

Net-SILC3 International Best Practice Workshop

Assessing and improving the validity and comparability of the EU-SILC income, own consumption, health and housing variables

Session 1: Income components (1/2) (abstracts of all session papers)

Chair: Eric Marlier (LISER, Luxembourg)

- Tim Goedemé and Lorena Zardo Trindade (University of Antwerp, Belgium): *Net-SILC3 main findings and recommendations on the comparability of the EU-SILC income variables*
- Veli-Matti Törmälehto (Statistics Finland): *Reconciliation of EU-SILC data with national accounts*

- Tim Goedemé and Lorena Zardo Trindade (University of Antwerp, Belgium): *Net-SILC3 main findings and recommendations on the comparability of the EU-SILC income variables*

In this paper, we study how individual income components are aggregated into the EU-SILC target variables. In particular, we look at compliance with Eurostat guidelines, misclassifications and omitted income sources, all potentially undermining cross-national comparability. On the basis of a survey among national statistical institutes, we compiled a database which maps the exact classification of income components into the EU-SILC target variables. The focus of the database is on EU-SILC 2015, covering 26 EU-SILC countries. The database contains information on the composition of variables on total income before and after transfers; income from benefits, work and capital; social contributions and taxes. On the basis of this exercise, we draw some general conclusions with regard to (1) cross-national deviations with regard to the calculation of the EU-SILC total income variables; (2) the classification of national income components (e.g. particular benefits) that can be considered “borderline cases” which are currently classified inconsistently across countries; (3) possibilities for improving the definition of target variables; (4) the (unjustified) omission of some income components from EU-SILC target variables; (5) recommendations that may be helpful to improve the comparability of EU-SILC in the future.

- Veli-Matti Törmälehto (Statistics Finland): *Reconciliation of EU-SILC data with national accounts*

The coherence of household survey data with national accounts has been studied extensively in recent years, following the “Beyond GDP” initiatives. This paper compares income aggregates in EU-SILC and national accounts, adjusts for the main conceptual differences, and discusses factors that could influence the observed discrepancies. Following a proposal by Atkinson, Guio and Marlier (2017), sensitivity of key social indicators to the micro/macro-discrepancies is then examined by adjusting the micro data totals to match the reconciled macro aggregates. Three adjustment methods are tested (simple proportional scaling, calibration to margins, Pareto imputation), and their impact on the measures of income inequality and at risk of poverty compared. In line with other studies, the micro/macro gaps are found to vary significantly across countries, and are more substantial in property and self-employment income compared to wages and salaries and transfers received. The observed gaps are likely to be mostly due to measurement errors and conceptual differences. Adjusting the micro data with the gaps results in significant increases in inequality and median income levels, but more subdued changes in at risk of poverty rates. The results are sensitive to the adjustment methods as well as proper assessment of the micro/macro gaps. Caution is warranted if distributional indicators are computed from macro-adjusted micro data.