



# OECD Centre for Opportunity and Equality

Evidence-based, policy-oriented research on inequalities

**2<sup>nd</sup> Meeting of Providers of OECD Income Distribution Data  
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## **2.2. IDD data issues: how to improve ex post comparability**

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Among the many possible candidates, these include:

1. **Top and bottom coding at different steps** of the data production and dissemination **process**
2. **Treatment of negative income components at different steps** of the data production and dissemination **process**
3. **Dealing** with **current transfers** received/paid of **irregular amount**
4. **Characteristics** of the **metadata to improve ex-post comparability**: level of detail, additional information

# 1. Top and bottom coding at different steps of the process: in original data, by statistical agencies, by users



- **Definition** of an upper/lower bound above/below which data are censored
  - **Reasons:** preserve privacy (top coding), correct for possible erroneous outliers
  - **Why it can be an issue?** Alteration of the tails of the income distribution affects measures of inequality and poverty
- In the TOR: **No top/bottom coding**, unless obvious data-entry error
- In Practice:
- **Top coding:** NLD (1,000,000€); USA (1,000,000\$ per income source); PRT; SVN (different for different type of income); TUR (imputations –details?)
  - **Bottom coding:** NLD (-1,000,000 €); TUR (imputations- details?); PRT (1% median disposable income?); JPN (limited to standard error for the GINI ?)
  - **No information:** BEL, ESP, EST, GRC, ISL, IRL, ITA, POL, SVK; HUN; Eurostat (bottom coding?)
- Points for discussions
- **National and International (LIS) practices**
  - **Impact** of (different) censoring on **comparability across countries**
  - **Suggestions to improve comparability**

## 2. Treatment on negative income at different steps of the process: in original data, by statistical agencies, by users (1/2)



- **Issue:** Individual components of market income EH, ES, EO, KI, SEI can be negative after equivalisation
- **In the TOR:**
  - After equivalisation, individual components of market income EH, ES, EO, KI, SEI showing negative values should be set to zero.
  - Transfers paid to non-profit institutions and other households (TRPOT) should be retained even in the case of negative values
- **Implications:** Allow disposable income to be negative
- **Possible revision of IDD TOR**
  - If  $TRP = (TRPOT + TA + TRPER) > \text{SUM}(EH, ES, EO, KI, SEI, TRRSS, TRRER, TRROT) = S1$ , then
    - transfers paid should be set equal to S1
    - TRPOT, TRPER and TA rescaled:  $TRP' = S1$ ,  $TRPOT' = TRPOT * (TRP' / TRP)$ ,  $TA' = TA * (TRP' / TRP)$ ,  $TRPER' = TRPER * (TRP' / TRP)$
    - This will ensure that disposable income will be null

## 2. Treatment on negative income at different steps of the process: in original data, by statistical agencies, by users (2/2)



### In Practice:

Negative items set to zero:

1. ***In line with the TOR (i.e. individual components):*** all countries except KOR
2. ***Total disposable income:*** CAN, JPN, KOR, NOR, TUR

***No information for:*** HUN, MEX

### Points for discussions:

1. **National and International practices;** comments on proposed revision.
2. **Impact of revision on results** and **comparability across countries**
3. **Suggestions to improve comparability**

### 3. Irregular frequency and/or amount of transfers received/paid



- **Issue:** Transfers received and paid can be **irregular** in **frequency** (non-regular receipts), in **amount** (i.e. irregular transfers of regular amount) or in **both** (lump-sum transfers)
- **Why it can be an issue:** Alteration of **distribution** and **summary indicators** (mean, inequality, poverty...) at **one point in time**, which can lead to fluctuations in the results **over time** (difficult interpretation)
- **In the TOR:** Only **current/regular transfers in cash (or quasi-cash)** are considered.
- **In the OECD ICW framework, for transfers between households and regardless of whether regular or not:**
  - If done to **support consumption** -> **transfer income**
  - If **non-cash** (e.g. consumer durable or financial asset) or to support **purchase of an asset** -> **capital transfer**
- **In practice:** How “**regular**” is defined?
- **For discussions**
  - What should be counted as “**regular**”?
  - **National and International experiences? impact on comparability across countries**
  - **How to move forward and to improve comparability**

## 4. Metadata to improve ex-post comparability: level of detail, additional information



- **Issue:** Metadata are essential to **understand** the data and assess **data comparability**.
- Metadata include **definitions** and **assumptions** made to run the calculations, with space to allow specifications of *deviations from the TOR*.
- **In the TOR:** With wave 7, additional information on
  - **value of the 2005 anchored poverty line;**
  - **CPI** used for deflating incomes;
  - **per capita mean disposable income** (non-equivalised, in nominal current prices);
  - information on **standard errors** for **Gini coefficients** (methods used, features of sampling design considered).
- The 2015/16 data collection included also a “**Canberra table**” to assess the *availability of different income components* in national sources for better adhering to the Canberra 2011 conceptual definition
- **Issues for discussions**
  - Is the **level of detail** adequate? Are more **details** needed? e.g. on **technical issues**, on **assumptions and definitions**
  - **Suggestions to improve comparability**

# Other data issues?



- Other data issues that can potentially affect comparability?

*Thank you*