DISTRIBUTIONAL INDICATORS OF INCOME, CONSUMPTION AND WEALTH IN A NATIONAL ACCOUNTS FRAMEWORK - DRAFT GUIDANCE NOTE

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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

• **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
  - **Proposal:** 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
  - **Proposal:** 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

- 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**?
  - 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 capital transfers): **actual value approach**

- Issue of equivalence scales

- ...
Thank you for your attention!

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