Glossary:Income approach

Statistics Explained

The **income approach** to calculate gross domestic product (GDP) sums the compensation of employees, taxes on production and imports less subsidies on production, gross operating surplus and mixed income . The income-side approach shows how GDP is distributed among different participants in the production process, as the sum of:

- **compensation of employees** : the total remuneration, in cash or in kind, payable by an employer to an employee in return for work done by the latter during the accounting period; the compensation of employees is broken down into: wages and salaries (in cash and in kind); employers' social contributions (employers' actual social contributions and employers' imputed social contributions);
- **gross operating surplus** : this is the surplus (or deficit) on production activities before account has been taken of the interest, rents or charges paid or received for the use of assets;
- **mixed income** : this is the remuneration for the work carried out by the owner (or by members of his/her family) of an unincorporated enterprise; this is referred to as 'mixed income' since it cannot be distinguished from the entrepreneurial profit of the owner;
- **taxes on production and imports less subsidies on production** : the former consist of compulsory, unrequited payments to or from general government or institutions of the EU, in respect of the production or import of goods and services, the employment of labour, and the ownership or use of land, buildings or other assets used in production. Subsidies on production consist of 'subsidies except subsidies on products which resident producer units may receive as a consequence of engaging in production'.

Related concepts

- Gross national income (GNI)

Statistical data

- National accounts and GDP