

# The impact of publicly provided services on the distribution of resources <sup>[1]</sup>

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## AVAILABILITY

Full report in pdf <sup>[2]</sup>

### Abstract:

This paper looks at how the income distribution in countries changes when the value of publicly-provided services to households is included. We consider five major categories of public services: education, health care, social housing, childcare and elderly care. On average across OECD countries, spending on these "in-kind" benefits accounts for about 13% of GDP, slightly more than the spending on cash transfers - but with considerable cross-country variation. Broadening the income concept to account for in-kind benefits considerably increases households' economic resources: in a typical OECD country, the average annual household income would be close to USD 28 000, rather than USD 22 000 in purchasing power parities. But public services also contribute to reducing income inequality, by between one-fifth and one-third depending on the inequality measure. Mexico and, according to most inequality measures, the United States, Portugal, Ireland, and the United Kingdom record higher reduction rates, while Slovenia records lower ones. Across all countries, redistributive effects are stronger among specific population groups at higher risk of poverty. Between 2000 and 2007, the redistributive impact of public services remained stable overall. However, the impact became stronger in countries where the share of services in household income increased significantly, while it weakened in those countries where this share decreased. The paper suggests that publicly provided services fulfil an important direct redistributive role in OECD countries.

### Excerpts on child care:

Services to families refer largely to Early Childhood Education and Childcare (ECEC). Access to affordable childcare is one of the key elements of strategies to reconcile work and family life, promote equal opportunities and combat social exclusion (Matsaganis and Verbist 2009; OECD 2011a). Limited and unequal access to childcare services perpetuates social inequalities, whereas investment in early education can protect children from further social disadvantages and contribute to more equality. With 1% or more of GDP, these services are important in all Nordic countries, as well as in France, Hungary and the United Kingdom. Pre-primary education is a more important category than childcare in most countries (OECD, Family Database). In countries with high enrolment rates in formal care for under 3 year old, public spending on childcare is accordingly high. This is notably the case in the Nordic countries, France and the United Kingdom.

### Region: International <sup>[3]</sup>

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