OECD Technical Document: An Internationally Comparable Methodology

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Building on the methodology for the distributions of personal income (PI) and disposable personal income (DPI), the U.S. Bureau of Economic Analysis (BEA) has now constructed the distribution of adjusted disposable income as outlined by the Organisation for Economic Co-operation and Development (OECD) Expert Group on Disparities in a National Accounts framework (EG DNA), an internationally comparable measure. First launched in 2011 (and subsequently modified in 2014 and 2018), the EG DNA group devoted a decade of research and collaboration to developing distributional estimates of income, consumption, and saving compatible with the System of National Accounts. An extensive roadmap for calculating the resulting agreed-upon measures for households is provided here.

BEA is providing distributions which can be directly compared to those of other countries for an income measure broader than the measure of household income in the current distribution of personal income. The OECD measure is specifically calculated for households – omitting nonprofit institutions – and is most closely related to disposable household income, with similar inequality trends; it is broader in scope, including imputed interest received and paid, some additional in-kind transfers, and uses a gross measure by not adjusting for the consumption of fixed capital (CFC). All totals reflect the measures as used in this exercise and do not necessarily correspond directly to SNA aggregates provided to the OECD by the BEA.

Adjusted disposable income for this exercise can be calculated as follows:

>Gross operating surplus and mixed income[1]
>+Compensation of employees
>+Net property income
>+Current transfers received
>-Current transfers paid
>**=Disposable income**
>+Social transfers in kind (STiK)
>**=Adjusted disposable income**

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[1] As defined for this exercise, this category includes operating surplus for actual and imputed rentals as well as mixed income tied to own account production and underground production.

First, we begin with the distribution of DPI, whose methodology is described in detail [here](#). All components that the two measures have in common are distributed as in DPI. These components make up 85 percent of OECD adjusted disposable income. The remaining components are distributed as follows:

1. The total of interest, transfer payments, and CFC, as related to owner-occupied housing or mixed income according to owner-occupied housing or self-employment (including farm), respectively[2]

2. Miscellaneous current transfers received (paid) according to the sum of all current transfers received (paid)

3. Benefit payments and withdrawals according to the retirement disbursement variables in the CPS (similar to imputed interest tied to retirement)

4. Social transfers in kind that are not included in DPI (government consumption expenditures)

   - Education: by the number of children

   - Health: by the total of health assistance as in DPI

   - Income security: by the total of family assistance and general assistance as in DPI

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[2] Note that Financial Intermediation Services Indirectly Measured (FISIM) is not included.

- Other: by the sum of education, health, and income security

After OECD disposable and adjusted disposable income are calculated, they are equivalized using the methodology recommended in the OECD EG DNA guidelines. Rather than using the square root of household size as in the BEA distribution, here we use the following equivalization factor: 1 for every adult, 0.5 for every additional member age 14 and over, and 0.3 for every child under age 14.

After these summary measures have been calculated, they are summarized in data files on the BEA website for each year from 2000 to 2020 in tables 1 and 2, in addition to in a summary table of inequality metrics for 2000 to 2021 (table 3). Table 1, "Major Components of OECD Adjusted Disposable Income by Decile," distributes adjusted disposable income by the aggregated categories listed above by decile. Households are ranked by equivalized (household size-adjusted as per the OECD formula) adjusted disposable income and assigned to deciles. Table 1 also includes the totals for each line item in the first column and summary lines for disposable and adjusted disposable income. Table 2, "OECD Inequality Metrics," reports inequality statistics for disposable income and adjusted

disposable income. Summary metrics are available for all years in table 3,

corresponding directly to table 3 for PI and DPI.