

## **Accounting for the distributional effects of in-kind public benefits**

### **Abstract**

International comparisons of inequality based on measures of disposable income may not be valid if the size and incidence of publicly-provided benefits differ across the countries considered. The benefits that are provided out of taxation in one country may need to be purchased out of disposable income in another. We estimate the size and incidence of non-cash benefits from public housing subsidies, education and health care for five European countries using comparable methods and data. Inequality in the augmented income measure is dramatically lower than in disposable income, with the effects of the three components varying in importance across countries. Adapting equivalence scales to take account of differences in needs for health care and education reduces the scale of the effect, but does not eliminate it.

**Keywords** Inequality; In-kind transfers; Cross-national comparisons