



## Breakdown of key aggregates at the sub-national level

**Mario Piacentini, OECD Statistics Directorate.**  
*Mario.Piacentini@oecd.org*

### Motivations of the project

- Poverty risks are unequally distributed within countries across sub-national units.
- High policy demand for up-to-date information on living conditions for regions and other administrative units (e.g., programming cycle of EU Cohesion Policy 2014-2020).
- Complexity of producing household-level indicators for sub-national units given data availability: cooperation from this expert network needed.
- High policy relevance of analysis based on these data: two year project *'How's Life in Your Region?'* led by OECD Territorial Development Policy Committee, in cooperation with STD. First results presented at OECD Ministerial Meeting on Regional Policy in December 2013



## Objectives

- Build a set of income distribution and poverty indicators at regional level that are useful for policy making.
- The proposed indicators are a selection of those collected by the OECD at the country level, based on the same methodological assumptions.
- Practical approach to ensure maximum country coverage:
  1. Breakdowns limited to 'large' regions (TL2: combination of NUTS1/NUTS2 level) over the three most recent available years.
  2. Data collected through direct estimates (with confidence intervals whenever possible) on the most suitable data source (the source might not coincide with the one used for national estimates).
  3. Possibility to increase precision by averaging estimates for the three years (with loss in timeliness).



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## Feasibility assessment

Questionnaire on data availability. Questions on:

- a) "Best" source of data for regional estimates,
- b) Availability of identifiers for TL2 and TL3 regions in survey micro-data,
- c) Survey's sample size for each region,
- d) Sampling design and representativeness for different regional breakdowns,
- e) Regular publications of regional income statistics and use of measures of statistical accuracy in country reports.

Expert meeting on income distribution indicator at sub-national level (November 2012)

- a) Assess the feasible geographical level for the breakdowns (TL2 vs TL3) and suitable methodologies (direct vs model-based estimates).
- b) Review ongoing initiatives (SAMPLE, ESS-Net on Small Area Estimation, World Bank's poverty mapping project, Eurostat project on statistical matching of EU-SILC and LFS ).



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## Data availability

### Countries with no sample size issues (register-based data)

Norway	France
Sweden	Iceland
Netherlands	Denmark

### Countries with limited to severe sample size issues

United States	Turkey (920)	Israel (455)
Canada (1760)	Belgium (829)	Spain (418)
Mexico (1677)	Czech Republic (~800)	Italy (323)
Australia	Greece (786)	Austria (247)
Japan (>1000)	Ireland (705)	Switzerland (285)
Slovak Republic (1359)		
United Kingdom (1025)		



( ) Number of households in the TL2 region with smallest sample

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## Small sample problem and possible solutions

1. Annual direct estimates, with data not published by the OECD for regions with very small samples
  - Issue: how to define ‘very small regions’
2. Aggregation of data over three years
  - Advantage: significant precision gains
  - Issues: a) loss of timeliness; b) averaging of yearly estimates versus data pooling
3. Imputing income information through statistical matching based on larger surveys (LFS)
  - Issues: High complexity, need of country-specific models, methods not mature enough



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## Proposed indicators for data collection

Summary information	Inequality	Relative Poverty *
1) Number of households and individuals in sample	1) Gini <b>before</b> taxes and transfers	1) Headcount ratio <b>before</b> taxes and transfers
2) Mean disposable income	2) Gini <b>after</b> taxes and transfers	2) Headcount ratio <b>after</b> taxes and transfers
3) Median disposable income	3) S80/S20 <b>before</b> taxes and transfers	
4) Mean disposable income by quintiles	4) S80/S20 <b>after</b> taxes and transfers	



\*: two thresholds (50% and 60% of current national median income)

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## Conceptual challenge to be faced in the future: regional differences in costs of living

- Living standards measures across sub-national regions should reflect cost-of-living differences within countries.
- Ongoing review shows that regional price indexes are costly and methodologically complex.
- Other solutions?
  - indicators based on ‘regional’ poverty lines?
  - simpler corrections of incomes for local cost of living?



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## What we would like to hear from you

1. Your availability to contribute to the data collection – the questionnaire could be circulated at the end of March.
2. Comments on the list of indicators.
3. Possibility to provide the estimates with indicators (flags) of statistical precision (SEs, CV).
4. Trade-off between yearly data and three year-averages.
5. Inputs on how to address the issue of differences in costs of living in the future.

