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**PROVISIONAL GUIDELINES
ON STATISTICS
OF THE DISTRIBUTION
OF INCOME, CONSUMPTION
AND ACCUMULATION
OF HOUSEHOLDS**



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PREFACE

The need for guidelines on statistics on the distribution of income, consumption and accumulation has increased in recent years. The available statistics in this important area suffer from many deficiencies. They often refer to particular population groups only and are collected at irregular intervals. The definitions and classifications used vary from country to country and frequently also for the same country over time. Integrated statistics of income, consumption and accumulation are still in their infancy.

Income distribution statistics were first on the agenda of the Statistical Commission at its fourteenth session in 1966. Subsequently, a system of distribution statistics was gradually developed by the Statistical Office which covered income, consumption and accumulation and was tied in with both the United Nations System of National Accounts (SNA) and the System of Balances of the National Economy (MPS). 1/

As the work proceeded, working groups and seminars at the regional commissions of the United Nations discussed drafts of the system and suggested changes. The drafts were also circulated to statistical offices for comments. An Expert Group was established to assist the Statistical Office in the work.

The Statistical Commission adopted a final version of the full system at its seventeenth session in 1972. However, the Commission requested that amendments and simplifications be made in the light of its discussions and those of the second session of the Expert Group on income distribution and related statistics which had met just before the Commission meeting.

At the same time, the Statistical Commission stressed the need to prepare a simplified version of the system for use by developing countries. A draft of the simplified system was presented to the Commission at its eighteenth session in 1974 and was adopted with a number of reservations. In particular, the Commission felt that further simplification was desirable.

After careful consideration, the Statistical Office concluded that it would be desirable to combine the full and the simplified versions of the guidelines, and present them in a single publication. This avoids the very substantial amount of overlap between them, and presents guidelines that may be useful for countries at different stages of statistical development. An attempt has been made to take due account of the particular problems of developing countries in the combined publication by noting modifications which these countries may find it convenient to make, by setting out priorities, and by indicating where developing countries may find the recommendations either less useful or beyond their statistical capabilities.

1/ A System of National Accounts and Basic Principles of the System of Balances of the National Economy (United Nations publications, Sales Nos. E.69.XVII.3 and E.71.XVII.10).

In line with the recommendations of the Statistical Commission and of the Expert Group, the guidelines presented here are simplified in a number of respects as compared with the earlier versions. In addition to the changes specifically requested, the general instruction to simplify has been interpreted to mean further rationalization of concepts and classifications and some reduction in the amount of detail. Standardization of the classifications used in the various tables made it evident that several of the tables were duplicative and could be eliminated. The number of income aggregates that are introduced has been reduced by one, and the definitions of those remaining have been kept as close as possible to the corresponding macro concepts while still taking into account the problems of data collection at the household level.

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Chapter I

THE PURPOSES, CHARACTER AND SCOPE OF INCOME DISTRIBUTION AND RELATED STATISTICS

Uses of distribution statistics and their implications for the nature of the statistics

1.1 The distribution of income and the factors influencing it have concerned economists and policy makers for hundreds of years. Though early estimates were crude and impressionistic, they did constitute the first method of approach to the estimation of "the wealth of nations", or national income. When systematic compilation of national income began in several countries early in the present century - as for instance by King and Macaulay at the National Bureau of Economic Research in the United States of America and by Bowley and Dalton in the United Kingdom - it was again approached through a study of the distribution of incomes received by the population. Meanwhile, theorists had been speculating on the factors at work in determining the distributions. Here again, there is a long history, from the work of Cantillon, Bernouilli and Pareto through that of Lorenz, Gini and Gibrat on up to today's human capital, inherent ability, and stochastic process models.

1.2 Efforts by statistics offices to compile statistics on the distribution of income are, naturally, much more recent. Although scattered studies were made much earlier - Pareto found data extending in time from 1471 to 1894 and in geographical distribution from Peru to England and a variety of German and Italian states - little systematic work was done before 1950; and even thereafter it was done in only a few countries. As the scope of countries' policy interests have broadened, however, a need has increasingly been felt for statistics on the distribution of income, consumption and accumulation in order to deal with a wide range of interconnected economic and social questions. These include not only the analysis of the distribution of well-being among households but also such questions as the distribution of the demand for goods and services, the sources of finance of capital formation, the impact of taxes and the effects of inflation.

1.3 A few countries have undertaken distribution studies as a part of integrated work on national accounting, such that the aggregates in the accounts serve as control totals for the distributions. This work has been greatly facilitated by the development of integrated systems of data collection, by the development of efficient techniques for matching and combining data from various sources and of course by the development of computer processing technology.

Major requirements

1.4 Statistics on the distribution of income, consumption and accumulation are needed for two major kinds of purposes: (1) assessing the economic welfare of the population and developing welfare-oriented policies and (2) formulating income and fiscal policies and planning and evaluating economic development. In order to serve these purposes data are needed for each major step in the formation and disposition of income, classified according to the socio-economic characteristics

of households and individuals. The flows in question are those of the national accounts and balances, but distributed over households and individuals. While it is convenient to modify the definitions of certain of the flows of SNA and MPS for practical use in gathering distribution statistics, these statistics should nevertheless be integrated with the aggregate national accounting data, so that the aggregates agree except for the known differences in definition.

Welfare of the population

1.5 One of the most common questions that distribution statistics have sought to answer relates to the character, adequacy and determinants of the distribution of welfare among the population. For these studies information is needed on the size and types of the income that various groups of the population receive from participating in production and from property, and the extent and nature of redistributions of income through taxation and other means. More precisely, earnings of employees and owners of unincorporated businesses from their participation in production are defined as their primary income. Primary income together with incomes from property, benefits from social security, pensions and life insurance and other current transfers received constitute total household income. The income that is available to households for use in consumption and saving, after payment of direct taxes and social security and pension fund contributions, is total available household income. All of these concepts of income are useful in evaluating various aspects of the welfare of households and individuals and so have a place in the statistics.

1.6 In addition to income, however, in order to assess the actual level of living of various groups of the population, data are needed on the level and pattern of consumption of those groups and the ways in which this consumption is financed, by income from earnings, government transfers, drawings from savings and the incurring of debt. The services and goods that Governments furnish to the population free of charge form an essential part of this evaluation, so that data on the concept of the total consumption of the various groups of the population is also important.

Fiscal policy and economic development

1.7 Information on the magnitude and sources of incomes and on the expenditures and saving of various groups of the population are required for devising measures to attain steady economic growth and to avoid inflation. Statistics on the distribution of the compensation of employees and gross entrepreneurial income are useful in investigating cost inflation and formulating income policies and in assessing their effects. Data on the distribution and composition of total household income contribute to the establishment of tax policies and estimation of tax receipts. Data on the total available income of various groups of households are helpful in investigating demand inflation and taking the suitable fiscal and income policy measures to combat it. Data on the way in which various groups of the population divide up their available incomes into current outlays and saving also contribute to the analysis of inflation and the adequacy of demand and are important in planning and promoting economic growth. Statistics on the gross capital formation of owners of unincorporated enterprises in their businesses are also useful in this connexion.

Periodicity

1.8 For use in periodic comprehensive evaluations of levels of living and the preparation of periodic detailed plans for economic growth, data are needed that furnish as detailed a picture as possible of all aspects of the distribution of household incomes and their patterns of consumption and accumulation. These statistics should not only be comprehensive in scope but should also be classified in considerable detail according to the characteristics of households and individuals. To obtain information at the required level of detail, special sample surveys may be undertaken or questions may be added to periodic multipurpose sample surveys or censuses.

1.9 For purposes of current assessment of living conditions and the effects of economic and social policies, however, the primary interest is in rapid and frequent indicators of the main aspects of the distribution of household income and consumption. Such data may be obtained from annual, quarterly or monthly surveys or, in some cases, from administrative data. They may be expected to relate mainly to aggregates of incomes from production and property, selected transfer payments and consumption, that is, to the central portion of the information that is sought in more comprehensive inquiries. Such current surveys may cover only a small sample of households. However, to be useful for studies of changes in the distribution of incomes and consumption, the inquiries should cover a representative sample of as much of the population as possible.

Special requirements of developing countries

1.10 The basic needs of developing countries for distribution statistics are similar in nature to those of the developed countries, though the emphasis will often be different. At the same time, limited statistical capability may restrict what it is possible or feasible for such countries to collect.

1.11 A substantial increase in real per capita gross domestic product and national income has taken place in many developing countries in the last decade. However, the increase in incomes has often failed to sift down to the lower income groups of the population. One of the main purposes of distribution statistics in developing countries is therefore to provide data for assessing the equity of the distribution of income and consumption among different population groups. Another important use is to provide the basis for rationalizing the sources of government revenue.

1.12 In order to take the necessary measures to reduce poverty and to achieve a more equitable distribution of income and consumption, information on the actual distribution of the flows in cash and kind among different population groups is needed. This information makes it possible to identify the strata of the population in which people do not have the means to meet their minimum needs for food, clothing, housing and educational and medical services.

1.13 Primary incomes, which are the result of direct participation in the process of production, may constitute the bulk of household income in developing countries and a considerable part of these primary incomes may consist of income in kind. Total household income is arrived at by adding property income, current transfers and other benefits received to primary income. Households in the higher income brackets often receive a considerable part of their incomes in the

form of interest and rents. Some households may, in addition, receive social assistance grants. The incomes that are ultimately available to households for purposes of consumption outlay and saving are, in addition, affected by taxation and other current transfers paid. In many developing countries taxes are the only item of current transfers paid by households for which reliable information can be obtained.

1.14 In many developing countries, the consumption financed out of the income of the households themselves in cash or in kind or derived from their own production is supplemented by services provided free or at reduced prices by government and private non-profit institutions and by industries. The distribution of the sum of household final consumption expenditure and the services provided free of charge to households (i.e., the total consumption of the population) provides a better picture of the distribution of welfare among different population groups than does household final consumption expenditure alone.

1.15 Because the needs of developing countries are so similar to those of more developed countries, it does not appear that preparation of a separate set of guidelines for developing countries is useful. Rather, the modifications, simplifications and changes of emphasis that may be useful for these countries will be indicated as a part of the general discussion in this document. There is of course no sharp demarcation between developing and developed countries; especially with regard to statistical capability, there are only more and less developed countries. Combining in one document the recommendations for developing countries with those for developed countries will enable statistical offices to move gradually towards more complex formulations as their capabilities increase.

Nature of the guidelines

1.16 The primary reason for formulating guidelines for statistics on the distribution of the income, expenditure and accumulation of households is to delineate a coherent and articulated framework for these data that will be of assistance to countries in developing their own statistics in the light of their own needs and circumstances.

1.17 Distribution statistics should be developed in conjunction with work of national accounting. They may be based on field surveys and/or on data from the administration of selected government programmes, for example income taxes and social security. The distribution statistics largely represent a disaggregation and detailing of the accounts and tables of the national accounts and balances relating to households.

1.18 The availability of guidelines should help foster the compilation of distribution statistics that are needed for studies of the socio-economic conditions and behaviour of various groups of the population in the course of economic growth and development. The guidelines should also contribute to the establishment of a basis for international reporting and publication of comparable data on the more general aspects of income distribution and related statistics when a number of countries have developed these data.

1.19 Statistics on the distribution of income, consumption and accumulation involve a substantial number of series and tabulations. It is not feasible to cover the

more detailed aspects of these data in the guidelines. The guidelines focus on the structure, concepts, basic items and definitions, and main classifications and tabulations of the statistics. The tabulations of data that are included, though fundamental to the major uses of distribution statistics, are general and summary in nature. They are therefore of considerable interest for international comparisons. For purposes of gathering and storing the data, the tabulations shown here are clearly much too aggregated; the full detail of the proposed classifications should be retained and the data stored in as disaggregated a form as possible, in order to permit alternative tabulations as the need arises.

1.20 The methods used by countries in gathering and compiling the statistics are significant for the international comparability of the resulting data. Although the guidelines do not include recommendations on methods of collection and compilation, some of the methods that may be used are indicated in annex II.

1.21 The guidelines of necessity deal with long-range goals for distribution statistics. It is not likely that many countries are in a position to supply all of the proposed information at the present time. Suggestions on broad priorities in developing the statistics are therefore included. The order of priority has been formulated in the light of the urgency of the need for the data and the difficulties of gathering it. Countries should of course consider these suggestions in the light of their own requirements and statistical circumstances. On the whole, the burden of collecting the data proposed is larger for small than for large countries. For instance, if household sample surveys are used, the same size of sample has to be used in small as in large countries.

Scope of the statistics: special problems

Population covered

1.22 So as to yield complete data on the welfare of the population and be consistent with the national accounts and balances, distribution statistics should relate to the entire resident population of a country. This means that persons in institutions such as orphanages, old-age homes, asylums and gaols should be covered, though in the past it has been common practice to omit them. In view of the special conditions of living of such persons, the socio-economic classification of the system includes a special category for them. While it may not in practice be feasible to cover the entire institutional population, it should be possible and it would be useful to include at least those persons living in institutions who have some private means. As in national accounting, the goods and services that the institutions supply to their inmates free of charge are to be treated as the consumption of the institutions themselves. These goods and services should however be included in the extended concept of total consumption of the inmates.

1.23 In developing countries the institutional population is often very small, apart from the armed forces. Where this is true, the difficulty of collecting and allocating the data may suggest that the coverage of the statistics should at least initially be limited to the non-institutional population or to the non-institutional population plus the armed forces where the latter are important.

Receipts and outlays in kind

1.24 Not infrequently, income and expenditure inquiries are restricted to cash receipts and outlays, even where the data are gathered through field surveys. The reasons for this are the substantial difficulties of gathering data on incomes and consumption in kind and the assumption that the amounts in kind may be insignificant. In developing countries, however, it is particularly important that household income and expenditure inquiries cover incomes received in kind and the associated personal consumption. Wages and salaries received in kind are much more important in developing than in developed countries. Also, a large proportion of the output of independent entrepreneurs, particularly farmers, in the lower income brackets is consumed by the producers themselves or takes the form of fixed capital formation on own account. Gifts in kind among households are also quite important in many developing countries. Transfers of goods and services in kind from and to the rest of the world should be accounted for in current transfers. Personal consumption in kind should, of course, include the corresponding flows. Neither household receipts of current transfers nor personal consumption should include the services and goods that general government, private non-profit institutions and enterprises furnish to households free of charge. These goods and services are, however, to be covered in the extended concepts of total income and total consumption of the population.

1.25 The imputed figures on income in kind must be matched by corresponding figures for consumption in kind during the same period of account; this raises a practical problem as far as the time reference for the estimates is concerned. The convention is generally applied that goods purchased in the market are consumed at the moment they are purchased. In the case of consumption from own production, however, a choice has to be made between two reference points, namely, the date of production and the date of consumption or first use. As far as agricultural products are concerned, these two dates may well fall within two different accounting years. For practical reasons, it is recommended that consumption in kind should be assumed to take place at the time the goods are produced, unless information on farm-held stocks is available.

Data in constant prices

1.26 It is desirable to include data in constant prices for certain parts of the distribution statistics. The general problems of compiling data in constant or comparable prices are dealt with elsewhere, in particular in chapter IV of the SNA report 1/ and in the Manual on National Accounts at Constant Prices. 2/ Problems may, however, arise that are specific to constant price estimates of the distribution statistics and thus are not directly covered by the general guidelines on estimates at constant prices. Some of these problems are discussed below.

1.27 For purposes of comparing the levels of living of classes of the population at different times, data in constant prices are wanted for the final consumption

1/ A System of National Accounts, Studies in Methods, Series F, No. 2, Rev.3 (United Nations publication, Sales No. E.69.XVII.3).

2/ To be issued as a United Nations publication.

expenditure and total consumption of socio-economic groups and income groups classified by categories of goods and services. It is also useful to compile constant-price data for selected individual commodities that enter into consumption.

1.28 Data valued in constant prices are needed for comparing the welfare of population groups that pay different prices for exactly the same goods and services as seen from the consumers' point of view. The concepts and methods of compiling data in comparable prices for different population groups are in many respects similar to those met in estimating data for different points of time.

1.29 While there would be few practical difficulties in developing separate price indexes for different regions of a country, it is more difficult to compile consumer price indexes for households with different levels of income and consumption. It is feasible to compile weights for such indexes based on the data collected on the patterns of consumption of the various groups of households but it is more difficult to gather data on the prices they pay. Gathering data on prices paid involves the specification of a sample of the varieties of the goods and services each group of households buys and the gathering of price series for each sample from a selection of the stores and stalls where each group of households typically purchases these goods and services. None the less, it is desirable to make an attempt to gather the required price series and compile the indexes, at least for major groups of households with markedly different levels of income and patterns of consumption.

Broad priorities

Income and consumption

1.30 Data on the distribution of income should be given first priority in evolving these statistics. Compensation of employees in most developing countries may initially have to be confined to wages and salaries, because of the difficulties of obtaining data on employers' contributions to social security and similar funds on behalf of their employees. Data on property income are usually collected in household surveys. Data on direct taxes paid are also commonly collected in such surveys, although administrative data may provide an alternative. Information on the other current transfers received and paid, needed in order to arrive at total available household income, will be more difficult to obtain and in developing countries may have to be omitted.

1.31 Data on consumer expenditures should be given next priority. Estimates of final consumption expenditure of households in cash and in kind should be developed first; then estimates of the total consumption of the population. The information sought on total consumption of the population may be restricted to estimates in current prices only, because of the difficulties of obtaining figures at constant prices for the value of goods and services provided free of charge by government and private non-profit institutions and by industries.

1.32 Where data on the distribution of household incomes are not available, information on the size groups of consumer expenditures of households classified according to their main characteristics may serve as a substitute. A close correspondence between the size distribution of incomes and of expenditures may be expected to prevail at least for households in the lower and medium income groups.

1.33 Only a few national statistical offices have had experience in compiling data on total consumption and the corollary concept of total income of the population. This work involves a number of conceptual and practical problems. It must be kept in mind that the services and goods that government, private non-profit institutions and enterprises furnish to the population free of charge make up a significant part of the population's consumption. Furthermore, the proportion of the population's consumption that is accounted for by the free items varies from one country to another. Thus international comparison of levels of living based on figures on personal consumption can only be misleading. Nevertheless, in view of the difficulties involved the compilation of data on total consumption and total income may be assigned a lower order of priority than the collection of data on personal consumption.

Accumulation

1.34 Data on the capital transactions of various groups of the population are needed for a number of purposes. Household saving may be an important source of finance of the nation's capital formation; data on saving or borrowing of owners of unincorporated businesses and the uses to which these sums are put are of particular interest. Relatively few countries have had experience in the direct collection of data on the saving of households and on their net lending; reliable data of this type are not easily gathered. Countries with centrally planned economies frequently gather data on transactions in all financial claims directly from households. Some other countries have done this for certain financial claims - for example consumers' debt - only. In view of the limited national experience in gathering statistics of saving, investment and borrowing from households and the difficulties encountered in such inquiries, the series will, in general, be assigned a low order of priority by countries. A higher priority should be assigned to data on the capital transactions of owners of unincorporated enterprises than to data on the other types of capital transactions.

1.35 While there is a need for data on the distribution of wealth among households - consumer durable goods, financial claims and tangible capital assets - these statistics, except sometimes data on consumer durables, will generally be given low priority. Some countries gather data from households on selected items of wealth, for example the amount of outstanding consumer debt or the number of automobiles, radios and other consumer durables possessed; however, few official efforts have been made to compile systematic figures on the value of all items of households' wealth. The present guidelines therefore do not contain recommendations for statistics of household wealth.

1.36 Nevertheless, data on the value and quantity of important physical assets - including land and consumer durables - of households classified according to main characteristics are gathered in some developing countries. These data furnish useful indicators of the relative levels of living of the households and are sometimes easier to gather than information on household incomes and expenditures. This is especially true of data on the distribution of land and on the size of cattle-holdings, which are available from censuses of agriculture. The collection of such data should therefore be given a high priority in agricultural census work.

Chapter II

STRUCTURE OF THE DISTRIBUTION STATISTICS IN RELATION TO THE NATIONAL ACCOUNTS AND BALANCES

Structure of the statistics

General

2.1 The structure of the proposed statistics on the distribution of income, consumption and accumulation of households is designed to portray each major step in the receipt and use of incomes by households and to be consistent, as far as is possible, with the accounts of SNA and the balances of MPS. The structure of the system is set out in the form of balanced accounts in table II.1. It should be emphasized that the system covers all the capital transactions of individuals including those they carry on in their capacity as owners of unincorporated enterprises.

The income and outlay and capital finance accounts

2.2 Accounts A and B of table II.1 show the major stages in the formation of household income and the major uses to which the income is allocated.

Primary income

2.3 Primary income consists of the receipts of employees and entrepreneurs from their participation in production. Because employees may not have information about their employers' actual contributions to pension and similar schemes and cannot impute contributions when these schemes are unfunded, these items are not included in the concept of compensation of employees used in the distribution statistics, although they are included in SNA. Sometimes it may also be difficult to gather and compile reliable figures on employers' contributions to social security and similar schemes. In these circumstances the data on compensation of employees may be limited to wages and salaries only.

2.4 It is recommended that entrepreneurial income should be recorded gross of consumption of fixed capital since it cannot be expected that households will be able to provide reliable data on depreciation. Imputed rent of owner-occupied dwellings is treated here as property income and not as entrepreneurial income as it is in SNA.

2.5 Because of the importance of transactions in kind in developing countries, separate figures should be compiled for wages and salaries in cash and in kind and for withdrawals in kind from unincorporated enterprises.

Total household income

2.6 Total household income is the sum of primary income, property income received, and current transfers and other benefits received. Benefits received include social

security benefits, pensions and life insurance annuity benefits. Pensions and life annuity benefits are in SNA treated as capital transactions, i.e., as a form of drawing-down savings. They are treated as current income here because pensions and life insurance annuities are, like social security benefits, important sources of the finance of the consumption of retired persons. Total household income is similar to the concept of personal income used in many existing surveys of household income and expenditure.

Total available household income

2.7 Total available household income is obtained by deducting direct taxes and social security and pension fund contributions from household income. This concept reflects the income actually available to households for current outlays and saving.

2.8 The allocation of total available household income to final consumption in cash and in kind, to other household outlays and to gross saving is shown in the lower part of account A of table II.1. Other household outlays include consumer debt interest and other current transfers paid. Premiums paid for all types of insurance are included among other transfers paid.

Capital finance transactions

2.9 Account B of table II.1 shows how the gross saving and net capital transfers received by households are invested in gross capital formation and net lending. Capital transfers received include casualty insurance benefits and benefits from life insurance companies other than life annuity benefits. Capital transfers paid include death duties, migrants' transfers of capital abroad, large donations to private non-profit institutions etc. Gross capital formation is shown separately for owner-occupied dwellings and for unincorporated enterprises other than owner-occupied dwellings. Because of the prevalence of own-account construction in developing countries, it would be useful to separate capital formation on own-account from each of these items.

Total consumption and total available income of the population

2.10 In addition to household income and outlay and capital accounts, table II.1 includes an account on total consumption and total available income of the population (account C).

2.11 As shown in this account, total consumption of the population is made up of the sum of current outlays of households and the value of goods and services given to households free of charge by government and private non-profit services and enterprises. Goods and services provided free of charge as part of the remuneration for services rendered are not included here but are part of wages and salaries in kind. The sum of the value of the free goods and services and total available household income equals the total available income of the population.

Relation to the national accounts and balances: general aspects

2.12 The statistics on the distribution of income, consumption and accumulation are designed to complement the aggregate national accounts by including more detailed

Table II.1. The accounts of the distribution statistics

A. Income and outlay account

	<p>1. Primary income</p> <p>(a) Compensation of employees</p> <p>(i) Wages and salaries</p> <p> <u>a.</u> In cash</p> <p> <u>b.</u> In kind</p> <p>(ii) Employers' contributions to social security and similar schemes</p> <p>(b) Income of members from producers' co-operatives</p> <p>(c) Gross entrepreneurial income of unincorporated enterprises <u>a/</u></p> <p>2. Property income received</p> <p>(a) Imputed rents of owner-occupied dwellings</p> <p>(b) Interest</p> <p>(c) Dividends</p> <p>(d) Rent</p> <p>3. Current transfers and other benefits received</p> <p>(a) Social security benefits</p> <p>(b) Pensions and life insurance annuity benefits</p> <p>(c) Other current transfers</p>
4. Total household income	
Disbursements	Receipts

Table II.1 (continued)

<p>6. Direct taxes paid</p> <p>7. Social security and pension fund contributions</p> <p> (a) Social security <u>b/</u></p> <p> (b) Pension fund</p> <p>8. Total available household income</p>	<p>5. Total household income</p>
<p>Disbursements</p>	<p>Receipts</p>
<p>10. Final consumption expenditure of households</p> <p> (a) In cash</p> <p> (b) In kind</p> <p>11. Consumer debt interest paid</p> <p>12. Other current transfers paid</p> <p>13. Gross saving</p>	<p>9. Total available household income</p>
<p>Disbursements</p>	<p>Receipts</p>

B. Capital finance account

<p>16. Gross capital formation</p> <p> (a) Owner-occupied dwellings</p> <p> (b) Other</p> <p>17. Net lending</p>	<p>14. Gross saving</p> <p>15. Capital transfer received, net</p>
<p>Disbursements</p>	<p>Receipts</p>

Table II.1 (continued)

C. Total consumption and income of the population

<p>4. Final consumption expenditure of households</p> <p>5. Consumer debt interest paid</p> <p>6. Other current transfers paid</p> <p>7. Final consumption expenditure of general government assigned to households</p> <p>8. Final consumption expenditure of private non-profit bodies assigned to households</p> <p>9. Expenditure of industries assigned to households</p> <p>10. Subsidies paid by government included in total consumption of the population</p> <p>11. Total consumption of the population</p> <p>12. Gross saving</p>	<p>1. Total available household income</p> <p>2. Income due to free or reduced cost services furnished by government and private non-profit institutions and industries and due to government subsidies (7 + 8 + 9 + 10)</p> <p>3. Total available income of the population</p>
<p>Disbursements</p>	<p>Receipts</p>

a/ Including withdrawals from quasi-corporate enterprises.

b/ Where item 1 (a), 4, 5, 8 and 9 of account A reflect wages and salaries only, item 7 (a) should exclude the part of social security contributions that employers pay on behalf of their employees.

classifications and tabulations of data for households than it is feasible to include in SNA or MPS. All that can be provided for in the national accounts are classifications and tabulations of these data according to the main categories of flows, the main classes of economic agents and broad socio-economic classes of households. If more were attempted, the national accounts would be over-burdened and unwieldy and would be difficult to use in examining the main trends and interrelationships of an economy.

2.13 In order to complement the national accounts, the classifications and definitions of the flows as well as the structure of the distribution statistics should, as far as possible, fit in with those of SNA and MPS. It then will be feasible to use the statistics on income distribution in conjunction with national accounts data to study the interactions between the levels of living of the population and the state of the economy. The confusion that would result if essentially the same flows were treated differently in the distribution statistics and in the national accounts is also avoided. Furthermore, the establishment of the same system of income distribution and related statistics for countries with different economic and social systems furnishes the basis for comparing the levels of living of their populations. It may also be of assistance in linking SNA and MPS.

2.14 However, it is not always desirable or feasible to use exactly the same concepts or definitions of transactions in the distribution statistics as in SNA or MPS. It may be useful to give more emphasis to the meaning of a given transaction to households (that is, to the way in which the households view it) and less emphasis to the role of the transaction in the economy as a whole than in SNA or MPS. Moreover, the detailed classifications of households and individuals that are required make it impracticable to include certain imputations and estimates that are feasible in the national accounts. The imputations and estimates in question concern transactions about which households often do not have records, much information or even knowledge. Examples are the imputations made in SNA for insurance service charges, which are included in final consumption expenditure, and the estimate of employers' contributions to private pension, insurance and similar schemes which are included in compensation of employees. These differences in the feasibility of obtaining data for the items in question are taken into account in defining the flows of the distribution statistics.

2.15 Thus the definitions of flows and even the structure of the income distribution statistics proposed here differ in certain respects from those of SNA or MPS. The points of difference in the definition of transactions are discussed in the section of this publication on the definition and classification of flows. In the next two sections of this publication, the structure of the statistics is compared with the structures of SNA and MPS.

Relation to the System of National Accounts

2.16 The flows that are of interest at this stage, except for total consumption and total income of the population, are dealt with in SNA in the income and outlay and capital finance accounts of households. ^{3/} In order to arrive at the total

^{3/} The standard accounts and tables of SNA are set out in A System of National Accounts (United Nations publication, Sales No. E.69.XVII.3), chap. VIII, annexes 8.2 and 8.3.

consumption and total available income of the population, additional data are required from the income and outlay accounts of general government and private non-profit institutions serving households and the production accounts of industries.

Income and outlay

2.17 While most of the income and outlay flows of the distribution statistics are included in the income and outlay account of SNA, the latter account must be rearranged and subdivided and some items must be classified in different detail in order to yield the income and outlay account set out in table II.1. In addition, it is necessary to add certain flows concerning transactions of pension funds and life insurance annuities and to replace the concept of disposable income by the concept of total available household income.

Primary income

2.18 The rearrangement and reclassification of items in the SNA household income and outlay account that are required in order to obtain the breakdown of primary income are shown in table II.2. (The item numbers in table II.2 relate to the item numbers in table II.1. The three- or four-digit codes relate to the codes assigned to flows in the SNA income and outlay account III E 3 and capital finance account III E 5. The item numbers of table II.1 and the codes of accounts III E 3 and III E 5 used in all of the subaccounts below refer to income and outlay.)

Table II.2.

1. Primary income

Does not appear in SNA.

(a) Compensation of employees

Subdivide flow 3.4.1 into:

(i) Wages and salaries

a. In cash

b. In kind

The SNA does not distinguish between wages and salaries in cash and in kind.

(ii) Employers' contributions to social security and similar schemes

Omit employers' contributions to pension, family allowance, insurance and similar schemes.

(b) Income of members from producers' co-operatives

Forms part of the entrepreneurial income of incorporated enterprises in SNA.

Table II.2 (continued)

- (c) Gross entrepreneurial income of unincorporated enterprises and withdrawals from quasi-corporate enterprises

Operating surplus (3.3.2) less Other interest (3.4.6.1 ii) and Rent (3.4.6.3) plus Consumption of fixed capital (5.3.3), plus Withdrawals from entrepreneurial income of quasi-corporate enterprise (3.4.5). Imputed rents of owner-occupied dwellings and rents of buildings and equipment which are included in entrepreneurial income in SNA are treated as property income in the distribution statistics and are therefore excluded here.

Total household income

2.19 The reordering and modifications of items of the SNA income and outlay account that are needed in order to arrive at total household income are set out in table II.3. Pension and life insurance annuity benefits are included in this account while they are treated as capital finance transactions in SNA.

Table II.3

1. Primary income

2. Property income received

- (a) Imputed rents of owner-occupied dwellings, which are included in entrepreneurial income in SNA (3.4.3)

- (b) Interest (3.4.7.1)

Does not include imputed interest on equity in life insurance and pension funds.

- (c) Dividends (3.4.7.2)

- (d) Rent

Flow 3.4.7.3 of SNA modified to include actual rents of buildings and structures

3. Current transfers and other benefits received

- (a) Social security benefits (3.6.4)

- (b) Pension and life insurance annuity benefits (part of flow 5.8.9)

- (c) Other current transfers (3.6.5 + 3.6.8 + 3.6.12)

Payments by the public authorities for services provided by industries, general government and private non-profit institutions directly and

Table II.3 (continued)

individually to persons, which the persons are considered to have purchased, are not included.

4. Total household income

Sum of items 1, 2 and 3. Does not appear in SNA.

Total available household income

2.20 In order to derive the subaccount for total available household income of the distribution statistics, the main changes needed are the inclusion of pension fund contributions, which in SNA are treated as capital finance transactions, and the omission of an imputation for unfunded employee welfare contributions.

Table II.4

5. Total household income

6. Direct taxes paid (3.6.1)

7. Social security and pension fund contributions

(a) Social Security (3.6.3)

(b) Pension fund

Part of flow 5.8.9 plus service charges on pension funds that are part of final consumption expenditure (3.2.32) in SNA. Excludes employers' contributions to pension, family allowance and similar schemes, and imputed employee unfunded welfare contributions.

8. Total available household income

Item 5 less items 6, 7 and 8. Does not appear in SNA.

Disposition of total available household income

2.21 This subaccount shows how total available household income is divided between household current outlays and gross saving. In addition to final consumption expenditure, household current outlays include consumer debt interest and other current transfers paid. Premiums for annuity and other life insurance, which in SNA form part of the item "Net equity of households on life insurance, reserves and on pension funds" on the capital finance account, are included in other current transfers. The premiums should be recorded gross of service charges.

Table II.5

9. Total available household income
10. Final consumption expenditure of households
 - (a) In cash
 - (b) In kind

Flow 3.2.32 less service charges on casualty and life insurance.

SNA does not distinguish between final consumption expenditure in cash and in kind.

11. Consumer debt interest paid (3.4.6.1)

Omitted, because included in property income as a negative item.

12. Other current transfers paid (3.5.1 plus service charges, 3.6.2, 3.6.6 and 3.6.11)
13. Gross saving (3.7.1 + 5.3.3)

Capital finance

2.22 Essentially the same structure and concepts are used in the capital finance account of the distribution statistics as in the corresponding account of SNA. It should be noted, however, that net capital transfers received include casualty insurance benefits, which in SNA are shown on the income and outlay account, as well as life insurance benefits, which in SNA are included in "Net equity on life insurance and on pension funds" on the capital finance account. Gross capital formation is subdivided into owner-occupied dwellings and unincorporated enterprises other than owner-occupied dwellings. Net purchases of land are included in gross capital formation. It is not proposed here to extend the distribution statistics to cover the lower part of the capital finance account as shown in SNA, since to do so would require information on the distribution of wealth which is beyond the scope of these guidelines.

Table II.6

14. Gross saving (3.7.1 + 5.3.3)
15. Capital transfers received, net (5.7.6 + 3.5.2 + part of flow 5.8.9)
16. Gross capital formation (5.3.3 + 5.2.5 + 5.2.6 + 5.7.4 + 5.7.5)

A distinction should be drawn, which is not drawn in SNA, between:

- (a) Owner-occupied dwellings
- (b) Unincorporated enterprises other than owner-occupied dwellings

17. Net lending (5.7.8)

Equals item 14 plus item 15 less item 16.

Total consumption and total income of the population

2.23 The relationship between total consumption and total available income of the population and SNA concepts is shown in table II.7.

Table II.7

1. Final consumption expenditure of households (10)
2. Consumer debt interest paid (11)
3. Other current transfers paid (12)
4. Final consumption expenditure of private non-profit bodies assigned to households (part of III D 3.2.31)
5. Expenditures of industries assigned to households (part of C Σ n 1.2.1)
6. Subsidies paid by government included in total consumption of the population (part of III C 3.3.5)
7. Total consumption of the population (1 + 2 + 3 + 4 + 5 + 6)

This concept is not used in SNA.

8. Gross saving (3.7.1 + 5.3.3)
9. Total available income of the population (7 + 8)

This concept is not used in SNA.

Relation to the System of Balances of the National Economy

2.24 All the relevant flows of the income distribution statistics are dealt with in the standard balances and tables of MPS. Because these statistics are designed to be used in countries that differ in economic and social arrangements, some of the flows of the system are not pertinent to the circumstances of countries that use MPS. The balances of MPS that are of main interest for purposes of delineating the structure of the distribution statistics in relation to that of MPS are the balance of production, distribution, redistribution and final disposition of the global product (table 3.1 of MPS), the balance of money income and expenditure of the population (table 3.3 of MPS) and the balance of fixed assets of the national economy at original cost less depreciation (table 5.2 of MPS). In addition, it is necessary to draw certain items of data from the table on final consumption by branches and social sectors (table 2.8 of MPS). ^{4/}

^{4/} The balances and tables of MPS are set out in Basic Principles of the System of Balances of the National Economy, Studies in Methods, Series F, No. 17 (United Nations publication, Sales No. E.71.XVII.10). The table numbers referred to above and later in this document are those used in that publication.

2.25 While all aspects of the distribution statistics are covered in MPS, the flows of MPS must be rearranged in order to arrive at the accounts shown in table II.1. As will be evident from the discussion below, it is necessary to do this rearranging primarily because (a) in MPS the rendering of services that are not incorporated in goods is generally not included within the boundary of production and (b) in MPS current and capital financial transactions are not separated into different balances. In other words, the MPS definition of income from production differs from that of the distribution statistics and MPS does not draw the sharp distinction between current and capital transactions that is drawn in the present publication.

Income and outlay

2.26 Use is made in MPS of the concept of primary income but not of the other income concepts of the distribution statistics. The MPS aggregate "primary income of the population" is restricted to the income originating in the production of goods and material services. The income that the population derives from the rendering of non-material services is classified as part of the redistribution of primary incomes.

Primary income

2.27 The consequent rearrangement of the flows of MPS that is required in order to derive primary income is shown in table II.8. It may be noted from this table that for purposes of passing from the primary income concept of MPS to that of the distribution statistics, it is necessary to make a few adjustments in addition to combining the income of the population from the non-material sphere of the economy with that from the material sphere. Employers' contributions to social security, which are treated as part of the redistribution of the operating surplus (profits) of enterprises in MPS, must be reclassified; and the definition of wages and salaries must be modified somewhat in order to exclude payments for business travel expenses and authors' royalties. In addition, some of the transactions of the distribution statistics do not take place in the countries that use MPS.

Table II.8

(The item numbers refer to those in table II.1. The row and column numbers refer to table 3.1 of MPS.)

1. Primary income

A similar concept shown in row 30, column 4.

(a) Compensation of employees

(i) Wages and salaries

a. In cash

b. In kind

Row 31, columns 6 plus 30, less the sum of payments for business travel expenses of employees and royalties received by authors, neither of which are distinguished in MPS. MPS does not distinguish between wages and salaries in cash and in kind.

Table II.8 (continued)

(ii) Employers' contributions to social security and similar schemes

Column 10, rows 01 plus 17

(b) Income of members from producers' co-operatives

Row 32, column 6

(c) Gross entrepreneurial income of unincorporated enterprises

Row 33, columns 6 plus 29

Withdrawals from quasi-corporate enterprises not applicable.

Total household income

2.28 The transactions required to pass from primary income to total household income are set out below. Few of the transactions in property income that are shown occur in the countries using MPS. Interest, royalties and, in some countries, rent received for the letting out of buildings and other structures are the only relevant flows. Among current transfers and other benefits received, only social security benefits and life annuity benefits have close counterparts in MPS.

Table II.9

1. Primary income

A similar concept shown in row 30, column 4, table 3.1

2. Property income received

(a) Imputed rents of owner-occupied dwellings

Imputation not made in MPS

(b) Interest

Row 30, column 26, table 3.1

(c) Dividends

Not applicable in countries using MPS

(d) Rent

Rent received for the letting out of buildings and other structures applicable only in some MPS countries

3. Current transfers and other benefits received

Table II.9 (continued)

(a) Social security benefits

Part of row 30, column 23, table 3.1

(b) Pensions and life annuity benefits

Row 31, column 23, table 3.1

Life annuity benefits not applicable in the MPS countries

(c) Other current transfers received

Not applicable in the MPS countries

4. Total household income, which is not shown in MPS

Total available household income

2.29 In MPS, the transactions through which total household income is redistributed are covered in the balance on the redistribution of the national income. Transactions in non-material services, capital transfers and financial claims are also included in this balance. None the less, the classification of transactions in the balances is such that the flows through which part of total household income is redistributed to the population may be delineated. The flows of MPS that enter into this process are shown in table II.10. Pension fund contributions are not applicable in MPS countries and some current transfers paid are here treated as disposition of total available household income.

Table II.10

5. Total household income

6. Direct taxes paid

Total of row 33, table 3.3

7. Social security and pension fund contributions

(a) Social security

Total of column 10, table 3.1

(b) Pension fund

Not applicable in MPS countries

8. Total available household income, not shown in MPS

Disposition of total available household income

2.30 Use is made in MPS of the concept of final consumption expenditure but not of the concept of saving. As it would be difficult to compile data in respect of

saving directly from the flows of MPS, it is suggested in table II.11 that saving should be computed residually from the other items of the subaccount.

Table II.11

9. Total available household income of households

10. Final consumption expenditure

(a) In cash

(b) In kind

Row 01, column 13, table 2.2

11. Consumer debt interest paid

Not applicable in MPS

12. Other current transfers paid

Row 34, table 3.3 (insurance premiums) + row 35, table 3.3

13. Gross saving

Item 9 less sum of items 10, 11 and 12

Capital finance

2.31 It is more difficult to compile from MPS the capital finance account of the distribution statistics than it is to compile the income and outlay account because capital transactions are not segregated into a separate balance of MPS. The assembly of flows of MPS relating to the flows on transactions in capital goods is greatly facilitated by the inclusion in MPS of a balance on these transactions. MPS also contains a balance on the holdings of capital goods.

2.32 Table II.12 indicates how the items of the capital finance account of table II.1 may be compiled from the items of MPS.

Table II.12

14. Gross saving

15. Capital transfers received, net

Not shown in MPS

16. Gross capital formation

Subdivisions of rows 03 and 05, column 2, less column 10, table 5.2, plus row 26, table 5.1

Table II.12 (continued)

Breakdown of capital formation into owner-occupied dwellings and other unincorporated enterprises not found in MPS

17. Net lending

Sum of items 14 and 15, less item 16

Total consumption of the population

2.33 The concept of total consumption of the population appears in MPS, defined in essentially the same way as in table II.1 C in the present publication. This is illustrated by table II.13.

Table II.13

4. Final consumption expenditure of households

Row 02, table 2.8, less sum of depreciation of state-owned dwellings and receipts in respect of business trips, and row 30, column 16, of table 3.1

5. Consumer debt interest paid

Row 37, table 3.3

6. Other current transfers paid

Rows 34 and 36, table 3.3, and row 30, column 18, of table 3.1

7 + 8 + 9 + 10. Final consumption expenditure of government and other bodies assigned to the population

11. Total consumption of the population

Row 01, column 5, table 1.1

Excludes items 5 and 6 above.

Chapter III

DEFINITION AND CLASSIFICATION OF THE STATISTICAL UNITS

The statistical units

National practices

3.1 The household, or an equivalent unit, is usually employed as the statistical unit of observation in field inquiries into household income, expenditure and accumulation. In such surveys separate information is, however, frequently collected on the receipts by individuals of kinds of income that can be allocated to them, for example compensation of employees, and certain forms of property income and transfers. Individuals are often used as the unit of observation for income data gathered in population censuses; this information may be combined into household incomes without great difficulty. Data derived from the administration of the income tax is often available for individuals or fragmented families only. In statistics compiled from a combination of sources, figures for individuals may sometimes be reconstructed for households by means of information from population censuses or household surveys.

The household and the individual

3.2 While it is possible to use the household as a statistical unit for all aspects of income distribution and related statistics, it is also desirable and practicable to employ the individual as the income-recipient unit for incomes from labour and entrepreneurship and, in some circumstances, for incomes from property. In particular, the individual is a valuable and feasible income-recipient unit in highly urbanized societies, where income-producing activities of different household members are clearly separable.

The household

3.3 Households are often the most appropriate statistical units for studies of the relation between the distribution of income from labour, property and entrepreneurship, and its redistribution through taxation and other transfers and its use in consumption and saving. Grants may be made to families rather than to individuals, under conditions that would make their allocation between earners and dependants difficult and arbitrary. The division of income between saving and current outlays and the consumption of goods and services are, to a great extent, also decided by the household as a whole.

The individual

3.4 The individual is the preferable statistical unit in investigating the factors according to which the earnings of employees and entrepreneurs vary and in furnishing data for purposes of establishing incomes policies. Difficulties may be encountered in using the individual as the statistical unit in the case of entrepreneurial income because unincorporated enterprises may be owned and operated

jointly by several family members. The same problems of allocation will arise for income from property when the property is owned in common.

3.5 The individual may be used as a statistical unit supplementary to the household for aspects of consumption expenditure such as education and recreation.

Other statistical units

3.6 As employees may have more than one job, each job is a useful statistical unit supplementary to the individual for purposes of gathering and compiling data for some analytical uses. As entrepreneurs may own and operate more than one unincorporated business, the individual enterprise may be used as the statistical unit for entrepreneurial income. The use of the enterprise also avoids the problems of allocating entrepreneurial income among the members of a family when they jointly own and operate a business. For incomes from property, using as a unit of observation and classification each flow of income instead of the individual owner would also facilitate the study of the factors underlying the distribution of these incomes and avoid the difficulties of allocating them among joint family owners.

Earners and income recipients

3.7 Earners are defined to include all persons who receive forms of primary income as defined in the previous chapter. The term "income recipient" is defined to include all persons who receive incomes of any type. In addition to the concept of earners, the concept of full-year regular (full time for their occupation) earners may be used and distributions of primary income may be shown per earner (for all earners) and per full-year regular earner. Earners should include unpaid family workers as defined in population censuses, that is persons who work in an economic enterprise operated by a relative for at least one third of the normal working hours, who live in the same household and who are not paid wages or salaries.

The definition of the household

3.8 Two basic concepts of the household are used in inquiries on the income, expenditure and accumulation of households: the housekeeping concept and the family concept. Both concepts are included in the recommendations of the 1970 Censuses of Population and in those of SNA.

3.9 According to the housekeeping concept, a household may be (a) a one-person household, i.e., a person who makes provision for his own food or other essentials of living, without combining with any other person to form part of a multi-person household or (b) a multi-person household, i.e., a group of two or more persons who occupy the whole or part of one housing unit and make joint provisions for food or other essentials of living. The degree to which the persons in the group pool their incomes and outlays may vary. They may be related or unrelated persons. Boarders, but not lodgers, and domestic servants living in are included in a multi-person household. The family concept limits the multi-person household to individuals related by blood, marriage or adoption who satisfy the other conditions of the housekeeping concept.

3.10 In many economically developed countries, the individuals who make up the housekeeping households are likely to be pooling their incomes to only a minor extent. In these circumstances, the use of the family concept of the household may be preferable. In developing countries, however, the persons who make up the housekeeping households are likely to be eating together and to be earning or pooling their income together. It may therefore be preferable to use the housekeeping concept of the household in many of the developing countries.

3.11 Two principal approaches may be used in defining households according to the housekeeping concept, namely the de facto approach which covers all members present at the time of enumeration and the de jure approach which covers only those members who are normally resident in the household. The de facto approach is most useful because it reduces the difficulties of collecting data on income, expenditure etc. that are consistent with the household composition. Where a survey involves a number of visits to the same household over a period of time, the approach furnishes a means of reflecting in the data the changing composition of the household from visit to visit.

3.12 Practical difficulties may be encountered in applying the standard definition of the household in countries where polygamous or nomadic households are prevalent. For instance, two or more polygamous wives may live separately and the polygamous husband will then move from one homestead to another. In this case, each such group should be treated as a separate household and the husband should be counted in the household where he spends most of his time.

3.13 It also happens that the same household may have at its disposal several residences, e.g., one in a village, another in a town and a third at a cattle post. If more than one of the residences is actually in use at the time of the inquiry and has been inhabited by members of a household for some time prior to the survey, the inhabitants of each of these residences should be counted as separate households.

3.14 In the case of nomadic households, which may break up into smaller units when they move for grazing purposes, the members of households belonging to particular tribes or groups of households should as far as possible be followed, irrespective of their geographical location.

3.15 The statistical unit to be used when persons live in institutions must also be defined. These persons consist of soldiers living in barracks, children living in boarding schools, inmates of institutions, such as homes for the aged, poor or orphans, and asylums and prisons. They are groups of persons living together who usually share their meals, are bound together by a common objective and generally are ruled by an authority outside the group. The staff of these institutions, as also persons living in hotels or boarding houses, are not considered to be persons living in institutions; they should be treated as members of one-person or multi-person households. The statistical unit in the case of inmates of institutions may be defined as the single individual or the family living in an institution.

3.16 The classification of households according to important characteristics, such as socio-economic status, may depend upon the position of the head of the household; therefore it is important where the classification requires it that the definition of the household head should be as unambiguous as possible. It is recommended that the head of household be defined as the individual generally recognized as such by

the other members of the household. If the person who normally would be considered as the head of household is not living there, the de facto head should be used instead. In most instances, the head of the household, so defined, will be principal recipient of income in the household. Where no specific use is made of the concept, however, it is not necessary to identify a head.

Classifications of the statistical units

3.17 The details of the classifications recommended for use in the distribution statistics are limited by such considerations as the size of the sample that can be used to gather the data.

3.18 The classifications of statistical units are mainly designed for purposes of (a) delineating the patterns in which the main forms of income, consumption and saving are distributed among the population; (b) identifying factors that account for the observed patterns; (c) portraying the level of welfare of various groups of the population and locating those who are disadvantaged, well off, rich etc.; and (d) identifying some of the characteristics and aspects of experience of the groups of the population that account for the differences in their circumstances.

3.19 In addition to classifications by size of income, the statistics should therefore include classifications by the characteristics of individuals (as income-recipient units and as consumers) and households (as income-recipient, consuming and saving units), for purposes of investigating the levels of living of various groups of the population and the factors according to which the levels vary.

3.20 The classifications proposed below should furnish the basic information that is generally wanted concerning the distributions and their important underlying factors and circumstances. The basic classifications proposed are those commonly used in national inquiries into household incomes and expenditures.

3.21 Countries may find it desirable and feasible to use various classifications in addition to those that are recommended here. These will vary from country to country and inquiry to inquiry, depending on the requirements that are emphasized and the feasibility of gathering information. Some of these classifications are discussed below.

Classifications by size of an aggregate

The classifications

3.22 Classifications by size of the aggregate are proposed for components of primary income, total household income and total available household income. Distributions are proposed both of household aggregates and of per capita averages. For distributions of per capita incomes, the size groups should also be in terms of per capita averages for the aggregate. Tabulations of the components of income by categories of size of the various income aggregates will show the distribution of the main forms of income by size groups of these aggregates and will indicate the differences in type and magnitude of incomes between households having aggregate income within the categories. Classifications of capital transactions and the components of final consumption expenditure of households by size groups

of income categories will serve essentially the same purpose for those transactions. Classifications according to the size of employee compensation or of wages and salaries, of entrepreneurial income and of property income will be of interest for purposes of investigating the patterns in which each of these types of income is distributed.

The definition of class intervals

3.23 In order to arrive at size group classifications that are internationally comparable the classifications have to be made in terms of fractile groups, since distributions of absolute size groups in different national currencies cannot be compared.

3.24 When fractile groups are used, the class intervals are defined so that equal numbers of statistical units, for example households, fall into each class. In order to achieve this, a list of the units ranked according to the magnitude under study, for instance total household income, should be divided up into classes of equal numbers of the units. The number of classes to be established, of course, must be predetermined. In this way, upper and lower limits of each class including the top and bottom classes are determined.

3.25 The division of a population into 10 groups yields a moderately detailed classification for the purposes of income distribution and related statistics. The highest fractile group is likely to cover a wide span of incomes. It would therefore be of interest to make supplementary estimates, for instance, for the upper 5 or 1 per cent of the population. For some purposes, it may be useful to distinguish households with negative and zero income.

3.26 Size distributions of income and consumption in terms of fractile groups facilitate the intercountry and intertemporal comparison of the distributions. Distributions based on fractile groups also facilitate the compilation of measures of concentration, for example Lorenz curves of Gini ratios.

Defining class intervals in absolute terms

3.27 For purposes of studying the size distribution of income and consumption etc. during a given period and in a given country, class intervals defined in absolute terms are generally used. The number of classes used for this purpose varies greatly, depending on the kind and purpose of the tabulations. Ten classes are shown in the illustrative tables proposed here.

3.28 The upper end and the lower end of these classifications may be open. Intervals that widen as income increases are often used, because it is the relative rather than the absolute differences in income that are wanted. Also, for such purposes as estimating the income elasticities of demand, each class should be wide enough to dampen the effects of random variations in the data. The widening class intervals may be defined by using intervals that cover the same spans in logarithmic terms.

Classifications by characteristics of households and individuals

Classifications

3.29 The classifications by the characteristics of persons that are suggested relate to their socio-economic status, age and sex, kind of economic activity and occupation, and educational attainment. In addition, a number of countries use the ethnic or national origin of individuals and place of residence in classifying statistics of the distribution of incomes and expenditures. These last classifications are of little interest in the circumstances of some countries and it is not practicable to define the categories of the classification internationally.

3.30 The distinction among socio-economic classes is suggested as a basic classification. This classification will reveal some of the major sources of systematic differences between individuals and households in incomes, consumption and saving. It will also help to identify the disadvantaged and advantaged groups of the population. Classifications for individuals and households according to the age and sex of the individuals and of the household heads, respectively, are also useful for some analytical purposes. The kind of activity and occupation and the educational attainment of individuals and household heads are important in understanding differences in the levels of income from production.

3.31 All of the classifications set out below are to be considered provisional pending further work on social and demographic classification systems. They may be expected to be replaced as more definitive classifications are developed and agreed upon.

Socio-economic status

3.32 The classification by socio-economic status proposed in table III.1 refers to income recipients only. Dependent individuals, e.g., housewives and children, are therefore excluded.

3.33 Classifications of socio-economic status, built from various combinations of schemes of classification, such as main source of livelihood, employment status, industrial attachment and occupation, and education attainment, are used in population censuses and household surveys. Though it is theoretically possible to devise a basic classification of socio-economic status that is based on an independent sociological classification of the population, this has not actually been done by any country. Another approach to building a socio-economic classification may be based on the weighted scaling of the characteristics mentioned above. This has been undertaken in a few instances.

3.34 A standard international classification of socio-economic status has not yet been adopted. An interim classification for use in the European Population Census Programme has been recommended by the Conference of European Statisticians. The classification proposed here and shown in table III.1 is based on the same principles as is the classification for the European population censuses, although it differs in certain details.

Table III.1 Classification of socio-economic status a/

Major group	Group and subgroup
1. Employers in agriculture	<p>11. Employers in agriculture. Heads of unincorporated enterprises classified in major division 1 of ISIC (Agriculture, forestry, fishing and hunting) who have one or more employees, in addition to family workers. <u>b/</u></p> <p>111. Mainly owning the land they cultivate</p> <p>112. Mainly renting the land they cultivate</p>
2. Own-account workers and members of producers' co-operatives in agriculture	<p>21. Own-account workers. Heads of unincorporated enterprises classified in major division 1 of ISIC (Agriculture, forestry, fishing and hunting) who have no employees, except family workers. <u>b/</u> Some countries may wish to include employers with one or two employees in this category instead of in category 11.</p> <p>211. Mainly owning the land they cultivate</p> <p>212. Mainly renting the land they cultivate</p>
3. Employers outside agriculture	<p>22. Members of agricultural producers' co-operatives</p> <p>Members of producers' co-operatives classified in major division 1 of ISIC (Agriculture, forestry, fishing and hunting). Persons working in the co-operatives, who are not members but receive wages and salaries only, are classified in major group 5 below.</p> <p>31. Employers outside agriculture.</p> <p>Heads of unincorporated enterprises classified in major divisions 2 to 9 of ISIC who have at least one employee, not including family workers.</p> <p>3.11. Modern sector</p> <p>3.12 Traditional sector</p>

Table III.1 (continued)

Major group	Group and subgroup
4. Own-account workers outside agriculture	<p data-bbox="760 312 1438 737">41. Own-account workers in the professional, technical, consulting and similar fields. Own-account workers with occupations belonging to major group 0/1 of ISCO (Professional, technical and related workers). Some countries may wish to include here instead of in category 31 employers in these occupations who have one or two employees. Employees with similar occupations are classified in groups 61 and 62 below.</p> <p data-bbox="760 778 1438 1365">42. Other own-account workers and members of producers' co-operatives in non-agricultural activities</p> <p data-bbox="840 911 1438 1365">Heads of unincorporated enterprises classified in major divisions 2 to 9 of ISIC, except those classified in class 41 above, who have no employees except family workers. <u>b/</u> Some countries may wish to include here instead of in group 31 employers in these occupations who have one or two employees. Members of producers' co-operatives outside agriculture are included. Persons working in such co-operatives who are not members but receive wages and salaries only are classified in major group 6 below.</p>
5. Employees in agriculture	<p data-bbox="760 1406 1438 1800">51. Employees in agriculture.</p> <p data-bbox="840 1473 1438 1800">Employees of establishments classified in major division 1 of ISIC who fall into major group 0/1 (Professional, technical and related workers) and 6 (Agricultural, animal husbandry and forestry workers, fishermen and hunters) of ISCO. Also farm equipment operators who fall into unit group 9-8 (Transport equipment operators) of ISCO.</p>

Table III.1 (continued)

Major group	Group and subgroup
6. Employees outside agriculture	<p data-bbox="793 317 1274 348">61. Managers and supervisors.</p> <p data-bbox="871 389 1473 897">Employees of establishments and public administration, classified in major group 2 (Administrative and managerial workers), in minor groups 3-0 (Clerical supervisors), 3-1 (Government executive officials), 3-5 (Transport and communication supervisors), 4-0 and 4-1 (Managers and working proprietors, wholesale and retail trade), 5-0 and 5-1 (Managers and working proprietors, catering and lodging services), 5-2 (Housekeeping and related service supervisors and general foremen) and in unit group 4-21 (Sales supervisors) all of ISCO.</p> <p data-bbox="793 934 1464 965">62. Professional and technical employees.</p> <p data-bbox="871 1002 1473 1189">Employees of establishments and public administration classified in major group 0/1 (Professional, technical and related workers) and in unit group 4-31 (Technical salesmen and service advisers) of ISCO.</p> <p data-bbox="793 1226 1448 1257">63. Clerical, sales and service workers.</p> <p data-bbox="871 1295 1473 1709">Employees of establishments and public administration classified in major divisions 2 to 9 of ISIC who fall into major groups 3 (Clerical and related workers), 4 (Sales workers) and 5 (Service workers) of ISCO, excepting those who belong to minor groups 3-0, 3-1, 3-5, 4-0, 4-1, 5-0, 5-1 and 5-2 and unit group 4-21 of ISCO, who are classified in group 61 above, and those belonging to unit group 4-31 of ISCO, who are classified in group 62 above.</p>

Table III.1 (continued)

Major group	Group and subgroup
	<p>64. Manual workers.</p> <p>Employees of establishments and public administration classified in major divisions 2 to 9 of ISIC, who fall into major group 7/8/9 of ISCO (Production and related workers, transport equipment operators and labourers) excepting those belonging to group 7-0, who are included in group 61 above.</p> <p>65. Members of the armed forces.</p> <p>Persons who are members of the armed forces as a regular occupation and other persons who are in the armed forces, either for the first time, for training or on recall for a duration of at least six months.</p> <p>651. Officers</p> <p>652. Others</p>
<p>7. Economically inactive persons living in households.</p>	<p>71. Persons living mainly from social security benefits.</p> <p>Persons in households, living mainly from unemployment, accident, injury and sickness benefits, old-age, disability and survivors' pensions.</p> <p>72. Persons in households, living mainly from private pensions, annuities or property income.</p> <p>73. Persons in households, living mainly from other transfers of income.</p> <p>Persons in households, living mainly from war bonuses, pensions and service grants, scholarships, fellowships and similar transfers from government and non-profit institutions; and from transfers from households or individuals such as transfers from absent household heads. Also, persons in households living mainly from interest, dividends, royalties, life insurance benefits etc.</p>

Table III.1. (continued)

Major group	Group and subgroup
8. Persons living in institutions	74. Students. 81. Persons living in institutions. Persons in institutions, such as hospitals or homes for the care of the aged, the infirm, the needy, orphans, the mentally ill etc., supported directly by the institutions themselves; inmates of prisons

a/ The ISIC referred to in this table is set out in the International Standard Industrial Classification of All Economic Activities, Statistical Papers, series M, No. 4, Rev.2 (United Nations publication, Sales No. E.68.XVII.8). The ISCO referred to in this table is shown in International Standard Classification by Occupations (Geneva, International Labour Office, 1968).

b/ Family workers who work a minimum of one third of the normal working time are classified to the same socio-economic class as the owner of the enterprise in which they work. The owner will usually be the head of the household of which the family workers are members.

3.35 The classification set out in table III.1. is based on a combination of classifications of the main source of livelihood, status, kind of economic activity and occupation. The scheme consists of three levels of classification - 8 major groups, 17 groups and, in the case of each of four groups, two subgroups. The criterion of main source of livelihood is used in order to separate the economically active (major groups 1 through 6) from the economically inactive (major groups 7 and 8). The major groups for the economically active draw distinctions in respect of their status and whether they are engaged in agricultural or non-agricultural activities. Subgroups are provided for own-account workers engaged in agriculture in order to distinguish tenants from owners, for employers outside agriculture in order to distinguish employers in the modern from those in the traditional sector and for members of the armed forces in order to separate officers from soldiers. Economically inactive persons living in households are separated from those living in institutions at both the major group and group levels of the classification.

3.36 The distinction between non-agricultural employers in the modern and traditional sectors should be of particular interest for developing countries. There are considerable differences in the economic circumstances of the two groups. Subgroup 73 of the classification, which covers economically inactive persons living in households who obtain their livelihood from transfers of income, should include beggars, vagrants and similar persons. It is of course recognized that it will be difficult, if not impossible, to get income or consumption data for this group of the population and that the group therefore may have to be left out in practice.

Classification by age

3.37 Age is here defined as in population census recommendations, i.e., as the number of solar years elapsed between the date of birth and the date at the time of the census.

3.38 Account has been taken of the uses to which the classification should be put and of national practices in drawing up the classifications set out in table III.2.

Table III.2. Classification of age

Below 15 years
15-19 years
20-24 years
25-29 years
30-34 years
35-39 years
40-44 years
45-49 years
50-54 years
55-59 years
60-64 years
65 years and over

3.39 Both the last and the first categories of the proposed classifications are open-ended. The upper limit of the first category is defined in terms of the probable age of entrance into the labour force and in terms of the categories of age generally used in population censuses and other inquiries. In inquiries where children are an important concern, this category should be further subdivided. The lower limit of the last category has been set in terms of the age by which persons have usually retired from the labour force and in terms of national practices in population inquiries. In some developing countries, it may be desirable to combine the last two categories of the classification.

Kind of economic activity and occupation

3.40 Classifications by economic activity and occupation are needed for studying income differences between industries and occupations and for examining the effects of changes in the structure of industries and occupations on the distribution of incomes. The classifications of kind of economic activity and of occupation that are used in the distribution statistics should distinguish the groups of the economically active that account for major differences in primary incomes. In order to accomplish this, the divisions (two-digit categories) of major divisions 1 through 6 and 9 of ISIC, the major divisions 7 and 8 (one-digit categories) of ISIC and major groups (one-digit categories) of ISCO may be used.

Classification of educational attainment

3.41 The primary income of persons and their patterns of consumption and saving will vary with their level of educational attainment. The classification of educational attainment should be based on the international standard classification of education of the United Nations Educational, Scientific and Cultural Organization (UNESCO). ^{5/} The proposed classification consists of the first two digits of the International Standard Classification of Education (ISCED), and is set out in table III.3.

Table III.3. Classification of educational attainment

Division	Major group
1. Below first level of education	11. Persons without any formal education 12. Persons who did not complete the first level of education
2. First level of education	21. Primary school Persons who have completed general primary education, usually obligatory and lasting from three to eight years for children between 6 and 15 years of age.
3. Second level of education	31. Lower stage of second level of education Persons who have completed middle schools, junior high schools etc. that extend education at the first level on a broader and more theoretical basis or who have completed schools that combine extension of general education at the first level with teaching of knowledge and skills useful in the commercial, clerical, teaching technical or agricultural fields. Two to five years full-time attendance required, or corresponding part-time attendance. 32. Higher stage of second level of education Persons who have completed lycées, senior high schools etc. that extend the teaching at the lower stage of the second level by developing the

^{5/} The International Standard Classification of Education (Paris, United Nations Educational, Scientific and Cultural Organization, 1976).

Table III.3 (continued)

Division	Major group
<p>4. Third level of education</p>	<p>understanding of ideas and independent thinking of the students or who have completed the lower stage of the second level in general education combined with work and study useful in the commercial, technical and teaching fields, in hospitals and clinics, or in agriculture.</p> <p>41. Non-academic third level education</p> <p>Persons who have completed teacher training schools requiring from two to four years full-time attendance upon completion of secondary education and persons with degrees from vocational schools developing specialized knowledge and skills in areas such as achieving mastery of practice based on relevant theory.</p> <p>42. First university degree or equivalent</p> <p>Persons with a first degree from a university or similar institution, requiring three to seven years of full-time study after completion of secondary education.</p> <p>43. Post-graduate university degree or equivalent</p> <p>Persons with a post-graduate degree from a university or equivalent institution, requiring one to three years of full-time study after fulfilling the requirements of the first degree.</p>

3.42 Significant differences in earning capacity and life-style are likely to occur between persons who have completed different stages of education. However, because it is important to distinguish between persons who have had no formal education and those who have some first-level education, persons who have not completed the first level of education are subdivided accordingly.

Classifications by characteristics of households only

3.43 In addition to classifications of the characteristics of heads or other members of households that are discussed above, it is necessary to use classifications of certain attributes of the households themselves. The size of households, measured as the number of household members, is important for the purpose of assessing the level and style of living of the household members from data on total household income and consumption. The number of earners of income in a household is of course a factor in determining the level of primary income and total household income of households.

Classification of size of households

3.44 In view of the purposes to which the classification of size of household is to be put, it should show not only the number of persons in the household but also the number of minors and adults that make up the household. The proposed classification set out in table III.4 is designed to accomplish this. It also takes national practices into account.

Table III.4. Classification of household size

One member

Two members

One adult and one minor
Two adults

Three members

Two adults and one minor
One adult and two minors
Three adults

Four members

Two adults and two minors
One adult and three minors
Other

Five members

Two adults and three minors
Three adults and two minors
Four adults and one minor
Other

Six and more members

Two adults and four or more minors
Three adults and three or more minors
Four adults and two or more minors
Other

In the case of some countries it may be desirable to extend the classifications to identify larger groups.

3.45 It has sometimes been suggested that the concept of standard consumption units should be used in measuring the size of households. This approach is not suggested here, in view of the great difficulties of establishing and applying the yardstick "standard consumption unit". It would be necessary to set the standard requirements for all elements of consumption for males and females of various ages in the light of prevailing patterns of consumption and prices and to have data on at least the sex and age of each member of the household.

Classification by number of earners of income

3.46 The number of classes used in classifications by number of earners will vary from country to country, depending on the composition of households and the extent to which wives and adolescents participate in the labour force. The classifications should consist of at least three or four categories, the last of which would relate to three or four and more earners of income. The preceding categories would then relate to one earner, two earners etc.

Chapter IV

DEFINITION AND CLASSIFICATION OF INCOMES

4.1 A number of considerations have entered into formulating the definitions and classifications that are given in the following sections of these guidelines. Attention has been devoted (a) to the uses to which each type of statistics is likely to be put and the definitions and classifications of the series in MPS and SNA and (b) to the practicability of using the proposed definitions and classifications, and national practices. The type of data that can be gathered in household surveys and the feasibility of collecting supplementary information from other sources was also considered. As a result, the definitions and classifications of the system differ on several points from those of SNA and MPS.

Compensation of employees

Definition

General

4.2 All receipts from employment that are of benefit to employees directly and individually as consumers should in principle be included in the compensation of employees. Compensation of employees as defined in SNA therefore includes (a) wages and salaries in cash and in kind, (b) employers' contributions to social security schemes on account of their employees, and (c) employers' contributions to private pension, family allowance, health and other casualty insurance, life insurance and similar schemes, as well as to other fringe benefits.

4.3 The concept of compensation of employees is used in SNA but not in MPS. The primary income of employees in MPS relates to wages and salaries only. Employers' contributions to private pension schemes and the like do not occur in the countries using MPS; employers' contributions to social security schemes are considered to be part of their gross profits (operating surplus) but are identified in the redistribution balances of MPS.

4.4 While it is feasible to gather information on wages and salaries directly from households, it may not be feasible to do so for employers' contributions to social security schemes or, even less, for their contributions to private pension and insurance schemes and other fringe benefits. Employers' contributions to social security schemes are included in compensation of employees in the distribution statistics but other fringe benefits are not. What it is in fact possible to collect data on will vary from country to country. It may sometimes be necessary to restrict the concept to wages and salaries even in countries using SNA. Employers in these countries sometimes do not make actual contributions to pension funds, insurance schemes and the like but pay pensions, family allowances or unemployment, illness and accident benefits directly to their employees. Imputed contributions are then included in SNA but are not included in the distribution statistics because of the difficulty of estimation. On the other hand, it may sometimes be possible to include some employers' contributions to private schemes.

Wages and salaries

4.5 Wages and salaries should cover all payments that employees receive for their work, whether in cash or in kind, and before deduction of their own contributions to social security, withholding taxes and the like. It should include payments such as commissions, tips and bonuses, cost-of-living allowances, vacation, holiday, sick leave and other direct pay by the employer for relatively short absences, and fees to members of boards of directors.

4.6 The definition of wages and salaries given above is used in SNA but not in MPS. However, the differences between this definition and that of MPS are not statistically significant. MPS includes in wages and salaries reimbursements for food and other out-of-pocket travel costs but it is not difficult to separate these from wages and salaries. Payments to authors are classed as wages and salaries in MPS; if these payments are made in several instalments, they may also be considered part of wages and salaries here.

4.7 No attempt should be made to impute wages and salaries of unpaid family workers, whose income therefore will be included in the entrepreneurial income of the establishments for which they work. Normally, transactions between household members should not be recorded. But this rule is not without exception. For instance, labourers who work in an establishment operated by the head of a household may also live with the household in question and therefore be counted as a household member according to the housekeeping concept. The wages in cash and in kind that are paid to these labourers should be counted as part of the income of the household. Similarly, wages and salaries in cash and in kind of domestic servants should be included, even when the domestic servants are included as members of the household in which they serve.

Scope and valuation of benefits in kind

4.8 Payments of wages and salaries in kind cover food, housing and other commodities, whether produced in the employer's business or purchased by him from others, that are provided to employees free of charge or at reduced prices. The value of military and police uniforms but not the value of free civilian work clothing, and the value of the housing of military personnel in family dwellings but not in barracks should be covered. In spite of the difficulties of gathering data on income in kind from household surveys, they are of great utility and every effort should be made to obtain them, particularly in developing countries.

4.9 The commodities that employers furnish free of charge or at reduced prices to their employees should, in principle, be valued at cost to the employer. Commodities produced by the establishments themselves should consequently, in principle, be valued at producers' values. However, in practice wages and salaries in kind are often valued at retail prices, particularly when the data are gathered in household surveys.

4.10 An important part of wage and salary income in kind in developing countries consists of free meals and housing. Free meals may be valued in terms of the cost of the per capita consumption of food by the households that provide the meals. The value of free lodging should be put equal to the rent paid for similar quarters. In some cases, there is little basis for evaluating the free lodging provided to agricultural labourers because they live in a type of quarters that are

never rented out. None the less, an effort should be made to estimate the cost to the employers of this free lodging.

4.11 Only items that may be unambiguously allocated to individual employees in their capacity as consumers should be included in remuneration in kind. This not only yields the figures wanted in measuring consumption but also facilitates the collection of the data in household surveys. Benefits accruing to employees from health, educational and similar facilities and from workshop amenities that employers make available to their employees collectively are therefore excluded.

Classification

4.12 Compensation of employees should first be subdivided into (a) wages and salaries and (b) employers' contributions to social security and similar schemes. Wages and salaries should in turn be subdivided into (a) wages and salaries in cash and (b) wages and salaries in kind. The recommended subdivisions of compensation of employees will furnish the basis for linking the data of the complementary system to both MPS and SNA and for comparing the statistics of different countries.

Income of members of producers' co-operatives

4.13 The income of members of producers' co-operatives includes incomes in cash and in kind of the members of the co-operative who participate in its operation and management and in the distribution of its profits (entrepreneurial income). The incomes of persons who work temporarily for the co-operatives are treated as wages and salaries. The income of members of producers' co-operatives is explicitly distinguished in MPS but not in SNA. In SNA the income of members of producers' co-operatives is part of the entrepreneurial income of non-financial corporate and quasi-corporate enterprises.

Gross entrepreneurial income

Definition

4.14 The gross entrepreneurial income of households consists of (a) the profits (operating surplus before allowance for the consumption of fixed capital) of the unincorporated enterprises included in the household sector and (b) the withdrawals of income from quasi-corporate enterprises by the owners. These withdrawals consist of the actual payments made to the owners out of the current receipts of quasi-corporations. Quasi-corporations are defined in SNA as relatively large ordinary partnerships and sole proprietorships that have complete profit-and-loss and balance-sheet accounts covering their financial assets and liabilities as well as the real assets involved in the business.

4.15 Profits of unincorporated enterprises should include actual rents received for structures rented out, less current expenses but gross of consumption of fixed capital, and gross operating surplus of other kinds of unincorporated enterprises. Imputed rent of owner-occupied dwellings is also treated as entrepreneurial income in SNA. For the purposes of the distribution statistics,

however, imputed rent is considered to be property income because it is felt that the income from owner-occupancy of dwellings is more akin to income from property than to income from entrepreneurship.

4.16 Entrepreneurial income from renting out buildings and structures and from other unincorporated enterprises is equivalent to gross output reduced by operating costs and the cost of the use of property owned by others. These elements of the computation of entrepreneurial income are discussed in paragraphs 4.17 through 4.24 below. Entrepreneurial income should be estimated gross of consumption of fixed capital, since information on this item is very difficult to obtain in household surveys.

Gross output

Scope

4.17 Gross output is defined so as to cover goods and services that are produced (a) for the market, (b) for provision to employees free of charge or at reduced prices and (c) for own account. All items produced for these purposes are included in gross output. Production for own account includes all goods and services used for capital formation and final consumption on own account. Production on own account for final consumption covers (a) all products of agriculture, forestry, fishing, hunting and mining, and the processing of primary commodities by the producers in order to make such goods as butter, cheese, flour, wine, oil, cloth or furniture produced for own use and (b) the output of any other commodities for own consumption that are also produced for the market. This is the scope of gross output as defined in SNA.

Valuation

4.18 SNA recommends that production on own account should be valued in terms of the cash alternative foregone. This means that, for the producer, the value of income in kind should be considered equal to the cash income that would be realized by the sale of these items at the producing unit. It may be argued that this approach to valuation results in underestimating the household consumption of goods and services produced on own account and that valuation at retail (consumers' prices) is more appropriate. Because of this and the greater availability of consumers' prices than producers' prices, own-account production is valued at retail prices in many surveys of the distribution of income and expenditure. The retail price includes the value of transport and distributive and other services that in fact are not embodied in commodities originating from own production. In spite of this, however, retail prices may have to be used if appropriate producers' prices are not available.

4.19 In most developing countries prices are collected in local markets where locally produced foods are sold by members of the producers' families who have themselves transported the products to the market. The part of the prices charged on the markets that may be considered as payment for trade and transport services rendered is consequently quite small; if these prices are used in valuing own-account production the results will be quite close to producers' values.

4.20 The question arises whether each household's consumption on own account should be evaluated at the prices prevailing at the local market nearest to that

particular household or at an average price for a wider area. For most analytical purposes, the local price is needed. However, if it is desired to study place-to-place variations in the proportion of gross output that is produced on own account, fixed average prices should be used. In that case, the prices are being used essentially as weights and a meaningful comparison between places can only be made by using fixed weights.

Operating surplus

4.21 The reduction of gross output by the appropriate expenses in order to arrive at operating surplus often raises a number of difficulties because it is necessary to (a) separate current outlays for household activities and for business purposes and (b) distinguish capital from current business expenditure.

4.22 The difficulties are especially great in the case of farms. The rent paid by tenants for farms may cover the farm land, the farm buildings and equipment and the dwelling and there may be little basis for separating the three elements of the rent. In these circumstances, it may be necessary to treat the full rent paid by the tenant farmer as a payment for the use of property. If the farm is owned by the farmer, complications arise because of the need to distinguish current from capital outlays and to separate these outlays into those relating to the dwellings and those relating to the farms.

Deduction from operating surplus

4.23 In order to derive entrepreneurial income, payments and receipts of property income in connexion with the unincorporated enterprise must be deducted from its operating surplus. Property income may consist of interest, rents and royalties. Interest may be paid for funds borrowed for use in the business or the delayed settlement of trade credit; interest may be received for credit granted to consumers. Rents of buildings and land utilized in the enterprise are also treated as property income paid. Royalties paid for the use of patents, copyrights or concessions should also be included.

4.24 In order to derive entrepreneurial income of unincorporated enterprises, interest paid on consumer debt should be separated from interest paid on property utilized in the enterprise. This means that in principle any interest received from customers because of late settlement of accounts should be separated from other interest received; however, this item is usually insignificant. Problems of subdividing rents and royalties received will not, in general, arise because these transactions practically always relate to the business.

Primary income

4.25 Primary income is the sum of compensation of employees and gross entrepreneurial income; it originates directly from the involvement of the recipients in the process of production as either employees or employers. The components from which primary income may be compiled are available in both MPS and SNA, though the aggregate is defined differently in MPS and is not identified in SNA.

Property income

Definition

4.26 Property income consists of imputed rents of owner-occupied dwellings and the actual receipts or payments for the use by one economic agent of the financial assets, buildings, land and intangible assets, such as copyrights and patents, that are owned by another economic agent. Imputed rents of owner-occupied dwellings should be calculated as the difference between the gross imputed rents of the dwellings and the sum of expenditures on current maintenance and upkeep and mortgage interest paid. The gross imputed rents should be put equal to paid rents for similar dwellings. Makeshift dwellings in both rural and urban areas should be excluded.

4.27 Other types of property income that are common for households are interest received and paid, dividends received and net rents and royalties received for the use of buildings, land, copyrights and patents. Interest comprises actual receipts of interest on financial claims such as savings deposits, bonds and loans and actual payments of interest for consumers' credit. Receipts of rents should be net of taxes, current maintenance expenditure and mortgage interest.

Relationship to SNA and MPS

4.28 Imputed rent of owner-occupied dwellings is included in entrepreneurial income in SNA but is here treated as a component of property income. Unlike SNA, the distribution statistics do not include in property income an imputation for interest on the equity of households in life insurance or pension funds since it is impracticable to gather from households the information that is required to make these estimates. Also, all rents and not only land rents are included in rental income. While difficulties may be encountered in gathering information on the other elements of property income because of the reluctance of respondents to provide the figures, they are important sources of income for certain groups of the population in all countries using SNA.

4.29 In countries using MPS households do not receive dividends or rents and royalties received by authors and inventors are classed as wages and salaries. No imputation is made for rents of owner-occupied dwellings in MPS. In countries using MPS data on the interest that the population receives for bank deposits and bonds are gathered from households.

Classification

4.30 Property income should be classified into (a) imputed rents of owner-occupied dwellings, (b) interest, (c) dividends and (d) rent including royalties and the like. The classification is of interest both for purposes of analysing the sources and distribution of property income and for purposes of making comparisons between the countries using SNA and the countries using MPS.

Current transfers and other benefits received

Definition

4.31 This group of items consists of social security benefits, pensions and life insurance annuity benefits, and other current transfers received. Social security

and life insurance annuity benefits are contractual transfers and so are pensions received from contributory pension funds or to which the recipients have acquired a contractual right. Other pensions and all other current transfers received are non-contractual.

4.32 Household receipts of funded pension and life insurance annuities, and in some countries also social security benefits, could be considered as a drawing down of saving. However, the receipt of such pensions and annuities may sometimes be as important a source of the finance of final consumption as is the receipt of unfunded pensions and other current transfers. Households consider all these receipts to be similar transactions. It is therefore proposed that all such receipts should be included. The corollary of this practice is that household payments of contributions to pension funds and of life annuity premiums must be recorded as outlays.

4.33 Households may receive current non-contractual transfers from government agencies (for example, social assistance payments, unfunded employee welfare benefits), private non-profit institutions (for example, fellowships, other cash grants), enterprises (for example, unfunded employee welfare benefits) and other resident or non-resident households (for example, gifts in cash and in kind, migrants' remittances). Some of the transfers received from government agencies will arise out of legal commitments of the Government. The remainder of the non-contractual current transfers received by households will be voluntary.

4.34 Non-contractual current transfers received by households should, in principle, include an imputed amount equal to the cost to government or private non-profit bodies of goods and services supplied to persons directly and individually by businesses or other producers and paid for entirely or in part by the Government or the private non-profit units, if the individuals receiving the goods and services are free to select the producers that are to furnish them and the terms on which they are supplied. This situation arises when, for example, a government health service fixes the maximum payment it will make for medical treatment but leaves the individuals covered under the scheme free to choose the practitioners from whom to receive care and the terms on which the treatment is to be furnished. However, it will in many instances be impracticable to gather from households data on either the cost to the Government or the retail value of the goods and services in question. Where this is true this element of the current transfers received from government or private non-profit bodies will have to be omitted from the distribution statistics. The corollary of this is that in such cases households can receive current transfers from government or private non-profit bodies only in the form of cash.

Relationship to SNA and MPS

SNA

4.35 There are a number of differences between the distribution statistics and SNA in the scope and definition of current transfers and other benefits received.

4.36 Casualty insurance claims are in SNA shown in a separate item on the income and outlay account, while in the distribution statistics they are treated as capital transfers and therefore included on the capital finance account. The claims mainly consist of lump-sum payments for damages by fire and other major accidents.

4.37 SNA treats funded pensions and all life insurance benefits as a reduction of financial assets. As was mentioned in paragraph 4.32, however, households consider funded pensions and life annuity benefits as current income; they are therefore treated here in the same way as other current transfers received. Ordinary life insurance benefits paid in lump sums are included in capital transfers received.

4.38 Both SNA and the distribution statistics treat unfunded pensions as current income. Such pensions are in SNA included in the item "Unfunded employee welfare benefits" while in the distribution statistics they are included with funded pensions in the item "Pensions and life annuity benefits".

4.39 The definition of current transfers received is, in certain respects, narrower in scope in the distribution statistics than in SNA. A number of transfers received by households that are not made in cash are covered in the SNA concept but are excluded here. These transfers consist mainly of the goods and services discussed in paragraph 4.34 above that are financed, in whole or in part, by government or private non-profit bodies but are acquired by households from private producers. Other transfers included in the SNA definition that are excluded in the distribution statistics are write-offs of household debts by lenders and migrants' transfers in the form of goods at the time of immigration. On the other hand, gifts made between resident households are covered in the definition of the distribution statistics but not in that of SNA. In SNA, only gifts in kind between resident and non-resident households are treated as current transfers between households.

MPS

4.40 As a result of the institutional arrangements in the countries that use MPS, a number of the transactions included in current transfers do not take place. Examples are transactions of (a) private pension funds, (b) household purchases of services and goods from private business or non-profit services that are financed, in whole or in part, by government or non-profit bodies and (c) transfers between households. In addition, certain of the current transfers that are classified separately in the distribution statistics are grouped together with other transactions in the balances and tables of MPS.

Classification

4.41 Current transfers and other benefits received should be classified into (a) social security benefits, (b) pensions and life insurance annuity benefits, and (c) other current transfers.

Total household income

4.42 This aggregate is the sum of primary income, property income, and current transfers and other benefits received. It shows the total current income of households before taxes and before payment of social security and pension fund contributions. Total household income corresponds closely to the concept of personal income used in many income surveys. The concept is not used in SNA or MPS .

Direct taxes, social security and pension fund contributions

4.43 The contributions to social security should include contributions made by employers on behalf of their employees if the concept of compensation of employees is applied in deriving total household income. If only wages and salaries are included in income, the contributions to social security should include only the actual payments for this purpose out of wages and salaries. Pension fund contributions are current contractual transfers from households to pension funds. Only actual contributions made by the employees themselves out of their wages and salaries should be included. The amounts that employers may contribute to insurance companies or pension funds on behalf of their employees should not be included, because these payments are not included in compensation of employees as defined here.

4.44 Pension fund contributions are in SNA defined net of imputed service charges, which are allocated to final consumption expenditure. Since it is not possible for the respondents in household inquiries or for the statisticians at the stage of compilation of income distribution statistics to estimate these service charges, pension fund contributions are defined including service charges in the distribution statistics. Pension fund contributions net of imputed service charges are in SNA treated as an increase in financial assets, while pension fund contributions gross of service charges are included in expenditure in the distribution statistics.

4.45 Direct taxes and social security contributions are defined in MPS in approximately the same way as in SNA and in the distribution statistics. Pension fund contributions are not applicable in countries using MPS.

Total available household income

4.46 Total available household income is the amount available to households for final consumption expenditure and other outlays that generally are not obligatory, and for saving. It is derived by deducting direct taxes and social security and pension fund contributions from total household income. The concept of total available household income is not used in SNA or MPS.

Household outlays

4.47 Because of its central position in the statistics on the distribution of income, consumption and accumulation, final consumption expenditure of households will be dealt with separately in the next chapter. The other elements of household outlays are consumer debt interest and other transfers paid.

Consumer debt interest paid

4.48 As in SNA, consumer debt interest paid is included as a subitem of property income paid. The item should, of course, cover interest only on debt incurred by households in their capacity as consumers; it should not include interest on loans used to finance unincorporated enterprises. The item is not applicable in countries using MPS.

Other current transfers

4.49 This item covers a heterogeneous group of current transfers that households consider to be payments out of their available income. Premiums for casualty and life insurance are included here, as well as compulsory current transfers to Government such as passport or court fees, fines and penalties. Also included are current transfers from households to private non-profit institutions in the form of dues and donations and to other resident and non-resident households in the form of gifts in cash and in kind.

4.50 Like pension fund contributions, casualty and life insurance premiums are in SNA defined net of imputed service charges, while here these flows are defined gross of imputed service charges. In SNA the imputed service charges are allocated to final consumption expenditure. Premiums for life insurance net of service charges are in SNA treated as an increase in financial assets, while net premiums for casualty insurance are shown as a separate item on the income and outlay account.

4.51 Compulsory fees, fines and penalties are in SNA shown as a separate category on the income and outlay account of households, while they are included in the flow "Other current transfers paid" in the distribution statistics.

4.52 MPS asks for data from employees and members of co-operatives on insurance premiums paid out and on contributions to social and co-operative enterprises and institutions. The latter flow corresponds roughly to transfers to non-profit institutions in SNA. The other items included in the flow "Other current transfers paid" in the distribution statistics are not applicable in MPS.

Chapter V

DEFINITION AND CLASSIFICATION OF CONSUMPTION

5.1 Two concepts of the final consumption of households are used in the distribution statistics: final consumption expenditure and total consumption of the population. The first concerns the purchases of goods and services that households finance from their available income. The second covers, in addition, those goods and services that government, private non-profit bodies and enterprises provide to households free or at reduced charges and that are clearly of benefit to them as consumers. Data on total consumption of the population is preferable to data on final consumption expenditure for purposes of comparing levels of living between countries that differ in their institutional arrangements.

Final consumption expenditure

Scope

5.2 The final consumption expenditure of households covers all goods and services that they (a) purchase, (b) produce on their own account, including the services from owner-occupied dwellings and (c) receive as income in kind for household but not enterprise use. To be consistent with SNA, service charges in respect of casualty insurance, pension funds and life insurance would have to be included in final consumption expenditure. In practice, it is impossible to estimate these service charges on a household or individual basis; they therefore are not separated from insurance premiums and pension contributions in the distribution statistics. It is also not usually possible to estimate on a household or individual basis the full cost of the consumers' goods and services acquired from private units that are financed entirely or partially by government or private non-profit institutions (see para. 4.34). When these flows are excluded from the concept of final consumption expenditure, household purchases of consumers' goods and services (item (a) above) is restricted to actual household expenditure on these goods and services and is free of imputations. This should simplify the problem of gathering data on final consumption expenditure from households, especially the difficulties of valuing the flow.

5.3 Payments to domestic servants should be included in final consumption expenditure of households whether or not the servants are members of the households of their employers. The value of sales by households of second-hand goods and of deferred rebates and discounts should be treated as negative final consumption expenditure.

5.4 Data in constant as well as current prices should be sought at least for food expenditures. Household consumption expenditure at constant prices should be estimated by deflating the current series by means of appropriate components of the consumer price index. Preferably, separate price indexes should be used for different population groups.

Relation to SNA and MPS

5.5 The scope of the concept "final consumption expenditure of households" is narrower in the distribution statistics than in SNA because of the exclusion of the items mentioned in paragraph 5.2 above. The concept "personal consumption of material goods" of MPS does not cover household consumption of services that are not embodied in goods. When the purchases of these services by the population is added to personal consumption, the result approximates the data on final consumption expenditure proposed here. Moreover, the housing component of personal consumption in respect of rented dwellings is in MPS valued at cost (depreciation and other material inputs) and not in terms of rents actually paid. On the other hand, MPS includes reimbursed business travel in personal consumption but the distribution statistics do not.

Classification

5.6 Final consumption expenditure should be classified so as to indicate (a) the object (purpose) of the outlays and (b) the durability of the goods purchased. It is proposed that the classifications recommended in SNA should be used for these purposes. ^{6/} It may be necessary to reduce the detail of the classification according to object of expenditure to the two-digit level of the scheme of classification in SNA. For some purposes, however, the two-digit level of SNA is not sufficiently detailed and the three-digit level is more appropriate.

Total consumption of the population

Scope

5.7 The concept of total consumption of the population is designed to include the value of those goods and services that government, non-profit institutions and enterprises furnish free or at reduced charges and that are clearly and primarily of benefit to the households as consumers. Only those benefits in kind that are not part of wages and salaries should be covered. In selecting the goods and services to be included in total consumption, it is necessary to take account of the difficulties of allocating their value among the various groups of households for which information is wanted.

5.8 The items that it should be possible to allocate among groups of households are the costs to government, private non-profit institutions and enterprises of food, clothing, medical and health care, and welfare and educational services furnished to persons or households on an individual basis, free of charge or at reduced prices. Goods and services of these types that have been furnished to the employees of government, private non-profit bodies and enterprises as income in kind should be excluded. The goods and services mentioned are clearly of benefit to the recipients and are furnished in a fashion which should make it possible to allocate their costs among groups of households or individuals. They should be valued at the net outlays of the organizations providing them, that is, at the current costs incurred by the organizations reduced by the fees and other outlays of households for the goods and services, since the latter are of course already included in final consumption expenditure of households.

^{6/} See table 6.1 and paras. 6.93-6.95, A System of National Accounts, (United Nations publication, Sales No. E.69.XVII.3).

5.9 Total consumption should also include certain subsidies, for example on housing and pharmaceutical products. These subsidies have a purpose similar to that of the items of government consumption expenditure discussed in the preceding paragraph. The inclusion of these subsidies will assist in making the concept of total consumption invariant to differences in institutional arrangements among countries.

Relation to SNA and MPS

SNA

5.10 The concept of "total consumption of the population" does not appear in SNA. Data for it would need to be compiled from figures on final consumption expenditures of households, government and private non-profit institutions, each classified according to purpose, and from figures on the intermediate and direct costs to industries of the goods and services supplied.

MPS

5.11 The concept "total consumption of the population" is used in MPS. Data for the concept of total consumption called for in the distribution statistics may be approximated from the data called for in MPS. Special computations would be needed for the housing and similar subsidies of government that are to be included in total consumption.

Chapter VI

DEFINITION AND CLASSIFICATION OF INVESTMENT AND ITS FINANCING

6.1 For purposes of analysing the welfare of households, in particular that of owners of the dwelling they occupy and other unincorporated businesses, it is useful to draw sharp distinctions and to examine the relationships between the internal and external sources of investment and its financing. The important internal sources of financing for investment are saving and capital transfers. The external source of finance is borrowing from other economic agents. Internal investment for owners of dwellings and other businesses is their gross capital formation. Households make external investments by lending to other economic agents.

Internal sources of finance and investment

Saving

6.2 In SNA saving is defined net of the consumption of fixed capital, while in the distribution statistics saving is defined gross of the consumption of fixed capital. Another difference between the two systems is that whereas the distribution statistics omit imputed interest on pension funds and life insurance reserves from saving, SNA includes them.

6.3 The concept of saving is not used in MPS; because sharp distinctions are not drawn between capital and current transactions, it does not appear to be feasible to compile this flow directly from MPS. However, saving may be derived as the balancing item in the subaccount of the distribution statistics on the disposition of total available household income, which can be approximated from the transactions of MPS. It should of course be borne in mind that whenever saving or any other balancing item is computed as a residual, some of the self-checking aspects of the accounting system are lost.

Consumption of fixed capital

6.4 In SNA, income from unincorporated enterprises, imputed rents of owner-occupied dwellings and saving are all defined net of consumption of fixed capital. Since the information needed to estimate the consumption of fixed capital for unincorporated business enterprises run by households or for owner-occupied dwellings is not likely to be available, the use of concepts of entrepreneurial income, rents of owner-occupied dwellings and aggregates of income and saving that are gross of consumption of fixed capital are recommended for the distribution statistics.

Capital transfers received, net

6.5 As defined in the distribution statistics, capital transfers received consist of (a) casualty insurance benefits and benefits from life insurance companies except life annuities, (b) receipts of grants for damages incurred during war, floods and other calamities (c) receipts of legacies and migrants' transfers of capital, and (d) investment grants in respect of unincorporated enterprises included in the household sector. Capital transfers paid cover (a) payments of inheritance taxes and of capital donations to non-profit bodies and (b) payments of legacies and migrants' transfers of capital.

6.6 SNA does not treat casualty and life insurance benefits as capital transfers. Casualty insurance benefits are shown as a separate item on the income and outlay account of SNA while all life insurance benefits are treated as depletions of financial assets. As noted above, the distribution statistics deviate from SNA in the treatment of insurance benefits because (a) the major part of casualty insurance benefits are assumed to consist of lump sum payments for damages incurred by fire or other accidents and the item therefore should preferably be treated as capital and not as current income and (b) while life insurance benefits are not treated as transactions in financial assets in the distribution statistics as they are in SNA, life insurance benefits other than life annuities are certainly capital transactions and may therefore be treated as capital transfers. Capital transfers are not shown separately in MPS.

Gross capital formation

6.7 In addition to gross fixed capital formation and the increase in stocks of unincorporated enterprises, gross capital formation should, in principle, include net purchases of land and intangible assets that do not represent financial claims on other economic agents. It is not likely that it will be possible to obtain reliable information on transactions in such intangible assets, which consist of purchases and sales of trademarks, patents, copyrights etc.; the item will therefore normally be omitted.

6.8 Gross capital formation as defined in the distribution statistics thus consists of outlays on reproducible durable goods added to the fixed assets of unincorporated enterprises owned by households, reduced by sales of similar second-hand or scrapped goods, and of purchases less sales by households of land and dwellings for own occupancy. The reproducible durable goods should have a useful lifetime of a year or more. They may be purchased or produced on own account. Included in the outlays on reproducible durable goods are (a) expenditure on capital repairs and improvements, that is, improvements and alterations of reproducible durable goods that significantly extend their expected lifetime of use or productivity, (b) expenditure on the reclamation and improvement of land and the development and extension of timber tracts, mines, plantations, orchards and vineyards and (c) acquisitions of breeding stock, draught animals, dairy cattle and the like. The preceding definition of gross fixed capital formation is identical with that of SNA and essentially the same as that of MPS.

6.9 The increase in stocks of an unincorporated enterprise during a period of account should be taken to be the difference between the level of stocks at the beginning and at the end of the period, both valued at the approximate average

price ruling over the period. In practice, it will be necessary to gather figures on the value of stocks of purchased materials, merchandise and supplies and of stocks of finished foods and merchandise for sale that are either available from the records of the unincorporated business or, in the absence of such records, that can be estimated by the owner of the unincorporated business. Where prices are relatively stable this may be sufficient but where prices are changing rapidly an adjustment for price change is essential. In some cases, a direct observation of quantity change may be possible. In other cases, it may be feasible for the agency that compiles the data on increase in stocks to adjust these values approximately in the light of the estimated ratio of the average prices at the beginning and at the end of the period in question to the average prices prevailing during the period.⁶ The resulting estimates would approximate the working definition of increase in stocks recommended in SNA. They may also be consistent, on the whole, with the practices followed in the countries using MPS.

6.10 It will be difficult to obtain accurate data on gross fixed capital formation of households in many developing countries. Owner-occupied dwellings are often constructed mostly from gathered materials and with own labour. Other structures such as farm buildings, irrigation canals etc. are often constructed by the households themselves. In principle, the value of this own-account construction should equal the cost of purchased materials and the value of the labour involved. The latter item may have to be computed on the basis of the estimated time involved multiplied by the prevalent unit wage of day labourers in the region. Skilled interviewers are needed to obtain satisfactory estimates of these items. It may also be possible to obtain relatively accurate figures for purchases less sales of transport equipment, other large items of equipment, land, draught animals and dairy cattle. The value of increase in stocks in small household enterprises generally cannot be obtained because these enterprises in most cases do not keep accounts.

External sources of finance and investment

6.11 External sources of finance and investment consist of transactions in financial claims - the incurrence of liabilities to other economic agents and the acquisition of financial claims on other economic agents. The classifications of SNA are designed to segregate transactions in financial claims from other transactions and to distinguish between the various types of liabilities and financial assets in which transactions may take place. In MPS, however, these distinctions are not made. In the distribution statistics, only a single total for net lending is proposed.

Chapter VII

TABLES ON DISTRIBUTION STATISTICS

7.1 This chapter of the guidelines suggests summary tables that may be prepared from the data that it has been proposed should be collected. The tables are set out in annex I. Most of the suggested tables are relevant mainly to countries that use SNA. It would have been desirable to have also included a set of tables specifically adapted for the countries using MPS; however, at the present juncture this has not proved possible.

7.2 The tables marked with an asterisk are suggested as targets towards which countries embarking on statistics of the distribution of income, consumption and accumulation may aim while they are still at a relatively early stage of statistical development. Adaptations of the tables that may be needed in order to make them suitable for use by these countries are discussed in "Summary tables" and the sections following (from para. 7.16).

Purposes and organization of the tables

7.3 The tables in annex I, aside from table 1, are designed to suggest the ways in which the data may be presented for studying the patterns in which incomes, consumption and accumulation are distributed among the population and the causal factors underlying these patterns. The tables are not intended either to be the basic form of storage of the data or to illustrate the analytical tables that are required for particular studies. For either of these purposes, a much more disaggregated form of the data will be needed than can be shown in these summary tables. Nor are the tables designed for the purpose of standardized international reporting of the data; this last will have to wait until more country experience has accumulated, although summary tables 2 to 5 may provide a basis for such reporting at some time in the future.

7.4 Table 1 is a reconciliation table showing the conceptual differences between the aggregate flows for all households as they appear in the distribution statistics and as they appear in SNA. In addition to the conceptual differences, differences between estimates in the distribution statistics and estimates in SNA may also arise from variance in sampling and response, if the distribution statistics have not been adjusted to match the control totals. These differences should be dealt with by appending to the reconciliation table explanatory notes on the reliability and accuracy of the estimates.

7.5 The remaining tables in the annex are arranged in four main groups. Table sets 2 through 5 present the main aspects of the formation and use of incomes in several summary forms. Table sets 6 through 16 give more detailed information on each stage in the distribution and redistribution of incomes by various socio-economic, income and other groups of the population. They will thus reveal some of the circumstances that account for differences in the experience of the various groups. Table sets 17 through 23 deal with the use of incomes by various groups. Table sets 24 through 26 give twofold cross-classifications of selected aggregates.

The types of measures in the tables

7.6 A number of different measures may be used in tabulating data on the distribution of income and expenditure. The data may be set out in terms of the total value of a flow in terms of the total number of households etc. in a given category or in terms of measures of the central tendency of the item in question - usually arithmetic averages. The data may be given either in the form of absolute figures or percentage distributions.

7.7 In presenting the results of sample inquiries into income distribution and related statistics, there is an advantage in using measures of central tendency and percentage distributions instead of absolute figures, since the portrayal of the situation that the information is designed to delineate is more easily grasped in this form. Percentage shares are especially advantageous in the case of distribution statistics since the emphasis is on information concerning the relative circumstances of individual households and persons and their shares in given totals. On the other hand, figures in absolute values are essential where further processing or analysis is contemplated and where different compilations or inputs to regression analysis and other manipulations of the data are needed. For most such uses, however, it will be necessary to have access to substantially more disaggregated data than is presented in these tables.

7.8 Figures on the absolute aggregate value of flows are called for in tables 2 and 23 of annex I which relate to links between the distribution statistics and the aggregate national accounts and balances. In the other tables proposed, extensive use is made of arithmetic averages for households, for earners and for individuals.

7.9 Arithmetic averages are suggested in the tables because, unlike medians or modes, they may be used in summation, multiplication and other computations. So that aggregate values of the flows shown in each of the suggested tables may be computed and the significance of the arithmetic averages for each group of the population (that is in each column of a table) may be determined, the number of households or individuals in each group should also be shown. Because the consumption of goods and services differs for adults and for minors, the average numbers of adults and of minors are also useful, especially in the tables relating to final consumption expenditure of households.

7.10 A great many different versions of tables on distribution can be compiled from the data that these guidelines recommend collecting. There are, in the first place, a number of different income and consumption concepts that may be used as the basis for tabulation: primary income, total household income, total available household income, final consumption expenditure. Secondly, there are several different units of observation to which attention may be directed: the household, the individual, the income earner. In order to keep the number of tables shown within manageable limits, certain somewhat arbitrary choices have been made among all the possible combinations. It should be emphasized, however, that the tables shown in annex I are only suggestions and that countries may find different combinations more useful in their particular circumstances or more feasible to collect. The choices made are as follows. (a) For most tables, the unit of observation is the household. There are two main exceptions to this rule: a set of tables relating to characteristics of income earners uses these earners as the unit of observation; and a set of tables relating to final consumption expenditure uses individuals as the unit of observation. In addition, for comparative purposes

one general table is shown on a per capita basis. (b) For most tables showing income size distributions, the basis of tabulation is total household income, i.e., pre-tax income. Again for comparative purposes, one table is shown based on total available household income, i.e., post-tax income. Should it appear, in any individual country, that the difference between the two tabulation bases is significant, it may be desirable to compile additional tables on the post-tax basis.

Summary measures

7.11 The distributions according to fractile groups require a ranking of households or individuals according to the size of a selected aggregate. This ranking also provides the data needed to calculate a number of simple summary measures of dispersion or concentration. Examples of such measures are the interquartile range or quartile deviation, i.e., the difference between the third and the first quartiles; the interquartile range as a percentage of the median; and selected percentiles as percentages of the median.

7.12 Some countries may also wish to calculate more refined summary measures such as the coefficient of variation, which is defined as the standard deviation expressed as a percentage of the mean. In all cases where summary measures are used, careful consideration should be given to whether the basic data used in calculating the measures are accurate enough to lead to meaningful results.

7.13 The Lorenz curve, which is a particularly effective graphic presentation of income distributions, can be constructed by using the basic data on the distribution of income by fractile groups of households or individuals. To construct a Lorenz curve, ranked percentages of income receivers are shown along the horizontal axis and the percentages of incomes received along the vertical axis of a square graph, using arithmetic scales along both axes. The diagonal from the origin that bisects the square into two equal triangles is the line of equal distribution. The Lorenz curve is obtained by plotting the cumulative percentages of income accruing to fractile groups of income receivers, starting from the group with the lowest percentage of the total. The greater the area between the diagonal and the curve, the more unequal is the income distribution.

7.14 The Gini ratio, which is a measure of concentration (inequality), may be perceived visually as the ratio of the area between the line of equal distribution and the Lorenz curve to the total area below the line of equal distribution. It may range from 0 to 1; the higher the fraction the more concentrated (unequal) is the distribution of income.

7.15 There are a number of other graphic ways of presenting distributions. In general, these presentations are more complex than Lorenz curves and therefore are less frequently used.

Summary tables

7.16 Table 2 is designed to show the links between the distribution statistics and the aggregate national accounts and balances. It is also intended to summarize the situation of the broad socio-economic groups of society at each of the main steps in the formation and use of incomes. It calls for a somewhat more detailed

classification of socio-economic groups than does the comparable table of SNA on income and outlay and capital transactions of the subsectors of households and rearranges transactions in the SNA table in order to focus attention on the main aggregates of income, consumption and saving.

7.17 In view of the purposes to be served by the data suggested in table 2, it may be assigned a high order of priority. In order to compile this table it will probably be necessary to supplement the results of household sample inquiries by data from more comprehensive sources of information such as population censuses, income tax returns and national accounts estimates. If it is possible to arrive at reasonably reliable totals for the population as a whole, table 2 will not only provide a link between the distribution statistics and the aggregate national accounts but may also make it possible to use the distribution statistics to improve national accounts estimation.

7.18 Table 2, with some omissions, is appropriate also for countries at an early stage of statistical development that are embarking on income distribution and related statistics. For this purpose, the table may be adapted to exclude data that are difficult to obtain or are not important in the country, as for instance the column relating to persons living in institutions, the rows relating to employers' contributions to social security and similar schemes, and the information on capital finance.

7.19 Table sets 3 through 5 summarize the experience of moderately detailed socio-economic and income groups in the distribution and redistribution of income, in the consumption of goods and services and in saving and borrowing. The three tables have the same stub as table 2, showing components of income, consumption, saving, and net lending. Table 3 distributes these items by socio-economic status of the household head, tables 4a and 4b by household income, and tables 5a and 5b by per capita income.

7.20 Table 3 is a distribution by socio-economic groups of average values per household of the items shown in the stub of the table. It may be used for such purposes as comparing (a) the sources and level of the household incomes of the various socio-economic groups, (b) the impact of redistribution on the available household income of each group and (c) the relative adequacy of their levels of living and the contribution made to these levels by the goods and services furnished by government and other bodies. The table should be of value in identifying disadvantaged and advantaged groups of the population. It may in some countries be useful to compile a similar table for each ethnic or national group and separately for urban and rural areas.

7.21 Table set 4 is focused on the pattern of distribution by size of total household income. Table 4a distributes average values of the stub items by household, over households ordered by the size of their total household income. The use of equal fractile groups for designating size classes in table 4a makes it appropriate for intertemporal and intercountry comparisons. Table 4b defines the size classes in absolute values. 7/ The suggested data on income, consumption and saving should be valuable for formulating policies and programmes on incomes, taxation and government expenditure.

7/ The same pattern is employed in all of the size distribution tables that follow: the "a" tables distribute by fractiles and the "b" tables by absolute size classes.

7.22 Table set 5 relates to individuals rather than households. It is designed to throw light on the range and relative adequacy of household income per capita. Table 5a classifies individuals in fractiles according to total household income per capita and table 5b defines size classes of household income per capita in absolute values. In both cases, the tables show average values per capita of the components of income shown in the stub. It should be noted that these tables do not contemplate the assignment of specific items of income to particular household members; rather, the entire household income is to be divided equally among all its members.

7.23 Table sets 3 through 5 are designed to summarize the data of the statistics and to portray the basic aspects of the distribution of income, consumption and saving of various groups of the population. It is therefore desirable to assign them a high order of priority. For countries just starting to produce data on income distribution and related statistics, table sets 4 and 5 are of primary importance. Again, it may be necessary for these countries to simplify the tables by omitting the financial items and the item relating to employers' contributions to social security and similar schemes. The data required for table 3 may be more difficult to obtain; if so, table 3 may be assigned a lower priority.

Detailed tables on the sources and disposition of incomes

7.24 Table sets 6 through 23 are designed to furnish more detailed information than is given in the summary tables concerning the formation and use of income.

Sources of household income

7.25 Table sets 6 through 16 furnish relatively detailed information on the sources of household incomes. Tables 6 through 9 show in somewhat more detail comprehensive information on the sources of income similar to that shown in summary form in the top portions of tables 2 through 5. Tables 10 through 16 relate to characteristics of recipients of particular types of incomes.

Comprehensive tables on sources of income

7.26 Tables 6, 7a and 7b are more detailed versions of the top part (on sources of income) of tables 3 and 4. They are designed to show how total household income per household and its components varies according to socio-economic status and among income size classes. In table 6, the households are classified according to socio-economic status of the head of household; as with table 3, it may also be useful to prepare tables relating to ethnic and national groups and/or to urban and rural areas that are comparable to table 6. Developing countries, in preparing this table, may wish to substitute a less detailed classification of socio-economic status. Employers and own-account workers in agriculture may be classified together and subdivided into those mainly owning and those mainly renting their land. Similarly, employers and own-account workers outside agriculture may be grouped together and subdivided into those working in the modern sector and those working in the traditional sector. These two subdivisions are of particular interest to developing countries. Also, the last three columns of the table may be replaced by a single column, referring to economically inactive persons living in households. In tables 7a and 7b, the classifications are according to fractile groups and size classes of total household income, respectively.

7.27 Table set 8 is introduced in order to show the effects of redistribution through direct taxes and contributions to social security and other pension schemes: it relates to the distribution of total available household income (post-tax income). As noted above, in instances where the distribution shown in table set 8 differs substantially from that shown in table set 7 (pre-tax income), it will be worthwhile to devote more resources to compiling other tables on both the pre-tax and post-tax bases. In the present guidelines, table set 8 is included as an illustrative example; any of the other tables based on distributions of pre-tax income may also be compiled on a post-tax basis if desired.

7.28 Table set 9, like table set 5, deals with per capita rather than per household income. This table is intended to illuminate the relation between household size and income. In many instances, larger households will contain more earners, who contribute to raising the total household income but often not the income per household member. In other instances, if low-income households tend to be disproportionately large, a negative relation may exist between household size and total household income per capita. As noted above in the discussion of table 5, these tables are still based upon the household as the primary reporting unit; per capita income of the household members is derived by dividing the total income of the household by the number of its members. It is not contemplated that any attempt should be made to assign specific components of the household income to particular household members. Derivation of fractiles of household members according to household income per capita would make use of the data on household income per capita for households, weighted by the number of members of each household. The objective of this tabulation is to give equal weight to the welfare of each individual in the population; tables dealing with households of necessity give greater weight to individuals in small households than to those in large households. As with table set 8, the importance of this and similar per capita tabulations will vary in different circumstances. Where the per capita distribution in table set 9 is found to differ substantially from the per household distribution in table set 7, increased attention should be devoted to the compilation of other tables on a per capita as well as per household basis.

Tables on specific types of income

7.29 Table 10 further explores the relationship between the number of earners in a household and its primary income. It gives a distribution of average values per household of the components of primary income by the number of earners in the household. As noted above, earners are defined to include employees working for wages and salaries, members of producers' co-operatives and all household members who contribute their efforts (on more than a nominal basis) to an unincorporated enterprise owned by some member of the household, even when that effort is not explicitly remunerated. Thus, all members of a household engaged in working on a farm enterprise that the family owns would be counted as earners. Household members engaged in purely domestic occupations such as housekeeping and child care would, however, be excluded. This distinction, though undoubtedly arbitrary in many instances, is necessary to maintain comparability with standard national accounting concepts. To explore such questions in greater depth, information on time use would be very helpful; but that is beyond the scope of the present guidelines.

7.30 Tables 11 through 14 are concerned with characteristics of earners of specified types of primary income. Table 11 distributes earners by age and sex

and separates those engaged in agriculture from all others. Table 12 classifies earners by occupation and sex, table 13 by educational attainment, and table 14 by kind of economic activity. In each case the table shows, for the various classes of the characteristic in question, the number of earners of each type of income and the average value per earner. For wage and salary earners, a distinction is made between full-time workers and others. This distinction is not made for the other categories of earners, however, since for them it is less likely to be important and is much more difficult to define.

7.31 Table set 15 gives further details on wage and salary earners. It distributes the compensation of employees and its components by size classes based on compensation of employees itself. Again, table 15a shows fractiles of employees and table 15b shows absolute size classes of income. This table set gives information that is of particular value in studying wage and salary differentials. In many instances it can be compiled from existing data sources that do not permit the use of the wider concept of total household income, as for example social security records.

7.32 Supplementary tables on the pattern of the distribution of employee income from each job (each position) may also be useful. Such tables would show classifications of average remuneration per job by fractile groups of jobs, ordered by the level of remuneration and by size groups of level of remuneration. These tabulations would show the effect of multiple job holding on the distribution of employee income. They therefore would be useful in investigating underlying factors in the distribution of employee incomes and in devising incomes policies. If such tabulations are compiled, it would also be desirable to classify the employee income from each job according to occupation and kind of activity.

7.33 Table set 16 singles out households with entrepreneurial income. For these households it shows much the same kind of information as was shown for all households in table 6, but the distribution is in terms of size of entrepreneurial income only. Such a table will not only throw light upon the concentration of entrepreneurial income but will also show to what extent entrepreneurial income is supplemented by income from other sources, such as wages and salaries.

Disposition of household income

7.34 Tables 17 through 23 relate to uses of household available income for consumption, saving and capital formation. Table 17 and table set 18 are comprehensive tables on uses of income parallel to tables 6, 7a and 7b on sources of income. Table 17 distributes the uses of income over the same socio-economic status classes as are used in table 6; and table set 18 distributes them over the same income divisions as are used in table set 7. Table 19 relates only to households with entrepreneurial income; since households operating an unincorporated enterprise are the only ones that can engage in capital formation, other than in owner-occupied dwellings, the pattern of disposition of their income is of special interest.

7.35 Tables 20 through 22 deal with the pattern of distribution of household final consumption expenditures. All of these tables are shown on a per capita basis, since the relative adequacy of consumption is a main focus of interest here. The average number of persons per household is also shown, however, so that total

household consumption can be computed where desired. Tables 20 and 21 once again show the distributions by socio-economic status group and by income size group. Table 22 is designed to throw further light upon the relation between per capita consumption and the size and composition of the household. All of these tables on the distribution of consumption will also be useful for developing countries. Developing countries may, however, wish to substitute the simplified socio-economic classification suggested above as well as to reduce the detail shown in the classification of consumption expenditures.

7.36 Table 23 shows the passage from final consumption expenditure of households to total consumption of the population. The values of education, of medical and welfare services and of housing and medical subsidies provided to persons and households on an individual basis free or at reduced cost are classified according to their sources of finance, i.e., general government, private non-profit institutions and industries. All countries, including those at a beginning stage of economic development, will find it useful to compile this table. All of the information required for it is included in the aggregate national accounts; it is shown as a part of the distribution statistics in order to emphasize the importance of the supplements to household income provided through free distributions. Since, however, it is usually not practicable to break the aggregate figures down either by income classes or by other attributes of the recipients, only absolute aggregate figures are called for in the table.

Cross tabulations of fractile groups of households with other
selected characteristics of households

7.37 The remaining table sets, 24 through 26, show cross tabulations of selected aggregates (total household income and final consumption expenditure) by income classes and selected other characteristics. In table set 24, the second characteristic is socio-economic status. In table set 25, it is size and composition of household and in table set 26, it is number of earners.

Annex I

TABLES ON DISTRIBUTION STATISTICS

Summary tables

Table 1. Comparison of definitions of flows in income distribution statistics and in SNA

Distribution statistics	Adjustments to SNA concepts
A. <u>Flows on the income and outlay account</u>	
1. Primary income gross of consumption of fixed capital	
(a) Compensation of employees	
(i) Wages and salaries	
(ii) Employers' contributions to social security and similar schemes	Add: <ol style="list-style-type: none"> 1. Employers' contributions to pension, family allowance and similar schemes 2. Imputed employers' contributions to unfunded pension, family allowance and similar schemes
(b) Income of members from producers' co-operatives	
(c) Gross entrepreneurial income of unincorporated enterprises, including withdrawals from entrepreneurial income of quasi-corporate enterprises	Deduct: <p>Consumption of fixed capital of unincorporated enterprises</p> Add: <ol style="list-style-type: none"> 1. Imputed rent of owner-occupied dwellings (net of consumption of fixed capital) 2. Rent of buildings and equipment
2. Property income received	
(a) Imputed rent of owner-occupied dwellings	Omit; included in entrepreneurial income

Table 1 (continued)

Distribution statistics	Adjustments to SMA concepts
(b) Interest	Add: Imputed interest on equity in life insurance and pension funds
(c) Dividends	
(d) Rent, royalties, patents, copyrights etc.	Deduct: Rent of buildings and equipment; included in entrepreneurial income
3. Current transfers and other benefits received (a) Social security benefits	
(b) Pensions and life insurance annuity benefits	Deduct: Funded pension and life insurance annuities; included (as a subtraction) in the capital finance account
(c) Other current transfers	Add: Payments by the public authorities for services provided by industries, general government and private non-profit institutions directly and individually to persons, which the persons are considered to have purchased
4. Direct taxes paid	
5. Social security and pension fund contributions (a) Social security contributions	

Table 1 (continued)

Distribution statistics	Adjustment to SMA concepts
(b) Pension fund contributions	Add: 1. Employers' contributions to pension, family allowance and similar schemes 2. Employee unfunded welfare contributions, imputed
6. Household outlays (a) Final consumption expenditure	Add: 1. Service charges on life insurance and pension fund transactions 2. The equivalent of payments by public authorities for services provided by industries and private non-profit institutions directly and individually to persons, which the persons are considered to have purchased
(b) Consumer debt interest	Omit; shown as negative property income
(c) Other current transfers paid	
B. <u>Flows on the capital finance account</u>	
7. Net capital transfers received (including insurance benefits except life annuity)	Deduct: Casualty and life insurance benefits except life annuity
8. Gross capital formation	
9. Net lending	

Table 2.* Total value of transactions for broad socio-economic groups

Socio-economic status of head of household

Items of transactions	Total	Agricultural			Non-agricultural				Economically inactive	
		Employers	Own-account workers	Employees	Employers	Own-account workers	Civilian employees	Armed forces	Living in households	Living in institutions
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Number of households										
Average number of persons per household										
Of which:										
Average number of adults										
Average number of minors										
1. Primary income received										
2. Plus: Property income received										
3. Plus: Current transfers received										
4. Equals: Total household income										
5. Less: Direct taxes paid and social security and pension fund contributions										
6. Equals: Total available household income										
7. Less: Final consumption expenditures and consumer debt interest paid										
8. Less: Other current transfers paid										
9. Equals: Gross saving										
10. Plus: Capital transfers received, net										
11. Less: Gross capital formation										
12. Equals: Net lending										
Addendum:										
13. Supplements to household income and consumption from government, non-profit institutions, and industries										
14. Total consumption of the population										

(Absolute aggregate values of stub items)

Table 3.* Average value of transactions per household for broad socio-economic groups

Like table 2 but with the following statistics:
(Average values per household of stub items)

Table 4a.* Average value of transactions for fractile groups of households ordered by total household income

Like table 2 but with the following headings and statistics:

All households	Fractile groups of households ordered according to total household income									
	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th

(Average values per household of stub items)

Table 4b.* Average value of transactions of households by size groups of total household income

Like table 2 but with the following headings and statistics:

All households	Size groups of total household income per household									
	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th

(Average values per household of stub items)

Table 5a.* Average value of transactions per capita for fractile groups of household members ordered by total household income per capita

Like table 2 but with the following headings and statistics:

All households	Fractile groups of households ordered according to total household income <u>per capita</u>									
	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th

(Average values per capita of stub items)

Table 5b.* Average value of transactions per capita by size groups of total household income per capita

Like table 2 but with the following headings and statistics:

All households	Size groups of total household income <u>per capita</u>									
	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th

(Average values per capita of stub items)

Tables on the sources of income

Table 6.* Sources of household income by socio-economic status of head of household
Socio-economic status of head of household a/

Components of income	Agricultural						Non-agricultural						Economically inactive			
	On-account workers			Others			Employers			Employers			Living in households			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Number of households																
Average number of persons per household																
Of which:																
Average number of adults																
Average number of minors																
Average number of income recipients																
1. Primary income received																
(a) Compensation of employees																
(i) Wages and salaries																
a. In cash																
b. In kind																
(ii) Employers' contributions to social security and similar schemes																
(b) Income of members from producers' co-operatives																
(i) In cash																
(ii) In kind																
(c) Gross entrepreneurial income																
(i) In cash																
(ii) In kind																
2. Plus: Property income received																
(a) Imputed rents of owner-occupied dwellings																
(b) Interest																
(c) Dividends																
(d) Rent																
3. Plus: Current transfers and other benefits received																
(a) Social security benefits																
(b) Pensions and life insurance annuity benefits																
(c) Other current transfers																
4. Equals: Total household income																
5. Less: Direct taxes paid and social security and pension fund contributions																
(a) Direct taxes paid																
(b) Social security and pension fund contributions																
(i) Social security contributions																
(ii) Pension fund contributions																
6. Equals: Total available household income																

(Average values per household of stub items)

a/ Developing countries may wish to substitute a simpler classification of socio-economic status, as noted in the text.

Table 7a. Sources of household income for fractile groups of households ordered by total household income

Like table 6, but with the following column headings:

All households	Fractile groups of households ordered by total household income									
	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th

Table 7b. Sources of household income for households classified by size of total household income

Like table 7a, but with the following column headings:

All households	Size groups of total household income									
	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th

Table 8a. Sources of household income for fractile groups of households ordered by total available household income

Like table 6, but with the following column headings:

All households	Fractile groups of households ordered by total available household income									
	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th

Table 8b. Sources of household income for households classified by size of total available household income

Like table 8a, but with the following column headings:

All households	Size groups of available income									
	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th

Table 9a. Sources of income of household members for fractile groups of household members ordered by total household income per capita

Like table 6, but with the following column headings and statistics:

All individuals	Fractile groups of individuals ordered by total household income <u>per capita</u>									
	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th

(Average values per capita of stub items)

Table 9b. Sources of income of household members classified by size of total household income per capita

Like table 9a, but with the following column headings:

All individuals	Size groups of total household income <u>per capita</u>									
	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th

Table 10. Components of primary income of households with primary income classified by number of earners per household (including unpaid family workers)

	All households with primary income	Households with					
		1 earner	2 earners	3 earners	4 earners	5 earners	6 earners and over
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Number of households with primary income							
Average number of persons per household							
Primary income received							
(a) Compensation of employees							
(i) Wages and salaries							
a. In cash							
b. In kind							
(ii) Employers' contributions to social security and similar schemes							
(b) Income of members from producers' co-operatives							
(i) In cash							
(ii) In kind							
(c) Gross entrepreneurial income							
(i) In cash							
(ii) In kind							

(Average values per household of stub items)

Table 11. Components of primary income classified by age and sex of earners and participation in agriculture

	All earners	Age groups of earners											
		Below 15	15- 19	20- 24	25- 29	30- 34	35- 39	40- 44	45- 49	50- 54	55- 59	60- 64	65 and over
Primary income received													
Average value per earner													
Compensation of employees													
Number of employees													
Average value per employee													
Number of full-time employees													
Average value per full-time employee													
Income of members from producers' co-operatives													
Number of members													
Average value per member													
Gross entrepreneurial income													
Nature of earners a/													
Average value per earner													
Items as for males in agriculture													

Females in agriculture
Males in non-agricultural activities
Females in non-agricultural activities

a/ Including unpaid family workers.

Table 12. Components of primary income classified by occupation and sex of earners

Like table 11, but with the following column headings:

All earners	Professional, technical and related workers	Administrative and managerial workers	Clerical and related workers	Sales workers	Service workers	Agricultural, animal husbandry and forestry workers, fishermen and hunters	Production and related workers, transport equipment operators and labourers	Workers not classifiable by occupation	Armed forces
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)

Males

Females

Table 13. Components of primary income classified by educational attainment and sex of earners

Like table 11, but with the following column headings:

All earners	Below first level of education		First level of education	Lower stage of second level of education	Higher stage of second level of education	Non-academic third level of education	First university degree or equivalent	Post graduate university degree or equivalent
	No education	Some education						

Males

Females

Table 14. Components of primary income classified by kind of economic activity

Kind of economic activity	Primary income		Compensation of employees				Income of members from producers' co-operatives		Gross entrepreneurial income	
	Number of earners	Average value per earner	Number of earners	Average value per earner	Number of full-time employees	Average value per full-time employee	Number of earners	Average value per earner	Number of earners	Average value per earner
1. Agriculture and hunting										
2. Forestry and logging										
3. Fishing										
4. Coal mining										
5. Crude petroleum and natural gas production										
6. Metal ore mining										
7. Other mining										
8. Manufacture of food, beverages and tobacco										
9. Textile, wearing apparel and leather										
10. Manufacture of wood and wood products, including furniture										
11. Manufacture of paper and paper products, printing and publishing										
12. Manufacture of chemicals and chemical, petroleum, coal, rubber and plastic products										
13. Manufacture of non-metallic mineral products, except products of petroleum and coal										
14. Basic metal industries										
15. Manufacture of fabricated metal products, machinery and equipment										

Table 14 (continued)

Kind of economic activity	Primary income		Compensation of employees				Income of members from producers' co-operatives		Gross entrepreneurial income	
	Number of earners	Average value per earner	Number of earners	Average value per earner	Number of full-time employees	Average value per full-time employee	Number of earners	Average value per earner	Number of earners	Average value per earner
16. Other manufacturing industries										
17. Electricity, gas and steam										
18. Water works and supply										
19. Construction										
20. Wholesale trade										
21. Retail trade										
22. Restaurants and hotels										
23. Transport, storage and communication										
24. Finance, insurance, real estate and business services										
25. Public administration and defence										
26. Sanitary and similar services										
27. Social and related community services										
28. Recreational and cultural services										
29. Personal and household services										
30. International and other extraterritorial bodies										

a/ Including unpaid family workers.

Table 15a. Compensation of employees for fractiles of employees ordered by size of compensation

	Total	Fractiles of employees ordered by compensation per employee												
		1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th			
1. All employees														
Compensation of employees														
(a) Wages and salaries														
(i) In cash														
(ii) In kind														
(b) Employers' contributions to social security and similar schemes														
2. Full-time employees														
Compensation of employees														
(a) Wages and salaries														
(i) In cash														
(ii) In kind														
(b) Employers' contributions to social security and similar schemes														

Table 15b. Compensation of employees by size of compensation

Like table 15a, but with the following column headings:

	All employees	Size groups of compensation per employee												
		1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th			

Table 16a. Sources of income of households with entrepreneurial income, for fractiles of households ordered by entrepreneurial income per household

Like table 11, but with the following headings and statistics:

	All households with entrepreneurial income	Fractiles of households with entrepreneurial income, ordered by entrepreneurial income per household									
		1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th

(Number of earners of specified income type and average values per earner, in households with entrepreneurial income)

Table 16b. Sources of income of households with entrepreneurial income, by size of entrepreneurial income

Like table 16a, but with the following column headings:

	All households with entrepreneurial income	Size groups of entrepreneurial income									
		1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th

Tables on the disposition of income

Table 17. Disposition of household income by socio-economic status of head of household

Socio-economic status of head of household

Components of income	Total	Agricultural				Non-agricultural								Economically inactive		
		Employers	Own-account workers		Employees	Employers	Own-account workers		Employees				Living in households			
			Members of producers' co-operatives	Others			Professional technical, consulting and similar activities	Other including members of producers' co-operatives	Civilian			Military	Dependent on pensions, social security etc.	Dependent on property income	Living in institutions	
									Managers, supervisors and professionals	Clerical, sales and service	Manual	Officers				Others
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	
Number of households																
Average number of persons per household																
Of which:																
Average number of adults																
Average number of minors																
1. Total available household income																
2. Less: Final consumption expenditures and consumer debt interest paid																
(a) Final consumption expenditures																
(i) In cash																
(ii) In kind																
(b) Consumer debt interest paid																
3. Less: Other current transfers paid																
4. Equals: Gross saving																
5. Plus: Capital transfers received, net																
6. Less: Gross capital formation																
(a) Owner-occupied dwellings																
(b) Other																
7. Equals: Net lending																

(Average values per household of stub items)

Table 18a. Disposition of household income for fractiles of households ordered by total household income

Like table 17, but with the following column headings:

All households	Fractiles of households ordered by total household income									
	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th

Table 18b. Disposition of household income by size groups of total household income

Like table 18a, but with the following column headings:

All households	Size groups of total household income									
	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th

Table 19. Disposition of income of households with entrepreneurial income, by socio-economic status of head of household

Components of income	Agricultural				Non-agricultural			Economically inactive	
	Employ-ers (2)	Own-account workers (3)	Employ-ees (4)	Employ-ers (5)	Own-account workers (6)	Civil-ian employ-ees (7)	Armed forces (8)	Living in house-holds (9)	Living in insti-tutions (10)
Total	(1)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Number of households									
1. Gross entrepreneurial income									
2. Total available household income									
3. Less: Final consumption expenditure and consumer debt interest paid									
4. Less: Other current transfers paid									
5. Equals: Gross saving									
(a) Positive									
(b) Negative									
6. Plus: Capital transfers received, net									
7. Less: Gross capital formation									
(a) Owner-occupied dwellings									
(b) Other									

Table 20. Final consumption expenditure per capita classified by socio-economic status of head of household

Categories of expenditure ^{a/}	Socio-economic status of head of household															
	Total	Agricultural					Non-agricultural							Economically inactive		
		Employers	Own-account workers		Employees	Employers	Own-account workers		Employees					Living in households		
			Members of producers' co-operatives	Others			Professional, technical, consulting and similar activities	Other, including members of producers' co-operatives	Civilian		Military			Dependent on pensions, social security etc.	Dependent on property income	Living in institutions
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	
Number of households																
Average number of persons per household																
Of which:																
Average number of adults																
Average number of minors																
1. Food, beverages and tobacco																
1.1 Food																
1.2 Non-alcoholic beverages																
1.3 Alcoholic beverages																
1.4 Tobacco																
2. Clothing and foot-wear																
3. Gross rent, fuel and power																
3.1 Gross rent and water charges																
3.2 Fuel and power																
4. Furniture, furnishings and household equipment and operation																
4.1 Furniture, fixtures, carpets, other floor coverings, and repairs																
4.2 Household textiles, other furnishings, and repairs																
4.3 Heating and cooking appliances, refrigerators, washing machines and similar major household appliances, including fittings and repairs																
4.4 Glassware, table-ware and household utensils, including repairs																
4.5 Household operation except domestic services																
4.6 Domestic services																
5. Medical care and health expenses																
6. Transport and communication																
6.1 Personal transport equipment																
6.2 Operation of personal transport equipment																
6.3 Purchased transport																
6.4 Communication																
7. Recreation, entertainment, education and cultural services																
7.1 Equipment and accessories including repairs																
7.2 Entertainment, recreational and cultural services, excluding hotels, restaurants and cafés																
7.3 Newspapers and magazines																
7.4 Education																
8. Miscellaneous goods and services																
9. Total final consumption expenditure																
(a) Durable goods																
(b) Semi-durable goods																
(c) Non-durable goods																
(d) Services																

(Per capita values of stub items)

^{a/} Where important, the categories of expenditure should be divided into (a) in cash, (b) in kind.

Table 21a.* Final consumption expenditure per capita, for fractile groups of household members ordered by total household income per capita

Like table 20, but with the following column headings:

	All household members	Fractiles of household members ordered by total household income <u>per capita</u>									
		1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th

Table 21b.* Final consumption expenditure per capita, for household members classified by size of total household income per capita

Like table 20, but with the following column headings:

	All household members	Size groups of total household income <u>per capita</u>									
		1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th

Table 22.* Average final consumption expenditure per capita classified by size and composition of household

Categories of expenditure	Size and composition of households																	
	All households	One member	Two adults	One adult and one minor	Two adults and one minor	One adult and two minors	Three adults	Two adults and two minors	One adult and three minors	Four-person households	Two adults and three minors	Four adults and one minor	Three adults and two minors	Five-person households	Two adults and four or more minors	Four adults and two or more minors	Three adults and three or more minors	Other
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
Number of households																		
Average number of persons per household																		
Of which:																		
Average number of adults																		
Average number of minors																		
1. Food, beverages and tobacco																		
1.1 Food																		
1.2 Non-alcoholic beverages																		
1.3 Alcoholic beverages																		
1.4 Tobacco																		
2. Clothing and foot-wear																		
3. Gross rent, fuel and power																		
3.1 Gross rent and water charges																		
3.2 Fuel and power																		
4. Furniture, furnishing and household equipment and operation																		
4.1 Furniture, fixtures and floor coverings																		
4.2 Household textiles, other furnishings, and repairs																		
4.3 Heating and cooking appliances, refrigerators, washing machines and similar major household appliances, including fittings and repairs																		
4.4 Glassware, table-ware and household utensils, including repairs																		
4.5 Household operation except domestic service																		
4.6 Domestic service																		
5. Medical care and health expenses																		
6. Transport and communication																		
6.1 Personal transport equipment																		
6.2 Operation of personal transport equipment																		
6.3 Purchased transport																		
6.4 Communication																		
7. Recreation, entertainment, education and cultural services																		
7.1 Equipment and accessories, including repairs																		
7.2 Entertainment, recreational and cultural services, excluding hotels, restaurants and cafés																		
7.3 Newspapers and magazines																		
7.4 Education																		
8. Miscellaneous goods and services																		
9. Total final consumption expenditure																		
(a) Durable goods																		
(b) Semi-durable goods																		
(c) Non-durable goods																		
(d) Services																		

(Average expenditure per capita)

Table 23.* Total consumption of the population classified by purpose

Categories of expenditure	Total	Purpose classification			
		Education	Medical care and health expenses	Welfare services	Other
		(1)	(2)	(3)	(4)
1. Final consumption expenditure of households					
2. Final consumption expenditure of general government assigned to households					
3. Final consumption expenditure of private non-profit bodies assigned to households					
4. Expenditure of industries assigned to households					
5. Health, education and current housing subsidies furnished by general government to households					
6. Total consumption of the population					

(Aggregate absolute values)

Cross tabulations of fragile groups of households with selected other characteristics

Table 24a. Number of household members and total household income per household, classified by fragile groups of households ordered by total household income and socio-economic status of head of household

Socio-economic group	Number of households	All households		Fragile groups of households ordered by total household income																			
		Number of persons per household	Total household income per household	1st		2nd		3rd		4th		5th		6th		7th		8th		9th		10th	
				(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
Total	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)
1. Agricultural																							
(a) Employers																							
(b) Own-account workers																							
(1) Members of producers' co-operatives																							
(ii) Other																							
(c) Employees																							
2. Non-agricultural																							
(a) Employers																							
(b) Own-account workers																							
(1) Professional, technical, consulting and similar fields																							
(ii) Other, including members of producers' co-operatives																							
(c) Employees																							
(1) Civilian																							
a. Managers, supervisors and professional																							
b. Clerical, sales and service																							
c. Manual																							
(ii) Military																							
a. Officers																							
b. Other																							
Economically inactive																							
(a) Living in households																							
(1) Dependent on pensions, social security benefits etc.																							
(ii) Dependent on property income																							
(b) Living in institutions																							

Table 24b. Number of household members and total household income per household, classified by size groups of total household income and by socio-economic status of head of household

Like table 24a, but with size groups of total household income rather than fragile groups of households in the columns

Table 25a. Total household income and final consumption expenditure for household for fractile groups of households ordered by household income and household size

Size of household	All households		Fractile groups of households ordered according to total household income																			
	Number of persons per household	Total household income per household	1st		2nd		3rd		4th		5th		6th		7th		8th		9th		10th	
			(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
One member	(1)	(2)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)
Two members																						
Two adults																						
One adult and one minor																						
Three members																						
Two adults and one minor																						
One adult and two minors																						
Three adults																						
Four members																						
Two adults and two minors																						
One adult and three minors																						
Other																						
Five members																						
Two adults and three minors																						
Three adults and two minors																						
Four adults and one minor																						
Other																						
Six and more members																						
Two adults and four or more minors																						
Four adults and two or more minors																						
Three adults and three or more minors																						
Other																						

Table 25b. Total household income and final consumption expenditure per household for size groups of total household income and household size

Like table 25a, but with size groups of total household income instead of fractile groups of households in the columns

Table 26a. Total household income classified by number of earners per household and fractile groups of households ordered by total household income

Number of earners per household	All households		Fractile groups of households ordered to total household income									
	Number of households	Total household income per household	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
One earner												
Two earners												
Three earners												
Four or more earners												

(Average values of total household income per household)

Table 26b. Total household income classified by number of earners per household and size groups of total household income

Like table 26a, but with size groups of total household income instead of fractile groups of households in the columns

Annex II

SOURCES AND METHODS OF ESTIMATING THE DATA ON THE DISTRIBUTION OF INCOME, CONSUMPTION AND ACCUMULATION OF THE HOUSEHOLD SECTOR

1. Practically all the data required for the complementary system of statistics of the distribution of income, consumption and accumulation can be obtained by means of household surveys. Such surveys can provide detailed information on income, expenditure and accumulation and can also supply the necessary data for classifying this information according to a large number of characteristics of households and individuals. The limits to what can be achieved in these respects by means of household sample surveys are mainly determined by the available manpower and financial resources and the ability and willingness of respondents to provide information.

2. Population censuses, income tax statistics and social security statistics are useful sources of data on incomes. The data obtained from these sources are frequently used as control totals in estimating income figures for the universe as a whole from sample data. Some information on accumulation may also be derived from tax statistics. However, this source does not furnish any information on expenditures. Moreover, data obtained from tax statistics need substantial adjustments in order to arrive at the income concepts of the complementary system, and they can only be classified by a limited number of characteristics of households or individuals.

3. A few items of the complementary system can only be estimated by the statisticians at the processing stage. This is, for instance, the case for outlays by government, private non-profit institutions and enterprises that should be included in the total consumption and the total income of the population. Information on these outlays has to be obtained from the accounts of the units that make the expenditures; in order to make an approximate distribution of the total amounts over population groups, information has to be utilized from household surveys or other sources on who the recipients of the various outlays are. Employers' contributions to social security and similar schemes generally have to be estimated indirectly by means of information from the units paying the contributions or on the basis of the prevalent rates of contribution. Special surveys may be needed to obtain data on incomes and expenditures of the institutional population because this group generally is not covered by household sample surveys.

Household sample surveys

The scope of the surveys

4. In order to meet the requirements of the complementary system, the household surveys providing the data of the system should ideally cover all regions of a country and all population groups. A step-by-step approach may be necessary, undertaking individual surveys for each major population group in urban and rural

areas over a period of years. Since it is not likely that countries will be able to gather all the data of the statistics on income, consumption and accumulation in a single operation, it may also be necessary to undertake separate surveys for each of the main components of the statistics. It is important that the various surveys fit into a pattern that will eventually cover all population groups and preferably also all the components of the statistics. The guidelines provide a consistent conceptual framework within which the individual surveys may be undertaken. It is important that the whole sequence of surveys take place within a relatively short period of time in order to avoid the eventuality that first surveys become out of date before the last ones have been started.

5. An analysis of national practices shows that surveys that focus on expenditures classified according to a number of relevant household characteristics are often developed first. Later, additional surveys are developed that are focused on incomes and accumulation. It is common that the various types of surveys are extended gradually from covering one or a few population groups to being representative for the population as a whole.

Technical aspects of sample surveys

6. It is, of course, essential that the household sample surveys undertaken in order to gather data on income distribution and related statistics should use sampling methods that yield results that are representative and that minimize the sampling errors. For a discussion of the technical aspects of sampling, reference may be made to A Short Manual on Sampling, vol. I, Elements of Sample Survey Theory, Studies in Methods, series F, No. 9, Rev.1. (United Nations publication, Sales No. E.72.XVII.5). This publication also contains a selected list of textbooks in sampling that are widely used.

7. As a general rule, in deciding on the sample plan, the primary consideration should be to keep non-sampling as well as sampling errors at a minimum. The non-sampling error caused by non-response and under-reporting or by faulty reporting is often much larger than the sampling error. The non-sampling error can be reduced but not entirely eliminated by careful preparation and organization of the surveys and by employing well trained interviewers. In order to determine the extent of distortions due to non-sampling errors and as a help in correcting the sample results, it is essential to compare the results of the surveys with control totals taken from macro-statistics.

Methods of gathering information

8. In many countries the only possible method of gathering information for household surveys is through interview, because the respondents are not able to keep systematic records. In order to obtain sufficiently reliable information by means of interview frequent visits by the interviewers are needed, because the recall of respondents covers a short period only. The need to conduct frequent interviews limits the length of the interview period because the cost of employing a large number of interviewers over a long period of time is high. The number of items on which information can be obtained by the interview method alone is also limited, because it is quite common that the interviewers can only judge the reliability of information on items that are relatively easy to define.

9. Wherever possible, it is advantageous to combine interviews with book-keeping. The interview method is then often used to gather information at the beginning of household surveys on household composition, on possession of durable goods and on other special characteristics that may be of interest, such as dwelling conditions. Information on incomes is also sometimes obtained by interview either at the beginning or at the end of the survey period. This information should be obtained from each individual household member. Data on savings and net lending are often obtained by interview at the end of the survey period. Detailed data on the composition of consumption expenditure can best be obtained by the book-keeping method.

10. In determining the length of the survey period several factors have to be taken into account, such as the seasonality of the purchases of certain items of food and clothing, heating and vacation expenses, and the irregularity of purchases of major items of household equipment. In many developing countries, money incomes also vary considerably from period to period without there necessarily being any consistent pattern in the variations. Where the book-keeping method is applied, possible systematic errors that may arise because some households may make incomplete or erroneous entries in their books are more easily detected and corrected the longer the survey period lasts. It can also be shown that the total sampling error of household surveys decreases with the duration of the surveys. However, where detailed information is to be collected in a survey, a relatively large sample is needed in order to obtain meaningful data for all subgroups, and the amount of resources required to gather and compile all the data required for this large sample limits the possible length of the survey period.

The problem of non-response

11. It is difficult, if not impossible, to ensure the co-operation of all the households chosen to participate in household surveys based on random sampling. For this reason, some countries decide from the beginning of a survey to concentrate on households that are willing to participate voluntarily. This, of course, biases the results. When the households are selected at random, which is usually the case, many households refuse to co-operate or drop out during the course of the survey. As already mentioned, these households should as far as possible be replaced by households with similar characteristics.

12. The willingness to co-operate in household surveys of income, consumption and accumulation varies considerably among groups of the population. Usually, the rate of non-response of salary earners is lower than that of wage earners, pensioners etc. and the rate is highest for households owning their own businesses. Pensioners and other persons outside the working force, as well as households owning their own businesses, are generally more suspicious than other population groups that the information they supply in income and expenditure inquiries may be used for purposes detrimental to their interests. In order to obtain a sample that is, as far as possible, representative for all population groups, higher sampling ratios should be used for groups that are known usually to have high rates of non-response.

13. The rate of non-response also varies according to household size. In general, it is more difficult to include one-person households in household surveys than other households, simply because the interviewers do not find some single individuals at home even after repeated visits. Also, many of the one-person households consist of pensioners and other non-active persons who refuse to participate for the reasons indicated in the previous paragraph.

14. Households in the middle income size groups are usually more willing to participate in surveys of income and expenditure than are households in the lower and higher income groups. The respondents in the lowest income groups are sometimes illiterate or do not possess sufficient knowledge to provide reliable information to the interviewers. Households in the highest income groups generally are reluctant to respond to survey questions on their income. These households often refuse to participate in the surveys at all or the information they provide is not reliable.

Estimation of totals for the universe

15. For some analytical purposes it is not strictly necessary to bring the sample up to control totals for the population as a whole; percentage distributions derived directly from the sample can be used. It is, however, always dangerous to use the survey results directly, because adequate corrections for non-response and other biases may not have been made. If possible, therefore, totals should be brought up to the level of the national accounts for at least the main items of the statistics, classified according to an important household characteristic such as socio-economic status. Moreover, blow-ups of the sample are needed if it is desired for some purposes to combine into broader groups classifications of households or individuals for which the rate of non-response and the number of unusable records differ.

16. Where differing sampling ratios are used and the rate of non-response also differs among groups of households, a simple blow-up by means of the inverse of a uniform sampling ratio will lead to inaccurate results. If control totals are available from an independent source, such as the national accounts, and the blown-up figures do not deviate very much from these totals, proportional adjustments to the blown-up figures may be justified. However, if the discrepancies between the blown-up figures and the national accounts totals are larger for some groups of the population than for others, it may be necessary to collect additional information from the individuals or households within these groups in order to reduce the discrepancies to an acceptable level.

17. More refined methods of arriving at totals for the universe may be applied. It may, for instance, be assumed that the total number of households has remained constant or has increased by a certain percentage since the most recent population census. Percentage distributions from the population census or from the survey itself may be used in order to estimate the total number of households within each socio-economic group and household size group. In order to avoid distortions because of differences in response by households with differing incomes within each socio-economic or size group of households, it may be useful to use the size group of household income determined on the basis of information collected at the first survey interview as a further criterion of classification.

18. For each individual group of households that is formed after distribution of the households simultaneously according to the three criteria of socio-economic group, number of household members and income size group, blow-up factors can be obtained by dividing the total number of households derived as indicated in the previous paragraph by the number of households with usable records actually covered by the survey. The entries for each item of income or expenditure for each individual group of households according to the survey multiplied by the blow-up factor appropriate to the group then yield totals for the universe.

Households of owners of unincorporated enterprises

19. Households with relatively large incomes from business or professional activities usually can make a clear distinction between transactions relating to their business activities and transactions relating to the households as such. However, households with members who operate small farms or businesses usually cannot distinguish clearly between business and household transactions. Nevertheless, in order to estimate their net incomes it is important to try to obtain from them as exact information as possible on the outlays they incur in connexion with their businesses.

20. Households with members owning small unincorporated enterprises should be asked at least to indicate which items of expenditure consist of a mixture of business and household expenses and they should preferably also try to divide these items between the two purposes. As a general rule, however, it is not possible to carry through an exact distinction between the business and household expenditures of households owning unincorporated enterprises, because little information about this can be obtained through book-keeping or interview and the possibilities of making adjustments at the stage of compilation are limited.

21. Difficulties also arise in obtaining reliable data on the net incomes of households with members owning unincorporated enterprises and particularly those engaged in agriculture and handicrafts. It is generally not possible to request the latter households to provide separate figures for the incomes and outlays of their businesses for the purposes of household surveys. Income figures for these households that are not adjusted for all business expenses therefore may have to be accepted.

22. Under certain assumptions the income of a household from a profession or entrepreneurship may be derived residually by using the following formula: Income from business or professional activity = Household final consumption expenditure, plus current transfers paid (including direct taxes and contributions to social security), plus outlays in connexion with capital transactions (including those referring to business assets and repayments of loans), less income from work for others and from capital, less current transfers received, less incomes in connexion with business assets and borrowing. The assumptions here are that savings not embodied in real assets are zero and that minor items of income and expenditure not in the formula cancel out.

23. It is, of course, not possible to arrive at accurate results on the basis of the above formula. Several of the items of the formula may be inaccurate and this may or may not have a cumulative effect on the balancing item. In spite of this, the use of this formula may still lead to an acceptable estimate of the income from business or professional activity, particularly where it is believed that the major items of the formula are at least approximately accurate or that the errors in the items may to some extent cancel out.

The accuracy of entries on expenditure

24. Even where every precaution is taken to avoid inaccurate entries both through the careful design of accounting books and through intensive instruction of interviewers, it frequently happens that the replies of the respondents refer to broader groups of expenditure than intended. For instance, entries like

expenditure on fruits, vegetables, meat, insurance premiums etc. are often used while more detailed entries are actually asked for. The reason for this is that the housewives do not take enough care in keeping accounts or that the questions asked by interviewers are not precise enough.

25. A particular problem arises because modern sales methods, types of packaging and methods of preparing sales slips make it very difficult for housewives to make an exact allocation of the total purchase value on individual commodities after the purchase. It is therefore preferable that housewives of book-keeping households do their shopping in supermarkets and similar outlets according to previously prepared lists. They should also check carefully that packages contain exactly the quantities they wish to purchase. Sometimes, no indication is given of the quantity contained in a package or the quantities may be expressed in foreign units if the goods are imported.

26. Difficulties in estimating some items of expenditure also arise because of the periods of payment used. For instance, the gas and electricity companies in some countries present final bills only quarterly, semi-annually or even annually. In the months between the presentation of final bills estimated amounts are collected. This practice does not, of course, influence the annual consumption figures. The estimated amounts cannot be used as actual monthly and quarterly data, however, because the idea behind this payment system may be precisely to even out the expenditures over seasons. To overcome this difficulty when monthly or quarterly data are wanted, the households may be asked to find the volume of their gas and electricity consumption by reading their meters. The value of the consumption may then be estimated accurately by multiplying the volume by rates per unit obtained from suppliers. Similar difficulties may arise for other commodities that are paid for at intervals less frequent than the reference period.

Estimates based on sources other than household surveys

27. The data on household consumption needed for statistics on consumption must generally be obtained from household sample surveys conducted specially for this purpose or from multipurpose surveys, because no other adequate source of these data exists. However, countries sometime obtain data on the distribution of incomes from population censuses. Also, income tax and social security statistics and other administrative sources are sometimes used as sources of income distribution statistics, either individually or in combination with each other or with household surveys. Tax statistics are also sometimes used as the main or supplementary source of estimates of income and accumulation.

Income data derived from population censuses

28. Income data collected in population censuses or in income surveys undertaken in connexion with such censuses can be classified according to a large number of characteristics of households or individuals, because the census questionnaires contain all the information needed for this purpose. Usually only total cash income or cash income classified by source into only a few items are asked for in population censuses or in samples drawn from them; occasionally income in kind is also covered. The income concept used approximates the concept of total household income as defined in these guidelines. Some countries collect information on sources of income in population censuses.

Income tax statistics

29. Statistics based on income tax returns are compiled and published in many countries. The coverage, quality and volume of information presented in income tax statistics and also the concepts and definitions used vary considerably from country to country; consequently the usefulness for purposes of income distribution statistics of the information provided by these statistics also varies.

30. The taxpayer, which is the statistical unit used in income tax statistics, is defined in the tax laws and may consist of a single individual or a married couple (sometimes including unmarried children with their own incomes).

31. Two main income concepts are usually applied in income tax statistics, namely, declared income and taxable income. Declared income includes all incomes above the tax limit that are actually declared and also incomes below the tax limit that the taxpayers need to declare in order to obtain tax refunds where taxes are withdrawn at the source. Income in kind is sometimes included in declared incomes; however, income in kind is usually undervalued and in developing countries where income in kind is most important the major part of this income is concentrated in population groups where total incomes fall below the taxable level. Taxable income equals declared income less statutory deductions for number of dependents, losses incurred etc. This concept is less useful for purposes of income distribution statistics than is that of declared income, because of its narrower coverage.

32. In some cases, because the tax authorities use special rules in estimating incomes for taxation purposes, declared incomes do not refer to incomes actually earned during a year. Thus income from farming is sometimes calculated by means of coefficients determined by the size and type of farms. The income of unincorporated enterprises is for taxation purposes frequently estimated as the average for a number of years.

33. In countries where income tax statistics are relatively reliable, it has been found that these statistics provide better information on the distribution of incomes at the upper end of the income scale than can be obtained in household surveys or any other source. They also sometimes provide more reliable information on property income. Data on income in the higher income brackets and for entrepreneurial income that are obtained in household surveys are sometimes replaced by figures taken from tax returns. This procedure requires as accurate matching of income concepts and of income recipients in the two sources as is possible. The matching of the data involves complicated techniques, particularly where the procedure has to be based on series that have already been processed and not on individual data files. In developing countries such procedures are usually not applicable because the items of income or the income sizes that tend to be reported inaccurately in household surveys are reported at least equally inaccurately in income tax records.

Social security records

34. Social security systems usually cover all wage and salary earners outside agriculture and sometimes some groups of owners of small businesses, who may be voluntary or compulsory members. Sometimes wage and salary earners in

agriculture are also covered. The statistical unit applied in social security statistics is the individual. Particularly the data on wages and salaries earned in non-agricultural occupations that can be derived from social security statistics or from social security records are useful for checking the data from household surveys, although a certain degree of under-reporting of wages and salaries to social security is not uncommon. This under-reporting arises because some enterprises fail to declare the income of a part of their work force by tacit mutual agreement. In the case of workers who are not permanently attached to a particular employer, such as agricultural workers, temporary staff, domestic help and piece-workers, the under-reporting may be particularly serious.

35. Social security records are, of course, the main source of comprehensive information on social security contributions paid and social security benefits received. The total amounts of these contributions and benefits and their distribution among households or individuals according to income groups, kind-of-activity groups and sometimes also socio-economic groups can be derived from these records. It is therefore possible to use the social security information as the basis for macro statistics of the distribution of social security contributions and benefits.

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