

Equity

Equity is a concept relevant to a broad range of outcomes, such as income, health, and education. But few of the equity measures currently available have broad country coverage, good comparability, and are available at regular intervals.

Dimensions of this framework

- **[Adequacy of benefits of last resort](#)**

Compared to after-tax incomes from employment, net incomes of benefit recipients measure the financial incentives to take up work for those without a job. When compared to the income cutting off points that are used to identify poor families, they inform about the capacity of benefit systems to ensure an adequate standard of living.

- **[Income inequality](#)**

Measures of income inequality are based on data on household disposable income. Disposable income is gross household income following deduction of direct taxes and payment of social security contributions. Household income is adjusted to take account of household size by assuming a common equivalence scale of 0.5.

The main indicator of income distribution used is the Gini coefficient. Values of the Gini coefficient range between 0 in the case of "perfect equality" and 1 in the case of "perfect inequality".

- **[Poverty](#)**

No commonly agreed measure of poverty across OECD countries exists. As with income inequality, the starting point for poverty measurement is equivalised household disposable income provided by national consultants. People are classified as poor when their equivalised household disposable income is less than half of the median prevailing in each country. The use of a relative income-threshold means that richer countries have higher poverty thresholds than poor countries.

Poverty is considered in terms of poverty rate and poverty gap. The poverty rate is a headcount of how many people fall below the poverty line. The poverty gap measures the extent to which the income of the poor falls below the poverty line.

- **[Poverty among children](#)**

Children are defined as poor when they live in households whose equivalised household disposable income is less than half of the median in a given country. Children, defined as all those aged under 18, are considered as sharing the income earned by other household members. The basic indicator of child poverty is poverty rate, measured as the share of children with an equivalised income of less than 50% of the median.

- **[Public social spending](#)**

A wide range of people and social institutions provide social support to those in need through a variety of means. Much of this support takes the form of social expenditure, which comprises both financial support and "in-kind" provision of goods and services. To be included in social spending, benefits have to address one or more contingences, such as low-income, old-age, unemployment and disability. The indicator of social spending used for cross-country comparisons is public spending as a share of Net National Income (NNI).

- **[Total social spending](#)**

A comprehensive account of the total amount of resources that each OECD country devotes to social support has to account both public and private social expenditure, and the extent to which the tax system affects the effective amount of support provided.

To capture the effect of the tax system on gross, before tax social expenditures, account should be taken of the government claw back through the direct taxation of benefit-income and the indirect taxation of goods and services consumed by benefit recipients. Moreover, governments can pursue social goals via tax breaks for

social purposes, which tends to make total social spending in excess of gross spending.

From a social perspective of society, net after tax social expenditure, from both public and private sources, gives a better indication of the resources committed to social goals.