

3.1 Income definitions and comparability: alignment of the income nomenclature to Canberra 2011

Context

- The current definition of income used for the OECD database (based on Canberra 2001 and LIS practices) shows departs in some ways from the recommendations of Canberra 2011
- Focus is here on the practical definition for use in international comparisons (p. 56 of the 2011 Canberra Handbook)
- To comply with international standards, OECD definition should be more closely aligned with Canberra 2011 practical definition for use in international comparisons
- But adjustment may lead to breaks in the series...
- ... and some open issues remain, e.g. how to define sub-aggregates such as “market income”

Canberra definitions

- A conceptual definition reflects what ideally should be included
- An operational definition (Table 2.2) excludes items difficult to value (unpaid domestic services, consumer durable, STIK)
- A practical definition for cross national studies, which differs from the operational one:
 - Excluded: employer's social insurance contribution, current transfers from non-profit institutions (paid and received), compulsory fees and fines
 - Not detailed: cash bonuses and gratuities, commissions and tips, directors' fees, profits pay, shares offered as remuneration



Main differences between Canberra practical definition and the OECD ToR

- Sick pay paid by governments: included in Wages and Salaries in the OECD database, in social assistance benefits in Canberra
- Pensions from voluntary schemes: included in Capital income in the OECD database, and in property income in Canberra except benefits from private employer provided scheme
- All kind of private transfers received: included in capital income in the OECD database, in transfers from other households in Canberra
- Items non-explicitly considered in the OECD ToR: cash bonuses and gratuities, commissions and tips, directors' fees, profits pay, shares offered as remuneration, goods and services from employers, severance and termination pay, items from self-employment income, royalties, current transfers from non-profit institutions, compulsory fees and fines
- Items excluded from OECD ToR: imputed rents, STIK (also excluded from Canberra practical definition)



For discussion

- How far can and should we adapt the OECD classification to the Canberra 2011 recommendations?
- How to deal with the break in the series that would follow?
- How to resolve open issues (items non-explicitly allocated) ?

