



Research note no. 6

The impact of income in kind on income distribution and the risk of poverty

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ABSTRACT

Income in kind is included only to a limited extent in the measurement of household income in the EU-SILC and, therefore, in the indicators of income distribution and the risk of poverty which are based on this. The elements of income in kind which are not included, however, vary markedly in importance both across the EU and between households in a given Member State. Accordingly, their non-inclusion means that the indicators are liable to give a misleading impression of the aspects they are purporting to measure and how they differ between EU countries. The concern here is to show the way that a number of different forms of income in kind vary across the EU and between household with differing levels of income, focusing on those for which estimates exist in the EU-SILC but also giving an indication of the variation in benefits in kind provided by the State between countries.



The impact of income in kind on income distribution and the risk of poverty

I. Introduction

The indicators of income distribution and the risk of poverty used to monitor social developments across the EU and to assess policy needs and achievements rely essentially on measuring disposable income in monetary terms, defined after deducting taxes on income and social contributions and after including cash benefits, to do this. Income in kind, which is important for many households in a number of countries, is largely left out of account. Since its importance varies markedly in both scale and extent across the EU, this means that the assessment of income inequalities and the risk of poverty made on the basis of monetary income alone can be misleading, in some cases, even highly misleading.

The exclusion, however, of income in kind from the measurement of household income by the EU-SILC, which is the basis for the indicators of income distribution and risk of poverty used in the EU, is not complete. There are a few items which are included. These consist mainly of benefits received as part of earnings from employment, predominantly company cars in the case of employees, and goods produced for own consumption in the case of the self-employed. The latter are included as part of income in the EU-SILC data but are not shown separately. For those who are not self-employed, by contrast, estimates for the first time are included in the EU-SILC data for 2007 and shown separately but are not treated as part of income. Similarly, estimates of imputed rent on housing, which represents the value of accommodation which home owners enjoy effectively free of charge or which tenants whose rents are subsidised or who pay no rent at all enjoy, are also included in the EU-SILC data for 2007 for the first time but are excluded from the measurement of household income.

This differential, and inconsistent, treatment of items of income in kind seems to be largely based on pragmatic rather than theoretical considerations. Company cars and a few other benefits provided by employees as part of earnings as well as the consumption of goods by the self-employed which they have produced are taxable and there, therefore, independent estimates available of their effective value. This is not generally the case for imputed rent or for goods produced for own consumption by those who do not have – or are not deemed to have – income from self-employment.

There are, however, other forms of income in kind for which no estimates exist either in the EU-SILC or elsewhere and which are left out of account completely in the measurement of household income despite in a number of cases almost certainly being much more important than the items included. These consist mainly of a range of goods and services provided by the State, including free or subsidised care for children and the elderly, housing and transport, which are paid for by taxes, including those levied on income, which are deducted when measuring disposable income. Countries where taxes and contributions are highest, therefore, tend to have the highest and most extensive levels of benefits in kind as well as in cash.

Accordingly, measuring household income after deducting such charges means effectively taking no account of the goods and services which they go to financing if benefits in kind are also excluded from the measurement. Comparing household income across countries without taking any account of the very different levels of common services which exist, and which are reflected in the very different amounts which households need to spend out of their disposable income to enjoy these services, therefore, gives a distorted picture of the actual situation.

This, indeed, is widely recognised to be the case. The reason for leaving such benefits in kind out of the measurement of income, or at least out of cross-country comparisons, has little to do with theoretical considerations and is based largely on the practical difficulties of estimating the value to households of the goods or services concerned. Because estimation is difficult, however, is not a reason for ignoring these items completely. The key question to be addressed is whether the inclusion of estimates of these forms of income in kind which may involve a significant margin or error is likely to give a better or worse indication of the distribution of income and risk of poverty both within and, perhaps more relevantly, across countries. But since there are as yet no estimates of the income in kind concerned, except for a few countries and then only for some of the benefits which are relevant, this question is largely academic, though it does signal the need for more research in this area, especially in order to compare the situation across countries.

Outline

The concern here is mainly to examine the estimates included in the EU-SILC for 2007 for the production of goods for own consumption and for the benefits in kind included as part of earnings from employment. The latter, as noted above, are treated as part of income in the survey and, accordingly, are included in the indicators used to monitor income distribution and the risk of poverty across the EU. The former, on the other hand, are shown but not included in the measurement of income in the case of the non-self-employed. The aim is, therefore, to examine the scale of both the items concerned and how it varies across the EU and between households with differing levels of income within countries. In the case of the production of goods for own consumption, the aim is also to examine the variation in this between household in rural areas, where it might be expected to be more important, as opposed to urban areas, and to assess the effect it would have on the estimation of the risk of poverty if it were to included as part of household income.

A further part of the concern is to consider the benefits in kind, or common services, which should ideally be included in the measurement of household income when, in particular, making comparisons of income distribution and the risk of poverty across countries. The aim is not to estimate the value of the various items concerned but to discuss what should be included and to give an indication of how they vary in importance across the EU.

II. Production of goods for own consumption

The concern here is to analyse the estimates published for the first time in the EU-SILC for 2007 of the value of production of goods for own consumption. How far these estimates are reliable and comprehensive remains an open question since there is no way of verifying this. Because of the way the data are confined to the non-self-employed, it is evident, however, that they are inevitably partial. Indeed since the self-employed are the most likely recipients of this form of income in kind in many countries, especially in some of the Central and Eastern European Member States, such as Poland and Lithuania, where subsistence agriculture remains important¹, it is possible that the major part of the production of goods for own consumption is not included in the data analysed here². How far this is the case is impossible to tell since the data on the consumption of goods produced by the self-employed themselves is not separately distinguished from their monetary income in the EU-SILC.

¹ Subsistence agriculture is probably most important in Romania, but this country is not covered by the analysis here since no data are as yet available from the EU-SILC.

² The consumption of goods produced by the self-employed is included with their monetary income, according to the description of the variable in the documentation published by Eurostat with the EU-SILC user database.

What is the scale of production for own consumption and how does it vary between households?

According to the EU-SILC, the value of production for own consumption amounted, on average, to only 1% of disposable income in 2006 across the EU as a whole. The figure, however, as might be expected varies considerably between countries, ranging from an average of almost 5% of disposable income in Latvia to less than 0.1% in Luxembourg and, perhaps surprisingly, Cyprus and Hungary (Table 1).

Production for own consumption is, as might be expected, more important for those with low levels of income. For those with income below 60% of the national median, it amounts on average to almost 13% of disposable income in Latvia, over 6% in Poland and the Netherlands and 5-6% in Denmark, Germany, Greece, Italy and Slovenia. On the other, it still represents only 0.1% of income or less in Cyprus and Hungary.

Table 1 The value of production for own consumption by level of household income, 2007

Country	Total	<i>Mean % disposable income</i>			
		<i>At risk of poverty threshold 60% of median income</i>		<i>At risk of poverty threshold 40% of median income</i>	
		Above threshold	Below threshold	Above threshold	Below threshold
Belgium	0.3	0.0	1.8	0.0	7.5
Czech Republic	1.1	1.0	1.8	1.1	2.9
Denmark	0.6	0.0	5.2	0.0	18.9
Germany	0.9	0.2	5.1	0.2	14.4
Estonia	1.6	0.8	4.7	1.0	10.1
Ireland	0.1	0.0	0.4	0.0	1.6
Greece	1.5	0.5	5.2	0.7	10.5
Spain	1.0	0.3	3.6	0.3	8.5
France	0.4	0.2	1.9	0.3	6.8
Italy	1.3	0.3	5.0	0.4	12.6
Cyprus	0.0	0.0	0.0	0.0	0.2
Latvia	4.7	2.5	12.7	3.3	20.0
Lithuania	0.3	0.0	1.5	0.0	4.1
Luxembourg	0.0	0.0	0.2	0.0	0.7
Hungary	0.0	0.0	0.1	0.0	0.6
Netherlands	0.7	0.0	6.4	0.0	24.1
Austria	0.2	0.1	0.4	0.1	0.6
Poland	2.0	1.1	6.4	1.3	11.7
Portugal	1.4	0.9	3.8	1.1	6.2
Slovenia	2.6	2.2	5.9	2.4	10.0
Slovakia	0.1	0.0	0.8	0.0	2.7
Finland	0.1	0.0	0.5	0.0	3.0
Sweden	0.3	0.0	2.7	0.0	8.2
UK	0.4	0.0	1.8	0.0	5.7
EU25	0.9	0.3	3.8	0.4	10.0

Source: EU-SILC 2007

The importance of production for own consumption is even greater for those with income below 40% of the median, averaging 10% of disposable income across the EU as a whole and reaching 24% in the Netherlands (though the number of observations is small), 20% in Latvia and 19% in Denmark (where the number of observations is also small), while in another 6 countries- those listed above together with Estonia – the proportion is 10% or more.

As expected, production for own production is especially important in rural (or sparsely populated) areas, amounting to around 10% of disposable income or more for those with income below 40% of the median in 9 of the 21 Member States for which data are available

and 9% in another (Table 2). Nevertheless, the difference between rural and urban (or densely populated) areas is small in a number of countries – in Germany, Greece, Italy, Slovakia and Sweden. Indeed, in Greece, Slovakia and Sweden, the value of production of goods for own consumption is greater for those with income of this level living in urban areas than rural ones.

Table 2 The value of production for own consumption in sparsely populated areas, 2007

	<i>Mean % disposable income</i>			
	<i>Below 60% of median income</i>		<i>Below 40% of median income</i>	
	<i>Urban areas</i>	<i>Rural areas</i>	<i>Urban areas</i>	<i>Rural areas</i>
Czech Republic	0.8	2.1	0.8	4.6
Denmark	4.4	5.8	11.8	26.3
Germany	4.4	4.1	12.0	12.3
Estonia	2.2	6.5	5.6	13.3
Ireland	0.5	0.3	2.6	1.5
Greece	4.5	5.8	12.3	10.2
Spain	3.1	4.4	8.0	9.9
France	1.1	3.6	4.6	9.7
Italy	5.0	5.6	13.1	12.5
Cyprus	0.0	0.1	0.0	0.6
Latvia	4.0	16.3	10.2	23.4
Lithuania	0.4	1.7	1.6	4.4
Luxembourg	0.1	0.5	1.0	0.6
Hungary	0.2	0.2	0.8	0.7
Austria	0.0	0.7	0.0	0.9
Poland	1.8	8.2	4.9	13.7
Portugal	0.6	5.7	1.2	9.1
Slovakia	1.1	0.9	5.0	3.3
Finland	0.0	0.7	0.0	4.5
Sweden	2.9	2.3	9.1	6.8
UK	2.0	2.9	6.1	7.8
EU25	2.8	4.9	8.4	10.6

Note: No data for the Netherlands and Slovenia; no data for rural areas for Belgium

Source: EU-SILC 2007

How is the risk of poverty rate changed if the value of goods for own consumption is included in income?

The inclusion in disposable income of the production of goods for own consumption, by raising the effective level of income, tends to reduce the proportion of people at risk of poverty if measured in the same way as usual – i.e. as those with income below 60% of the median. The reduction, however, is small in all countries. Even in Latvia, where the effect is largest, it reduces the proportion of people below a poverty threshold of 60% by only just under 2 percentage points (from 21.2% to 19.4%) and except in Portugal and Slovenia, it lowers the proportion by less than 0.5 of a percentage point (Table 3).

While the reduction is slightly larger in proportionate terms if the poverty threshold is set at 40% of the national median, it remains relatively small in most countries, the proportion of people with income below this level across the EU as a whole declining only marginally from 5.3% to 5.2%.

Table 3 Risk of poverty rate including production of goods for own consumption, 2007

% Population in each category

Country	At risk of poverty threshold of 60% of median income		At risk of poverty threshold of 40% of median income	
	As usually measured	Incl goods for own consumption	As usually measured	Incl goods for own consumption
Belgium	15.1	15.1	3.7	3.7
Czech Republic	9.5	9.6	2.3	2.4
Denmark	11.7	11.7	3.2	3.2
Germany	15.2	15.2	5.1	5.1
Estonia	19.4	19.1	6.2	5.9
Ireland	17.5	17.5	3.6	3.6
Greece	20.3	20.2	7.7	7.5
Spain	19.7	19.6	7.3	7.3
France	13.1	13.2	2.9	2.9
Italy	19.8	19.7	7.0	7.0
Cyprus	15.5	15.5	3.6	3.6
Latvia	21.2	19.4	8.2	7.1
Lithuania	19.1	19.1	7.2	7.2
Luxembourg	13.5	13.5	2.3	2.3
Hungary	12.3	12.4	3.0	3.0
Netherlands	10.2	10.2	2.7	2.7
Austria	12.0	12.0	3.4	3.4
Poland	17.3	17.0	6.3	5.7
Portugal	18.1	17.6	6.3	5.9
Slovenia	11.5	10.3	2.5	2.2
Slovakia	10.5	10.5	2.9	2.9
Finland	13.0	13.0	2.3	2.3
Sweden	10.8	10.8	3.5	3.5
UK	19.1	19.1	6.2	6.2
EU25	16.3	16.2	5.3	5.2

Source: EU-SILC 2007

As emphasised at the outset, however, how far this represents the situation in reality is dependent on how reliable the estimates included in the EU-SILC are. Since 2007 is the first year that a question on the production of goods for own consumption has been asked, it is possible that there will be some changes in subsequent surveys as more experience is gained of collecting the data concerned.

III. Earnings in kind

What is the contribution of earnings in kind to disposable income?

Income received by employees in the form of company cars or other benefits provided by employers as part of their earnings is included by the EU-SILC in the measurement of disposable income and, accordingly, enters indicators of income distribution and the risk of poverty in different countries. The amount concerned averages only just under 1% of total disposable income in the EU as a whole and only in four countries – Belgium, the Czech Republic, Estonia and Slovakia - is it much over 1%, reaching 3.5% in Slovakia (Table 4). The amount is particularly small in France, representing just 0.1% of disposable income on average in 2006.

Most of the income in kind in question consists of company cars (which until the 2007 survey were the only item counted as earnings in kind in the EU-SILC). These represent, on average, over 90% of such income in the EU-SILC data and in Germany and the UK, 99-100%. In all the countries, this element accounts for over 60% of earnings in kind and for

less than 85% only in Poland (61%), Belgium and Slovakia (65-66%) and Italy and Latvia (75-76%)³.

Table 4 Value of income in kind received by employees as part of earnings, 2007

	<i>Value as % total disposable income in each income quintile</i>					
	1st	2nd	3rd	4th	5th	Total
Belgium	0.4	1.0	1.4	2.0	2.6	1.5
Czech Republic	0.8	1.0	1.5	1.8	1.6	1.3
Denmark	0.9	0.1	0.3	0.6	1.3	0.6
Germany	0.6	0.4	0.5	0.8	1.5	0.7
Estonia	0.9	0.9	1.7	1.9	2.5	1.6
Ireland	0.0	0.1	0.3	0.4	0.8	0.3
Greece	0.4	0.2	0.3	0.3	0.4	0.3
Spain	0.9	0.7	1.2	1.1	1.3	1.0
France	0.1	0.0	0.1	0.0	0.1	0.1
Italy	0.9	0.7	0.8	1.1	1.1	0.9
Cyprus	0.6	0.4	0.3	0.5	0.3	0.4
Latvia	0.3	0.4	0.3	0.6	1.0	0.5
Lithuania	0.4	0.2	0.3	0.5	0.7	0.4
Luxembourg	0.2	0.4	0.6	0.7	1.2	0.6
Hungary	0.0	0.2	0.2	0.3	0.6	0.3
Netherlands	0.4	0.4	0.8	1.5	2.2	1.1
Poland	0.6	0.6	0.7	0.8	1.4	0.8
Portugal	0.1	0.4	0.5	0.5	1.2	0.5
Slovenia	0.2	0.1	0.2	0.2	0.7	0.3
Slovakia	2.6	2.8	3.4	3.8	4.7	3.5
Finland	0.3	0.2	0.3	0.6	1.4	0.6
Sweden	0.1	0.1	0.2	0.6	1.7	0.5
UK	0.2	0.5	1.1	1.5	2.2	1.1
EU	0.5	0.5	0.7	0.9	1.3	0.8

Note: No data for Austria and data for the Netherlands is confined to company cars.

Source: EU-SILC 2007

How do earnings in kind vary with income?

As might be expected, the value of earnings tends to vary with income. In proportionate terms, it contributes more in nearly all countries to the income of those at the upper end of the income scale than those lower down. The only exceptions are Greece, where the value is similar across the income distribution, and France, where it is small at all income levels. The difference is particularly marked in Belgium, the Netherlands and the UK, where for those in the top income quintile (the top 20% of income recipients), earnings in kind account for over 2% of disposable income, whereas for those in the bottom quintile, they account for under 0.5%. The difference is also evident in Slovakia, where for those in the top income quintile, the value of earnings in kind rises to almost 5%, though here, it amounts to 2-3% of disposable income even for those in the bottom two deciles.

How far these relatively wide differences across countries are representative of the actual situation is again difficult to say. It is perhaps noteworthy, however, that the proportion of the value of earnings in kind represented by company cars is among the smallest in Slovakia, the country where the overall value is highest, possibly reflecting the inclusion of other items which are not included in other countries (it should be recalled that 2007 is the first year in which other items have been covered by the EU-SILC).

³ How far these figures reflect the true position in different countries and how far differences in the efforts made to collect information in elements of earnings in kind other than company cars is open to question.

IV. Benefits in kind

A range of benefits in kind provided by the State on varying scales across the EU is not included as part of income in the EU-SILC, as noted above. Although only very partial estimates exist of the value of these to households (see Box), some indication can be obtained of their relative scale from the ESSPROS data on social protection expenditure in EU Member States.

Across the EU25 as a whole, therefore, benefits in kind accounted for around 4% of total expenditure on old-age benefits in 2006 (Table 5). The relative importance of these, however, ranged from 22% of the total in Sweden, 17% in Denmark and 11% in Finland to under 1% in Italy, Slovenia, Poland, Germany and Luxembourg. Some 64% of spending on such benefits was means-tested on average, which means that it was concentrated on those with low incomes, the proportion being over 90% in many of the countries and 100% in the Netherlands, Slovenia and the UK, though zero in the three Nordic countries, where expenditure was highest, as well as in a number of the EU10 countries.

Family and child benefits in kind, mostly in the form of childcare facilities, are also relatively important in the three Nordic countries, but also in the Netherlands and Spain, though in the last, overall expenditure in this area is relatively small, as it is Italy, where benefits in kind also exceeded 40% of total spending on family and child benefits in 2006. The scale of benefits in kind is particularly small in Estonia (4% of total spending) and Poland, where there does not appear to be any expenditure on such benefits. The proportion of benefits in kind subject to means-testing is in most cases large in the countries where it was large for old-age, but not all, the Netherlands and the UK, in particular.

Benefits in kind in respect to disability amounted to 21% of total expenditure in this area, slightly less than in the case of family benefits, with once again the proportion being relatively large in the three Nordic countries, though in this case also in Luxembourg, France and Latvia. The proportion was particularly small in Poland, as in other areas, as well as in Italy and Portugal. The share of spending subject to means-testing amounted to over third of the total in 2006, but was important only in a minority of countries – the four southern EU15 countries (where spending was low), plus Germany, Austria, the UK and Poland (where spending was also low).

Benefits in kind made up just under a third of overall expenditure on social exclusion benefits in the EU25 in 2006, though over 40% in Finland, Sweden, the Netherlands, Latvia and Poland, around 60% or more in Spain, Austria, Lithuania, Hungary and Greece. On the other hand, they accounted for only around 9% of expenditure in this area in Slovakia, 7% in France and under 1% in Cyprus. Means-testing was applied, on average, to almost 30% of overall expenditure on social exclusion benefits in kind, though there were only 8 countries in which the proportion exceeded 40% and in 5 countries, no spending at all was subject to means-testing.

It is evident from the above that benefits in kind vary markedly in importance between countries in relation to expenditure on different kinds of benefit where it is relevant to be taken into account when assessing income levels⁴. Since the level of cash expenditure on the benefits concerned itself varies across countries, this gives only a partial indication of the differences in the value of such benefits across the EU, but it is sufficient to demonstrate the

⁴ It is arguably not relevant in the case of unemployment benefits, where a large part of the benefits in kind consists of training, which may or may not substitute for training purchased by the individuals in question.

importance of taking it into consideration when making inter-country comparisons of household income. The fact that the extent of means-testing also varies across countries suggests, in addition, that benefits in kind are not evenly distributed across households and, accordingly, affect the distribution of income and the risk of poverty, which is likely to be the case anyway as the characteristics of households, and their eligibility for the benefits in question, themselves vary across the income distribution.

ESTIMATES OF VALUE OF PUBLICLY-PROVIDED CHILDCARE

Estimates have made in the recent past of the value of publicly-provided childcare to households in 5 countries*. These indicate, first, that the use of such care varies between households with differing income levels as well as between countries:

	Belgium	Finland	Germany	Greece	Sweden
<i>% of households using childcare</i>					
Bottom quintile	43.7	20.8	40.1	19.4	57.9
Quintile 2	47.9	28.9	33.5	21.2	64.1
Quintile 3	51.1	40.7	37.6	16.9	69.8
Quintile 4	54.8	48.4	52.6	23.5	69.4
Top quintile	41.8	51.8	41.2	27.3	71.5
Total	48.1	37.2	40.1	22.2	66.4

Secondly, that the value of care is significantly higher relative to income for those with the lowest income than for those with higher levels:

	Belgium	Finland	Germany	Greece	Sweden
<i>Value of childcare as % disposable income</i>					
Bottom quintile	3.4	1.7	2.4	1.1	3.6
Quintile 2	1.7	1.7	0.8	0.8	2.8
Quintile 3	1.9	1.9	0.5	0.4	2.4
Quintile 4	1.8	1.6	0.5	0.4	1.6
Top quintile	0.7	0.8	0.1	0.4	0.9
Total	1.6	1.4	0.6	0.6	2.3

Thirdly, that the effect on the proportion of people at risk of poverty of taking account of the benefit in kind provided by publicly-funded childcare depends on the extent to which including childcare in income increases the income of those below the poverty threshold by more or less than it increases median income. Whereas the proportion of children at risk is reduced in all 5 countries, the proportion of total population at risk is increased in Finland and Sweden:

	Belgium	Finland	Germany	Greece	Sweden
<i>% total at risk of poverty</i>					
Before allowing for childcare	15.4	12.2	16.2	19.6	9.3
After allowing for childcare	15.3	12.9	15.7	19.5	10.6
<i>% Children at risk of poverty</i>					
Before allowing for childcare	17.9	10.7	25.2	20.4	9.4
After allowing for childcare	15.5	10.3	23.3	19.6	8.3

* See T. Ward et al, *European Inequalities: Social Inclusion and Income Distribution in the EU*, Chapter 8.

Table 5 Relative scale of expenditure on benefits in kind, 2006

	Old age		Family+children		Disability		Social exclusion	
	% Total	% means-tested	% Total	% means-tested	% Total	% means-tested	% Total	% means-tested
BE	2.7	25.1	19.2	3.0	23.6	0.3	34.8	19.4
CZ	4.8	0.3	16.6	0.0	12.2	0.0	18.4	0.9
DK	17.1	0.0	60.0	8.5	30.6	0.0	27.6	
DE	0.1	99.9	25.0	100.0	27.2	44.1	22.4	22.4
EE	1.9	0.0	4.3	0.0	12.8	0.0	17.9	0.0
IE	9.2	63.2	10.8	0.0	10.4	0.0	21.7	21.8
GR	1.0	60.5	32.8	47.2	11.5	57.2	99.7	100.0
ES	4.9	94.5	61.0	34.7	12.4	88.9	59.3	59.3
FR	2.9	92.4	19.2	70.1	31.0	3.2	6.7	6.7
IT	0.9	99.9	43.1	67.6	4.3	90.1	93.0	93.0
CY	1.2	5.4	12.8	1.1	18.7	0.0	0.3	0.0
LV	2.6	0.0	17.5	8.3	28.3	1.5	40.6	8.2
LT	3.3	5.4	35.0	19.6	19.9	0.3	60.0	42.8
LU	0.0		15.6	0.0	36.0	0.0	21.7	21.7
HU	5.3	0.0	22.1	1.0	12.8	2.8	67.2	43.0
NL	8.0	100.0	60.6	0.0	8.2	0.0	43.2	43.2
AT	3.9	83.5	18.2	15.8	19.3	59.8	59.7	51.5
PL	0.3	0.0	0.0		1.8	46.6	46.1	60.0
PT	4.4	99.1	39.1	99.2	5.9	73.8	20.0	20.0
SI	0.6	100.0	28.7	93.6	11.4	18.5	20.8	0.0
SK	7.9	34.8	11.4	0.0	19.9	0.0	9.1	0.0
FI	11.0	0.0	46.1	0.1	28.1	0.0	46.6	0.0
SE	21.9	0.0	47.0	0.0	41.6	0.5	42.7	2.2
UK	5.4	100.0	24.4	2.7	18.0	95.8	14.2	19.8
EU25	3.8	63.8	29.8	47.2	20.9	34.4	32.4	28.8

Note: The first column shows expenditure on benefits in kind as a % of total spending on the benefits concerned. The second column shows expenditure on means-tested benefits as a % of spending on benefits in kind.

Source: Eurostat, ESSPROS

V. Other common services

The most important benefits in kind are probably health care and education. Since, however, up to a certain level at least, these are provided free of charge by the State and are universally available, or virtually so, in all EU Member States, they ought not to affect either the distribution of income or the risk of poverty. Nevertheless, this is an overly simplistic view since while there might be universal access, in practice the level or quality of service provided can vary markedly both between countries and between households within countries. How far such differences in quality should be taken into account when assessing the distribution of income or the risk of poverty is an open question. Though it undoubtedly seems to be the case that those on low income tend to be more disadvantaged in respect of access to both services than those with higher levels, it is arguable that indicators of access to education and healthcare of a reasonable quality should be constructed as complements to indicators of income distribution and the risk of poverty rather than somehow being included in their measurement as such.

The construction of such indicators, however, poses difficulties not only for individual countries but also across countries. They, therefore, need to show not only the relative disadvantage experienced by particular sections of the community within countries and, in particular, by those with differing levels of income in order to bring out the extent to which such disadvantages reinforce those stemming from low income, but also the relative disadvantage experienced by people in different parts of the EU. This is particularly so in respect of education, the quality of which as well as the extent of access as such is a major determinant of both individual life chances and economic prosperity.

VI. Concluding remarks

Income in kind in various forms differs in importance across the EU as well as between households. At present, such income is included in the measurement of household income and in the construction of indicators of income distribution and the risk of poverty only to a very limited extent. The inclusion of a wider range of elements of income in kind, especially benefits in kind provided by the State to varying degrees as part of the social welfare system, would reduce the distortion arising from leaving them out of account completely when comparing income inequalities and the proportion of people at risk of poverty across EU Member States.

The most important forms of income in kind, education and healthcare, are provided free of charge up to a certain level to virtually everyone living in EU countries. Accordingly, their inclusion in the measurement of household income would be unlikely to alter the picture gained of income distribution and the risk of poverty markedly. The evidence that access to education and, to a much lesser extent, healthcare of a similar quality is by no means equal, however, implies the need to take account of such inequalities when assessing the situation of different social groups both within and across countries.