s relevance in measuring the outcomes of society.

- The role of households is increasingly acknowledged to be very important in analysing wellbeing over time. Distributions within the household sector are key in the understanding how (the change in) wellbeing differs for groups of households.

- Since more than 30 percent of our country’s GDP is coming from the household sector, it is imperative to further dissect this group. This is important for policy making and distribution of income by the government to households. This would help in crafting programs and policies that would take care of the welfare of households.

- Within the SNA framework, basic macroeconomic statistics involve GDP measurement, especially final consumption expenditure and actual expenditure. Household income, consumption and wealth are pertinent indicators which can be used as a reference by government agencies as input in planning, developing and monitoring national development plans. Besides that, this topic is important to determine the distribution of household income and to facilitate distribution of assistance to poor household, in line with a vision and national plan as laid out by our government, especially towards becoming a harmonious and united nation with the country’s prosperity being shared in a fair and equitable manner by all regardless of ethnicities, class or regional differences.

- This type of information allows to present multidimensional aspects of material well-being (i.e. income, consumption and wealth) in coherence, providing results that are consistent across accounts, coherent with macroeconomic aggregates, and comparable over time and across countries.

- In our country, the issues of increasing living standards, welfare and social protection of the population are among the main priorities of state policy. The availability of statistical data on income, consumption and savings balanced at the level of various groups of households within the SNA will expand the possibilities for analyzing and monitoring the results of reforms and government programs implemented in this area.

- We are currently facing a growing demand for information that, on one hand, adequately represents the well-being of the population and, on the other, is prepared within the conceptual framework provided by the national accounts. In this context, and due to the
increasing availability of microdata, we will initiate an investigation which results will include measures of distribution that are comparable and consistent with current macroeconomic measurements.

- Distributional accounts are a top priority for us as they provide important information to help understand and assess income inequality and financial risk/stability of households and supports the reporting on the Global Goals for Sustainable Development. The distributional accounts are also key to our commitment to producing more disaggregated data that link economic and social components together.

- We have been publishing household distribution estimates for about 10 years. Measuring the distribution of household income, wealth and consumption is highly relevant to our policy makers in giving a broader, more accurate insight into the economic wellbeing of households.

- This topic is of increasing importance due to its relevance presenting multidimensional aspects of households’ well-being. In fact, we are carrying out similar exercises internally and we are participating in the EG DFA of the ECB.

- Multidimensional aspects of material well-being and distributional measures of consumption and wealth are topic of very high interest for society and policy making in all countries.

- Deriving household distributional statistics within the national accounts ensures coherence and consistency with information available from micro statistics and macroeconomic aggregates. Household distributional statistics also provide insights on different household group trends and how policies may affect specific household groups.

- There is always a difference in the aggregates compiled by subject matter (welfare/poverty team) and National Accounts. There is a need for National Accountants to fully grasp that even in perfect concepts, classifications will always not be the same between the two.

- We regularly publish studies on DNA and are currently implementing a full distribution of the NNI.

- We’ve participated in the most recent cross-country exercise and intend to publish future experimental results nationally.

- The topic is in line with our development agenda to explore households’ sequence of accounts into more granular breakdown to provide sufficient wellbeing information in supporting accurate policy-making.

- We are interested in economic statistical measures for households/consumer units. We have begun a project to include the value of home production for own production into a comprehensive measure of consumption at the micro-level.

- A distribution of income was produced by our organization at the request of parliament. However, other distributions have been produced by other organizations and academics independently.

- If the economic imbalance worsens, this topic will become more important

- The very asymmetric distributions of wealth, income and consumption across households are a central question on the public debate. Moreover, the evolution of these three macroeconomic aggregates may hinder changes in their distribution and
consequently are insufficient for economic analyses and policy purposes. Thus, providing information by groups of households subject to the discipline and in coherence with national accounts framework would be a milestone for the national accounts development.

- This topic is of great importance for our economy, since it will allow us a better characterization and analysis of the household sector. In the case of our economy, which is highly informal, it will allow us to analyze the interaction within the same sector and better understand its interaction with the rest of the economy.
- Improving the standard of living, welfare and social protection of population are among the main priorities of the government policy in our country. The availability of statistical data on the income, consumption and savings of different household groups presented in line with the SNA framework, will expand the possibilities of analysis and monitoring the results of the reforms and government programs implemented in this area.

Comments in relation to medium relevance:

- Distribution of household income, consumption and wealth issue is put on the national agenda and will be used as guidance for designing a social development policy including income distribution.
- Distributional data require high quality micro data. Therefore, micro data has the highest relevance. The linking of macro and micro data is only the second step.
- We believe that this information would be very much needed, but unfortunately the resources are rare.
- Information on the distribution of household wealth is already available and published in the framework of surveys conducted, in the case of European countries, every three years. The advantage of the proposed topic would be to bring together the information collected in these low frequency surveys, with higher frequency (quarterly) macroeconomic aggregates compiled in the framework of national accounts.
- The analysis of the evolution of distributional national accounts is very important due to the volatility of our economy and recurrent crises, and these harm asymmetrically to the different types of households.
- Distribution of HH income consumption and wealth is very unequal among different clusters of society in our country and very little information is available on that.
- We have participated in studies on distribution of income, consumption and wealth for some years (EGDNA). We have talked to users about the EGDNA approach and presented results from the exercises but not detected any strong national user interest. One off-set is that we have not been able to include wealth data in the work (due the lack of micro statistics). A full set of distributional measures will probably make the statistics more interesting for users. We have noticed recent initiatives in this field by other national actors and the focus on these issues may be stronger today than a few years back.
- Distribution of household income, consumption and wealth is a very important topic of statistics. At the same time we see lack of interest from internal data user's side.
- This topic is relevant for the development of household surveys.
- It allows a better measurement of the household sector.
- Because of the relatively high Gini index and poverty rate in our country this topic is useful and important for researchers and policy makers and will help them to study the distributional issues in more detail and implement more effective socio-economic policy.
- The topic of distributional national accounts is something that we prioritised and paid great interest to over the years. More recently, we have considered this work’s priority in comparison with acquisition of administrative income data to get more granular regional information, and using other sources to get at a faster picture of the evolving household finances for policy purposes, for example with regards the COVID-19 pandemic. With those in mind, both the main strength of distributional national accounts, in the sense of coherence, as well as the main downside, which relates to the complexity of production impacting on timeliness, are both accentuated, leading to a slightly lower relevance than would have been the case 18 months to 2 years ago.

Comments in relation to low relevance:
- Existing household survey data can’t satisfy the need to divide the household sector into different levels.
- Development of sector accounts started recently in our country. They are still in experimental phase. Until now only production and generation of income accounts are published.
- Low relevance because, whereas the GN calls income, consumption and wealth "aspects" of household activity, they are not really aspects but rather constructs meaningful in the economic aspect that actually cover a multitude of aspects. Aspects are ways of looking at things (e.g. the east aspect of a building), which entails different modalities of meaningfulness. We recommend dividing consumption into separate Dooyeweerdian aspects.

3. Do you agree with the main balancing items for the purpose of distributional analyses, as proposed in the guidance note, i.e. for income, consumption and net worth?
Comments in relation to no:

- In case of income, the calculation should be focused only on disposable income of private households. In the case of consumption, the focus should be on final consumption expenditure. For the definitions and recording of transactions, the SNA framework should be used.

- We were uncertain about the intention of the question, so our response is two-fold. We would answer yes to the question above on the assumption that it is only referring to the main SNA balancing items. However, the GN text itself is somewhat imprecise, and if this Q3 is referring not just to the balancing items but also the possible alternative definitions of Income, Consumption & Wealth, as set out in the GN Introduction, then further comment is needed. We have provided comment on the alternative definitions below:
  
  o Income: Agree. The one-off nature of these lump sum receipts may distort where HHs receiving them may be classified to. At the HH level, they could also distort savings.
  
  o Consumption: Disagree with the need to alter the treatment of non-life insurance premiums and lottery tickets. These outlays are frequent and regular, and there is no need to depart from the SNA treatment and classify the entire outlay as consumption. Treating the purchase of durables as an “of which” category is acceptable.
  
  o Wealth: Disagree with both proposals. Non-life technical reserves, to the extent that they measure claims not yet paid out, are seen as an asset by individual HHs. Social security pension entitlements should be excluded or included only as a supplementary measure where relevant, i.e. comply with the SNA standard.

- It is unclear to me if the adjustments are made for a better ranking of households, what I could understand, given that we explicitly do not include social transfers in kind in the ranking either. Or that we want to exclude these items from the income concept altogether. If the latter is true, what is the reason that we should include these items in the SNA macro totals when describing the entire sector, but not when we distribute the total?

- This issue should be carefully assessed, because it will involve major changes on balancing item. It may affect time series data for example on gross/ net saving, and saving-investment gap. Consequently, it may affect balance of payment statistics as well.

- On one hand, the use of different definitions of consumption and income within the national accounts framework could be very confusing for users. Furthermore, the main interest of providing distributional measures in the national accounts framework is to be able to calculate relative magnitudes in terms of national accounts aggregates (GDP, saving, gross disposable income, etc.) which require complete conceptual consistency with the core national accounts. On the other hand, we think that these new definitions require further reflection. For instance, should financial intermediary services be treated as insurance premiums in the household consumption distributional concept? What about the consumption of non-market services?
- We partially agree. In the case of lotteries, we consider that the current system is correct (income and consumption). In the case of non-life insurance benefits, they could be considered as capital transfers.
- The balancing items are probably best decided by each country. For example, a country may or may not be able to accurately assess something like savings.
- As mentioned above, we recommend using Dooyeweerd’s aspects rather than the catch-all of consumption.
- The breakdown can also include the consumption patterns in terms of essential and non-essential items as well as the consumption of durable goods.

4. What are the main breakdowns of households that should be prioritised in the work?

1) Standard of living on basis of current income and/or wealth: 44
2) Household type: 37
3) Main source of income: 33
4) Standard of living on basis of permanent income: 17
5) Other: 15

General comments:
- Household type should be classified on a little bit more detailed level (age).
- Standard of living on basis of permanent income seems like it would require further consideration, plus it would make the compilation exponentially more difficult. It also has the added downside of being a three-year average which reduces its policy efficacy with regards current or recent trends (less than a year).
5. Please specify other main breakdowns that should be prioritised in the work. Please also describe the level of detail required.

Main suggestions:
- Age of the reference person (5x), e.g. under 35, 35-44, 45-54, 55-65 and 65+. This breakdown provides insight into economic conditions at different stages of the life cycle.
- Geographical areas (3x), e.g. urban versus rural or specific regions.
- Labour market status (2x), e.g. unemployed, employee, self employed or own account worker, retired...
- Housing status (2x), e.g. owner occupied or rental.
- Education level of reference person (2x).
- Household size.
- Ethnic groups.
- Religious.
- Generation of the reference person, e.g. pre 1946, boomers, generation X, millennials. This breakdown is similar to age and provides insight into inter-generational trends in income, consumption, saving and wealth. It should provide helpful information as wealth is transferred from older to younger generations.
- Gender of reference person.
- Main job of reference person.

General comments:
- The manual should be illustrative rather than prescriptive because the breakdowns of interest may be country-specific depending upon the structure of society and/or policy interests. For example, different ethnic groups might be a particular focus for different countries.
- We believe that the needs of users should have a high impact on the prioritisation.
- About other proposed breakdowns in the point 45 of the note, it should be noted that there may be problems with some of the proposed breakdowns. For instance, a breakdown by disability status of the reference person would probably lead to very small groups. For others, like the proposed by geographic region, there may be no public information available in the microdata sources (in fact, that information is not included in our HFCS because of confidentiality reasons). Finally, some proposed breakdowns, like by ethnicity, migratory status or disability status of the reference person could also pose confidentiality issues (in case there was information in the micro sources).
- I would suggest to add additional breakdowns of households by education (profession) and the main job (specialization) for each decile group. This will help to understand how the education is suitable with job-specialization and how this connection effect the level of income.
6. What level of detail should be targeted for the breakdown by Standard of living on basis of current income and/or wealth?

**Other suggestions:**
- While quintiles would be our main focus, the top and bottom 10%, and the top 1% would also be areas of interest.
- At least deciles, but within the top you'd want to see percentiles as well.
- Further breakdowns for top incomes.
- Quintiles for income; deciles for wealth.
- Although deciles would be a good option, here we also use a different breakdown: 0-25%, 25 to the median, median to 75%, 75 to 90% and then we focus on the last decile due to its special interest.
- Deciles, percentiles and a decomposition based on social groups: poor (<0.6 median standard of living), Modest (0.6-0.9), Media, (0.9-1.2), rather rich (1.2-1.8), Rich (>1.8).
7. What level of detail should be targeted for the breakdown by Standard of living on basis of permanent income:

**Other suggestions:**
- At least deciles, but within the top you’d want to see percentiles as well.

8. Do you agree with this classification of main sources of income?
Comments made:

- Yes, but how about Family allowances and Pensions (Provident fund and Retirement annuities)?
- We propose to add the option "in-kind receipts in monetary terms" to the above classification.
- The category "Net current transfers" brings together quite different households and (in our case) is not a particularly useful grouping. The main source of income for these households will be social benefits (D621, D622 and D623). The nature of these benefits is quite different, as are the recipient households. D622 is more the result of conscious investment with benefits sourced from private pension schemes, whereas D623 are government assistance grants with quite different household qualification criteria. In our distribution tables, we found it useful to separately identify households with a main source of income of D623. Furthermore, we included households whose main source of income was D622 in with those whose MSI was Net property income, recognizing the investment nature of the pension schemes.
- We have a similar classification of main sources of income except for net current transfers received. We break net current transfers into pension and other. This way we can separate pensioners from other households whose main source of income is from current transfers such as social assistance.
- Interest and dividends - not clear to me if they're included under "net property income"
- There are countries where the significant part of income comes from abroad. For example, in our country more than half of current transfers of households comes from abroad. So I suggest to add an additional row "of which net current transfers received from the rest of the world / abroad" under category "Net current transfers received".
- We would propose at least separately identifying benefits as the main source of income, as well as income from financial investments and dividends, separately identified from net property income (assuming this is property income according to National Accounts i.e. transaction D.4).
9. Do you agree with this classification of household types?

Comments made:
- We think that the classification should be more detailed according to age. And the age limit of 65 is kind of artificial, nationally there might be a need for another age limit. And should there be some information on the age of children (for the calculation of equivalence scale)?
- In general this classification is okay, however, with regard to the age threshold of 65 years, I wonder if it would not be better to take the retirement age instead. This does mean this age groups changes over time, when the retirement age shifts, however you do end up with more homogenous groups.
- Classification of household type for single with children living at home should be broken down into two others group which are;
  - Single with less than three children living at home
  - Single with at least three children living at home
  This groups are important to identify the burden carried by single adult in a household
- We prefer the following breakdowns:
  - By type of settlement (cities and towns, rural areas)
  - By size and type, i.e.:
    - households without children, of which one-person household, two or more persons household;
    - households with children under 18 years of age, of which with 1 child, with 2 children, with 3 and more children;
    - pensioners households.
  - By housing status (owned by a household member, rented from an individual, rented from a legal entity, other)
We produce household type for single and multiple person households. We also produce distributions by age and generation. We have found that the microdata are generally not of sufficient quality to cross-tabulate age with household type. Therefore, we have ceased producing this cross tabulation and instead focus on household type (single and multiple) and age as separate distributions.

We do agree with this classification of household types, but, if possible, we would introduce another break at 35 and, maybe, at 75, due to the differences you can find between people at, for example, 25 (probably still students) and people at 45.

We have one complementing proposal for possibilities to have a category on: Children living part-time, should be looked into in the future. Otherwise we agree on the classification on household types.

We would add at least 65 & less than 65 to the single with children group and adults with children groups. Expand the number of adults to units with three adults, and then four or more with the age and number of children considered.

This is too many household types for small sample surveys. I'd split into households with members over 65, households under 65 with and without children living at home.

We do not disagree with the classification, but the recommendation should allow for higher groupings as a minimum than the household types identified (e.g. only at the top level of the image provided, or at the second level identifying children present) Additionally, a recommendation for the age of the youngest child would be helpful, as well as identifying dependent children not living in the household, with more complex household arrangements.

10. What frequency should be targeted for the distributional results?

![Pie chart showing frequency preferences]

- Annually: 31
- Every 3 years: 8
- Every 5 years: 9
- Quarterly: 2
- Other: 4
11. In developing distributional estimates, please rank the priority (1 to 3) of granularity, frequency or timeliness?

**Number of times ranked first:**

![Pie chart showing the ranking of granularity, timeliness, and frequency](image)

**Comments made:**
- To develop data sets at the household level that are suitable for integrated analysis, and for facilitating comparisons between countries.
- There are data already frequently published at the micro level.
- There is not enough information for the household sector. The available household surveys are not designed based on an economic census, therefore their expansions do not seek to reach the economic value generated (production, employment and labor income), the sample size is small and does not allow adequate disaggregation by economic activity.
- Timeliness seems a priority for us, as data that are not so far apart are more current and attract more attention. Granularity is important, but less than timeliness. We rate the frequency as the lowest priority compared to the other two, because it represents a lot of work and effort, which probably exceeds its added value. There is not a significant change inside a 3-years span time in the distribution of income, consumption and wealth with the exception of exceptional events, such as the financial crisis or the COVID-19 crisis. But preparing the distributional results for such years is much more complicated and time consuming.
- The granularity of the distributional indicators is relevant since it enriches the analysis of the distribution of income and wealth. Although income is a sensitive component to the economic situation, timing and frequency are more useful for improving economic forecasts, but distributional indicators are not forecasts. Furthermore, the timing and
frequency of the distributional indicators depend on the same frequency as the household income and expenditure survey.

- Granularity provides more information about household groups
- Granularity will enable to compile estimates using concepts that are consistent with national accounts, preferably on an annual basis. Publishing them at the same time as the results on institutional sector accounts will benefit policymakers. In case not all micro data sources are available on an annual frequency and may only become available with a certain time lag, inter- and/or extrapolation techniques can be applied to compile results for all years. And revised later when data come available. Timely estimation will also be important.

- The first priority to be concerned is granularity because the precise data enables better decision making. While, frequency and timeliness are lower significant because the distribution estimates are presented as the long-term indicators.

- In order to analyze income distribution it is most important to know how many household groups will be defined. This will allow to grasp the heterogeneity within the household institutional unit. We think compiling distributional statistics annually would be useful in monitoring the situation, but it is to be expected that no great distributional changes take place during such a short period. For this reason, frequency and timeliness are deemed less important than granularity.

- Frequency stability can ensure continuity and analysis, followed by timeliness and granularity.

- Data granularity is the first priority: the most detailed information should be available to users. Next, the priority is the timely release of data. Data users should be sure that the data will be released exactly within the specified time frame. The frequency of information release is the least important priority.

- Annual data is important for any analyses in the context of national accounts. Timeliness means that the data should be available as fast as possible.

- The utility of the distribution analyses is improved if their release is timely, possibly coinciding with the same release date as the annual national accounts (household institutional account) data. A release 2-3 years after the reference year is less useful. Provided key aggregates and balancing items are released, finer transaction detail is not essential, and may also suffer from quality issues.

- Distributional results are used to understand inequality and the drivers thereof. With the current breakdown there is insufficient information, also with the current time series there is little information. When the current information is available faster it does not improve decision making, because the information itself is insufficient for that.

- Distributional estimates would be very helpful for government programs and policies and timely data would enable the compilers to provide macroeconomic accounts that would serve as basis for these government interventions. These estimates would also serve as baseline for future planning and projections.

- In order to compile National Income for the household sector, the data should be timely, more frequent and granular.
We believe it is important to produce these data regularly (1st), and with as much disaggregation as possible without risking unreliable results (2nd). Timeliness (3rd) would be very relevant as well for analysis and policy purposes. However, the relatively long time lags needed for the production of the micro sources limit the possibility to increase timeliness, especially at times of substantial changes in the distributions (i.e. those when timeliness would be more beneficial).

- Given the stage of this task, it is preferable to provide annual data with a lower granularity.

- The growing interest in distributive analysis originates, basically, in the development of theoretical and empirical research that relates aspects of inequality with macroeconomic evolution. In this case, distributional statistics are structural statistics, therefore it is a priority to work on its timing (delay of less than 12 months) rather than on its frequency.

- Granularity is very important, since the greater detail of data the better is the understanding of the underlying phenomenon which explains the changes in the distribution.

- Granular breakdowns are the top priority for us because they better inform on economic well-being and financial stability than macroeconomic statistics alone. Having more detailed breakdowns of households enables policy makers to have multi-dimensional perspective on issues of economic well-being, income inequality and financial risk/stability. With detailed data policies can be made to address specific types of households/vulnerable groups. Timeliness is also very important behind granularity because it enables policy makers to be able to react quickly to emerging or changing trends. Until the pandemic, frequency was less of a priority for distributional accounts as we have found the distributions do not change quickly. However, the pandemic resulted in dramatic and swift changes in distributions which is why we produced quarterly distributional accounts. However we recognize this need may not persist and if so we will return to an annual frequency.

- Finding the balance between prioritising granularity, frequency and timeliness is important and will often be influenced by the availability and quality of the source data. While a ranking of priority is given in the answer, it should be noted that all three are important and may vary in the context of user needs. Increased frequency and granularity of the estimates is likely to improve the analysis of shifts in wellbeing over time.

- In our view, most important is the possibility to have detailed information by different types of households.

- We think that having indicators in time is more important than having them with a lot of detail because late indicators may come too late to warn that something is happening, so they may be not so useful.

- Distributional aspects of income and wealth are structural features of the economy, so frequency and timeliness have lower relevance.

- Granularity increases the value and usefulness of the statistics. Frequency and timeliness can be improved gradually.

- To make the statistics relevant we believe that timeliness is the most important factor.

- Statistics must be timely, sustainable (Frequency) and subsequently granular.
The more granularity given, the most interesting and comparable the results are. We think that it is more appropriate to have a somewhat lower level of detail (less granularity), but instead to have earlier statistics, since if the results arrive too late they lose part of their usefulness, for example because we may be missing signs that certain economic events are happening.

In case of household income, consumption and wealth data, timeliness always is a critical issue.

Timeliness is very necessary to respond to user requests

Timeliness is of limited importance here, what matters to policymakers etc. are longer run trends in inequality. On the income side at least, annual data is available so we should target compilation on an annual basis. Given the limited amount of data in this area, we consider granularity to be most important consideration.

Timeliness, due to the fulfillment of the publication schedules in attention to the users.

It is more important for us to understand relationships at the finest level of detail possible. We would rather have this using the most timely data even if only published once every three years. For many countries, it could take 2-3 years just to pull the data together to produce the most complete distributions. With a shorter time frame, estimates could be produced using less than ideal data, but these would need to be revised when better data become available.

Granularity is the main objective providing the distributional estimates in order to meet policy making need. After households distribution information can be compiled in more detail, then the effort can focus on the improvement of its frequency and timeliness, based on issues faced when detailing the households account.

Frequency is necessary in order to assess a trend. Trends are generally more relevant than levels of income inequality. Timeliness naturally follows from this, but is restricted by source data availability. Granularity is nice to have, but the degree of granularity should depend on the income composition and data quality of each country.

It is most important to secure timeliness in order to increase its use as a policy tool.

Even if in the future timeliness and frequency would become the more relevant criteria to guide the work to development this new area of national accounts, the matching of micro and macroeconomic data remains the first step to secure.

The statistics about the distribution of household income, consumption and wealth are mainly used in long run analysis and research, so it would be better to have more granular data rather than high frequency but not detailed data.

In our scenario, we provide extensive regular analysis of economic well-being and beyond-GDP measures, so in order to make these estimates relevant alongside GDP and main economic statistics, so these distributional elements should be at similar levels of timeliness, and should be quarterly at least to monitor on an on-going basis (we also publish monthly GDP, unemployment rate, inflation so having monthly would be even better, but acknowledged as out of reach with current and planned data sources)

Granularity is the most relevant because it allows further analysis of existing data. On the other hand, the frequency and opportunity require more resources that are not available in a short time.
12. Do you have any suggestions to the methodological issues highlighted in the report?

**Comments made:**

- The focus should be on dealing with the macro-micro gaps and explaining the linkage. Also to emphasize the benefits from publish detailed national account data.
- Emphasis should be placed on jobs in the employment matrix and the consistency that it provides to household production, which will define the important part of labor income that could influence the distributional analysis.
- Strengthen the manual with suggestions of imputation methods for economic variables that by their nature are not well captured in household surveys.
- The methodology should consider the data availability in the particular country. Hence, the suggested methodology can only be a recommendation. The concrete method has to be decided based on the available source data.
- A balance needs to be drawn between the revised SNA Manual that sets out the framework and classifications, etc. and a Sources and Methods publication. In our view, some of the proposals in the Guidance Note are moving too far into Sources and Methods content which would be better included in a dedicated publication (such as the OECD EG DNA Guidelines). The methodological issues listed here are a good example. Below we provide more specific comments on methodological issues:
  - From para. 5 in the GN Introduction:
    "A specific conceptual issue arises in how to allocate social transfers in kind related to health care. The proposal is made to break this down into two components, i.e. (1) the government providing households with free insurance against certain health care risks (part of household income in the distributional analysis and allocated to households via an insurance value approach) and (2) the operation of the insurance scheme (to be presented as consumption and as capital transfers in the distributional analysis, the latter being allocated to households via an actual value approach)"
    The proposal is to split the STIK allocation into two components as given above:
    i) the allocation of the STIK via an insurance value approach. We agree with this, and it is consistent with the approach adopted by the OECD DNA exercise, as set out in the OECD DNA Guidelines.
    ii) a subsequent set of imputations to mimic an insurance scheme, with the STIK income paid back to Government as an imputed premium (A) (Included in consumption) with the recording of the actual health benefit received (B) (recorded as a capital transfer). At the level of the individual HH, A need not match B, but for all HHs, A=B, and so cancels when measuring HH net lending at the macro level. We agree with (i) and it should stop there, as it did in the OECD DNA exercise. We disagree with the introduction of an imputed insurance scheme. Health schemes funded from general taxation do not operate as pseudo insurance schemes, and the imposition of a notional scheme is inappropriate. Furthermore, from a practical perspective, the OECD exercise showed that very few countries can measure actual health benefits receive by HHs, which would mean that B
would inevitably be made to equal A, which again is quite contrary to how insurance schemes operate.

- Price indexes for HH Groups.
- Dealing with imputed items, or for instance the non-observed economy, is far more influential on the outcome than the focus on lottery winnings in the income concept. These priorities could be addressed better.
- One of the possibilities is to align the local level administrative forms (tax declaration forms, business registration, etc.) to the concept of national accounting to have alternative sources to address data gaps. Bank secrecy law can also be revisited for statistical purposes.
- We do support the initiative by the expert group for this issue. We are suggesting that the proposed methodology needs to be thoroughly assessed and evaluated with various manuals and guidelines. Furthermore, the proposed methodology such as imputing for missing elements and aligning micro and macro results may affecting national account aggregates and balancing item. Thus, we believe more comprehensive study with empirical result can be conducted.
- In our view, we should try, as much as possible, to provide distributional statistics which are consistent with the rest of national accounts. That is, we should focus on the whole sector of households and not a part (as suggested in the text, considering only private households and excluding institutionalized persons), and the definitions of aggregates should be consistent (for this purpose we suggest not to "adjust" income and consumption of insurance, lotteries, etc.). The ideal situation would be one in which the user of statistics would be able to breakdown existent aggregates into more detailed ones.
- A relevant issue in our case is the close relationship between the availability of information and the characteristics of the current tax system in the country. Even though it may be complex to address, we believe it is useful to include in the methodological guide a limited number of representative cases of tax systems and how they affect the production of statistics.
- It would be convenient to expand the treatment of health insurance and its effect on the distributional results. In cases where a household takes out a private health insurance and they do not pay for health services, they consume since the insurance company offers to the insured household the health services for free, so they do not receive reimbursement in cash of the consumed health services. In this case households receive the health services in kind from the insurance companies. (It is important to highlight in this case that the private insurance companies do not produce health services, they buy them from health services companies or directly from medical doctors).
- We have found that the quality of the microdata used to estimate distributions is currently being pushed to its limit. As such we do not feel that we can produce further granularity such as deciles or top 1% distributions. We also have some variables where the micro/macro sources either do not align conceptually or there are notable gaps in coverage. We have made it a priority to increase collaboration between staff working on macro and micro indicators of household income and wealth with the aim of sharing
knowledge, and improving coverage, sources and methods used for estimation/forecasting/now casting.

- The guidance note states (in introduction, page 1, para 3) that "An alternative consumption concept is proposed that treats non-life insurance premiums and the purchase of lottery tickets as part of consumption, to better align with the household perspective." At macroeconomic level, there will be implications on the output if insurance premiums and purchase of lottery tickets is treated as consumption. It is because, conceptually, output must be equal to consumption. If premiums and purchase of lottery tickets was to be recorded as consumption, output would have to be measured in the same way so that supply and use balances. Such recording of output will be a deviation from the current SNA.

- We agree on the discussion on methodological issues in the report. However, it is not really clear to us from the note (par. 91) that the guidelines on distributional accounts are proposed to be placed under the chapter on satellite accounts in the SNA-update. Our view is that it belongs to that section of the SNA.

- 1. National Accountants should always conduct Economic surveys to supplement National Household Income and Expenditure Surveys (NHIES). This is so because, various items will always be of low weight (underreported) when compared with National Accounts. Also, NHIES are conducted every 5-years, so Economic surveys are necessary to bridge the data gap.

- A main recommendation is how to rank individuals in the micro basis and not re-ranking when imputing some distribution.

- We have the following comments to some points of the note:
  - In Financial accounts, we don't have neither data about inter-household flows and stocks, nor any basis to estimate them, so we think that not including them would be more appropriate than incorporate estimates that could make the results less robust and credible.
  - Para. 67. We have serious doubts that allocating the non-observed economy based on “which types of households are more likely to be involved in what type of non-observed activities” could be done on a sufficiently solid basis.
  - Para. 72. In our opinion, statistical matching is too unreliable to be used in official statistics. Perhaps these kind of statistics could not get beyond experimental statistics.
  - Para. 78. We would not include in the proposal the financial flows. To derive them, even forgetting about the changes in the composition of household groups over time and assuming that other changes in volume could be known or negligible (which shouldn't be taken for granted), estimating revaluations still poses a number of problems that could lead to inconsistent results. Moreover, the Expert Group on Distributional Financial Accounts asked potential users about this and the conclusion was that they demand stocks and there is no clear need for flows.
  - Para. 95. We are not sure that the median is an appropriate measure in this kind of exercise. In any case, we would recommend including the statistical mean, which is, in our opinion, easier to cross-check using Financial Accounts and
Survey Data. Financial Accounts contains little information to appropriately correct statistics, like the median.

- Indeed, micro-macro gaps is a relevant issue that not only implies the limitation imposed by the available microeconomic data, but also requires having the most appropriate and standardized imputation procedure for comparability, a detail that is usually not taken into account. In this sense, technical cooperation is suggested, which allows to know the experience of the countries in the matter and in particular of the procedures followed to solve this problem that have a certain degree of consensus.

- We would like there to be more discussion of why the differences in the macro and micro data emerge, and a discussion of the option that perhaps the macro numbers might be over-estimated relative to the micro figures for households. In other words, how good are the macro data at valuing the values that are for households? Perhaps these are over-estimated and the household data are more accurate in reflecting the well-being of households.

- 1. Micro-macro gaps: we have experience in this matter where linking many data sources need statistical matching using common characteristics. 2. Price indices per households group may be approximated with: a) Re-mapping commodities basket by its quality and attribute it into certain households group, e.g: the highest quality is relevant for highest income group. But still it pose an issue for several households group who have similarity in their consumption quality. So assumptions are needed. b) From households surveys we can get information quality of each product consumed by every households (from diary recording or reflected from its price, since we have both consumption volume and value). Then we can have information on quality consumed by particular households group, and use this information to derive new weights or link it to consumer price commodities basket.

- These are very complicated issues and the EGDNA group has done a great job in handling them and providing constructive suggestions. My biggest takeaway is that there is tremendous heterogeneity in what countries have available to them in terms of both data quality and human capital. I think countries should be encouraged to do the best they can without sacrificing quality or release frequency. The more breakdowns they must produce or the higher the degree of granularity, the less likely it is that they will participate or consistently produce high quality results.

- Considering the availability of micro data, an overly complex estimation method may not be appropriate.

- On dealing with micro-macro gaps, we suggest see both levels as multi-aspectual functioning, using Dooyeweerd’s ideas of aspects, and an understanding of the inter-aspect dependencies among them. We suggest Dooyeweerd’s aspects also be used more generally, especially when we need to break things down, because they offer well-grounded distinct spheres of meaningfulness, by which issues may be separated out clearly.

- We would appreciate elaborating on the dealing with micro-macro gaps. This is only briefly covered in the report. Consistent recommendations of methods, ideally ranked by quality, would help more countries apply measures that would mean distributional NA
methods are more comparable across countries. Similarly, clearer recommendations on preferred methods on STiK would be helpful (even though it is worth identifying alternatives for specific countries) as these could have large differences in distributional income based on the method chosen.

- The section on breaking down changes in wealth into underlying flows seems to propose a hugely extensive work effort, when it is not particularly clear the added value of deriving all financial transaction-related flows across the distribution, over and above the stock values themselves. Also, the suggestion that flows are derived as a residual from changes in stocks minus revaluation doesn’t tie with our situation, where our compilation methods work the other way around and revaluation is a residual generally. Price indices at least across the income distribution seem critical, but little is described in the section, implying much more work is needed. Examples of experimental approaches applied to date across countries would be helpful.

- It would be convenient to take into account the calculation of imputed home ownership, both the price index to be considered and the issue of depreciation and measurement. Delve into the SNA calculation methodology and carefully analyze the home purchase in the distribution methodology, given that this is the main asset of households.

13. Are there issues currently missing from the guidance note that should be addressed?

Comments made:
- More details about the wealth side, ways to collect the data, using imputations specific on this.
- Evaluate if this work would imply any change in the from-whom-to-whom matrices.
- The methodology isn’t clear about validating matching of microdata across different sources; examples for data are related to European surveys which are made with the option of a crosswalk between them. In our case, relevant data exists which could be used to improve statistical discrepancies; the matter in question is related to other sources which have an incompatibility basis since some surveys only collect labor income which creates gaps between data sources. The manual does not explain the possibilities and opportunities with a different source that is not fully compatible.
- Accounting for consumption in kind or its monetary equivalent
- The term “standard of living” can have a number of different definitions. If the chapter is to use the term - as in “Household groups can be created based on their standard of living, this can be done by looking at the relative income or wealth available to a household (i.e., aligned to national accounts’ totals)” – then this needs to be appropriately defined: Suggest that the manual should define the boundary of what it considers ‘standard of living’, to be clear what it is and what it isn’t.
- There are still big issues to be solved concerning the income concepts (for example the lottery winnings). And within the wealth concepts there are very big gaps and some theoretical concepts, which might lead to very different results between original microdata and calculations based on distributed macro data (for example on Gini
coefficient). The dealing with the gaps should be the priority before going on with calculations on distributional results. How and where the data on inter-household flows and stocks are supposed to be found?

- The focus on institutionalized households only covers part of the debate, what should be the covered population in the DINA? If you don’t want to include institutionalized households, what do you want to do with student households, or immigrants? The micro data uses a different population scope than the NA. Do you want to align with them?

- Capturing the upper income class in the surveys is an issue as they refuse to participate. Also, valuation of barter transactions may be challenging. Barter transactions are still being done in some parts of our country, and have increased because of the COVID-19 pandemic. Most transactions are also done online which are also difficult to capture.

- Detail explanation is needed for each source of income in chapter 3, item 42 (Main source of income).

- Yes, another missing point is how to deal with (or without) consumption taxes: it is possible to publish market or volume analysis.

- Despite potential operational/basic data difficulties, the classification of the emigrant transfers, depending on the final goal (for instance to build a house in the origin country – GFCF) deserves an additional reflection.

- It would be important to define calculation alternatives for the specific case of countries where data availability is limited.
14. How do you regard the feasibility of compiling results according to the guidance in this note (0-10, from not feasible at all to highly feasible)?

Average: 6.04.

15. Would your institution be interested in participating in an experimental estimate exercise?
Yes:
- Anything that you recommend to us, we will happy to get assisted throughout the process.
- Technical assistance on issue of methodological to cope up with best international practices.
- Collecting data on wealth; improving the income data at the macro level.
- Due to lack of experience we would need support throughout the process.
- Training.
- Yes, for the compilation of results in an experimental estimate exercise according to the guidance note we will need technical assistance (programmers), in a similar or greater extent than we had available to conduct the third exercise on the distribution of income, consumption, and wealth. Additional work and assistance will be needed regarding permanent income.
- Distributional results on capital and financial assets and liabilities. Resampling surveys.
- Building the framework for the distributional accounts. Improving the sourcing and collection of relevant data from official and other sources. Methodology for estimation of missing items. Advice on the linking of data across different data sources using statistical matching techniques:
  • Determining the relevant equivalence scales
  • Breaking down the changes in wealth into their underlying flows
  • Compiling price indices per household group.
- How to use admin data and alternative data sources to estimate the household sector with absent of HIES.
- Capacitation in the practical aspects of the implementation of these changes, for example, in the adaptation and merging of current sources of information.
- We express our interest in receiving guidance materials on this topic.
- Technical assistance in breaking down the households into private households, institutional households and NPISHs given limited data on NPISHs and institutional households’ consumption pattern. It would also be helpful if techniques would also be shared in measuring the wealthiest of the wealthy if data are not available.
- We would be interested to be involved in the technical working group as observer; also interested in tutorials and workshops; Coaching and sharing session with an expert.
- Practical advice in the compilation process.
- We would depend on the availability of human resources.
- Methodological training for non-accountants.
- More technical discussions than help.
- Expert assistance will be needed to integrate estimations in the framework of National Accounts.
- Methodology for calculating the welfare index.
- We’ve already participated in the most recent exercise, we could do so again without technical assistance.
- Technical assistance in the treatment of the micro-macro gap. Technical assistance to determine the different types of segmentation of the institutional sector of households.
- 1. Estimating income result from non-observed economy and illegal activity; 2. Detailing wealth based on underlying flow; 3. Linking many data source to overcome macro-micro gaps; 4. Tracking households dynamic lifecycle; 5. Method for detailing top income group (5%, 1%, etc) so the estimation quality can be hold, amid many issues in collecting data of top income group which are not usually covered in the surveys. It’s also not easy to access the ultra-high net worth earner from administrative record.

- We would appreciate your advice on the results of our currently ongoing experimental estimation. We think that official statistics should be prepared through a more prudent process.

- We might need a technical assistance when we start the data collection process.

- Some guidance on comparison of concepts of household SNA-consistent wealth and net worth and survey concepts. It is possible we would not be able to deliver all elements or parts of distributional accounts, but have recent experience in delivering distributional income and consumption is part of DiNA work.

- We would need assistance to review the available surveys and make any necessary modifications to implement the proposed methodology.

16. Do you have any other comments in relation to the guidance as described in the guidance note?

Comments:

- In the case of our country, a census of economic establishments must be carried out to help measure the household sector.

- In general, to deal with gaps between micro and macro data, method A is used in our country, which allows consistency with the levels of inequality obtained directly from household income and expenditure surveys. However, it may be useful to analyze the pros and cons of using method A over other experimental methods to align the micro-macro gap in future exercises (such as parametric adjustments), which may indicate a higher concentration of income and an increase of inequality compared to method A.

- We value this instance very positively and would like to have further participation in the process.

- The suggestions are very ambitious. Most important for the success is a comprehensive micro data basis. Especially high income earners and wealthy households often do not take part in household surveys or do not declare all their income and wealth. Without high quality micro data basis the micro-macro linking can result in statistical artifacts without reliable content.

- Using the equivalence scales means that results are always sort of "theoretical" - how should this be communicated with the users? And how and where do the different assumptions have an effect on results and how this should be communicated with the users?
The practical implementation depends on the research topic, further closing data gaps will likely be possible, breaking down balance sheet changes into flows or price indices per group would to a large extent depend on assumptions.

Every subject should be elaborated in more detailed for better user understanding.

The compilation guide is an excellent contribution for the measurements standardization of income distribution, consumption, and wealth, within the framework of national accounts, thereby contributing to international comparability.

We already produce a full set of distributional accounts for income and wealth according to the guiding principles of this note. However, some of the modifications to balancing items, such as life insurance or lottery winnings, are not done at this time.

In relation to the balancing items (question 3A), we would like to note that:
- it would be better to refer to net insurance premiums/benefits. Final household consumption already includes the part of insurance services paid by households.
- for what concerns lottery winnings, it could be useful to distinguish among them on the basis of their size. Small ones could remain as income component.

We consider this area of interest on which economic analysis can be drawn regarding the well-being of household sector. As we are at the starting point of developing sector accounts, we have no capacity to participate in this exercise.

It is an inspiring challenge to add this chapter in the SNA revision and we provide full support for this.

We have some comments regarding the following points of the note:

- Para. 17. The breakdown between institutional and private households is not a realistic option in our view for the financial wealth. There is no information available to do so neither in sources of information of the Financial Accounts nor in our HFCS, and there are no medium or long-term prospects that this information could become available.
- Para. 19. We don’t see the rationality of applying these scales to wealth as to the other balancing items. We distribute financial wealth by household size in our HFCS, but we don’t see the need to introduce that in the distributional measures.
- Para. 32. We think that there are more items that could or should be left out of an alternative wealth concept, apart from non-life insurance technical reserves, such as financial derivatives or currency. There may be not information available to distribute some instruments and/or linking financial accounts with distributional sources may be too difficult due to low comparability. An example to follow could be the adjusted wealth concept developed in the Expert Group Distributional Financial Accounts of the ECB.
- Para. 41. Regarding the proposal related to introduce permanent income, in our view, it is not clear how to measure this concept. This could be confusing for users and could damage robustness and credibility, being better to stick to the ground of results obtained from observed data.
- We would like to note the importance of measuring consumption comprehensively, including home production, in order to shed better light on living standards and inequality.