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The Distribution of Household Income in the Framework of National Accounts: the Italian Experience, 2015-2020

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The production and dissemination of distributional estimates of household income, consumption and wealth in the framework of national accounts is since long time at the center of a number of international initiatives, i.e., the OECD-Eurostat Expert Group on Disparities in a National Accounts Framework, recommendations in the G20 DGIs, as well as the provision of a dedicated chapter in the new System of National Accounts.

Italy has actively participated in the exercises of production of coordinated estimates organized by the OECD-Eurostat Expert Group. In particular during 2019-2020, under the third exercise sponsored by the Group, Istat produced estimates of household income distributions for the years 2015-2017, thereafter published in the OECD and Eurostat websites in the form of experimental statistics.

This paper focuses on the method applied to produce those estimates. In the framework proposed in the OECD Guidelines (1), the method is based on a deep interaction between micro and macro experts, and an in-depth analysis and comparison of two main sources, namely EU-SILC (Survey on Income and Living Conditions) and National Accounts (NA) household macroeconomic aggregates.

Furthermore, the paper will address the following key aspects, focusing in depth at least on some of them:

- a comparison of Italian household income distribution with other EU countries: inequality measures on various income components for Italy are compared with those of other EU countries, and the contribution of various components to the inequality estimated on the entire income aggregate is assessed;

- the effects of Social Transfers in Kind (STiK) on income distribution: the extent to which STiK reduce inequalities in Italy is analyzed, by investigating how those are distributed across different types of households;

- the effects of the recent COVID pandemic on income distribution, with preliminary evidence for 2020: the effects of the pandemic on income inequality are analyzed, by focusing on the income components driving those results, and on how their changes affect different household categories;

- new strategies to reduce the gap between macro and micro income estimates, whenever it is wider: while for several income components a micro source variable exists, that has the same definition of, and whose measure is quite close to the NA estimate, for other components significant mismatches remain. This paper proposes to use in the EU-SILC multi-source integration process the same administrative sources used in the estimation of the income components in NA.

(1) OECD (2020), Distributional information on household income, consumption and saving in line with National Accounts – Guidelines, https://www.oecd.org/sdd/na/OECD-EG-DNA-Guidelines.pdf