

**Comments on draft SNA chapter:
Chapter 24: The households sector**

Deadline for comments: 31 October 2008

Send comments to: sna@un.org

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This template allows you to record your comments on draft SNA chapter 24 “The households sector” and, at the same time, makes it easy for us to use your comments in considering revisions to the draft chapter. You may complete any or all parts of the template.

There is no file comparing existing text with draft text for this chapter because the draft is largely new text.

Save this template and send it as an attachment to the following e-mail address:
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Part I: General comments

In the space below, please provide any general comments. This may cover e.g. the structure of the chapter, issues missing and (lack of) consistency with other chapters of the 2008 SNA.

General comments:

<p>General comment</p>	<ul style="list-style-type: none"> • This is a short and, in general, a well-written chapter. • In terms of structure, the section on “1. Residence” and “2. Households and the informal sector” should be moved from the “A. Introduction” and placed before “B. Sub-sectoring households” section, and should be expanded as a separate section called “Criteria and definition of households” reflecting inclusions and exclusions. • More detail and the treatment of a number of other areas is needed to provide a fuller and more balanced picture: <ul style="list-style-type: none"> ○ Need a section covering the links between incomes and expenditures of households and the development of Social Accounting Matrices (SAMs), after Section F and before Section G. Alternatively, Section F could be extended and/or rewritten. ○ SAMs are important enough, and worthy enough, to warrant a section in this chapter. More importantly, there should be a chapter on SAMs in Volume 2, with a brief section in this chapter making key points and reference to the SAMs chapter. ○ Household satellite account covering the links to, and the different approach and sources needed, as well as incorporation of activities like preparation of meals, unpaid production, etc. ○ Employee stock options. ○ Employee pension schemes and pension contributions. ○ Evasion, hidden economy and illegal economy. ○ Under-recording and under-declaration of incomes. ○ Households’ savings ratio. ○ Real household disposable income. ○ Balance sheet for the household sector. • Need to be careful, and clearer, when referring to “buildings” as opposed to “residential dwellings” or “dwellings”. Similarly, “rent” or “rental”. The terms are not inter-changeable. • The use of the term “household sector” as opposed to “households sector” should be used consistently throughout. <p>Style and consistency points for this chapter and/or across SNA chapters</p> <p>This section is evolving and expanding through the process of the feedback provided on earlier SNA chapters. This should be considered as a check list reflecting various issues identified through the chapters to date but the issue(s) may or may not occur in each and every chapter, or in this chapter.</p> <p>These are a number of specific points which you may wish to consider for “consistency” in the editing of the revised SNA as a whole publication. Examples include:</p>
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- There are various occurrences of American spelling and English spelling of words. I do not know which approach you are applying but consistency within each chapter, and across the chapters, is necessary. I would recommend the English spelling (not surprisingly!). For example, “organized” should be “organised”.
- There is an important style point which increases the usefulness for the reader. Many of the cross-paragraph references, for example, if there are exclusions in a list of examples, to know where the exclusions are included elsewhere in the SNA in the same text reference is extremely helpful. Although it is time and resource intensive to cross-check all such references, this needs to be balanced against the value and usefulness for the reader as well as ensuring consistency across the SNA.
- The separation of either a list of examples or list of bullet points need to be consistent across, e.g. “;” followed by for the penultimate point with “and” or use full stops for each point. Whichever the approach, it needs to be the same across the SNA. Also the beginning of a bullet point should start with a capital letter or a lowercase letter, again consistency is needed.
- In the text, reference to tables should be “Table x.x” and not as “table x.x”.
- Use of Latin phrases or the English equivalent written in full? Again, consistency is the underlying theme, I am happy with either approach.
- “Et cetera” when abbreviated should be “etc.” with the full stop, this is often missed.

Terminology and reference to GDP and GVA

- There is a need for consistency and correctness in the way references are made to GDP. There is **one estimate of GDP** and there are **three approaches to measuring GDP, production, income and expenditure**. When using reference to one approach, it should be written as **production approach to measuring GDP** and not the production measure of GDP – same applies when referring to the other approaches. In terms of GDP, reference should be to production and not output, however in terms of the industry, output is valid. This approach needs to be used in this chapter and other chapters.
- Reference to “current values” should be replaced with “current price values” or “values in current prices”, either version is much clearer.
- When referring to value added, it should be made clear whether it is gross value added or net value added. Without the clarification, the text can be misinterpreted.

Part II: Comments on specific draft paragraphs and sections

All comments on specific draft paragraphs are welcome. They can be about e.g. scope, content and clarity. Proposing a concrete alternative text or table is also possible. For the paragraphs in separate sections, separate forms are used for providing and collecting comments (see below).

A. Introduction (paragraphs 24.1-24.5)

General Comment	<ul style="list-style-type: none"> • See Main General Comments for the restructuring of the text on Residence and Households and the informal sector. • Need to explain that although NPISHs serve households, NPISHs are not part of the households sector as well as final consumption by NPISHs is not part of final consumption by households.
24.1	<ul style="list-style-type: none"> • 2nd sentence, after "...production, consumption" add "(final or intermediate)", reflecting the different types of consumption of households as a consumer and producer. • Bullet point b., replace "foxed" with "fixed". • Indent the text covered by the bullet points. • Need to include sole proprietors/self-employed. • Need to provide the distinction, and the two roles played by households, either as a producer or as a consumer in the introduction, with the requirements of an institutional unit laid out supporting the producer role.
24.2	<ul style="list-style-type: none"> • It should be made clear that GDP is a measure of economic activity, and does not measure human well-being and therefore reflect welfare or reflect the impact on the environment. • 1st sentence, it is not only government policy that has an impact on the well-being of households but the other sectors too, in particular the market sectors, earnings, prices paid for goods and services, etc. • 2nd sentence, replace "ex post" and "ex ante" and write in full. The change in consumer behaviour due to availability of products and prices needs to be made clearer.
24.3	<ul style="list-style-type: none"> • Need to briefly cover the treatment, i.e. inclusions/exclusions, of particular categories, for example, students, tourists, etc. • 1st sentence, replace "remits" with "sends". • 2nd sentence, remove brackets. • 2nd sentence, remove "urban" and "rural", it would be better to say "across different regions".
24.4	Although reference is made to the informal sector in Chapter 25, a brief definition is needed.
24.5	Last sentence, remove the words "The last section".

* Insert rows in this Word table for each paragraph on which you wish to comment.

B. Sub-sectoring households (paragraphs 24.6-24.21)

General Comment	The title “Sub-sectoring households” should be changed to something like “Classification of households” or “Analysis of household activity” as this better reflects discussion on the production perspective and consumption perspective which is different from the income perspective.
24.6 to 24.9	<ul style="list-style-type: none"> • Need to explain the source(s) and basis of the sub-sectoring of households. • In addition to the institutional sector classification and the different types of household enterprises, there is a need to also include the classification by industry dimension. • Need to cover the coverage and the under-coverage issues affecting this sector. For example, households may have annual turnover below the taxation thresholds and thereby are not captured under either Pay-As-You-Earn schemes or VAT registration, and thereby not included on Business Registers and in turn grossed business survey results. • Need to mention the links to evasion and hidden economy activity.
24.6	<ul style="list-style-type: none"> • This paragraph is not clear and maybe a table could be used to illustrate the different categories as separate headings and the sub-sectors. • 2nd sentence, remove the word “do” before the word “encompass”. • 2nd sentence, do residential schools meet all the criteria of an institutional unit?
24.8	This paragraph would read better if the two sentences were swapped around.
24.9	1 st sentence is unclear and does not make sense. Better to describe that the household sector can include different categories, and then list them using bullet points.
24.10	<ul style="list-style-type: none"> • 2nd sentence, replace the word “amount” with “proportion”. • Need to reflect there have been various papers that show that changes to consumption patterns are linked income deciles as well as issues like age and type of employment.
24.11	1 st sentence, need to explain “what problem”?
24.12	This sentence is poorly written. Better to say, “The impact of incomes other than compensation of employees on total household income and spending patterns is not clear.”.
24.13	<ul style="list-style-type: none"> • 1st sentence, replace the words “where it does not” with “also”. • Last sentence, replace the word “identify” with “link”.
24.14	<ul style="list-style-type: none"> • 2nd sentence, replace with “In line with the discussion under the production perspective, the categories for the main source of income are as follows.”. • Indent the text covered by the bullet points. • Property income needs to be changed as it is not a transfer.

24.15	Remove last sentence.
24.16	<ul style="list-style-type: none"> • 1st sentence, replace “One of them” with “One alternative to overcome this difficulty”. • 2nd sentence, insert “,” after “... example”.
24.17	1 st sentence, replace “The second” with “Another”.
24.19	<ul style="list-style-type: none"> • 2nd sentence, add “or” before “of working age but not”. • Need to recognise that retired individuals can still be part of the working population.

* Insert rows in this Word table for each paragraph on which you wish to comment.

C. Households as producers (paragraphs 24.22-24.36)

General comment	<ul style="list-style-type: none"> • Need to expand this section to cover other key and major industries/activities which are undertaken by households as producers, for example: <ul style="list-style-type: none"> ○ Construction, like self-build dwellings. ○ Homeworking on piecework rates. • Need to cover coverage issues related to each of the industries covered, for example the under-coverage issues as raised in comments under Section B. • Need to describe the difference between gross operating surplus (i.e. imputed rental on owner-occupier dwellings) and mixed income for this sector.
24.22	<ul style="list-style-type: none"> • Need to provide a summary definition of what constitutes households as producers. For example: <ul style="list-style-type: none"> ○ Producers of market output. ○ Producers of output for own final use. • In both the above cases, examples should be provided. For example, there are unincorporated businesses, which tend to be individuals and have unlimited liability. The important criterion is that they do not have any partners. Sole proprietors can have employees, many people think they are only individuals but the "no partner" issue is the key. They will have to have this status agreed with official tax authorities for taxation and national insurance purposes.
24.23	2 nd sentence, all of this activity should be treated as production, i.e. work-in progress. Need to explain any price change is treated separate from any inventory change.
24.24	<ul style="list-style-type: none"> • 1st sentence, replace “purchaser’s prices” with “purchasers’ prices”, there is more than one purchaser. • 1st sentence, add “and distribution margins.” after “...transportation costs.” • Need to be clearer what defines the market price different from the

	purchasers' price and farm-gate price. The market price is closer to the purchasers' price than the farm-gate price.
24.25	In principle, the output for own final use should be recorded as output and consumption. The relaxed reference to the inclusion "unless the amounts involved are significantly large" is misleading. Need to provide some guidance on what is deemed to be "significantly large".
24.26	<ul style="list-style-type: none"> • 1st sentence, replace "buildings" with "residential dwellings" or "dwellings". • 3rd sentence, replace "rent" with "rental".
24.27	<ul style="list-style-type: none"> • Need to cover the treatment / inclusion of FISIM in estimating the output of owner-occupier dwellings. • Need to distinguish that output for own final use from output produced for sale at economically significant prices. • Last two sentences, remove the brackets.
24.28	Need to insert "gross" before "operating surplus" as the depreciation may be treated as a cost in the audited accounts, operating surplus and value added are measured on a gross basis in line with the contribution to GDP.
24.29	Need to explain the distinction between "major" repairs and "minor" repairs. Minor repairs are often treated as final consumption by households and not as gross fixed capital formation. Most improvements to dwellings are treated as GFCF.
24.30	<ul style="list-style-type: none"> • 1st sentence, income for the house owner from leasing out the property should be treated as gross mixed income and not as gross operating surplus. • In terms of the "empty house" example, need to explain that the output in this case is zero and there is a gross operating deficit (not a surplus) as well as a net operating deficit.
24.31	1 st sentence, insert the word "resident" between "same" and "economy".
24.32	<ul style="list-style-type: none"> • 1st sentence, insert the words "of services" after both "exports" and "imports". • Need to also explain where, and how, the intermediate consumption and final consumption related to the house maintenance and improvements are recorded.
24.33	1 st sentence, remove the words "in principle".
24.34	<ul style="list-style-type: none"> • Title should be "Domestic services" and not "Domestic staff" – the latter has a different meaning. • 1st sentence, replace "Services provided by paid domestic staff" with "Domestic services provided by paid individuals". • Throughout the paragraph, replace "staff" with "individual" or "individuals". • 1st sentence, remove the word "but".

	<ul style="list-style-type: none"> • 1st sentence, replace “in kind” with “earned-in-kind”.
24.35	<ul style="list-style-type: none"> • 1st sentence, add “and can work either part-time or full-time for the paying household but are resident in a different household.” at the end of the sentence. • Examples using “children” is odd, may be better to refer to “family members of the household”.
24.36	1 st sentence, remove extra space before “In”.

* Insert rows in this Word table for each paragraph on which you wish to comment.

D. Households as consumers (paragraphs 24.37-24.40)

General comment	<ul style="list-style-type: none"> • HHFCe can be analysed by type of product as shown by the 12 divisions of COICOP as described in 24.20. Need to also cover that HHFCe can be analysed by type of goods characterised by durability (non-durable, semi-durable and durable), services and net tourism. • Need to explain there are two ways of analysing consumption, final consumption expenditure and actual final consumption.
24.37	<ul style="list-style-type: none"> • The types of expenditure are discussed without defining the household as a consumer. For example, households are defined as small group(s) of people or individuals, resident in the economic territory who share living accommodation, income and wealth, and consume goods and services collectively, or individually, for example meals. Then go to discuss the types of expenditure. • Text beginning “In principle” should have a paragraph number.
24.38	1 st sentence, replace “in kind” with “earned-in-kind”.
24.39	<ul style="list-style-type: none"> • This paragraph should treat and explain separately the expenditure by residents and non residents. That is residents’ final consumption expenditure in the rest of the world (also shown as imports of services) separate from the expenditure in the resident country by households resident in the rest of the world (also shown as exports of services). • 1st sentence, add “or by businesses or by government” after “... non-resident households.”. • 2nd sentence, replace “...that the supply ...” with “...that the products in the supply...”. • Last sentence, remove the word “in” between “chapter” and “29”.
24.40	Need to add the Purchasing Power Parities dimension and the need for such detailed deflation, which allows for international comparisons of final consumption expenditure by households.

* Insert rows in this Word table for each paragraph on which you wish to comment.

E. Household income (paragraphs 24.41-24.45)

General comment	Paragraph renumbering after 24.37.
24.42	<ul style="list-style-type: none"> • 1st sentence, remove “property income” as this is not a form of redistribution. • 3rd sentence, insert “,” after “...introduction”.
24.45	<ul style="list-style-type: none"> • Replace “in kind” with “earned-in-kind”. • Replace “might be” with “is”.

* Insert rows in this Word table for each paragraph on which you wish to comment.

F. Household wealth and associated income flows (paragraphs 24.46-24.50)

General comment	<ul style="list-style-type: none"> • Paragraph renumbering after 24.37. • This section is very brief but more could be described regarding the household sector incomes, and key variables, like: <ul style="list-style-type: none"> ○ Households’ savings ratio. ○ Real household disposable income. ○ Balance sheets for the household sector. ○ Direct share ownership separate from pension funds and the regular income from dividends. ○ Interest income earned from banks and building society savings deposits.
24.46	1 st sentence, replace “houses and pension funds” with “fixed assets like property and financial assets including income from pension funds”.
24.49	2 nd sentence, replace “cumulated” with “accumulated”.
24.50	This paragraph does not need a sub-heading or the number 1. as there is only one paragraph and the beginning of the paragraph is clear about what is being covered.

* Insert rows in this Word table for each paragraph on which you wish to comment.

G. Data sources (paragraph 24.51)

General comment	<ul style="list-style-type: none"> • Paragraph renumbering after 24.37. • More could be provided describing examples, and issues, of supply-based business surveys providing details of spending by households (for example, retail sales) and demand-based household surveys. In addition, the role and use of household income data derived from administrative sources. • Need to describe the difficulties and quality related issues (e.g. under-recording income, expenditure and value of assets owned) in collecting data for households via household type surveys.
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24.51	3 rd sentence, replace “rent” with “rental”.
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* Insert rows in this Word table for each paragraph on which you wish to comment.

Part III. Other specific comments

You are welcome to make other specific comments. To assist you in doing so, the following points are provided as a guide to the types of points on which you might wish to comment. Note, though, that you are not restricted to commenting on only these points.

1. Are there any other considerations or options for sub-sectoring households that you would wish to see included?
2. Are there any other aspects of household production that should be elaborated in the chapter?
3. Are there any other references you would suggest including?

Specific comments:

Specific comments	
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You are also welcome to comment directly on the PDF file of the draft chapter. Please do so by using Adobe Acrobat Version 6 or 7.

If you don't have Adobe Acrobat Version 6 or 7 and would like to make detailed comments, please send a message to sna@un.org requesting a version of the draft chapter that permits you to comment. To optimize your commenting tools, please download Adobe Reader 7.0 for free from <http://www.adobe.com/products/acrobat/readstep2.html>