

# Global Consultation : Distribution of Household Income, Consumption and Wealth

*17<sup>th</sup> Meeting of the Advisory Expert Group on National Accounts*

*19 November 2021, Agenda Item 11.1*

*Presented by: Amanda Seneviratne*

**Australian Bureau of Statistics**  
Informing Australia's important decisions



# Thank You

- Area group for drafting the guidance note
  - Lucas Chancel, Vania Etropolska, Dennis Fixler, Hakam Jayyousi, David Johnson, Margarida Martins, Andrea Neri, John Sabelhaus, Amanda Seneviratne, Pierre Sola, Ani Todorova, Richard Tonkin, Jose Valdes Martinez, Dominic Webber and Jorrit Zwijnenburg
- AEG members for their comments
- Jorrit Zwijnenburg, Sarah Barahona and OECD staff for collating and summarising the global responses
- Countries that made up the 55 global responses

- Background
- Global Consultation
  - Survey Results
  - Implication for the Guidance Note
- Questions for AEG

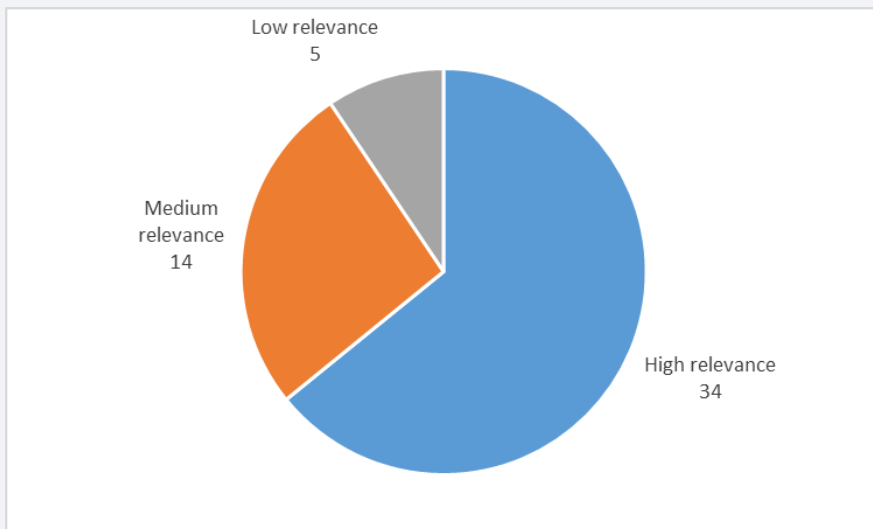
## **Include a chapter to the SNA, focusing on the compilation of household distributional accounts in line with national accounts (NA) totals**

1. Highlight importance (relevance) of distributional information
2. Discuss the scope of the work: household sector as unit of observation
3. Discuss specific balancing items of relevance to household distributions
4. Present possible breakdowns of the household sector
5. Highlight specific issues in the compilation of distributional results
6. Highlight the importance of communication - along with the need to explain how they differ from other (e.g. micro) distributional findings

## Global consultation survey:

- Focused on the issues summarized previous slide to be included in the SNA chapter
- Dissemination/publication of results
  - Frequency
  - Granularity
  - timeliness
- Practical Implementation
  - Feasibility
  - Participation experimental results

# Is this topic of relevance for your country?



## Comments

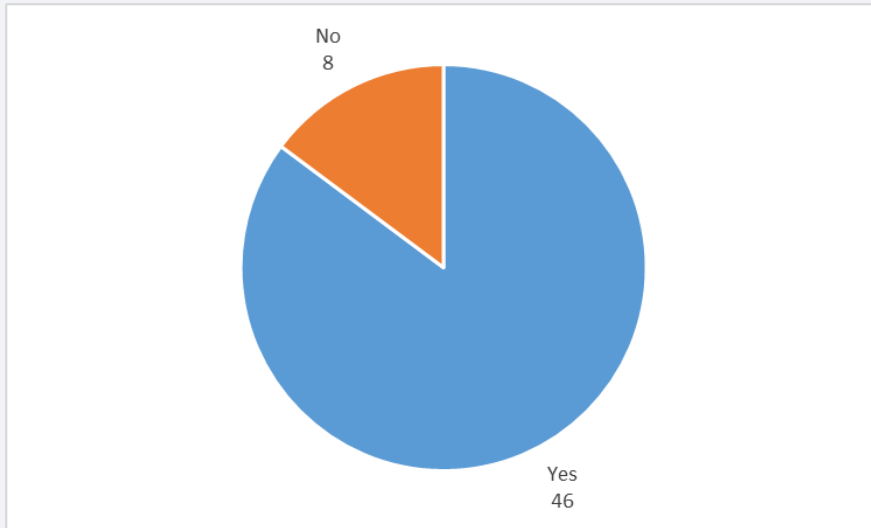
### High/Medium:

- Demand from general users and policy makers
- Already producing estimates and understands their importance for policy
- Increasing living standards, welfare and social protection of the population are among the main priorities of policy. The multidimensional estimates within the SNA will expand the possibilities for analyzing and monitoring the results of reforms and government programs

### Low

- Lack of sector accounts, survey data and resources
- Lack of interest from users

# Do you agree with the main balancing items for the purpose of distributional analyses, for income, consumption and net worth?



## Comments

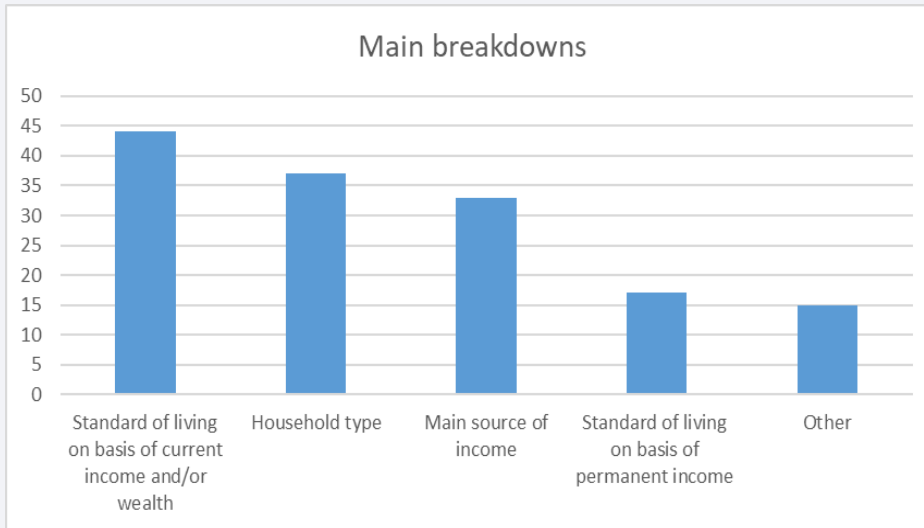
### Yes

- No comments received

### No

- Disagreement by some countries for some balancing items e.g. inclusion of social security for wealth
- Very confusing for users. Main interest of providing distributional measures in the NA 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

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

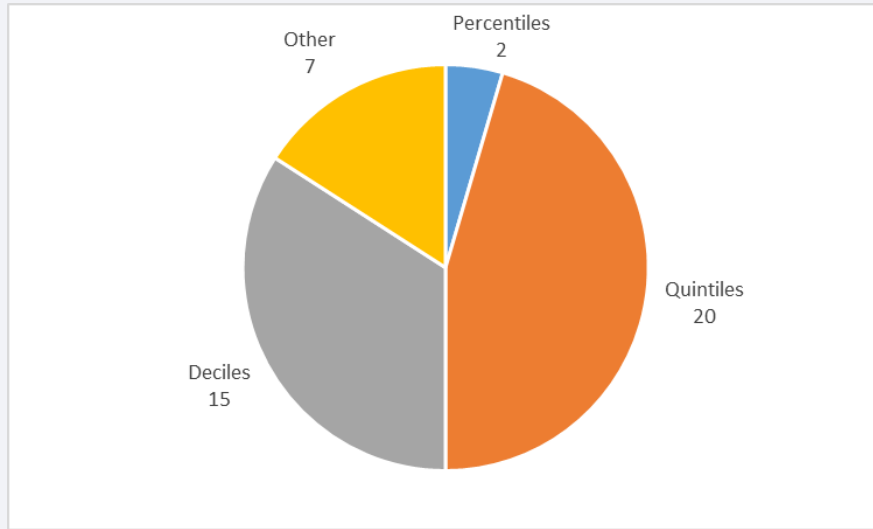


## Comments

- Manual should be illustrative rather than prescriptive - breakdowns of interest may be country specific and user driven
- Standard of living on basis of permanent income
  - require further consideration, plus it would make the compilation exponentially more difficult
- Other breakdowns suggested
  - Age of the reference person
  - Geographical areas e.g., urban versus rural or specific regions
  - Labour market status
  - Housing status
  - Education level of reference person



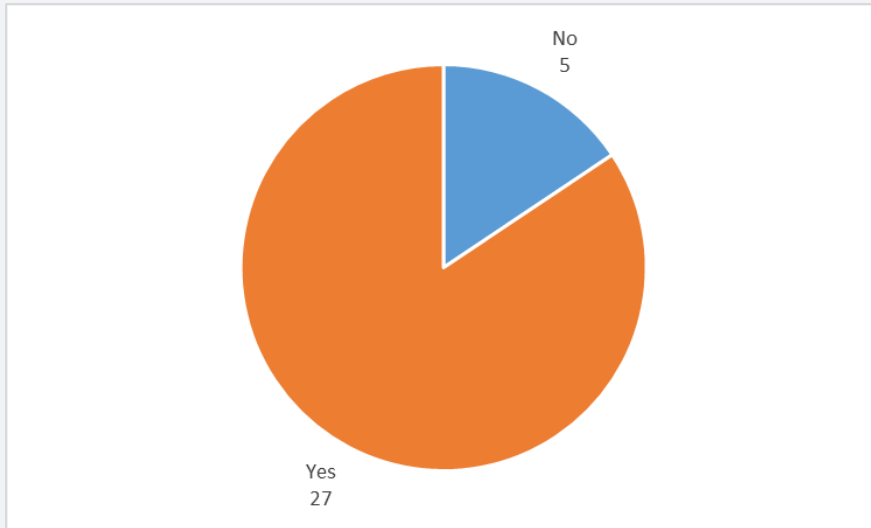
# What level of detail should be targeted for the breakdown by Standard of living on basis of current income and/or wealth?



## Comments

- Quintiles - main focus, with top and bottom 10%, and the top 1%
- Deciles, but within the top show percentiles
- Quintiles for income; deciles for wealth

# Do you agree with this classification of main sources of income (MSI) ?



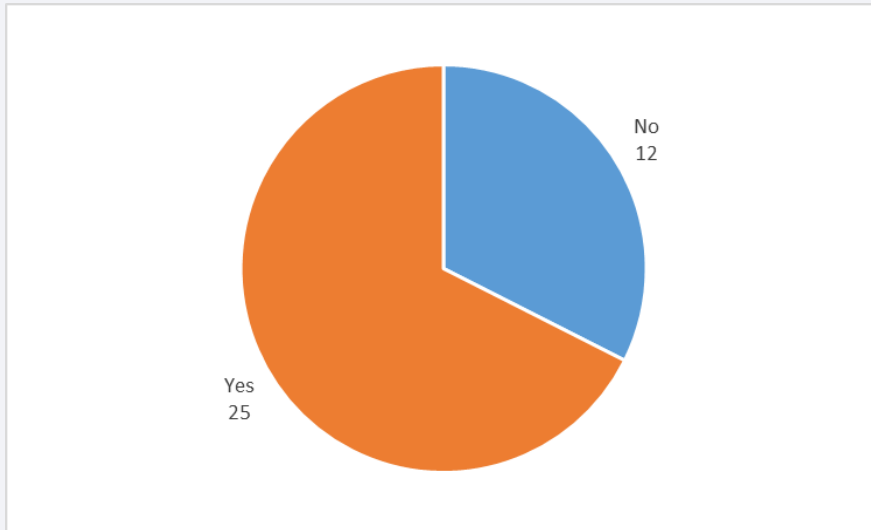
## Classification MSI:

- wages and salaries
- income from self-employment
- net property income
- net current transfers received

## Comments

- Category 'net current transfers received' brings together quite different households and is not a particularly useful grouping, breakdown further:
  - social assistance benefits and other; or
  - pensions and other

# Do you agree with this classification of household types?



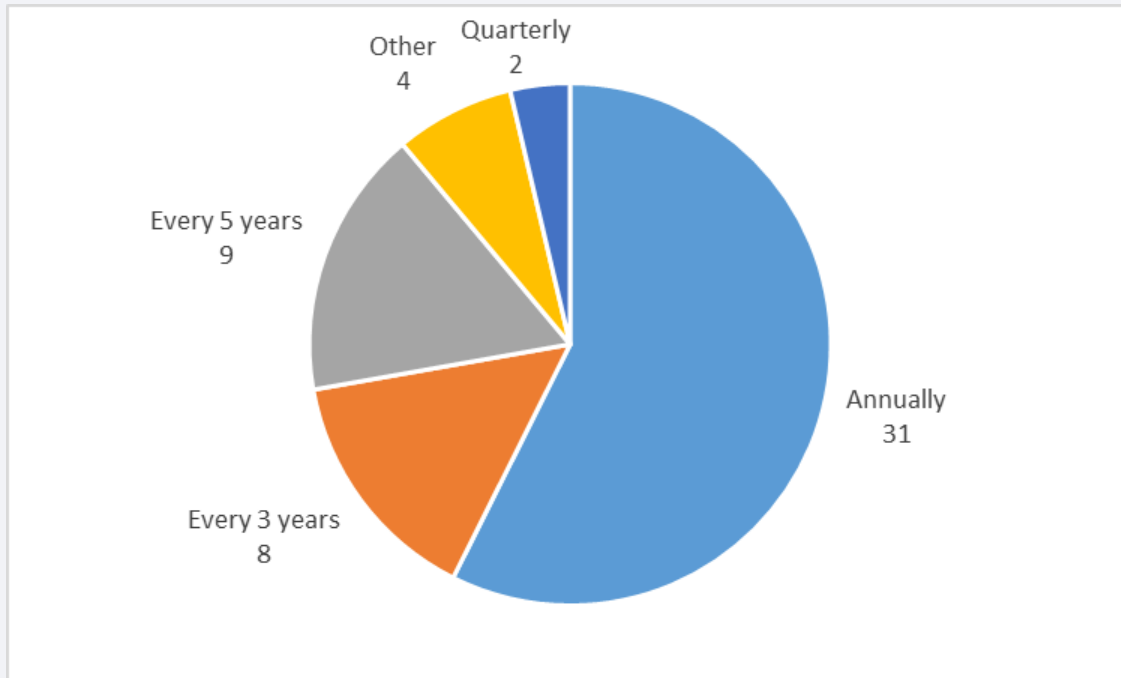
## Classification household types:

- single less than 65 years old
- single 65 and older
- single with children living at home
- two adults less than 65 without children living at home
- two adults at least one 65 or older without children living at home
- two adults with less than 3 children living at home
- two adults with at least 3 children living at home
- other

## Comments

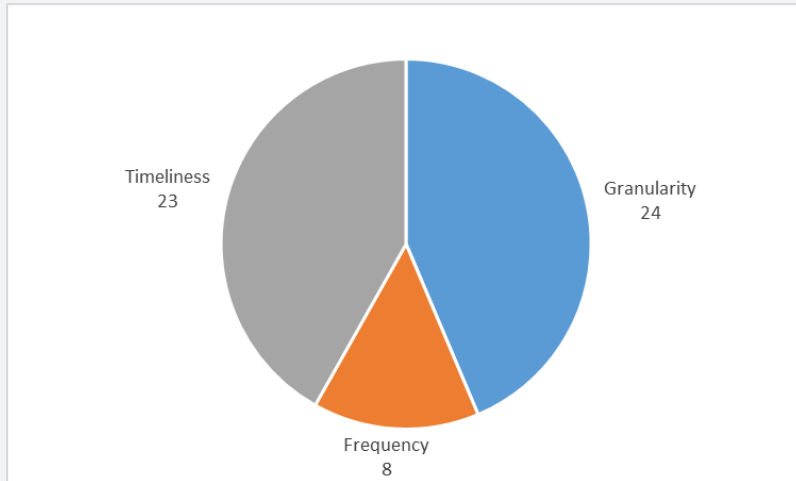
- Many comments on possible different age brackets e.g. instead of 65 years, move to retirement age
- Microdata are generally not of sufficient quality to cross-tabulate age with household type. Instead focuses on household type (single and multiple) and age as separate distributions
- Category on 'co-parenting households'

# What frequency should be targeted for the distributional results?



# In developing distributional estimates, please rank the priority (1 to 3) of granularity, frequency or timeliness?

## Number of times ranked first



### Comments

#### Granularity:

- 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.
- Distributional aspects of income and wealth are structural features of the economy

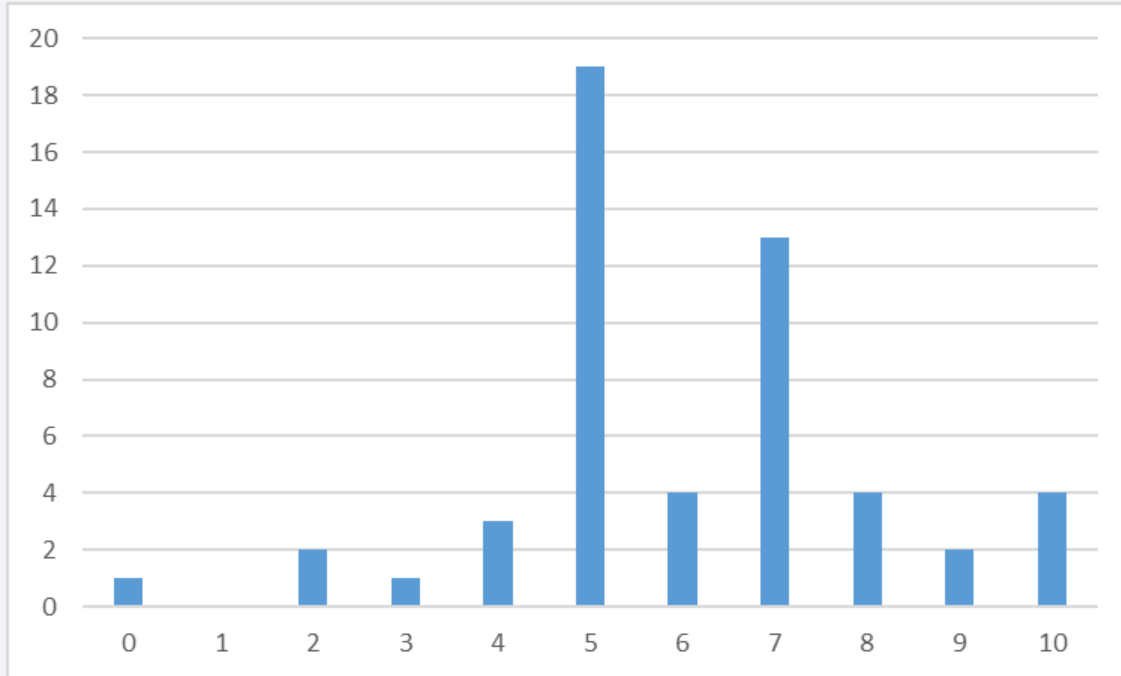
#### Timeliness:

- utility of the distribution analyses is improved if their release is timely, coinciding with the same release date as the annual national accounts (household institutional account) data.
- in order to increase its use as a policy tool.
- more aggregate estimates

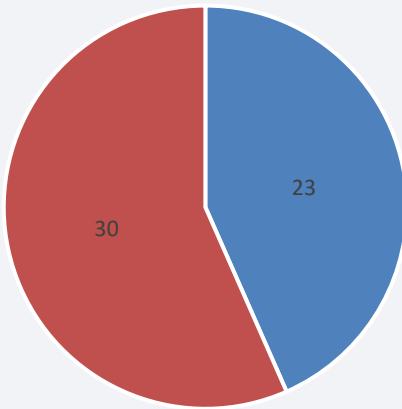
#### Frequency :

- is necessary in order to assess a trend. Trends are generally more relevant than levels of income inequality

# 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)?



# Would your institution be interested in participating in an experimental estimate exercise?



■ No ■ Yes

## Yes - Participant Categories

1. already participating in expert groups (e.g. OECD/Eurostat EGDNA) –advanced assistance
2. producing estimates independently – quality assurance and technical discussion
3. Beginner to NA household distributional

## Possible plan to address participation

- For countries not members of expert groups – expert groups to send out invitations – either as members or observers
- Other countries who are beginners, alternate ways to address technical assistance will be discussed by area group and task team on Well-Being and Sustainability

## **Global consultation resulted in overall support for the inclusion for a chapter in the SNA, focusing on the compilation of household distributional accounts in line with national accounts (NA) totals**

Due to some comments received we will review parts of the guidance note to:

- Ensure balance in revised SNA Manual that sets out the framework and classifications, versus sources and methods, some respondents felt we had strayed too far to sources and methods
- Alternate balancing items for distributional estimates – need further reflection
  - Main interest of providing distributional measures in the NA framework is to be able to calculate relative magnitudes in terms of national accounts aggregates (e.g. gross disposable income) which require complete conceptual consistency with the core national accounts
  - if we do keep alternate balancing items for distributions (received support from global consultation), we need to provide clarity in the guidance note that the core NA accounts balancing items are not changing
- Standard of living on basis of permanent income. Did not receive majority support as household breakdown, however economic shocks to household income such as COVID-19 government support policies has illustrated the importance of this indicator



- The feedback received from global consultation will be reviewed by the area group, and guidance note will be updated
- If update to guidance note minor, we will circulate to AEG for written comments
- If update to guidance note is substantial, we will present the updated guidance note at a future AEG meeting

- Does AEG have any comments on the feedback received from the global consultation ?
- Does AEG have any initial views on whether or not to proceed with the alternate balancing items for distributional estimates ?
- Does AEG have any other comments on household distributional accounts ?

**Thank you for your time**

