5.1b Broadening the income concept: social transfers in kind

Context

- Currently, social transfers in kind (STIK) – the public provision of education, health, care, housing and similar services – are not part of the income accounting framework.

- However, [www.stiglitz-sen-fitoussi.fr](http://www.stiglitz-sen-fitoussi.fr) argues that household income should reflect such social services.

- On average, STIK account for as much as all cash transfers taken together – but some countries rely on STIK rather than cash much more than others.

- Canberra also recognises the need to account for STIK but excludes it from its operational definition “due to practical measurement issues.”
STIK are much larger in some countries than in others

Public expenditure for in-kind and cash transfers, % of GDP

.. And they reduce inequality by a fifth

Gini coefficients before and after accounting for services from education, health, social housing and care services, 2007

Source: OECD 2011, Divided We Stand
Methodological choices and technical issues, a selection

• Which services?
  − Those which benefit households individually rather than the whole population indivisibly

• How to value them?
  − Average cost of producing the public service / cost of the provision

• To whom attributed?
  − Households rather than individual beneficiaries

• How to distribute them?
  − Actual individual use (education, social housing) and insurance value (health)

• How to account for differences in needs (equivalence scale)?

• Applying a “fixed” or a “floating” poverty line?

For discussion

• OECD “Growing Unequal”, “Divided we Stand” and Verbist et al. (SEM WP 130) proposed an application of the above methodology

• Do you agree with the methodological choices made?

• Are there national methodologies and estimates for imputing STIK into household income?