



**UNITED NATIONS
ECONOMIC
AND
SOCIAL COUNCIL**



Distr.
GENERAL

E/CN.3/462
5 July 1974

ORIGINAL: ENGLISH

STATISTICAL COMMISSION
Eighteenth session
Geneva, 7 - 18 October 1974
Item 12 of the provisional agenda

**STATISTICS OF THE DISTRIBUTION OF INCOME, CONSUMPTION AND ACCUMULATION;
DRAFT GUIDELINES FOR THE DEVELOPING COUNTRIES**

Report of the Secretary-General

CONTENTS

	<u>Paragraphs</u>
INTRODUCTION	1 - 4
I. ACTION BY THE STATISTICAL COMMISSION	5 - 6
II. PURPOSES AND NATURE OF THE STATISTICS	7 - 16
A. The major requirements	7 - 14
B. Periodicity of the requirements	15 - 16
III. SCOPE AND BROAD PRIORITIES OF THE STATISTICS	17 - 30
A. Scope	17 - 23
B. Broad priorities in evolving the system	24 - 30
IV. THE STRUCTURE, DEFINITIONS AND CLASSIFICATIONS OF THE SIMPLIFIED SYSTEM	31 - 56
A. Structure	31 - 45
B. The system in relation to the SNA	46 - 56

CONTENTS (continued)

	<u>Paragraphs</u>
V. THE DEFINITION AND CLASSIFICATION OF THE STATISTICAL UNITS	57 - 83
A. The household and the individual	57 - 64
B. Classifications of the statistical units	65 - 83
VI. THE DEFINITION AND CLASSIFICATION OF INCOMES	84 - 121
A. Compensation of employees	85 - 94
B. Gross entrepreneurial income	95 - 104
C. Gross primary income	105
D. Property income	106 - 109
E. Gross distributed factor income	110 - 111
F. Current transfers	112 - 119
G. Gross available income	120 - 121
VII. THE DEFINITION AND CLASSIFICATION OF CONSUMPTION	122 - 132
A. Final consumption expenditure	123 - 127
B. Total consumption of the population	128 - 132
VIII. DEFINITION AND CLASSIFICATION OF ACCUMULATION	133 - 142
A. Gross accumulation and its finance	133 - 142
IX. TABULATIONS	143 - 169
A. Types of measures used in the tables	146 - 149
B. Summary measures	150 - 155
C. The tables	156 - 164
D. Order of priority	165 - 169
X. SOURCES OF DATA	170 - 181
A. Household sample surveys	173 - 176
B. Other sources	177 - 181

ANNEX. PROPOSED MINIMUM NUMBER OF TABLES

INTRODUCTION

1. This paper presents a proposal for a simplified system of statistics on income, consumption and accumulation complementary to the United Nations System of National Accounts (SNA). 1/ The system is meant for use by developing countries. The full draft complementary system of income distribution and related statistics, which is linked both to the SNA and to the Material Product System (MPS), is set out in document E/CN.3/425 "A draft system of statistics of the distribution of income, consumption and accumulation".
2. In preparing the present paper, account has been taken of comments on document E/CN.3/425 made by the Expert Group on Statistics of the Distribution of Income, Consumption and Accumulation 2/, by the Statistical Commission 3/, and by regional meetings in Africa 4/, Asia 5/, and Latin America 6/.
3. The simplified system of statistics on income, consumption and accumulation is intended for use by countries which are still in the early stages of statistical development.
4. The need for a separate simplified system arises because many developing countries do not at present have sufficient basic statistics to compile even the main parts of the full complementary system without significant modifications of concepts and classifications. Some of these countries have not yet undertaken any surveys on consumption or on income and are not in a position to embark on surveys of this kind which would furnish the data needed for the full complementary system. In many countries, only data on the composition of the consumption of certain groups of the population are collected at infrequent intervals in order to furnish weights for the cost-of-living index. A number of developing countries have information on taxed incomes but because of tax evasion and limited coverage, these data generally are not usable for analytical purposes. In other cases, scattered data on wage and salary rates in certain occupations are the only available information.

1/ United Nations publication, Sales No. E.69.XVII.3.

2/ E/CN.3/426.

3/ Official Records of the Economic and Social Council, Fifty-fourth Session, Supplement No. 2, paras. 80 - 85.

4/ "Report of the Working Group on Household Sector Statistics" (E/CN.14/586).

5/ "Report of the Working Group on Statistics of the Distribution of Income, Consumption and Accumulation" (ASTAT/WGDI/3).

6/ "Report of the Working Group on Statistics of the Distribution of Income, Consumption and Wealth" (ST/ECLA/Conf.42/L.6).

I. ACTION BY THE STATISTICAL COMMISSION

5. After considering this report, the Statistical Commission may wish:

(a) To recommend international guidelines on a simplified and adapted version of the full system of statistics of the distribution of income, consumption and accumulation for the use of developing countries, based on this report modified, as necessary, in the light of the Commission's discussions and conclusions; and

To request the Secretary-General

(a) To prepare, publish and circulate a document on the simplified and adapted version of the full system of statistics of the distribution of income, consumption and accumulation adopted by the Statistical Commission at its eighteenth session.

6. The printing cost of the publication listed above, in English, French and Spanish, is estimated at \$3,000.

II. PURPOSES AND NATURE OF THE STATISTICS

A. The major requirements

7. A substantial increase in the per capita gross domestic products and national incomes at constant prices has taken place in many developing countries in the last decennium. However, the increase in incomes has often failed to sift down to the lower income groups of the population.

8. The main purpose of income distribution and related statistics in developing countries is therefore to provide data for assessing the equity of the distribution of consumption and income among different population groups and to study their characteristics. Another important use of income distribution and related statistics is to provide information for developing methods of taxation to provide funds for use by governments for investment, for welfare schemes, etc.

9. In order to take the necessary measures to reduce poverty and to achieve a more equitable distribution of consumption and income, information on the actual distribution of the flows in cash and in kind among different population groups is needed. This information makes it possible to study the strata of the population which do not yet have the means to meet their minimum needs for food, clothing, housing and educational and medical services and are most in need of help. Data on quantities of the consumption of various types of food are needed in order to assess to what extent some population groups suffer from caloric deficiencies.

10. In many developing countries, the consumption financed out of the incomes of the households themselves in cash or in kind, or derived from their own production, is supplemented by services provided free of charge by government and private non-profit services 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) of course provides a better picture of the distribution of welfare among different population groups than household final consumption expenditure alone.

11. Data on the incomes of different population groups which are the source of finance of their purchases of consumption goods and of their saving, are also needed. Gross primary incomes, i.e. incomes gross of depreciation, which are the result of direct participation in the process of production, constitutes the bulk of household incomes in developing countries. Primary incomes consist of compensation of employees and entrepreneurial income. A considerable part of primary incomes consists in income in kind in developing countries. Primary income is the basic income concept determining the level of living which most of the population in developing countries can afford.

12. Gross distributed factor income, which is arrived at by adjusting gross primary income for net property income received, is of interest in defining the welfare of some population groups in developing countries. Households in the higher income brackets often receive a considerable part of their incomes in the form of interest and land rents. It is also customary in many developing countries that households borrow funds in order to finance expenditures for special occasions, such as weddings, funerals, etc., and pay substantial amounts of consumer debt interest on these funds. The net effect of including these items therefore is to make the income distribution more unequal.

13. The incomes which are ultimately available to the households for purposes of consumption and saving are, in addition, affected by current transfers received and paid. The government may influence the distribution of available income among population groups, for instance, by means of measures such as progressive taxation and social assistance grants. Also, in some developing countries, gifts in cash and in kind between households are often important enough to influence the distribution of available income.

14. In many developing countries, direct taxes are the only item of current transfers for which reliable information is available. Since direct taxes are also the most important item of current transfers, distributed factor income less direct taxes paid is a concept which may be used as a proxy for gross available income in developing countries in measuring the distribution of welfare among different population groups.

B. Periodicity of the requirements

15. For purposes of periodic evaluations of the level of living of households, data on all aspects of the simplified system classified according to detailed characteristics of households and individuals are needed. Most importance should be attached to obtaining as comprehensive data as possible on household consumption in cash and in kind. Special sample surveys may be undertaken in order to obtain this information, or questions could be added to periodic multi-purpose sample surveys. It would normally not be possible to gather this information more frequently than every three to five years.

16. Small-scale annual sample surveys of household consumption should, if possible, be undertaken in order to obtain information on short-term changes in the levels of living of different population groups. The data obtained from these surveys cannot be classified in the same detail as those collected in the infrequent surveys.

III. SCOPE AND BROAD PRIORITIES OF THE STATISTICS

A. Scope

1. Population

17. In order to provide data which are as useful as possible for the purposes indicated above, the definitions, classifications and tabulations of the items of the simplified system must be mutually consistent and the system should ideally cover the population as a whole. Income distribution and related statistics for the institutional population, are, however, difficult to collect and to allocate among persons with different characteristics, particularly in the case of the developing countries. The coverage of the simplified system is therefore confined to the non-institutional population only.

2. Receipts and outlays in kind

18. It is imperative that the concepts of income, consumption and accumulation applied in the simplified system include transactions in kind as well as in cash. 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.

19. The imputed figures on income in kind, of course, must be matched with the 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. For instance, in the case of consumption, 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 is assumed to take place at the same time as the goods are produced.

3. Data at comparable prices

20. Few countries prepare estimates of income distribution and related statistics at constant prices. However, in the case of household consumption it is essential to have series expressed in constant prices in order to obtain a meaningful measure of the development of welfare. Often, the over-all consumer price index has to be used in deflating the series at current prices. In many cases, this index refers to one population group or one city only and cannot be considered as representative for the population as a whole.

21. In order to arrive at a more exact estimate of the changes in consumption at constant prices for different population groups, it is desirable to develop separate consumer price indexes for various regions of a country and for households with different levels of consumption expenditure. In most developing countries, the prices paid for the same commodity may differ substantially according to regions and also according to the level of income and expenditure of households.

22. 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. While it is feasible to compile weights for such indexes based on the data gathered concerning the patterns of consumption of the various groups of households, it is more difficult to gather series of data on the prices they pay. This involves 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. Nonetheless, it is desirable to gather the required price series and to compile the wanted consumers' price indexes, at least for major groups of households with markedly different levels of income and patterns of consumption.

23. While the value of items of consumer expenditure in most cases can be factored without difficulty into price and quantity components in terms of their own units, this is not so in the case of items of income. Income at constant prices therefore has to be estimated in terms of its purchasing power in respect of a given basket of goods and services. If a measure of changes in real income is sought, the gross available income of various groups of households may be deflated

by a price index which reflects changes in its purchasing power in respect of the basket of commodities which they purchased during a base period. It is, on the whole; less important to estimate income than consumption at constant prices.

B. Broad priorities in evolving the system

24. Most developing countries will find that the data of the system relating to household consumption expenditure are both more urgently needed and easier to collect than data on income. Data on consumer expenditures at current and constant prices should therefore be given first priority in evolving the system. Estimates of final consumption expenditure of households in cash and in kind should be developed first, and 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.

25. Household consumption expenditures in most cases should be classified by object, at least in the detail required by the second level of the classification shown in table 6.1 "Classification of household goods and services", of the SNA. For some items, the first level of the classification may be sufficient. As far as food expenditures are concerned, the third level of detail of the classification, or even more detailed items may be needed in order to provide information useful for studies of changes in the nutritional level, particularly of the poorer sections of the population.

26. 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.

27. Data on income should be given next priority in evolving the system. Gross primary income in cash and in kind is the most important income concept in developing countries and should be given first priority among the income concepts. Compensation of employees in several instances may have to be confined to wages and salaries only, because of the difficulties of gathering data on employers' contributions to social security, pension and similar funds for households and individuals.

28. The data on property income required by the simplified system in order to derive gross distributed factor income from gross primary income are usually collected in household surveys. Data on direct taxes paid are also commonly collected in such surveys, while it is more difficult to obtain information on the other current transfers received and paid, which is needed in order to arrive at gross available income. The concept of gross distributed factor income less direct taxes paid may therefore be given second priority among the income concepts of the

simplified system and may be used as the concept showing the amounts available for consumption and saving. Gross available income would, accordingly, be given the lowest priority among the income concepts. It follows that estimates of the total income of the population distributed according to population groups should also be assigned to lowest priority.

29. Data on capital finance transactions are particularly important for households whose heads are owners of unincorporated enterprises. It is generally more difficult to gather information on these transactions than on consumption and income and they should consequently be given a low priority in the case of other households.

30. 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 thus may be used to supplement information on household incomes and expenditures. Particularly data on the distribution of land, which are available from censuses of agriculture, provide an important measure of welfare. The collection of such data should therefore be given a high priority in agricultural census work.

IV. THE STRUCTURE, DEFINITIONS AND CLASSIFICATIONS OF THE SIMPLIFIED SYSTEM

A. Structure

1. General

31. The proposed structure of the simplified system is set out in table 1 in the form of balanced accounts. The accounts portray each major step in the receipt and use of income by households and are as far as possible consistent with the accounts of the SNA. The relationship of the items of the system to those of the SNA is described in the following section of this chapter.

Table 1. The accounts of the simplified system

A. Income and outlay account

3. Gross primary income <u>a/</u> , <u>b/</u>	1. Compensation of employees <u>a/</u> , <u>b/</u> , a. Wages and salaries i. In cash ii. In kind b. Employers' contributions to social security and similar private schemes 2. Gross entrepreneurial income a. Owner-occupied dwellings b. Unincorporated enterprises other than owner-occupied dwellings
Disbursements	Receipts

/...

A. Income and outlay account (cont'd)

6. Consumer debt interest paid	4. Gross primary income <u>a/</u> , <u>b/</u>
7. Gross distributed factor income	5. Property income received a. Interest b. Land rent and other
Disbursements	Receipts
12. Casualty insurance premiums	8. Gross distributed factor income <u>a/</u> , <u>b/</u>
13. Unrequited current transfers a. Direct taxes b. Social security contributions <u>a/</u> c. Other	9. Casualty insurance benefits
14. Gross premiums on life insurance and private pension funds <u>b/</u>	10. Unrequited current transfers received a. Social security benefits b. Other
15. Gross available income <u>b/</u>	11. Benefits from private pension funds and life insurance companies
Disbursements	Receipts
18. Final consumption expenditure a. In cash b. In kind	16. Gross available income <u>b/</u>
19. Gross saving <u>b/</u>	17. Contributions <u>less</u> benefits, life insurance companies and private pension funds <u>b/</u>
Disbursements	Receipts

B. Capital finance account

22. Gross capital formation a. Owner-occupied dwellings b. Unincorporated enterprises other than owner-occupied dwellings	20. Gross saving <u>b/</u>
23. Purchases of land, net	21. Capital transfers received
24. Net lending <u>b/</u>	
Disbursements	Receipts

B. Capital finance account (cont'd)

27. Net acquisition of financial assets, of which: a. Currency and transferable deposits b. Trade credit and advances c. Other	25. Net lending <u>b/</u> 26. Net incurrence of liabilities, of which: a. Consumer debt b. Mortgages c. Other unincorporated enterprise debt
Disbursements	Receipts

C. Total consumption and income of the population c/

3. Final consumption expenditure of households 4. Final consumption assigned to households from: a. Government services b. Private non-profit bodies c. Industries	1. Gross available income 2. Income due to free or reduced cost services furnished by government, private non-profit producers and industries
Total consumption of the population	Total gross income of the population

D. Composition of gross current receipts

1. Wages and salaries 2. Gross entrepreneurial income 3. Property income received 4. Casualty insurance benefits 5. Unrequited current transfers received 6. Life insurance and pension fund benefits received	
Gross current receipts	

a/ Where items 1, 3, 4 and 8 of account A reflect wages and salaries only, item 13b excludes the part of social security contributions that employers pay on behalf of their employees.

b/ Where items 1, 3, 4, 8, 14, 15, 16, 17, 19 and 20 of account A reflect wages and salaries only, items 24 and 25 exclude the part of the total change in the net equity of households on life insurance reserves and pension funds which is due to employers' contributions to such schemes on behalf of their employees.

c/ Total consumption of the population differs from total income of the population, because gross available income differs from final consumption expenditure of households.

2. The income and outlay and capital finance accounts

32. Accounts A and B of table 1 show the major stages in the formation of household income and the major uses to which the final income concept, i.e., gross available income, is allocated.

(a) Gross primary income

33. Primary income consists of the receipts of employees and entrepreneurs from their participation in production, i.e., compensation of employees and entrepreneurial income. In the case of several developing countries, it may be very difficult to gather and compile data on employers' contributions to social security and similar private schemes on the behalf of their employees. In these circumstances, item 1 "Compensation of employees", of table 1, will have to be limited to wages and salaries only. The consequences of this for other items of income, expenditure and accumulation are indicated in footnotes a and b of the table.

34. It is recommended that entrepreneurial income should be recorded gross of consumption of fixed capital since it cannot be expected that households in most developing countries are able to provide reliable data on depreciation. Gross entrepreneurial income originating from the ownership of dwellings should be shown separately from entrepreneurial income originating from household business activity including the leasing of dwellings. For many analytical purposes, it is necessary to have separate figures for the latter item since income from ownership of dwellings is an imputed item and is not the result of actual business transactions.

35. 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. All income from owner-occupied dwellings is income in kind.

(b) Gross distributed factor income

36. Gross distributed factor income is the sum of the incomes of households from their participation in production, i.e., gross primary income and their net incomes from property. It corresponds to the share of households in the gross national income of a country.

37. In developing countries, gross property income received by households consists mainly in interest received on personal loans and land rent received by absentee landlords. Consumer debt interest is an important item of property income paid.

38. It should be noted that, as was already mentioned earlier in this paper, gross distributed factor income less direct taxes paid is a useful income concept in the case of developing countries. Direct taxes are the most important transfer payments made by households in these countries and information on amounts paid is usually gathered in household surveys. In order to arrive at this concept item 13a should be deducted from item 8 of table 1 A.

(c) Gross available income

39. In arriving at gross available income, which is the income actually at the disposal of households for consumption and saving, gross premiums paid and benefits received in respect of casualty insurance, as well as unrequited current transfers received and paid (including direct taxes) have to be taken into account. For the purposes of the simplified system, gross premiums and benefits in respect of life insurance and pension funds are also taken into account; the transactions are included in available income in the simplified system because some households live entirely on incomes received from pensions, and life (or burial) insurance benefits sometimes finance significant amounts of household expenditures.

40. The allocation of gross available income to personal consumption in cash and in kind and to gross saving is shown in the last part of account A of table 1. In order to arrive at a savings concept which corresponds to that of the SNA, gross saving has to be adjusted for benefits less contributions in respect of life insurance companies and pension funds.

(d) Capital finance transactions

41. The upper part of account B of table 1 shows how the gross saving and the capital transfers received by households are invested in gross capital formation and net lending. Like gross entrepreneurial income, 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 construction on own-account from each of these items.

42. The lower part of the table shows the transactions in financial assets and liabilities that make up net lending. For the purposes of developing countries, the most important items to be singled out on the asset side are (i) currency and transferable deposits and (ii) trade credit and advances. On the liability side, it is useful to single out (i) consumer debt and (ii) mortgages.

3. Accounts for total consumption and total current receipts

43. In addition to household income and outlay and capital finance accounts, table 1 includes (i) an account for the total consumption and income of the population and (ii) an account on the composition of total gross current receipts of households.

(a) Total consumption and income of the population

44. As shown in account C of table 1, total consumption of the population is made up of the sum of final consumption expenditure 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 the gross available income of households equals their total gross income.

(b) Gross current receipts

45. Account D of table 1 relates to the gross current receipts of households. Gross current receipts consist of all receipts on the income and outlay account of households, without any deduction for disbursements. This concept can usually be derived from the income and expenditure inquiries of households in developing countries. It may be used in the formulation of tax policies in some countries and may give a rough measure of the welfare of the population.

B. The system in relation to the SNA

1. General

46. The simplified system is complementary to the SNA and includes information relating to the distribution of the income and expenditure of households according to a number of characteristics, which could not be included in the SNA itself without overburdening the system. However, the concepts and definitions of the flows of the simplified system should as far as possible correspond to those of the SNA.

47. Certain differences from the SNA are necessary and desirable with regard to the definitions of the flows of the simplified system. The definitions should be oriented as far as possible to the way in which the households view the flows. For instance, for this reason the concept of gross available income

is introduced in the system instead of the concept of disposable income which is used in the SIA. In other cases the definitions of flows differ from those used in the SIA for practical statistical reasons. For instance, a number of imputed and estimated items which are used in the SIA, as for instance, estimates of service charges in respect of casualty and life insurance and the consumption of fixed capital, cannot be adopted for the purposes of the simplified system because it is not feasible to gather these data from households.

49. Thus, the delineation and definitions of flows of the simplified system necessarily differ in certain respects from those of the SIA. The differences in the definition of transactions are discussed in the chapter of this paper which deals with the definition and classification of the flows of the simplified system. The structure of the simplified system is compared with that of the SIA in the following sections of the paper.

2. Income and outlay accounts

49. The income and outlay account for households is set out in account III E 3 on page 163 of the SIA. In order to derive the items on the income and outlay account of the simplified system (see table 1 above) from the SIA account, it is necessary to re-arrange the latter account. In addition, it is necessary to add certain flows concerning transactions in respect of pension funds and life insurance which are not treated as income and outlay transactions in the SIA. Consumption of fixed capital has to be transferred from the capital finance account in order to derive gross, instead of net, income concepts.

50. The income and outlay account of the SIA needs to be subdivided in order to distinguish the stages in the formation of household income. The concepts of primary income and distributed factor income are not used in the SIA. Data on the disposable income of households, is shown in a supporting table to the income and outlay accounts of the SIA. This concept differs from available income since it does not include net receipts from life insurance and pension funds.

(a) Primary income

51. The relationship to the SIA income and outlay account of the sub-account of the simplified system which relates to primary income is shown below. (In the case of all the sub-accounts below in respect of income and outlay, the single-digit numbers relate to the item numbers of table 1 of this paper, while the three or four digit codes are the codes assigned to flows in the SIA income and outlay account III E 3).

/...

-
1. Compensation of employees
 Subdivide flow 3.4.1 into:
 - a. Wages and salaries
 - i. In cash
 - ii. In kind
 - b. Employers' contributions to social security and similar private schemes

Items a and b may be derived from a supporting table of the SNA. The imputations in the SNA in respect of unfunded pensions paid by employers are excluded. The SNA does not distinguish between wages and salaries paid in cash and in kind.

2. Gross entrepreneurial income
 This item refers to unincorporated enterprises included in the household sector and equals operating surplus (3.3.2) less other interest (3.4.6.1 ii) and rent (3.4.6.3), plus consumption of fixed capital (item 5.3.3). A distinction should be drawn, which is not present in the SNA, between:
 - a. Owner-occupied dwellings
 - b. Unincorporated enterprises other than owner-occupied dwelling
 - i. In cash
 - ii. In kind
3. Gross primary income, which does not appear in the SNA.

(b) Distributed factor income

52. The arrangement of the items of the SNA accounts that are needed in order to arrive at the sub-account of the simplified system on gross distributed factor income is shown in the account below.

<ol style="list-style-type: none"> 6. Property income paid - Consumer debt interest (3.4.6.1 i) 7. Gross distributed factor income, which is not shown in the SNA 	<ol style="list-style-type: none"> 4. Gross primary income, which is not shown in the SNA 5. Property income received (3.4.7) <ol style="list-style-type: none"> a. Interest (3.4.7.1) b. Land rent and other (3.4.7.2 + 3.4.7.3)
Disbursements	Receipts

It is not necessary to modify any of the flows on this account, but the items for property income paid and received are simplified as compared with the SNA account.

/...

(c) Available income

53. It is necessary to modify and rearrange the flows on the SNA and outlay account for households in order to derive the sub-account for gross available income of the simplified system. The main changes are the inclusion of transactions in respect of life insurance and pension funds, the inclusion of service charges in respect of insurance transactions in the premiums paid and a considerable simplification of the classification of unrequited current transfers. An item on the imputations in respect of unfunded obligations of employees, which is included in the SNA, is omitted. The required alterations are shown in the account below.

12. Casualty insurance premiums Flow 3.5.1 <u>plus</u> service charge on casualty insurance, which is part of final consumption expenditure (3.3.32) in the SNA	8. Gross distributed factor income, which is not shown in the SNA 9. Casualty insurance benefits (3.5.2)
13. Unrequited current transfers a. Direct taxes (3.6.1) b. Social security contributions (3.6.3) c. Other (3.6.2 + 3.6.6 + 3.6.11)	10. Unrequited current transfers received a. Social security benefits (3.6.4) b. Other (3.6.5 + 3.6.8 + 3.6.12)
14. Gross premiums on life insurance and private pension funds Part of flow 5.8.9, which is not explicitly shown in the SNA, <u>plus</u> service charges on life insurance and pension funds which is part of final consumption expenditure (3.2.32) in the SNA	11. Benefits from private pension funds and life insurance companies Part of flow 5.8.9, which is not explicitly shown in the SNA
15. Gross available income. Disposable income, which is shown in a supporting table of the SNA <u>plus</u> item 11 <u>less</u> item 14 above, <u>plus</u> consumption of fixed capital (item 5.3.3 of the SNA)	
Disbursements	Receipts

(d) Disposition of gross available income

54. The sub-account for the disposition of gross available income and the relationship of the flows on the account to those of the SNA is shown below.

18. Final consumption expenditure (3.3.32 <u>less</u> service charges in respect of insurance and pension funds) a. In cash b. In kind The SNA does not distinguish between final consumption expenditure in cash and in kind.	16. Gross available income (see item 15 of the previous account)
19. Gross saving (3.7.1 + 5.3.3)	17. Gross premiums <u>less</u> benefits in respect of life insurance companies and private pension funds Item 14 <u>less</u> item 11 of the previous account
Disbursements	Receipts

3. Capital finance

55. Essentially the same structure and concepts are used in the capital finance accounts of the simplified system as in the corresponding accounts of the SNA. However, a subdivision of gross capital formation is introduced, and the classifications in the lower part of the account are considerably abbreviated. The item numbers of table 1 of this paper and the code numbers of SNA account III E 5 are used in the table below. Because of the prevalence of own-account capital formation in developing countries items 22a and 22b should preferably be classified into (i) purchased capital formation and (ii) capital formation on own account.

22. Gross capital formation (5.2.5 + 5.2.6 + 5.7.4 + 5.7.5) A distinction should be drawn, which is not done in the SNA, between: a. Owner-occupied dwellings b. Unincorporated enterprises other than owner-occupied dwellings	20. Gross saving (5.7.1 + 5.3.3)
23. Purchase of land, net (5.7.4)	21. Capital transfers received (5.7.6, not taking into account capital transfers paid)
24. Net lending (5.7.8)	
Disbursements	Receipts

/...

<p>27. Net acquisition of financial assets (5.8.1 through 5.8.13)</p> <p>a. Currency and transferable deposits (5.8.2)</p> <p>b. Trade credit and advances (5.8.11)</p> <p>c. Other (5.8.1 through 5.8.13, excluding 5.8.2 and 5.8.11)</p>	<p>25. Net lending (5.7.9)</p> <p>26. Net incurrence of liabilities (5.9.7 + 5.9.8 + 5.9.11 + 5.9.12 + 5.9.13)</p> <p>The subdivision of the item in the SNA has been replaced by:</p> <p>a. Consumer debt</p> <p>b. Mortgages</p> <p>c. Other unincorporated enterprise debt</p>
<p>Disbursements</p>	<p>Receipts</p>

4. Total consumption and total income

56. The relationship between the account of the simplified system on total consumption and total income and the SNA accounts is shown in the table below. The item numbers refer to table 1 of this paper and the code numbers to SNA accounts and flows.

<p>3. Final consumption expenditure of households (III E 3.2.32)</p> <p>4. Final consumption expenditure assigned to households from</p> <p>a. Government services (part of III C 3.2.20)</p> <p>b. Private non-profit bodies (part of III D 3.2.31)</p> <p>c. Industries (part of C E n 1.2.1)</p>	<p>1. Gross available income</p> <p>Disposable income, which is shown in a supporting table of the SNA <u>plus</u> item 11 <u>less</u> item 14 of the table above relating to available income, plus consumption of fixed capital (item 5.3.3 of the SNA)</p> <p>2. Income due to free or reduced cost services furnished by government, private non-profit institutions and industries.</p> <p>This concept is not used in the SNA.</p>
<p>Total consumption of the population. This concept is not used in the SNA.</p>	<p>Total income of the population. This concept is not used in the SNA.</p>

V. THE DEFINITION AND CLASSIFICATION OF THE STATISTICAL UNITS

A. The household and the individual

57. The household should be used as a statistical unit for all aspects of the simplified system. It is the primary statistical unit for the classification and tabulation of household consumption expenditure, total consumption and total income of the population, gross distributed factor income less direct taxes, gross available income, and capital finance transactions. It is desirable and practical to use the individual as the income-recipient unit in respect of gross primary income. However, difficulties may arise in using the individual as the statistical unit in the case of entrepreneurial income because unincorporated enterprises are often owned and operated jointly by several members of a household.

1. The definition of the household

58. Two concepts of the household are used in inquiries into the income, expenditure and accumulation, namely the housekeeping and the family approaches. Both approaches are included in the recommendations of the 1970 Censuses of Population and of the SNA.

59. According to the housekeeping approach, a household may be (i) a one-person household, i.e., a person who makes provisions for his own food and other essentials of living, without combining with any other person to form a multi-person household, or (ii) 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 and 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. In the case of the family approach, the multi-person household is limited to individuals related by blood, marriage or adoption who satisfy the other conditions of a housekeeping unit.

60. For purposes of the simplified system, the housekeeping approach to the household or an adaptation of this concept should be used. Two principal approaches may be used in defining households according to this 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 which are normally resident in the household. The de facto approach has been recommended because it reduces the difficulties of collecting data on income, expenditure, etc. which 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 the changing composition of the household from visit to visit. The amounts

/...

referring to the period prior to each visit estimated by recall then may be added up for the survey period as a whole. An approximate average amount per household for the period as a whole is obtained by dividing this total by the average of the number of household members present at each visit. A few countries use more refined methods which make it possible to estimate the average household size and composition during the survey period. In order to do this, all movements in and out of the households during the survey period have to be accounted for.

61. Practical difficulties may be encountered in applying the standard definitions 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.

62. It also happens that the same household has 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 were actually in use at the time of the inquiry and had 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.

63. 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.

64. Since the classifications of households according to important characteristics, such as socio-economic class, are tied to the position of the head of the household, it is important that the definition of the household head should be as unambiguous as possible. It is recommended that for purposes of the simplified system, the head of household should be defined as the individual generally recognized as such by the other members of the household. In cases where the person who normally would be considered as the head of household is not living there, the de facto head should be used instead.

B. Classifications of the statistical units

1. General

65. The sample surveys from which the countries applying the simplified system obtain their information on the income, consumption and accumulation of households and individuals are likely to be limited in scope. This reduces the number and detail of the classifications which can be applied in tabulating the data. Also the number of classifications which is applicable to the countries using the simplified system is limited.

66. As far as possible, the classifications of the statistical units should delineate the pattern in which the main forms of income, consumption and accumulation are distributed among the population in such a way that the main factors responsible for the patterns of distribution are highlighted. For purposes of the simplified system it is particularly important to identify disadvantaged groups of the population and the circumstances underlying their poverty, so that measures may be devised which can improve the conditions.

67. The tables in the annex set out the basic classifications which are needed for purposes of tabulating the data of the simplified system. Tabulations of the data of the system according to the proposed classifications should furnish the basic information which is generally wanted in developing countries, concerning the distribution of incomes, consumption and accumulation. It is practicable to use these basic classifications because they are based on information commonly collected in national inquiries into household income and expenditure.

68. Some countries may find it desirable and feasible to use various classifications of the series of the simplified system in addition to those that are recommended. The additional classifications of statistical units that are used vary from country to country and inquiry to inquiry, depending on the requirements for data and the practicability of gathering the information that is needed to carry out the classification in question.

69. In order to be useful for the purposes to be served, the data for both households and individuals should as a minimum be classified according to size of income and consumption, in aggregate and per capita terms, and according to socio-economic groups. In addition, it would be useful to classify households according to location (regions, urban and rural areas, main cities) and according to number of members and to classify individuals according to age and sex.

2. Classifications according to size of an aggregate

70. Tabulations of the appropriate statistics of the simplified system according to categories of the size of income aggregates will delineate not only the patterns of distribution of the main forms of income but also the differences in the kind and magnitude of the sources and the uses of income. It is suggested that size groups of gross distributed factor income should be the classifying characteristic used in the tables distributing the average value of transactions, average gross primary and distributed factor income and gross available income. Average distributed factor and available income, final consumption expenditure and saving are suggested classified according to size groups of gross available income. Current receipts may be wanted in some cases instead of distributed factor income.

71. Final consumption expenditure by object should be classified in terms of size groups of the aggregate itself. As was indicated earlier in this paper, a classification of household consumption expenditure by size groups of consumption may yield a better picture of the distribution of welfare than size distributions of income in countries with few or unreliable income data.

72. In order to arrive at size group classifications which are internationally comparable, the classifications have to be made in terms of fractile groups. It is not feasible to recommend standard international size group classifications in absolute terms, because national currencies differ in value.

73. 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 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 in one single operation.

74. In the case of the simplified system, a classification by eight fractile groups should be sufficient. Using eight fractile groups has the advantage that the absolute value of the upper limits of the second and sixth groups correspond to the first and third quartiles, respectively, and the upper limit of the fourth group is the median. 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 five or one per cent of the population. A similar splitting up of the lower fractile group may not provide information of interest, because the lower two or three fractile groups of households may lie below the poverty line in less developed countries.

75. For internal purposes size group classifications in terms of national currencies are generally used. The number of groups used in this case may vary from country to country depending on the detail of information available. The upper and lower intervals of these classifications are open-ended. The upper limit of the lower interval may be determined as the amount of income or expenditure needed by an individual or a household in order to be above the level of destitution. For intermediate income groups widening intervals should be used in order to dampen the effects of random variations in the data. By using intervals which are equal in logarithmic terms, data which indicate the relative rather than the absolute difference in the aggregates are obtained.

3. Classification by socio-economic classes

76. A standard international classification of socio-economic classes has not yet been fully developed. Work on a standard classification is, however, to be carried forward as part of the preparation of international guidelines on a system of demographic, manpower and social statistics. The classification proposed in table 2 below is a slightly modified version of the classification by socio-economic classes proposed for the full complementary system of income distribution and related statistics (see table 2, page 54 through 57 of document E/CN.3/425).

Table 2. Classification according to socio-economic classes a/

-
1. Employers in agriculture
Heads of unincorporated enterprises classified in major division 1 of the ISIC (Agriculture, forestry, fishing and hunting) who have one or more employees, not including family workers. b/
11. Mainly owning the land they cultivate.
12. Mainly renting the land they cultivate.

a/ The ISIC referred to in this table is set out in the International Standard Classification of All Economic Activities, Series M, No. 4, Rev. 2, Statistical Office of the United Nations, New York, 1968. The ISCO referred to in this table is set out in International Standard Classification of Occupations, Revised 1968, International Labour Office, Geneva.

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.

/...

2. Own-account workers in agriculture
Heads of unincorporated enterprises classified in major division 1 of the ISIC (Agriculture, forestry, fishing and hunting) who have no employees, excluding family workers. b/ Some countries may wish to include employers with one or two employees in this, instead of the immediately preceding category. Members of agricultural producer co-operatives are included and are classified under 21 below.
 21. Mainly owning the land they cultivate.
 22. Mainly renting the land they cultivate.
3. Employers outside agriculture
Heads of unincorporated enterprises classified in major divisions 2 to 9 of the ISIC, who have at least one employee, not including family workers.
 31. Modern sector
 32. Traditional sector
4. Own-account workers outside agriculture
Heads of unincorporated enterprises classified in major divisions 2 to 9 of the ISIC who have no employees, excluding family workers. b/ Some countries may wish to include employers in these activities who have one or two employees in this category instead of in group 3.
 41. Workers in the professional, technical and similar fields.
 42. Artisans and small traders
 43. Other
5. Employees in agriculture
Employees of establishments classified in major division 1 of the ISIC who fall into major groups 0/1 (Professional, technical and related workers), 2 (Administrative and managerial workers) and 3 (Clerical and related workers) of the ISCO. Also, labourers, farm managers and supervisors of establishments who are classified to major group 6 (Agricultural, animal husbandry and forestry workers, fishermen and hunters) of the ISCO and labourers who fall into group 9-8 (Transport equipment operators) of the ISCO.
6. Employees outside agriculture
 61. Managers, supervisors and professional employees
Employees of establishments and public administration, classified in major divisions 0/1 (Professional, technical and related workers), 2 (Administrative and managerial workers), in group 3-0 (Clerical supervisors), 3-1 (Government executive officials), 3-5 (Transport and communication supervisors), 4-0 and 4-1 (Managers and working proprietors, catering and lodging services), 5-2 (Housekeeping and related service supervisors) and 7-0 (Production supervisors and general foremen), and in minor group 4-21 (Sales supervisors), all of the ISCO.

62. Clerical, sales and service workers
Employees of establishments and public administration classified in major divisions 2 to 9 of the ISIC who fall into major groups 3 (Clerical and related workers), 4 (Sales workers) and 5 (Service workers) of the ISCO excepting those who belong to groups 3-0, 3-1, 3-5, 4-0, 4-1, 5-0, 5-1 and 5-2 and minor group 4-21 of the ISCO, who are classified in group 61 above.
 63. Manual workers
Employees of establishments and public administration classified in major divisions 2-9 of the ISIC, who fall into major group 7/8/9 of the ISCO (Production and related workers, Transport equipment operators and labourers), excepting those belonging to group 7-0, who are included in group 61 above.
 64. Members of the armed forces
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.
 641. Officers
 642. Others
7. Economically inactive persons living in households
71. Persons living from pensions, social assistance benefits, gifts, etc.
Persons in households, living mainly from old age, superannuation, survivors, disability and invalidity or other pensions, scholarships, relief payments, family allowances or other benefits and assistance paid by general government, co-operative, enterprises or institutions, and from support by another person or persons.
 72. Persons living from property income
Persons in households, living mainly from interest, dividends, royalties, life insurance benefits, etc.

77. The distinction between cultivators who own and who rent their land is particularly useful in countries at an early stage of development. Members of producers' co-operatives are not assumed to be important in the countries applying the simplified system, and are classified together with own-account workers. Family workers are allocated to the establishment of the head of the household to which they belong.

78. Countries which apply the simplified system may find it useful to distinguish between non-agricultural employers in the modern and traditional sectors, since there are considerable differences in the economic circumstances of the two groups. For the same reason, a distinction has been introduced between artisans, small traders, etc. and other own-account workers outside agriculture. Another reason for introducing the latter distinction in the socio-economic class-

ification suggested for the simplified system is that classifications according to occupational and kind of activity groups are not proposed to be used.

79. As far as employees outside agriculture are concerned, the categories of the classification proposed for the full system should, if possible, be maintained in the simplified version of the system. Subgroup 71 of the classification which covers economically inactive persons living in households, who obtain their livelihood from pensions, social assistance grants, gifts, etc. should include beggars, vagrants and similar persons who are often numerous in developing countries. This category of the population therefore must be covered by sample surveys of income and expenditure in these countries. It is not recommended to include persons living in institutions in the simplified system.

4. Other Classifications

80. Classifications of households and individuals according to area of residence are also important in the case of the simplified system. The classifications may refer to regions or to urban and rural areas. Supplementary classifications according to main cities would also be useful.

81. A classification of the aggregates of the system according to the number of household members or number of earners will indicate to what extent the level of living varies according to family size and the number of members of each household who are economically active. Special tabulations according to number of household members and number of earners may, on the whole, be dispensed with if each of the other tabulations of the system which relate to households show the number of households as well as the average number of persons and the average number of earners per household, at the top of each column.

82. Classifications of relevant components of primary income according to age and sex of the individual earner would also be of considerable interest, although no such classifications are included in the tables proposed in the annex. The starting points of the lower and upper open-ended intervals of the age group classification should be the ages at which it is customary to enter and leave the labour force in each individual country. Otherwise, five year intervals should preferably be used throughout the classification. However, data limitations may sometimes make it necessary to apply ten year intervals instead.

83. In cases where the information collected permits additional classifications of the data of the simplified system, first priority should be given to classifications according to kind of activity and according to occupations. Tabulations according to these characteristics would make it possible to analyse the effects on the distribution of income of the gradually changing industrial and occupational structure of the developing countries.

/...

VI. THE DEFINITION AND CLASSIFICATION OF INCOMES

84. The definitions and classifications of the statistics of the simplified system have been formulated taking into account the uses to which each statistic should be put, the definitions and classifications of the series in the SNA and the practicability of using the proposed definitions and classifications, as suggested by national practices. In particular, the type of data which can be gathered in household surveys and the feasibility of collecting supplementary information from other sources had to be considered. As a result, the definitions and classifications of the system differ on several points from those of the SNA.

A. Compensation of employees

85. All receipts from employment which are of benefit to employees directly and individually as consumers should ideally be included in the compensation of employees. Compensation of employees therefore should cover (i) wages and salaries in cash and in kind and (ii) employers' contributions on behalf of their employees to social security and other schemes, such as private pension, family allowance, health and other casualty insurance schemes, and life insurance schemes.

86. Social security and pension schemes exist in many developing countries, but they generally cover urban employees only. Employers' usually contribute to these schemes on behalf of their employees. Accident and life insurance schemes also exist in many countries at an early stage of economic development, but it is less common that employers contribute to these schemes on behalf of their employees.

87. While it is feasible to gather figures on wages and salaries directly from households in sample surveys undertaken by developing countries, this may not be so in the case of employers' contributions to social security and similar private schemes. Also, these schemes do not exist in the case of a number of developing countries. It may therefore be necessary to restrict the data on compensation of employees to wages and salaries only in the case of many countries which apply the simplified system.

1. Wages and salaries

(a) General

88. Wages and salaries should cover all payments in cash or kind which employees receive in respect of their work, before deductions for their own contributions to social security, withholding taxes and the like. Payments such as commissions, tips and bonuses, cost of living and dearness allowances, vacations, sick leave and other direct pay by the employer for relatively short absences, should be included.

/...

89. No attempt should be made to impute wages and salaries of 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 in the simplified system. However, as far as wages and salaries are concerned, 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 which 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.

(b) Wages and salaries in kind

90. 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, which 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, all efforts should be made to obtain these data in the case of the countries using the simplified system.

91. 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 where the data are gathered in household surveys.

92. An important part of wage and salary income in kind in developing countries consists in free meals and housing. Free meals may be valued in terms of the cost of the per capita consumption of food by the households which 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 which are never rented out. None the less, estimates should be made of the cost to the employers of this free lodging.

93. Only items which may be unambiguously allocated to individual employees in their capacity as consumers should be included in remuneration in kind. Benefits accruing to employees from educational and similar facilities and from workshop amenities which employers make available to their employees collectively, are therefore excluded.

/...

(c) Classification

94. Wages and salaries and employers' contributions to social security and similar private schemes on behalf of their employees should be shown separately. In addition, wages and salaries should be classified into (i) wages and salaries in cash and (ii) wages and salaries in kind.

B. Gross entrepreneurial income

1. Definition

95. Entrepreneurial income as defined in the SNA consists of (i) the net proceeds of unincorporated enterprises, including owner-occupied dwellings and (ii) the withdrawals by owners from quasi-corporate enterprises, i.e., relatively large partnerships and sole proprietorships which have complete profit-and-loss and balance-sheet accounts on the financial assets and liabilities, as well as the real assets, involved in the business.

96. For the purposes of the simplified system, the proceeds of unincorporated enterprises must be defined gross of the consumption of fixed capital, because it is not possible to gather data on this item in household surveys in countries which are at an early stage of statistical development. In most cases, the owners of quasi-corporations in the countries for which the simplified system is intended are likely to have information on their share of the total income of the units rather than on actual amounts withdrawn from them. The concept of entrepreneurial income used in the simplified system should therefore be modified to include those amounts, rather than withdrawals, in the case of quasi-corporations.

97. Gross income from owner-occupied dwellings should be calculated as the difference between the gross imputed rent of the dwellings and the sum of expenditures on current maintenance and upkeep and mortgage interest paid. The gross imputed rent should be put equal to paid rent for a similar dwelling. Make-shift dwellings in rural, as well as in urban areas, should be excluded.

98. Gross entrepreneurial income from unincorporated business enterprises, including farms, may be estimated as the value of their gross output, i.e., the sum of the values of goods and services produced for sale and payments in kind for own consumption and for own gross capital formation, reduced by the sum of their costs of the goods and services consumed in production and of the interest, land rent and other property income paid out in respect of the enterprises. Since many of the respondents do not keep books, it will be necessary for the interviewers to help them make approximate estimates of some, or all, of the items listed above.

99. Particular difficulties are likely to arise in (i) separating current outlays for household activities and for business purposes and (ii) distinguishing capital from current business expenditure. The difficulties are particularly great in the case of farms where, for instance, the rent paid by tenants may cover the farm land, buildings and equipment, and dwellings. In these cases, separate estimates should at least be made in respect of the rental cost of the dwellings and in respect of that of the farm land, buildings and equipment. The rental of the farm land, buildings and equipment might then be treated as property income paid out in respect of the enterprise.

100. Producers' co-operatives are not likely to be of importance in countries using the simplified system. However, in cases where they exist, the income of their members should be included in gross entrepreneurial income.

101. In countries at an early stage of economic development a considerable part of the gross output which is the starting point for estimates of gross entrepreneurial income consists in goods and services used by the producer for own-account consumption and capital formation or provided to employees free of charge as wages and salaries in kind. The main part of production for own consumption or for wages and salaries in kind consists in items of food and fuel. In many household surveys conducted in developing countries, food and fuel produced on own-account are weighed at the time of production and also sometimes at the time of consumption. In these cases, reliable data on quantities are available, but to arrive at value figures suitable prices are also needed.

102. In principle, own-account production should be recorded at producers' values, i.e., at the prices obtained for the same commodities at the farm gate. 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, which may be considered as payment for trade and transport services rendered, consequently is quite small, and if these prices are used in valuing own-account production the results will be quite close to producers' values.

103. 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 which 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.

/...

2. Classification

104. For purposes of the simplified system gross entrepreneurial income is to be classified into (i) income from owner-occupied dwellings and (ii) income from unincorporated enterprises other than owner-occupied dwellings. The latter item is further sub-classified into income in cash and in kind. Income from owner-occupied dwellings should be shown separately from other entrepreneurial income, because for many analytical purposes information on income from unincorporated business enterprises alone is needed.

C. Gross primary income

105. Gross primary income equals the sum of compensation of employees and gross entrepreneurial income and originates from the direct participation of the recipients in the process of production as either employees or employers. The concept is not identified in the SNA.

D. Property income

1. Definition

106. Property income consists of the actual receipts and payments resulting from the use by one economic agent of the financial assets, land and intangible assets, that are owned by another economic agent. Types of property income that are common in the case of households in developing countries are interest received and paid and land rents received. Interest comprises actual receipts in respect of such financial claims as savings deposits and loans and actual payments in respect of consumers' credit. Receipts of rents should, in principle, relate to land only and be net of land taxes and maintenance expenditure in respect of the land. It may be necessary in practice to treat as property income the rent on the buildings and equipment, as well as on the land, in the case of the renting out of a whole farm.

107. Other types of property income received, such as dividends and royalties, are of little importance in the countries for which the simplified system is intended.

108. The definition of property income recommended above does not include the imputation in respect of interest on the equity of households on life insurance and pension funds which is included in the concept as defined in the SNA. The item is excluded because it is impracticable to gather the information needed for estimating it in household surveys.

2. Classification

109. For purposes of the simplified system, property income received should be classified into (i) interest and (ii) land rent and other. On the outlay side only consumer debt interest paid is relevant. /...

E. Gross distributed factor income

110. This aggregate is the sum of the compensation of employees, the gross entrepreneurial income and the net property income received by households. It shows the total gross earnings of households and their share in the national income.

111. For the purposes of the simplified system a supplementary concept, namely gross distributed factor income less direct taxes paid, may in some cases replace the concept of gross available income. Information on direct taxes paid is gathered more frequently in household surveys than data on other current transfers received or paid, and gross distributed factor income less direct taxes paid therefore sometimes may have to be used as an approximate measure of the amounts available to households for purposes of consumption and saving.

F. Current transfers

1. Definition

112. Current transfers consist of certain contractual transfers and, for the most part, of redistributive transfers. The contractual transfers relate to transactions in casualty and life insurance and private pension funds. The redistributive transfers are non-contractual (unrequited) transfers which may be either compulsory or voluntary.

113. Redistributive transfers received from, or paid to, general government (direct taxes, social security contributions, social security benefits and, in some cases, social assistance grants) are the most important items of unrequited current transfers relating to households in developing countries. Gifts in cash and in kind between households and migrants' transfers are also important in some cases, while scholarships and other cash grants received from enterprises and non-profit institutions usually are of minor importance.

114. Contributions to social security paid by households should include contributions made by employers on behalf of their employees if the concept of compensation of employees is used. If the concept of wages and salaries only is used, the contributions to social security should include only the part paid by the employees themselves.

115. Transactions in respect of casualty and life insurance and private pension funds should be treated as current contractual transfers between the households and the insurance companies and pension funds. The amounts that employers actually contribute to such insurance or pensions on behalf of their employees should be included if the flow "compensation of employees" is used.

/...

116. While, in principle, service charges paid in respect of casualty and life insurance and pension funds should be excluded from the premiums paid by households to these bodies, it is not feasible to do so in practice. It is therefore recommended that in the simplified system, the total premiums and contributions paid by households should be recorded as current transfers. All claims and benefits that households receive from casualty and life insurance companies and from pension funds should also be recorded.

2. Relationship to the SNA

117. The definition of redistributive (unrequited) transfers is, in certain respects, narrower in scope in the case of the simplified system than in the case of the SNA. Excluded redistributive transfers that are included in the SNA definition are write-offs of household debts by the lenders and the value of migrants' goods. On the other hand, gifts in kind made between resident households are covered in the definition of transfers in the simplified system but not in the SNA.

118. The treatment of transactions in respect of casualty and life insurance and private pension funds in the simplified system differs substantially from that in the SNA. In the SNA, premiums on casualty insurance net of service charges, and not gross premiums, are recorded as current transfers and transactions in respect of life insurance and private pension funds are not treated as current transfers.

3. Classification

119. Casualty insurance premiums and benefits should be shown as separate items in the simplified system, since they are required and not redistributive current transfers. Gross premiums and benefits in respect of life insurance and private pension funds should also be shown as separate items because of the particular nature of these transactions and their differing treatment in the SNA and the simplified system. In the case of unrequited current transfers, only the most important flows (direct taxes and social security contributions and benefits) should be shown as separate sub-items, while the rest of unrequited current transfers received and paid should be lumped together in single items. It is not expected that enough detailed information can be obtained in countries using the simplified system, to make possible a more detailed classification of unrequited current transfers.

G. Gross available income

120. Gross available income is the sum of gross distributed factor income and net current transfers as defined above. This concept is not defined in the SNA. The amounts available to households for consumption and saving are in the SNA instead defined as the sum of distributed factor income and net current transfers received excluding any amounts which refer to transactions between households and insurance companies and pension funds.

/...

121. In order to arrive at a savings concept which approximates that of the SNA it is therefore necessary to add to gross available income as defined in the simplified system an item covering contributions less benefits in respect of life insurance and pension funds. The sum of the two items is then distributed between final consumption expenditure and gross saving.

VII. THE DEFINITION AND CLASSIFICATION OF CONSUMPTION

122. Two concepts of the final consumption of households are used in the simplified system, namely final consumption expenditure (personal consumption) and total consumption of the population. The former concept covers the goods and services purchased by households, received as wages in kind or consumed from own production. The latter concept covers, in addition, the goods and services that general government, private non-profit bodies and enterprises provide to households free, or at a reduced charge, which are clearly of benefit to them as consumers.

A. Final consumption expenditure

1. Definition

123. The final consumption expenditure of households should, in principle, cover all goods and services that they (i) purchase, (ii) produce on own account, including the services from owner-occupied dwellings, and (iii) receive as income in kind for household use.

124. According to this definition, service charges in respect of casualty and life insurance and pension funds should be included in item (i) above. However, in the simplified system, gross rather than net premiums are used and the service charges are therefore included on the income and outlay account and not in final consumption expenditure. The exclusion of service charges in respect of life insurance and pension funds will lead to an over-statement of saving by these amounts. This is not so in the case of service charges in respect of casualty insurance, since the full amount of casualty insurance premiums has been deducted in arriving at available income.

125. Data in quantities as well as values should be sought at least in the case of food expenditures. As was mentioned earlier in this paper, figures of household consumption expenditure at constant prices are very much needed and 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.

2. Classification

126. The classification of final consumption expenditure by object should be as detailed as possible in order to be useful for the purposes of the simplified system. The following classification which is based on table 6.1 "Classification of household goods and services" of the SNA is recommended. In the case of food expenditure the three digit level of the classification is used while the one or two digit levels of the classification are applied in other cases. For detailed definitions of the classification, reference is made to table 6.1 of the SNA.

Table 3. Classification of household goods and services by object

1.	Food, beverages and tobacco
1.1.	Food
1.1.1.	Bread and cereals
1.1.2.	Meat and meat preparations
1.1.3.	Fish
1.1.4.	Milk, cheese and eggs
1.1.5.	Oils and fats
1.1.6.	Fruits and vegetables other than potatoes and similar tubers
1.1.7.	Potatoes, manioc and other tubers
1.1.8.	Sugar
1.1.9. +	Other foods including coffee, tea, preserves and
1.1.10.	confectionery
1.2.	Non-alcoholic beverages
1.3.	Alcoholic beverages
1.4.	Tobacco
2.	Clothing
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
5.	Medical care and health expenses
6.	Transport and communication
7.1. - 7.3.	Recreation and entertainments
7.4.	Education
8.	Miscellaneous goods and services

127. In addition, final consumption expenditure should, if possible, be classified by type, i.e., into durable, semi-durable and non-durable goods, and services.

B. Total consumption of the population

1. Definition

128. In selecting the goods and services which government, private non-profit institutions and enterprises furnish free, or at a reduced charge, to households, and which are to be included in the total consumption of the population, it is necessary to take account of the difficulties of allocating their value among the different households for which information is wanted.

129. The items which it should be possible to allocate on groups of households are the costs to government, private non-profit institutions and enterprises of furnishing 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 which 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 on groups of households or individuals. Fees and other outlays by households in respect of the goods and services concerned should be deducted from the costs incurred by the organizations supplying them.

130. It is less likely that means can be found to allocate the net outlays of government, private non-profit institutions and enterprises which are made available to the population on a collective basis. It is impracticable to allocate net outlays on community services, such as sanitary services, street lighting and roads, which are shared by households and other sectors of the economy, to different groups of persons or households.

131. The concept of "total consumption of the population" is not included in the SNA. Data in respect of the flow for purposes of the simplified system would need to be compiled from figures of final consumption expenditures of households, government and private non-profit institutions, each classified according to purpose (object), and figures in respect of the costs of the intermediate and direct costs to industries of the goods and services supplied.

2. Classification

132. The classification of total consumption of the population which is proposed below is derived from the classifications of household goods and services, government purposes and purposes of private non-profit bodies of the SNA. The code numbers are taken from the schemes of these classifications.

/...

Table 4. Classification of total consumption of the population

A.	Final consumption expenditure of households, of which:
5.	Medical care and health expenses
7.4	Education
B.	Final consumption expenditure of government assigned to households
3.2 + 3.3	Education
4.2 + 4.3	Medical and other health services
5.2	Welfare services
C.	Final consumption expenditure of private non-profit institutions assigned to households
2.	Education
3.	Medical and other health services
4.	Welfare services
D.	Expenditure of enterprises assigned to households
3.2 + 3.3	Education
4.2 + 4.3	Medical and other health services
5.2	Welfare services

VIII. DEFINITION AND CLASSIFICATION OF ACCUMULATION

A. Gross accumulation and its finance

133. In the simplified system gross accumulation of the household sector consists in gross capital formation and net lending. Gross capital formation is the internal form of investment undertaken by owners of dwellings and unincorporated business enterprises. Other households make investments by lending their saving to other economic agents. The most important internal source of financing gross accumulation is gross saving. The external source of financing gross investment is loans received from other sectors.

1. Gross saving

134. The concept of gross saving in the simplified system has already been defined in paragraphs 120 and 121 above. While the concept of saving in the SNA is net of consumption of fixed capital, a gross concept is used in the simplified system, because it is not feasible to obtain reliable separate data on the consumption of fixed capital in the countries for which the system is intended.

135. Other differences between the savings concepts of the SNA and the simplified system is that the latter excludes imputed interest added to the equity of households in respect of pension funds and life

/...

insurance reserves; where the concept of income of employees is restricted to wages and salaries in the simplified system, it also excludes the contributions that their employers may make to their equity in pension funds and life insurance reserves. On the other hand, household saving is overstated as compared to the SNA, because service charges in respect of pension funds and life insurance are not included in final consumption expenditure.

2. Capital transfers received

136. Capital transfers received by households consist mainly in grants by government for damages incurred during war, flood and other calamities, and investment grants in respect of their unincorporated businesses. It is assumed that the capital transfers that households make to government and receive from other sectors in the case of countries using the simplified system will be negligible; they are therefore omitted. The definition of capital transfers received by households in the simplified system is, in principle, the same as in the SNA.

3. Gross capital formation

137. Gross capital formation is for purposes of the simplified system defined as the sum of gross fixed capital formation and increase in stocks of unincorporated enterprises.

138. Gross fixed capital formation consists of the outlays of households on reproducible durable goods which are to be added to the fixed assets of the unincorporated enterprises that they own, reduced by the sales of similar second-hand and scrapped goods. The goods in question should have a lifetime of use of a year or more and exclude land, timber tracts, mineral deposits and the like; they may be purchased or produced on own account. Included in the outlays are (i) expenditure on capital repairs and improvements, that is the improvement and alteration of the reproducible durable goods which significantly extend their expected lifetime of use or productivity, (ii) expenditure on the reclamation and improvement of land and the development and extension of timber tracts, mines, plantations, orchards and vineyards, (iii) acquisitions of breeding stocks, draught animals, dairy cattle and the like, and (iv) net purchases of land. The preceding definition of gross fixed capital formation is identical to that of the SNA.

139. It is recognized that it is difficult to obtain accurate data on gross capital formation of households in the countries for which the simplified system is intended. Owner-occupied dwellings are often constructed mostly from gathered materials and with own labour. Also 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 cover the costs of purchased materials and the value of the labour involved.

The latter item has to be put equal to the estimated time involved multiplied by the prevalent unit wage of day labourers in the region. Skilled interviewers are needed in order 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 and 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. The item therefore may have to be disregarded in the simplified system.

140. The definition of gross accumulation proposed for the simplified system differs from that of the SNA. Transactions in intangible assets, such as purchases and sales of trademarks, goodwill and sales of patents and copyrights, are excluded. It is not feasible to obtain information on these items in the countries for which the simplified system is intended. Also, the value of increase in stocks may have to be omitted, as mentioned in the previous paragraph.

4. Net lending

141. Net lending of the household sector to other institutional sectors is the difference between the amounts available for financing gross accumulation and the sum of gross capital formation and net acquisitions of land. In many cases, households in the countries using the simplified system will borrow more from other sectors than they lend to them, and net lending of the household sector will then be negative. Since gross saving generally will be obtained as a residual item on the income and outlay account and the estimates of gross capital may be weak, the residual item for net lending of the household sector is likely to be approximate.

5. Transactions in financial claims

142. The financial transactions of households in countries which apply the simplified system are likely to consist in a few items only. It should be possible to obtain relatively accurate information on at least some of these transactions in household surveys. Acquisitions of a given category of financial assets by a household should be netted against disposition of the same category, and the incurrence of a given category of liabilities should be netted against redemptions of the same category. The net incurrence of liabilities is to be classified into (i) consumer debt, (ii) mortgages and (iii) other unincorporated enterprise debt. Of these items, increase in consumer debt is likely to be the most important. The net acquisition of financial assets should be classified into: (i) currency and transferable deposits, (ii) trade credit and advances and (iii) other. The latter item will probably consist mainly in increase of the amount of money lent by one household to other households.

/...

IX. TABULATIONS

143. The minimum set of tables in the annex is designed to suggest the major ways in which the data of the simplified system may be presented in order to furnish basic information for purposes of studying the patterns in which income, consumption and accumulation are distributed among the population and some of the factors underlying the distributions. In discussing the tables, alternative and additional ways of presenting the data of the simplified system will be indicated.

144. The countries for which the simplified system is intended will normally be able to collect data from a relatively small number of households. This limits the number and detail of tabulations which can be presented. In particular, it is not likely that it will be possible to present any tabulations according to two or more characteristics because the number of households in many of the cells would be so small that they would be unduly affected by sampling errors.

145. As was indicated earlier in this paper, the main characteristics according to which both the data for households and individuals should be classified are size groups of income and expenditure, and socio-economic groups. These two characteristics are used in the tabulations shown in the annex. In addition, it would be useful to tabulate primary income according to the sex and age group of the earners, and income and expenditure according to region and to number of household members. Other optional classifications include occupation and industrial attachment as well as ethnic group of heads of households.

A. Types of measures used in the tables

146. The data set out in tabulations of income and expenditure according to one characteristic of households or individuals may be presented in terms of the total value of a flow, or in terms of measures of central tendency of the item in question - the arithmetic average, the median or the mode. The data may refer to households, each member of the household, each income recipient of the household or to individuals, as appropriate. Where total values of a flow are used, the data may be presented either in terms of absolute figures or percentage distributions.

147. There are certain advantages in presenting the results of sample inquiries into income distribution and related statistics in terms of measures of central tendency or, where totals are used, in terms of percentage distributions. These types of presentation show clearly the relative circumstances of individual households and persons and their share in given totals. Also, the expected sampling errors in the data presented are significantly reduced.

/...

148. In the case of the tables in the annex, figures in absolute terms are used only in tables 1 and 2, which furnish links between the data of the simplified system and the SNA. In the other proposed tables, averages in respect of households, household members or income recipients, as appropriate, are used. Two types of averages are used in the case of income recipients of households: one is a straightforward per capita figure; the other is an average of the income received per recipient in the case of each household. The use of the second type of average, unlike the first type of average, adjusts the data for households according to their numbers of income recipients. However, the computation of the second type of average is more burdensome than the computation of the first type of average.

149. Arithmetic averages are suggested in the tables because, unlike medians or modes, they may be used in the summation, multiplication and other computations of data. So that the absolute values of the flows shown in each of the suggested tables may be computed and the significance of the arithmetic averages shown in respect of each group of the population in question (that is in each column of the table) may be determined, the number of households or individuals in the group is to be set out in the tables. These averages may also be used to compute per capita figures from the averages for households.

B. Summary measures

150. The distributions according to fractile groups of households which are recommended for the tables require a ranking of households or individuals according to size of income or expenditure, from the highest to the lowest. This provides the data needed to calculate a number of simple summary measures of dispersion or concentration. Examples of such measures are the inter-quartile range or quartile deviation, i.e., the difference between the third and the first quartiles, the inter-quartile range as a percentage of the median and selected percentiles as percentages of the median.

151. 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, it should be considered whether the basic data used in calculating the measures are accurate enough to lead to meaningful results.

152. The Lorenz curve, which is a particularly effective graphic presentation of income distributions, can also be constructed by using the same basic data of the distribution of income or consumption according to fractile groups of households or individuals. In order to construct the 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 which bisects the square into two equilateral triangles is the line of equal distribution. The curve is obtained by plotting the accumulated percentages of income, accounted for by fractile groups of households, starting from the group with the lowest percentage of the given total. The further below the diagonal that the curve is located, the more unequal is the income distribution.

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

154. On the basis of the relationship between the Lorenz curve and the Gini ratio, a practical method of estimating the ratio from the curve has been devised. If the total square within which the Lorenz curve is located is assumed to be 1, the area under the diagonal is $1/2$. The Gini ratio of concentration then is equal to:
$$\frac{1/2 - \text{Area under Lorenz curve}}{1/2}$$
 or 1 - 2 multiplied by the area under the Lorenz curve.

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

C. The tables

1. Summary tables

156. The first three tables shown in the annex are summary tables which classify the principal aggregates of the simplified system according to either five main socio-economic groups of heads of households or according to size distributed factor income. The statistics of the tables should be shown in terms of the absolute value and in terms of the average value per household of transactions for the covered population. If it is possible to arrive at totals for the covered population, the tables will not only provide a link with similar data of the SNA, but will also provide important information needed for national accounts estimation. The main purpose of the tables is to summarize the distribution of the main concepts of income and consumption. The data are classified according to socio-economic status and size of distributed factor incomes, as these characteristics of households are considered to be key explanatory variables of the distribution of income and consumption.

157. The definition of the classes of size of distributed factor income in terms of fractile groups in table 2a makes the table appropriate for inter-temporal and inter-country comparisons of the patterns of the distribution of income and consumption and the preparation of ratios of concentration and Lorenz curves. For the latter purposes it is necessary to have the total value of each flow instead of the average value per household.

2. Tables relating to income

158. Tables 3, 4a and 4b furnish relatively detailed information on the formation and distribution of gross primary income and gross distributed factor income of households. (In table 3, the households are classified according to the socio-economic class of the head, while in tables 4a and b the classifications are according to fractile groups and size groups of distributed factor income, respectively.) These tables show the extent to which differences between households in the number of income recipients and of the average annual employees, gross entrepreneurial and property income per recipient, account for differences in these distributions. In order to show clearly the differences between the households in the level of each type of income per recipient, it would be useful to show the average of the households' receipts in respect of the given type of income per recipient in the body of the table.

3. Gross entrepreneurial income and gross accumulation

159. Table 5, which shows the average gross entrepreneurial income, gross accumulation and gross saving per household, classified according to the socio-economic class of the head, relates only to households with members which own unincorporated enterprises. This table makes possible a detailed analysis of the distribution of gross entrepreneurial income and gross saving among households of the various socio-economic classes which own unincorporated enterprises.

4. Available income, consumption and saving

160. Tables 6, 7a and 7b deal with the formation of the gross available income and with the consumption and gross saving of households in various socio-economic classes and in different size groups of gross available income. These tables are important for purposes of measuring the levels of living of the various groups of households and their means of financing consumption. They also show how the gross available income of various groups of households is influenced by the redistribution of incomes through current transfer.

161. Table 6 shows, in some detail, the way in which gross available income is formed and disposed of in the case of the various socio-economic groups of households. Tables 7a and b classify households according to fractile groups and size groups of gross available income, respectively, and show the patterns of distribution, formation and disposition of gross available income.

5. Tables relating to consumption

162. Tables 8 through 11 show the levels and patterns of final consumption expenditure and of total consumption of the population in the case of households in various socio-economic classes and, in different size groups of final consumption. Final consumption expenditure is given in constant, as well as current, prices in the case of socio-economic classes; size groups of final consumption are given in terms of fractile groups and in terms of absolute values. In order to highlight the relative adequacy of final consumption expenditure, it is suggested that the figures of the tables should relate to values per household member as well as per household. Some countries may wish to include an additional table on average consumption expenditure classified according to size of household. It would show the correlation between the number of household members and the pattern of personal consumption.

163. Table 9 is focussed on final consumption expenditure at constant prices as these data are of considerable value in portraying trends in welfare. Different price indexes should be used to make the estimates for the various socio-economic classes, in order to furnish a realistic picture of the trends in the distribution of welfare among households.

164. Table 11 shows a classification by broad socio-economic classes of total consumption of the population. This table provides a more complete picture of the distribution of welfare among various socio-economic classes than is provided by data on final consumption expenditure only.

D. Order of priority

165. Although each country will of necessity set its own order of priority in developing the tabulations outlined in the annex, some suggestions with regard to order of priority are given below.

166. The countries for which the simplified system is intended will need information on the distribution of consumption more urgently than data on income, and data on consumption are also likely to be more readily available than data on income in these countries. Tables 8, 9 and 10, on private consumption expenditure, should therefore be given first priority. It may also be desirable to give table 11, on total consumption of the population, higher priority than the tables on income.

167. The second order of priority might be given to summary tables 1 and 2, which present the main aggregates of the simplified system. It may be necessary to truncate the tables, leaving out data on such items as gross available income, gross saving and net lending.

/...

168. The tables showing the major steps in the formation and use of income should be accorded the third order of priority. These are table sets 3 and 4, on the formation of gross primary and gross distributed factor income, and table sets 6 and 7, on the formation and disposition of gross available income.

169. Because of the difficulty of obtaining the data needed in table 5, on the gross entrepreneurial income and gross accumulation of households owning unincorporated enterprises, it might be assigned second or third priority.

X. SOURCES OF DATA

170. Most of the data required for the simplified system may be gathered by means of household sample surveys. The items for which information may be obtained will depend on the difficulties of gathering them and the resources available for this purpose. The detail in which the data of household surveys may be classified will necessarily reflect the size of the samples which it is feasible to enumerate; this will depend in turn on the difficulties and costs of enumeration and the resources available.

171. In the case of some of the countries for which the simplified system is intended, population censuses may provide summary supplementary information on certain types of income. Economic censuses and surveys should provide data on the income and accumulation of unincorporated enterprises included in the household sector. None of these sources will furnish adequate information on income or any information on household expenditures. Income tax and social security records in countries at an early stage of development generally cover too small a part of the population to be of use for the simplified system.

172. Outlays by government, private non-profit institutions and enterprises which should be included in total consumption and total gross available income of the population, will need to be estimated by the statisticians. Information on the value of these outlays cannot be obtained from households; it must be extracted from the accounts of the units which make the expenditures.

A. Household sample surveys

173. Household surveys undertaken in order to provide basic data for the simplified system should, in principle, cover all households. The ideal procedure would be to cover all aspects of the system in a programme of continuing multi-purpose sample surveys. In practice, however, countries have, not infrequently, covered various aspects of the system and different population groups in unco-ordinated separate surveys. It is desirable that such surveys should use the concepts, definitions and classifications of the simplified system; they would then be co-ordinated and may be combined into a coherent multi-purpose programme.

174. Generally, surveys which focus on expenditures may be undertaken first. These surveys often also include certain data on income. While the income data are mainly collected for the purposes of checking the expenditure data, they could also be useful for purposes of tabulations on the distribution of income. As resources become available, additional co-ordinated surveys should be undertaken concerning income and accumulation, respectively.

175. It is advantageous to use multiple-stage stratified sampling in undertaking the surveys. The panels for at least the first two stages should be stratified according to size and perhaps other relevant characteristics. An efficient sampling design should make it feasible to use a sample size which will keep sampling errors within a reasonable level. However, non-sampling errors - non-response and faulty reporting - are often greater than the sampling errors. The non-sampling errors may be reduced, but not entirely eliminated, by careful preparation and organization of the surveys, by intensive training and field supervision of interviewers and by thoroughly checking completed questionnaires.

176. In the case of countries at an early stage of development, the only possible method of gathering information for household surveys is through direct interview; respondents are not accustomed, or may not be able, to keep systematic records. In order to keep recall errors down and to gather reliable information by interview, frequent visits are needed; certain expenditures and the money income of households may fluctuate significantly. It may be necessary to space the visits every one or two weeks during the year.

B. Other sources

1. Population censuses

177. Population censuses, or large samples drawn from such censuses, are sometimes used to gather statistics of income. Often data on only wages and salaries or on total income in cash are sought; sometimes these incomes in kind are also covered. The data on income collected in population censuses cover the population as a whole and may be classified according to numerous household and/or individual characteristics. Population censuses and surveys are not, and cannot be expected to develop into, major sources of data on the distribution of income. They may, however, provide rudimentary data and the basis for designing, and making estimates from, special sample surveys of the distribution of income and outlay.

2. Social security records

178. Social security systems have been established in some developing countries, particularly in Latin America. The systems usually cover wage and salary earners outside agriculture only. The statistical

/...

unit applied in social security statistics is the individual. A certain degree of under-reporting of wages and salaries to the social security system is not uncommon, because some establishments fail to declare the wages and salaries of some of their employees by mutual agreement. In the case of temporary workers, domestic servants and piece workers, the under-reporting is sometimes substantial.

179. Information cannot usually be obtained from social security records on wages and salaries in kind. Frequently some items of cash incomes, such as family benefits and special or extraordinary bonuses, are excluded from the concept of wages and salaries in social security statistics. In some cases, social security contributions are assessed against a fixed amount for each group of wage and salary earners, or a maximum wage or salary level is established for purposes of assessment. In these cases the value of social security data for purposes of estimating wages and salaries is seriously restricted unless the actual wages and salaries of the individuals covered under social security are also recorded.

180. Despite their limitations, social security records are often useful in checking data on cash wages and salaries derived from household surveys. In addition, social security records are, of course, the main source of comprehensive information on social security contributions paid and social security benefits received. The amount of these contributions and benefits classified according to size of wages and salaries, kind of economic activity and, sometimes, socio-economic class of individuals may be derived from the social security records. Furthermore, the social security contributions covered in social security records include contributions made by employers on behalf of their employees. It may therefore be feasible to supplement the data on social security contributions and benefits gathered in household surveys.

3. Economic censuses and surveys

181. The information gathered in economic censuses and surveys may be used to estimate the entrepreneurial income of unincorporated enterprises owned by households, provided the classifications used in the inquiries make it possible to identify these enterprises and their owners and the inquiries are comprehensive enough. The entrepreneurial income of unincorporated enterprises should be estimated by deducting from their gross output the sum of the cost of their intermediate consumption, including services and their payments of interest and land rents.

ANNEX. PROPOSED MINIMUM NUMBER OF TABLES

Table 1. Value of transactions of households according to broad socio-economic classes of heads of households

Items of transactions	All households (1)	Employers and own-account workers		Employees		Members of armed forces (6)	Economically inactive persons living in households (7)
		In agriculture (2)	Outside agriculture (3)	In agriculture (4)	Outside agriculture (5)		
Number of households							
Average number of members per household							
1. Compensation of employees							
a. Wages and salaries							
i. In cash							
ii. In kind							
b. Employers' contributions to social security and similar private schemes							
2. Gross entrepreneurial income							
3. Gross primary income (1 + 2)							
4. Gross distributed factor income							
5. Gross distributed factor income <u>less</u> direct taxes							
6. Gross available income							
7. Final consumption expenditure							
8. Gross saving							
9. Net lending							
10. Total consumption of the population							

(Absolute value and average value per household of transactions)

Table 2a. Value of transactions of fractile groups of households ordered according to gross distributed factor income^{a/}

Items of transactions	All households	Fractile groups of households ordered according to gross distributed factor income ^{a/}							
		1st	2nd	3rd	4th	5th	6th	7th	8th
Number of households									
Average number of persons per household									
1. Compensation of employees									
a. Wages and salaries									
i. In cash									
ii. In kind									
b. Employers' contributions to social security and similar private schemes									
2. Gross entrepreneurial income									
3. Gross primary income (1 + 2)									
4. Gross distributed factor income									
5. Gross distributed factor income <u>less</u> direct taxes									
6. Gross available income									
7. Current receipts									
8. Final consumption expenditure									
9. Gross saving									
10. Net lending									
11. Total consumption of the population									

(Absolute value and average value per household of transactions)

Table 2b. Value of transactions of households according to size of distributed factor income per household

As in table 2a but with the following column headings

Items of transactions	All households	Size of distributed factor income per household ^{a/}							

^{a/} Some countries may prefer to use current receipts instead of distributed factor income.

Table 3. Average gross primary and gross distributed factor income of households per income recipient according to type of income and socio-economic class of heads of households

Items of transactions	All households		Employers and own-account workers in agriculture		Employers and own-account workers outside agriculture		Employees in agriculture		Employees outside agriculture			Members of armed forces	Economically inactive persons living in households
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)		
Number of households													
Average number of persons per household, of which:													
Average number of income recipients													
1. Compensation of employees													
a. Wages and salaries													
i. In cash													
ii. In kind													
b. Employers' contributions to social security and similar private schemes													
2. Gross entrepreneurial income													
a. Owner-occupied dwellings													
b. Unincorporated enterprises other than owner-occupied dwellings													
3. Gross primary income (1 + 2)													
4. Property income received													
a. Interest													
b. Land rent and other													
5. Consumer debt interest paid													
6. Gross distributed factor income (3 + 4 - 5)													

(Average of income per recipient of specified income and of their number in each household)

Table 5. Gross entrepreneurial income and gross accumulation per household, the head or other members of which own unincorporated enterprises, classified according to broad socio-economic classes

Items of transactions	(1) All households owning unincorporated enterprises	(2) Employers in agriculture	(3) Own-account workers in agriculture	(4) Employees in non-agricultural activities	(5) Own-account workers in professional, technical and similar fields	(6) Own-account workers in other non-agricultural activities
<p>Number of households</p> <p>1. Gross entrepreneurial income</p> <p>a. Owner-occupied dwellings</p> <p>b. Unincorporated enterprises other than owner-occupied dwellings</p>						
<p>2. Gross capital formation</p> <p>a. Owner-occupied dwellings</p> <p>i. On own account</p> <p>ii. Other</p> <p>b. Unincorporated enterprises other than owner-occupied dwellings</p> <p>i. On own account</p> <p>ii. Other</p>					(Value of transactions per household)	
<p>3. Purchases of land, net</p>						
<p>4. Gross saving</p> <p>a. Positive</p> <p>b. Negative</p>						
<p>5. Capital transfers received</p>						
<p>6. Net lending</p> <p>a. Positive</p> <p>b. Negative</p>						
<p>7. Net acquisition of financial assets of which:</p> <p>a. Currency and transferable deposits</p> <p>b. Trade credit and advances</p> <p>c. Other</p>						
<p>8. Less Net incurrence of liabilities of which:</p> <p>a. Consumer debt</p> <p>b. Mortgages</p> <p>c. Other enterprise debt</p>						

Table 6. Average gross distributed factor and gross available income, final consumption expenditure and gross saving of households classified according to socio-economic classes of heads of household

Items of transactions	All households (1)	Employers and own-account workers in agriculture		Employers and own-account workers outside agriculture		Employ-ees in agri-culture (6)	Employees outside agriculture			Members of armed forces (10)	Economically inactive persons living in households (11)
		(2)	(3)	(4)	(5)		Managers, supervisors and professional employees (7)	Clerical, sales and service workers (8)	Manual workers (9)		
Number of households											
Average number of members per household											
1. Gross distributed factor income											
2. Casualty insurance benefits											
3. Unrequited current transfers received											
a. Social security benefits											
b. Other											
4. Benefits from private pension funds and life insurance companies											
5. Less: Casualty insurance premiums											
6. Less: Unrequited current transfers paid											
a. Direct taxes											
b. Social security contributions											
c. Other											
7. Less: Gross premiums on life insurance and private pension funds											
8. Gross available income											
9. Contributions less benefits, life insurance companies and pension funds											
10. Final consumption expenditure											
11. Gross saving											

(Average value per household and per household member)

Table 7a. Average gross distributed factor and gross available income, final consumption expenditure and gross saving of households for fragile groups of households ordered according to gross available income

Items of transactions	All households	Fragile groups of households ordered according to gross available income							
		1st	2nd	3rd	4th	5th	6th	7th	8th
Number of households									
Average number of members per household									
1. Gross distributed factor income									
2. Casualty insurance benefits									
3. Unrequited current transfers received									
a. Social security benefits									
b. Other									
4. Benefits from private pension funds and life insurance companies									
5. <u>Less:</u> Casualty insurance premiums									
6. <u>Less:</u> Unrequited current transfers paid									
a. Direct taxes									
b. Social security contributions									
c. Other									
7. <u>Less:</u> Gross premiums on life insurance and pension funds									
8. Gross available income									
9. Contributions less benefits, life insurance companies and pension funds									
10. Final consumption expenditure									
11. Gross saving									

(Average value per household and per household member)

Table 7b. Average gross distributed factor and gross available income, final consumption expenditure and gross saving of households according to size groups of gross available income

Like table 7a, but with the following headings

Items of transactions	All households	Size groups of gross available income							

Table 8. Average final consumption expenditure per household member, classified by object of expenditure and socio-economic classes of heads of households in current prices ^{a/}

Items of transactions	All households	Employers and own-account workers in agriculture	Employers and own-account workers outside agriculture	Employees in agriculture	Employees outside agriculture			Economically inactive persons living in households	
					Managers, supervisors and professional employees	Clerical, sales and service workers	Manual workers		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Number of households									
Average number of members per household									
1. Food, beverages and tobacco									
1.1. Food									
1.1.1. Bread and cereals									
1.1.2. Meat and meat preparations									
1.1.3. Fish									
1.1.4. Milk, cheese and eggs									
1.1.5. Oils and fats									
1.1.6. Fruits and vegetables other than potatoes and other tubers									
1.1.7. Potatoes, manioc and other tubers									
1.1.8. Sugar									
1.1.9.+ Other foods including									
1.1.10. coffee, tea and preserves and confectionery									
1.2. Non-alcoholic beverages									
1.3. Alcoholic beverages									
1.4. Tobacco									
2. Clothing and footwear									
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									
5. Medical care and health expenses									
6. Transport and communication									
7.1-7.3. Recreation and entertainment									
7.4. Education									
8. Miscellaneous goods and services									
9. Total final consumption expenditure									

(Average final consumption expenditure per household and per household member)

^{a/} Where important, the items should be subdivided into: (i) In cash, (ii) In kind.

Table 9. Average final consumption expenditure per household member classified by object of expenditure and broad socio-economic classes of heads of households, in constant prices ^{a/}

Items of transactions	All households	Employers and own-account workers		Employees		Members of armed forces	Economically inactive persons living in households
		In agriculture	Outside agriculture	In agriculture	Outside agriculture		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Number of households							
Average number of members per household							
1. Food, beverages and tobacco							
1.1. Food							
1.1.1. Bread and cereals							
1.1.2. Meat and meat preparations							
1.1.3. Fish							
1.1.4. Milk, cheese and eggs							
1.1.5. Oils and fats							
1.1.6. Fruits and vegetables other than potatoes and other tubers							
1.1.7. Potatoes, manioc and other tubers							
1.1.8. Sugar							
1.1.9.+ Other foods including coffee, tea, preserves and confectionery							
1.1.10. Non-alcoholic beverages							
1.3. Alcoholic beverages							
1.4. Tobacco							
2. Clothing and footwear							
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							
5. Medical care and health expenses							
6. Transport and communication							
7.1-7.3. Recreation and entertainment							
7.4. Education							
8. Miscellaneous goods and services							
9. Total final consumption expenditure							

(Average final consumption expenditure per household and per household member in constant prices)

^{a/} Where important, the items should be subdivided into: (i) In cash, (ii) In kind.

Table 11. Average total consumption of the population, per household member, classified by object of expenditure and broad socio-economic classes of heads of households

Items of transactions	All households (1)	Employers and own-account workers		Employees		Members of armed forces	Economically inactive persons living in households
		In agriculture (2)	Outside agriculture (3)	In agriculture (4)	Outside agriculture (5)		
Number of households							
Average number of members per household							
1. Final consumption expenditure of households, of which:							
a. Medical care and health expenses							
b. Education							
2. Final consumption expenditure of government assigned to households, of which:							
a. Medical and other health services							
b. Education							
c. Welfare services							
3. Final consumption expenditure of private non-profit institutions assigned to households, of which:							
a. Medical and other health services							
b. Education							
c. Welfare services							
4. Expenditure of enterprises assigned to household, of which:							
a. Medical and other health services							
b. Education							
c. Welfare services							
5. Total consumption of the population (1 + 2 + 3 + 4)							

(Values per household and per household member)