

Chapter 1

Introduction

This publication presents, for the first time, an internationally agreed set of guidelines for producing micro statistics on household wealth. These guidelines fill an important gap in the existing international guidance on measuring the various dimensions of people's economic well-being. This introductory chapter describes the purpose of the guidelines, how they were developed, and their relationship with other international standards. The chapter concludes with a broad overview of the structure and content of the document.

1.1. Purpose of the standards and guidelines

There has been increasing recognition in recent years that agreed international standards for measuring household wealth at the micro level – i.e. at the level of individual households – are essential. They are needed to address the common conceptual, definitional and practical problems that countries face in producing such statistics as well as to improve the comparability of the currently available country data. They are also needed to facilitate the integration of micro statistics on household wealth with those relating to other dimensions of economic well-being, such as income and consumption.

At the macro level – that is, at the economy-wide or institutional sector level – the System of National Accounts provides well-established international standards for measuring household wealth as well as other aspects of household economic resources. However, the primary focus of the SNA standards is on measuring the performance of the economy as a whole and of its various sectors through an integrated system of accounts. Conversely, the primary focus of micro-level wealth statistics is on measuring the level and composition of the wealth held by individual households and its distribution across households with different characteristics. As this difference in focus and methodology has both conceptual and practical implications, specialised guidance is needed on how to measure wealth at the micro level. This publication aims to provide such guidance.

The guidelines provided in the following chapters represent best practice in collecting, disseminating and analysing micro statistics on household wealth. Their adoption by countries should both contribute to more accurate, more complete and more internationally comparable data and lead to more informed use of the data. The guidelines are intended to help countries to improve the quality and usefulness of their existing statistics in this field and to assist those planning to develop such data in the future by providing a sound conceptual and practical base for their work. They are designed to be widely applicable, with relevance to countries that are in different stages of statistical development, with different statistical infrastructures, with different experiences in developing wealth surveys, and with different economic and social environments. While the implementation of these guidelines may lead to breaks in statistical series for those countries that already implement measures in this field, the impacts of such breaks can be minimised through methods similar to those applied in other fields.

The guidelines presented in this report are meant to be relevant to both those who produce statistics and those who use them. Such persons may be in national or international statistical agencies or other government bodies, in research organisations or in the wider community. In the case of producers, the guidelines presented here are intended to be of assistance throughout the statistical process: from data development, collection and compilation to data analysis, dissemination and quality assurance. In the case of users, these guidelines are intended to improve their understanding and interpretation of the available data, including the basis on which the data have been compiled, and the relevance and appropriateness of different measures for particular types of analysis.

As these guidelines are a new initiative, it is expected that they will be further developed and refined over time. Periodic review will also be necessary to keep them up to date with developments in wealth measurement methodology and analytical needs. Countries are encouraged to “road test” them in their own environments and gain experience with their use. This experience will be invaluable when it comes to reviewing them at a future date.

1.2. Development of the Guidelines

1.2.1. Historical background

The development of these guidelines reflects the increasing interest over the last few decades in the different dimensions of people’s economic well-being and in the inter-relationships between these dimensions. This interest has come from policy makers, researchers and other analysts and is highlighted in a range of international reports that have called for statistical action to better understand the different dimensions of people’s economic well-being, including household wealth. These reports include:

- The 2001 and 2011 editions of the *Canberra Group Handbook on Household Income Statistics*. The 2001 edition argued that further research was required into the relationships between household income, expenditure and wealth (Chapter 9, pages 109-110). The 2011 edition proposed a research agenda that included the “development of international statistical standards for the collection and compilation of statistics on household wealth at the micro level”; the “development of a statistical framework that describes the relationships between household income, consumption and wealth”; and “the assessment of practical issues with the collection and analysis of income, expenditure and wealth in an integrated manner” (Chapter 9, pages 120-121).
- The 2008 report of the Conference of European Statisticians providing an “In-depth Review of Income, Living Conditions and Poverty Statistics”, which concluded that “A wider initiative is needed to work towards an integrated framework of income, expenditures and wealth [...] by setting up a possible city group”.
- The 2009 report of the Stiglitz-Sen-Fitoussi Commission on the Measurement of Economic Performance and Social Progress, which recommended “Consider(ing) income and consumption jointly with wealth” (Recommendation 3) and “Giv(ing) more prominence to the distribution of income, consumption and wealth” (Recommendation 4). The Commission argued that, while income and consumption are crucial for assessing living standards, in the end these can only be gauged by looking at them in conjunction with information on wealth. Further, the report argued that, while average measures of income, consumption and wealth are important statistics, they should be accompanied by indicators that reflect their distribution.
- The 2009 report to the G20 Finance Ministers and Central Bank Governors on *The Financial Crisis and Information Gaps*. This report noted that, “averages need to be complemented by distributional information” when analysing sectoral data and that “this requires linking national accounts concepts with micro-economic concepts of income and wealth and merging macro and micro data sets” (para. 56). The report further recommended that: “As the recommended improvements to data sources and categories are implemented, statistical experts (should) seek to compile distributional information (such as ranges and quartile information) alongside aggregate figures wherever this is relevant. The Interagency Group on Economic and Financial Statistics

(IAG) is encouraged to promote the production and dissemination of these data in a frequent and timely manner. The OECD is encouraged to continue its efforts to link national accounts data with distributional information” (Recommendation 16).

As the interest in household wealth data has grown, increasing numbers of countries have developed new collections or expanded existing collections to provide micro statistics in this area. Statistical collection initiatives have also emerged at the international level, such as the Luxembourg Wealth Study and the Eurosystem Household Finance and Consumption Survey. These developments in the demand for and availability of household wealth information are discussed further in Chapter 2.

At its June 2010 meeting, the OECD Statistics Committee (CSTAT) discussed a proposal to develop an integrated framework for statistics on household income, consumption and wealth at the micro level. A large number of countries supported this proposal, which was included in the Programme of Work of the OECD Statistics Directorate for the 2011-12 biennium. An Expert Group was set up in late 2010 to steer and direct this new work.

1.2.2. OECD Expert Group on Micro Statistics on Household Income, Consumption and Wealth

The OECD Expert Group on Micro Statistics on Household Income, Consumption and Wealth brought together experts in household wealth statistics from a wide range of countries and from different regions of the world. The individual members and the organisations to which they were attached are listed in the Acknowledgments at the front of this publication.

The Group had three primary objectives:

- To develop statistical standards for those domains of household economic resources where they are currently lacking, i.e. wealth.
- To assess the consistency of standards in the various domains and present them within a coherent statistical framework at the micro level (including the development of guidelines for the analysis and dissemination of these statistics).
- To consider the practical challenges to the collection of information on the joint distribution of household income, consumption and wealth.

This publication is the result of the Expert Group’s work on its first objective. The work included:

- Reviewing and comparing country methodologies for producing household wealth statistics at the micro level and for assessing data availability.
- Developing agreed definitions, classifications and other standards for household wealth statistics.
- Assessing the measurement issues associated with the different components of household assets and liabilities and developing best practice guidelines.
- Assessing the advantages and disadvantages of different sources and methods for measuring these components, including household surveys.
- Reviewing and assessing a range of analytic measures that could be used in describing the distribution of household wealth.
- Identifying the conceptual and definitional differences between the macro and micro approaches to measuring household wealth and assessing the feasibility of narrowing these differences.

This work was also closely linked to work pursued on the Group's second and third objectives. In particular, the wealth standards described in this document are identical to those summarised in the companion publication, *Framework for Statistics on the Distribution of Household Income, Consumption and Wealth*, which was developed in parallel by the Group.

1.3. Relationship with existing international standards

Harmonisation with existing international standards was an important objective in developing the guidelines on household wealth presented in this publication. Since micro statistics on household wealth are often analysed in conjunction with other micro and macro data, consistency considerably enhances the usefulness of the statistics and facilitates statistical integration across the different dimensions of household economic resources. The main standards that are relevant here are: i) the 2008 System of National Accounts (SNA); ii) the 2011 *Canberra Group Handbook on Household Income Statistics*; iii) the recommendations of the 17th International Conference of Labour Statisticians (ICLS) on household income and expenditure statistics, contained in its 2003 report; and iv) the 2006 UNECE/CES recommendations for the 2010 Censuses of Population and Housing.

While there is a large degree of consistency between the recommendations in this publication and those in the other standards mentioned, some differences exist. Each difference is explained and justified in the relevant chapter. Wherever possible, the significance of each difference is assessed and ways of achieving alignment with the other standards are discussed. In addition, for differences relating to the macro wealth statistical standards in the SNA, Annex C brings them together in a comprehensive list.

1.4. Structure of the report

This report contains nine chapters and five appendices. Chapter 2 provides an overview of the statistics covered by the report, while Chapter 3 brings together all their basic features – concepts, definitions and classifications – and presents recommendations. Chapters 4 to 9 then present practical considerations in implementing the standards and provide measurement guidelines. These guidelines relate to key activities in the statistical production process, including sources and methods for measuring particular forms of wealth, best practice in using household surveys or other sources to compile wealth statistics, the development of analytic measures, the dissemination of data, and data quality assurance.

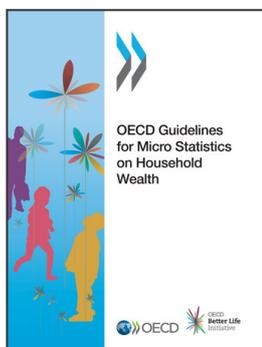
A summary of the key features of each of the following chapters and annexes is presented below.

- Chapter 2 (“Overview of household wealth statistics”) discusses the need for, and importance of, information on household wealth, including the types of analyses it can inform. It reviews the current availability of statistics in this field, and discusses international data collection initiatives. Issues affecting the integration of micro statistics on household wealth with other statistics are also considered.
- Chapter 3 (“Standard concepts, definitions and classifications for household wealth statistics”) describes the conceptual framework and standards for micro statistics on household wealth. It presents the basic concepts and key definitions (i.e. “household”, “wealth”, “asset”, “liability”) and the general principles of recording (i.e. “valuation”, “time of recording”, “consolidation and netting”, “coverage”, “unit of measurement”).

Standard wealth components and household groups are also specified and defined. Alignment with other international standards is discussed.

- Chapter 4 (“Data sources and methods for producing household wealth statistics”) describes the different types of sources and methods that are used to collect and compile household wealth statistics, and indicates the main strengths and weaknesses of different approaches. The aim is to assist statistical offices in determining the best approach in their particular circumstances.
- Chapter 5 (“Measurement guidelines for standard components of household wealth”) focuses on how the standard wealth components specified in Chapter 3 are best measured. For each component, the main measurement issues are considered and practical guidance is provided in the light of data collection experience by those countries that produce statistics in this field.
- Chapter 6 (“Measuring household wealth through surveys”) considers in some detail how household wealth can be measured using one of the more common approaches, namely household surveys. The primary aim is to provide practical guidance concerning the measurement issues that need to be considered at various stages of the survey process, and to highlight those practices that should produce good quality statistics that conform to the guidelines provided in earlier chapters. This chapter is not intended as an operational guide for conducting such surveys, but rather as an assembly of useful information based on country practices.
- Chapter 7 (“Analytic measures”) considers the ways in which the usefulness of the basic micro-level data on household wealth, produced using the sources and methods discussed in Chapters 5 and 6, can be maximised through statistical analysis and presentation. A range of analytic measures that can be derived from the basic data are discussed, and guidelines are provided for analysis of the data.
- Chapter 8 (“Dissemination”) discusses the different formats and vehicles that can be used to disseminate micro-level data on household wealth to different types of users. It considers how presentation and dissemination choices can affect the usefulness of the data, and provides guidelines on best practice.
- Chapter 9 (“Quality assurance for household wealth statistics”) focuses on the quality assurance of micro statistics on household wealth to ensure their fitness for purpose. It provides guidelines on best practice methods of assessing quality, which complement those in the previous chapters and are intended for use by both data producers and data users.
- Annex A (“Eurosystem Household Finance and Consumption Survey”) provides a summary description of the Eurosystem Survey, which is referred to in various places in the main body of the document. It describes the purpose and content of the Survey, which is conducted in all 17 euro area countries to obtain information on income, consumption and wealth using an *ex ante* agreed common methodology. It outlines key methodological features, including country-specific features for each of the participating countries.
- Annex B (“Luxembourg Wealth Study”) provides a summary description of the Study, which is mentioned in several chapters. It outlines the main features and experiences of the Study, which involves the *ex post* harmonisation of household wealth data based on data sets obtained from individual countries. It discusses the wealth and non-wealth variables that are included in the Study and the comparability issues that have been encountered in using the data sets from 12 participating countries.

- Annex C (“Differences between micro and macro measures of household wealth”) provides a comprehensive list of the differences between the recommendations for micro statistics on household wealth and the standards for macro statistics in the 2008 SNA. While the differences are identified and discussed throughout relevant chapters in the document, they are shown here, in one place, for the convenience of readers.
- Annex D (“Inventory of country methodologies for producing micro wealth statistics”) presents the results of a questionnaire designed by the Expert Group to obtain information on country methodologies for producing micro-level wealth statistics and to investigate the availability of such data. The questionnaire was despatched in mid-2011 to members and observers of the OECD Statistics Committee as well as to other non-OECD countries; responses were received from 26 countries and from the European Central Bank.
- Annex E (“Household definitions in other statistical standards”) describes and compares the household concepts and definitions provided in several statistical standards used in measuring the economic circumstances of households. It expands on the summary information about these concepts and definitions provided in Chapter 3.



From:
OECD Guidelines for Micro Statistics on Household Wealth

Access the complete publication at:
<https://doi.org/10.1787/9789264194878-en>

Please cite this chapter as:

OECD (2013), "Introduction", in *OECD Guidelines for Micro Statistics on Household Wealth*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/9789264194878-4-en>

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