



DISTRIBUTIONS OF HOUSEHOLD INCOME, CONSUMPTION AND WEALTH

INTERNATIONAL WORKSHOP ON THE
UPDATE OF NATIONAL ACCOUNTS, 2008
SEPTEMBER 6-8 2022

*SESSION 6: DEVELOPMENTS IN WELL-BEING
AND SUSTAINABILITY*

Presented by Jorrit Zwijnenburg



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



Importance of distributional information



Importance of distributional information

- **Traditionally** there is a lot of focus on macroeconomic aggregates such as GDP and GNI
- However, more demand for information on well-being and sustainability, including its **distribution** across households
 - Aggregates and averages only provide a partial picture
 - May conceal large discrepancies between households
- Important to focus on three dimensions of material well-being simultaneously, i.e. income, consumption and wealth
- Benefit of distributional results within National Accounts' framework: **coherent, consistent and comparable**



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
 - Consideration: 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
 - Consideration: 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 (1)

- Importance of taking into account **inter-household flows and stocks** (remittances, bequests, second-hand trade)

The starting point of the work may be consolidated data

- 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 transfers): actual value approach

- Difficulty of **linking data** across data sources

Exact or statistical matching



Practical, conceptual and methodological issues (2)

- **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
 - Compilers should be transparent on equivalence scale used
- Breaking down **changes in wealth** into underlying flows
 - Assumptions may need to be made on revaluations
 - Confrontation with savings from non-financial accounts
 - Difficulty of changes in composition of household groups over time





Thank you for your attention!



Jorrit.Zwijnenburg@oecd.org