Comments on “Distributional Characteristics of Income Insecurity in the United States, Germany and Britain’ by Nicholas Rohde, Kam Ki Tang and Prasada Rao
The Holy Grail of a Meaningful Aggregate Measure of Income Volatility

• Measures from aggregate income series
• Measures from cross sections of changes in annual income of individuals or households
• Measures from longitudinal panels of income of individuals or households
Issues Associated with Tracking Income Volatility over Time(1)

• Definition of income (earnings, market income or post tax/transfer income)
• Desired or voluntary versus undesired or involuntary fluctuations
• Transitory versus permanent income changes
• Life cycle effects
• Business cycle effects
• Trend income growth linked to aggregate real income and productivity increases and inflation
• Treatment of income increases versus income falls
Issues Associated with Tracking Income Volatility over Time (2)

- Equivalence scale adjustments
- Data sources to track the annual income of individuals or households over long periods
- Focus on cross-national study or trends within a country over time
- Hardship factor in income declines
- Decomposition of earnings volatility into changes in hours, wages and employment
Specific Comments

• Appropriateness of the Atkinson measure of inequality for calculation of an income volatility measure

• “if occurring proportionately across the population, a recession that costs several percent of GDP is a relatively minor disturbance at the household level”

• “... governments appear effective in insulating low income households from insecurity in post-government income”