

## **Abstract for “Social Transfers in Kind And Economic Well-being: Relevance, Implications and Possible Solutions”**

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The inclusion of Social Transfers in Kind (STIK) in income distribution analysis has been a major issue within discussions in academics and international organizations on household's economic well-being in the recent past. STIK is mainly conceived as part of an extended definition of income. The analytical interest is how distribution of economic resources changes by taking into account STIK. As information on transfers in kind by government are available on the macro data level in National Accounts or in social protection statistics, the main focus of current mainstream approaches is often to find appropriate imputation procedures to distribute STIK at the level of individual households. The issue is whether poverty ratios or gini coefficients calculated on the basis of an extended income concept are meaningful.

The paper starts by addressing the purpose of the exercise: When measuring economic well-being of an individual household, the issue is who is better off and who is not. The paper argues that the inclusion of STIK in a distributional perspective seems not always useful. Consumption of publicly financed health care or education is actually not leaving people economically better off. These consumption expenditures mainly correspond to higher needs and do not necessarily enhance economic conditions of the respective households. The approach of more refined needs-adjusted equivalence scales seems a promising way to handle this problem. In a perspective of economic well-being the paper is investigating in a conceptual sense in what respect the extended income approach including STIK is possibly enriching distributional analysis or leading to more confusion. An important rationale behind taking into account STIK in income assessment is international comparability of welfare regimes. In a perspective of national accounts aggregates, national per capita values of adjusted disposable income are contrasted to eliminate distortions that result from different levels of taxes and social contributions. This extended income concept includes all types of public expenditures classified as transfers in kind.

The paper argues that from a distributional perspective it might seem preferable not to include a uniform set of public expenditure types for all countries. It could instead make sense to select nationally different expenditure types by checking if this transfer constitutes an economic advantage for a household in comparison to others. For further investigation of the appropriate expenditure types to be included, the paper carries out an institutional analysis of social protection regimes in Germany, Sweden and the United States.

As a follow-up to these conceptual considerations a sensitivity analysis with example calculations for Germany is carried out to display the quantitative effect of different proposals to implement STIK in distributional analysis. The aim is to investigate to what extent these imputation solutions can produce reliable information.