

Module 6: Government Consumption

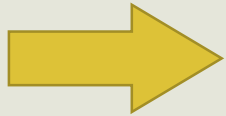
Training Workshop on Price Statistics for the Production of Purchasing Power Parities and the Integration between CPI and PPPs in the Arab Region

07-08 June 2021

Objectives of Section 3: Price and Other Related Data for PPPs

Data Collection Approaches for:

Household Individual Consumption



Government Consumption

Gross Fixed Capital Formation

Objectives of Module 6: Government Consumption

- ➔ ■ Approach for Government Consumption
- ➔ ■ Data needed for the calculation of PPPs
- ➔ ■ Difference between Individual And Collective Government Consumption



Government Consumption: Approach

- In the national accounts, government services are valued at their cost of production, and the same approach is used in calculating PPPs.



In other words, the PPPs for production of government services are obtained by comparing the costs of producing them.

- Since most government services are supplied free or at a nominal cost it is impossible to determine exact values for their output.




For this reason, the sum of the cost of producing the services is used as the output value of government services.



Government Consumption: Approach (cont'd)

- The costs of producing government services are categorized as intermediate consumption, net taxes on production, gross operating surplus, receipts from sales, and compensation of employees.

 *When it is difficult to obtain comparable prices for certain services, the PPPs from a similar basic heading(s) are used as imputed PPPs for the missing values.*

- Sub-sectoring of government services, such as central, federal, state, and local governments, and social security funds, is not required, because *it is assumed that the prices of goods and services acquired by governments are the same no matter which level of government acquired them.*



Government Consumption: Approach (cont'd)

Compensation of Employees:

- Compensation of employees is the largest component of the costs of producing government services and is the only cost component for which salary data are collected.
- Compensation of employees is reported for a selection of typical occupations in government, public education, and public health services.
- Countries conduct government compensation surveys using the same list of selected occupations. These occupations are tightly specified based on the International Standard Classification of Occupations, or ISCO, set by the International Labor Organization.
- Compensation data are compiled from official government pay scales in most cases.
- In the ICP 2017, the list of government occupations covered 34 typical government occupations.



Government Consumption: Approach (cont'd)

Data Collection:

- This is an example of a data entry form.
- For each occupation on the survey list, information on compensation of employees that includes base pay, cash allowances (etc.) is collected along with the hours worked.
- **The compensation of employees reported must be described in annual terms and should reflect the national average that represents the various education and skill levels commonly found among employees working in these government services.**

It also needs to be adjusted for differences in the numbers of hours worked in different countries.

Data entry	140111.1.1330 Data processing manager
<u>Cash remuneration</u>	
Base pay	40,000
Allowances and other additions to pay:	
Housing	6,000
Transportation	3,000
Food and meals	1,000
Other allowances	2,000
Employers' social security contributions:	
Actual contributions	0
Imputed contributions	3,000
<u>In-kind remuneration:</u>	
Housing	3,000
Transportation	1,000
Food and meals	1,400
Other in-kind remuneration	1,000
<u>Total remuneration</u>	<u>61,400</u>

Annual

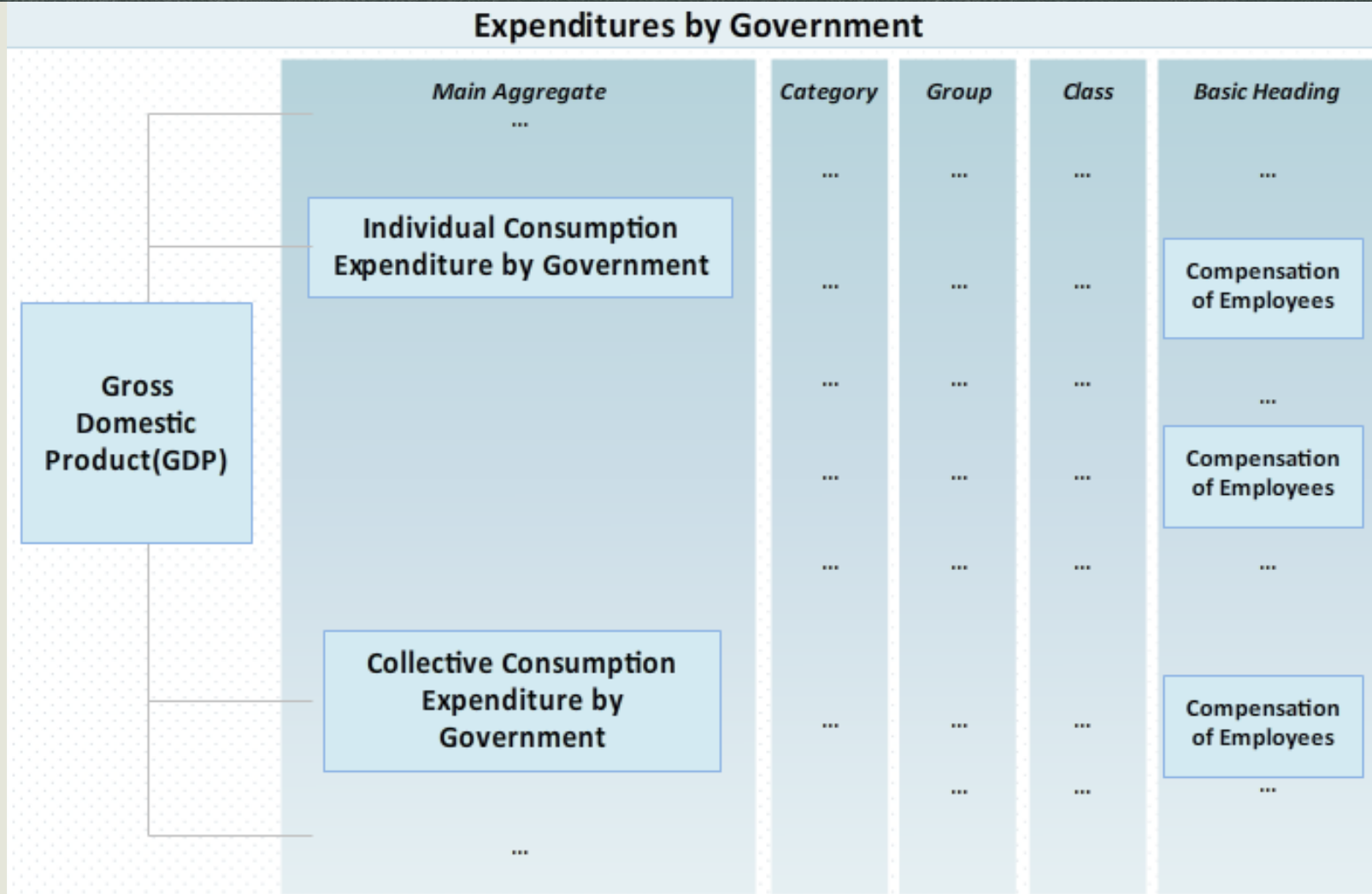
National Average



Government Consumption

■ In the ICP classification, there are 2 *Main Aggregates* that are related to Government Consumption:

1. Individual Consumption Expenditure By Government
2. Collective Consumption Expenditure By Government





Individual Government Consumption

Individual Government Services:

- Individual services are those services that governments provide to households on an individual basis such as health and education. Some households benefit from these services while others do not.
- There are *21 Basic Headings* for individual services, grouped under *5 Categories*.
- The *5 Categories* are:
 1. Housing
 2. Health
 3. Recreation and Culture
 4. Education
 5. Social

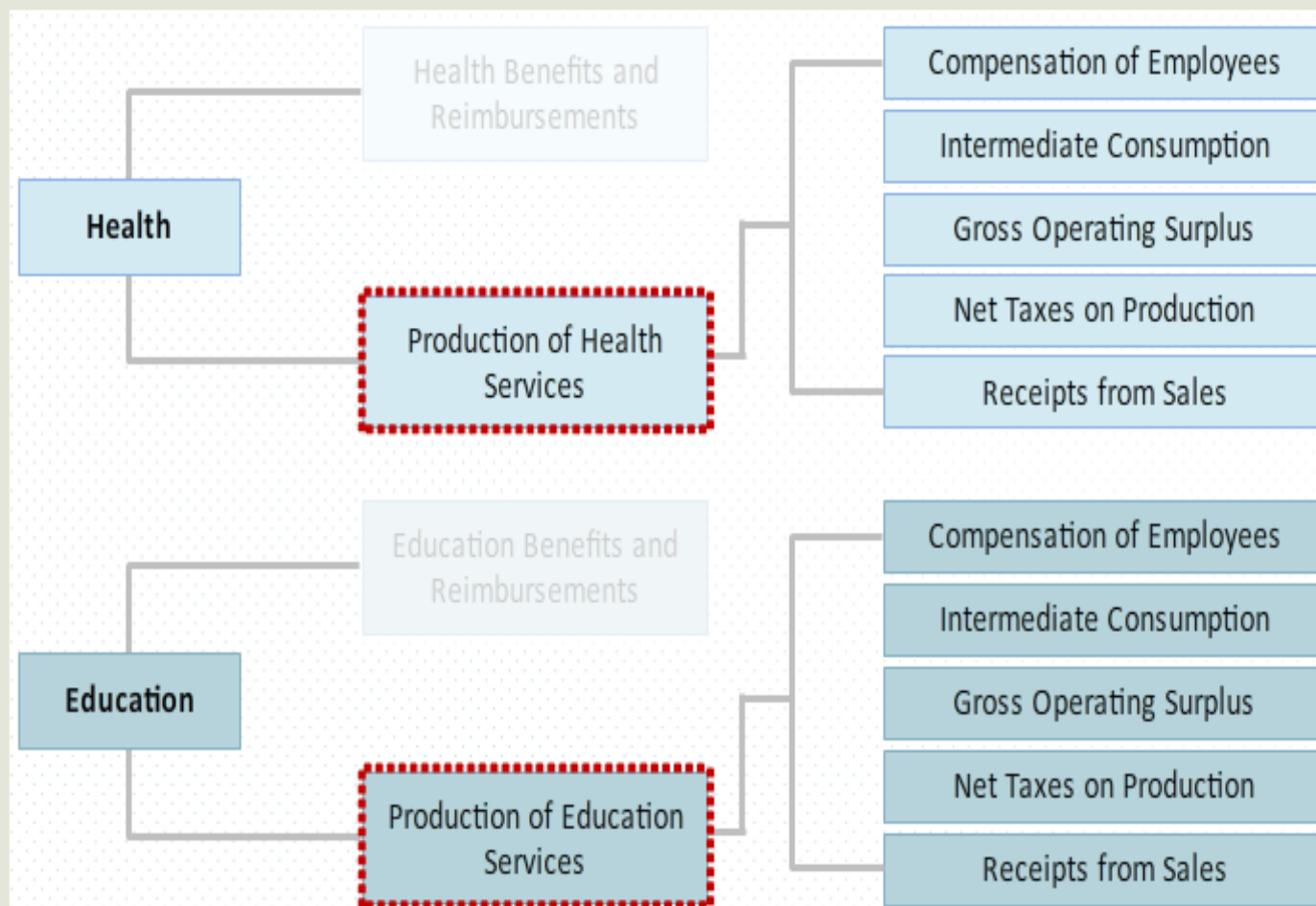


Individual Government Consumption

Compensation of Employees Under Individual Services:

- Production of Health Services and Production of Education Services include the compensation of employees' basic headings.

- In the 2017 round, compensation of employees for *8 typical occupations*, such as hospital doctor and hospital nurse, were used for **Health Services**, and *5 typical occupations*, such as primary school teacher and secondary school principal, for **Education Services**.





Collective Government Consumption

Collective Services :

- Collective government services are provided to everyone on an equal basis, such as defense, law and order, and research and development.
- No single household can consume more of these services than any other household.

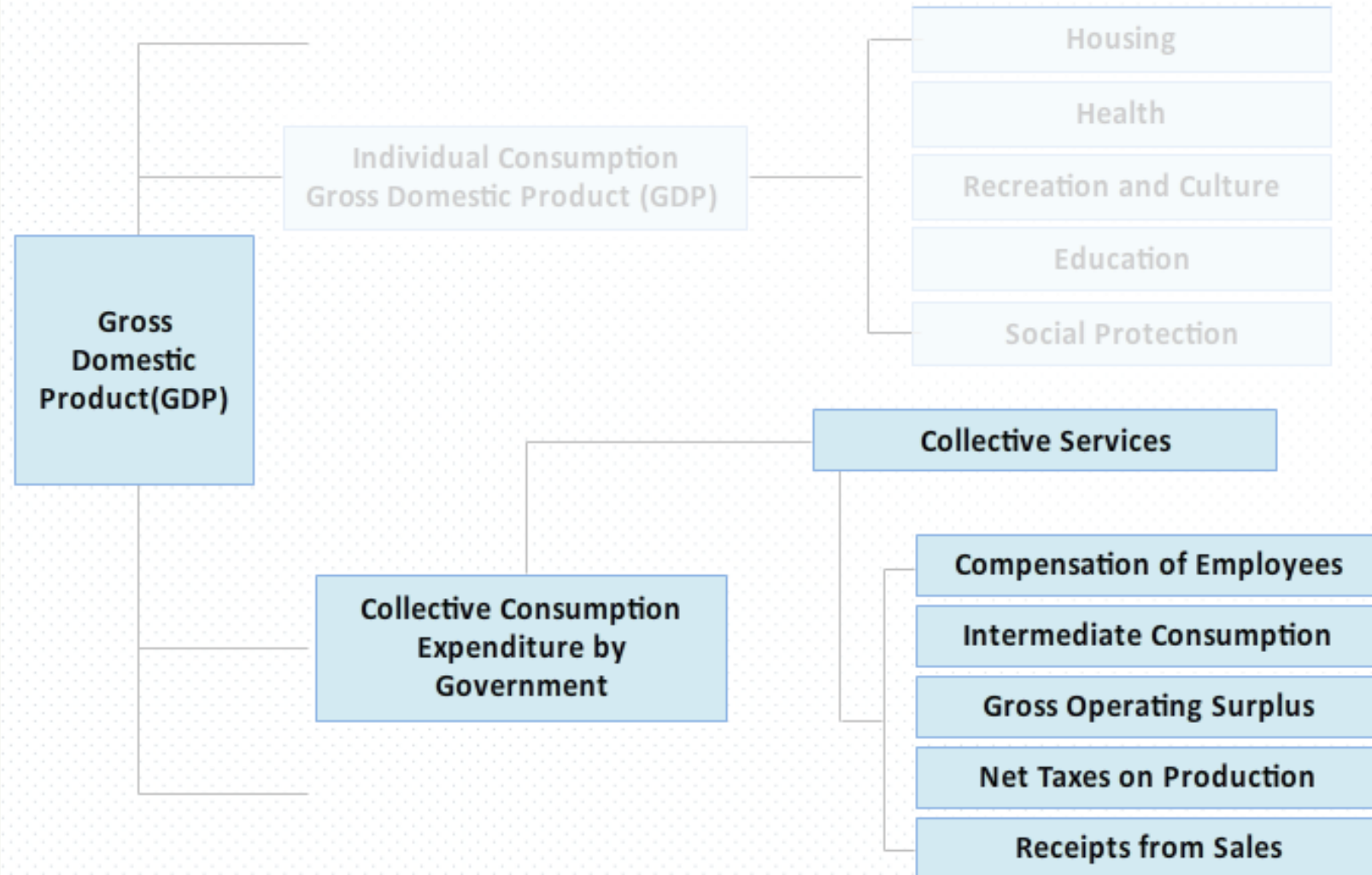
- There are *5 Basic Headings* under **Collective Services**:

1. Compensation of employees
2. Intermediate consumption
3. Gross operating surplus
4. Net taxes on production
5. Receipts from sales.



Collective Government Consumption

- In the 2017 round, compensation of employees for *21 typical occupations* such as customs inspector, payroll clerk or police officer were used for PPP calculation of collective services.



Quiz Time

- Answer by True or False, and correct the False statements:

1. *Individual Government Services are those services that governments provide to households on an individual basis such as health and education.*

ANSWER: TRUE

2. *All households benefit from these services.*

ANSWER: FALSE. Some households benefit from these services, while others do not.

The background is a dark green chalkboard with various white chalk sketches. On the left, there is a globe on a stand. Above it are several circular diagrams, possibly representing orbits or data points. In the center, there are several rectangular shapes, some with arrows, possibly representing diagrams or flowcharts. On the right, there is a detailed drawing of a microscope. The overall theme is educational and scientific.

Thank You