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Update of the Canberra Group Handbook on Household Income Statistics

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Summary

The Final Report and Recommendations of the Expert Group on Household Income Statistics (The Canberra Group 2001), commonly known as the Canberra Group Handbook (CGH), is an important and widely used reference for the production, dissemination and analysis of household income and income distribution statistics. The Canberra Group operated between 1996 and 2001 and their work was highly influential in the establishment of revised international standards for micro level household income statistics (ILO 2004). Since then there have been further advances made in household income measurement.

In 2008, the Conference of European Statisticians (CES) completed an in-depth review of statistics on income, living conditions and poverty. An outcome of that review was the formation of a small international Task Force to undertake a limited update of the CGH to reflect the latest international standards, adopted in December 2003 by the International Conference of Labour Statisticians (ICLS), and other recent progress in the field. The objective is to help achieve greater harmonization of income concepts and measurement across countries.

In its Terms of Reference, the Task Force was asked to:
- update the inventory of countries current definitions of income to see how these may have advanced since the last international comparison was undertaken by the Canberra Group in 1998;
- develop practical guidelines to assist countries in the measurement of household income based on best practice; and
- establish a set of quality assurance guidelines for countries to assess the quality of their income estimates.

The Task Force includes representatives from the national statistical offices of Australia, Austria, Canada, and Norway, the United States Census Bureau, and representatives from Eurostat, Organisation for Economic Co-operation and Development (OECD), International Labour Organisaztion (ILO), Luxembourg Income Study (LIS) and United Nations Economic Commission for Europe (UNECE). The Australian Bureau of Statistics (ABS) chairs the Task Force and UNECE provides secretariat support.

Most of the work is being undertaken through electronic communication and teleconferences. The first, and only, face to face meeting of the Task Force will be held immediately before the International Association for Research in Income and Wealth (IARIW) 2010 Conference to consider and finalise most elements of the update.

The primary output of the project will be a revised edition of the CGH reflecting the latest international standards and best practice in household income measurement. It will also highlight proposed future directions for international work in household income, consumption and wealth statistics. The importance of maximising the alignment of micro and macro data sets for these statistics will also be emphasised.

The Task Force is to complete its update and report back to the CES Bureau by February 2011.

Canberra Group Handbook

In 1996, an International Expert Group on Household Income Statistics, known as the 'Canberra Group', was established at the initiative of the Australian Bureau of Statistics. The initiative was in response to a growing awareness of the need to address the common conceptual, definitional, and practical problems that national statistical offices faced in the area of household income distribution statistics. The experience of Atkinson et al (1995) in undertaking a comparative OECD study on income distribution were particularly influential.

The Canberra Group comprised experts from national statistical offices, government departments and research agencies from Europe, North and South America, Asia, Australia and New Zealand, as well as from a number of international organisations.

IARIW also played a significant role with a session on 'International standards on income and wealth distribution' included at the 24th General Conference at Lillehammer, Norway in August 1996, and peer reviewing the Group's outputs at a session at the 26th General Conference in Cracow, Poland in August 2000, when some of the draft chapters were presented.

The Canberra Group met four times between December 1996 and May 2000. Its final outputs were published in its *Final Report and Recommendations of the Expert Group on Household Income Statistics,* commonly referred to as the *Canberra Group Handbook* (The Canberra Group 2001).

The *Canberra Group Handbook* (CGH) was highly influential in the development of new international standards for micro level household income statistics. In December 2003, the ICLS adopted a resolution containing updated standards for household income statistics (ILO 2004). These standards to a large extent followed the proposals put forward by the Canberra Group (with some differences, particularly relating to the classification of some income receipts).

In February 2009, the CES completed an in-depth review of statistics on income, living conditions and poverty. An outcome of that review was the formation of a small international task force to undertake a limited update of the CGH. The updated edition of the Handbook will reflect the latest ICLS standards and further advances made in the field over the past decade.

Terms of Reference for the CGH update

The *Task Force to Update the CGH on household income statistics* was established by the CES Bureau at its meeting on 2-3 February 2009. The overall objectives of the Task Force are to undertake a limited update of the CGH to reflect the latest ICLS standards and to:
- update the inventory of countries current definitions of income and related data sources to see how these may have advanced since the last international comparison was undertaken by the Canberra Group in 1998;
- develop practical guidelines to assist countries in the measurement of household income based on best practice ;
- establish a set of quality assurance guidelines for countries to assess the quality of their income estimates.

The Task Force includes representatives from the national statistical offices of Australia, Austria, Canada, Norway and the USA, and representatives from Eurostat, OECD, ILO, LIS and UNECE. The Australian Bureau of Statistics chairs the Task Force and UNECE provides secretariat support. A list of Task Force members is provided at Appendix 1.

Most of the work is being undertaken through electronic communication (including e-mails and interactive work on the project wiki site maintained by UNECE) and teleconferences. At its first teleconference on 19 May 2009, the ABS was elected chair, with the UNECE Statistical Division providing secretariat support.

There have now been nine teleconferences and substantial work has been undertaken over the past year. The structure and content of the existing CGH has been reviewed, areas requiring attention have been agreed and lead agencies and co-contributors have been determined for each task. The ABS has overall editorial responsibility for the preparation of the new CGH.

The Task Force has one face to face meeting, immediately before the IARIW 2010 Conference, to consider and finalise most elements of the update. The final report of the Task Force and the draft updated CGH will be presented for consideration at the February 2011 CES Bureau meeting.

Major work streams

This section summarises the major work streams that are being undertaken as part of the update. The detailed list of tasks and responsible agencies is provided in Appendix 2.

1.   Reflect new international standards

The starting point for the updated handbook is the incorporation of the international standards for household income statistics, adopted by the ICLS in 2003 (ILO 2004).

These standards post date the current CGH, but were heavily influenced by its development. As the updated ICLS standards provide a somewhat different context than faced the authors of the 2001 CGH, there are some impacts on the structure and content for an updated Handbook to make it a comprehensive, up-to-date and stand alone reference for compilers and users of household income statistics. For example, the updated Handbook will include a clearer separation and exposition of the internationally agreed conceptual and operation aspects of the measures of income to be used, and their place within a broader income, consumption and wealth framework.

2.   Survey of Country Practices

A major element of the update is the conduct of a new survey of country practices. The results will refresh the information included in the current CGH and provide a broad picture of progress made in this field in the past decade. The information gained from the survey is also informing other elements of the update e.g. development of quality assurance guidelines, and will be used to help determine where further improvements and harmonisation efforts should be directed.

The OECD and Statistics Norway have led the development of two questionnaires for the survey:

Questionnaire 1: Robustness assessment
The questionnaire collected information that could assist in the assessment of the robustness of household income data. It included a wide range of questions covering sampling and coverage, units of observation, non-response rates for income components, imputation for missing items, dissemination practices, etc.

Questionnaire 2: Data item inventory
The questionnaire collected information on the components included in country definitions of household income. Metadata about the general characteristics of the survey, e.g. frequency, coverage, and the individual income components (e.g. information on whether the item was observed separately, whether it was measured at the individual or household level, and whether it was measured on a gross or net basis) were also collected.

The questionnaires were despatched in late 2009 / early 2010 to all CES member countries, together with several other countries considered useful to help obtain a broader perspective of work in this field i.e. China, India and Indonesia. The questionnaires are available on the project website at: <http://www.unece.org/stats/groups/cgh.html>.

At the time of writing, responses had been received from 46 countries (see Appendix 3 for a list of participating countries).

The results of the survey of country practices indicate that there have been some significant advances in country definitions and inclusions in their household income statistics since the 1998 survey. The final results will be used to help determine where future improvements and further harmonisation efforts should be best directed. The importance of maximising the alignment of micro and macro datasets will be emphasised.

3.   Practical guidance for the measurement of selected income receipts

The updated Handbook will provide more practical guidance for the measurement of selected income receipts to help facilitate greater harmonisation of income measurement across countries.

It will cover selected receipts with known measurement limitations, such as self employment and property income which are typically under-reported in household surveys, or receipts that are not widely included in country definitions for household income, such as social transfers in kind and imputed rent.

4.   Best practice guidelines for quality assurance, analysis and dissemination

A key area of the Task Force's work is the establishment of best practice guidelines for quality assurance processes, analysis and interpretation of household income statistics and the dissemination of these statistics.

The work will build on the existing guidance provided in the CGH and expand the advice where appropriate. It will also include significant updates to the sections on:
- use of price indexes;
- analysis of 'low' and 'top' income households;
- appropriate use of survey and administrative data; and
- household income dynamics and intergenerational mobility.

Title and structure for updated Handbook

The working title for the update is the *Canberra Group Handbook on Household Income Statistics, Second Edition.*

The words 'Canberra Group' are included to link the 'first' and 'second editions'. The continued use of the word 'Handbook' is to describe the purpose of the publication (other possible descriptions are 'guidelines' or 'manual'). Reference to 'Household Income Statistics' is necessary in any possible title. The use of the terminology 'Second Edition' indicates that the publication is an update to an earlier, original piece of work.

As noted above, the update of the Handbook will require some reorganisation of material to reflect the latest international standards but also to provide clearer separation of the conceptual and operational aspects of the income measures to be used, and to incorporate the expanded practical guidance.

Table 1 provides a draft table of contents for the updated Handbook. Depending on the review outcomes, and how well the updated elements fit within the proposed structure, the structure may change for the final version.

Table 1   Draft Table of Contents

Canberra Group Handbook on Household Income Statistics, Second Edition

Acknowledgements
Preface
Summary

Chapter 1: Introduction
Chapter 2: Income concept and definitions
Chapter 3: Income measurement
Chapter 4: Sources of household income
Chapter 5: Quality assurance guidelines
Chapter 6: Data analysis, presentation and dissemination
Chapter 7: Comparing income distributions over time
Chapter 8: Income dynamics
Chapter 9: Issues for the future

Appendix 1: Reconciliation of micro-macro concepts and terminology
Appendix 2: Availability of Income Data
Appendix 3: Robustness Assessment Report for Income Distribution Data
Appendix 4: Robustness of National Accounts Estimates of Household Income (*to be confirmed*)
Appendix 5: Purchasing Power Parities

Bibliography

Relationship to other international work

In addition to the update of the CGH, the CES Bureau's in-depth review of income, living conditions and poverty identified the need for a wider initiative to develop an integrated framework for household income, consumption and wealth statistics. While initially this work was to be progressed through the formation of a City Group, a City Group was not established at that time.

The importance of considering the relationships between, and the distributions of, household income, wealth and consumption when assessing economic wellbeing has been given new impetus by several recommendations in the 'Report by the Commission on the Measurement of Economic Performance and Social Progress' (the 'Stiglitz-Sen-Fitoussi Commission' report) released in September 2009.

The CES Task Force has established links with related aspects of the Eurostat and OECD responses to the Stiglitz-Sen-Fitoussi Commission reports.

It has established links with the Eurostat and INSEE 'Sponsorship Group (SpG)' on *Measuring progress, wellbeing and sustainable development.* In particular, a formal channel for communication and ongoing coordination between the CES Task Force and the SpG Task Force on the *Household perspective and distributional aspects of income, consumption and wealth* has been made. The preliminary results from the survey of country practices have been shared with the SpG Task Force to help inform their review of practices of EU member countries.

CES TF members have maintained a keen interest in the future OECD work on the development of an integrated framework for household income, consumption and wealth statistics, including the provision of practical guidance both on how they can be collected together in household surveys and on how analysis can take an integrated approach to measuring household economic wellbeing. The update of the CGH is complementary to this initiative and the revised content is being prepared with respect to the concepts expected to be reflected in the broader framework for household economic resources.

Remaining work and timelines

The Task Force meeting in Geneva on the 19 - 20 August 2010, immediately before the IARIW conference, is to:
- finalise much of the new content for the Handbook update;
- determine the direction and scope of any further work required for the update; and
- further consider the outcomes of the survey of country practices and recommend future directions for work in this and related fields.

Over the next six months, the Task Force will progressively develop the new CGH, applying the new structure and incorporating new material as it is finalised. The main output of the Task Force will be the new edition of the CGH. A manuscript for the new CGH is expected to be provided for endorsement, and approval for printing, at the February 2011 meeting of the CES Bureau. The final report of the Task Force will also be provided to that meeting.

Further information

Further information is available at: <http://www.unece.org/stats/groups/cgh.html>.

Alternatively, the Task Force Chair or the Secretariat can be contacted:

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The Canberra Group 2001, *Expert Group on Household Income Statistics, Final report and recommendations,* Ottawa 2001.

Appendix 1: Members of the Task Force to update the CGH

Australian Bureau of Statistics
Bob McColl (Chair)
John Billing
Bindi Kindermann

Eurostat
Jean-Louis Mercy
Fabienne Montaigne

International Labour Organisation
Adriana Mata-Greenwood

Luxembourg Income Study
Markus Jantti

Organization of Economic Co-operation and Development
Marco Mira d'Ercole
Nicolas Ruiz

Statistics Austria
Matthias Till

Statistics Canada
Sylvie Michaud
Karen Mihorean (May 2009 - May 2010)
Alison Hale (from June 2010)

Statistics Norway
Jon Epland

United Nations Economic Commission for Europe
Tihomira Dimova
Carsten Hansen
Zeynep Orhun

United States Census Bureau
David Johnson
Kathleen Short

Appendix 2: Work streams, tasks and responsible agencies

Workstream / task	Lead agency	Co-contributors
Survey of country practices	OECD	Norway
Reflect international income standards throughout CGH	Australia	All TF members
Develop practical guidelines for income measurement:		
- Self-employment income	United States	ILO
- Property income	United States	Canada
- Own account production	UNECE	
- Social transfers in-kind	United States	OECD
- Taxes on production	Australia	OECD
- Imputed rent	United States	Australia
- Inter-household and intra-household transfers	Canada	ILO, Australia
Develop largely new material in relation to:		
- Capital gains and losses	Canada	United States
- Quality assurance guidelines	Canada	Austria
- Best practice for analysis of income distribution statistics	Australia	LIS
- Appropriate use of survey and administrative data sources	Norway	LIS, United States
- Material deprivation, multi dimensional indicators of poverty	Australia	Austria
- Appraising the concentration of top incomes	OECD	
Update existing material in relation to:		
- Types of households	OECD	United States, Canada
- Intergenerational mobility	LIS	OECD
- Examples of longitudinal surveys	Norway	Canada, Australia
- Use of price indexes	UNECE	OECD, Canada
- Broader income, consumption and wealth frameworks	Australia	Canada, LIS
- Best practice guidelines for dissemination	Canada	Australia
- Luxembourg Income Study	LIS	n.a.

Appendix 3: Countries participating in the survey of country practices

Armenia
Australia
Austria
Azerbaijan
Belarus
Belgium
Bosnia and Herzegovina
Brazil
Canada
Chile
China
Croatia
Cyprus
Denmark
Finland
France
Germany
Greece
Hungary
Indonesia
Ireland
Israel
Japan
Kyrgyzstan
Latvia
Lithuania
Mexico
Moldova
Netherlands
New Zealand
Norway
Poland
Portugal
Republic of Korea
Romania
Slovak Republic
Slovenia
South Africa
Spain
Sweden
Switzerland
The former Yugoslav Republic of Macedonia
Turkey
United Kingdom
United States
Uzbekistan