

Comments on “Distributional
Characteristics of Income Insecurity in
the United States, Germany and Britain’
by Nicholas Rohde, Kam Ki Tang and
Prasada Rao

The Holy Grail of a Meaningful Aggregate Measure of Income Volatility

- Measures from aggregate income series
- Measures from cross sections of changes in annual income of individuals or households
- Measures from longitudinal panels of income of individuals or households

Issues Associated with Tracking Income Volatility over Time(1)

- Definition of income (earnings, market income or post tax/transfer income)
- Desired or voluntary versus undesired or involuntary fluctuations
- Transitory versus permanent income changes
- Life cycle effects
- Business cycle effects
- Trend income growth linked to aggregate real income and productivity increases and inflation
- Treatment of income increases versus income falls

Issues Associated with Tracking Income Volatility over Time(2)

- Equivalence scale adjustments
- Data sources to track the annual income of individuals or households over long periods
- Focus on cross-national study or trends within a country over time
- Hardship factor in income declines
- Decomposition of earnings volatility into changes in hours, wages and employment

Specific Comments

- Appropriateness of the Atkinson measure of inequality for calculation of an income volatility measure
- “if occurring proportionately across the population, a recession that costs several percent of GDP is a relatively minor disturbance at the household level”
- “... governments appear effective in insulating low income households from insecurity in post-government income”