

CONFERENCE OF EUROPEAN STATISTICIANS

For discussion

Third meeting of the 2007/2008 Bureau
Geneva, 12-13 February 2008

Item 2c of the Provisional
Agenda

**A ROADMAP TO IMPROVE STATISTICS ON INCOME, CONSUMPTION,
WEALTH AND POVERTY MEASUREMENT**

Note prepared by Statistics Canada

INTRODUCTION

1. The Bureau requested the author to propose a roadmap to improve statistics on income, consumption, wealth and poverty measurement. The preparation of a real roadmap was not a realistic goal in the one month available to prepare it (the vagaries of communications caused the request to be formally communicated to the author only in late December 2007, but a somewhat earlier notification would not have altered this limitation). What is offered, therefore, is a note for the Bureau to discuss and decide whether it wants to endorse, and if yes commission one (or several) of the courses of action outlined below, or variants thereof. It must be indicated that the note was prepared without any significant consultations outside Statistics Canada¹.

BACKGROUND AND QUESTIONS

2. Several international undertakings dealt with the issues addressed herein. They include The Canberra Group, the Rio Group, the Luxembourg Income Study (LIS) and other national and supra-national efforts. Also, the CES Bureau reviewed at its October 2007 meeting several papers prepared by member states or international organizations. A review of these papers raised the following questions:

- (a) Is there a need for additional information to enhance the comparability of income statistics through the addition of measures of quality such as the reporting of coverage and comparisons to other data sources such as the System of National Accounts?
- (b) The Rio group has provided a compendium of best practices in poverty measurement. However, it may be advantageous to determine common indicators that could be used among groups of countries of “comparable” countries.
- (c) The LIS has started a beta version of a harmonized data base using existing information on wealth across statistical offices that conduct wealth surveys. Is there now a need for a formal international conceptual framework to support the collection of wealth statistics similar to the one produced by the Canberra Group on income statistics?

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- (d) The ILO has suggested a conceptual framework on expenditure surveys and consumption statistics. Is this a priority need?

Is there a need for a roadmap?

3. If the answers to the above questions lead to a conclusion that a roadmap is required, it is because there is a destination to be reached that is unlikely to be reached with the efforts currently underway. What could be that destination? Two destinations can be envisaged.

- (a) A universal set of minimum standards and practices to achieve better comparability for income and poverty statistics.
- (b) A conceptual framework for the integrated measurement and analysis of income, wealth and possibly well-being (the latter two writ large and not only in financial terms) and that could be linked to the SNA and made consistent with it for the applicable components, at least at the aggregate level but ideally also for the micro foundations.

4. These two destinations vary greatly in their ambition and the effort and resources they would require. They also vary in their applicability depending on the comprehensiveness and capabilities of the national statistical systems within which they would be pursued. Therefore, different possible courses of action are proposed for each.

Minimum Standards and Practices

5. The Rio Group and the Canberra Group report already offer best practices for the collection of income statistics and for poverty measurement. Two scenarios are possible:

- (a) Set up an ongoing monitoring function that would report regularly on the adherence to these practices by countries that would be determined to be in scope for the monitoring. Such a function should be located within an organization that has the technical knowledge and resources to carry-out the function and is sufficiently independent from the production process to ensure objectivity. This should be an international user organization, the OECD for example. The monitoring role would have to be carefully defined and communicated. It must not be seen as a policing effort but as means to track the extent to which the Rio and Canberra recommendations are followed and to point to potential areas of further collaboration and/or assistance to achieve greater compliance.
- (b) Set up an international task force to review the experience to date regarding the Rio, Canberra, LIS and ILO recommendations. It could also look at elements such as the congruence of the estimates produced by the various sources of income data (surveys or administrative sources) with the System of National Accounts estimates (after adjustments to take into account differences in concepts). The mandate of the task force would be to produce an updated and integrated code of recommended and achievable practices. These practices should be tiered according to the varying realities of national statistical systems, and they should be built according to a continuum of incremental and progressively demanding requirements to ensure comparability at least at some level. The task force should include the major international user organizations and a representative cross-section of NSOs and be co-chaired by a representative of each. A realistic time table and a firm commitment

of resources would be required. A firm time table should not be established until a work plan has been discussed by the participants, or at least the initial participants in the task force. The resulting code of practices could then be subject to the monitoring undertaking described above.

Integrated Conceptual Framework

6. This scenario is the most ambitious. It would represent a major leading edge development effort that could only be pursued by a group of dedicated volunteer participants that would operate in the original spirit of the City Groups and be more concerned with advancing the state of the art than universal applicability in the short term. It would involve defining the foundations for a true set of micro and macro level household accounts that could be linked to the System of National Accounts. This should bring together the concepts of income, expenditures and wealth. It would also bring together cash and non-cash transfers (such as health, education) to allow a full reconciliation with the System of National Accounts. It could also expand into dimensions that while not directly relatable to the SNA correspond to important policy interests such as human capital (intellectual and otherwise) and well being. Such an initiative would have to embed true international comparability in its criteria for success. It should, therefore, be closely coordinated with the International Comparison Program, with regards not only to Purchasing Power Parities but also to basket compositions for purposes such as deprivation and social inclusion/exclusion measurements. This is perhaps an opportunity to address in an integrated and pragmatic approach issues that have been raised in a sort of fragmented way in events such as the OECD's World Forums and IARIW meetings.

7. Pursuing this scenario would require a multi-step approach, with each step offering off-ramping and re-direction possibilities. The first step would be to set-up a small working group to frame terms of reference, establish a time table and "go no go" decision points for the early stages and recruit volunteers for this initiative. Participation should be based on capacity and willingness to contribute concretely. Events such as paper presenting conferences and information sharing events should be avoided. While useful, these types of meetings are not appropriate for the advancement of a concrete work plan and several other venues already exist for these purposes.

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