

Better insights in household inequalities – Distributional national accounts

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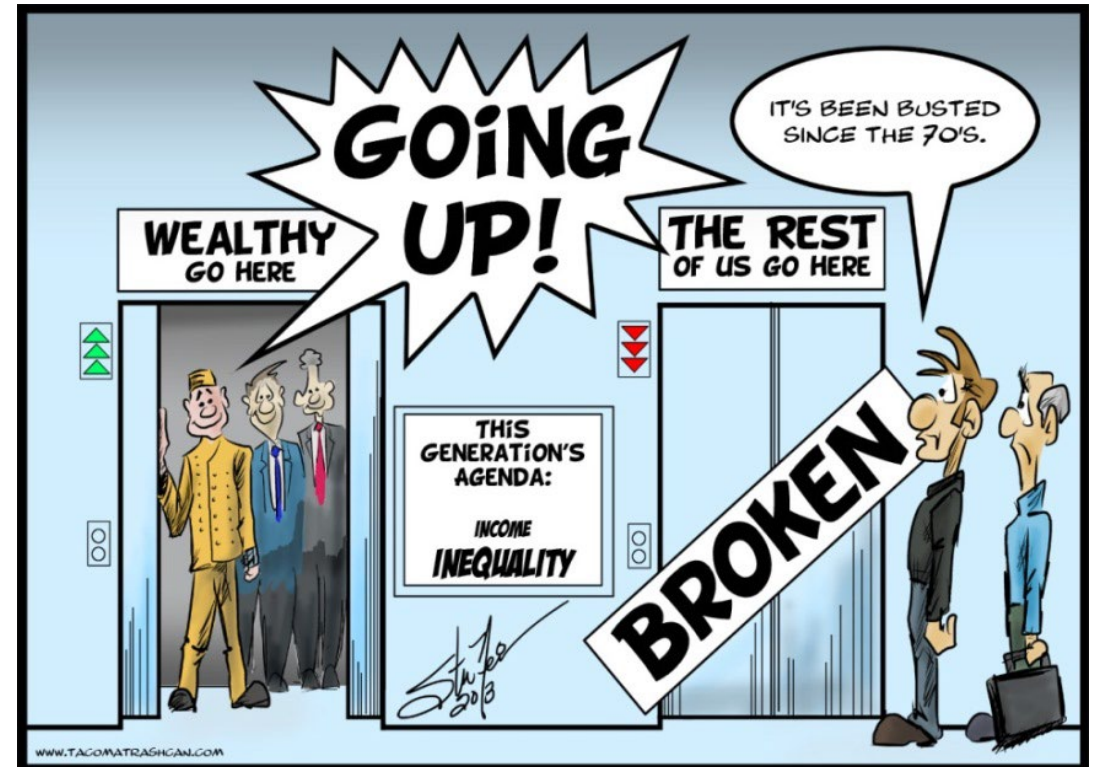


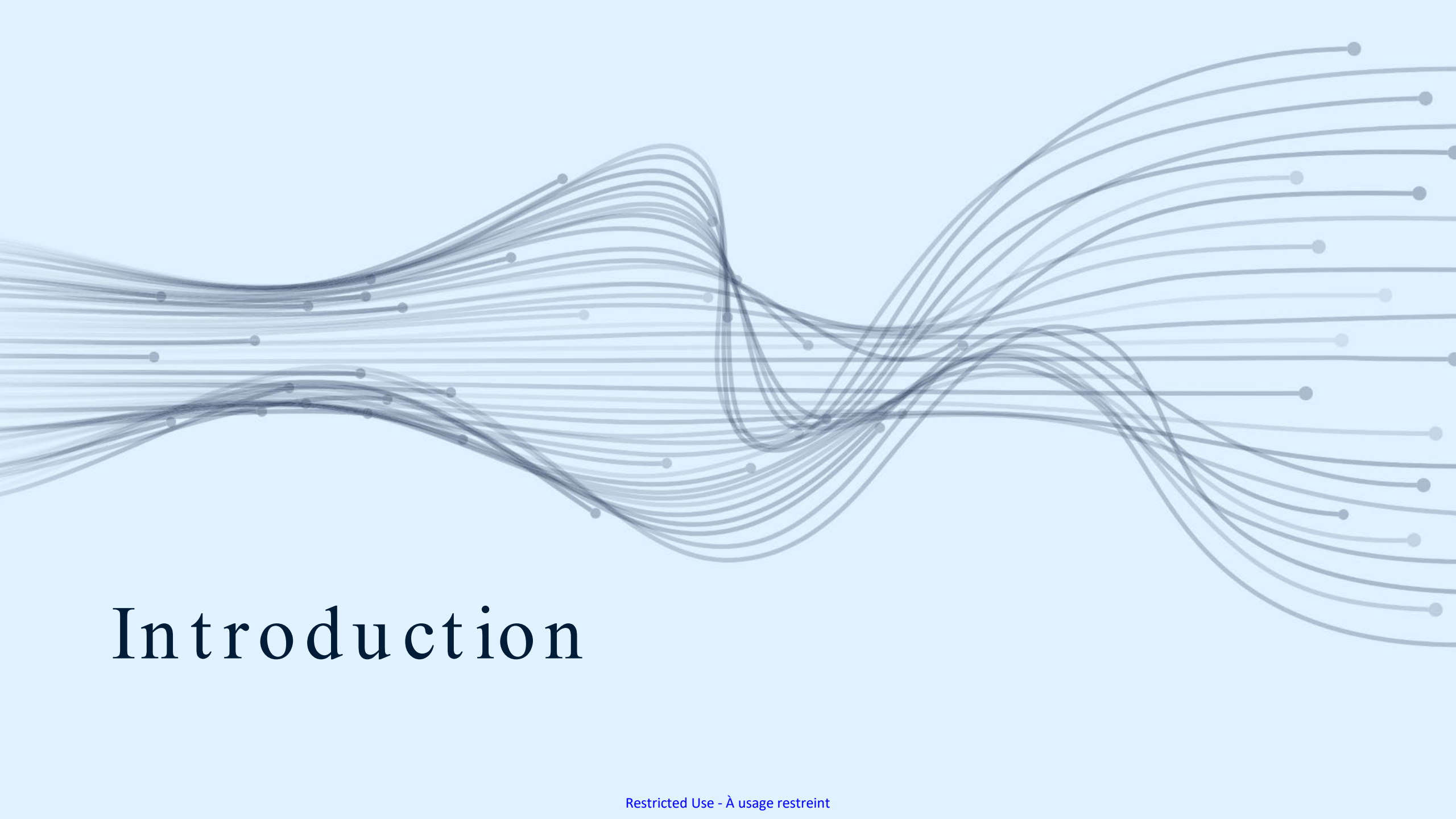
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- Aim and scope of the work
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Introduction

» 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
 - **More comprehensive** picture of economic inequality, including elements not covered in micro statistics (e.g., social transfers in kind)
 - In line with **important macroeconomic aggregates**, such as GDP, providing users with “**drill-down**” possibilities for key macroeconomic aggregates
 - Capturing households and transactions that are typically **underrepresented** in micro data
 - A high degree of **international comparability**
- Specific ambitions expressed in the **G20 Data Gaps Initiative**
- The **2025 SNA** includes a specific section on household distributional results

» Distributional results as part of G20 DGI

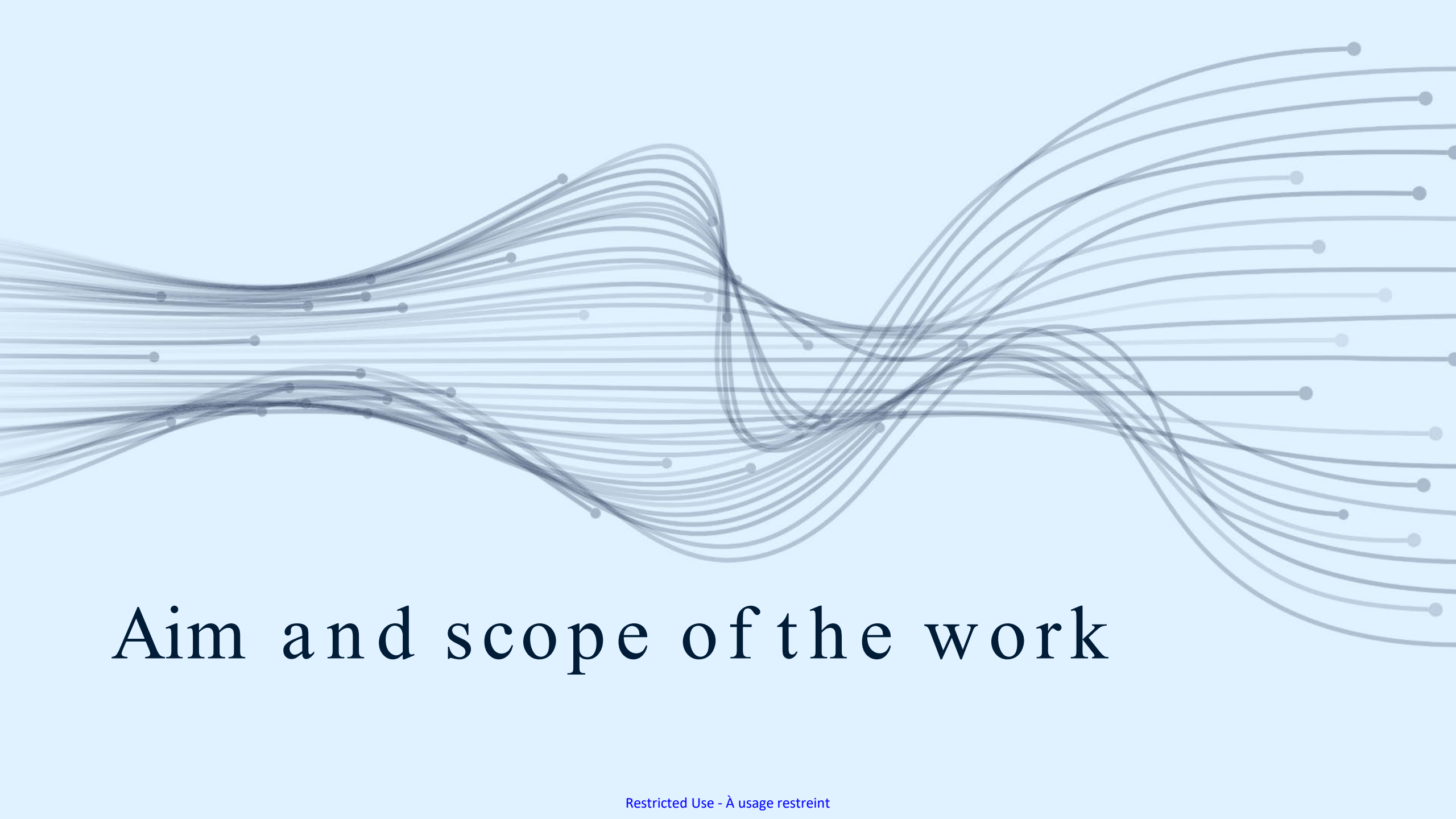
- Joint work by OECD (lead), ECB, Eurostat, IMF, UN and World Bank
 - Recommendation 8: Distributional results on income, consumption and saving in line with national accounts totals
 - Recommendation 9: Distributional results on wealth in line with national accounts totals
- Target:
 - By early-2025: 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

» Distribution of income, consumption and saving

- More than a decade ago, the OECD and Eurostat launched an [Expert Group on Distributional National Accounts](#) (EG DNA)
- Group developed [template](#) and [guidelines](#), and a [handbook](#) was published early 2024
- Calculations performed by members of the group: AUS, AUT, BEL, BRA, 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 (in R code) to compile results for countries not engaging in work
- Several countries already regularly [publish](#) their results and results are included in online databases of OECD and Eurostat
- The work continues, focusing on broadening the [coverage](#) and improving the [quality, granularity](#) and [timeliness](#)

» Distribution of wealth

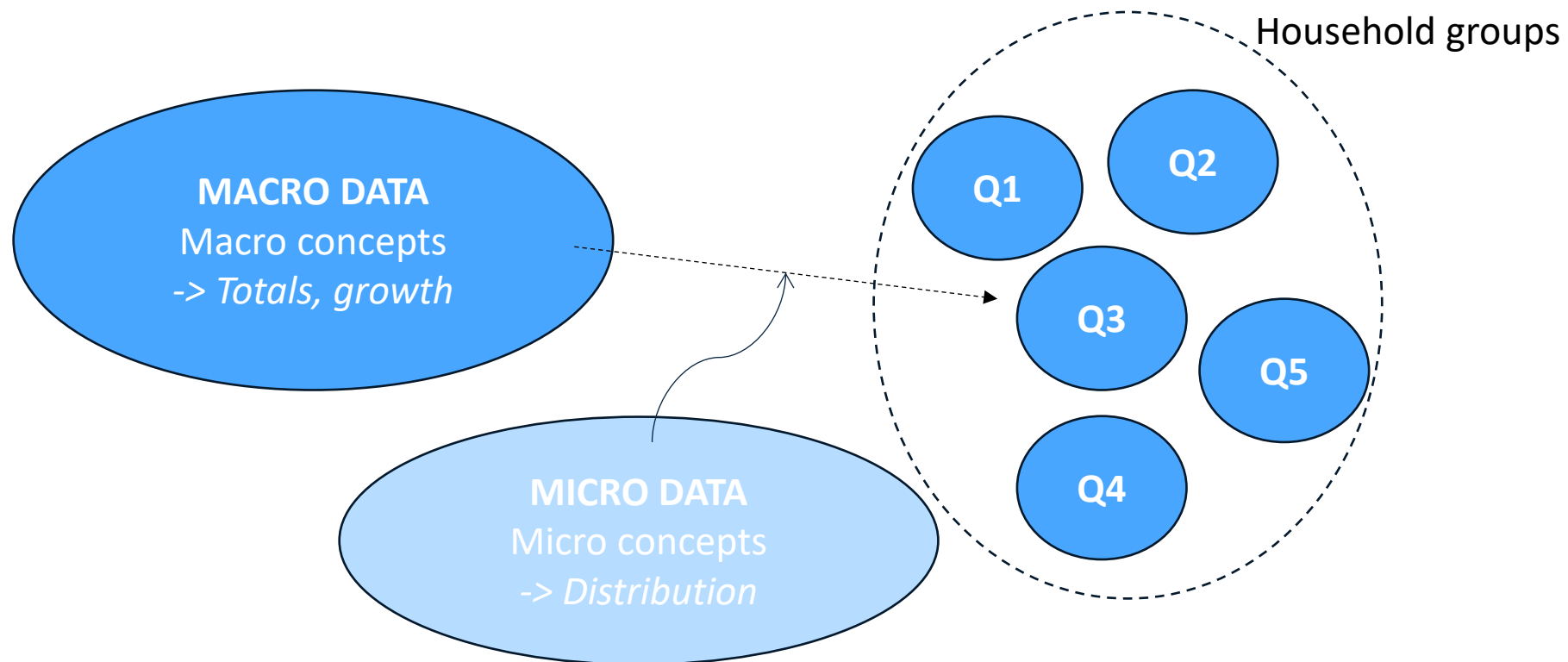
- OECD launched an [Expert Group on Distribution of Household Wealth](#) (EG DHW) in 2023
- Group is developing [template](#) and [guidelines](#), and plans to engage in collection rounds
- Calculations will be performed by members of the group: AUS, AUT, BEL, CAN, CHE, CHL, CRI, CZE, DEU, DNK, ESP, EST, FIN, FRA, GBR, GRC, HRV, IRL, ITA, JPN, KOR, LTU, LVA, MEX, NLD, NOR, NZL, PRT, ROU, SVK, USA, ZAF
- Work leverages 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 (in R) to compile results for countries not engaging in work
- First results received [early 2025](#), still limited in scope, focusing on financial wealth (excluding occupational pension entitlements) and housing wealth
- Subsequently, the [scope will be expanded](#), to also include business wealth, occupational pensions and other items (e.g., social security pension entitlements, consumer durables)

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Aim and scope of the work

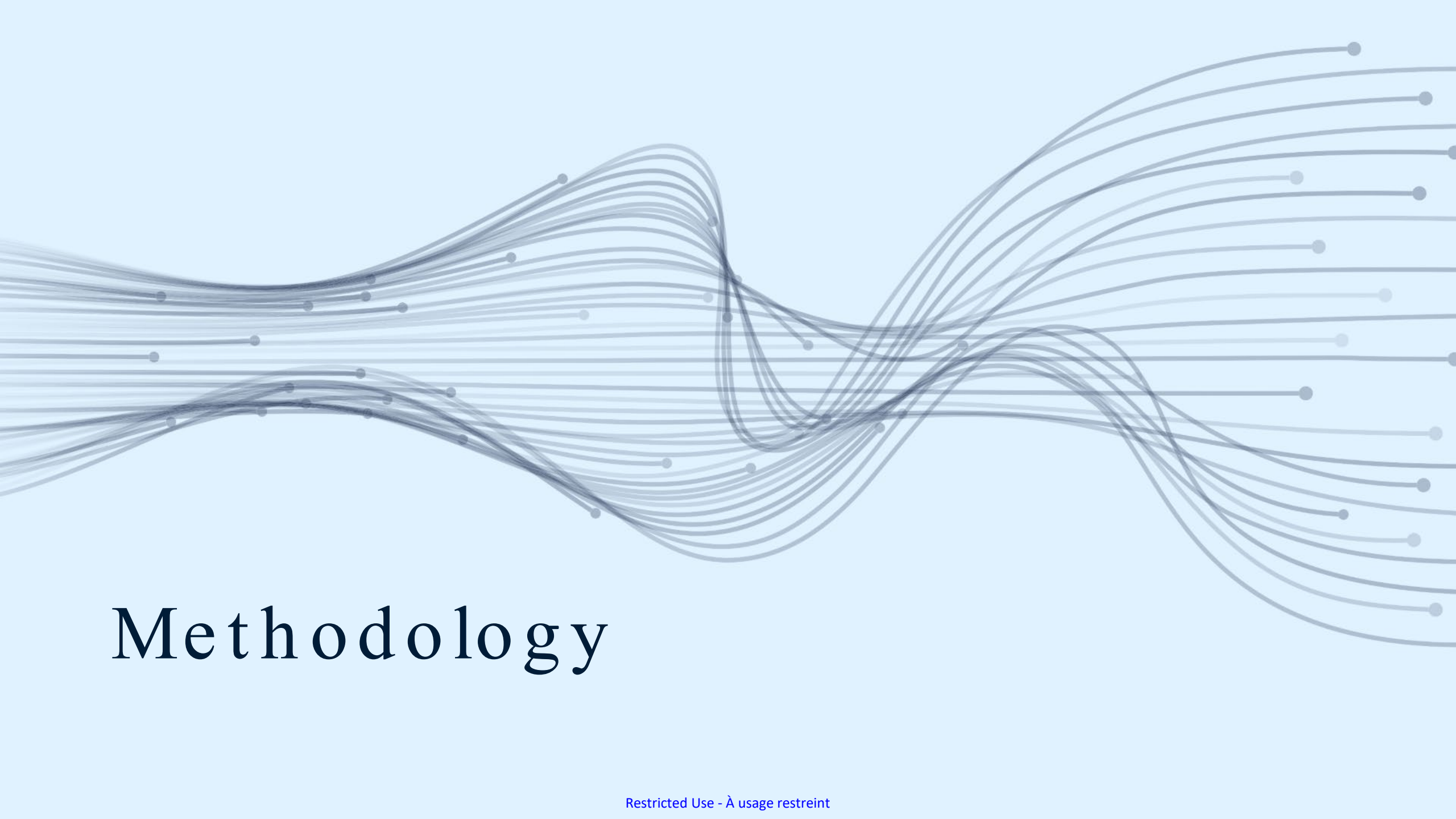
» Aim of the work

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



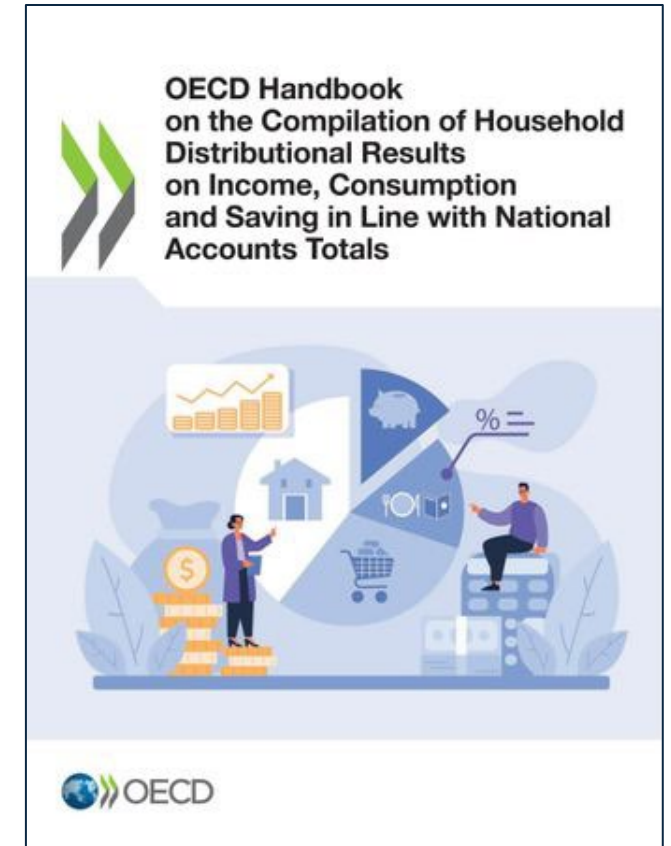
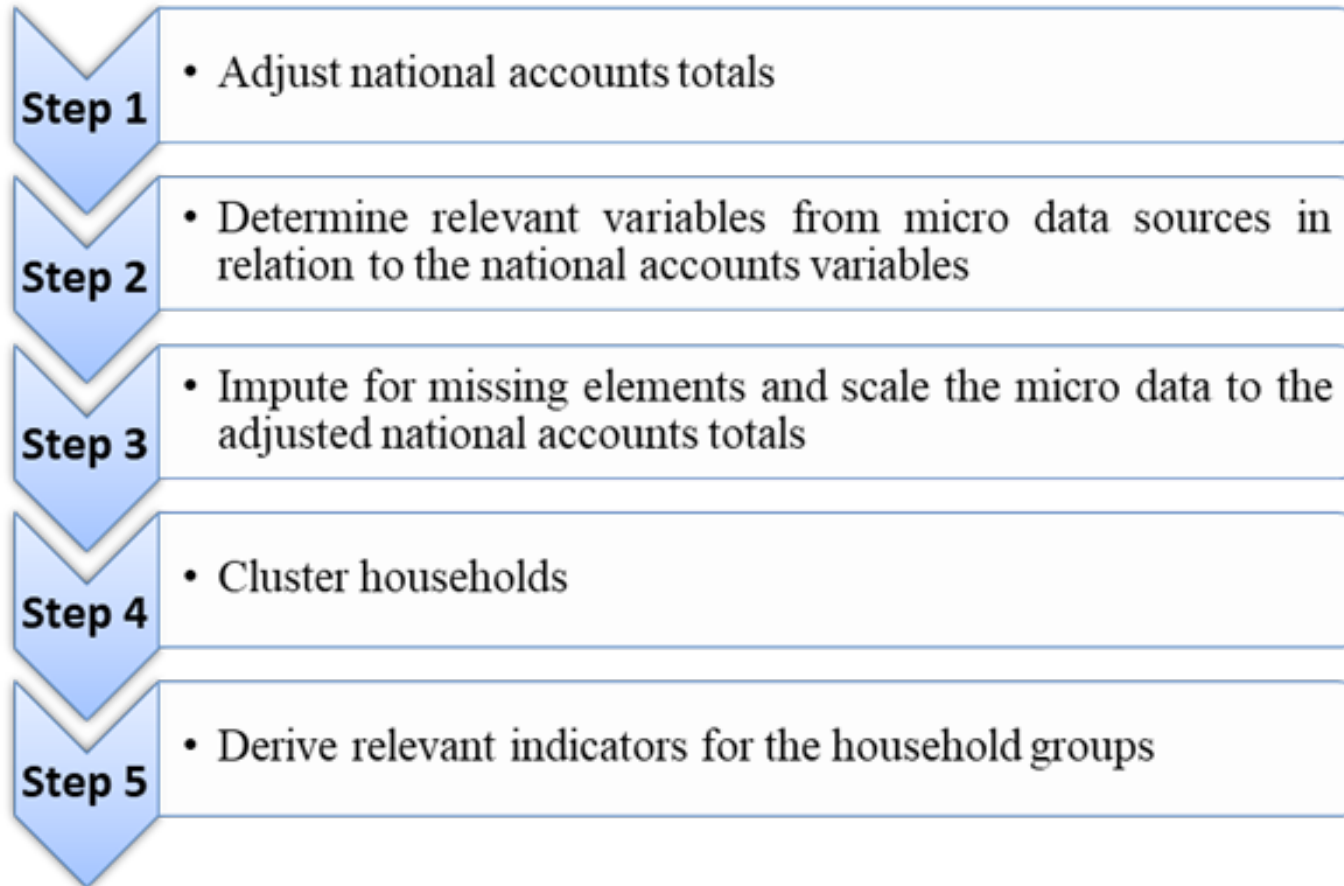
»» Scope of the project

- 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, although there is still ongoing discussion what scale would be most appropriate for wealth
- Also collection of **socio-demographic information** (age, gender, education level, housing status, etc.) accompanying the distributional results

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Methodology

» Step-by-step approach

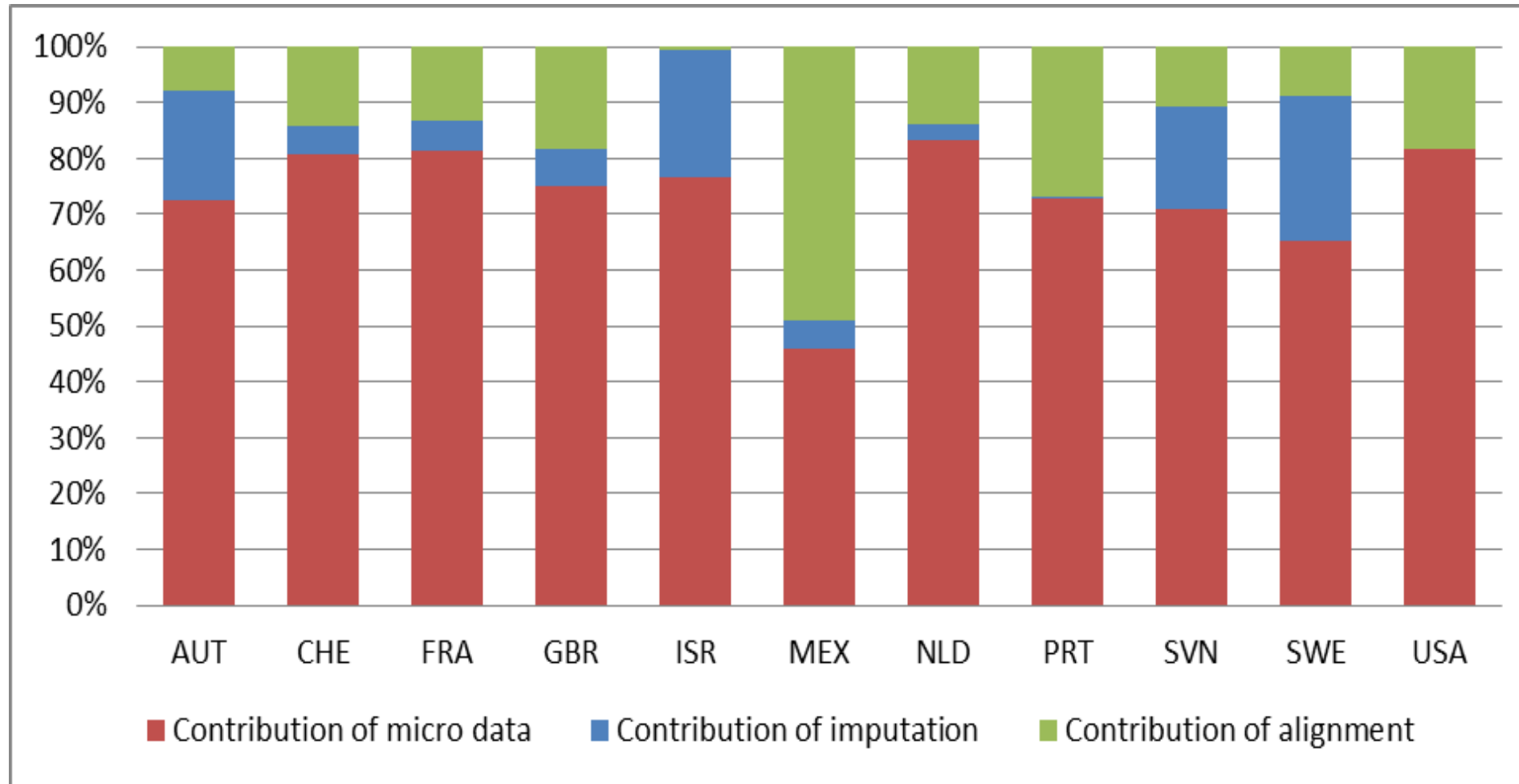


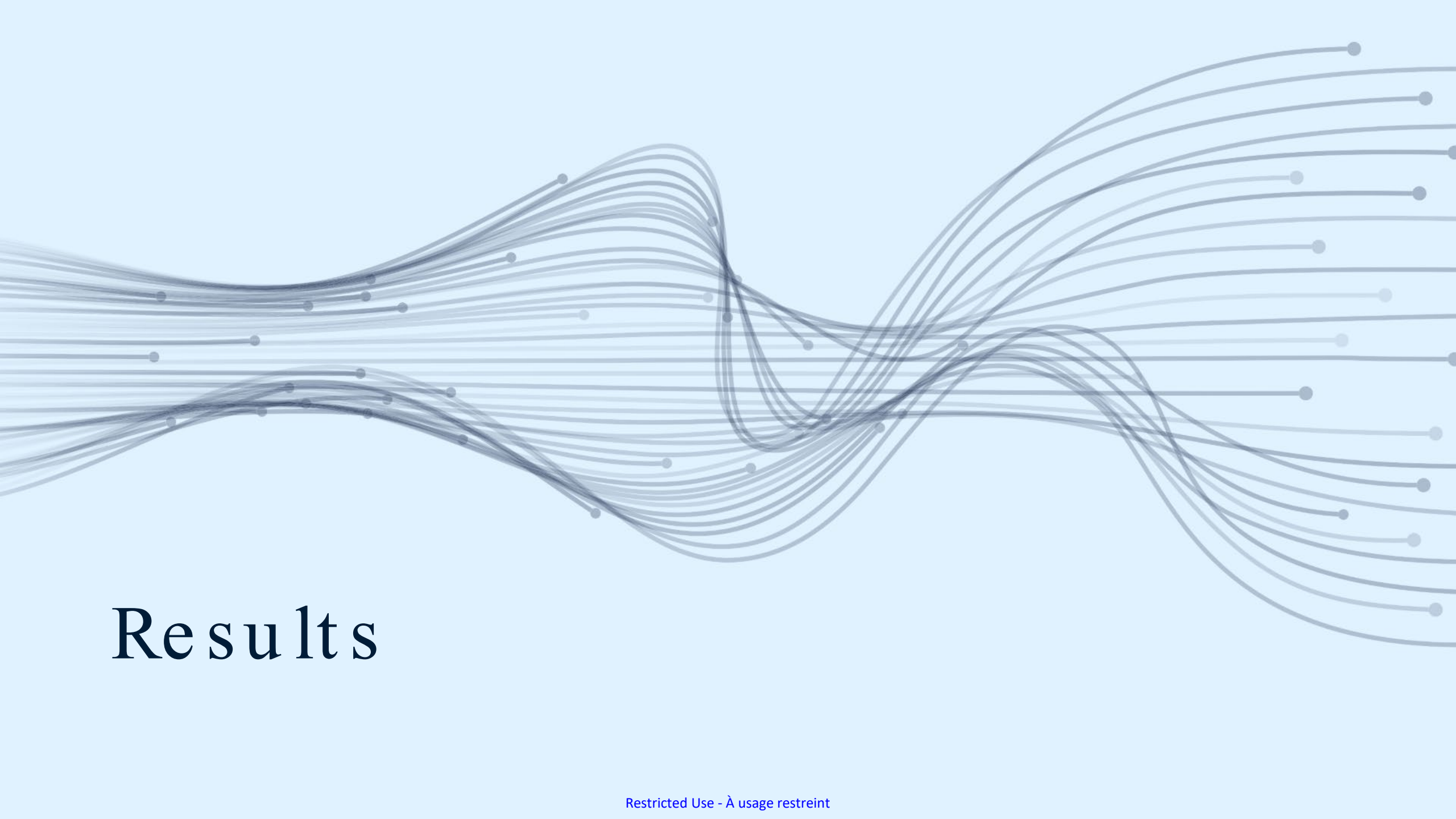
» Main challenges

- Not all items/elements may be covered in micro data sources
 - Some items are specific to the system of national account
 - Some groups of people may not be covered in micro data sources
 - Some (sub)items may not be covered by micro data sources (e.g., income from informal activities)
 - Imputations will be needed before linking the available micro data to the NA totals
- Furthermore, micro aggregates will normally deviate from the macro aggregates
 - It is important to bridge these micro-macro gaps in the best possible way

» Impact of imputations and alignment

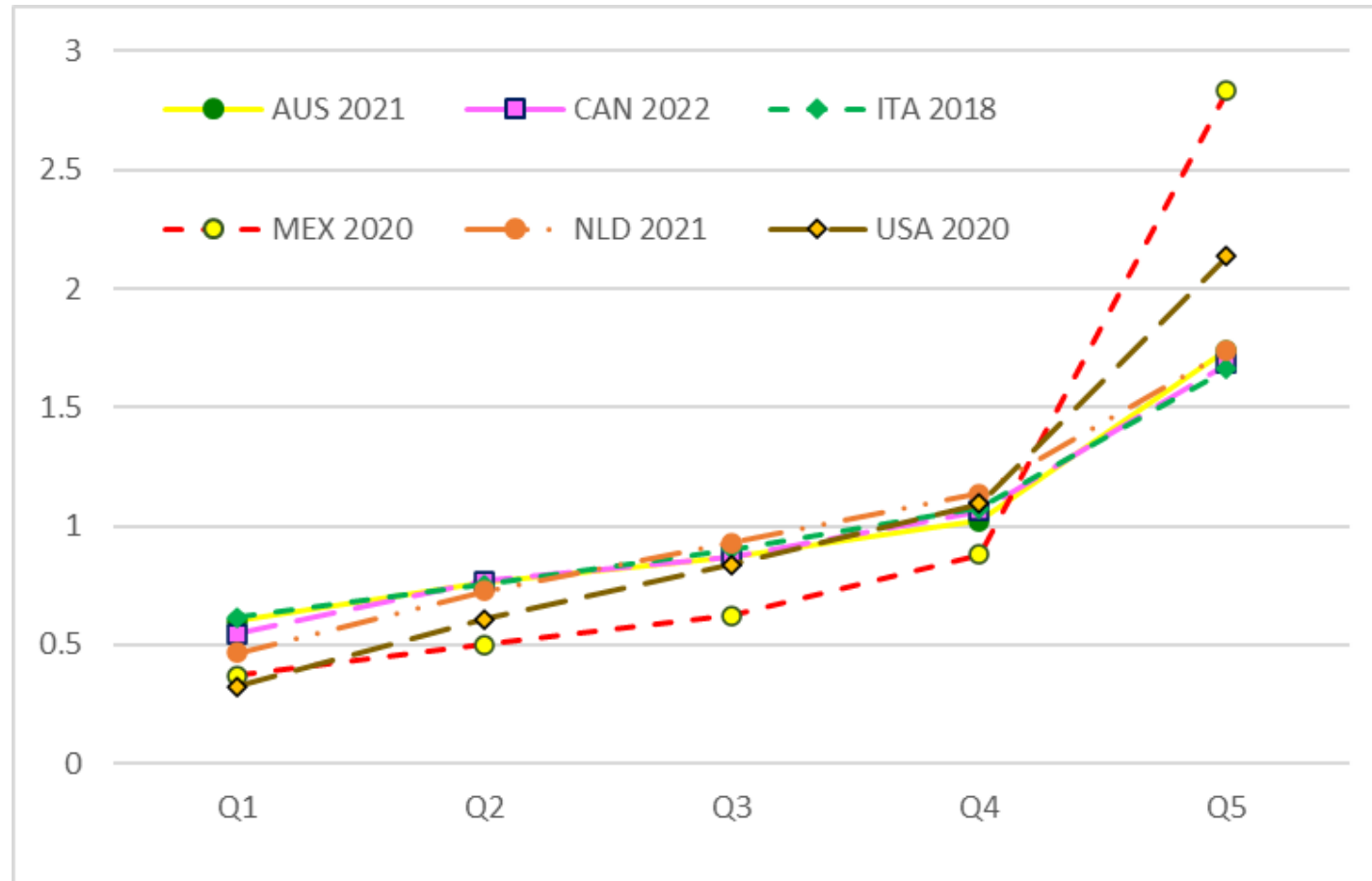
Contributions to adjusted disposable income flows



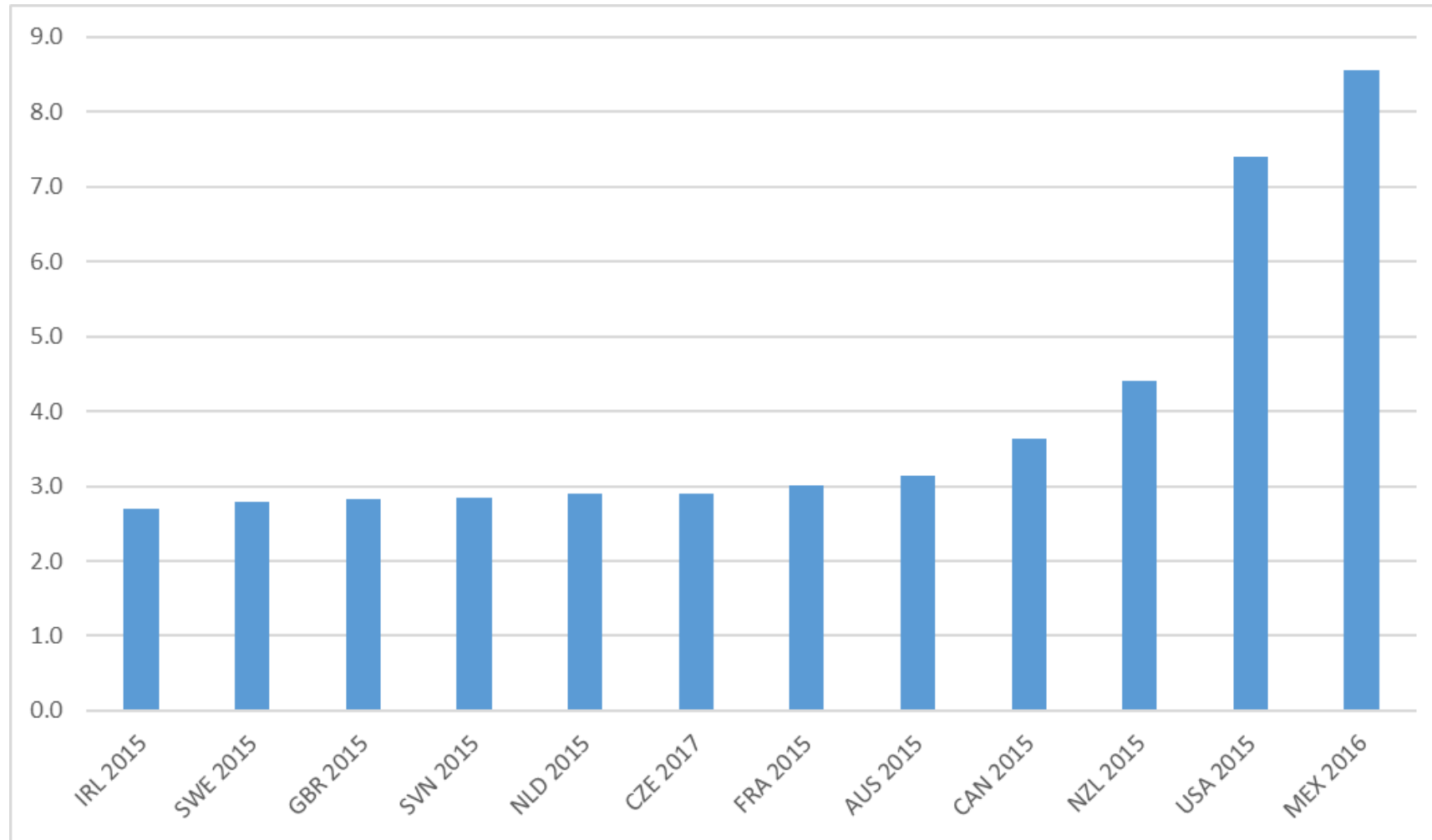
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Results

Ratio to average - Adjusted disposable income

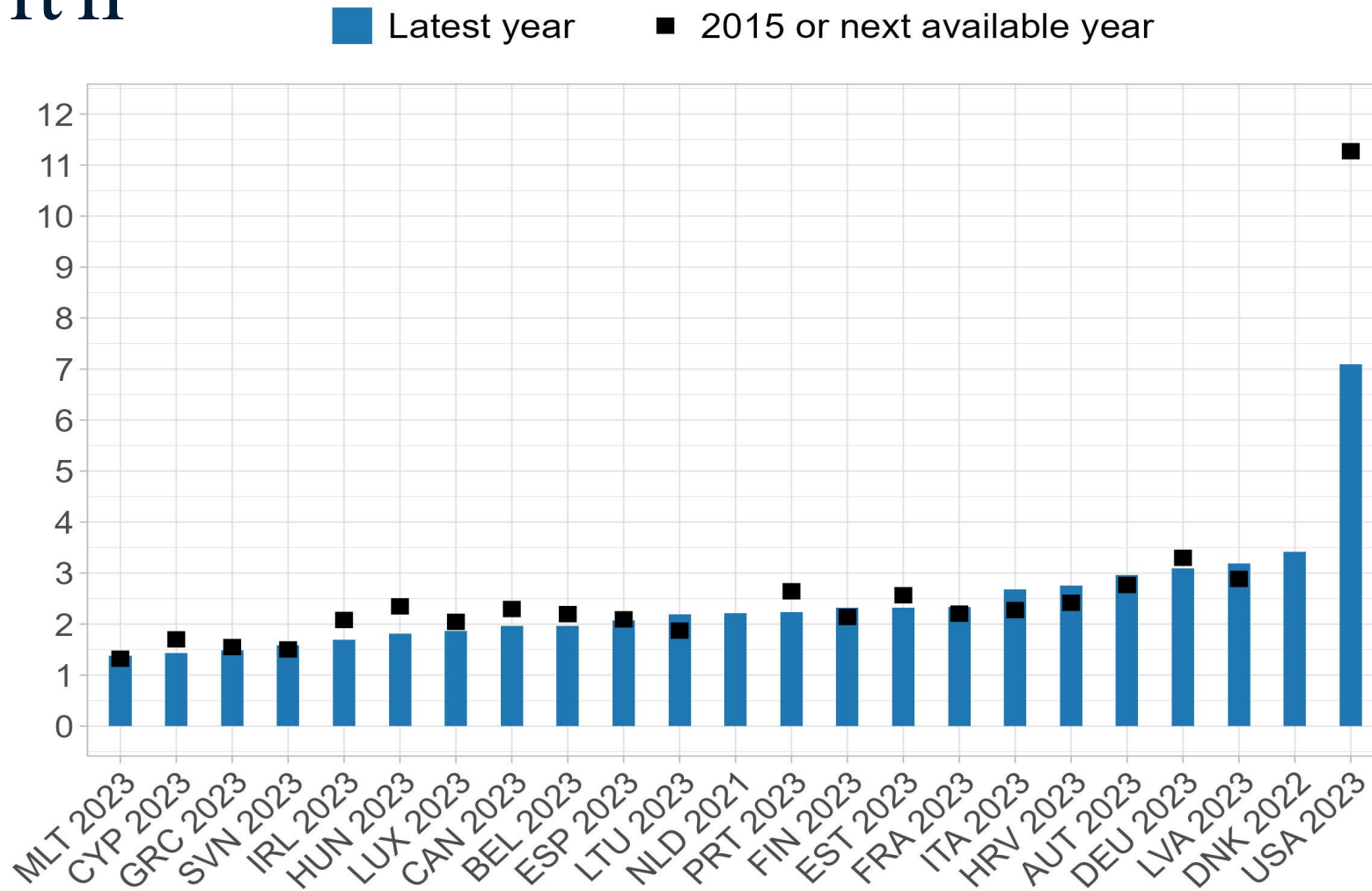


Ratio highest to lowest (Q5/ Q1) Adjusted disposable income

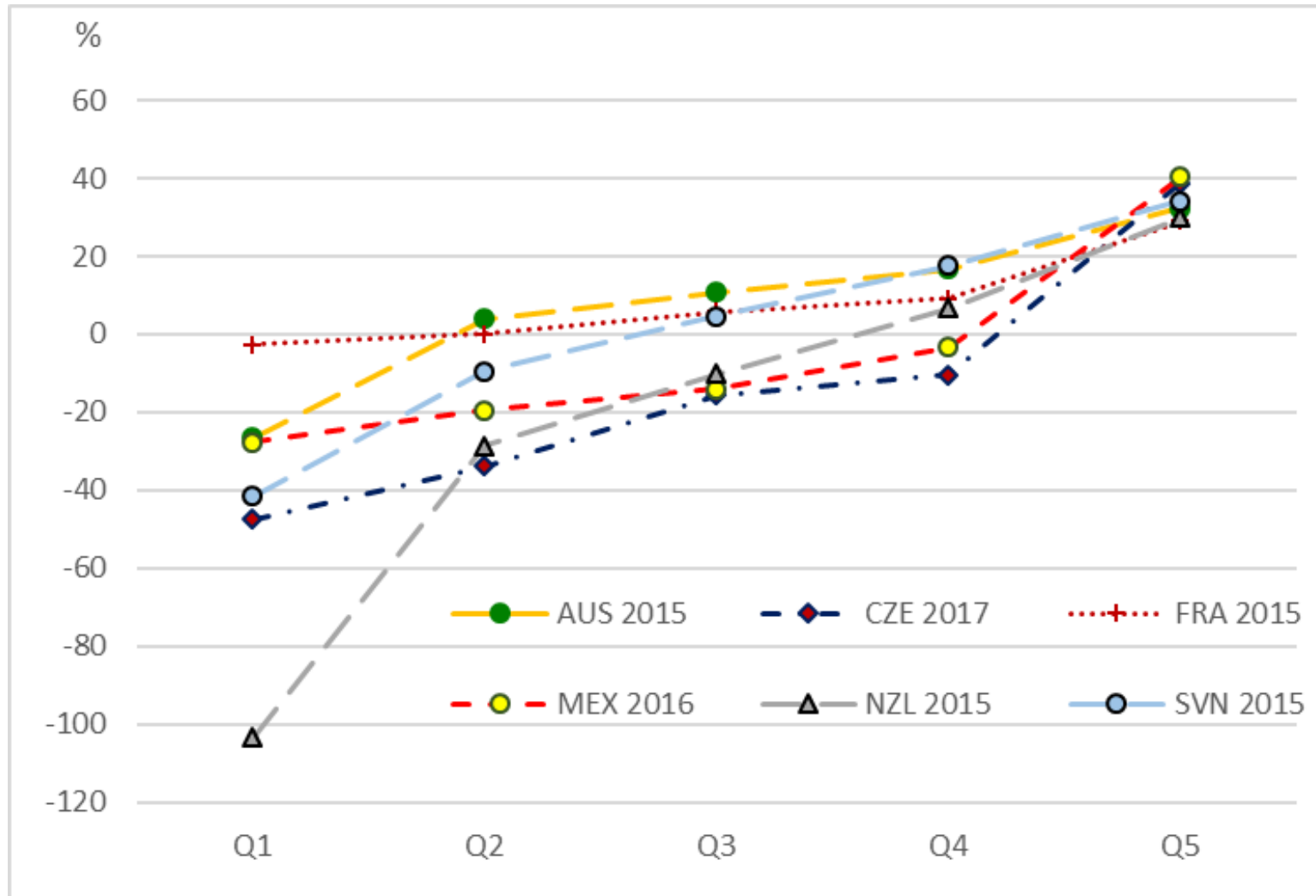




Ratio highest 20% to remaining 80% Wealth

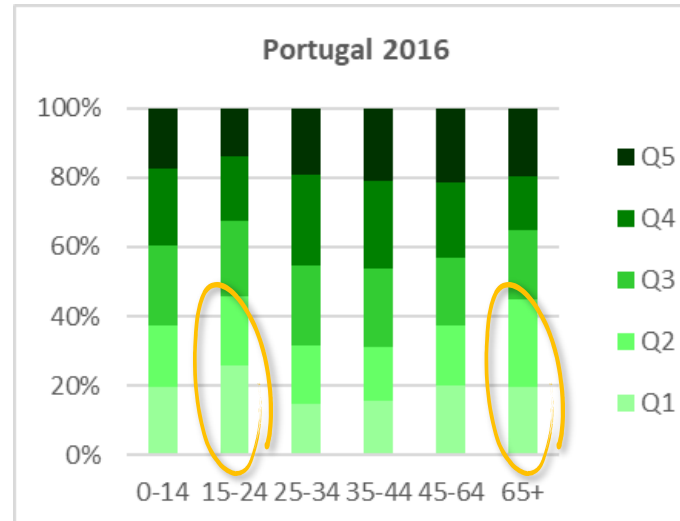
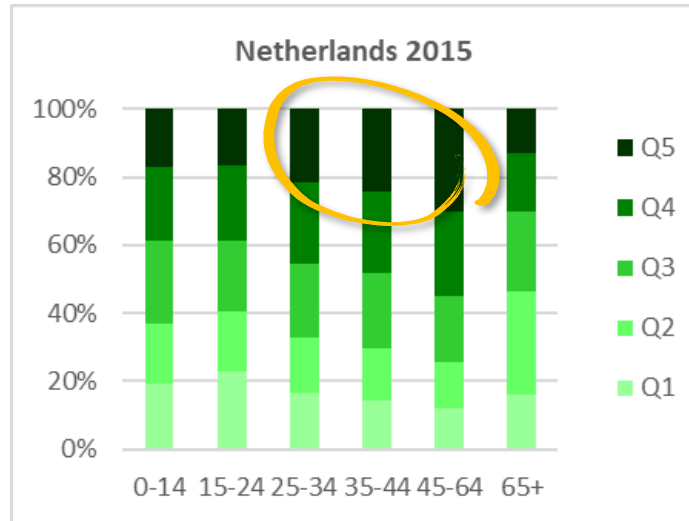


» Saving ratio



» Socio-demographic information

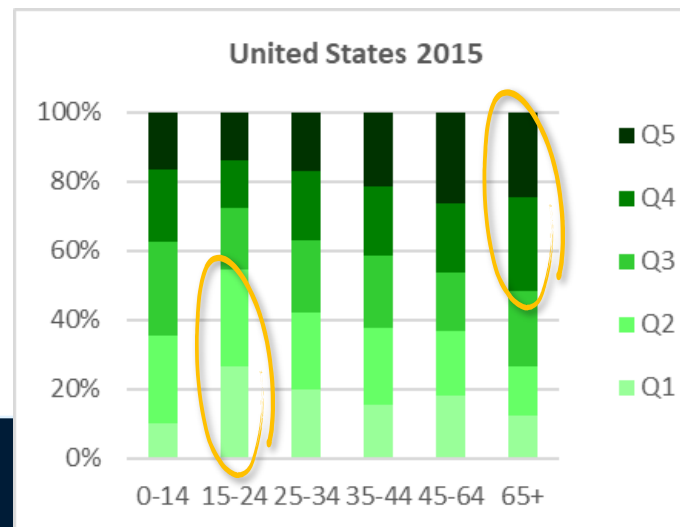
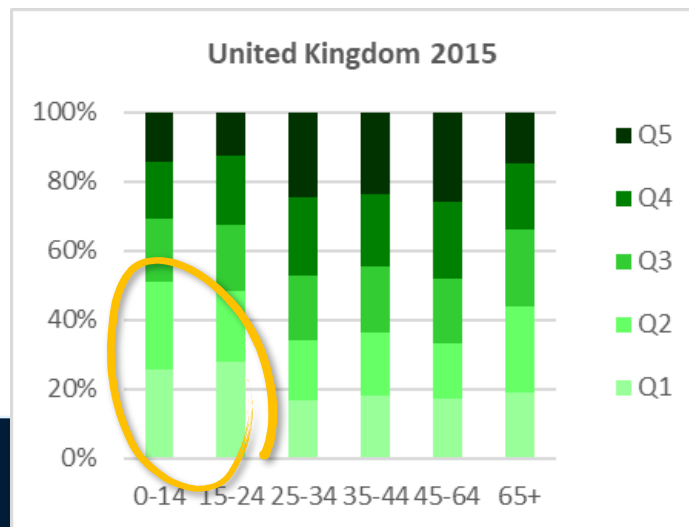
Breakdown by age



Younger persons more concentrated in lower income quintiles in GBR

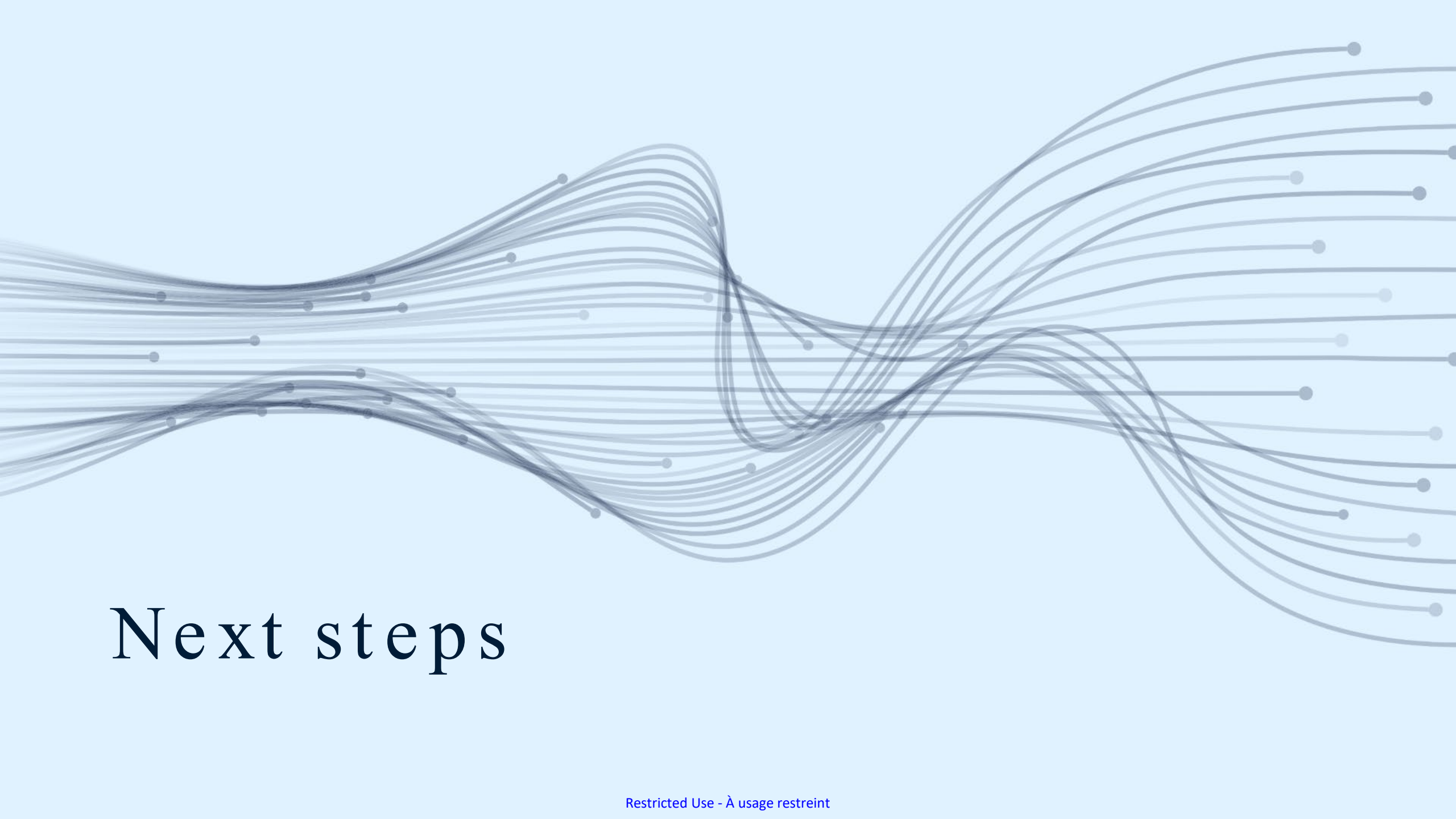
In US group 15-24 tends to be in lowest income quintiles

Relatively strong concentration of 65+ in higher income quintiles in US



Persons in middle age groups have highest income in NLD

Homogenous composition in PRT, with slightly larger concentration of 15-24 and 65+ in lower quintiles

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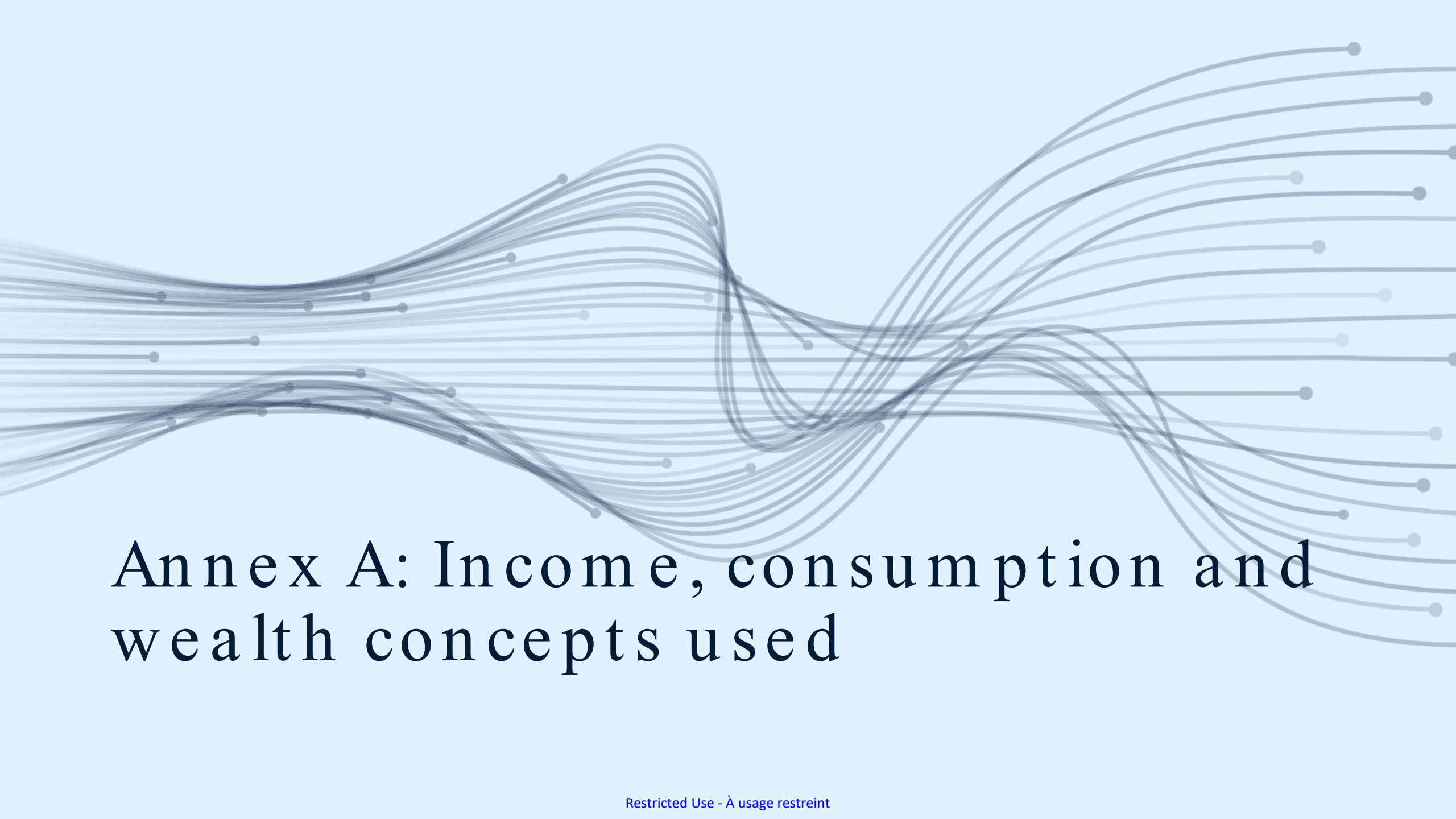
Next steps

» Next steps

- Working papers on results obtained in 2025 data collection
- Broaden the range of countries, by assisting new countries in developing first estimates and by developing a centralized approach
- Explore possibilities to increase granularity, timeliness and frequency, and to expand the wealth concept
- Further improve methodology, particularly in areas of micro-macro gaps and imputations
- Update EG DNA Handbook and prepare first version of EG DHW Handbook
- Prepare 2026 data collection round, focusing on regular compilation at decile level
- Explore possibilities to develop joint distributions of income, consumption and wealth

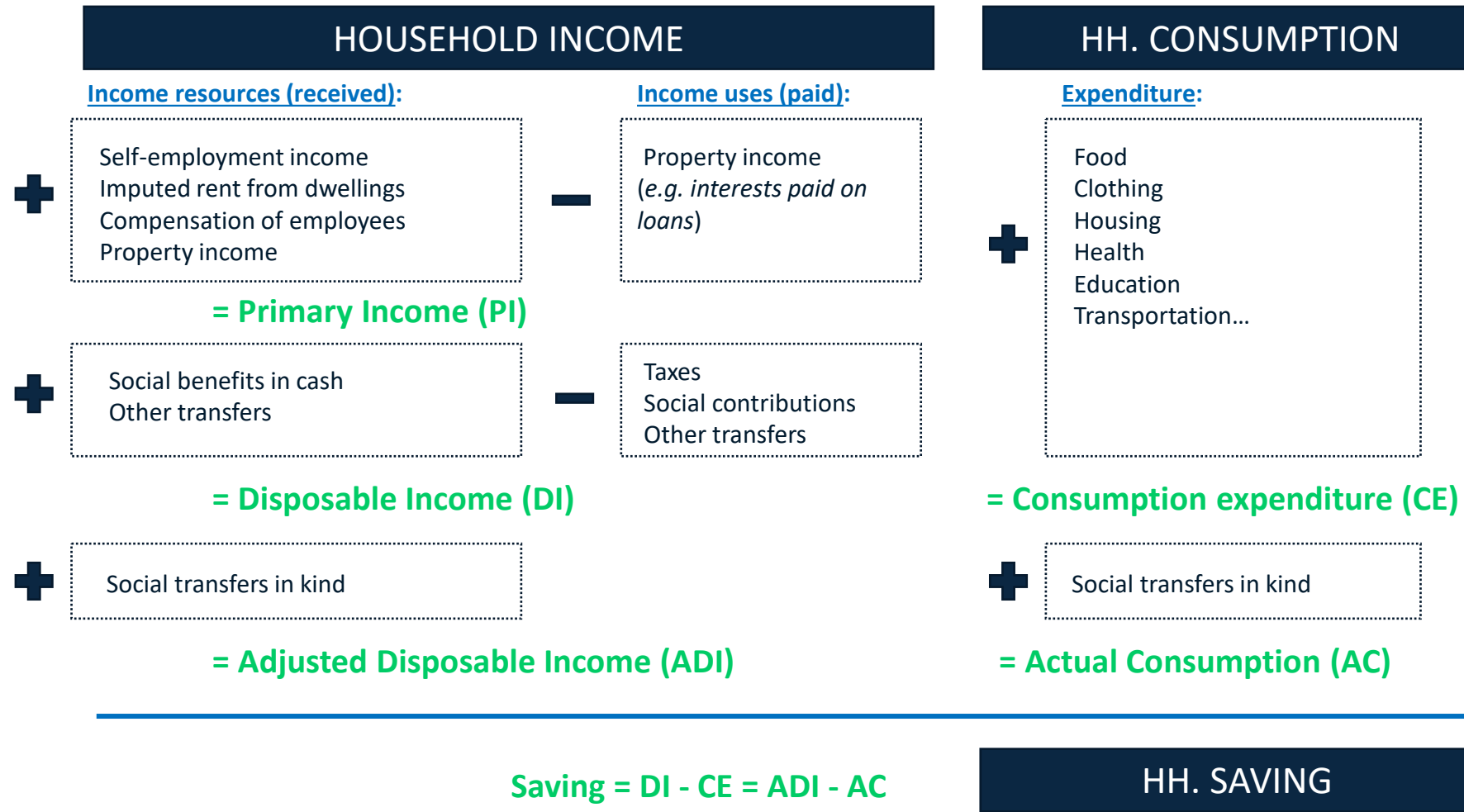
Thank you for your attention!





Annex A: Income, consumption and wealth concepts used

Income and consumption concepts



» Wealth concepts

HOUSEHOLD ASSETS

Non-financial assets

Housing wealth
Non-financial business wealth

= Non-financial assets (NFA)

Financial assets

Deposits
Bonds
Loans
Equity
Life and non-life insurance technical reserves
Pension entitlements
Other accounts receivable

= Financial assets (FA)

HOUSEHOLD LIABILITIES

(Financial) liabilities

Loans
Other accounts payable

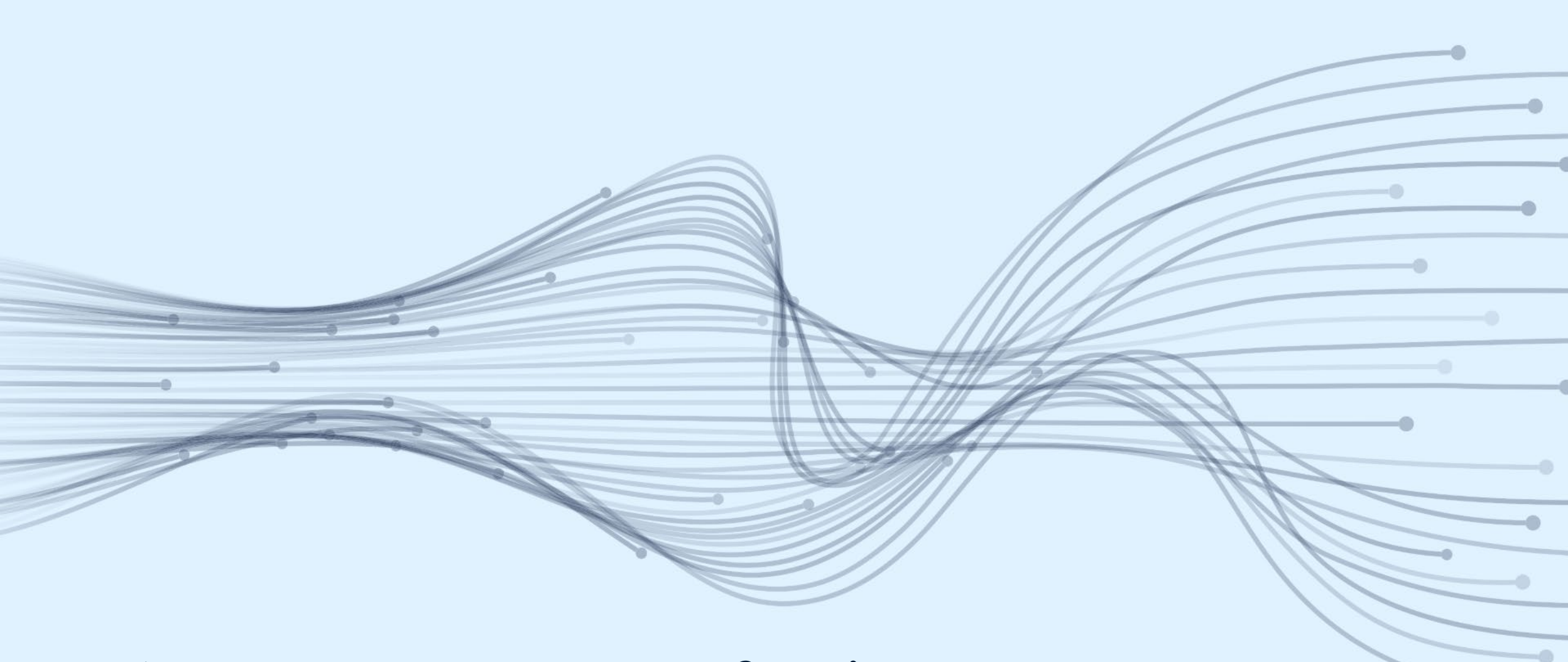
= Financial liabilities (FL)



Net financial worth (NFW) = FA – FL

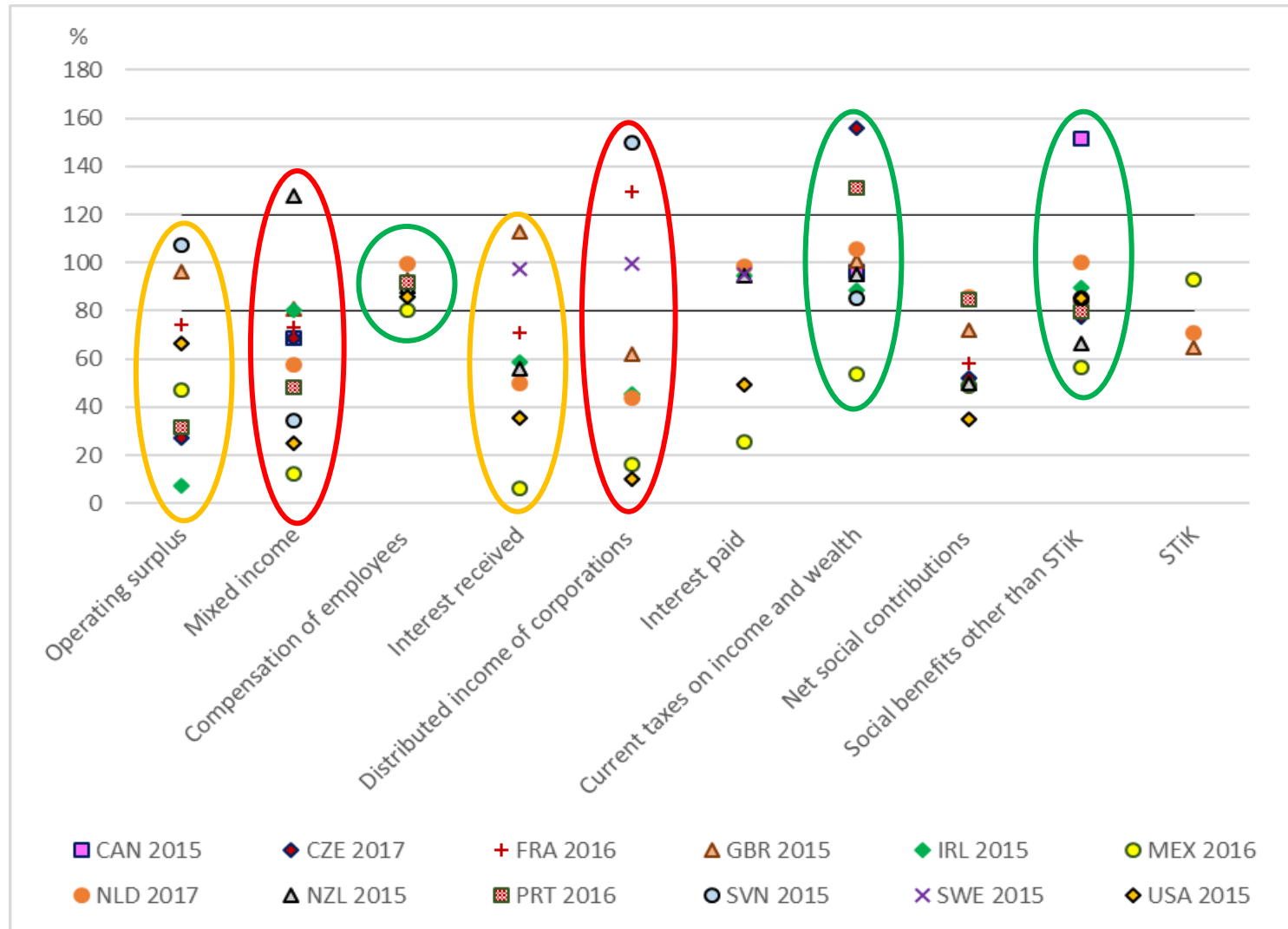
Net worth (NW) = NFW + NFA

HOUSEHOLD WEALTH

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Annex B: Issue of micro-macro gaps

Issue of micro-macro gaps – Income example



Relatively good alignment for

- Compensation of employees
- Current taxes
- Social benefits in cash

Poor alignment for

- Mixed income
- Distributed income of corp's

Also relatively large gaps for

- Operating surplus
- Interest received

The graph shows the coverage ratio, i.e., the micro total divided by the macro total. A coverage ratio between 80 and 120% generally means good alignment.

» A framework to allocate the gaps

	<u>Item xx</u>	<u>Estimates</u>
I	National account total (A)	...
	- Adjustment for NPISH (B1)	
	- Adjustment for positions of non-resident households and ...(B2)	...
	- Adjustment for institutional households (optional) (B3)	
	Adjusted NA total (C=A-B1-B2-B3)	...
II	Micro total (D)	...
	Macro-Micro gap (E=C-D)	...
III	Conceptual or classification issues (R)	
	Positions related to illegal activities (S)	...
	Elements missing in micro data (T)	...
	Estimation errors (under-/overcoverage) (U)	...
	Measurement errors (under-/overreporting) (V)	...
	Reasons n.e.g. (W)	...
	Alignment of remaining gap (X=C-D-R-S-T-U-V-W)	
	Final estimate (=Q+R+S+T+U+V+W+X)	...

Q1	Q2	Q3	Q4	Q5
...	...	...	...	...
...	...	...	...	...
...	...	...	...	...
...	...	...	...	...
...	...	...	...	...
...	...	...	...	...
...	...	...	...	...
...	...	...	...	...
...	...	...	...	...

» Allocation of micro-macro gaps

- Underlying reason(s) for gap may vary across items
 - Allocation to households may differ per cause and item
- ⇒ Important to [analyse](#) and [allocate gaps at a detailed level](#)

Guidance to allocate gaps:

- Important to have close collaboration between micro and macro experts
- [Confrontation of income and consumption](#) (and wealth) data may point to possible gaps for certain households
- Literature provides information on common gaps and their allocation
- [Time series analysis](#) may help in analysing possible reasons



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