

## Alternative measures of income

In open economies with significant cross border flows of workers and, in particular, of property income, gross national income (GNI) may be more reflective of the income accruing in the country and available for future production. Indeed, GNI reflects the income received by citizens and companies of a particular nation located in the country and overseas.

### Key facts

Most countries have small differences between their GDP and GNI measures, as income received from abroad nearly offsets payments made to the rest of the world. In countries with significant inflows of foreign direct investment, such as the Czech Republic, Ireland and Luxembourg, GDP exceeds GNI, as foreign affiliates engaged in local production repatriate the profits to parent countries. The opposite is observed in Denmark, Finland, Japan, Sweden and the United States, where parent multinational companies receive overseas profits from their affiliates abroad.

Productivity growth is relatively similar for most countries when measured on a GNI or GDP basis, although some noticeable differences exist. For example, over the period 2009-2014, Iceland experienced significantly higher growth in GNI per hour worked compared with GDP per hour worked, possibly reflecting decreasing (net) outflows of property income. On the other hand, in the same period, Latvia and the Slovak Republic recorded higher growth rates in GDP per hour worked than in GNI per hour worked, due to increasing (net) outflows of property income.

### Definition

GNI is defined as GDP plus net receipts from abroad of wages and salaries and of property income plus net taxes and subsidies receivable from abroad. In most countries, net receipts of property income account for most of the difference between GDP and GNI. Property income from abroad includes interest, dividends and all or part of the retained earnings of foreign enterprises owned fully or in part by residents. Wages and salaries from abroad are those earned by residents who essentially live and consume inside the economic territory but work abroad. They also include wages and salaries earned by non-resident persons who live and work abroad for only short periods (seasonal workers).

Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

### Comparability

There are practical difficulties in the measurement of both international flows of wages and salaries and of property income. In practice, many flows related to the use of intellectual property assets are often recorded as property income flows between affiliates. This impacts directly on GDP levels but it also creates possible inconsistencies for productivity as the underlying intellectual property being used in production in one country may be recorded on the balance sheets of another country. Measures of labour productivity based on GNI in part 'correct' for these potential inconsistencies.

Some care is also needed when interpreting productivity in countries with high numbers of cross-border workers. Labour compensation earned by these workers will not be included in the GNI of the country in which they work but their hours worked will be included in the calculation of labour input.

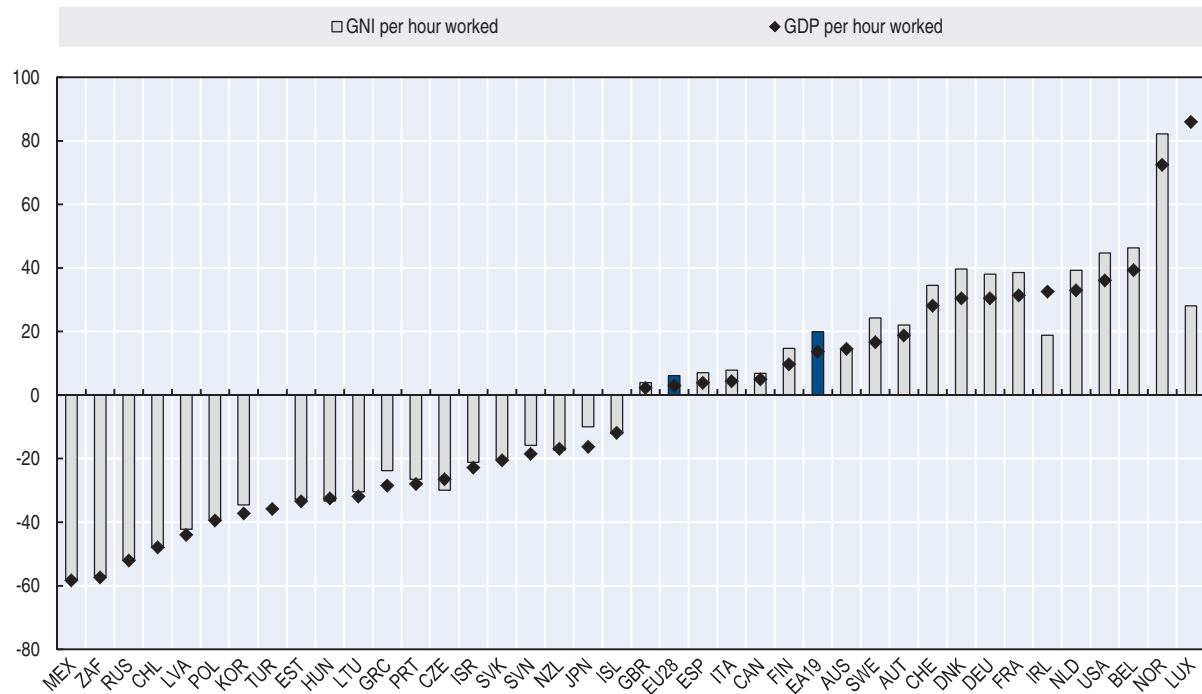
### Sources and further reading

OECD National Accounts Statistics (database), <http://dx.doi.org/10.1787/na-data-en>.

OECD Productivity Statistics (database), <http://dx.doi.org/10.1787/pdtvy-data-en>.

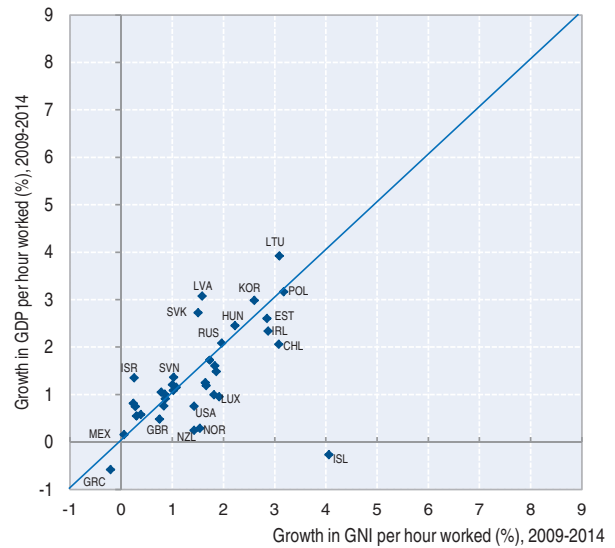
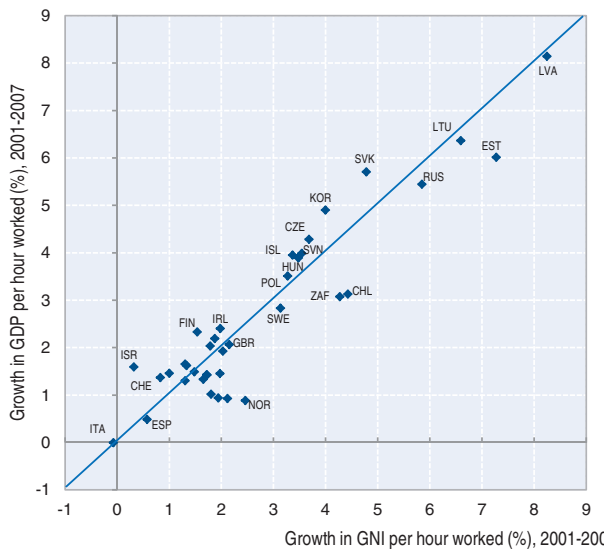
OECD (2009), *Handbook on Deriving Capital Measures of Intellectual Property Products*, <http://dx.doi.org/10.1787/9789264079205-en>.

**Figure 2.11. GDP and GNI per hour worked, 2014**  
As percentage of the OECD average (OECD = 100), current prices and current PPPs

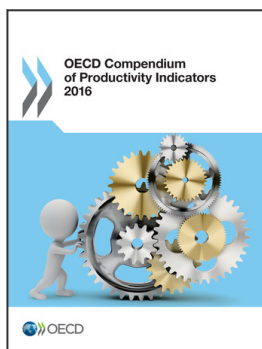


StatLink <http://dx.doi.org/10.1787/888933346439>

**Figure 2.12. Growth in GDP per hour worked and growth in GNI per hour worked**  
Total economy, percentage change at annual rate



StatLink <http://dx.doi.org/10.1787/888933346440>



**From:**  
**OECD Compendium of Productivity Indicators 2016**

**Access the complete publication at:**  
<https://doi.org/10.1787/pdty-2016-en>

**Please cite this chapter as:**

OECD (2016), "Alternative measures of income", in *OECD Compendium of Productivity Indicators 2016*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/pdty-2016-10-en>

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