Meeting of Providers of OECD Income Distribution Data - February 2016

2.3. Issues arising from transition from wave 6 to wave 7

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3 main changes arising from transition from wave 6 to wave 7

- Inclusion of Income from goods produced for Own Consumption (OC)
- Inclusion of Current transfers paid by households (e.g. alimonies) (TRPOT)
- New classification of transfers received (TRR = TRRSS + TRRER + TRROT)
Revision of definition of income (1/3): inclusion of Own Consumption (OC)

- New income component: value of goods produced for own consumption as an element of self-employment.

16 out 34 OECD countries reported some OC:
- Minor amounts in: AUT ESP IRL ITA LUX TUR
- 1-3% of DI in: CZE CHL EST GRC HUN POL PRT SVK SVN
- Up to 5% of DI in Mexico!

Higher shares of OC among bottom deciles and 65+.
Revision of definition of income (2/3): inclusion of transfers paid by households (TRPOT)

- New income component: **current transfers paid by households** to non-profit institutions and other households, e.g. alimonies.

- No TRPOT in four countries: CHL, JPN, NZL, SWE

- Above 1.5% of DI in AUS GRC ISR TUR SWI
  - Very high average level in ISR in bottom decile
  - Very high average level in GRC in top decile
  - > high levels of TRPOT reduce income levels
Revision of definition of income (3/3): classification of public, occupational & private pensions

- More detailed breakdown of transfers received

1. **TRRSS**: current transfers received from public social security.

2. **TRRER**: current transfers received from employment-related social insurance schemes (e.g. occupational pensions), where such schemes meet at least one of the following conditions: i) participation is obligatory; ii) the scheme is collective; and iii) the employer makes a contribution on behalf of an employee.

3. **TRROT**: current transfers received from non-profit institutions and other private households, e.g. alimones.

**KI**: capital and property income, including income from financial assets (net of expenses), income from non-financial assets (net of expenses) and royalties.

**Regular receipts from voluntary individual private pension plans and life insurance schemes should also be included in this income component.**

- **TRRER** in not available in EU-SILC!
- **TRRSS, TRRER, KI**: caution in classification of national (pension) schemes!
How does Wave7 compare with Wave6?

- **Years for which we have data for both W7 & W6 definitions:**
  - one year:
    - 2011 for CHL* DNK FRA DEU ISR NZL NOR SWE SWI TUR
    - 2012 AUS HUN JPN* KOR MEX NLD (&2010) USA

- **Ginis at disposable income match for all countries except:**
  - BEL, CZE, EST, ISL, GBR: W7 > W6 by only half-to-one Gini point
  - ISR, TUR: W7 < W6 by only half-to-one Gini point
  - CHL, MEX: W7 < W6 by two Gini points

- **Ginis at market income match for all countries except:**
  - EST ISR USA W7 > W6 by only half-to-one Gini point
  - PRT SVN W7 < W6 by only half-to-one Gini point
  - CHL NLD NOR TUR W7 < W6 by two to four Gini points
How does Wave7 compare with Wave6?

Income: some issues for several countries

These differences are particularly problematic when calculating:

- trends & changes in Ginis, income (at bottom/top)
- effect of redistribution \( (\text{GiniM} - \text{GiniD}) / \text{GiniM} \)
2.3. Issues arising from transition from W6 to W7

Questions for discussion

• How can longer time series be calculated using Wave 7?
  – at least from 2005 (before the crisis)

• How better clarify the definitions of TRRSS & TRRER?

• Should we breakout “individual private pensions” within «Capital and property income» (Ki)?

• Other issues?