

INCOME DISTRIBUTION DATA REVIEW – FINLAND

1. Available data sources used for reporting on income inequality and poverty

1.1. OECD reporting:

OECD income distribution and poverty indicators for Finland are provided by Statistics Finland and are based on different surveys:

- Data for 1976 are based on the Household Budget Survey (HBS)
- Data for 1986, 1995 and 2000 are based on the Income Distribution Survey (IDS)
- SData for 2004, 2008, 2009 and 2010 are based on the Income and Living Conditions (previously labelled as the Income Distribution Survey), which is the Finnish version of EU-SILC.

According to Statistics Finland these data series are comparable over time.

1.2. National reporting and reporting in other international agencies:

- *Statistics Finland* conducts the *Income Distribution Statistics* survey annually since 1977.²¹
- *EUROSTAT* has been computing indicators on inequalities and poverty for Finland from 1996 (income year 1995). The primary sources of data are European Community Household Panel (ECHP) 1995-2000 and European Statistics on Income and Living Conditions (EU-SILC) 2003 to present. In 2001 and 2002, data was provided by Statistics Finland from national sources.²²
- Finland has been included in the *EU-SILC (Statistics on Income and Living Conditions)* survey since 2004 (income year 2003). EU-SILC is a multi-dimensional instrument focused on the income and the living conditions of different types of households. It is collecting, on an annual basis, timely and comparable multidimensional micro-data on income, material deprivation, housing condition, labour, education, health and subjective well-being.
- The *Luxembourg Income Study Database (LIS)* included Finland in years 1987, 1991, 1995, 2000, and 2004. It is based on the *Income Distribution Survey* that is presented in more details in the below table.²³

The below table presents the main characteristics of those four datasets:

21. See http://www.stat.fi/meta/til/tjt_en.html

22. See http://epp.eurostat.ec.europa.eu/cache/ITY_SDDS/EN/ilc_esms.htm

23. See <http://www.lisdatacenter.org/our-data/lis-database/by-country/finland-2/>

Table 9. Characteristics of datasets used for income reporting, Finland

	OECD reference series income distribution database	Statistics Finland	LIS database	Eurostat
Name	HBS 1976 IDS 1986 1995 200 IEU-SILC 2004, 2008 and 2009.	Income Distribution Statistics; Income Distribution Survey	Income Distribution Survey(Tulonjakotilasto)	ECHP: 1995-2000 IDS: 2000-2001 EU-SILC: 2002-present
Name of the responsible agency	HBS: Statistics Finland IDS: Statistics Finland EU-SILC: Eurostat	Statistics Finland	Statistics Finland	EUROSTAT
Year (survey and income/wage)	1976, 1986, 1995, 2000, 2004, 2008, 2009	1966-2010	1987, 1991, 1995, 2000, 2004	1996-2011 surveys representing income for years 1995-2010.
Period over which income is assessed	Annual years	Annual year	Annual year	Annual year N-1
Covered population	Permanent household in Finland (overseas dwellers, those without address, institutional population is excluded). Same households are included in 2-4 consecutive years.	Permanent household in Finland (overseas dwellers, those without address, institutional population is excluded). Same households are included in 2-4 consecutive years.	Permanent household in Finland (overseas dwellers, those without address, institutional population is excluded). Same households are included in 2-4 consecutive years.	Permanent household in Finland (overseas dwellers, those without address, institutional population is excluded). Same households are included in 2-4 consecutive years.
Sample size	13524 households	About 10,000 households	2004: 11 229 households containing 29112 individuals	13524 households
Sample procedure	cross-sectional	sample survey and interviews.	Two-phase stratified PPS design/Administrative registers complied with interviews.	Two-phase stratified sampling based on a nationally representative probability sample of the population residing in private households. Sampling unit is a person. In the first phase persons are selected (target persons), in the second phase the target persons together with their household- dwelling units are selected.
Response rate	EU-SILC: 92%		85.20%	92%
Imputation of missing values	No missing values, negative values treated as suggested in the terms of references		Yes	Yes
Unit for data collection	household	household	household	Household

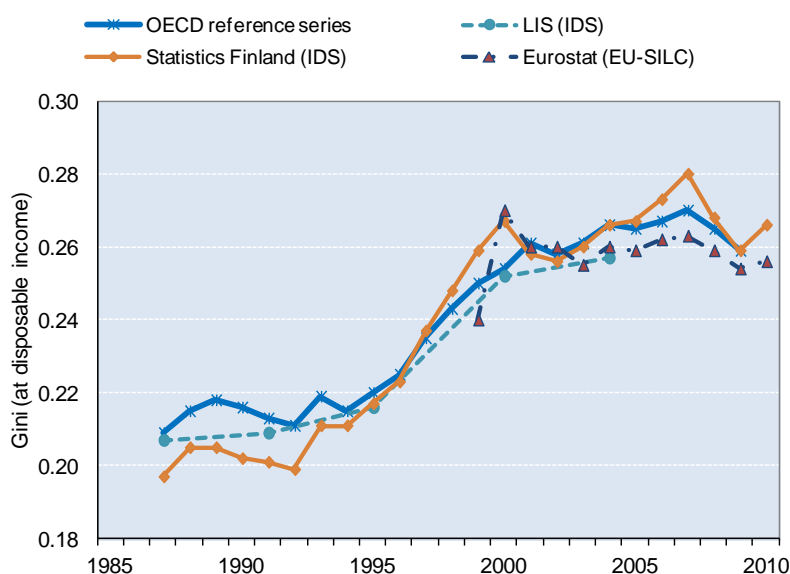
2. Comparison of main results derived from sources used for OECD indicators with alternative sources

2.1 Income

2.1.1 Time series of Gini coefficients and other inequality indicators

The below figure shows the evolution of Gini coefficients for Finland from 1985 to 2010, as reported by the OECD, LIS, Statistics Finland and the EU-SILC.

Figure 15.1 Trends in Gini coefficient (disposable income)

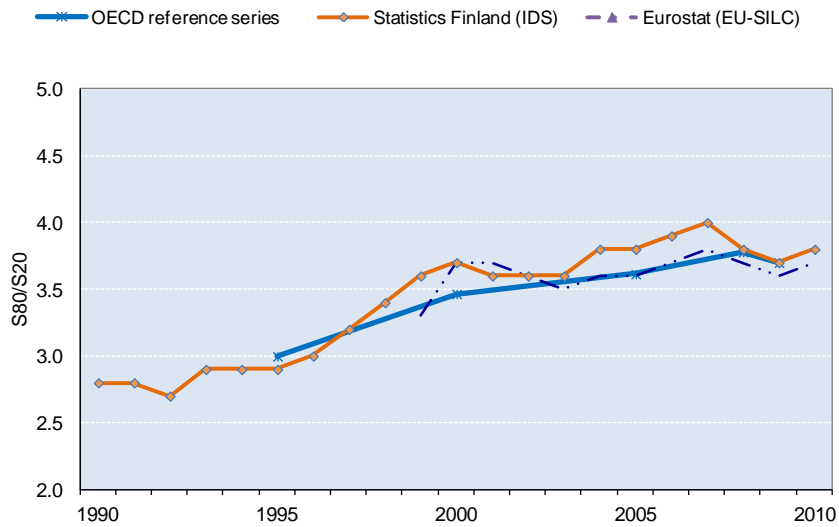


According to the OECD series, income inequality in Finland rose over the last two decades, from 0.209 in 1987 to 0.259 in 2009. However, the level is still largely below the OECD average of 0.314, according to the OECD database.

The trend of the OECD series is similar to the other series, while it shows slightly lower levels of income inequality overall. Indeed, Statistics Finland shows higher levels of income inequality throughout the year 2000s, reaching 0.266 points in 2009. Although generally higher than the OECD series, the Eurostat series is almost identical since 2008, exhibiting 0.254 in 2009. Finally, the LIS series shows levels and trends similar to the OECD series, although slightly higher for the year 2000.

Also, when comparing the income quintile share ratio (S80/S20) from the OECD series with the series from the Eurostat and Statistics Finland, the trends and levels are generally quite similar and also show an increase since the 1990s, reaching 3.7 in 2009 for the OECD series, 3.8 points in 2010 for the Statistics Finland series, and 3.7 in 2010 for the EU-SILC series.

Figure 1.2 S80/S20

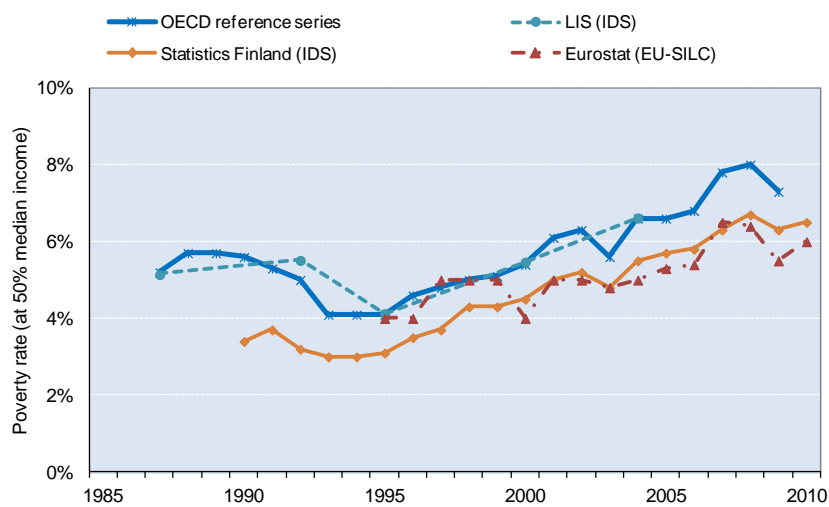


2.1.2 Time series of poverty rates

Poverty rates for Finland all show a pretty steady increase for the period 1985 to 2010. However, there is a visible decline in the early 1990s as well as in the year 2009 for the OECD, EU-SILC and Statistics Finland series. Thus, poverty rates (at 50% median income) in Finland concern 7.3% of the total population in 2009 according to the OECD series, 6.5% in 2010 according to Statistics Finland, and 6% in 2010 according to EU-SILC.

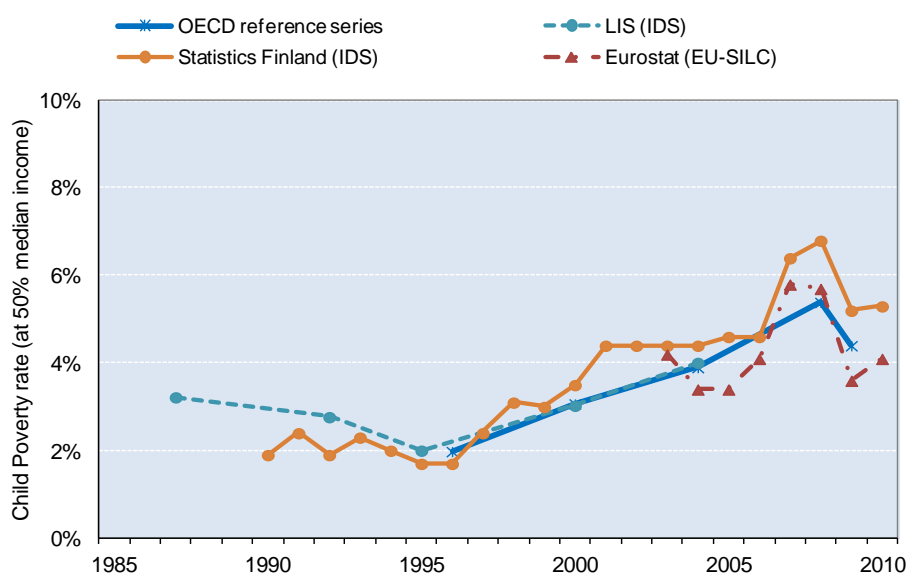
The OECD series shows levels that are almost constantly higher than EU-SILC and Statistics Finland, yet the trends are very similar. The LIS series is similar to the OECD series for the period covered by both series.

Figure 2.1 Trends in poverty rates



As for child poverty, the trends are similar to the general poverty rates, with a substantial rise throughout the entire period, before a sizeable drop since 2008. Thus, child poverty rates (at 50% median income) in Finland are of 4.4% in 2009 according to the OECD series, 5.3% in 2010 according to Statistics Finland, and 4.1% according to EU-SILC. The Statistics Finland series thus exhibits generally higher levels than the other series.

Figure 2.2 Trends in Child poverty rates



2.2 Wages

See Part II of the present Quality Review.

3. Consistency of income components shares with alternative data sources

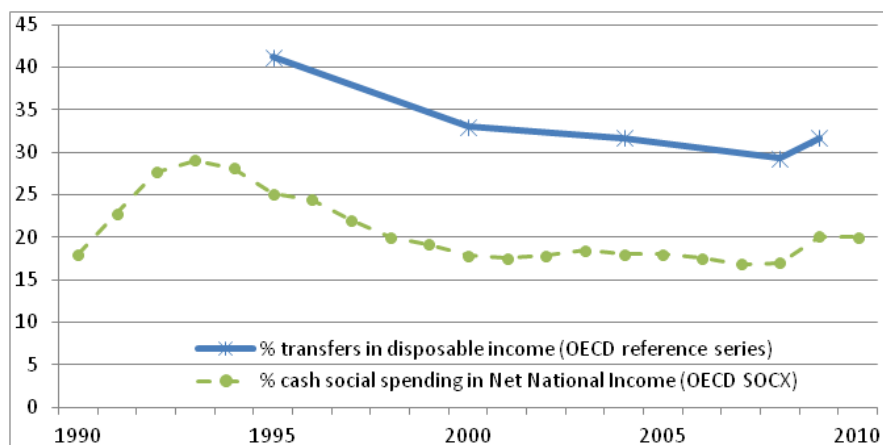
3.1. Comparison of main aggregates: earnings, self-employment income, capital income, transfers and direct taxes

Table 2 shows shares of income components for the latest available year, according to the OECD benchmark series. Unfortunately, such information could not be found for alternative data sources.

Table 10. Shares of income components in total disposable income, OECD reference series

Survey	Year	Unit	Wages	Capital	Self Employment	Transfers	Taxes	Disposable income (HDI)
OECD reference survey	2008	natcur	22,059	1,772	2,047	7,334	-8,141	25,038
		% av HDI	88%	7%	8%	29%	-33%	

Figure 3 compares the trend in shares of public cash transfers in equivalised disposable income from the OECD reference series with the share of total cash social spending in net national income, reported from the OECD Social Expenditure database (OECD SOCX). OECD SOCX series include pensions, incapacity, family, unemployment, social assistance. Both series show similar trends throughout the period.

Figure 3. Trends in shares of public social transfers

4. Metadata of data sources which could explain differences and inconsistencies

Definitions, methodology, data treatment

Methodological differences between the OECD reference series and other income series:

Equivalence scale: The OECD reference series, as well as the LIS series, use the square root of household size, whereas the EU-SILC series and Statistics Norway series use the OECD modified equivalence scale (1.0 to the first adult, 0.5 to the second and each subsequent person aged 14 and over, 0.3 to each child aged under 14).

Occupational pensions: Until recently, the Finnish occupation pension benefits have been recorded in the OECD database framework as “private transfers/savings/capital income”, rather than as part of public social transfers. This has been revised in the 2011 update, after internal discussion and discussion with Finnish authorities. The revision was undertaken backwards (except for the year 1976), and Finnish occupational pensions are now classified as public transfers.

5. Summary evaluation

Broadly speaking, the different indicators for Finland follow similar trends throughout the covered period. Income inequality and poverty rates have increased ubiquitously across the different series. This being said, levels of both inequality and poverty indicators have slightly dropped since 2008, though there might be an upswing again in 2010. Also, it is visible that the Statistics Finland series shows generally higher levels than the other series, with the exception of poverty rates where levels shown by the OECD series are higher than the other series.