



EXPANDING MEASURES OF CONSUMPTION – SOME THOUGHTS FROM AN INTERNATIONAL PERSPECTIVE

Panel discussion by Paul Schreyer OECD

*BLS Consumption Symposium
22-23 September 2021*



Overview

1. *Whose consumption?* Going further on distribution
2. *Which consumption?* Accounting for free government services
3. *Beyond consumption:* extended measures of well-being



1. *Whose* consumption? Going further on distribution



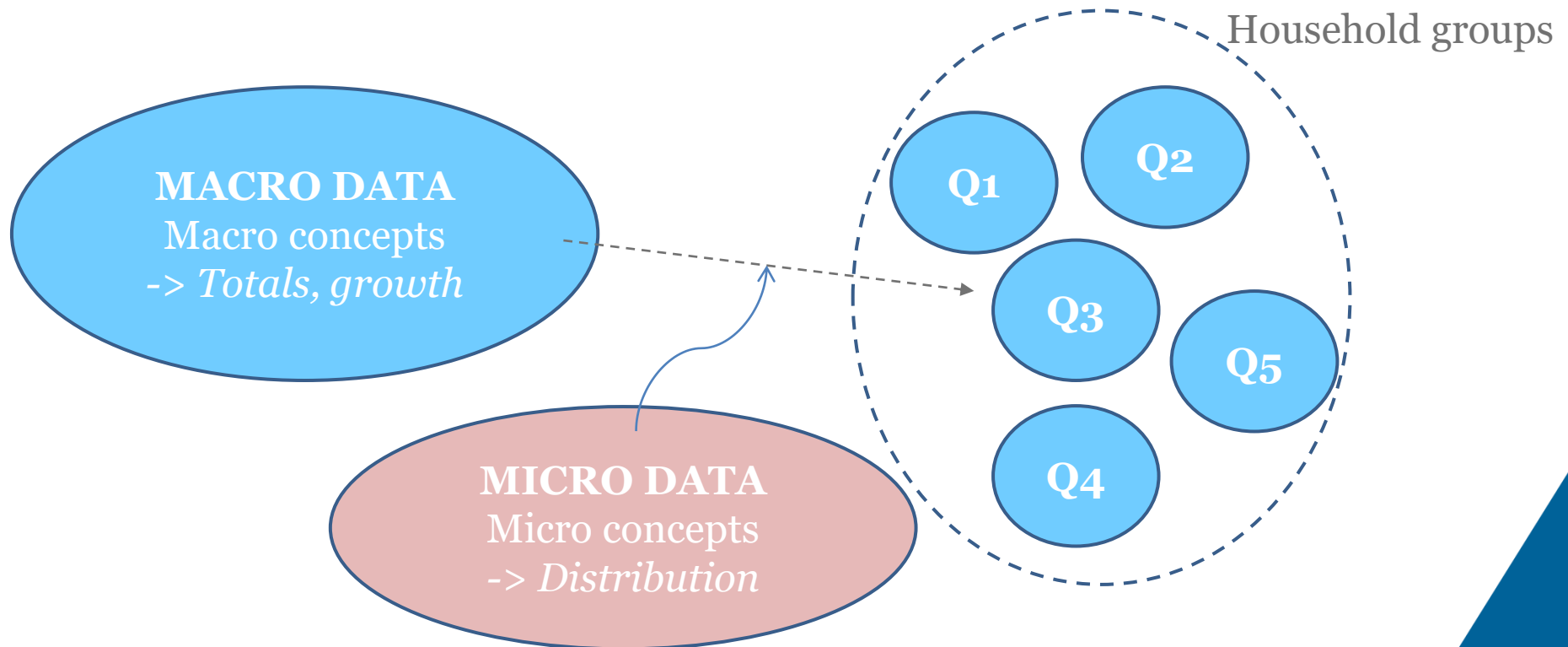
Macro perspective

- Much **policy attention** around distribution, income, consumption or both (plus wealth)
- Well-established survey-based measures, also internationally (EU-SILC, OECD IDD, ...)
- More recently: distribution of household income and consumption in National Accounts
- National and international initiatives
- OECD Distributional National Accounts ('DNA')



Distributional National Accounts

- Methodology to produce **distributional** results for household **income, consumption and wealth** consistent with national accounts concepts



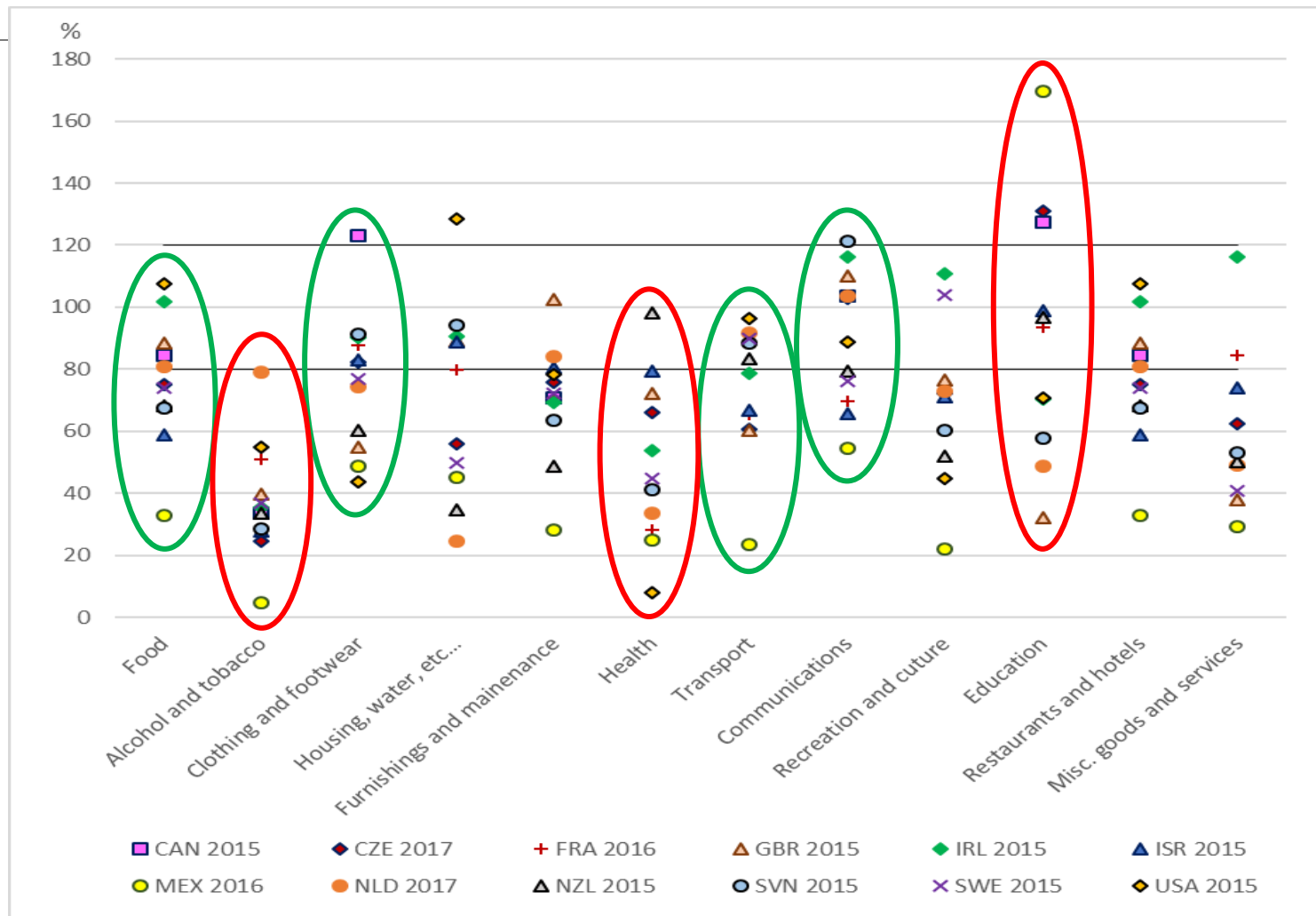


Expert Group on DNA: Objectives

- Distributional results for three household groupings:
 - **Disposable income quintile** (5 groups)
 - **Main source of income** (4 groups)
 - **Household type** (8 groups)
- The unit of analysis is the **household**
- OECD-modified **equivalence scale** is used to allocate households to quintile groups
- Calculations **performed by members** of the EG DNA: AUS, AUT, BEL, CAN, CHE, CZE, FRA, GBR, IRL, ISR, ITA, JPN, KOR, MEX, NLD, NZL, PRT, SVN, SWE, USA, ...
- Also developing a **centralized approach** to compile results for countries not engaging in EG DNA work



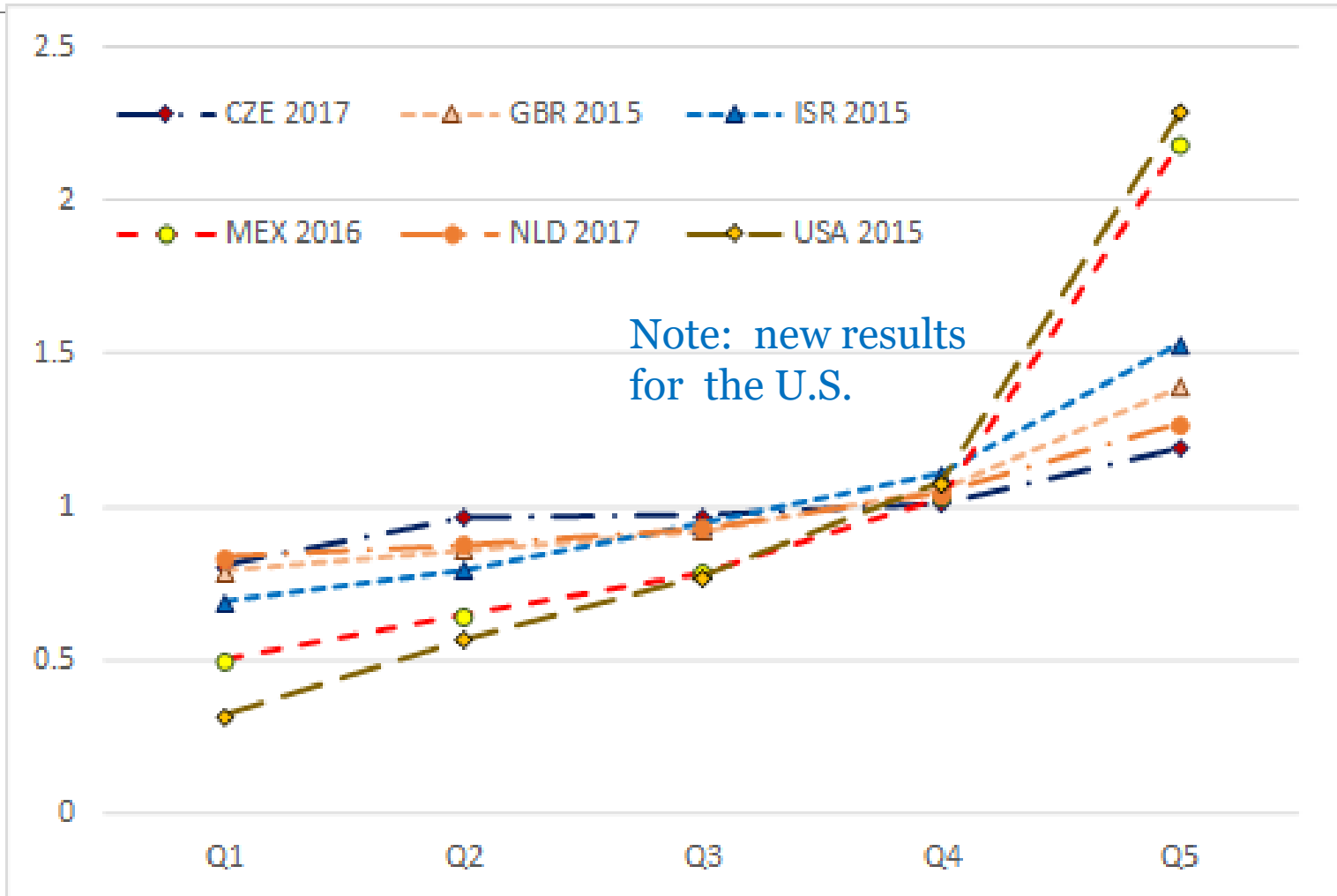
DNA: Scaling of micro data – Consumption



Source: see [OECD DNA Website](https://www.oecd.org/dna/)

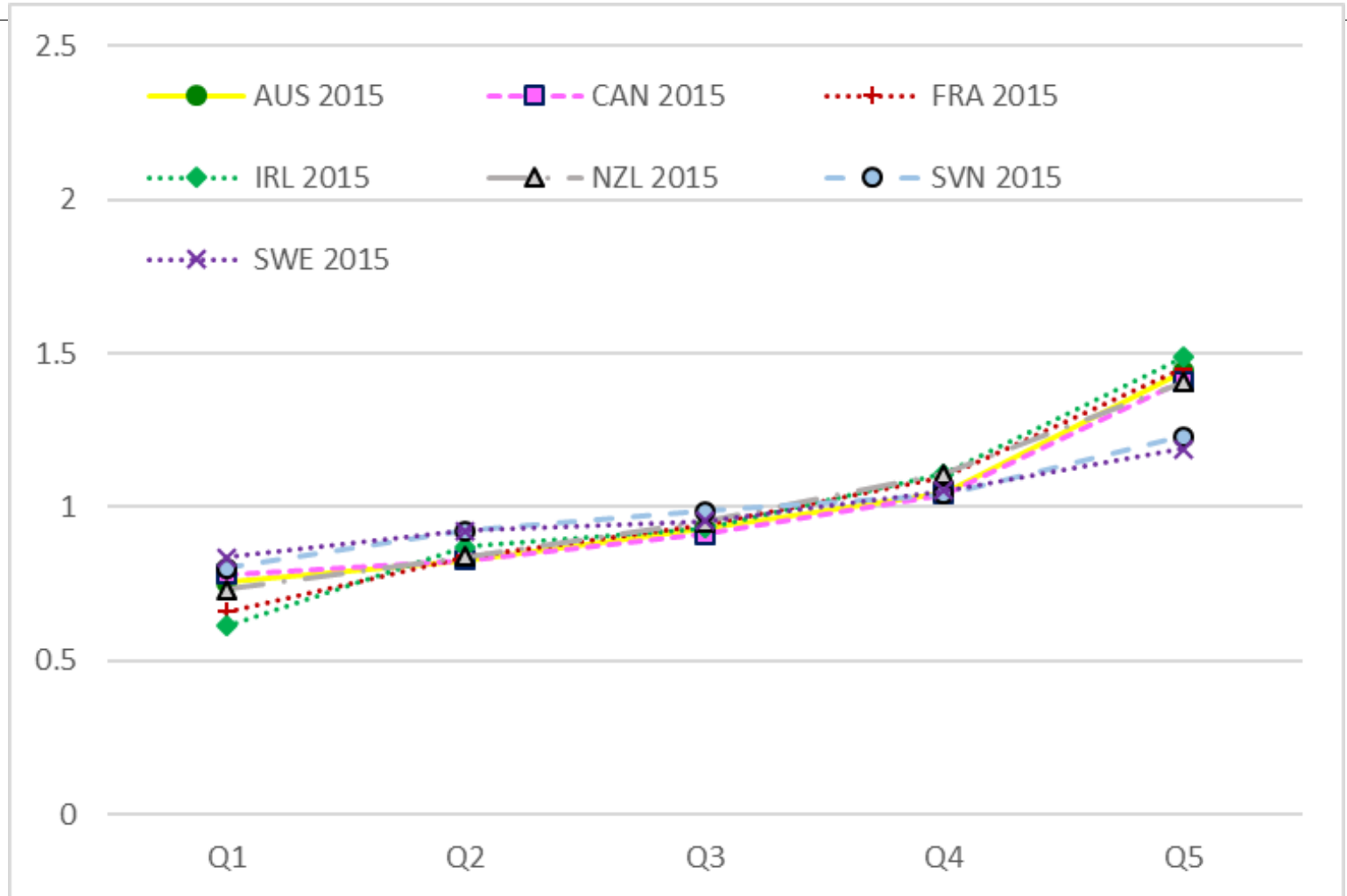


Ratio to average – Consumption results





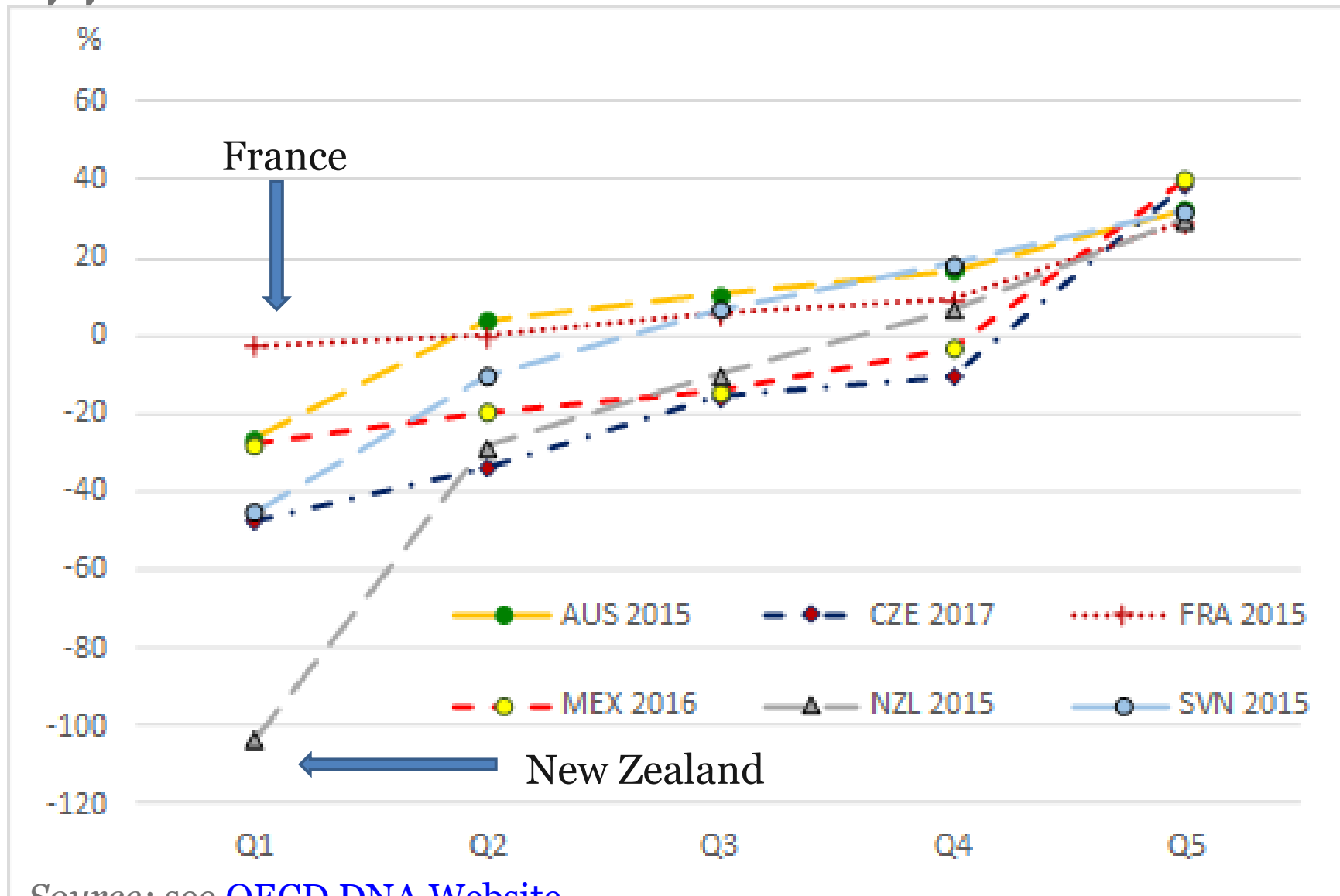
Ratio to average – Consumption results



Source: see [OECD DNA Website](https://data.oecd.org/dna/)



Ratio to average - savings results

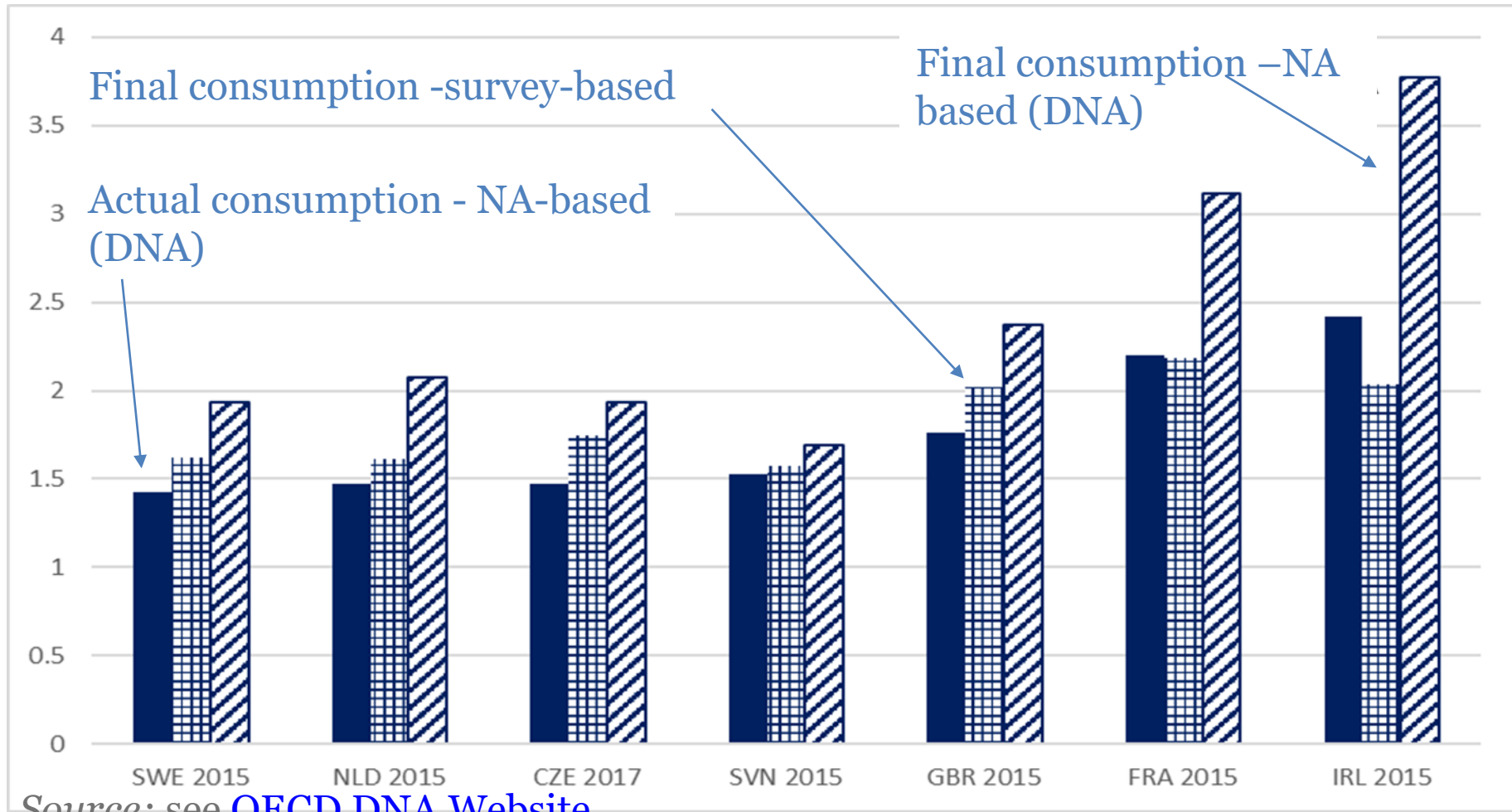


Source: see [OECD DNA Website](http://www.oecd.org/dna/)



Surveys and National Accounts

Ratio highest to lowest quintile





Micro perspective: from 1-D to 3-D

- DNA work provides consistent distributions of income & consumption (& wealth)
- But **no joint distribution**
- **Micro perspective = key complement:** integration of distribution of consumption, income and wealth to identify most vulnerable groups of population
- See also Fisher and Johnson's paper



Which consumption? Accounting for Social Transfers in Kind



Actual consumption (in NA speak)

HOUSEHOLD INCOME

Income resources (received):

+ Self-employment income
Imputed rent from dwellings
Compensation of employees
Property income

= **Primary Incomes**

+ Social benefits in cash
Other transfers

= **Disposable Income**

+ Social transfers in kind

= **Adjusted Disposable Income**

Income uses (paid):

- Property income
(e.g. interests paid on loans)

- Taxes
Social contributions
Other transfers

HH. CONSUMPTION

Expenditure:

+ Food
Clothing
Housing
Health
Education
Transportation...

= **Consumption expenditure**

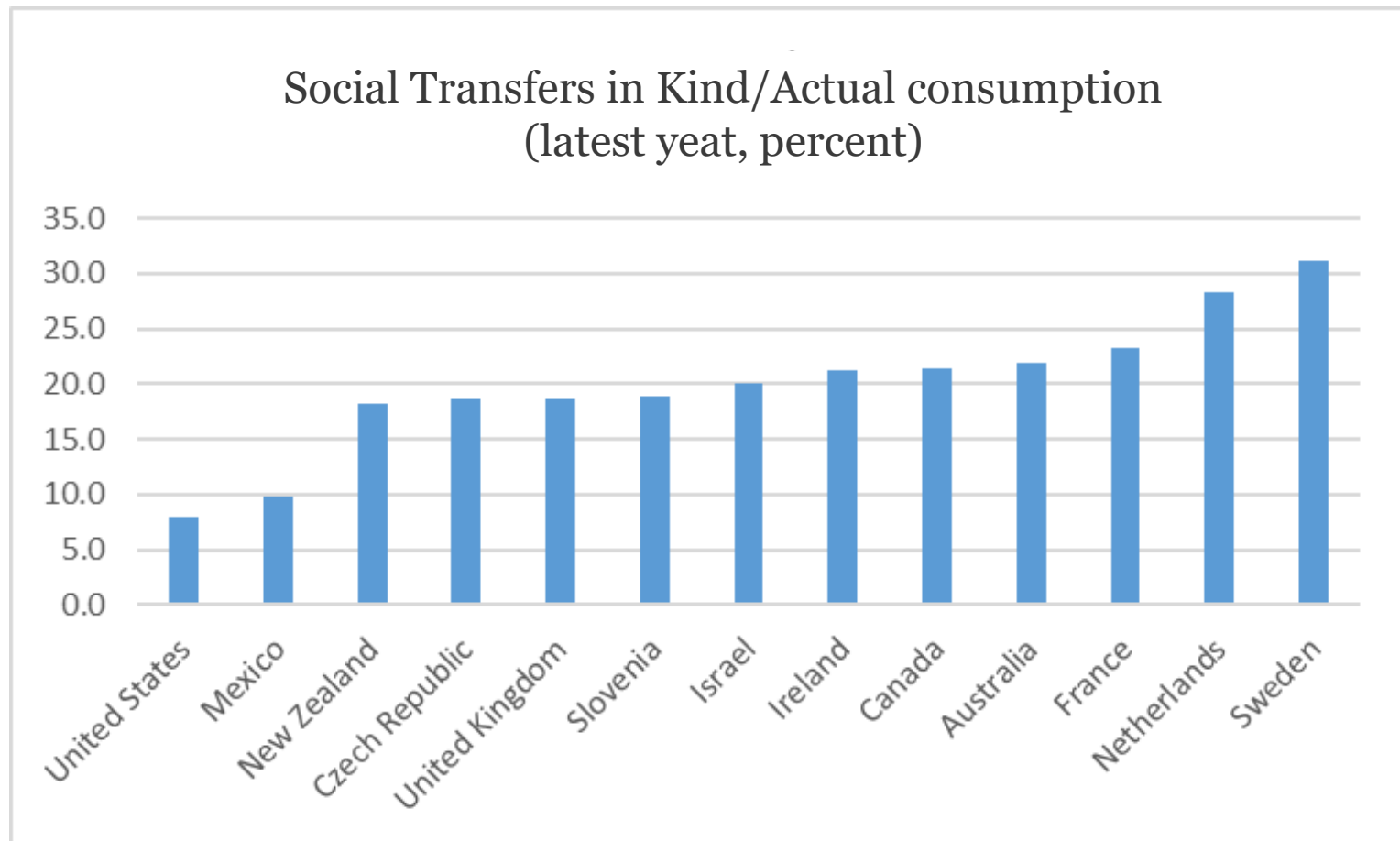
+ Social transfers in kind

= **Actual Consumption**

$$\text{Saving} = \text{DI} - \text{CE} = \text{ADI} - \text{AC}$$



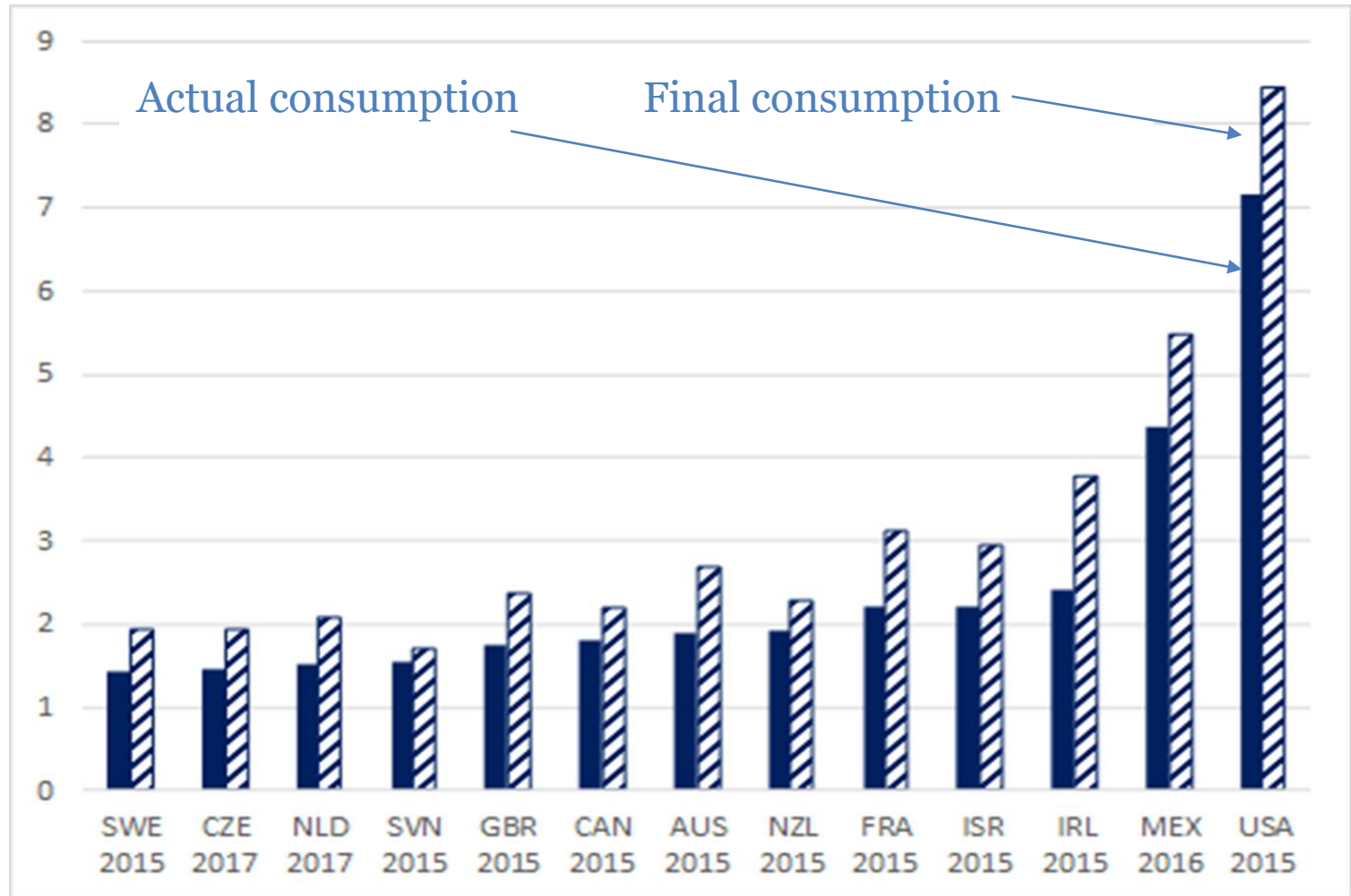
STIKs are large





STIKs count for consistent comparisons of consumption **distribution** between countries

Ratio highest to lowest – Consumption



Source: derived from data on [OECD DNA Website](https://data.oecd.org/dna/)



STIKs values and volumes

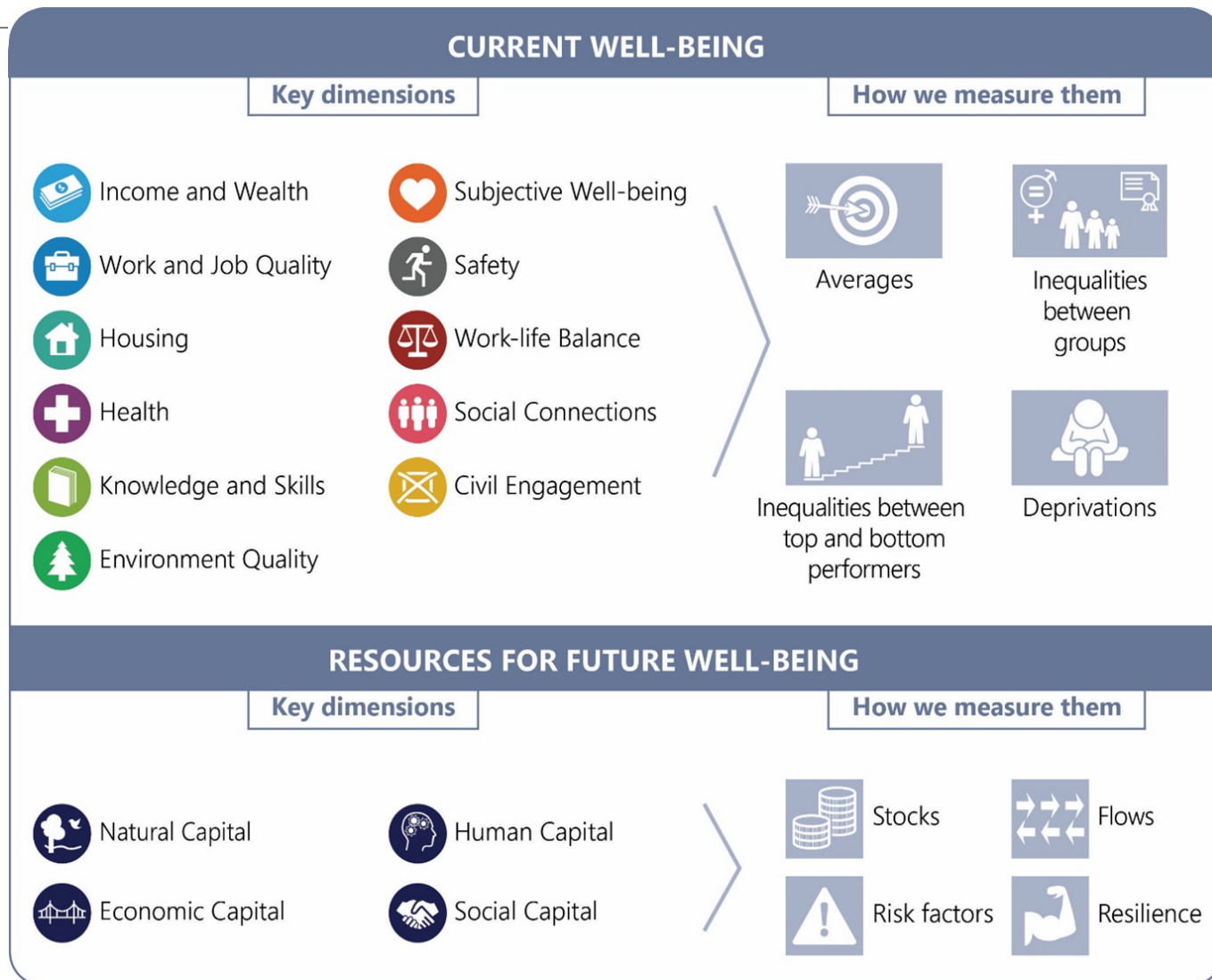
- **Deflation** important but difficult
 - PPPs
 - Price indexes for non-market services
- **Output-based and input-based** volumes
- **Quality adjustment**
- Much work to be done – the pandemic served as a reminder



Beyond consumption: broader measures of well-being



How's Life in OECD Countries?





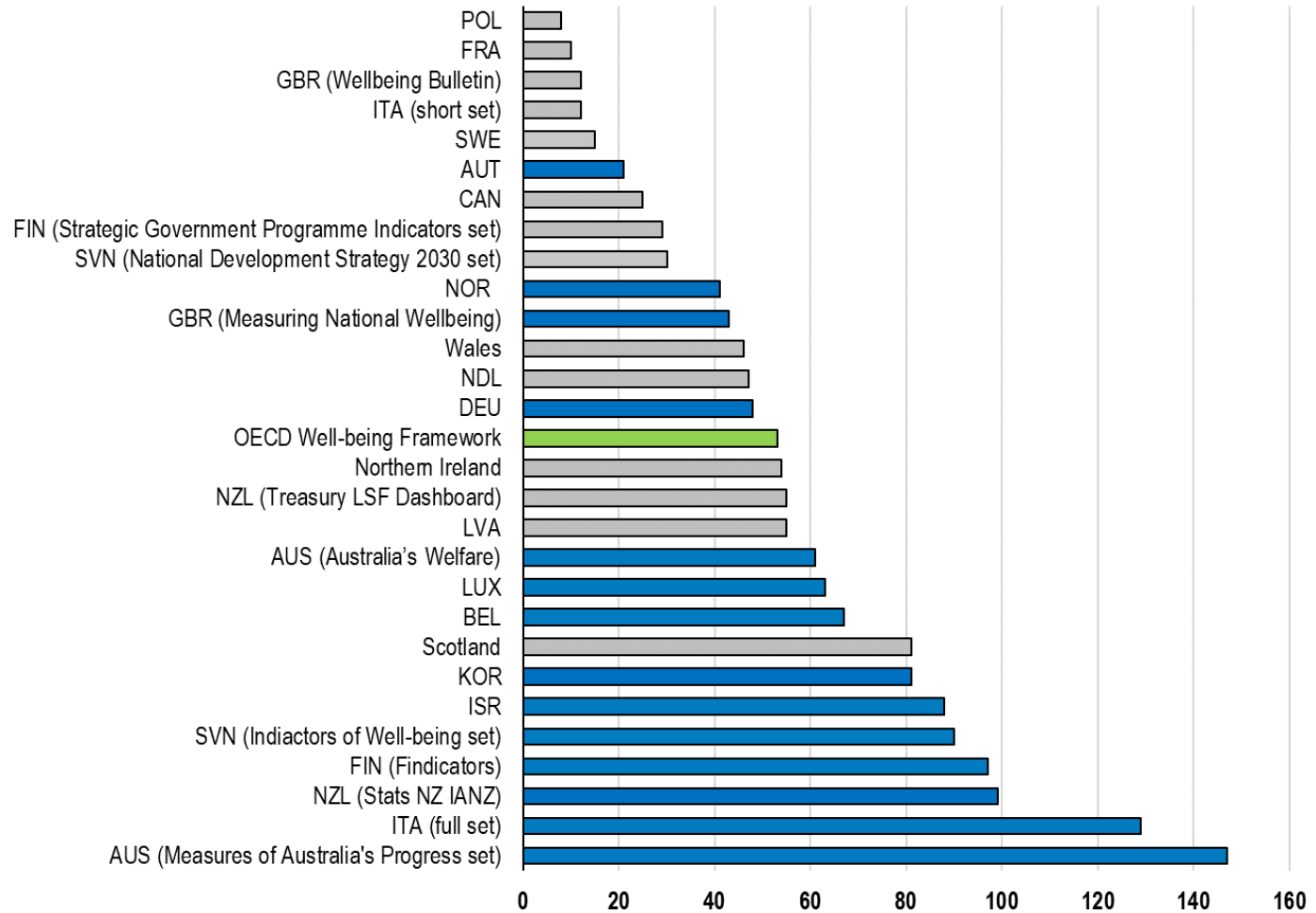
Well-being indicators are thriving

Blue:

measurement initiatives, usually led by statistical offices

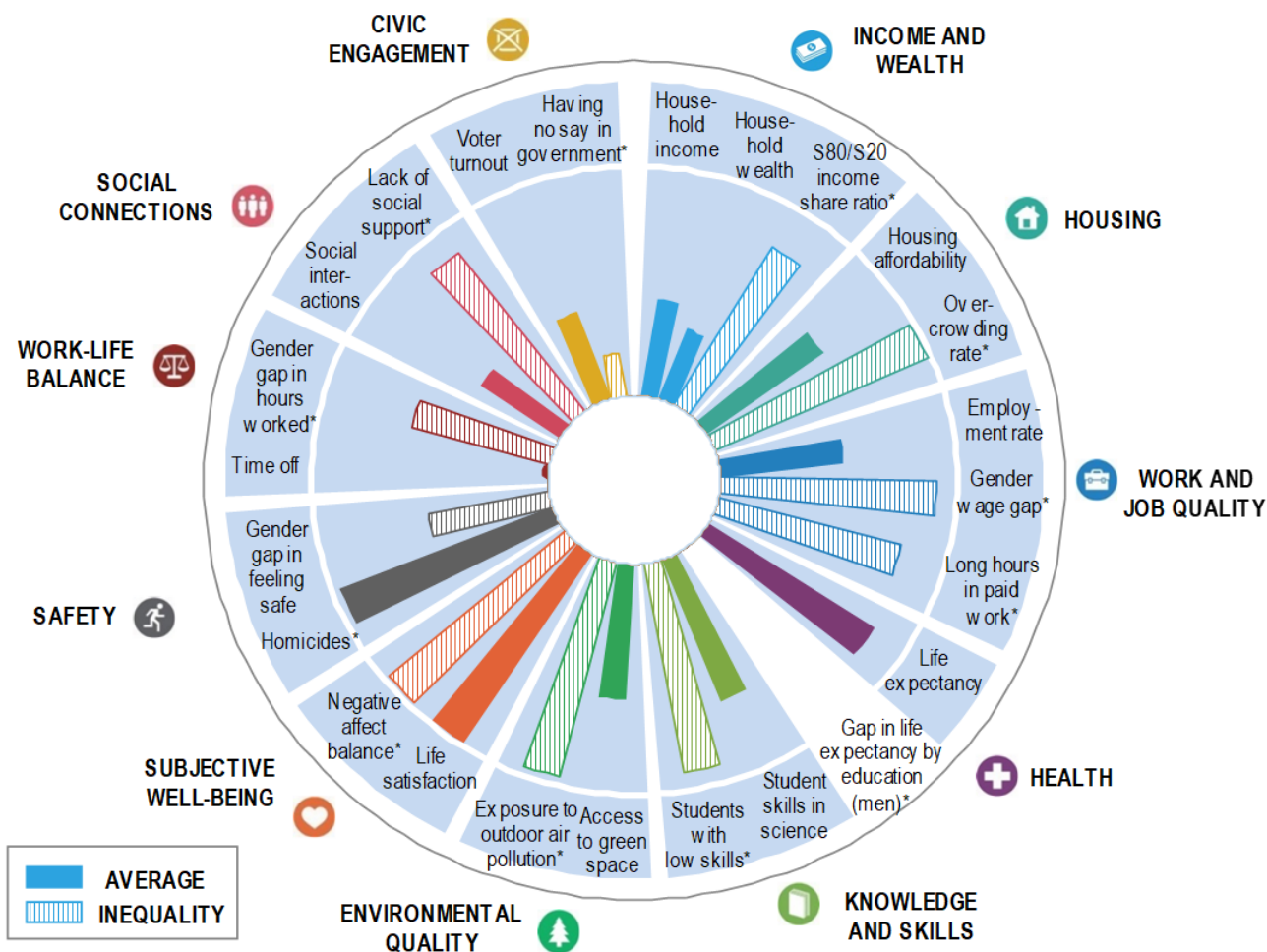
Grey: policy initiatives, usually led by government ministries

X-axis = number of indicators included





By way of example: How's Life in Ireland?



How's Life in Ireland?

2018 or latest available year

Longer bars indicate better outcomes (higher wellbeing) compared to other OECD countries, whereas shorter bars indicate worse outcomes (lower well-being).

<http://www.oecd.org/statistics/Better-Life-Initiative-country-note-Ireland.pdf>



In sum,...

- Both disaggregation and extension important to map people's living standards and well-being
- Also important: own account HH work, see Nancy's presentation
- Much activity at international level, including SNA update
- Excellent initiative by the BLS!



Thank you!



Paul.Schreyer@oecd.org