



Inequality through lens of household distribution accounts in System of National Accounts

Jorrit Zwijnenburg

Beyond GDP sprint session 5: Mapping distributional frameworks

14 September 2023



@OECD_Stat



OECD Statistics



www.oecd.org/sdd



www.stats.oecd.org



Contents

- Introduction
- Scope of the EG DNA and EG DHW work
- Main users of the data
- Main questions that may be answered
- Main benefits of using the EG DNA and EG DHW framework





Introduction





Introduction

- **Clear need** for systematic, robust and comprehensive data on economic inequality
- A lot of information is already available from **micro statistics**, but increasing emphasis on importance of alignment to **macroeconomic** aggregates
- Various initiatives by **international statistical community** (e.g., UN NTA; OECD EG DNA; ECB EG DFA; Eurostat TF HDA) and **academia** (e.g., WID.world)
- **Several countries** are already publishing distributional results in line with NA totals
- However, a lot of work is still needed, among others to **broaden** the range of countries and to increase the **quality, granularity, frequency** and **timeliness** of the results
- Specific ambitions expressed in the new **G20 Data Gaps Initiative**
- The **SNA 2025** will include a specific section on the compilation of household distributional results in line with NA totals



Distribution of income, consumption and saving

- OECD and Eurostat launched an [Expert Group on Distributional National Accounts](#)
- Group developed [template](#) and [guidelines](#), and engaged in three data collection rounds
- Calculations performed by members of the group: AUS, AUT, BEL, CAN, CHE, CHL, CZE, DEU, DNK, ESP, FIN, FRA, GBR, IND, IRL, ISR, ITA, JPN, KOR, LUX, MEX, NLD, NZL, PRT, SVK, SVN, SWE, USA, ZAF
- Centralized approach to compile results for countries not engaging in work
- Several countries have started to [publish](#) their results
- Results have been included in [online databases](#) of OECD and Eurostat
- The work continues, focusing on broadening the [coverage](#) and improving the [quality](#), [granularity](#) and [timeliness](#), also in view of the new DGI-3



Distribution of wealth

- OECD launched an [Expert Group on Distribution of Household Wealth](#) (EG DHW) in 2023
- Group will develop [template](#) and [guidelines](#), and engage in collection rounds
- Calculations will be performed by members of the group: AUS, AUT, BEL, CAN, CHE, CHL, CRI, CZE, DEU, DNK, ESP, EST, FIN, FRA, GBR, GRC, HRV, IRL, ITA, JPN, KOR, LTU, LVA, MEX, NLD, NOR, NZL, PRT, ROU, SVK, USA, ZAF
- Work will leverage off work already done by the [ECB Expert Group on Distributional Financial Accounts](#) (EG DFA) and by various countries already compiling distributional wealth results
- [Centralized approach](#) will be developed to compile results for countries not engaging in work
- First results expected [by end-2024](#)



Distributional results as part of new G20 DGI (1)

- Data Gaps Initiative dates back to 2007/08 [Global Financial Crisis](#) and the need to develop more timely and accurate information for policy makers
- There have been two phases already and, in 2022, the G20 launched a [new DGI](#) with the aim to focus on gaps in areas of:
 - Climate change
 - [Household distributional information](#)
 - Fintech and financial inclusion
 - Access to private and administrative data and data sharing



Distributional results as part of new G20 DGI (2)

- **Joint work** by OECD (lead), ECB, Eurostat, IMF, UN and World Bank
 - Recommendation 8: Distributional results on income, consumption and saving in line with national accounts totals
 - Recommendation 9: Distributional results on wealth in line with national accounts totals
- **Target:**
 - By **end-2024**: Results for 2021, 2022 and/or 2023 at income/wealth **quintile** level
 - By **end-2026**: Annual results within 1.5 years after reference period at income/wealth **decile** level and, if possible, according to main source of income and household type
- **Second best:**
 - By end-2026: Results at least every 3 years, published within 4 years after reference period, at income quintile/decile level



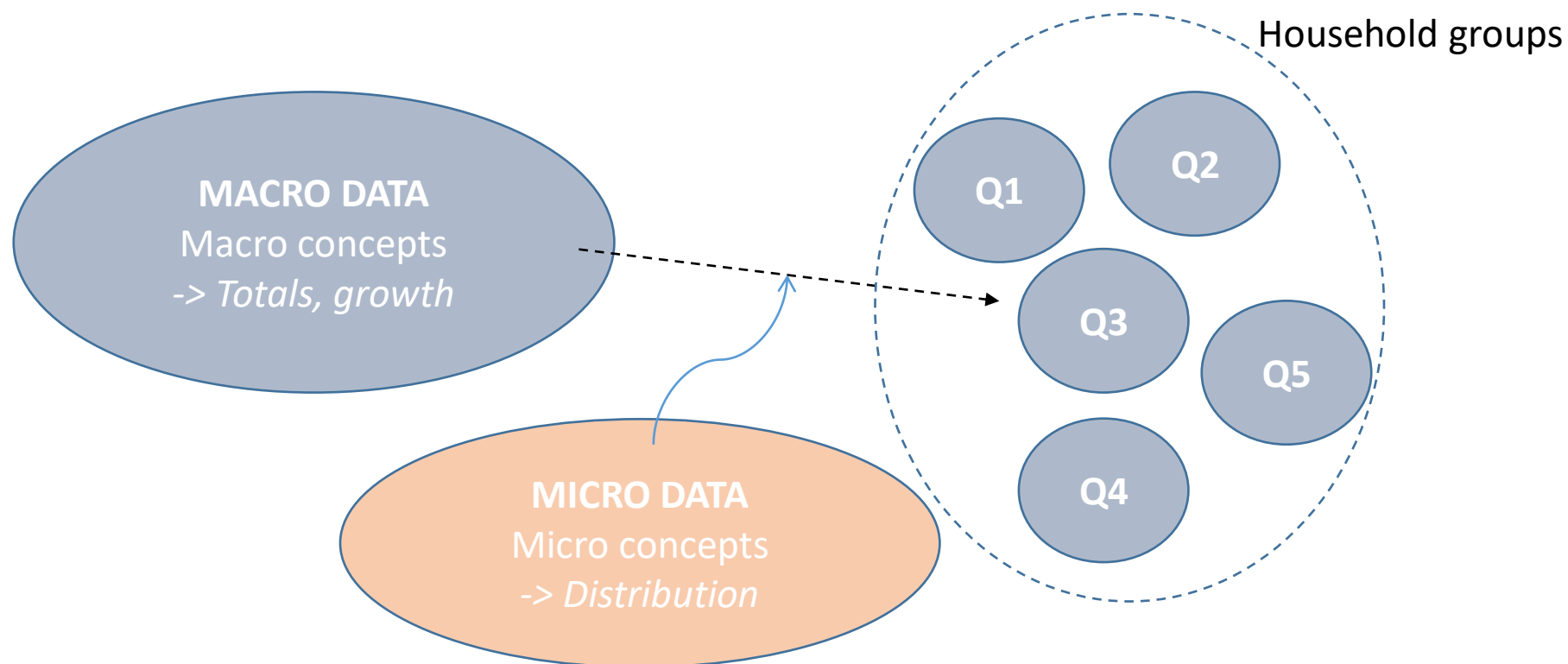
Scope of the work





Aim of the projects

Develop methodology to produce **distributional** results for household **income, consumption and wealth** consistent with national accounts concepts using micro data sources

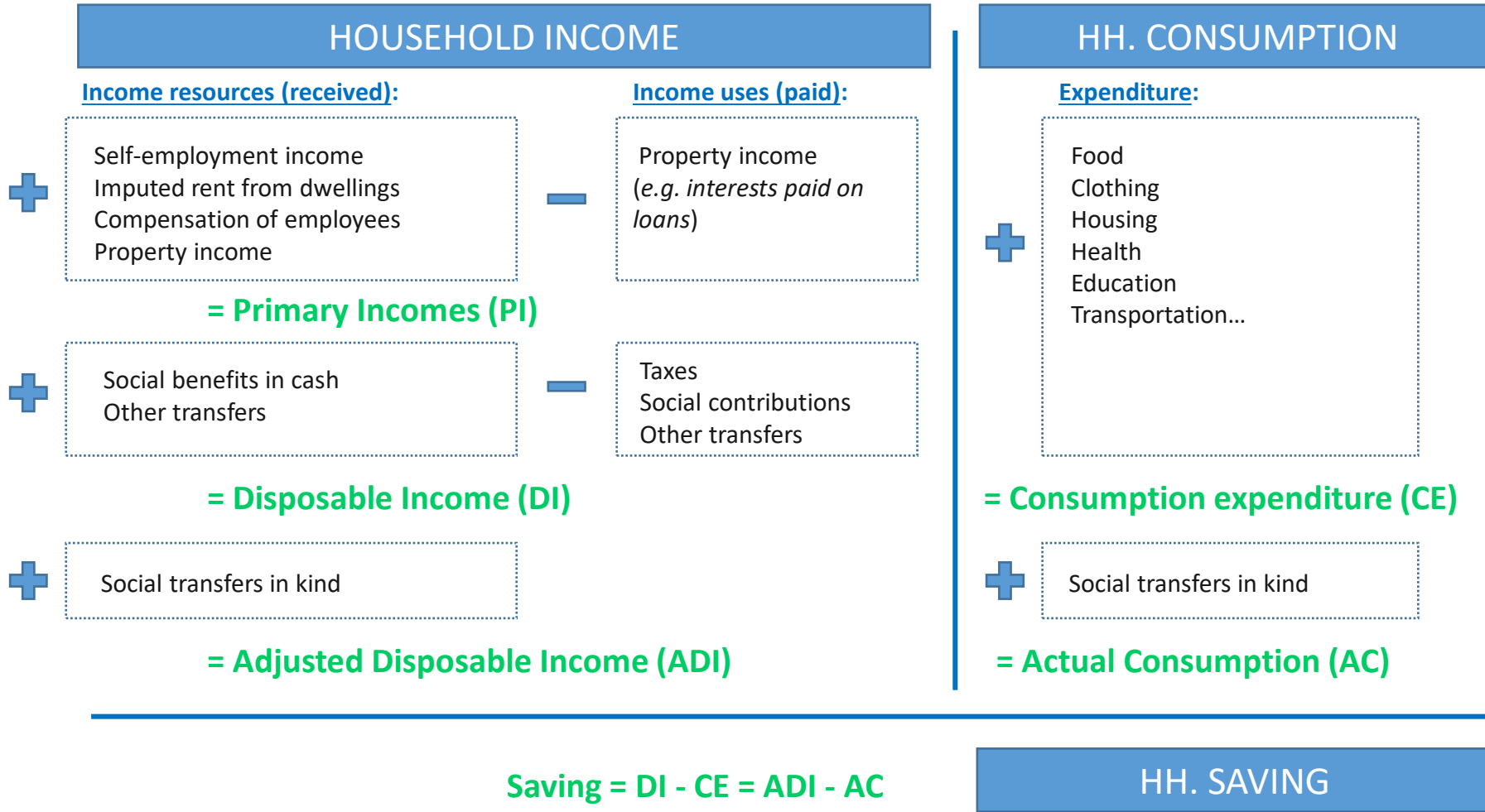




Scope of the project

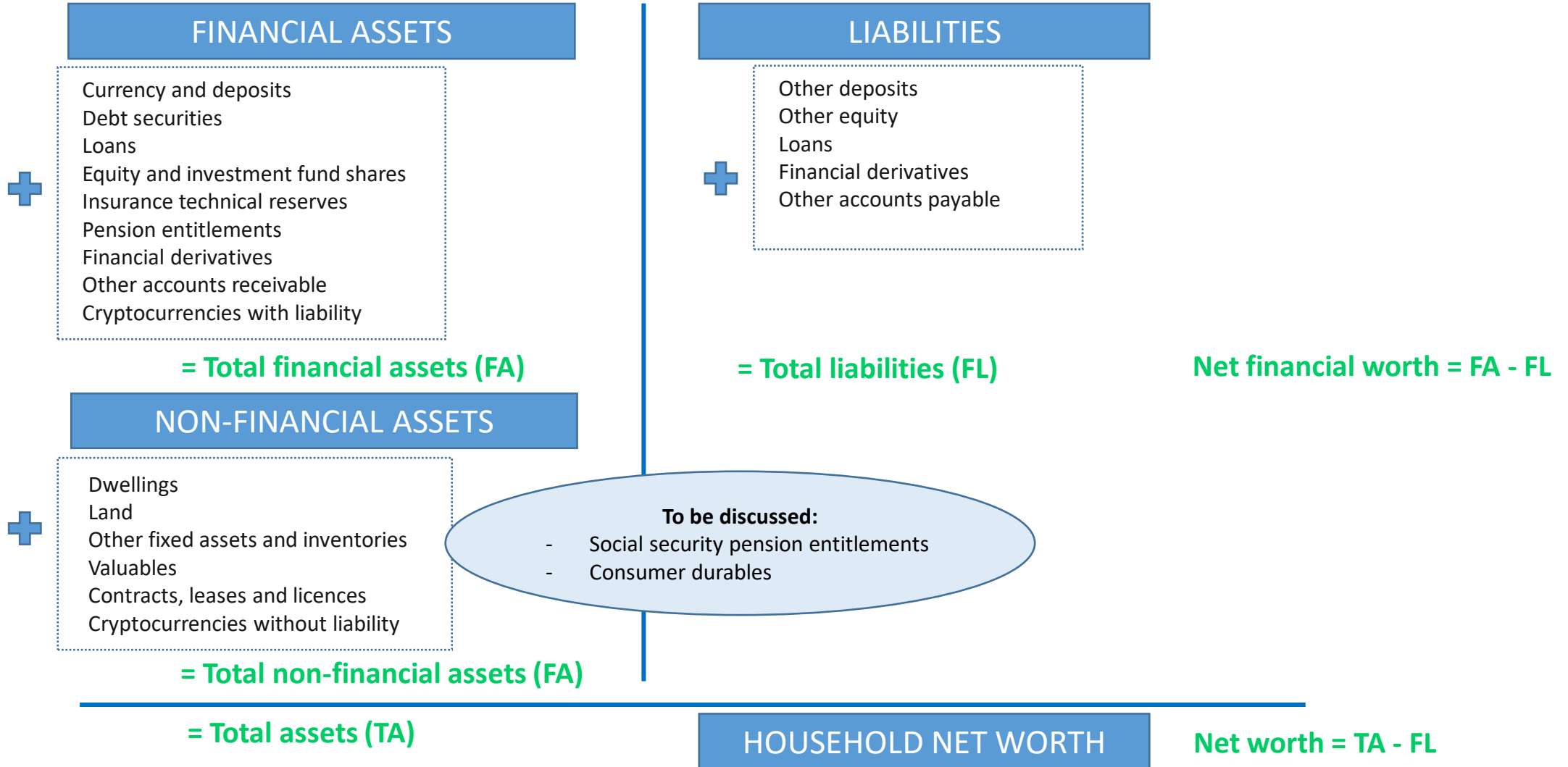
- Distributional results for various **household groupings**:
 - **Standard of living** by disposable income and net wealth group (quintile/decile/percentile)
 - Main source of income
 - Household type (size and composition of the household)
 - ...
- The unit of analysis is the **household**, with a focus on private households
- **Equivalence scales** are used to arrive at comparable results across households
- Also collection of **socio-demographic information** (age, gender, education level, housing status, etc.) accompanying the distributional results

Income and consumption concepts



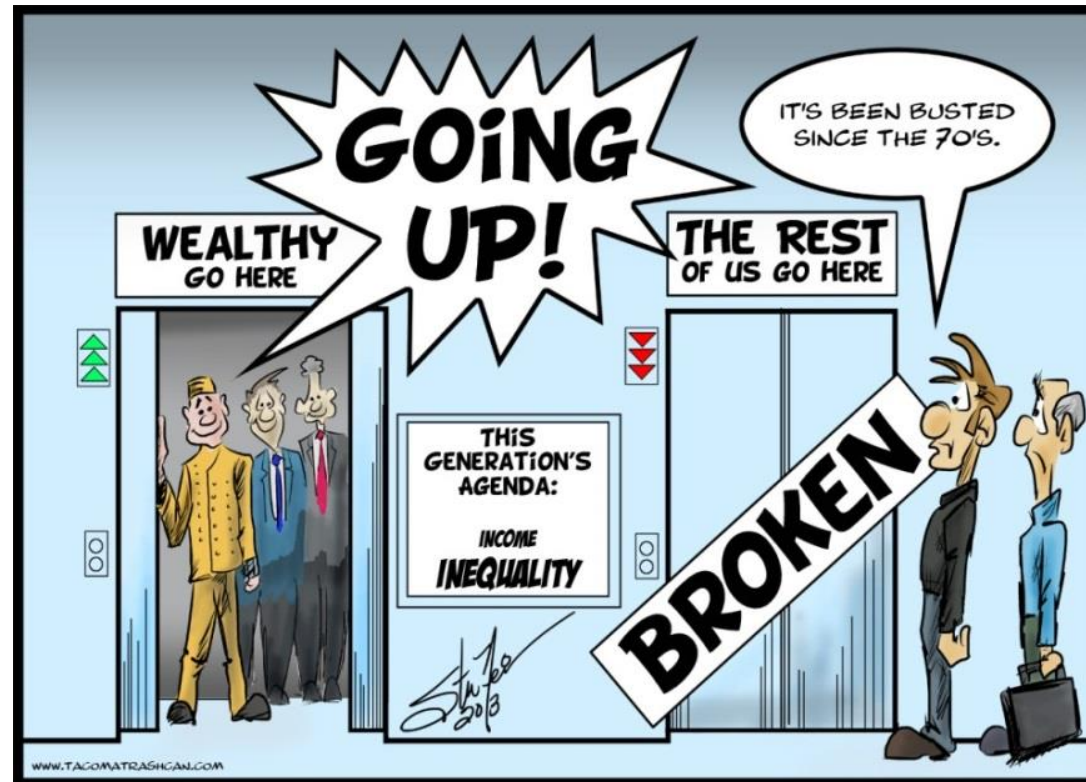


Wealth concepts (still under discussion)





Main users of the data





Main users of the data

The data can be used to 1) **monitor** impacts of specific events or phenomena, 2) **identify** issues and 3) **evaluate** the impact of specific policies

Main users:

- **Policy makers**
 - Monetary policy (e.g., which households may be affected by changes in interest rates?)
 - Financial stability (e.g., which households have high debt-to-income ratios?)
 - Fiscal policy (e.g., what is the impact of re-distributional policies on different groups of households?)
 - Social policy (e.g., how many households are at risk of poverty?)
 - ...
- **Media** (newspapers; magazines; radio/television; websites; ...)
- **Researchers** (academia; journalists; analysts; ...)
- **General public**



Main questions to be answered





Main questions that may be answered

- How unequally **distributed** are income, consumption and wealth?
- How has income/consumption/wealth inequality **changed** over time?
- To what extent is income, consumption and wealth **concentrated** in the same group of households?
- What items are **driving change** in inequality?
- How do countries **compare** in terms of inequality?
- How does **redistribution** affect inequality?
- How have household groups been affected by **specific events** (e.g., GFC, COVID)?
- Which households may be **vulnerable** to specific events (inflationary pressures)?
- How have specific **policies** affected specific household groups?
- Which households report **negative savings** and/or negative wealth?
- Which **individuals** are more concentrated at the lower and at the higher end of the distribution?
- ...



Main benefits of the framework



Main benefits of using the EG DNA and EG DHW framework

- Data are **coherent** with macroeconomic aggregates
 - Provides a more **comprehensive** picture of economic inequality, including elements not covered in micro statistics (e.g., social transfers in kind)
 - It captures households and transactions that are typically underrepresented in micro data
 - It broadens the scope for **macroeconomic analyses**
- Data are consistent across income, consumption and wealth
 - Improves the **quality** of the results by the ability to cross-check the results
 - Provides the opportunity to assess inequality in **three dimensions** (e.g., are households at the bottom of the income distribution also at the bottom of the consumption and wealth distribution?)
 - Helps to derive important **multivariate indicators** (such as consumption-to-income ratio; debt-to-income ratio; liquid assets-to-income ratio)
 - Assists to derive **more aggregate measures** of income (e.g., adjusted disposable income + holding gains)
- Data are **comparable** over time
- Data are comparable across countries



THANK YOU!



@OECD_Stat



OECD Statistics



www.oecd.org/sdd



www.stats.oecd.org