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Short term distributional effects of public education transfers in Greece

Abstract

The usual practice in empirical distributional studies is to use distributions of disposable income. However, a household's command over resources is determined not only by its spending power over commodities it can buy but also on resources available to the household members through the in-kind provisions of the welfare state (as well as private non-cash incomes). In most modern societies, one of the most important public transfers in-kind to the members of the population takes place through the education system. One of the main aims of such transfers is the mitigation of socio-economic inequalities. The present paper examines the short-run distributional impact of public education in Greece using the micro-data of the 2004/5 Household Budget Survey. It employs static incidence analysis under the assumption that public education transfers do not create externalities. The aggregate distributional impact of public education is found to be progressive although the incidence varies according to the level of education under examination. In-kind transfers of public education services in the fields of primary and secondary education lead to a considerable decline in relative inequality, whereas transfers in the field of tertiary education appear to have a small distributional impact whose size and sign depend on the treatment of tertiary education students living away from the parental home (a result confirmed by inequality decomposition by factor components). When absolute inequality indices are used instead of the relative ones, primary education transfers retain their progresssivity, while secondary education transfers appear almost neutral and tertiary education transfers become quite regressive. The main policy implications of the findings are outlined in the concluding section.

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