

Track A: Transfers

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Outline

1 Public transfers introduction

2 Public transfers how to

3 Private transfers introduction

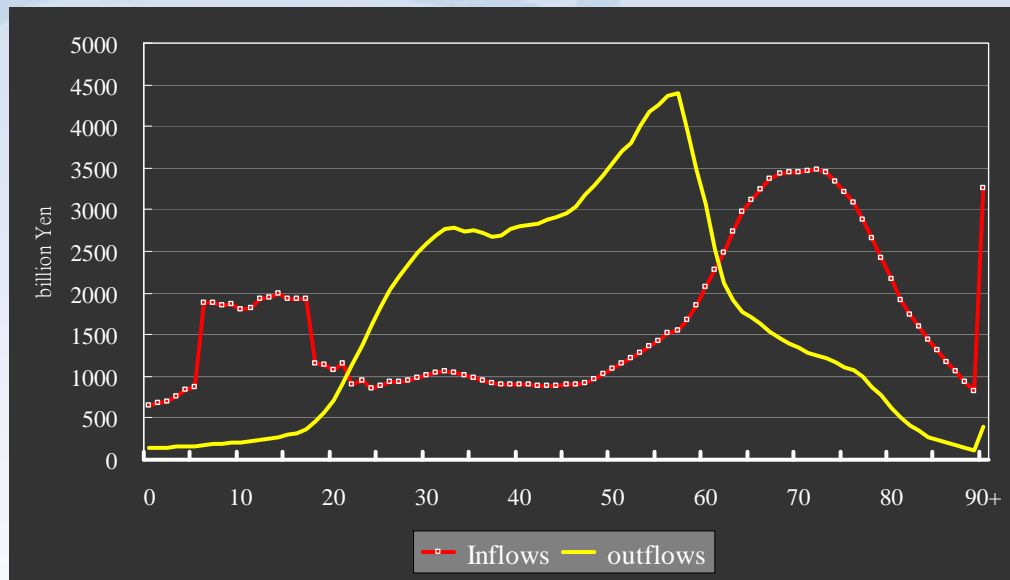
4 Private transfers how to

5 Lab exercise

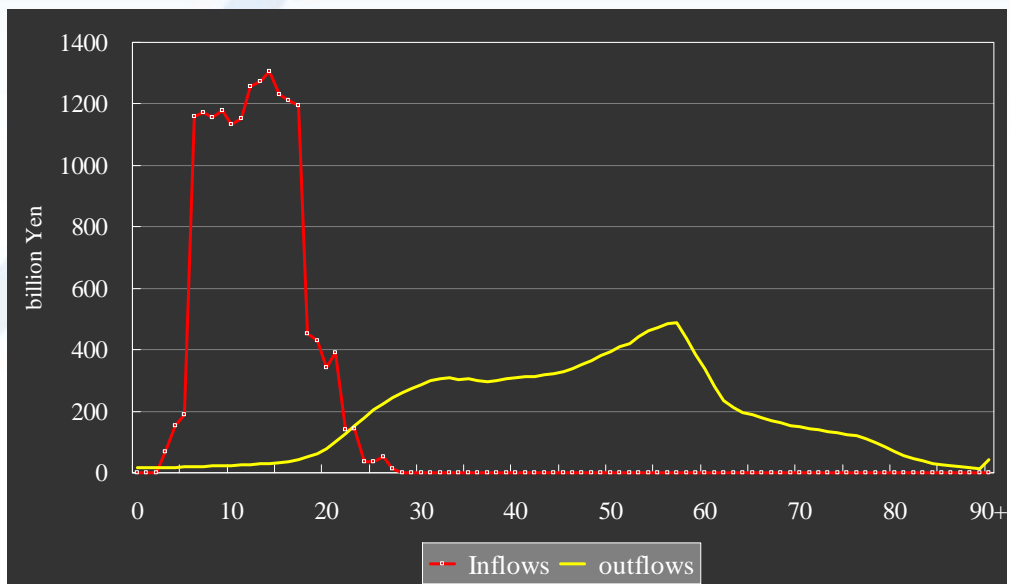
Public Transfers

- Public transfer system consists of a set of mutually exclusive and exhaustive programs
- Programs vary across countries and can be broadly defined by sector (education, etc.) or narrowly defined (Aid for Teenage Mothers, etc.)
- Source of funding: Some programs have obligated or committed sources (e.g., 90% of Taiwan's Health Tax on Tobacco goes into NHI Fund), thus have distinctive age pattern in inflow and outflow
- Age-related programs are the emphasis in NTA

Age Profile of Public Transfer Flows (Japan, 2004)



Public Transfers



Education

Public Transfers

- A public transfer program is measured in NTA by:
 - Outflows from taxpayers or social contributors funding the program
 - Inflows to the beneficiaries of the program
 - Total inflows and outflows must be equal, for each sector, though not for any age

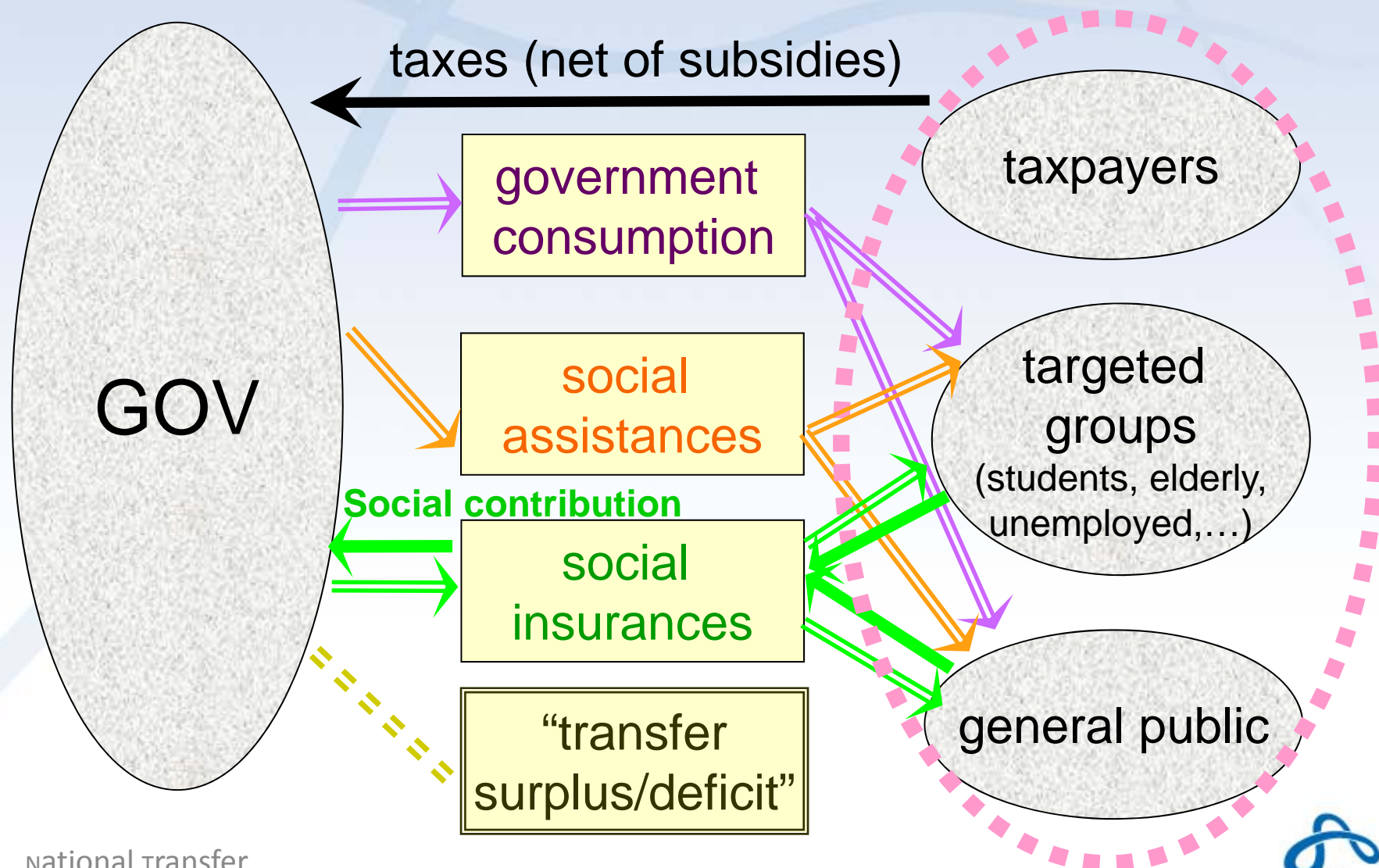
Public Inflows (by major sectors)

- In-kind transfer: From Public Consumption
 - Education
 - Cash transfers to HH for health care are counted as public consumption of health care
 - Other in-kind transfers
- Cash transfers
 - Social security benefits in cash
 - Social assistance benefits in cash
 - Pension programs
 - Grants,...

Public Outflows (by major sources)

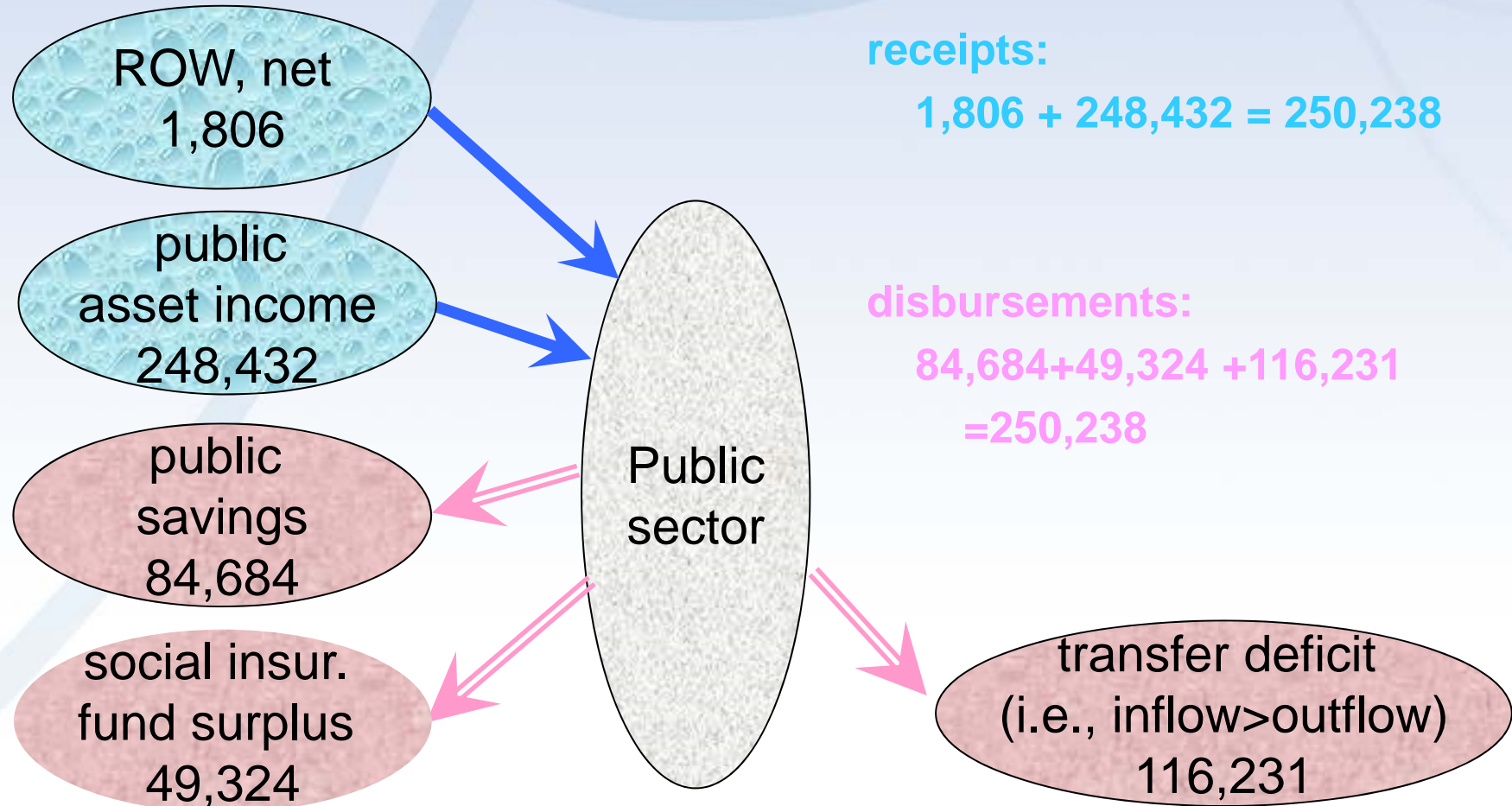
- Taxes
 - Direct taxes
 - Indirect taxes, minus subsidies
 - Other revenues, e.g., fees and fines
- Social security contributions
- Transfer surplus // deficit
 - If public outflows $>$ public inflows, i.e., the government spends more than it collects in taxes, then it has a deficit
 - This is a calculated amount, no SNA or GFS counterpart
- Grants
- Talk more in section III

Public Transfers: Inflows = Outflows



How Is Public Transfer Deficit Financed?

(Taiwan, 1998)



Public Sector Accounts Balance

- Inflows
 - Public asset income
 - ROW, net
- Outflows
 - Public transfer deficit (a calculated term)
 - Public savings
 - Other forms of asset accumulation, such as the surplus of NHI fund

Three Important Questions

- How large is each program (annual expenditure)?
- Which age groups benefit (inflows)?
- Which age groups bear the cost (outflows)?

How to: Public Transfer Inflows

1. Identify all public expenditures
2. For in-kind transfer programs, you have already calculated the inflow as part of public consumption
3. For cash transfer programs, find an age shape indicator and adjust to the macro control:
 - Macro controls by program may come from public expenditure reports
 - If totals do not agree with SNA, adjust proportionally

How to: Public Transfer Outflows

1. Identify all taxes and social contributions
2. Find an age shape indicator for each and adjust to the macro control:
 - If no information on tax payments by age, use age shape of source being taxed (example: consumption taxes)
 - Macro controls by type of tax may come from public revenue reports
 - If totals do not agree with SNA, adjust proportionally
3. Transform taxes into public transfer outflows based on source of revenue for each program
 - Some benefits are paid for with “earmarked” taxes (completely or in-part)
 - Other benefits financed by general revenues

Table 13. Tax Incidence for Public Transfer Outflows

Public Transfer Outflows	Tax Incidence or Source of Outflow
Taxes on Income	Combined asset and labor income
Taxes on Profits and capital gains	Asset income
Taxes on earnings including contributions of employers; Social contributions	Earnings or labor income
Taxes on Payroll and workforce	Earnings
Taxes on Property	Value of assets
Taxes on Goods and Services	Value of consumption of goods and services subject to tax
Taxes on International Trade and Services	Various: Consumption, labor income, asset income, Rest of the World.
Other Taxes	Various

Private Transfers

- Interhousehold transfers:
 - Gifts from family/friends/charity, alimony, child support, remittances
 - Given and received by household heads only
- Intrahousehold transfers:
 - Not part of national accounts
 - NTA innovation
 - Model based (assumptions + other NTA age profiles):
 - Other NTA age profiles give how much each person consumes and how much cash he has to pay for that consumption
 - Some in household have cash surplus, some have deficit
 - Assumed equal sharing model by which those with cash surplus make transfers to cover the needs of those with deficits

How to: Inter-Household Transfers

1. Identify transfer flow given and received from household survey:
 - May need to supplement with outside information if there are significant remittance inflows or outflows
2. Find the macro controls:
 - Some countries have enough SNA detail to calculate inflow and outflow macro controls
 - Others just have a net flow macro control
3. Adjust to macro controls:
 - Straightforward if you have inflows and outflows
 - See manual for details on how to adjust to net flow amount

How to: Intra-Household Transfers

1. Start with macro-adjusted, unsmoothed, individual-level amounts for:
 - Private consumption by sectors (education, health, owned housing, other)
 - Labor income
 - Public cash transfer inflows
 - Net inter-household transfers
 - Taxes paid
 - Implement household sharing model (stata code will be available online)
 - See manual for adjustments if the “ingredients” for intrahousehold transfers come from different sources
2. No macro adjustments necessary, but small adjustments to maintain inflow/outflow balance

Lab Exercise

- Lost my public transfer exercise! (I will send you the example code via email and/or post to the NTA wiki page for the workshop)
- Intra-household transfer spreadsheet