

Social Statistics
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Imputed rent in the Income Distribution Statistics (IDS):
the requirements for reviewing the method for EU-SILC purposes from 2007 onwards

Summary

Commission Regulation (EC) No 1980/2003 on the EU-SILC income definition from 2007 onwards requires calculating imputed rent with wider coverage also for dwellings rented from the public sector at a price lower than the market price. So far, in the Finnish EU-SILC, in accordance with IDS (Income Distribution Statistics), this benefit, i.e. the subsidy element of publicly owned housing, is defined as a social transfer in kind received by households and it is counted into adjusted disposable household income, not to disposable household income in the income statistics framework. In the Finnish EU-SILC data, imputed rent HY030 covers currently owner-occupied dwellings and dwellings rented from another private household at a lower rate than market rent or for free. In IDS, then again, the latter item is counted into transfers received from the other households. In both statistics a rent benefit from employers is counted into PY020, gross non cash employee income.

Moreover, at Statistics Finland, demands for a better coherence across statistics have been expressed the same time. Differences are appearing between macro statistics (NA) and sample-based household surveys (IDS, HBS) in the total amount of imputed gross rents and net rents, which could be avoided by increasing the harmonisation of the method used to calculate imputed rent. Still, within household surveys, when different sources and methods, i.e. interviews and registers, are used in income formation, coherence between them has to be ascertained.

A task force was launched at Statistics Finland for checking the stratification method applied to imputing gross rent and for harmonising its application across the statistics. As a result the task force recommends to:

- use a common tenure status grouping of dwellings
- use a common floor area framework of private household main dwellings
- use common gross rent values (euro/m²)
- use a common method for depreciation.

It is also recommended that a common method be used in collecting data on actual consumption expenditure paid to obtain imputed rents similarly in micro statistics. Deducting expenditure from gross rents is in accordance with the opportunity cost approach. In the EU-SILC, mortgage interests are considered as a deducting item in a separate variable.

An external database is compiled by Statistics Finland to provide common gross rent values for the base year (EU-SILC, survey year 2007). It's coverage has been extended to the regions with different dwelling stocks and small private rent markets by using information primarily on market rents and, as an additional method, on selling prices of old dwellings (housing corporations). The data is constructed to all municipalities in the country. Thus the data improve the reliability of average gross rents with dwelling quality characteristics from across the country and the use of municipality-based location classifications in strata. Information for compiling the gross rent database is derived from statistics on Rents of Dwellings and statistics on the Prices of Dwellings.

The gross rent values and their contributions to dwellings according to strata are fixed to the average annual change of the gross rent value (price index) from the year after the method base year onwards.