

UNITED NATIONS
ECONOMIC
AND
SOCIAL COUNCIL



Distr.
GENERAL

E/CN.3/168
29 December 1953

ORIGINAL: ENGLISH

STATISTICAL COMMISSION
Eighth session
Item 6 of the provisional agenda

INDUSTRIAL ACTIVITIES OF HOUSEHOLDS

(Memorandum by the Secretary-General)

1. The Statistical Commission at its seventh session considered some of the problems arising in the statistical treatment of the industrial activities of households which were raised by the Second Regional Conference of Statisticians in the ECAFE area. The Commission based its discussion on a memorandum prepared by the Secretary General (E/CN.3/156). The conclusions of the memorandum were as follows:

(a) The recommendation regarding the economic activities of households made in A System of National Accounts and Supporting Tables (Studies in Methods, Statistical Papers, Series F, No. 2) should be accepted.

(b) The agricultural activities of households having mixed activities should be treated separately and classified under Division 0 of the International Standard Industrial Classification of All Economic Activities, (ISIC), and the non-agricultural activities (including mining and quarrying) should be treated together and classified as a unit under the appropriate heading of the ISIC according to the major activity.

(c) The recommendations of the Statistical Commission relating to basic industrial statistics should cover all the non-agricultural economic activities of households having mixed activities which are classified, on the basis of their major non-agricultural activity, under major groups 11 through 51 of the ISIC.

2. The Commission felt that too little experience had been accumulated in this field to provide the basis of any definite recommendation and therefore requested the Secretary-General to draw the attention of governments to the above conclusions, to invite interested governments to experiment with these conclusions, and to report on their experience.

3. Judging from the communications received by the Secretariat very few countries have made any systematic efforts to obtain statistical data relating to industrial activity carried on in households. In many countries this is because of the view that production on this scale is negligible compared with the production of the more organized branches of industry and that the cost of obtaining information from very small producers is not warranted by its importance. A few of the industrially underdeveloped countries, however, have expressed an interest in this problem because a significant portion of their industrial production takes place in households. India and Burma, for example, are committed to a policy of encouragement and development of small scale manufacturing and have recently initiated studies which will produce data on the magnitude of such production and will serve as a means of evaluating programmes directed toward the development of household industry.

4. The Indian Statistical Institute has conducted particularly valuable pioneering studies in the field of the statistical treatment of small-scale establishments and similar work has also been carried out in Burma. The Commission will be interested in the following brief summary of the surveys carried out or being carried out in India and Burma. The discussion relating to the survey in Burma is based on the pre-test carried out in 1952 since the results of the full scale census of 1953 are not as yet available. The description of the National Sample Survey in India stems from the published results of the first round survey conducted in 1950 - 1951.^{1/}

1/ See The National Sample Survey, General Report No. 1 on the First Round October 1950 - March 1951. Issued by the Department of Economic Affairs Ministry of Finance: Government of India.

I. General

5. Both the Burma and India inquiries into the industrial activities of households are a part of much larger surveys. In Burma a complete census of population and establishments was undertaken which is intended to yield rather comprehensive data on population, labour force, housing, cottage industry and agriculture.

6. The National Sample Survey in India is a comprehensive investigation of land utilization, crop yields, retail prices, wages, family structure, occupations, household costs, incomes and expenditures, and particulars on industry, crafts and trade. The first round of this survey related only to rural India. Subsequently urban households were studied.

7. It will be noted that these two approaches yield somewhat different results. Provided that the canvass is properly carried out the Burman survey can be expected to include all establishments with fewer than 10 paid workers regardless of type of ownership, location, etc. As a result of the household approach utilized in the National Sample Survey any establishments owned by joint stock companies, co-operatives or governments, will be omitted even though they otherwise fall within the general definition of small scale establishments.

II. Definitions

8. The definition of "cottage industry" used in Burma is purely operational in character - i.e. any manufacturing establishment employing fewer than 10 paid workers is considered part of the universe.

9. The problem of defining a small scale manufacturing establishment in India is, in a sense, solved by the existence of a legal definition of those industries that must register under the Factories Act. Those industries employing 20 or more persons or using power and employing 10 or more persons must register, hence all establishments not falling within this category are considered part of the universe (excepting joint stock companies, etc.)

10. In neither case was there any attempt to introduce such concepts as "handicraft" or "art" to distinguish these establishments. Questions are asked, however, which would allow for analysis based on whether the production was carried on within a household or with no paid workers, etc.

III. Survey techniques

11. As stated above the survey of cottage industry in Burma was a part of the complete census. At the pre-test stage an experiment was conducted to determine whether cottage industry questionnaires were to be obtained on a 100 per cent basis or whether they would be obtained from a 20 per cent sample. Because of the relatively small numbers of cottage industries that were turned up in the pre-test, it is believed that the effort was made to cover 100 per cent of the cottage industries in the 1953 operation.

12. The details of the survey of industrial activities of households carried out as part of the National Sample Survey in India can be found in the General Report No. 1 on the First Round. A sample of 4,895 households was selected, in 1,016 villages, to complete enterprise schedules. The respondents were asked, inter alia, details concerning value of production and costs of the enterprise. It is stated in the report that only about 7 per cent of the selected households were found to have any handicraft or trading activities to report in the first round. It is further stated that evidence from subsequent rounds indicates that this is an under-estimation. To this source of under-estimation of value of production must be added the under-estimation originating from the inclusion in costs of the imputed values of raw materials and the exclusion of joint stock companies, co-operatives, etc. It is the conclusion of the report that if corrections are applied on these counts that the net output of this sector would be likely to rise substantially.

13. There are certain obvious advantages which follow from the technique used in Burma. With a complete coverage of small manufacturers it will be possible to produce estimates for the analysis of regional, industry and size groupings as well as global figures.

14. The National Sample Survey on the other hand, was designed primarily to produce global figures for use in estimating national income. Also it would be exceedingly difficult if not impossible to conduct a complete census of small scale producers in a country as large as India.

IV. Scope of the surveys

15. While the schedules used by both Burma and India are comprehensive, the one used by the National Sample Survey is considerably more detailed. Both surveys seek information on the following categories:

- i. General items
- ii. Details concerning plant, equipment and land
- iii. Costs (including questions on financing)
- iv. Employment and wages
- v. Value of production and services.

16. It will be recognized that detailed information on most of these items is particularly difficult to obtain from this type of small establishment. Even if the concepts are clear it is in many cases impossible to isolate that which is applicable to the industrial activity from the other household activities. These objections to a comprehensive and detailed schedule are clearly recognized by Burma and India but three main reasons are adduced for the use of such schedules - (a) The interest of government in promoting the development of small-scale establishments includes a concern for the welfare of the families engaged in this production and for certain purposes of planning a precise demarcation between the industrial and other activities of the family is not necessary; (b) there is a feeling that, in the case of establishments having few or no records, detailed questions tend to stimulate the memory of the respondent and hence produce more reliable totals; (c) the alternative to obtaining these details frequently involves estimating needed figures and the view is taken that even though the reliability of the response is questionable, it is apt to be more reliable than an estimate.

V. Treatment of the mixed activities of households

17. In both Burma and India the agricultural and industrial activities of households were treated separately. In the treatment of the household production it was intended to include the value of all production of the enterprise whether for sale, exchange or own consumption. This treatment, of course, would yield somewhat different results than would be obtained if the recommendations contained in A System of National Accounts and Supporting Tables were followed concerning those household activities which should be considered economic. These recommendations would exclude non-primary production for household consumption not in "own trade".

18. The problem of classifying the small-scale establishments by industry did not arise in the National Sample Survey, since only global figures were desired and the small size of the sample would not have allowed for such refinements. While the cottage industries in Burma were tabulated by industry groups, it is interesting to note the general conclusions concerning the characteristics of cottage industries which grew out of the census pro-test.

"The broad characteristics of the cottage industries will be seen to comprise an almost total absence of motive power; a negligible amount of fixed capital equipment; a working force in which it would be difficult accurately to distinguish between paid and unpaid workers; restricted accommodations which would render almost totally inapplicable the economics of large scale operation. In the absence of any clear economic criteria, it would seem most appropriate to treat this sector of industrial activity apart and as a single entity rather than as an aggregation of differentiated enterprises. Such classificatory details as are given, therefore, as for instance of industrial groupings, are given for purposes of description only. In any event, the crudity of the returns obtained would have meant that an attempt at separate analysis between industrial or any other groupings might have led to misleading conclusions."

VI. Conclusions

19. While the work done in India and Burma has advanced appreciably, an understanding of the problems involved in obtaining statistical measurements of small-scale establishments, it is suggested that the findings to date have not proved conclusive enough to warrant the formulation of concrete recommendations by the Commission. It is hoped, however, that the experimental work in this field will continue and that other governments initiating such surveys will keep the Secretariat informed of their progress.
