INCOME DISTRIBUTION DATA REVIEW – ICELAND

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

1.1. OECD reporting:

OECD income distribution and poverty indicators for Iceland are computed from EU-SILC data from 2004 onwards. The data are computed internally and sent to Statistics Iceland for verification. In the OECD database, income inequality and poverty rates are currently available for income years 2004 to 2009.

1.2. National reporting and reporting in other international agencies:

- *EUROSTAT* has been computing indicators on inequalities and poverty rates for Iceland from 2004 (income year 2003) onwards.

- Iceland has been included in the *EU-SILC (Statistics on Income and Living Conditions)* survey since 2003 onwards (income year 2002). 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. Every year, both cross-sectional data (pertaining to a given time or a certain time period) and longitudinal data (pertaining to individual-level changes over time, observed periodically over a four year period) are collected.

- *Statistics Iceland* is the centre for official statistics in Iceland and collects, processes and disseminates data on the economy and society. It uses data provided by EU-SILC.

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

Table 16. Characteristics of datasets used for income reporting, Iceland

	OECD reference series income distribution database	Eurostat	Statistics Iceland
Name	EU-SILC	EU-SILC	EU-SILC
Name of the responsible agency	Eurostat	Eurostat	Statistics Iceland
Year (survey and income/wage)	2004-2009	2004-2001 survey representing income for years 2003-2010	2004-2001 survey representing income for years 2003-2010
Period over which income is assessed	Annual income in the previous year, also in case of transfers from public sources	Annual income N-1	Annual income N-1
Covered population	The Population register	The Population register	The Population register
Sample size	3021 households (2010)	3021 households (2010)	3021 households (2010)
Sample procedure	cross-section	Simple random sampling	Simple random sampling
Response rate	78.00%	78.00%	78.00%
Imputation of missing values	No missing values, negative values treated as suggested in the terms of references		
Unit for data collection	Household	Individual	Individual
Break in series	no	no	no
Web source:	http://www.oecd.org/els/socialpoliciesanddata/incomedistributionandpovertydatafiguresmethodsandconcepts.htm	http://epp.eurostat.ec.europa.eu/portal/page/portal/income_social_inclusion_living_conditions/quality/national_quality_reports	http://www.statice.is/Statistics/Wages,-income-and-labour-market/Income-distribution

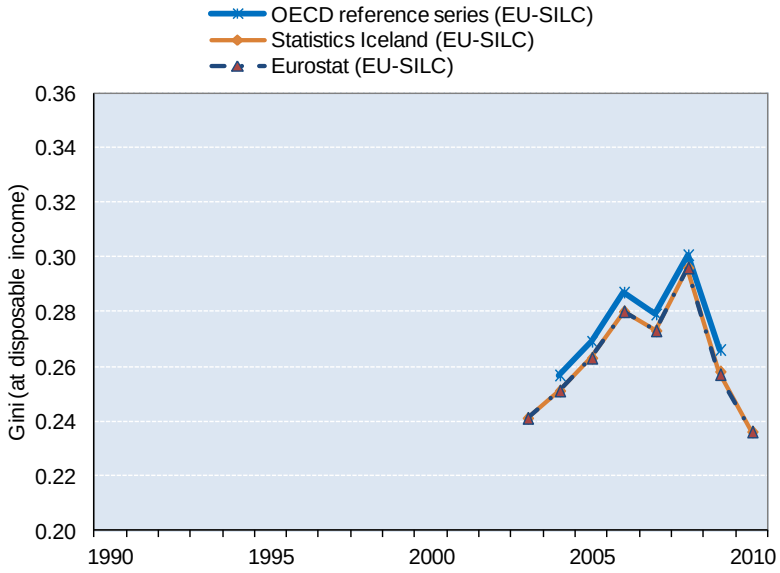
2. Comparison of main results derived from sources used for OECD indicators with alternative sources

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 Iceland from 1990 to 2010, as reported by the OECD, the EU-SILC and Statistics Iceland.

Figure 24.1 Trends in Gini coefficient (disposable income)

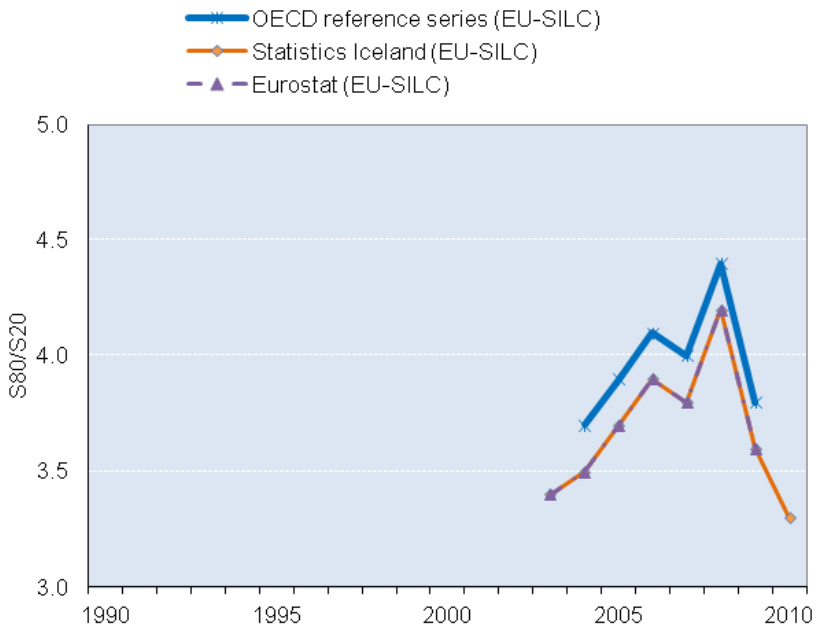


According to the OECD reference series, income inequality in Iceland rose over the last decade, reaching 0.301 points in 2008, before a sudden decline in 2009 to 0.266 points.

The EU-SILC and Statistics Iceland series are identical since Statistics Iceland uses the methodology and data of EU-SILC. The levels and trends of the latter series are very similar to the OECD series, exhibiting slightly lower levels throughout. Contrary to the OECD series, the EU-SILC and Statistics Iceland series show Gini levels for year 2010, which exhibits a remarkable decline from 0.296 in 2008 to 0.236 in 2010.

Also, when comparing the income quintile share ratio (S80/S20) from the OECD series with the series from the EU-SILC and Statistics Norway, the trends are overall quite similar with the OECD showing higher levels throughout. We can observe a general rise in S80/S20 levels from 2003 to 2008, with the OECD series reaching 4.4 points in 2008.

Figure 1.2 S80/S20

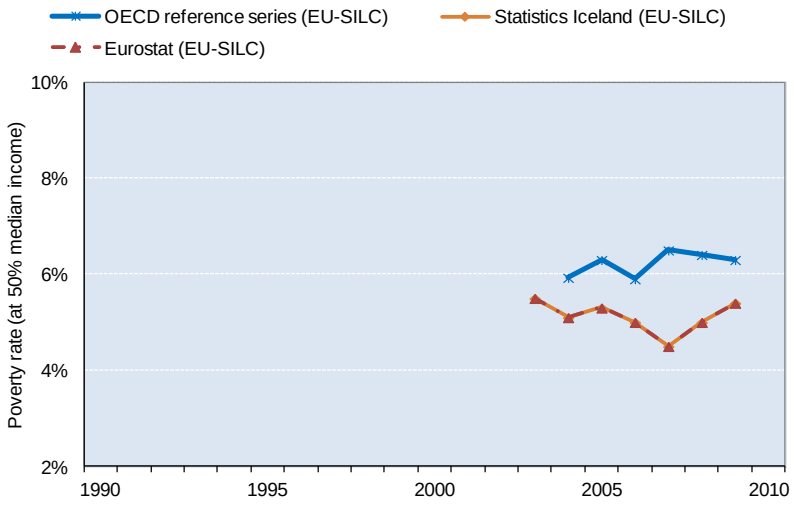


2.1.2 Time series of poverty rates

According to the OECD series, where data on poverty rates is available from 2004 to 2009, levels have risen from 5.9% in 2004 to 6.3% in 2009. There are, however, inconsistencies between OECD and the alternative series after the year 2006 which needs to be investigated further: in 2007, the OECD poverty rate increased while the Eurostat series inclined and in 2008 and 2009, the inverse happened.

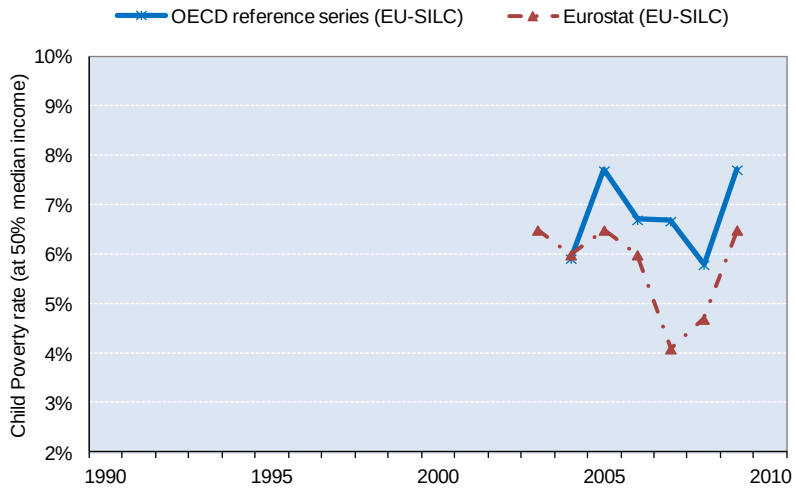
The series for EU-SILC and Statistics Iceland show fluctuating levels of poverty rates since 2004. Indeed, poverty rates in Iceland dropped 1 percentage point between 2004 and 2008, reaching 4.5%, before rising again to reach 5.4% in 2010. Also, the levels for EU-SILC and Statistics Iceland are consistently lower than the OECD series.

Figure 2.1 Trends in poverty rates



As for child poverty, data is available from the OECD and EU-SILC from 2004 to 2009. Moreover, the EU-SILC series exhibits substantial variations in levels and trends, with a decline from 6.5% to 4.1% between 2004 and 2008, before rising again and reaching a peak at 6.5% in 2010. This being said, the trends of the two series appear consistent except for the year 2008, both indicating a sharp rise after 2008. Again, the levels for EU-SILC are consistently lower than the OECD 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

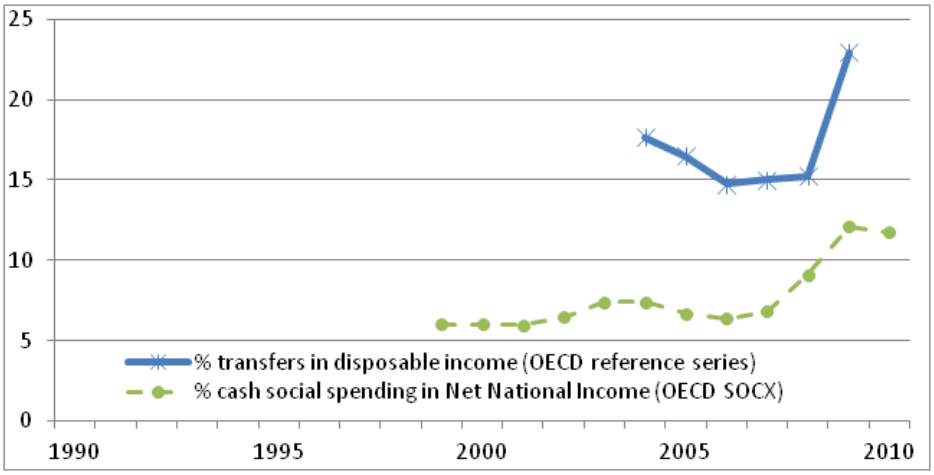
Table 2 shows shares of income components for the latest available year, according to the OECD benchmark series. Unfortunately, such information is not available for the other data sources.

Table 17. Shares of income components in total disposable income, OECD reference series

Survey	Year	Unit	Wages	Capital	Self Employment	Transfers	Taxes	Disposable income
EU-SILC (OECD-ELS)	2008	natcur	28,529	5,473	1,002	4,435	-10,618	4,189,193
		% av HDI	98%	19%	3%	15%	-36%	

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 sources

The OECD reference series uses the square root of household size, whereas the EU-SILC series and Statistics Iceland 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).

5. Summary evaluation

The different Gini series for Iceland are generally very similar, even though it would be interesting to have data for the OECD series after 2009 in order to confirm the continuous substantial decline as observed in the EU-SILC and Statistics Iceland series. Concerning poverty rates, data for the OECD series is limited and it is thus difficult to objectively compare. Nonetheless, for the years 2004 to 2009, the levels of the OECD and EU-SILC series are quite dissimilar, as the OECD series is consistently higher than the EU-SILC series. Moreover, there are inconsistencies between the OECD and the Eurostat series for poverty rates.