



# OECD Centre for Opportunity and Equality

Evidence-based, policy-oriented research on inequalities

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**Meeting of Providers of OECD Income Distribution Data -  
February 2016**

**2.3. Issues arising from transition from wave6 to wave7**

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## 3 main changes arising from transition from wave6 to wave7



- 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 ( $TRR = TRRSS + TRRER + TRROT$ )



- New income component:

**value of goods produced for own consumption**

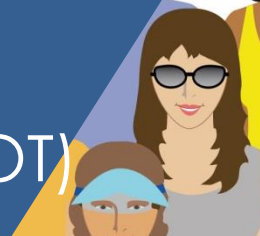
as an element of self-employment

**[1] Equivalised disposable income:**

$$DI_{ij} = E_{ij} + KI_{ij} + SEI_{ij} + TRR_{ij} - TRP_{ij} =$$

$$= (EH_{ij} + ES_{ij} + EO_{ij}) + KI_{ij} + (SE_{ij} + OC_{ij}) + (TRRSS_{ij} + TRRER_{ij} + TRROT_{ij}) - (TA_{ij} + TRPER_{ij} + TRPOT_{ij})$$

- 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+



- New income component:

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

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- 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] Equivalised disposable income:

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$$= (EH_{ij} + ES_{ij} + EO_{ij}) + KI_{ij} + (SE_{ij} + OC_{ij}) + (TRRSS_{ij} + TRRER_{ij} + TRROT_{ij}) - (TA_{ij} + TRPER_{ij} + TRPOT_{ij})$$

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 ii) 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. alimonies.

**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 is 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:**

- CAN (1976-)2006-2011, FIN 1987-2013(IDS), GBR 2002-2010(FRS)
- 12 EU-SILC countries 2004-2012 + AUT 2007-2012 & ESP 2009-2012
- 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

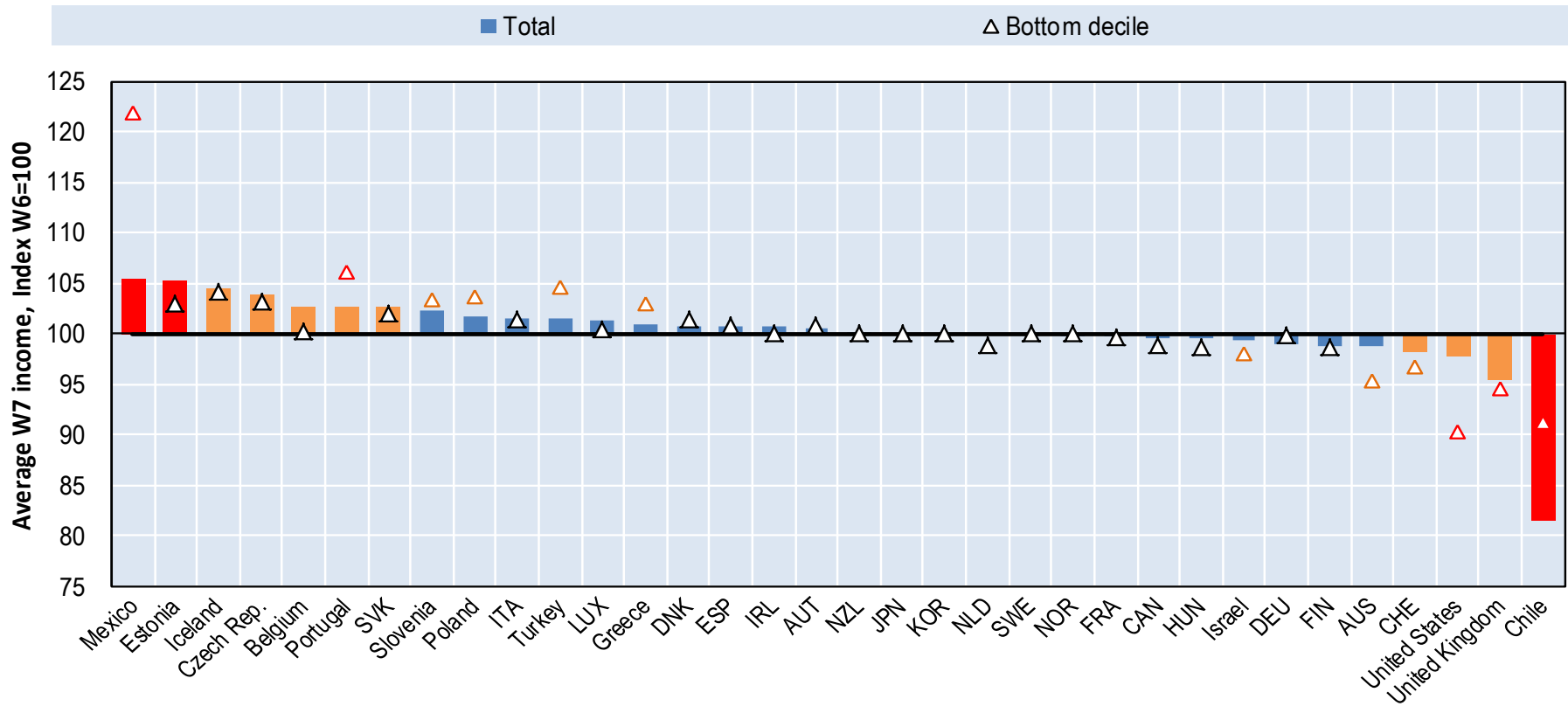


# How does Wave7 compare with Wave6 ?

## Income: some issues for several countries



Average income with Wave7, for total population and bottom decile, Index Wave6 = 100



➤ **These differences are particularly problematic when calculating:**

- trends & changes in Ginis, income (at bottom/top)
- effect of redistribution  $(GiniM - GiniD) / GiniM$





- 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 ?





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