LINKING OF HEALTH AND EDUCATION FOR EUROSTAT-OECD REGION

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Background

OECD - Output approach for Education and health

- Well-known issue as Eurostat and OECD use an **output approach** for the calculation of PPPs for health (since 2011) and education (since 2005)
- In the EUO comparisons **PPPs for health and education calculated only at the level of AIC** (same PPPs household consumption/ govt)
- How to link education and health in 2017 ?

ICP 2011 Approach

Education: linking through output approach

- In 2011, in absence of average salaries **no possibility to use the input approach**. Based on availability and quality of data, **decision to link education through output approach for 5 Latin American bridge**
- Calculation by the OECD of a linking factor for Education as a whole (i.e Actual Individual consumption)
- Fixity applied at analytical category level (results coming from the output approach)
- Dissemination of all detailed basic heading PPPs and Expenditures but all PPPs are the same (PPPs for education according to the output method)

Health: same linking for EUO as for other regions

- Health goods and services part of global core list
- For government production: (average) salaries collected for global core occupations
- **Just before calculating final results in 2013, Eurostat-OECD introduced an output method for hospitals and new weighting scheme**
- **However, old BH weights were available for linking**
- Productivity adjustment used
- Fixity applied at analytical category level (results coming from the output approach for EUO)
- Dissemination to researchers of all detailed basic heading PPPs and expenditures (from the input approach)

ICP 2017 Approach

In summary (1)

- Same methodology for Education and health : **use of the input approach** and linking at the level of Actual individual consumption.
- **Implications:** EUO to provide to WB, BH PPP and expenditures according to ICP (input) classification to allow the linking of health and Education with the other regions using the standard approach.

In summary (2)

- **Main difficulty in 2017: absence of BH weights. Decision to use a simplified breakdown largely driven by a review of the 2011 ICP data showing the weaknesses of the data at the BH level for health and education (gaps, difficulties of classifying expenditures to private or public providers)**

- **The application of the CAR-method maintains fixity of Eurostat-OECD's output-based PPPs, which refer to the Analytical categories : actual Individual Health and Education (results coming from the output approach**

Education in more details

- Additional collection of salary data for education occupations for OECD countries.
- Use of simplified weighting scheme – information from Unesco

	ICP BH (7): PPPs and expenditures	OECD BH (2)
Education private	Education (prices)	Education (output)
Education public	Education benefits and reimbursements (ref PPP) – exp 0%	Education (output)
	Compensation of employees (salaries) – exp 75 %	
	Intermediate consumption (Ref PPP) – exp 10 %	
	Gross operating surplus (Ref PPP) – exp 5 %	
	Net taxes on production (Ref PPP) – 0 %	
	Receipt from sales (Ref PPP) – 0%	

Health in more details (1)

- In the ICP Classification, 20 basic headings (of which 12 under government). Same PPPs are used for a number of BHS under public and private and many reference PPPs
- Mapping could be done between the ICP classification and the SHA (System of health accounts) for a large component of health and simplified weighting scheme was applied for the remaining (production of health services by government)

Health in more details (2)

		ICP combined expenditure breakdown (20) – in red reference PPPs	SHA expenditure breakdown
1	1106111+1302111	Pharmaceutical products	Pharmaceutical products
2	1106121+1302112	Other medical products	Other medical products
3	1106131+1302113	Therapeutic appliances and equipment	Therapeutic appliances and equipment
4	1106211+1302121	Out-patient medical services	Out-patient medical services
5	1106221+1302122	Out-patient dental services	Out-patient dental services
6	1106231+1302123	Out-patient paramedical services	Out-patient paramedical services
		Health remaining	Health remaining
7	1106311+1302124	Hospital services	Hospital services
8	1302211	Compensation of employees	Nursing and residential care facilities
9	1302221	Intermediate consumption	
10	1302231	Gross operating surplus	
11	1302241	Net taxes on production	
12	1302251	Receipts from sales	
13	1202111	NPISH expenditure on health	

Conclusions and proposals

Conclusions

- **Early to draw conclusions. Results just calculated and they should be carefully reviewed.**
- **In 2017 : Use of a very pragmatic approach, largely data driven. Basic methodology remains unchanged despite a number of modifications, improvements as well as simplifications proposed mainly to deal with changes in the available data**
- **Careful thought should be given to the level of detail at which results are published or disseminated in ICP 2017 for education and health. The input method was developed to calculate PPPs at an aggregate level and PPPs and nominal values at BH level are not really meaningful figures**

Proposals

- Proposal not to disseminate data below Actual individual health and education
- For the future: look at the possibility to simplify the input approach (less basic headings, careful review of the reference PPPs used) and keep searching for alternative approaches especially for education

THANK YOU