

HOUSEHOLD INCOME

The impacts of the crisis on household income have been muted so far due to higher net transfers from governments and the lag between lower GDP and lower employment.

Definition

Disposable income is the sum of the primary incomes of households, the current transfers they receive (except social transfers in kind, such as those related to education and health) less the current transfers they pay (including taxes and social security contributions). Disposable income can be seen as the maximum amount that households can spend on consumption goods or services without having to reduce their assets or to increase their liabilities, if one ignores changes in net worth that arise from capital transfers or holding gains.

Compensation of employees, according to the *System of National Accounts*, is the total remuneration, in cash or in kind, paid by firms to employees in return for work done during the accounting period.

Persons in employment are those above a specified age who, in a given period, worked for at least one hour or were temporarily absent from work. They include not only employees (the concept that would best match the national accounting concept of compensation of employees), but also employers, self-employed people and unpaid family workers, while excluding people in armed forces.

Overview

Real household disposable income continued to rise, although at a subdued pace, during the crisis. The cumulative increase ranged from between 2% in Canada, France and the United States, to 4% or more in Australia, Sweden and the United Kingdom. For all the countries shown, compensation of employees declined in real terms, with the decline sometimes lagging the start of the recession. Only in France did real compensation of employees increase slightly between the first quarter of 2008 and the second quarter of 2009.

Trends in real compensation of employees tracked closely those for employment in the United States, while declining at a higher pace in Sweden and the United Kingdom, and at a somewhat lower pace in Canada and France. Beyond the effect of differences in the pace of GDP falls, differences in employment performance during the crisis reflected the implementation of partial unemployment measures and the cushion provided by lower working hours in some countries.

For all the countries shown, real household disposable income increased despite stable or falling compensation of employees. The cumulative difference between trends in household disposable income and in compensation of employees, which exceeded 6 points in all countries except Australia, Canada and France, mainly reflected the impact of higher public transfers to households, and lower tax payments by them. The large and rising share of household income that is independent of employment prevented an even larger decline in GDP.

The figure displays, for each country, the evolution of real household disposable income, compensation of employees and employment. All series are seasonally adjusted and indexed to the level in the first quarter of 2008 (taken as the peak in GDP before the crisis).

Comparability

Data for Australia, Canada, the United Kingdom and the United States include the income of non-profit institutions serving households, while those for France and Sweden exclude them.

For France and Sweden, data on nominal income and compensation of employees were adjusted for inflation using the deflator for households' consumption expenditure; for Australia, Canada, the United Kingdom and the United States, the deflator for private consumption expenditure was used.

Sources

- OECD (2009), *National Accounts at a Glance 2009*, OECD, Paris.
- OECD (2009), *Quarterly National Accounts*, OECD, Paris.
- OECD (2010), *Main Economic Indicators*, OECD, Paris.

Further information

Analytical publications

- OECD (2009), *OECD Economic Outlook: June No. 85 – Volume 2009 Issue 1*, OECD, Paris.

Statistical publications

- OECD (2009), *Quarterly National Accounts*, OECD, Paris.
- OECD (2010), *Main Economic Indicators*, OECD, Paris.

Online databases

- OECD *Quarterly National Accounts*.
- *Main Economic Indicators*.

Methodological publications

- OECD (2000), *OECD Glossaries, System of National Accounts, 1993 – Glossary*, OECD, Paris.

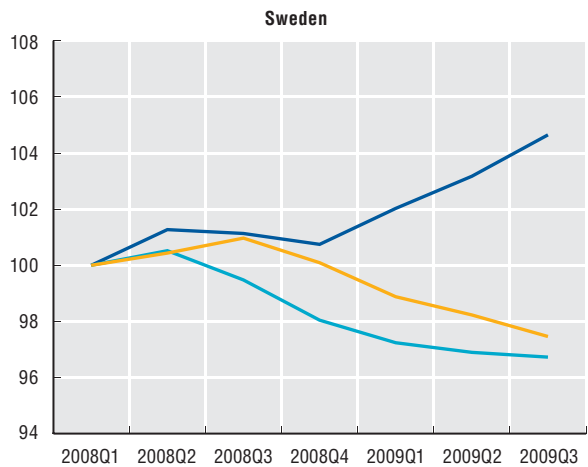
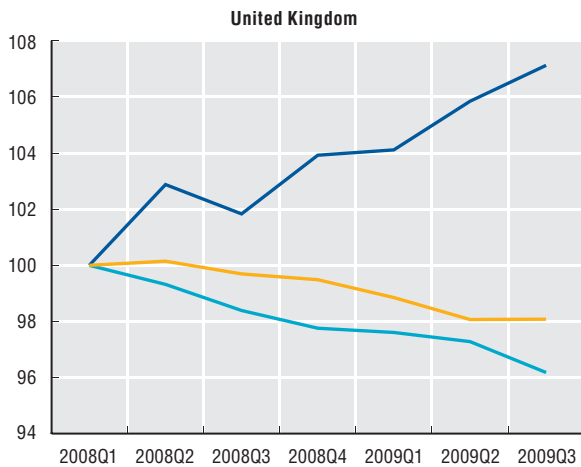
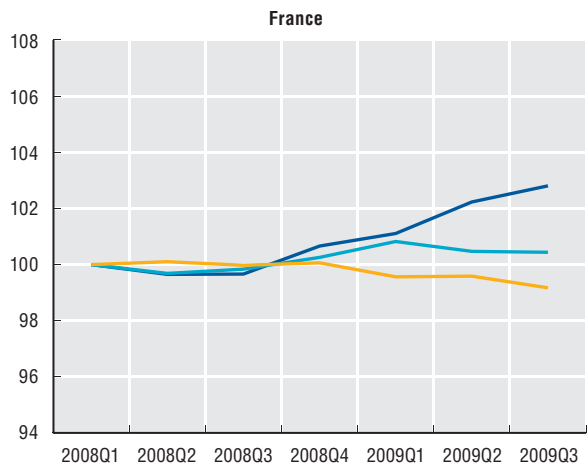
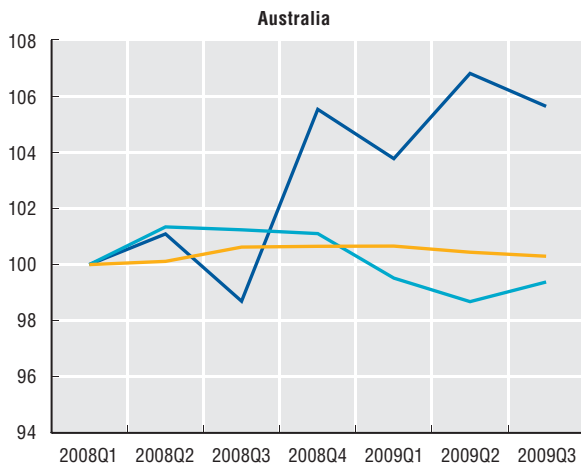
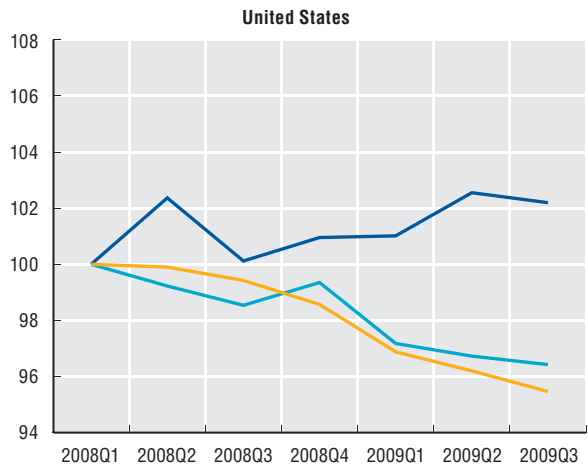
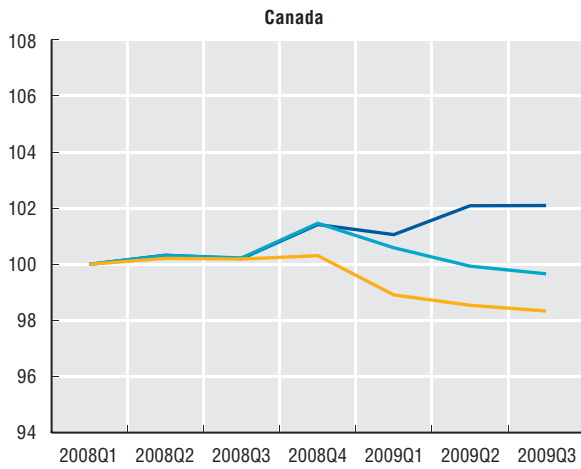
Web sites

- OECD National Accounts, www.oecd.org/std/national-accounts.
- OECD Main Economic Indicators, www.oecd.org/std/mei.

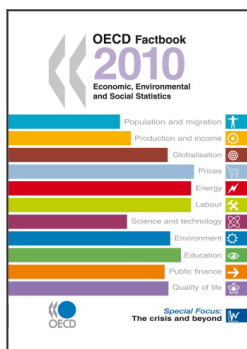
Real gross disposable income, real compensation of employees and employment

2008Q1 = 100, seasonally adjusted

— Real gross disposable income — Real compensation of employees — Employment



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