

What National Accounting does to inequality

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Arjan Bruil

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Relevance

- Inequality is measured by microstatistics
- In recent years the focus shifted to distributions and inequality in the national accounts [Stiglitz *et al.*, EGDNA, EGLMM, DINA]
- Data sources used to measure inequality are often not used in SNA compilation, this leads to micro-macro gaps.
- SNA framework differs from the micro framework, other transactions are included.
- These gaps and difference lead to different levels of disposable income, but also influence inequality.



Content

- Characteristics of the Household Database
 - Population, data sources, process
- Case examples
 - Interest, dividends, current taxes on income, other current transfers
- Summary, conclusions, further research



Characteristics of the Household Database



Population

- 17.269.164 individuals

1/1	Flows	31/12
16.900.726	Emigrants	- 143.696
	Deaths	- 146.348
	Immigrants	+ 198.097
	New-borns	+ 170.341
		16.979.120

- Available characteristics are (among others) gender, date of birth, household number, position in the household, regional information, (anonymous) social security number (unique key)
- For each individual (or household) we link available data sources, and possibly make corrections.



Data sources

- Integral Income and Wealth Statistics (used to measured inequalities) (many transactions)
- Labour Accounts (D.1)
- Household Budget Survey (for D.59, D.71, D.75)
- Longitudinal Internet Studies for the Social sciences (for D.75)
- Giving in the Netherlands (D.75)
- Supply and Use Tables (B2G)
- Money Transfer Operators (D.75)

Record linking

Imputation



Corrections in construction phase

- Either corrections for the population
 - reference date (IWS), private households (HBS)
- Or conceptual corrections
 - Missing information, i.e. interest of self-employed
- We target groups as good as possible
- Corrections on the data source affect inequality
- The sum over population and process steps equal macro estimate.



Corrections in integration phase

- SNA is an integrated system
- Confrontation with data sources of counterpart sectors.
- For each transaction an integration decision is made which data sources are preferred over others.
- Further analysis of differences, i.e. missing information of savings related to mortgages.

Case examples



Interest

- In construction interest is taken from the IIWS, both received and paid.
- Corrections are made for business related interest flows from self-employed (received and paid)
- In integration further corrections are made because of balancing decisions in the financial accounts
 - Paid interest: rates are remained equal
 - Received interest: mortgage related savings



Dividends

- In construction taken from the IIVS.
- A correction is made for dividends paid out by / to director-shareholders
- Dividends are lower (5.5 bn euros), the correction is moved to the financial accounts. Gini drops by 0.010.
- In integration phase a surplus of the dividends paid out by NFC was partly integrated in the HH sector

Current taxes on income

- In construction phase taxes on income are taken from the IIWS.
- Minor corrections for immigrants with wages received
- In integration phase the government data sources are preferred
- Different recording, accrual (GOV) vs transaction (IIWS)
- Macro effect = 7 bn euros, effect on inequality?



Other current transfers

- In IWS only alimony payments are considered.
- SNA also includes contributions to NPISH, personal transfers to and from abroad, loteries, etc..
- We use LISS, HBS, Giving in the Netherlands.
- We impute based on characteristics of the household
- Macro effect on means = 5 bn euros
- Macro effect on uses = 8.7 bn euros

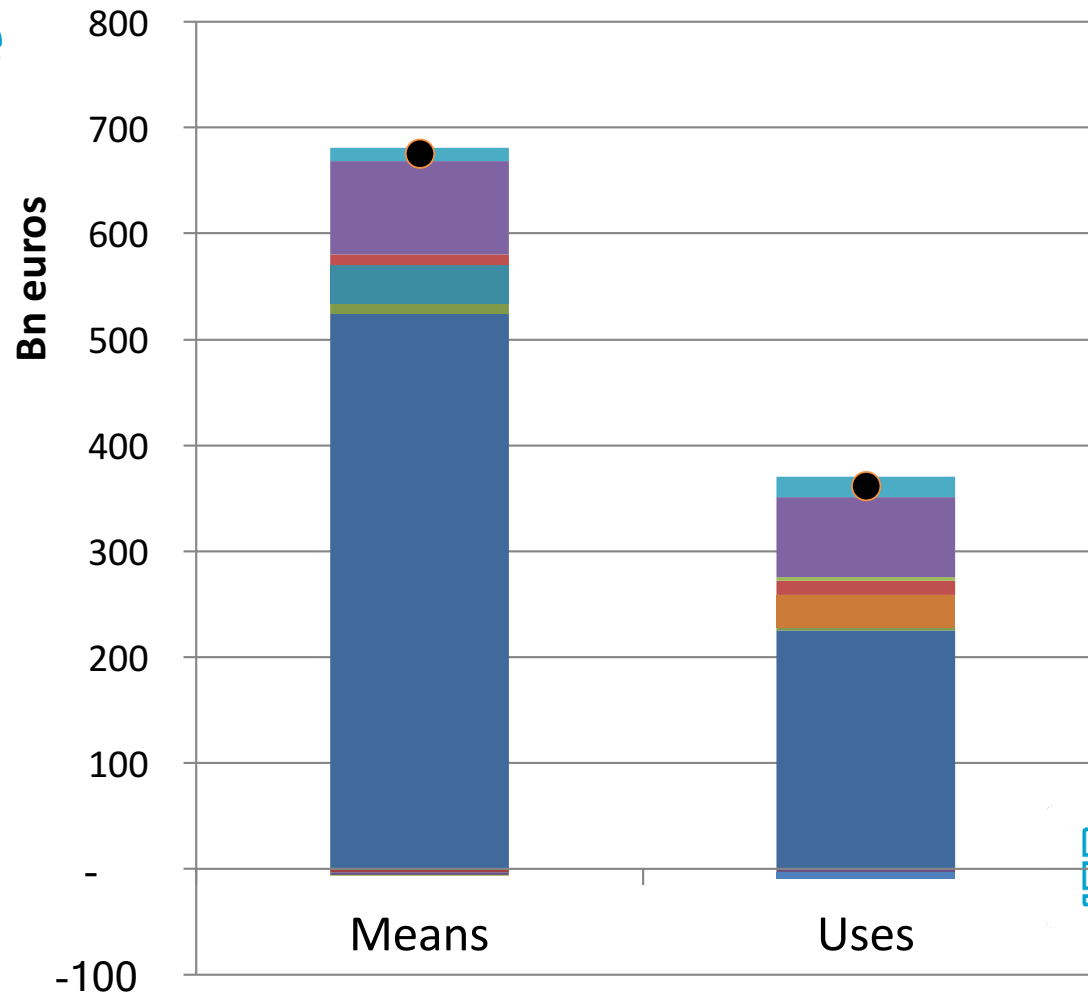


What national accounting does to inequality



Disposable income

- Other
- Mixed income recording
- Corrections on MICRO
- In MACRO not MICRO other current transfers
- In MACRO not MICRO costs of social insurance
- In MACRO not MICRO social contributions
- In MACRO not MICRO property income
- In MACRO not MICRO fisim
- In MACRO not MICRO non-observed economy
- In MICRO not MACRO
- MICRO
- MACRO



Decile groups

		Decile group of MACRO income									
		1	2	3	4	5	6	7	8	9	10
Deciel group of MICRO income	1	73%	22%	4%	1%	0%	0%	0%	0%	0%	0%
	2	19%	61%	17%	2%	1%	0%	0%	0%	0%	0%
	3	1%	15%	64%	17%	2%	0%	0%	0%	0%	0%
	4	0%	1%	13%	67%	16%	3%	0%	0%	0%	0%
	5	0%	0%	1%	12%	66%	17%	3%	0%	0%	0%
	6	0%	0%	0%	1%	14%	63%	17%	4%	0%	0%
	7	0%	0%	0%	0%	1%	15%	62%	17%	4%	0%
	8	0%	0%	0%	0%	0%	1%	17%	62%	17%	2%
	9	0%	0%	0%	0%	0%	0%	1%	16%	66%	16%
	10	1%	0%	0%	0%	0%	0%	0%	1%	14%	83%



Inequality

income concept	standardization	Macro Gini	Micro Gini
B5G - primary income	not equivalized	0.561	
	equivalized using Statistics Netherland scale	0.529	
B6G - disposable income	not equivalized	0.389	
	equivalized using Statistics Netherland scale	0.328	0.303

Summary and conclusions, further research



Summary and conclusions

- The household sector in the SNA framework differs in many ways from micro statistics on the household sector
- SNA adds transactions or modifies data, and influences levels and inequality
- Hence, different outcomes of disposable income and income inequality are normal
- It's important to be able to explain these differences



Further research

- My objective is to be able to explain all differences with the micro statistics, both in levels and inequalities
- Work in progress, we continue with integration phase
- How to add distributions to macro corrections is a huge challenge
- Include social transfers in kind, consumption, and wealth
- Focus on individual as well as household

