

Template for standard indicator

Technical documentation sheet

Indicator	Income inequality reducing effect of transfers				
JAF dimension	Inequality				
Policy relevance	Relevant to combatting poverty and social exclusion				
Agreed definition	This measures the extent to which social transfers on their own contribute to reducing market income inequality in the distribution of income in the EU Member States.				
Calculation method (incl. practical implementation, e.g. question in surveys)	<p>This indicator is calculated on the basis of the microdata collected in the EU-SILC survey. Household income is summed from all sources (employment, social transfers), the OECD equivalisation scale is applied and income is attributed to each household member to create a distribution. Shares are calculated on the basis of this distribution.</p> <p>It is calculated as the difference between the income inequality measured using the S80/S20 calculated on the basis of a market income distribution whereby income is understood to be gross of any tax, and the distribution of income including income received from social transfers but still without deducting any tax, calculated for the same population.</p> <p>The below table summarizes the income concepts to be included in the calculation of the gross and net market income distributions respectively.</p> <table border="1"> <thead> <tr> <th>Components of Market income</th> <th>Components of total disposable income</th> </tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> + gross employee cash or near cash income + company car + gross cash benefits or losses from self-employment + income from rental of a property or land + regular inter-household cash transfers received + interests, dividends, profit from capital investments + income received by people aged under 16 + pensions received from individual private plans + old-age benefits + survivor¹ benefits </td> <td> <ul style="list-style-type: none"> + gross employee cash or near cash income + company car + gross cash benefits or losses from self-employment + income from rental of a property or land + regular inter-household cash transfers received + interests, dividends, profit from capital investments + income received by people aged under 16 + pensions received from individual private plans + old-age benefits + survivor¹ benefits + unemployment benefits + sickness benefits + disability benefits + education-related allowances + family/children related allowances + social exclusion not elsewhere classified + housing allowances </td> </tr> </tbody> </table>	Components of Market income	Components of total disposable income	<ul style="list-style-type: none"> + gross employee cash or near cash income + company car + gross cash benefits or losses from self-employment + income from rental of a property or land + regular inter-household cash transfers received + interests, dividends, profit from capital investments + income received by people aged under 16 + pensions received from individual private plans + old-age benefits + survivor¹ benefits 	<ul style="list-style-type: none"> + gross employee cash or near cash income + company car + gross cash benefits or losses from self-employment + income from rental of a property or land + regular inter-household cash transfers received + interests, dividends, profit from capital investments + income received by people aged under 16 + pensions received from individual private plans + old-age benefits + survivor¹ benefits + unemployment benefits + sickness benefits + disability benefits + education-related allowances + family/children related allowances + social exclusion not elsewhere classified + housing allowances
Components of Market income	Components of total disposable income				
<ul style="list-style-type: none"> + gross employee cash or near cash income + company car + gross cash benefits or losses from self-employment + income from rental of a property or land + regular inter-household cash transfers received + interests, dividends, profit from capital investments + income received by people aged under 16 + pensions received from individual private plans + old-age benefits + survivor¹ benefits 	<ul style="list-style-type: none"> + gross employee cash or near cash income + company car + gross cash benefits or losses from self-employment + income from rental of a property or land + regular inter-household cash transfers received + interests, dividends, profit from capital investments + income received by people aged under 16 + pensions received from individual private plans + old-age benefits + survivor¹ benefits + unemployment benefits + sickness benefits + disability benefits + education-related allowances + family/children related allowances + social exclusion not elsewhere classified + housing allowances 				
Major breakdowns	None				
Data source(s)	EU-SILC				
Data periodicity	Annual				
Data availability (countries * time, incl. EU aggregates)	<p>2004 – present: EU-25 and averages</p> <p>2007 – present: EU-27 and averages, EA averages</p> <p>2010 – present: EU-28 and averages</p>				

Time Changes	
Sustainability of the data collection	EU-SILC is a recurrent survey governed by regulation and implemented by the NSIs of the EU Member States
Methodological issues (including comparability across countries and over time)	<p>Some weaknesses have been identified in the left- and right-tails of the distribution due to underreporting and sampling error. Sample size is robust for all EU Member States.</p> <p>The extent to which social transfers are considered part of an individual's taxable liability differs across EU Member States. For countries which include social transfers in the taxable liability of the benefit recipient, this may skew the reading of this indicator.</p>

Conformity with the SPC-ISG guiding principles for the selection of indicators and statistics

SCP-ISG Methodological criteria	
The indicator captures the essence of the problem (policy relevance) and has a clear and accepted normative interpretation	Yes
The indicator is robust and statistically validated.	Yes
The indicator provides sufficient level of cross countries comparability.	Yes
The indicator is built on available underlying data. It is timely and susceptible to revision.	Yes
The indicator is responsive to policy interventions but not subject to manipulation.	Yes
EU/NAT classification	
Comments	