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1. Introduction

Historical background

1. Since its founding the ILO has been concerned with statistics on the living and working conditions of workers and their families. In this regard, the International Conference of Labour Statisticians (ICLS) has passed several resolutions on family expenditure surveys and household income and expenditure surveys.
2. The first, adopted in 1926 by the Third ICLS, contained international standards with respect to the periodicity of family living studies, the selection of families, the period during which records should be maintained, the details to be recorded and the tabulation and presentation of the results (ILO, 1926). Subsequent to this, the Office carried out a series of studies on methods used for family budget surveys (ILO, 1940).
3. This issue of family living studies was taken up again by the Seventh ICLS in 1949. The report for that Conference dealt with the scope and timing of family living studies; the application of sampling methods for selecting families; the collection of data; the classification of receipts and disbursements; the analysis and appraisal of the results; food and dietary analyses; special problems of family living studies in developing countries and farm living studies (ILO, 1949). The Conference adopted a resolution defining the objectives of family living studies and setting new standards with respect to the organization of inquiries and analysis and presentation of results (ILO, 1951). As a follow-up to one of the recommendations of this Conference, the Office organized a Working Group of Experts on Family Living Studies in 1955. The Group's report contained recommendations on the design of household samples, the organization of surveys, methods of collecting data and the special problems experienced by developing countries in the conduct of family living studies (ILO, 1955).
4. In 1967, the Office organized a Meeting of Experts on the Scope, Methods and Uses of Family Expenditure Surveys. The report prepared for that Meeting discussed various issues including the objectives and scope of family expenditure surveys; types of inquiries, concepts, definitions and data collection methods; analytical and synthetical uses of the results and classifications of households, of income and of expenditures (ILO, 1967). The Twelfth ICLS in 1973 adopted a resolution, based to some extent on the recommendations of this Expert Meeting, dealing with the objectives, frequency and scope of household income and expenditure surveys; the organization of surveys; units of data collection; basic concepts and definitions of income and of consumption expenditure; basic methodology; classifications; tabulation and presentation of results (Appendix 1).
5. Parallel to this work, the Office has also considered on several occasions consumer expenditure surveys in the context of its work on consumer price indices. Resolutions adopted by the Second ICLS (1925), the Sixth ICLS (1947), the Tenth ICLS (1962) and the Fourteenth ICLS (1987) recognize the importance of household expenditure surveys for the derivation of weights for compiling consumer price indices. That of the Fourteenth ICLS recommends that within the limits of available resources, these surveys should be

representative of household size, income level, regional location, socio-economic group and any other factors which may have a bearing on household expenditure patterns (ILO, 2000).

6. In 1961 the Office published a volume containing methodological descriptions of national surveys carried out in some countries to illustrate various types of family living studies (ILO, 1961a). At the same time, the results of family budget surveys conducted in 30 selected countries between 1950 and 1960 were presented in tabular form to facilitate international comparisons of these results (ILO, 1961b). These two publications were the start of a series of such publications by the Office dealing both with methodological descriptions and with results from surveys. The latest volume of the former (ILO, 1992) covers 86 countries, areas and territories while that of the latter (ILO, 1995) contains the results of surveys carried out in 82 countries, areas and territories from 1979 to 1991.
7. In addition to the work on family living studies and consumer price indices, there are also related resolutions on wages statistics and on income from employment, the latter passed by the Sixteenth ICLS in 1998 (ILO, 2000). These have sought to establish international standards in these areas relating to concepts, definitions, scope, coverage, classification, data collection methodology, frequency of surveys, data analysis and dissemination of results. The Sixteenth ICLS resolution on employment-related income covered the concept, definition, components, classification, analysis and presentation of statistics on income related to paid and to self-employment. The emphasis was on income accruing to a person as a result of current or previous involvement in the labour market. Thus, non-employment-related income such as inter-household transfers are not included.

Activities of other organizations

8. Other international and regional agencies have also been involved in developing and promoting standards in household income and expenditure statistics as well as supporting their application. In 1964, acting on behalf of itself and other specialized agencies including the ILO, the United Nations published a methodological volume on multi-purpose household surveys which incorporated a chapter on studies of the economic level of households (UN, 1964). It deals with the conceptual framework of and practical approach to household income and expenditure surveys. Recently, the United Nations Statistics Division (UNSD) commissioned a revision of its 1977 guidelines on statistics of the distribution of income, consumption and accumulation of households (DICAH), a draft version of which has now been produced (Franz et al., 1998). The revised manual was set within the context of developed countries and is intended as a complement to the System of National Accounts (SNA, 1993). Prior to this, the UNSD and the United Nations Department of Technical Cooperation for Development had published in 1989 a technical study on household income and expenditure surveys under the auspices of its national household survey capability programme (UNDTCD, 1989). This was a comprehensive treatment of the state of the art at that time but many of the standards and some of the basic concepts, definitions and classifications used in it have since changed. It also gave a pre-eminent position to the uses of these statistics for national accounts.
9. EUROSTAT has also been active in establishing guidelines on household income and expenditure statistics. It produced a manual on household budget surveys with guidelines on concepts, definitions, classifications, data collection methodology and analysis

(EUROSTAT, 1997). The manual reflects current practices within the countries of the European Union (EU) and makes recommendations based on the commonalities between these. The overall objective is to move towards harmonization of the statistics produced by these countries.

10. The World Bank has been active in supporting, both financially and technically, multi-purpose household surveys designed mainly for assessing the impact of macroeconomic policies on the living and working conditions of households in developing and transition countries. These have metamorphosed through several stages from the initial integrated surveys under the Social Dimension of Adjustment Project, through the priority surveys to the Living Standards Measurement Study (LSMS) surveys and the Core Welfare Indicators Questionnaire (CWIQ) surveys. They contain a consumption module as the core and sometimes also measure income as well as other facets of welfare such as health, education, fertility, maternal health, etc. Their objective is the measurement of welfare and standards of living. The World Bank has recently published a three-volume handbook on conducting multi-purpose household surveys for living standards based on its experiences from the LSMS surveys (World Bank, 2000).
11. Efforts have also been made at the national level in many statistical systems in developed countries to elaborate a framework for the production of their household income and expenditure statistics, for example, the Australian Bureau of Statistics (ABS, 1995).
12. There has also been some recent work at the international level relating to standards in income statistics. The Canberra Group on Household Income Statistics (Canberra Group) has produced a Final Report (Canberra Group, 2001) giving guidelines on income distribution statistics. It addresses issues relating to concept, definition, components, classification, analysis and presentation of income statistics for purposes of comparing income distributions, especially across developed economies. This publication of the Canberra Group does not, however, address all the needs of developing economies with respect to income data. The Delhi Group on Informal Sector Statistics has started to look at the measurement of income from informal sector enterprises. Although their reports have some useful suggestions of ways of doing this, the objective has been mainly to measure the contribution of this “sector” to production for purposes of national accounts.

Justification for new recommendations

13. As stated above, among the many other well-known uses of consumption statistics is the computation of weights for the compilation of consumer price indices (CPI). The ILO is presently working with other international and regional organizations to produce a revised version of the ILO manual on CPI. In addition, a draft revision of the 1987 ICLS resolution on CPI will be presented to the second part of this Meeting of Experts. Thus, one reason for wanting to establish standards for consumption statistics is that these can then feed into the ongoing CPI revision process.
14. It has long been recognized that consumption statistics are in many instances the preferred measure of living standards. Statistical systems in developing countries in particular use these statistics for poverty, inequality and social exclusion analysis. Given the preponderance of self-employment and non-monetized activities in these economies,

income statistics can have only limited uses. However, apart from the efforts mentioned above, not much has been done at the international level to develop standards for consumption statistics, especially for use in developing economies and for compiling CPI.

15. The international standards adopted by the Twelfth ICLS in 1973 on household income and expenditure surveys are now outdated and no longer fulfil their original purpose. There is therefore a need to devise new international guidelines for the production of income and expenditure statistics.

16. Although other agencies, both at the international and national levels, have been active in the area of income statistics as discussed above, their activities have tended to concentrate on this topic from the viewpoint of statistical systems in developed countries. Moreover, it has not been possible to discuss their proposals at a wider international statistical forum such as the ICLS. Thus, there is a need to extend these efforts to cover the gaps mentioned in the previous paragraphs and to provide an opportunity for wider consultation on the standards to be used.

Structure of the report

17. The report is organized in nine chapters as follows: Chapter 1 (this chapter) gives the background to and justification for the Meeting; Chapter 2 describes the objectives and uses of household income and expenditure statistics; Chapter 3 discusses a conceptual framework and operational definition for income; Chapter 4 presents concepts and operational definitions relevant to consumption; Chapter 5 deals with measurement issues such as statistical units, coverage and characterization of households; Chapters 6 and 7 describe respectively methods of collecting income statistics and expenditure statistics; Chapter 8 discusses classification, estimation, analysis and dissemination; and Chapter 9 proposes the major recommendation to be made by the Meeting.

18. In the report, text in bold and italics are proposals for consideration by the Meeting which will be used to develop revised international standards in the form of draft guidelines or a draft resolution to be presented to the Seventeenth ICLS.

2. Objectives and uses

Household income and expenditure statistics serve a variety of purposes with respect to macroeconomic, microeconomic, social and other forms of description and analysis. Broadly, these statistics can be used in the compilation of consumer price indices, in welfare or levels of living analysis, in the formulation, implementation, monitoring and evaluation of social and economic policies, in the production of national accounts, in economic analysis, in market research and in studies on issues such as nutrition and health.

(See paragraphs 1-3 in Appendix 1 for the objectives and uses as specified in the existing ICLS resolution.)

Consumer price index (CPI)

19. The CPI measures the changes over time in the cost of a “basket” of goods and services representative of households’ consumption expenditures. It is considered as the best available measure of inflation of the prices of consumer goods and services in the economy and is so widely used to index payments such as social security pensions, benefits and allowances; business and rental contracts; alimony and other family support payments, etc. It has also been used, though rarely, as a measure of the difference in cost of living between different localities which have similar consumption patterns.
20. Consumption expenditure statistics are used in the compilation of CPI in two key respects: (i) the identification of the goods and services that should go into the basket; and (ii) the derivation of the component expenditure shares for the categories of these goods and services which are used as weights. The key statistics required are the levels or share of expenditures for different categories of goods and services, assumed to have similar price movement for the population groups covered. Although other sources do exist for use in the construction of weights, expenditure surveys are considered the best source and are the ones most widely used by countries for this purpose. The use of expenditure statistics for CPI compilation is currently the most important one for the vast majority of countries and so dictates the concepts, classifications and survey design used in expenditure surveys. For example, the distribution of expenditure across households is not of particular interest when the primary purpose of expenditure surveys is the compilation of CPI.

Welfare analysis

21. Assessing levels and trends in the well-being of members of a society is essential in order to describe the welfare of that society. One of the most important and most accessible indicators of well-being of a household is that of economic well-being represented by the totality of economic resources available to the household. These consist of its current and capital receipts and its net stock of assets and liabilities which give it the capacity to acquire goods and services. They are reasonably measurable, meaningful, concrete and so

can be used to place households in relative positions. The objective of welfare analysis is to measure households' command over these resources, their capacity to consume and/or to save them and to decide on the mix between these, as well as to assess the changes in these resources over time and space. The flow of receipts and disbursements representing income, consumption, saving and accumulation (future capacity to consume) defines limits to the lifestyle of the household and its level of wealth.

22. Thus, one major objective of income and expenditure statistics is to assess the level, structure and trends in economic well-being of households. As noted in Chapter 1, this was the primary objective in conducting family living standards surveys, the forerunners of income and expenditure surveys. The widespread use of CPI for indexation, however, generated such interest in its compilation that it took over as the primary objective for collecting expenditure statistics.

23. Income and assets (capacity to consume) and consumption (actual consumption) are two sides of the same coin of economic well-being so either could be used to assess levels of living. Their relative conceptual and measurement advantages in doing this are well known. Income is less complex to measure and so can be collected frequently and cheaply. It also does not depend on households' choices to save rather than consume or to consume one type of goods, e.g. alcohol, rather than others, e.g. food. Consumption is relatively more stable over time as households tend to smooth out their consumption and so is a better measure of living standards. It is also easier to understand conceptually as well as less sensitive and so probably more accurately measured. These statistics can be used to:

- (1) generate distribution of income/consumption across households for, inter alia, the identification of population groups at the bottom end of this distribution (poverty) or the measurement of its dispersion (inequality);
- (2) identify the characteristics of population groups at different levels of the income/consumption distribution;
- (3) produce various statistics relating to income/consumption poverty, inequality and social exclusion – construction of a poverty line, poverty incidence, inequality measures, etc.;
- (4) produce statistics relating to other dimensions of poverty such as health, education, housing conditions;
- (5) measure the level, nature and structure of living conditions of households in time and space, especially for specific sub-populations such as the elderly, the young, various categories of workers.

24. This use of consumption and/or income statistics with its emphasis on their distribution across households imposes conditions on the survey design which may be more restrictive than those for the use of consumption for CPI compilation.

Evaluation of government policies

25. Income and expenditure statistics are also used for the formulation, implementation, monitoring and impact evaluation of economic and social welfare policies. Examples of this include:
- (1) the redistributive effects of taxation and other fiscal policies on the income of families with various characteristics;
 - (2) the effects of state benefits and family support policies on income/consumption distribution;
 - (3) social security income support programmes (pensions, cash benefits, etc.);
 - (4) structural adjustment programmes and their impact on levels of living among diverse socio-economic groups;
 - (5) migration policy, family planning, etc.

National accounts

26. In the compilation of national accounts, income and expenditure statistics can serve both as the basis for estimates of certain components of the household sector and as quality control checks for estimates of these components produced from other types of statistics. For example, consumption expenditure statistics can be used for some components of personal consumption expenditure in national accounts supplementing production and sales statistics. There are however conceptual, coverage and measurement differences which need to be taken into account in using household micro-data for compiling national accounts.

Other types of economic analysis

27. Some other microeconomic analyses are performed based on income and expenditure statistics, including:
- (1) labour market analysis – relationships between income, or some components of income, and characteristics of workers, jobs and place of work;
 - (2) wage policies – setting minimum wages;
 - (3) analysis of the determinants of consumer behaviour;

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- (4) formation and uses of income – informal sector income, rural income, financing of consumption;
 - (5) analysis of savings and indebtedness, ownership of assets, etc.

Market research

28. Household income and expenditure surveys provide a rich source of data for market research provided sample sizes are large enough and expenditures at product categorization are available. They are used in demand analysis for various expenditure items and in studying the consumption and buying habits of different population groups.

Other special uses

29. Statistics on income and consumption have a variety of other uses, such as analysis of nutrition, health, etc.

Major users

30. Among the major users of these statistics are:
 - (1) government agencies responsible for the compilation of CPI and national accounts;
 - (2) planning and finance ministries responsible for economic and social policy planning;
 - (3) government agencies responsible for sectoral planning: agriculture, health, etc.;
 - (4) other government departments and sub-national governmental authorities;
 - (5) universities and research institutions analysing consumer behaviour and living conditions;
 - (6) market researchers analysing consumption patterns for the marketing of consumer products;
 - (7) enterprises, workers' unions, trade and professional associations and individual members of the general public evaluating and discussing social and economic development.

31. *The Meeting is invited to consider the above proposals for the objectives and uses of income and expenditure statistics.*

3. Household income

Conceptual framework

32. Two concepts of income developed from economic theory are usually widely quoted. The first is the *Hicks concept* based on the following statement by Hicks (1946, page 172):

... it would seem that we ought to define a man's income as the maximum value which he can consume during a week, and still expect to be as well off at the end of the week as he was at the beginning.

33. He further elaborated by referring to income as the maximum amount of money which the individual can spend this week, and still expect to be able to spend the same amount in real terms in each ensuing week.
34. The main implications of these statements are that receipts classified as income should be regular and recurring and should not reduce net worth. There is also an element of personal expectation with regard to the regularity condition and that of non-reduction of net worth.
35. The second concept, referred to as the *Haig-Simons approach* (see Simons (1938) in Atkinson and Stiglitz (1980), page 260), defines income as the sum of consumption and change in net worth in a period. This does not impose any regularity or recurrence requirement but includes the notion of not reducing net worth. The implication is that income should include all receipts, regular and irregular, which do not reduce net worth. Therefore, the essential difference between these concepts is whether income receipts should be "expected to be" regular and recurring.
36. In the 1993 version of the System of National Accounts (SNA, 1993, section 8.15, page 187), the proposed definition of disposable income is:

... the maximum amount that a household or other unit can afford to spend on consumption goods or services during the accounting period without having to finance its expenditures by reducing its cash, by disposing of other financial or non-financial assets or by increasing its liabilities.

37. The definition is equivalent to the economic theoretic concept only if net worth is not changed by capital transfers or other changes in volume of assets (e.g. from natural disasters) or real holding gains/losses. The SNA records capital transfers in the capital account and the latter two in the assets account and so in the SNA definition net worth is that already adjusted for these non-income account transactions. Note that drawing down on assets and incurring liabilities are excluded. Again, the notion of potential, current availability for consumption is implied.

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- 38.** The SNA also makes a distinction between current and capital receipts (SNA, 1993, section 8.32, page 189). Current receipts are usually small, frequent, regular and wholly available for consumption within the reference period. These are the receipts that households come to depend on when making consumption decisions as they are regular and expected to continue being received in the short term, at least. Capital receipts, on the other hand, are relatively large, lump-sum, one-off or infrequent payments that can have an effect beyond the reference period and are not considered by a “rational” household as totally available for immediate consumption. The argument then is that the distinction between current and capital receipts is important for any definition of income, with the former included as income and the latter usually excluded. Thus, the SNA definition also implicitly entails the notion of regularity and recurrence in terms of the distinction between current and capital receipts.
- 39.** In its Final Report (Canberra Group, 2001, page 16), the Canberra Group proposed the use of the SNA definition as a basis for the definition of income within the context of income distribution statistics. It, however, asserted that some exceptions, mainly with respect to changes in net worth and the regularity and recurrence requirement, would be necessary due to the differences between the objectives of the SNA and those of income distribution analysis. The concern in SNA is mainly the exhaustiveness, consistency and exclusiveness of the various sectors of the accounting framework, while that of income distribution analysis is principally the circumstances of individual households in the household sector, with less concern for consistency with measurements for the other sectors.
- 40.** The Sixteenth International Conference of Labour Statisticians passed a resolution on employment-related income in which income is inclusive of all payments received by individuals as a result of current or former involvement in paid or self-employment. No requirement for regularity nor recurrence is explicitly made for these receipts, though apart from severance and termination pay, the other receipts meet this requirement by virtue of their employment-related nature (ILO, 1997).
- 41.** The Canberra Group considered that, as the interest of micro analysts is in the measurement of current economic well-being, it is important to require that income receipts should be potentially available for consumption within the reference period (Canberra Group, 2001, section 2.2.2). This point was also made in ILO (1998) in arguments for the exclusion of deferred benefits from employment-related income. At the macro level, the SNA does not use this criterion in the definition of primary income but introduces it implicitly in the above definition of disposable income through the definition of current transfers. The difference between the micro and macro approaches to primary income is in the treatment of “forced savings” or deferred benefits such as the employer’s contribution to social insurance schemes, profit-sharing pay to employees in the form of profits actually distributed at retirement or at some future date outside the reference period.
- 42.** The Australian Bureau of Statistics (ABS, 1995, page 4) adopted the following definition of income:

... income consists of receipts, as money or in-kind, that are received or accrued regularly and are of a recurring nature.

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43. It is acknowledged that the regularity and recurrence notion is taken from the existing ICLS resolution concerning household income and expenditure (Appendix 1, paragraph 14(i)) which defines income as follows:

Household income is the sum of money income and income in kind and consists of receipts which, as a rule, are of a recurring nature and accrue to the household or to individual members of the household regularly at annual or at more frequent intervals.

This definition does not make explicit reference to the use or potential use of the receipts, nor to changes in net worth. It refers to receipts on an accruals basis and not on a payments basis.

44. Income should:

- (1) include the regularity and recurrence requirements relative to the specified reference period as consumption patterns are more closely related to such income than to lump-sum and other irregular receipts and non-recurring items (but exceptions should be explicitly permitted when there are compelling reasons for making them);
- (2) restrict receipts to only those components potentially available for current consumption, i.e. which contribute to current economic well-being;
- (3) exclude receipts arising from a reduction in net worth except when there are compelling reasons for making an exception;
- (4) include only actual payments and not accruals.

45. *Thus, the Meeting is invited to consider the recommendation that the proposed definition should read:*

Household income consists of receipts in cash, in kind or in services, that are usually recurrent and regular and are received by the household or by individual members of the household at annual or at more frequent intervals. During the reference period when they are received, such receipts are potentially available for current consumption and, as a rule, do not reduce the net worth of the household.

Operational definition

46. The operational definition of income is best given by identifying the components of income in terms of a broad grouping of sources of income as follows:

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- (1) income from employment, which comprises receipts from involvement in production or economic activities and consists of employee income (e.g. wages) and self-employment income (return to labour);
 - (2) property income from ownership of financial and other assets, e.g. interest payments;
 - (3) transfers received (compulsory and voluntary), e.g. pensions, alimony, parental support;
 - (4) other income from within the household, e.g. services of owner-occupied housing, household production of services for own consumption;
 - (5) other income from outside the household, e.g. transfer of services from other households, social transfers in kind.

(See Appendix 2 for details. For the definition in the existing ICLS resolution, see paragraph 14 in Appendix 1.)

Employee income

- 47.** In keeping with the definition of income related to paid employment adopted by the Sixteenth ICLS, employee income consists of direct wages and salaries, cash bonuses and gratuities, commissions and tips, profit-sharing bonuses and other forms of profit-related pay, remuneration for time not worked, free or subsidized goods and services from an employer as well as termination and redundancy payments. Employee income can be in cash (in the sense of monetary) or in kind. A detailed discussion and further elaboration of each of these are given in the report to the Conference (ILO, 1998a). Some, however, merit special mention.
- 48.** As in the above report, micro analysts now argue for the inclusion of severance and termination pay as income even though it is neither regular nor recurring. This is because it provides for consumption while the recipient looks for another job and serves as a replacement for wages or salary. The existing ICLS resolution is, however, silent on its inclusion.
- 49.** *The Meeting is invited to consider the recommendation that the inclusion of termination and redundancy pay in the definition of employee income should be explicitly recognized.*
- 50.** Unlike the treatment in the SNA, the employer's social insurance contributions (i.e. to social security funds, insurance companies or other institutional units responsible for social insurance schemes) are excluded from the concept of employee income in ILO (1998a) on the grounds that they represent "entitlement to future benefits". Some micro analysts, however, prefer to include such contributions in gross income for consistency with the SNA and to avoid cross-country differences arising out of different national policies on

such contributions. One disadvantage is that to do so could lead to double counting as pensions received are also included in gross income. When such contributions are included in gross income, they are sometimes deducted in computing disposable income (Canberra Group, 2001) or treated as expenditure items (ABS, 1995).

- 51.** *The Meeting is invited to consider the exclusion of these contributions from the operational definition of income, especially as employees sometimes do not know their value and these contributions are not always potentially available for current consumption.*

Income from self-employment

- 52.** The basis for the definition of income from self-employment is almost always the SNA's concept of mixed income from the unincorporated enterprise. Mixed income consists of the value of gross output less operating costs and after adjustment for depreciation of assets used in production (ILO, 1998b; Canberra Group, 2001; ABS, 1995). Gross output is total production for market, for use as benefits in kind and for own consumption. It includes any subsidies received. Operating costs are the sum of employee compensation, cost of raw materials, maintenance of equipment, vehicles, etc., cost of utilities, indirect taxes, interest paid and rent paid. Depreciation is the value of capital consumed in production. Sometimes also referred to as profit/loss from the unincorporated enterprise, the concept of mixed income includes income from goods and services produced for barter as well as the imputed value of goods produced for own consumption.
- 53.** There are, however, some difficulties in using mixed income as the basis for self-employment income. Mixed income can be negative. Further, operators of small and micro-enterprises, especially those in the informal sector, often do not consider themselves as running a business nor think in terms of profit and loss for their businesses. There are also practical problems relating to the reference period vis-à-vis the normal reporting practices of such businesses. For these reasons, it has sometimes been argued that mixed income may not be the best measure of self-employment income in all instances. One alternative that has been proposed is to use "drawings" from the business. This was discussed at the Fifteenth ICLS (1993) and in the report prepared for the meeting of experts on income from employment (ILO, 1997). On both occasions it was rejected on the grounds that drawings may include only some of income (the rest being reinvested in the business) or more than income (a drawing down of assets). An issue of classification arises from the fact that as mixed income represents a return to labour as well as a return to capital, entrepreneurship, etc. some elements of it are more properly property income. A full discussion of these issues and other measurement difficulties is given in two ILO reports (ILO, 1997 and 1998a).
- 54.** *The Meeting is invited to confirm that income from self-employment is to be measured as mixed income as defined in the SNA.*
- 55.** There are nevertheless some borderline cases with respect to the status of self-employment as discussed in the resolution on the International Classification of Status in Employment (ICSE) adopted by the Fifteenth ICLS in 1993 (ILO, 2000). Notable amongst these are owner-managers of incorporated enterprises and outworkers who have some functions similar to the self-employed. The issue is one of classification when it is important to

distinguish between employee and self-employment income. Otherwise it has no effect on total income.

56. *The Meeting is invited to consider the recommendation that the remuneration of owner-managers of incorporated enterprises and outworkers be treated as employee income but itemized separately to facilitate comparability.*

57. The Canberra Group has adopted the approach of treating the imputed value of housing services provided by owner-occupied dwellings as self-employment income (Canberra Group, 2001). The basis for this is that the SNA treats home owners as unincorporated enterprises providing these services to their own households. While there is no doubt that this value should be included as income, its classification as self-employment income is contrary to the definition of this income component in ILO (1998b) and in ABS (1995, page 44). The latter classifies this income as “other non-market income”. In EUROSTAT (1997, page 66) it is classified as rental income. Indeed, it is recognized even in the SNA (paragraph 4.150) that:

The production of these services does not generate mixed income. There is no labour input into the production of the services of owner-occupied dwellings so that any surplus arising is operating surplus.

58. If we consider self-employment income as income arising from self-employment activity, then classifying the imputed value of housing services provided by owner-occupied dwellings as self-employment income would imply that all home owners are employed.

59. In ABS (1995), the imputed value of own-produced domestic services such as cooking, housekeeping, minor repairs, childcare, etc. is classified in a similar way to that of housing services, i.e. as “other non-market income”. The Canberra Group acknowledges that the well-being of households is affected by the provision of such services but that their valuation is still fraught with problems. So although it would conceptually have treated this value as self-employment income, the difficulties associated with the valuation are such that the Group opted to exclude it altogether from the definition of income. While the own production of goods is considered as an economic activity within the SNA and its imputed value treated as self-employment income, the corresponding production of domestic services is not so considered. Its imputed value, even if it could be determined, should therefore not be treated as self-employment income based on the same argument as used above for owner-occupied dwellings.

60. A similar discussion to that for housing services applies to the services from other household consumer durables such as cars, washing machines, cookers, etc. Conceptually, the imputed value of such services, even if it could be determined, cannot be classified as self-employment income but should be treated as a separate form of income which is not employment related. Again, the Canberra Group takes the opposite view about its classification but excludes this value from its income measurement on the grounds that, in comparison with housing, it is likely to be small, have a shorter life and less impact on income analysis.

61. *The Meeting is invited to classify, on a conceptual basis, the imputed value of housing services provided by owner-occupied dwellings, of unpaid domestic services and of*

services from other household consumer durables as “other income from within the household” rather than as self-employment income. The operational definition of this component should, however, be limited for now to only the imputed value of housing services provided by owner-occupied dwellings.

62. Another item included by the Canberra Group as self-employment income is royalties from writings, inventions, etc. (i.e. patented or copyright materials) which are regarded as a return for effort expended. This is similar to the treatment of such royalties in the SNA (1993, section 7.92), but unlike that in ABS (1995, page 40) where these payments are classified as property income. Their omission in the definition of self-employment income in ILO (1998a) implies that, there also, these payments are not considered as being in this category. Whilst appreciating that these payments are in return for services from intangible produced assets, the mismatch between the reference period of the production and that of the payments that will often occur would make it impossible to associate this income with an employment activity.
63. *It is therefore recommended to the Meeting that royalties be treated as property income.*

Property income

64. Interests are receipts from bank accounts, building societies, credit unions and other financial institutions, certificates of deposit, government bonds/loans and securities, debentures and loans to non-household members. Dividends are receipts from investment in an enterprise in which the investor does not work. Pensions or annuities in the form of dividends from voluntary private insurance schemes are also included. The Australian Bureau of Statistics (ABS, 1995) includes bonus shares as dividend income which are received and saved as one notional transaction. However, as acknowledged by the ABS, these receipts are not available for consumption and for that reason should not be included as income. Although for consistency with macro-level practices interests and dividends should be recorded on an accruals basis, the information likely to be available from sources used for micro-level data is payment received.
65. Rents are payments received for the use of unproduced assets, such as land, and for produced assets, such as houses. The SNA includes only rents received for unproduced assets as property income. It is argued that rents from produced assets, which are referred to as rentals, result from productive activities such as creation, maintenance and repairs. They should therefore be included as self-employment income. As argued above in the case of royalties, this may sometimes cause problems for associating income with employment activities. Moreover, it could be said that households look on their rented property as investment and common practice amongst countries is to treat rentals as property income (ABS, 1995). For this reason the Canberra Group puts rentals as a separate group so that it could be aggregated either way. Rents should be recorded net of expenses.
66. *The Meeting is invited to consider the following proposal for the definition of property income:*

Property income is defined as receipts, net of expenses, that arise from the ownership of assets (return for use of assets). These are returns, usually monetary, from financial assets (interests, dividends), from non-financial assets (rents) and from royalties.

Transfers

- 67.** Transfers are usually regular and recurring receipts other than those in income from employment and property income. There is no “quid pro quo” as for the other receipts, i.e. nothing is given by the recipient to the donor in return for the receipts. Their generation is motivated mainly by the intention to redistribute income either by government (e.g. pensions) or privately (e.g. child support, private pensions). They reduce the capacity of the donor to consume and increase that of the recipient. Transfers may be made between households and other households, between households and government or between households and charities. They can be in cash or kind.
- 68.** Transfers that are one-off or irregular, usually large, lump-sum receipts, are referred to as capital transfers in contrast to current transfers which are usually regular (relative to the reference period used for income), recurring and tend to be small. Current transfers are also mostly available for consumption during the reference period. Capital transfers are not usually regarded as income by the recipient.
- 69.** Transfers consist of:
- (1) social security pensions (including military and overseas pensions), insurance benefits (e.g. unemployment, sickness) and allowances generated from government-sponsored social security schemes (compulsory/legal schemes);
 - (2) pensions and other insurance benefits (e.g. education allowance, medical expenses) from employers not covered by social security legislation (both funded and unfunded);
 - (3) social assistance benefits from governments (universal or means-tested) which provide the same benefits as social security schemes but are not provided for under such schemes;
 - (4) current transfers from non-profit institutions including charities: regular gifts, financial support (e.g. scholarships, union strike pay), etc.;
 - (5) current transfers from other households (excluding services): family support payments (e.g. alimony, child support); regular receipts from inheritances and trust funds; regular gifts or financial support;
 - (6) social transfers in kind (education, health, etc.) and transfer of services from other households (e.g. childcare).

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70. A detailed discussion of the first two kinds of transfers that are employment-related can be found in ILO (1997). The inclusion of pensions from contributory or private-funded schemes is an exception to the rule as such receipts are a running down of the household's assets. They are, however, included as they are considered as income by households, especially retired households, and used for consumption. Otherwise, the analysis of income distribution will be affected as these households will have little or no income. If employers' social contributions are also included as income, some amount of double counting will occur when "gross income" is aggregated across groups. Disposable income will, however, be unaffected.
71. The Canberra Group makes a distinction between compulsory transfers that are automatically considered as income; voluntary cash transfers that are regarded as income when "regular, and/or expected and relied on by the recipient"; and voluntary transfers in kind which are not considered as income. Their argument for excluding all voluntary in-kind transfers, such as "presents exchanged between households, and clothing etc. donated to charities and then distributed to beneficiaries", and some voluntary cash transfers, is that these are possibly sporadic transfers which are usually relatively insignificant. They are therefore better regarded as transfers of expenditure. It should be noted, however, that in some economies, in-kind transfers from urban to rural households are even more important than cash transfers as the transferred goods may not be easily available for rural households to purchase. Also, the distinction between voluntary cash transfers that are regular and relied on by the recipient and others is a fine one which may be difficult to apply in practice.
72. *The Meeting is therefore invited to consider all current transfers, in cash and in kind, as income with the proviso that in-kind transfers should be recorded separately.*
73. Inter-household transfers can lead to double counting when income is aggregated across households, if they are recorded as income for recipients and not excluded from the income of the donors.
74. Social transfers in kind (STIK) come from government-provided services to individual households such as education, health, social welfare, transport and cultural services (when most funding comes from government). These are called individual services, as distinct from collective services such as security (law and order), defence and public administration.
75. They affect groups differently across time, space and the spectrum of the income distribution. Thus, comparisons between groups would be affected by their exclusion. Their aggregate value can be determined for national accounts purposes but valuation at the household level could be problematic. Although some valuation methods are under consideration, they are not yet fully developed.
76. Similarly, the imputed value of services transferred from other households, such as grandparents taking care of grandchildren after school hours, should be included as income of the recipient household, i.e. that of the parents. Important as this kind of transfer is becoming, there are again the same difficult valuation issues as for own-produced services.

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- 77.** *The recommendation to the Meeting is that social transfers in kind and transfers of services from other households be excluded for now from the operational definition of income.*

Holding gains

- 78.** Changes in the value of financial and non-financial assets and liabilities over a reference period may occur without any direct action of the owner, for example, changes in the value of stocks and shares. These are referred to as nominal holding gains or losses. A holding gain, the result of an increase in assets or a reduction in liability, increases the net worth of the owner's assets while a loss has the opposite effect. Nominal holding gains or losses may be realized (if the owner sells the asset) or unrealized. They are real holding gains or losses when account is taken of inflation.
- 79.** It could be argued that a real holding gain, accruing over the reference period of interest, is available for consumption, especially if realized, and does not reduce real net worth over this period. It should therefore be considered as income according to the conceptual definition of income. A holding loss will then be negative income.
- 80.** The SNA does not treat holding gains/losses as income on the grounds that income and production must be measured on the same basis and holding gains are excluded from production. The Canberra Group considers that although there are conceptual grounds for including real holding gains as income, they should in fact be excluded and treated as a "separate memorandum item" which may be added to income for certain analyses (Canberra Group, 2001). In any case, the Group concluded that no distinction should be made between realized and unrealized holding gains as this would introduce kinks into the income distribution when legislation changes in favour of or against realizing these gains. ABS (1995) also excludes these gains from the definition of income. Another negative factor is that the measurement of holding gains, especially unrealized holding gains, will be difficult in practice.
- 81.** *Therefore the recommendation to the Meeting is that holding gains/losses be excluded from the operational definition of income.*

Exclusions

- 82.** Receipts that are not to be considered as income on the basis of irregularity or non-recurrence include lottery prizes and gambling winnings, non-life insurance claims, inheritances, lump-sum retirement payments, life insurance claims (except annuities), windfall gains, legal/injury compensation claims and loan repayments.
- 83.** Others that are excluded on the grounds that they represent a running down of assets are receipts from the sale of assets, withdrawals from savings and loans obtained.

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84. As both these kinds of receipts are nevertheless important for some analyses and an understanding of consumption, they should, as much as possible, be collected along with the income receipts.
85. *It is therefore recommended that the Meeting affirm these exclusions from the operational definition of income.*
86. As mentioned earlier, employers' social contributions may also be excluded depending on the decision of the Meeting.

Aggregation

87. The various components discussed above can be combined or aggregated differently to come up with various measures of income for analytical purposes.
88. The sum of employee income and income from self-employment is referred to as income from employment. Total income is the sum of this income, property income, transfer income and other income from within households. The usefulness of this concept in analytical studies is that it is unaffected by changes in institutional arrangements with respect to tax laws and social security contributions across countries and time. However, the inclusion of both social security contributions and benefits as well as the treatment of inter-household transfers such as family support payments may lead to double counting when this measure is aggregated across groups.
89. Total income is the aggregate measure in the existing ICLS resolution (paragraph 14). It is also referred to by the Canberra Group as the "first measure of aggregate income" (Canberra Group, 2001).
90. Disposable income is calculated as total income less direct taxes, compulsory fees and fines (ABS, 1995). If social security contributions are included in total income, then they are also sometimes deducted in computing disposable income (EUROSTAT, 1997). In the definition adopted by the Canberra Group some voluntary transfers paid are also deducted. It is the preferred analytical income measure for income distribution analysis as it is close to the maximum available for consumption expenditure during the accounting period.
91. The Canberra Group also introduced another measure, to wit: adjusted disposable income, which is the sum of disposable income and social transfers in kind.
92. Income components can vary in terms of means of payment – cash and non-cash (some prefer the terms monetary and non-monetary). Cash receipts are fungible, i.e. the option exists to consume and/or save all or part of them. Non-cash income, on the other hand, is assumed to be consumed on receipt with no option to save and so no effect on savings. Non-cash income is important for time and space comparisons as the mix of cash/non-cash can vary across time and space. Moreover, non-cash income is crucial for many developing countries where it forms a substantial proportion of total income.

93. *The Meeting is invited to retain total income as the first aggregate measure of income but that income data should be made available at components level so that other aggregations can be done as required by analysts: by type of income (income from employment, property income, other income), by total/disposable income and by cash/non-cash income.*

4. Household consumption expenditure

Conceptual framework

94. Consumption is the “using up” of goods and services. Goods are usually divided into two types depending on the nature of their consumption. Those that are completely consumed immediately or within a year (the usual reference period) are referred to as *non-durable goods*. Those consumed repeatedly or continuously over a period of time longer than a year are called *durable goods*. Services are consumed when they are delivered to the satisfaction of the consumer.

Consumption of durable goods

95. There are several conceptual approaches to the consumption of durable goods. One favoured in national accounts (SNA, 1993) and widely used is to treat durable goods in the same way as non-durable goods, except for owner-occupied dwellings and valuables. That is to assume that they are consumed within the reference period and treat their purchase value as consumption expenditure.

96. Owner-occupied dwellings are regarded as capital purchases providing services to the owners during the reference period. So it is the imputed value of these services net of depreciation and other costs that is part of consumption expenditure. This is the approach taken in EUROSTAT (1997), implicitly in the existing ICLS resolution (paragraph 15) and used in many countries, especially when the main purpose of the statistics is for compilation of CPI.

97. Valuables are excluded altogether as they are more often regarded as repositories of savings rather than expenditure items “used up” in the same way as other such items. They are defined as goods of relative considerable value, the main purposes of which are neither for use in production nor for consumption but as stores of value over time (SNA, 1993, section 10.7, page 218). Their actual identification would depend on national circumstances.

98. Another approach, consistent with economic consumption theory and recommended in ABS (1995) and Johnson et al. (1990), is to treat all durables as non-financial assets providing services to their owners in the same way as owner-occupied dwellings in national accounts. Then their contribution to consumption expenditure is their imputed use value net of depreciation. Given that by definition durable goods are not completely consumed during the relevant reference period, this approach is conceptually appealing. However, expenditure surveys carried out by many countries, including Australia (ABS, 2000) do not use this approach. Among the reasons given for treating other durables differently from owner-occupied dwellings is their relatively shorter lifetime, lower costs, different methods of financing and that they are not normally considered as investment by

the owners. While these may be true for a large number of durable goods, there are some that also have a long life and are not cheap, e.g. a vehicle. Also, some durables are partly used in household production activities where they are considered as capital items and not treated as part of current expenditure.

99. Households usually own a large number of relatively cheap durable goods. Therefore, the effort that would be expended in assessing the services flowing from them may be too great to be worth it. Thus, though theoretically possible, the computation of their use values will pose considerable difficulties in practice, especially if the main purpose of the consumption statistics is compilation of CPI. Besides, it is considered undesirable to have a large proportion of household consumption expenditure derived from imputations. A variant of this approach, suggested in World Bank (2000), is to limit this conceptualization of the consumption of durable goods to major durable goods only. Major durables are to be determined in relation not only to a lifetime beyond one year but also their value relative to the household's living standards (e.g. a car but not a shirt). While this may be workable when expenditure statistics are to be used for assessing living standards, the possible variation in what is considered a major durable good over time as a result of this definition would create problems for the compilation of CPI.

Consumption goods and services

100. *The recommendation to the Meeting is as follows:*

At the conceptual level, consumption goods and services consist of:

- (1) all services acquired directly or through the use of owner-occupied dwellings; and*
- (2) all goods, except valuables and owner-occupied dwellings.*

It is however possible that, for some purposes, consumption goods and services may be taken as consisting of:

- (3) all services acquired directly or through the use of major durables, including owner-occupied dwellings; and*
- (4) all other goods, except valuables.*

Final consumption expenditure and actual final consumption

101. Consumption goods and services can be:

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- (1) purchased in the market for cash by a household;
 - (2) produced within the household; or
 - (3) acquired in kind from outside the household.

102. The first two types of consumption goods and services can be used for the satisfaction of the needs and wants of the members of the household or for the satisfaction of the needs and wants of others outside the household such as other households and private organizations. The third type is used almost exclusively for the satisfaction of the needs and wants of members of the receiving household. In order to keep track of these various possibilities, the following definitions are usually introduced.

103. In SNA (1993), the **final consumption expenditure** of a household is defined as the expenditure, actual or imputed, on consumption goods and services purchased directly in the market by the household for cash, produced from within the household (goods, housing services and paid domestic services only) or acquired in kind through the market-place but without money (e.g. through barter, as income in kind). The **actual final consumption** of households is defined as the value of consumption goods and services for use in satisfying the needs and wants of household members. That is the final consumption expenditure of households plus the value of social transfers in kind received from government and non-profit institutions serving households (NPISH).

104. These definitions are the same as those used in EUROSTAT (1997). The definition of household consumption expenditure in the existing ICLS resolution (paragraph 15) is the same as the SNA's definition of final consumption expenditure. There is, however, no equivalent concept to actual final consumption in that resolution.

105. The Australian Bureau of Statistics (ABS, 1995) uses the same terminology as the SNA, but with different definitions. Final consumption expenditure is defined as the monetary value expended in the market-place for purchases of services and non-durable goods. So, unlike the SNA's version, durable goods and non-monetary expenditures are excluded. The ABS's "actual final consumption" is defined as final consumption expenditure plus the consumption of in-kind receipts from outside the household and that of goods and services provided from within the household. Thus, it goes further than the SNA by including the consumption of goods and services received as in-kind transfers from other households as well as services from unpaid household work.

106. The SNA's definition of final consumption expenditure, especially the monetary component, is the measure that is useful for the compilation of CPI. Actual final consumption, as defined by ABS, is the most suitable concept for the analysis of living standards as it takes into account all consumption goods and services available to a household to satisfy its needs and wants.

107. *The recommendation to the Meeting is that:*

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- (1) *the concept of household consumption expenditure should, in addition to those components in the existing ICLS resolution, include the consumption of services from unpaid household work and, where appropriate, from other consumer durables (net of depreciation);*
 - (2) *the concept of actual household consumption is the total of household consumption expenditure and the in-kind transfers of goods and services received from government, NPISHs and other households.*

Operational definitions

108. As noted in Chapter 3, the valuation of services from unpaid household work, of social transfers in kind and of in-kind services from other households has so far proved difficult to operationalize. Thus, it was recommended that these be excluded from the operational definition of income. For these same reasons, the recommendation here is to also exclude them from the operational definition of household consumption expenditure and actual household consumption.

109. *The recommendation to the Meeting is as follows:*

- (1) *in practice, household consumption expenditure includes all monetary expenditure on consumption goods and services, except owner-occupied dwellings and valuables, plus the imputed values of consumption goods and services received as income in kind, of consumption goods produced and consumed by the household and of housing services from owner-occupied dwellings;*
- (2) *in those instances when consumption of major durable goods is taken to be consumption of the services flowing from such goods, household consumption expenditure includes the imputed value of these services and excludes the purchase value of such goods;*
- (3) *actual household consumption includes, in addition to household consumption expenditure, the imputed value of consumption goods received from other households, government and NPISHs.*

Timing of consumption

110. No matter which consumption concept is used, a decision has to be made as to the timing of consumption. The position with respect to services is easy. They are consumed immediately on delivery (i.e. completion). The difficulty is with the consumption of goods which can be said to have taken place when the goods are physically/actually consumed, when they are paid for or when they are acquired/received.

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- 111.** Often all three events occur at the same time, especially over a long reference period and for non-durable goods, in which case these distinctions do not really matter. However, even food items may not necessarily be consumed or wholly consumed during the reference period when they were acquired. Acquisition is often at the same time as or closely after payment. For credit purchases, however, acquisition takes place before payment or before the completion of payment.
- 112.** For in-kind consumption of own-produced goods, the choice is between actual consumption and acquisition, i.e. when the items are added to stock. The former is preferable as households may not know in advance how much of a stocked product they will finally consume and how much they will sell. Indeed, for food consumption studies, actual consumption is what is of interest. For other in-kind goods that are not stocked, it may be better to use acquisition. For credit purchases, the method should be acquisition as the purchaser does exercise full control over the use of the item even though not yet the legal owner. This is the position in SNA (1993) and EUROSTAT (1995). For monetary expenditures on goods, acquisition and payment usually fall within the same reference period.
- 113.** When the main use of the statistics is for CPI compilation, the method used for determining the timing of consumption should be the same as that used in the CPI compilation as the choice also then depends on the use to be made of the index.

(See paragraphs 22 and 23 of the existing ICLS resolution.)

114. *Thus, the recommendation to the Meeting is as follows:*

- (1) for services, consumption expenditure should be measured on the basis of actual consumption or delivery;*
- (2) goods that are own produced and actually consumed during the reference period should be measured as actual consumption;*
- (3) for monetary expenditures on goods, credit purchases and in-kind goods from outside the household, household consumption expenditure should be measured on the basis of the total quantity and value of the consumption goods delivered to or obtained by the household during the specified period;*
- (4) in practice, for monetary expenditures on goods and services, data may often be satisfactorily collected on the value of goods and services paid for, irrespective of when delivery takes place.*

Special items

- 115.** There are some cases of expenditure which are borderline and so need special consideration.

(See paragraphs 15 and 16 of the existing ICLS resolution.)

116. Financial services such as accounting fees, bank service charges and credit card service fees should be included in household consumption expenditure as they are consumption of services. The SNA also refers to an implicit service component for financial intermediary services, which is the difference between the interest paid by households as borrowers and that received by households for deposits with these banking institutions. This is, however, difficult to measure at the household level.
117. Interest payments can be considered as payment for services, in which case they should be included as consumption expenditure, or taken as transfer payments and so considered as non-consumption expenditure. The practice in some countries is to record all interest paid as consumption expenditure (recall that interest received is treated as property income). Such a practice is consistent with the conceptual argument that these payments are for services provided by the financial intermediaries (ABS, 1995). Some countries, however, consider interest paid as non-consumption household expenditure, except possibly for mortgage interest.
118. The existing ICLS resolution does not make any clear recommendation for the treatment of interest paid and payments for other financial services.
119. *The Meeting is invited to consider whether payments for financial services and interest payments should be included as household consumption expenditure.*
120. Insurance premiums (excluding those paid for insurance services purchased by unincorporated household enterprises) consist of a part which pays for the costs incurred by the insurers for operating the insurance scheme and a part which goes toward the payments made for the incurred risks. The first part is a service charge to households and, conceptually, only that part should be included as household consumption expenditure. This is the approach taken in the SNA for both life and non-life insurance. This separation of premium paid into service charge and “technical reserve”, the term used in the SNA for the second part, cannot however be done at the household level. So the choice is either to consider the premium – net of claims – as consumption expenditure, or to exclude the entire premium.
121. Countries differ in their treatment of insurance. Some include all premiums, some others include only non-life premiums while others treat all premiums as non-consumption expenditure. Almost always, however, life insurance premiums are excluded on the grounds that these are investment payments. ABS (1995), EUROSTAT (1997) and the existing ICLS resolution recommend the inclusion of only non-life insurance premiums. When premiums are included, care has to be taken about the recording of reimbursable expenditures as some may be repaid outside the reference period.
122. *The Meeting is invited to affirm that non-life insurance premiums, net of claims, should be included as consumption expenditure.*

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123. Second-hand goods are usually treated the same way as new goods, that is, they are included as household consumption expenditure (EUROSTAT, 1997). They can be measured gross or net of sales with the possibility of negative expenditure if purchases cost less than sales (SNA, 1993; ABS, 2000; ONS, 2000).
124. *The recommendation to the Meeting is that second-hand goods be specifically recognized as part of consumption goods.*
125. Non-monetary gifts should be treated as income for the recipient household according to the recommendation in Chapter 3. They should therefore be taken as part of household consumption for the recipient household. Both monetary and non-monetary gifts should be treated as non-consumption expenditure of the household making the gift. This is the approach used in surveys in Australia (ABS, 2000) and Jamaica (STATIN, 1999), the one used by the World Bank (2000) and implied in the existing ICLS resolution.
126. EUROSTAT (1997) acknowledges that this approach is the conceptually valid one. It, however, recommends the opposite on the grounds that the value of these gifts are more easily known to the household making the gift than to the one receiving it. Their proposal, which is in line with common practice in the European Union, Canada (STATCAN, 2000) and the United States (BLS, 2001), is that these gifts are to be recorded as expenditure for the households making the gift and ignored for those receiving them. It should be noted that if the objective is the measurement of living standards, then the earlier conceptual approach is preferable especially if the contribution of these gifts to actual household consumption is significant.
127. *The Meeting is invited to explicitly recognize non-monetary gifts as consumption items for the recipient household only.*
128. Contributions to NPISHs are generally excluded from household consumption expenditure (EUROSTAT, 1997; ABS, 1995) and treated as non-consumption expenditure. This is also the approach recommended in the existing ICLS resolution, with the exception of regular small contributions to religious bodies, charities, trade unions, political parties, etc. In these instances it is considered that there is a direct link between the payment of these contributions and the acquisition of goods and services such as private non-profit schooling, etc.
129. *The Meeting is invited to affirm the relevant recommendations in the existing ICLS resolution.*
130. Licences and fees paid to government units in some instances generate a quid pro quo, that is, the production of goods and services that benefit directly the paying household. These include fees for providing, testing, inspecting and licensing the use of certain equipment and services (TVs, radios, firearms, passports, court services, museums, schools, garbage collection, driving, piloting, etc.). They should be treated as household consumption expenditures. Some others, such as licences to own or use a vehicle, boat or aircraft, can be consumption expenditures, depending on the particular circumstances of the country. The SNA, however, treats those in the second group as non-consumption expenditures. Other fees and licences, such as fees to hunt, fish, shoot, etc., are de facto taxes which are

unavoidable and compulsory. In most cases, no direct or specific services or goods are provided to the paying household as a result. These are non-consumption expenditures. ABS (1995) treats all compulsory fees associated with the regulatory functions of government or the granting of permits or privileges as non-consumption expenditure.

- 131.** The current resolution explicitly includes fees for driving licences and car registration, with an open-ended addition of “similar charges”, as consumption expenditure.
- 132.** *The Meeting is invited to consider whether the general principle used for the inclusion/exclusion of these charges as consumption expenditure should be explicitly stated and additional examples to those in the existing ICLS resolution should be given.*
- 133.** Gambling losses are specifically excluded in the existing ICLS resolution and some countries have adopted a similar approach in their surveys. There are, however, some others who treat these expenditures differently. EUROSTAT (1997) recommends that the stakes should be recorded gross as consumption expenditure as these payments are voluntary and are made not only to governments but also to private institutions. Gambling windfalls, however, are not correspondingly considered as income nor deducted from losses (ONS, 2000). The treatment in the United States consumer expenditure survey is that losses are treated as consumption expenditures. SNA treats stakes as consisting of a service charge paid to those operating the gambling, which is therefore consumption expenditure, and an element used for paying out winnings, which is an inter-household transfer payment. Again, as for insurance premiums, such a distinction would be difficult to implement at the micro level.
- 134.** In keeping with the earlier recommendation that windfall gains and gambling winnings should not be considered as income, the proposal is that *gambling expenditures less winnings should be treated as consumption expenditure*. The advantage is that large wins will not then seriously distort income distribution as they will be recorded as negative expenditure with a resultant increase in savings. However, regular small expenditures on stakes will be adequately reflected in household consumption expenditure.
- 135.** *The Meeting is invited to consider this proposal.*
- 136.** Health and education expenditures directly incurred by households should be recorded as consumption expenditures according to the recommendation in the existing ICLS resolution. These do not include expenditures on private health or education insurance and/or social security contributions. The resolution does not explicitly state whether these expenditures should be recorded net of reimbursements where applicable. The practice differs between countries. Recording gross is the more popular option as it is probably the easier to do in a household survey. However, as the earlier recommendation is to include health insurance premiums as consumption expenditure, not taking account of reimbursements from such policies could lead to double counting. Thus, the proposal is that, *as much as possible, these expenditures should be recorded net of reimbursements from insurance policies*. There may, however, be some difficulty in doing this as some reimbursements may not be paid nor known to the household during the reference period.

137. As already discussed, the actual household consumption of these services should in principle also include social transfers in kind. The use of expenditures only could distort the comparative analysis of living standards in particular.

138. *The Meeting is invited to consider this proposal.*

139. Housing decorations, repairs and maintenance are considered as consumption expenditures in the SNA provided they are similar to those carried out by tenants. Major repairs and home improvements (extensions, modernization, rebuilding) are, however, capital expenditures and should be excluded. The existing ICLS resolution does not make any specific mention about these types of expenditures.

140. *As this is common practice in many countries, it is recommended that housing decorations, repairs and maintenance be included as consumption expenditure, in the same way as in the SNA.*

Exclusions

141. Compulsory current transfers to other households (e.g. alimony payments, child support) and to government (direct income and wealth taxes, fines, compulsory fees, etc.) are household non-consumption expenditures. This is in addition to the exclusion of voluntary transfers in cash or kind to other households and NPISHs recommended above.

142. Goods and services acquired for the use of unincorporated enterprises should be excluded from household consumption expenditure as these are intermediate expenditures for these enterprises. It is, however, usually difficult to distinguish between the use of these goods and services for business purposes and their use for household consumption.

143. Capital expenditures such as savings, reduction of liabilities, amounts loaned, purchase of financial assets (e.g. bonds, shares), purchase of valuables (works of art, gold, jewellery, etc.) are excluded from household consumption expenditures. Also excluded are social security contributions and life insurance premiums.

144. The existing ICLS resolution identifies the above as exclusions but it also excludes gambling losses. The proposal is the following:

Household consumption expenditure excludes the following categories of disbursements:

- *current transfers outaid, that is, goods and services disbursed by the household to outside units such as other households and NPISHs for their own consumption including gifts, remittances, alimony, child support, irregular contributions to NPISHs;*

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- *compulsory transfers to governments such as direct income and wealth taxes, fines, fees, etc.;*

 - *investment-related expenditures, such as savings, reduction of liabilities, amounts loaned, purchase of financial assets (e.g. bonds, shares), purchase of valuables (works of art, gold, jewellery, etc.), life insurance premiums and social security contributions.*

However, wherever it is both feasible and convenient to do so, information on these items may be collected from households for other analytical uses.

5. Measurement issues

Statistical unit

145. Income and consumption statistics can be analysed using various units depending on the purpose of the analysis. For the analysis of living standards, it is necessary to take into account the shared command over economic resources and shared decisions about consumption. This suggests using a group unit such as a household or family as the statistical unit of analysis. When the objective is computation of CPI weights, the household is appropriate as it is the natural consumer unit within which individuals make common provision of essentials. For the analysis of social benefits, the family will be the appropriate unit because family relationships are commonly used to determine such benefits. If the relationship of interest is that between personal characteristics and income or consumption (e.g. educational level and income, labour market characteristics and income, etc.), the preferred unit is the individual.

Household

146. Amongst these three units (individual, family and household), the household is the one most commonly used not only for analysis but also as the sampling unit in surveys and as the unit of data collection. The household is sometimes defined as all persons living together in a housing unit (UNSD, 1998) – the dwelling unit concept. This is the unit recommended for use in the analysis of income distribution by the Canberra Group (Canberra Group, 2001, pages 38-39). A more common definition is based on the housekeeping concept. It is the one recommended for use in the 2000 round of population censuses (UNSD, 1998, section 1.324, page 50), and defines a household as follows:

A household is classified as either:

- (a) a one-person household, that is to say, a person who makes provision for his or her own food or other essentials for living without combining with any other person to form part of a multi-person household; or
- (b) a multi-person household, that is to say, a group of two or more persons living together who make common provision for food or other essentials for living. The persons in the group may pool their incomes and may, to a greater or lesser extent, have a common budget; they may be related or unrelated persons or constitute a combination of persons both related and unrelated.

147. This definition, in slightly different variations, is the one mostly adopted for the household: SNA (1993), Franz et al. (1997), expenditure surveys in Australia (ABS, 2000), United Kingdom (ONS, 2000), United States (BLS, 2001), etc. These notions of shared expenditure and shared residence are also the basis of the recommended definition of a

household in UNECE and EUROSTAT (1998) and EUROSTAT (1997). However, the definition of one-person households in the former explicitly includes lodgers who, as subtenants, have hired part of the housing unit for their exclusive use. These are unlike boarders who are defined as persons who take meals with households and usually use all available household facilities and are thus not separate from these households.

148. According to the census recommendations a household can be located in a housing unit or a set of collective living quarters or the household can be homeless.

Family

149. The family definition recommended for use as a derived unit in population censuses (UNSD, 1998, section 2.63, page 65) states that:

The family within the household, a concept of particular interest, is defined as those members of the household who are related, to a specified degree, through blood, adoption or marriage.”

150. Thus, a multi-person household can contain one or more families living with or without unrelated individuals, but a family cannot be in more than one household. Also, a one-person household is not a family. Apart from recommending that couples living in consensual unions should be regarded as married, no further prescriptions are given about the required degree of the relationship. Some countries have adopted a narrow definition of family restricting the relationship only to married couples, cohabiting partners or parent and child (UNECE and EUROSTAT, 1998). There are some difficulties in applying this concept in polygamous situations with wives in the same or different dwelling units (Lefranc, 1997).

151. A concept of “**income unit**” consisting of a subset of a family with shared command over income or a one-person household is introduced in ABS (1995) and by the Canberra Group (2001). This is regarded as the best unit for analysis of economic well-being, especially when using income data for this purpose.

Hierarchy of units

152. The population census definitions create a hierarchy of statistical units as follows:

- (1) individual within a family within a household within a dwelling unit (or set of living quarters or homeless); or
- (2) individual outside a family but within a household within a dwelling unit (or set of living quarters or homeless).

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153. The ABS hierarchy, in reverse order, is from dwelling unit to household (as consumption unit) through family to income unit depending on degree of shared command over income. That of the Canberra Group is from household (dwelling unit concept) to family/unattached individuals to income unit.
154. The recommendation in all is that the household should be the unit of enumeration (data collection) although some components of income and consumption could be collected at the individual level. The units of analysis below the household level can be derived from the information collected. The dwelling unit or household is usually the sampling unit when data are collected through surveys. Some components of income and consumption statistics can be collected through administrative sources, sometimes at the individual level (e.g. from tax records) and sometimes at the household level (e.g. from social assistance records).
155. Paragraph 12 of the existing ICLS resolution defines a household in almost exactly the same way as the above population census definition, but the family definition given excludes the possibility of more than one family in a household.
156. *The Meeting is invited:*
- *to recommend the use of the above population census definitions of household, as unit of enumeration, and family, as a unit of analysis; and*
 - *to consider the inclusion of the “income unit” as defined above as another unit of analysis.*

Coverage

157. In general, only the population living in private households in a country is covered by income and expenditure statistics collected at the micro level. Thus, people living in collective households like boarding houses, hotels, etc., or in institutions like military installations, school dormitories, university housing, hospitals, penal institutions, religious institutions, retirement homes and so on, are usually excluded from coverage.
158. There are some borderline cases like students sharing accommodation, a large number of lodgers in a private house, etc., which could be classified as collective households. Another is the treatment of the households of those living in the collective households in which they work, e.g. the household of a hotel manager who lives in the hotel in which he or she works. **No proposals can be made about these borderline cases other than that the decision depends on national circumstances.**
159. Although not excluded in theory, some countries impose other conditions for exclusion for various reasons:

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- (1) persons without fixed residence such as the homeless, nomads (difficulty to locate them);
 - (2) one-person households (to avoid the problem of student households);
 - (3) “very rich” households (so as not to distort the income distribution);
 - (4) remote households (few in number and difficult to access);
 - (5) diplomatic households, etc. (outside the scope of coverage).

160. *The Meeting is invited to reaffirm the recommendation in the existing ICLS resolution (paragraph 4) that in principle all private households should be covered.*

Household characterization

Household membership

- 161.** Assigning individuals to households can be done in one of three ways. Individuals who were **present** in the living quarters at the time of data collection (*de facto*), individuals who are **legally recognized** as residing at the living quarters (*de jure*) or individuals who **usually reside** at the living quarters. The choice is really between the *de facto* and the usual residence approaches.
- 162.** The recommendation for the 2000 round of population censuses, which is the same as that of the Canberra Group (2001), is to use the usual residence criterion. The difficulty in this is specifying what is meant by usual. What should be the maximum period for an individual to be absent and under what circumstances will that person be considered to be no longer usually resident in the household? The decision can be crucial when assessing the economic well-being of students, as one-person households with relatively low income, vis-à-vis that of their parental household with relatively higher income than is the reality. The case of a one-person household, temporarily away from their usual residence for reasons of work, is the inverse of this: the income of that one-person household will be unusually high without reflecting their true economic well-being.
- 163.** Conversely, what should be the minimum period for an individual to reside in a household before being considered as usually resident there? The *de facto* approach, on the other hand, can misrepresent the economic well-being of a household with a short-term guest whose income is not in any way shared with the rest of the household.
- 164.** The existing ICLS resolution is silent on this point.

165. *The recommendation is to collect and record separately information for: (a) those usually resident and present at the time of data collection; (b) those usually resident but temporarily absent at the time of data collection (along with details about the period of absence); and (c) those present in the household at the time of data collection but who usually reside elsewhere (along with details on the period of stay in the household). Then, depending on the context of the analysis, the unit of analysis can be variously constituted. The criteria for deciding usual residence depend on national circumstances.*

Head or reference person

166. It is necessary to identify one of the household members as head or reference person for two reasons. One is to associate that person's characteristics with the household such that they could be used to classify the household in some manner for the purpose of analysis, for example, to identify the socio-economic grouping to which the household belongs. Another reason is to be able to distinguish household members based on their relationship to that person.

167. The traditional approach has been to use the person recognized by the household as the "head of household". This has, however, turned out to be male biased and so distorts analysis with respect to gender. The alternative which is presently mostly recommended is to use specified criteria for choosing a "reference person" in relation to whom household members can best be distinguished. Amongst the criteria that have been used are:

- (1) person acknowledged as head or one of joint heads;
- (2) head, spouse or oldest adult, depending on whoever is economically active, in that order of priority;
- (3) person owning, renting or responsible for housing unit;
- (4) principal earner, main contributor to household income/budget;
- (5) person taking important decisions;
- (6) oldest male or any adult person to facilitate determination of family relationships;
- (7) person selected on basis of some other criteria, etc.

168. The choice would have to depend on the circumstances of various countries and the purpose for which the study is being carried out.

169. The existing ICLS resolution is silent on this point.

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170. *Therefore no recommendation is made on this to the Meeting except that the criteria used for identifying the reference person should be clearly stated.*

Size and composition of household

171. The income available to households and household consumption are affected by the size and composition (age, sex, type of marital status, etc.) of the household. So any analysis of household income or consumption statistics should take into account these effects. One way of doing this is to classify households based on these factors and then to carry out analysis for each category of household. This is, however, not a practical option as, unless only one or two factors are used, the number of households in each category will be too small for meaningful analysis. The preferred option is to use equivalence scales to adjust income and consumption to take account of household size and composition (i.e. needs). There are, however, several such scales and none has been generally accepted as the best.
172. The existing ICLS resolution is silent on this point.
173. *Therefore no recommendation is made to the Meeting apart from the need to take household size and composition into account when analysing income or consumption statistics.*

Reference period

174. Some components of income are best collected annually for two reasons. One is because they are known only annually. For example, self-employment income in the formal sector is derived as profit or loss from annual accounts. Wage and salary income from income tax records are also available only annually. Dividends, interests, bonuses, etc., are usually paid once a year. Another reason is that some components have an annual cycle. Examples are agricultural income, income from tourism, etc., which are seasonal in nature. However, wages and regular receipts are received sometimes monthly, weekly, daily, etc., and these may be the best periods to use when collecting them through household surveys.
175. Similarly, some components of consumption are available or collected only over an annual period because of their relative infrequency, for example some expensive durables. Some others are also seasonal in nature and so should be reported on an annual basis to take account of this seasonality. There are, however, others that are consumed daily, weekly or acquired monthly and so on, and these may be their best recording periods.
176. Thus, income and expenditure components can have a variety of reference periods which then need to be standardized for aggregation and analysis. (These periods are also variously referred to as recording or reporting periods, recall periods, accounting periods, observation periods, etc.) This can be done by annualizing the non-annual components, that is by scaling upwards non-annual values by a suitable temporal factor. It can, however, also be done by scaling downwards non-weekly values to weekly equivalents. It should be noted that the standardization process introduces non-comparability into the aggregates and relies on the assumption, sometimes false, that the non-observed periods are similar to

those observed. Annualizing is the more popular approach and that recommended in the existing ICLS resolution (paragraph 19).

177. *The Meeting is invited to reaffirm the recommendation in the existing ICLS resolution that “Surveys normally should represent a full year of household accounts ...”.*

178. In reporting on income or consumption statistics, it is necessary to set some fixed calendar period to which the statistics refer. This period is also sometimes referred to as the reference period for the statistics. To avoid confusion, we recommend that the calendar period to which the statistics refer be called the referral period for the statistics. It coincides with the reference period used for data collection when the latter is fixed. However, when a moving reference period is used, assumptions of no change in the level and pattern of income or consumption between the pre- and actual referral period for the statistics are required or adjustments need to be made to account for any differences.

179. For example, if income statistics are to be reported for the year 2000, then that is the referral year for the statistics. If the survey is carried out in 2001 with 2000 as the fixed reference period for data collection, then 2000 is also the reference year. If, however, the survey is spread out in the year 2000 with a corresponding one-year moving reference period for data collection, which is the usual practice, then some income components for some households will refer to 1999. Assumptions then have to be made that the level of income for these components in 1999 is the same as that in 2000 for these households, or adjustments have to be made to take account of the differences caused by inflation, for example.

180. *The Meeting is invited to consider the proposal that the calendar period to which the statistics refer be called the referral period for the statistics and to comment on the above observations.*

6. Sources of household income statistics

Income surveys

- 181.** These are household surveys carried out purposely to collect income data. They are the most common source of income distribution statistics and considered to be one of the best of such sources.
- 182.** The reference period for income data is generally accepted as a fixed or moving 12-month period. Some regular income components are better collected with a short reference period, for example a month, or as a “last payment” question. The advantage in this is that accuracy is likely to be higher as the information is requested in the form easiest for the respondent to remember without the need to carry out any computation. It is, however, important, when a short reference period is used for wage and salary data, to decide if the value collected should be the actual value (current income) or the usual value. The latter excludes from actual value those amounts not usually received each pay period. Countries report their income statistics either as annual income or as weekly income. In either case components have to be scaled by an appropriate temporal coefficient to convert them to the desired equivalents.

(See paragraph 19 of existing ICLS resolution.)

- 183.** *The recommendation to the Meeting is that income be collected with an annual reference period, though some components which are regular receipts should be collected with shorter reference periods, as appropriate.*
- 184.** Those components of income that accrue to the household as a unit, for example, the profits from an unincorporated household enterprise, should be collected from one designated respondent such as the head of the household or the reference person. For those components that accrue directly to individuals, experience has shown that as income is a sensitive variable, no single household member – not even the head of the household or reference person – usually knows the total income of all other household members. When individual income data are not known, the use of income brackets is gaining increasing acceptance (EUROSTAT, 1997). Another issue is that as respondents may not perceive some receipts as income, a single question on total income earned is likely to insufficiently cover some components and so underestimate income.

(See paragraph 20 of existing ICLS resolution.)

- 185.** *It is recommended that individual income data be collected directly from each relevant household member and that income data be collected at as disaggregated a component level as possible based on national experiences.*

186. There is a high rate of item non-response and under-reporting of self-employment income due partly to the way the self-employed conceive their finances, to their self-perception of their status in employment, to their accounting practices and to the fact that they are a very heterogeneous group. Some artisans on contract hire, for example, may not think of their earnings in terms of profit nor consider themselves as self-employed. Enterprises may not know their profit or loss for the survey reference period at the time of the survey due to the tax systems under which they are operating. Some others, e.g. informal sector operators, may have their receipts and expenditures inextricably mixed up with those for the household which makes reporting their income difficult.

187. *The recommendation is that countries should be aware of the potential risks in measuring self-employment income and make every effort to minimize them through the use of appropriate instruments and data collection methods.*

188. Self-employment income is measured as mixed income, i.e. profits of the unincorporated enterprise. This raises the possibility of zero or even negative income when there is a loss. The recommendation of the Canberra Group, which is also that used by many countries, is to treat these as legitimate values. Some countries, however, use withdrawals from the enterprise for own use of the self-employed in these instances. Although, as discussed in Chapter 3, there are conceptual issues in using withdrawals, they could be useful in those cases when significant numbers report negative or near-zero income.

189. *The Meeting is invited to discuss the most appropriate treatment of zero and negative mixed income in the measurement of self-employment income.*

190. From Chapter 3, the recommended aggregate is total income consisting of income from employment, property income, transfer income and other income from within the household. This income should be gross of direct taxes, social contributions and transfers paid. Countries differ in the aggregate income reported in two important respects that affect international comparison. Firstly, some income surveys exclude income components that are difficult to measure, in particular those that require imputation, such as income in kind, consumption of own production, etc. So only cash income, including cash transfers, is collected. The relative importance of such sources of income to total income in the country concerned is a major factor in this decision. Another factor is that, as the measurement of non-cash income is more complex than cash components, it is omitted in surveys with limited time available for field work and data processing. In order to facilitate international comparisons, it is therefore necessary that those surveys that report total income should separate out the non-cash components of such income. The second difference is that some surveys collect income net of taxes and/or net of social contributions. In this case it is recommended that information on direct taxes and social contributions be made available (collected or modelled).

191. *The Meeting is invited to consider the following recommendation:*

Countries should, as much as possible, report total income gross of direct taxes, social contributions and transfers paid. Where income is reported net of direct taxes and/or social contributions, information on these transfers should be estimated. Total income should be reported in a way that allows non-cash components to be separately identified.

In addition to the income data, information on household members' characteristics (socio-demographic, economic activity, education, hours of work, etc.) and information on assets and liabilities should also be collected for analytical purposes.

Other household sources

- 192.** Income statistics are also collected using modules or questions in other types of household surveys such as labour force surveys, informal sector surveys, etc. Many countries are, in fact, moving from dedicated income surveys to combining income and labour force surveys. There is some risk of increased non-response or reduced accuracy for the labour force data due to the sensitive nature of income data. However, income statistics can then be directly associated with the various labour force characteristics of the household members. (See ILO (1997) for a detailed discussion of this issue.)
- 193.** The specific case of household income and expenditure surveys or household budget surveys is discussed below. A few countries also collect income data during population censuses.

Establishment/enterprise surveys

- 194.** Some components of income statistics, particularly those derived from paid employment activities, can be collected through surveys of establishments or enterprises (ILO, 1997). In situations where income from paid employment constitutes a very large proportion of total household income for the vast majority of households, such data may provide very useful information about households' living standards. This would, however, be limited according to the extent of coverage of the survey.

Administrative sources

- 195.** Income statistics can be produced on the basis of administrative sources such as tax records, records of social security schemes, and so on. These data are usually of good quality for the units and types of income they cover, but there can be some difficulty in recombining the individuals into the required unit of analysis such as household, family or income unit. Coverage could also be a problem: for example, the possible exclusion of low-income earners, unregistered enterprises or persons, income from secondary activities, etc. The use of different definitions of income, taxable income as against total or disposable income, can also create problems. Some of these can be addressed through combining different sources, for example, income tax records and social benefits records, to improve on coverage. To do so, all such sources must use some form of common personal identifier of individuals, such as social security number, to ensure the correct matching of their records. As access and matching of this nature raise issues of privacy and confidentiality, permission of the individual is usually required. Not many countries use administrative sources for income data.

196. A combination of a household survey and income tax records has been used in some countries. The household members are first identified through the household survey and, with their permission, the income data are then obtained from the tax authorities. This is particularly useful for those self-employed who may not know their income at the time of the survey.

197. *The Meeting is invited to consider the relative importance of these different sources for income statistics.*

7. Sources of household consumption expenditure statistics

198. These statistics are usually collected through household surveys, although for some countries a few components may be available for some households from administrative sources such as social benefits records. The surveys take various forms, including dedicated household income and expenditure surveys, household budget surveys, household/family expenditure surveys as well as constituting one or more modules of general multi-topic living standards surveys.

Data collection methods

199. Data are collected using one or both of the methods of retrospective enumeration (interview method) and diary or account-keeping.

Interview method

200. Expenditures on specific items are recorded retrospectively for specified fixed or moving periods varying from one month to a whole year (fixed/moving reference period). The interview can be done either through an enumerator, who pays one or several visits to the household, or by self-completion of questionnaires by the household. This method gives a better coverage of households, leading to higher overall response, than the diary method described below. When done through enumerators, it also has increased accuracy and completeness (item response), due to probing, as well as consistent responses because of the training received by the enumerators.

201. The method, however, has some risk of recall errors, that is omitted expenditures, and of telescoping errors, that is the inclusion of expenditures made outside the reference period. The former error leads to a downward bias in total expenditure while the latter causes an upward bias. The time between the start of the reference period and the interview is called the recall period. The longer the recall period, the more likely the risk of recall errors and the less likely that of telescoping errors, and vice versa (World Bank, 2001, Chapter 5, page 110). Methods used to minimize these risks include having a bounding interview – to record what exists at the start of the recall period – with the aim of reducing telescoping, providing interviewers with a prompt list of items to minimize recall errors, etc. It should be noted that when a fixed reference period is used, different households are subjected to varying recall periods for the same item depending on when the interviews take place. Therefore, the preference is largely for moving reference periods.

202. Another issue is that the use of short recall periods increases the likelihood of zero purchases for some items and, when only single visits are made, that of low total expenditure in some households. Provided the design is such that the survey is spread over a year, estimates of mean consumption for the population will be unbiased but estimates of

annual consumption of individual households, and so the distribution of consumption across households, will be affected (Demery et al., 1992).

- 203.** As major goods are less subject to recall errors and more to telescoping errors, and vice versa for more frequent or smaller expenditures, a reasonable procedure is to use longer recall periods for major goods and shorter ones for more frequent or smaller goods. An added advantage in using a long recall period for infrequent items is that it increases the likelihood of a larger number of observations for these items and so lower variance for the estimated expenditure. Thus, the recommendation is that **interviews with relatively long recall periods are best suited for large infrequent or irregular purchases, especially of durables, and for regular expenditures such as rent, utility bills, etc. Income data, other receipts, background characteristics of households and household members are also usually collected through interviews, although some countries also collect income data and other receipts through diaries.**
- 204.** Questionnaires are usually detailed and structured, with modules dealing with different topics such as employment characteristics, education, health, housing characteristics, etc. Income, when included, is collected through a separate questionnaire similar to that used in income surveys. There is increasing use of computer-assisted personal interviewing (CAPI) in place of paper questionnaires.
- 205.** In an interview, one form of questioning is to ask respondents for the value of purchases over a fixed period. Expenditures are then computed for the specified survey reference period using this period as a scaling factor. An alternative form of questioning is to ask when an item was last purchased and at what cost. The expenditure figures are then computed on a pro-rata basis using the difference between the time last purchased and the time of the interview as a scale factor. This is useful for very infrequent items and those that are difficult due to the unwillingness or inability of the respondent to give accurate responses. A variant of this used in designs that have multiple visits is to ask for the value of purchases since the last visit. All these methods are aimed at collecting the actual values of expenditures. Alternatively, some surveys ask for the frequency with which an item is purchased over the reference period and the amount usually spent each time. It is, however, likely that this type of “usual value” question may not be reliable. In income questionnaires the “last payment” approach – which asks when a payment was last received, the amount received and the period covered – is sometimes used. **No recommendation is made as the best form of questioning may be different for the various components.**

(See paragraphs 19 and 20 of existing ICLS resolution.)

- 206.** *The Meeting is invited to consider the above proposal.*

Diary method

- 207.** Diaries are mailed or delivered by enumerators on one or more visits depending on the organization of the survey. Households are required to enter regularly (usually daily) into the diaries all purchases made and sometimes receipts received during a period referred to as the recording or reporting period. The common practice is to use a moving recording period. Usually, only one diary is filled in for the entire household. In some instances,

however, individual diaries are maintained by household members above a certain age. This is especially useful to fully account for items that are consumed outside the house, e.g. lunchtime meals. However, there may still be some problems with the omission of purchases of very small items such as cups of coffee, newspapers, etc.

- 208.** Diaries can be structured with pre-coded lists of items or can be open-ended, the latter being more difficult to process. They should have as full a list of goods and services as possible or at least of major items, even when open-ended, to minimize the risk of omission of items. There are as yet no clear answers as to how best to organize such lists, with choices being: by botanical similarity for food items (similar caloric content), by purpose or by point of purchase. It is worth noting that having a large number of items and/or too detailed instructions can lead to inconsistent responses. Methods exist to try to minimize this risk, such as going hierarchically from broad group to more detailed level in the questioning of respondents (World Bank, 2001, Chapter 5).
- 209.** Clearly diary-keeping is a demanding activity on households and so the recording period for use of the diary is usually short, from a day to at most a few months. The commonly used period is one to two weeks. Some countries use two consecutive one-week diaries. A longer period could lead to bias and inaccuracy as families may not fill in the diaries regularly. **It is therefore preferable to limit the use of this method to only those items that are frequently purchased within the context of national circumstances such as food, personal care and household supplies.** Such items are also less subject to telescoping errors which constitute the major risk in using short recording periods. All relevant expenditures should be recorded, even those less frequently purchased by the household.
- 210.** The use of diaries reduces memory lapse (recall errors) and ensures a complete coverage of expenditure items during the reference period. Diaries cause less inconvenience to households than interviews by enumerators as the information can be filled in at any time. Also, the facility it gives households to search for documentary information can improve the accuracy of the result. When properly filled in, diaries are ideal as they eliminate recall and telescoping errors. In practice, however, there is still a risk of possible recall bias as households do not always follow instructions to fill in the diaries daily. Another possible source of bias is that households which refuse to fill in diaries or drop out later may be of a particular type. Dropping out is not uncommon, with households initially enthusiastic in the first week of using the diary losing interest in the second and subsequent weeks. Bias is also possible from the effect filling in the diary may have on the consumption behaviour of the household, especially when this is done over a long period.
- 211.** As seen above, **these methods have their relative advantages which should be taken into consideration when making a choice for each component of consumption expenditure. Useful information to guide these choices, including the various recall/reference periods to use for the various components, can be obtained from past experience, new experimentation and cognitive testing.**

(See paragraph 19(i) of existing ICLS resolution.)

- 212.** *The Meeting is invited to consider the above proposals.*

Choice of respondents

213. The respondent is usually the person recognized as the most knowledgeable about the consumption expenditures of the household. This may be the head/reference person, that person's spouse or any adult met at the start of the interview. The same person may also be responsible for filling in the diary. If the respondent is illiterate, any other person who is literate, even a child, may do so. If no one is literate, then households can be assisted by daily visits of field enumerators (Blaizeau, 1999). In some instances, it may be useful to have different respondents for different items, for example, one for food, one for utilities and each person for out-of-house consumption. This is difficult to manage and so could increase the risk of non-response.
214. *As in the existing ICLS resolution, no recommendation is made on the choice of respondent.*

Scope

215. In general, detailed information on consumption expenditure, other household consumption and income is collected. In order to fully account for receipts and expenditures, **the scope of these surveys should as much as possible include all types of receipts and outgoings in as low a level of disaggregation as possible.** It is, however, important to bear in mind the need to balance out costs and accuracy which tend respectively to increase and decrease with the number of items and level of aggregation. There is also some risk of non-response and falsification of response from overlong lists of items. As yet, no clear recommendation is available on whether short consumption questionnaires can save time and money and still be accurate. Sometimes, especially in expenditure surveys, income is collected only as a classificatory variable for analysing consumption and so to a less detailed level of aggregation. **As much as possible, receipts and disbursements by the household that are not part of household income nor of consumption expenditure should also be collected and identified separately.** These could include purchases of dwellings, some other capital outlays and receipts, loans, etc.
216. To allow for the use of different options for treating durables, it is useful to make an inventory of major durables owned by the household along with information on age and original value. It is also necessary to collect housing characteristics for use in deriving the rental value of owner-occupied dwellings.
217. Quantity data on food items are useful for nutritional analysis or studying the elasticity of quantities to changes in policies. There is, however, a limit to the extent that this can be done due to difficulty in defining the physical quantities required in many situations.
- (See paragraphs 6, 7 and 25 of existing ICLS resolution.)*
218. Thus the recommendation for other variables to be covered, apart from consumption and income include: **inventory of household durables, food quantity data, characteristics of household members (e.g. socio-demographic variables, employment variables,**

health information, educational variables); household characteristics (e.g. size and composition, regional location, level of urbanization); housing characteristics (type of construction, tenure, size and facilities).

219. Depending on national circumstances, expenditures abroad (purchases on holiday and foreign travel) may be included. This would raise many measurement issues, including the difficulty of using diaries, the identification of items purchased outside packaged arrangements, currency conversion, etc.

220. *The Meeting is invited to consider the above proposals for the scope of the survey.*

Survey designs

221. The surveys can be designed in several ways. One such way is to use a single sample which is enumerated essentially once in the year. Total expenditure for each household is collected or estimated over the reference period of one year using information collected through interviews and diaries. The design used in the World Bank's Living Standards and Monitoring Surveys is a variant of this in which the data are collected both in terms of actual expenditures and usual expenditures. The long recall period required for some items could jeopardize accuracy and the estimates derived from the diaries may be influenced by seasonal factors depending on the timing of the survey. Also, the single measures of consumption from the diaries may not accurately reflect annual flows at the household level. For example, a low consumption value for a given item in a particular household over the previous week may not reflect that household's normal annual consumption of that item. One advantage of this design is that annual consumption can be estimated and analysed at the household level. Also, the design is simple to construct and implement.

222. Another design sometimes used is that of several sub-samples enumerated once at different periods over the whole year, e.g. quarterly, with total expenditure provided only for the particular period covered. Annual expenditure across households can be collected or estimated by aggregating period estimates for the sub-samples. The major disadvantage is that annual expenditures at the household level cannot be determined although estimates for groups of similar households from different sub-samples can be used to derive an annual estimate at group level. This puts a severe limitation on the types of analysis that can be done with the data. On the other hand, the risk of recall errors is lower as shorter periods are used and seasonal estimates for different items can be generated. Also, the design is simple to derive and not too complex to implement.

223. A third design is that in which the same households are canvassed repeatedly over different periods of the year (multiple visits) or by rotation, i.e. some households are canvassed more than once over the length of a number of periods, e.g. five quarters, and then rotated out of the sample in a panel design. This approach combines the advantages of the two previous ones in that both seasonal and annual estimates at household level can be obtained and the risk of recall errors is lower. **As consumption and expenditure are seasonal in nature, this is the most preferred design and the one most commonly used.** Also, the existence of multiple measures of consumption has additional advantages. With this procedure, total expenditure is estimated with lower variance compared to single visits. The inter-visit correlation, which is useful for correcting estimates of measures of

dispersion such as the variance, can be estimated (Scott et al., 2000).¹ Finally, if the visits are sufficiently spaced out change estimates can be obtained which are not overwhelmed by measurement errors. The design is, however, neither simple to derive nor to implement and there are problems with attrition leading to possible reporting bias. Several variants of these designs are in use in the European Union (EUROSTAT, 1997, Chapter 3).

(See paragraphs 3, 4 and 5 of existing ICLS resolution.)

224. The Meeting is invited to consider the above proposal.

Sample design

225. Most surveys use a stratified two-stage probability sampling design in which the first stage units usually are area units stratified by geographical and socio-economic characteristics and sampled with probability proportional to size. The second-stage units are then dwelling units or households. In some instances a three-stage design is used and sometimes also a single-stage design. In very few cases a non-probability sampling design is used, for example, a quota sample, and sometimes a mix of both. Sampling frames for first-stage selection come from population censuses, master samples created for all household surveys, an existing larger-scaled survey like a labour force survey, registers of addresses or postal areas, etc. The listing of dwellings/households is then carried out in the selected areas for the final-stage selection.

226. As much as possible, probability sampling should be used with stratified multi-stage sampling, where necessary.

227. In principle, the sample size should be determined on the basis of the accuracy required, that is, the magnitude of the acceptable level of the sampling error for key estimates, and the resources available. However, in large countries reliable estimates may be required at domain levels such as regions, major cities, selected population groups, etc. and this has to be taken into consideration in determining the sample size. Another element that is sometimes factored into this decision is the over-sampling of certain groups to pre-empt expected high non-response.

228. Due to the complexity of these surveys, especially the use of diaries, lengthy questionnaires and repeated sampling, response rates tend to be poor. **As low response rates may affect the representativeness of the survey, it is recommended that countries make every effort to improve them.** In some instances incentives in the form of payment of a token amount or of gifts, e.g. in the form of lottery tickets, are used. Some

¹ The essential point made by these authors is that the observed variation of annual expenditures among households estimated from monthly data, consists of both inter-household variation (between monthly expenditures of different households) and intra-household variation (between monthly purchases of the same household). Therefore, to obtain the former, for use in estimating annual variation, the observed monthly variation needs to be corrected for the latter. One way of doing this is through the use of repeated measures.

countries allow the use of substitution to replace non-responding households, but doing this indiscriminately could negate the probability sampling. Good interviewer training and supervision are also essential.

(See paragraphs 17 and 21 of existing ICLS resolution.)

229. *The Meeting is invited to consider these proposals.*

230. Non-sampling errors may arise from the survey design, the training of survey personnel, the pre-field work, field work, and data-processing stages. These could bias the estimates in different directions. Apart from those already discussed, there may be reporting errors from complicated or overlong instruments; conditioning effects on respondents from their participation in the survey; incomplete coverage from poor sampling frames; interviewer effects on respondents; errors introduced by data editing, data entry and other processing errors; etc. Possible actions to minimize these errors include good survey design, well-designed instruments, refreshing the sample in continuous or panel surveys, continual updating of the sampling frame, good training of interviewers and other survey personnel, effective implementation with proper supervision of the field work and data-processing activities, etc.

231. *The recommendation is that countries should make every effort to identify the main sources of non-sampling errors in their surveys and to determine through experimental studies how best to minimize these errors.*

Frequency

232. Whichever design is used, the complexity of these surveys is such that they tend to be costly and onerous and so less frequent than income surveys, for example. The existing ICLS resolution (paragraph 4) recommends that household income and expenditure surveys should be carried out at least every ten years with a higher frequency for economies where consumption patterns are changing more quickly. Most developed statistical systems, in fact, conduct these surveys more frequently, with a periodicity of between one and five years, and some have continuous survey operations where the observations, from e.g. three years, are pooled for presentation and analysis. Higher frequency than every ten years is especially important for the compilation of CPI for which it is now acknowledged that the basket items and weights need frequent updating to minimize the risk of bias in the index. It is, however, also important for the measurement of living standards in order to monitor policy and programmes for the reduction of poverty, inequality and social exclusion.

233. *The Meeting is invited to recommend that household income and expenditure surveys should be conducted at least every five years.*

Valuation methods

- 234.** Both income and expenditure statistics contain non-market components for which values have to be imputed. **Income in kind is usually evaluated at market prices for equivalent goods and services.** That is in terms of how much it would have cost the household to acquire the same goods and services in the market. This is important for the analysis of welfare as total consumption is then unaffected by a household changing the proportions of quantities that are purchased in the market relative to those received as income in kind. There are, however, circumstances when the prices used are derived from the costs or equivalent value to the enterprise which is providing these goods and services to the employees. When market values are used, the implication is that the goods and services received are supposedly of the same quality as those sold in the market. This is not always the case as employers sometimes pay off their workers with unwanted surpluses that they cannot sell: for example, paying vineyard workers with poor quality wine or factory workers with machine parts when their market is already glutted. In these cases, the value assigned should be that of the equivalent value of the goods and services to the employer. See ILO (1997) for further discussion of this issue.
- 235.** The value of consumption of goods that are own-produced also has to be imputed. Some surveys use self-evaluation: respondents are asked to give a value to these goods. Others collect physical quantity data for the goods which are then valued using some pricing mechanism. One possibility in this case is to use market prices of equivalent items if they exist. Often, however, their market equivalents are likely to be of a higher quality. Secondly, the market prices include elements such as transportation and marketing costs which would normally be deducted when computing the household's disposable income if the goods had been sold in the market. Another possibility is to use farm gate prices which exclude transportation and marketing costs and so represent what the household could have paid for these goods where such prices exist. This method leads to a lower bound for the valuation of own-produced goods. It should be noted that in some instances even quantity data are difficult to collect. So auto-valuation may be the only option.
- 236.** **As much as possible, own-consumed goods should be evaluated at market prices for equivalent goods. Where this is not possible or not advisable, producer prices or auto-evaluation could be used.**
- 237.** The valuation of owner-occupied dwellings is a special case. User costs can be estimated as rental equivalent net of housing costs such as community taxes, services, utilities, etc. Rental value can be self-determined, obtained from a rent survey, obtained from "experts" or deduced based on the characteristics of the dwelling either through stratification or hedonic regression. Other valuation methods are resale value (opportunity cost), mortgage interest plus other taxes (actual costs to the owner), mortgage payments (principal plus interest), value of physical depreciation over the reference period based on purchase cost, age and expected lifetime.
- 238.** One major difficulty in valuing owner-occupied dwellings is finding market equivalents. For example, in rural areas of some developing countries no rental market exists as all dwellings are owner-occupied. In such instances, the best approach may be to leave out consumption of owner-occupied dwellings and then also to omit rents paid by tenants from their consumption expenditures; that is, to use a "rent-free" total consumption.

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- 239. For consistency with the SNA, services of owner-occupied dwellings should be evaluated as rental equivalent net of housing costs. Where national circumstances dictate otherwise, user costs may be evaluated using mortgage interest plus other housing taxes.**
- 240.** Similar methods to those used for owner-occupied housing are applied for services from major durables, where relevant, although the preference in this case is to use the value of physical depreciation as rental markets may not exist for these goods.
- 241.** The valuation of social transfers in kind, when required, can be at cost to the provider (government or NPISH) or at market prices for equivalent services. The use of the latter would depend on the extent to which equivalent market services exist. Valuation could also be done on a “willingness to pay” approach which uses the amount the household is willing to pay for the services it received. Whichever method is used a decision is required on which allocation mechanism to use: entitlement or actual use (Walton, 1999). **No recommendation is made in view of the earlier proposal to exclude social transfers in kind.**

(See paragraphs 24, 35 and 36 of existing ICLS resolution.)

- 242. *The Meeting is invited to discuss these proposals.***

8. Classification, estimation, analysis and dissemination

Classification

243. For descriptive and analytical purposes, it is necessary to group the data collected on various variables into classes in some meaningful way. **Where international classifications exist (for example International Standard Classification of Occupations), as much as possible national systems should be made consistent with these at some level of aggregation.**

244. At present there is no internationally accepted classification of types of income. Most countries, however, report their income statistics by sources of income at various levels of details with the highest aggregated group level given as paid employment, self-employment, property, transfer and other income. Another classification is by means of payment in terms of cash or non-cash (valued, imputed). In Appendix 1 of its Final Report the Canberra Group (2001) identified nine groups for total income – based on source as first level and means of payment (cash, non-cash) as second level. A task force set up by EUROSTAT in 1998 proposed seven groups for total income, and 11 for disposable income distinguishing different sources of income. ABS (1995) recommends a classification of income by source (at various levels of details) and then by means of payment (cash, in-kind), by type of employee, etc. It is also possible to report income according to the institutional sector from which it is generated, to wit: corporations, government, NPISHs and households. The table in Appendix 2 is an example of categorization of income by source with ten groups for total income and 13 for disposable income.

(See paragraph 25 of existing ICLS resolution.)

245. ***The recommendation to the Meeting is that income be classified by source to as detailed a level as possible and also by means of payment so as to have the option of leaving out in-kind payment to facilitate international comparability.***

246. The United Nations Statistical Commission has adopted the latest revision of the Classification of Individual Consumption According to Purpose (COICOP) for use with the SNA (UNSD, 1999). This classification system is a functional classification of expenditures by the purposes or objectives for which these expenditures occurred. It consists of 12 divisions, 47 groups and 114 classes of goods and services with the classes further distinguished into durables (D), semi-durables (SD), non-durables (ND) and services (S). The 12 divisions of COICOP are given in Appendix 3. Some organizations, e.g. EUROSTAT, and some national statistical offices have developed their own systems which are, however, compatible with COICOP.

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247. There are some difficulties with using COICOP. These stem mainly from multi-purpose items (e.g. sportswear could be used for both recreation and clothing) and bundled purchases (holiday packages include transportation, accommodation and catering). Moreover, the data are collected by type of product and not by purpose. So the classification by purpose requires the adoption of some general rules, especially for dealing with ambiguous cases (INSEE, 1999, page 32). For example, bicycles are classified under transportation or under leisure depending on their main use in a particular country.
248. Other classifications exist and are being used, for example, classification by type of product or classification by the industrial activity used in producing the commodities. Another possibility is to classify consumption by how the goods and services were obtained (purchases, own production, from own enterprise, from an employer, from a charity, etc.). When the main purpose for expenditure statistics is estimating CPI weights, both CPI and consumption should use the same or at least compatible classifications.

(See paragraph 27 of existing ICLS resolution.)

249. *The recommendation is that to facilitate international comparability national classification systems of consumption expenditures should as much as possible be consistent with COICOP at least at the division level.*

Estimation

250. Estimates are usually in the form of averages, totals or counts. **In computing averages, the total of the reported expenditures (income) for households, including zero or negative values, is divided by the total number of households, including those which made no purchases (received no income or had negative income).** The estimates are normally given as annual or weekly equivalent values for the referral period. These are computed by scaling the value obtained for a given reference period by an appropriate temporal coefficient.
251. **In order to facilitate the analysis, efforts should be made to impute for missing values of non-key variables (item non-response) provided the number of these is not unduly large.** One common technique for doing this is the deterministic method in which the average value for this variable amongst households with “similar” characteristics to those of the household where the observation is missing (donor households) is used. The stochastic, method is similar but one of the donor households is randomly selected and its value used. It is also possible to use some regression estimate.
252. *The Meeting is invited to comment on these observations.*
253. The period over which the survey field work is carried out (called the survey period) is usually different from the reference period used for collection of the data. For a moving reference period of one year and a survey period (the period over which field work is carried out) of one year, the actual period to which the totality of the data refer is two years. The distribution of units providing information for each month of these two years is

triangular going from zero at the start of the two years, peaking at the start of the survey period and then going back to zero at the end of the survey period. For a fixed reference period of one year, the totality of the data refers to this same one year and the distribution of units is rectangular. As the survey period shortens, the distribution for the moving reference period becomes more and more rectangular. This is similar to the problem noted earlier for the referral period.

- 254.** Thus, when a moving reference period is used the estimation of aggregated values poses a problem from both the point of view of the survey period used and the referral period. One choice is to ignore possible differences and use the values as collected. Another is to adjust them to take account of possible differences in expenditure patterns from differences in prices and/or volumes. **The simpler approach is to use the values as collected.**
- 255.** Another issue of estimation comes up when data for the same component are collected from two different sources: either from both diaries and interviews for the same sample or from diaries for one sample and from interviews for another. A choice has to be made as to which is the better source or some method implemented for combining the two estimates. **The former is the approach recommended to the Meeting as any method used in the latter for combining the estimates may be difficult to justify.**
- 256.** **Appropriate weights should be used to reflect selection probabilities, non-response (assuming this is related to the factors used for probability sampling) and possibly bench-marking.** The objective of the last of these is to ensure consistency between survey results – with respect to the distribution of demographic, geographic and employment characteristics – and those from the population census, labour force survey or registers.
- 257.** One common source of underestimation is that of prestige errors due to under-reporting of purchases of items which are considered less acceptable or illegal (e.g. alcohol, tobacco, condoms and gambling losses). **As much as possible, these should be corrected during analysis by using other sources such as national accounts, import records, trade statistics, etc.** The possible underestimation of income owing to (a) the inability to correctly estimate both self-employment income and the income of households at the lower end of the income distribution, and (b) the under-reporting of property income, should be investigated. When the grossing up of survey data is possible, national accounts data could be used to cross-check the extent of underestimation. Another comparative source in some instances are income tax records.
- 258.** Some countries also use top-coding (restricting the maximum value used for a variable) to eliminate the effect outliers may have on the distribution of income or of expenditure. Such an approach needs careful analysis and control.
- 259.** **Sampling errors should be computed for estimates of parameters for key variables, preferably using a formula appropriate to the sampling scheme used for the survey.** As noted earlier, variation in monthly expenditures consists of both within-households variation and between-households variation (Scott et al., 2000). Thus, whilst appreciating the need for simplicity, variation in monthly expenditures should not be used without correcting it for the within-household variation.

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- 260.** The practice of balancing the household account, i.e. comparing income with expenditure data, as a check on the accuracy of the reported values, is no longer regarded as useful nor cost-effective.

(See paragraphs 18 and 20 of existing ICLS resolution.)

- 261.** *The Meeting is invited to comment on these observations.*

Analysis

- 262.** Income estimates could be analysed gross, with taxes and social insurance contributions included on the basis of modelled estimates if information about them has not been collected, or net of these values. In either case, it should be possible for other users to obtain values for taxes and social insurance contributions in order to make any corrections deemed necessary for their own purposes. Expenditure should be estimated net of non-life insurance claims, trade-ins, gambling winnings, rebates, etc.

- 263.** *The Meeting is invited to comment on these observations.*

- 264.** Expenditure and/or income should be analysed by various classification variables. The tables produced should include cross-tabulation of the level and structure (component shares) of consumption expenditure and of income by:

- (1) income quantiles (for level and structure of consumption expenditure);
- (2) principal sources of income;
- (3) household characteristics (composition, size, typology, ownership of major durables, dependency ratio, number of income earners/children/elderly, etc.);
- (4) characteristics of head of household or reference person (demographic, educational, socio-economic);
- (5) housing characteristics (age, tenure, occupancy rate, geographical location, etc.);
- (6) characteristics of other household members; etc.

- 265.** Different types of analysis could also look at issues such as indebtedness, housing, health, education, income and expenditure distributions, measures of poverty, inequality and social exclusion, etc.

(See paragraphs 28, 29 and 30 of existing ICLS resolution.)

266. *The Meeting is invited to discuss the minimum set of tables that should be produced.*

267. These tables and the analysis carried out are usually based on the collected values. The equivalence scale reflecting the composition of households could, however, also be used for the analysis of income or expenditure values, but then the sensitivity of the results to the choice of equivalence scale should be examined.

268. The treatment of zero expenditures is crucial. The number or proportion of households with zero expenditures on tabulated components should always be reported as this can affect the computation of rates.

269. When using consumption data for the analysis of living standards, it should be remembered that low consumption values may be the result of the use of short recall periods in the survey design. The risk exists if the design did not include repeated visits to the same household or if it cannot be assumed that purchases by households were normally evenly spread over the reference period. Means or totals across households (used for CPI weights, national accounts, etc.) are, however, not affected as the average consumption would include values of both those who did buy something and those who bought nothing (zero value) fairly accurately (no forgotten expenditures). On the other hand, long recall periods could bias estimates downwards due to recall errors.

270. As much as possible, it would be useful to estimate social transfers in kind, especially health, education (including transportation), housing and social security (including transportation) through modelling. These should, however, be separately reported with full details of the methods used.

(See paragraphs 35 and 36 of existing ICLS resolution.)

271. *The Meeting is invited to comment on these observations.*

272. Due to differences in definitions, varying time periods used, etc. the data on income and expenditure should not be used to construct household accounts in the form of household income-expenditure balance sheets. The difference between income and expenditure should not be taken as a measure of savings nor of dis-savings.

273. In comparing national accounts data with data from micro sources, it should be borne in mind that the former have been constructed on the basis of statistics from several sources and that their objective is to measure the economic well-being of the nation as a whole through flows such as production, income, consumption, investment, savings, etc.; while micro-level analysis is concerned with the well-being of individual households. There are also conceptual and measurement differences for some of the components.

274. *The Meeting is invited to note these comments.*

Dissemination

- 275.** The results should be disseminated widely through survey reports, bulletins, methodological reports, focused reports, analytical papers, public-use files, popular articles and press releases. These should be based not only on paper publications but made available in electronic form through the use of diskettes, tapes, CD-ROMs and the Internet. It should also be possible to produce special tables on demand. All these must, however, fully respect the confidentiality of the information provided by respondents.
- 276.** Sampling errors should be reported for estimates of major items. In this regard it should be noted that infrequent items have a larger variance due to the smaller number of observations from the few households making such purchases. Non-response rates should also be produced both at the overall level and for major items.
- 277.** As was indicated in Chapter 2, income and expenditure statistics have a wide range of uses, not all of which can be analysed in any given situation. The main survey report should be confined to producing basic tables and aggregates, while more detailed data should be made available to analysts for in-depth analysis. Some details on the methodology used and any major issues relating to the statistics produced should also be included in the main survey report.
- 278.** Countries should, as much as possible, produce public-use files (anonymized micro-data files) for use by analysts. Good documentation of all aspects of the survey, including procedures, lessons, conclusions, etc. from pre-test of questionnaires, fieldwork, data processing and reporting is also important.

(See paragraphs 31, 32, 33 and 34 of existing ICLS resolution.)

- 279.** *The Meeting is invited to comment on the above observations.*

9. Conclusion and major recommendation

280. As described in Chapter 1, since its foundation the ILO has been involved in both the compilation of household income and expenditure statistics and the establishment of international standards for methods of collecting these statistics. Also, it was explained that currently many other international and regional organizations, as well as city groups, are active participants in the field of income and expenditure statistics. Some have already produced guidelines in the form of manuals in these areas. As yet, however, unlike the case of income statistics, no city group has taken up the topic of expenditure statistics.

281. *The Meeting is therefore invited to advise the Office whether the recommendations of the Meeting are so extensive that they should be used to prepare for presentation to the Seventeenth ICLS:*

(a) *a proposal for a revised resolution on household income and expenditure statistics;*
or

(b) *a set of guidelines for the collection and compilation of household income and expenditure statistics.*

Whichever is done, it should be restricted to household income and expenditure surveys only, as in the existing ICLS resolution, or it should have a wider remit as household income and expenditure statistics.

282. The usefulness of a resolution is not only that it establishes a minimum set of standards to enhance international comparability and reporting of the statistics but, even more so, it reflects current “best” practices and so serves as a methodological reference document for use by developing statistical systems. Its greater moral authority as compared to guidelines helps to strengthen these systems in their operational activities within their national contexts. Resolutions are therefore important supporting pillars for the Fundamental Principles of Official Statistics adopted by the United Nations Statistical Commission.

283. The ICLS has in the past sometimes used the approach of guidelines to provide clarifications on recommendations that are in a previous resolution. In the case of household income and expenditure statistics, such an approach, if used, will be in relation to the 1973 ICLS resolution concerning household income and expenditure surveys.

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Appendix 1

The existing ICLS resolution

Resolution concerning household income and expenditure surveys, adopted by the Twelfth International Conference of Labour Statisticians (October 1973)

The Twelfth International Conference of Labour Statisticians,

(...)

Recognizing the need to revise and supplement the recommendations contained in the resolution of the Seventh International Conference of Labour Statisticians concerning the methods of family living studies, with a view to promoting the development and use of these statistics along sound lines and also with a view to promoting improvement in their quality and international comparability,

Recognizing also that, in the interests of promoting the coordination and integration of international statistical standards, new recommendations concerning surveys which provide household income and expenditure statistics should be consistent, so far as possible, with other standards concerning statistics of households, including those within the System of National Accounts, the Balance of National Economy (MPS) and the Complementary System of Distribution of Income, Consumption and Accumulation,

Adopts this twenty-sixth day of October 1973 the following resolution:

Objectives, frequency and scope

1. Statistics drawn from household income and expenditure surveys usually serve one or more of the following objectives, although the difficulties inherent in collecting data make it unlikely that more than a few of these purposes could be served by a single survey:

- (a) to obtain weights and other useful data for planning price collection or the construction or revision of consumer price indices, indices of comparative costliness, etc.;
- (b) to supply basic data needed for policy-making in connection with social and economic planning, and to facilitate determination of needs or the establishment of targets;
- (c) to provide data for assessing the impact on household living conditions of existing or proposed economic or social measures, particularly changes in the structure of household expenditures and in household consumption;

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- (d) to provide data for estimating the redistributive effects of direct and indirect taxation, and of a wide range of social benefits, on the situations of the various types of family;
 - (e) to analyse the variations in levels of living over a period of years and the disparities among households in the different socio-economic groups, geographical areas, rural and urban zones, etc.;
 - (f) to supplement the data available for use in compiling official estimates of household accounts in the systems of national accounts and balances;
 - (g) to furnish data on the distribution of household income and expenditure;
 - (h) to provide information on particular aspects of living conditions of the population, such as those relating to food consumption, housing and health.

2. Data derived from household income and expenditure surveys may also be used in connection with the determination of minimum wage levels, assessment of the need for revision of minimum wages and other questions relating to wage determination.

3. As a survey may serve more than one of the purposes listed in paragraph 1, it is desirable to ensure that the survey is designed and executed taking into account also the particular requirements, as regards types of data, of secondary users of the survey results.

4. National programmes may consist of continuing surveys with or without infrequent large-scale surveys. As a minimum, a major sample survey of household income and expenditure, so far as possible representing all private households in the country, should be undertaken in each country at intervals not exceeding ten years. Under conditions such as rapid industrial expansion and migration from rural to urban areas, which bring significant changes in the economy and in real income, the surveys should be taken at intervals much shorter than ten years. In general, the developing countries tend to experience a more acute need for up-to-date data of the type provided by household income and expenditure surveys and an interval of not more than five years between surveys would be more appropriate in such countries.

5. (i) If a continuing survey is undertaken covering the full range of investigation of a major survey, but with a smaller annual sample, the average of the results of several successive years of such a continuing smaller-scale survey may provide a satisfactory substitute for a large-scale survey, in respect of data needed for certain applications.

(ii) Smaller-scale surveys should be undertaken in each country during the interval between two large-scale surveys to provide data for use in estimating changes in important aggregates derived from infrequent large-scale surveys.

6. (i) In principle, data should be obtained from households or from other sources on the components of, as well as on the aggregates of, household income and expenditure and on the composition of the household, including in particular the following:

- (a) aggregate household income (before deduction of social insurance contributions and taxes) and such details of income as it may be feasible and practical to collect, including information on income of individual members of the household;

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- (b) direct taxation, fees and other charges not regarded as consumption expenditure and similar transfer payments;
 - (c) contributions by households to social security schemes and related premiums for insurance contracts providing benefits such as sickness and maternity benefits; old-age, invalidity and survivors' pensions; loss of employment and employment disability compensation; and assimilated benefits;
 - (d) details of other household expenditures and consumption;
 - (e) information on the membership of the household;
 - (f) employment particulars relating to the head of the household (or the chief income earner, if not the head) and other members of the household.
- (ii) The following information should also be collected from households, so far as possible:
- (a) particulars of the dwelling inhabited by the household;
 - (b) inventory of selected household durable goods and other property;
 - (c) outlays for investments, net changes over the reference period in savings and in household or personal liabilities;
 - (d) other data relating to aspects of the situation of the family and its mode of living of particular interest for analyses of data obtained in surveys of household income and expenditure.

7. Household expenditure data provide valuable information for analysis of the food consumption and dietary and nutrition situation of households but, in order to throw more light on these matters, a special diet and nutrition inquiry may be carried out concurrently with the household expenditure survey, perhaps using a sub-sample of the survey sample or an independent but closely correlated sample.

Organization of surveys

8. To carry out household income and expenditure surveys and various other sample surveys, it is desirable that each country establish a sample survey unit. Such a unit would make provision for expert services in designing and selecting samples, training of interviewers, organization of survey field work, editing and processing of data. Practical possibilities for fruitful cooperation in this respect between countries, on a regional basis or otherwise, should be encouraged and technical assistance should be provided by international bodies, including the International Labour Office, to aid the developing countries.

9. At the planning stage of the survey as well as during the field work, it is advisable to secure the collaboration of interested groups such as employers', workers' and consumer organizations,

and also to widely publicize at the appropriate time the objectives of the survey with a view to ensuring public cooperation, a high response rate and general acceptance of the results.

10. Since within the context of a general survey it may be possible to provide results with sufficient precision for such groups as pensioners, low wage earners, those living in economically depressed areas, small-scale farmers, agricultural wage earners, non-agricultural wage earners living in rural areas and other particular groups for whom detailed data may be needed for certain purposes, special household income and expenditure surveys referring to such groups may be required from time to time. In particular, more detailed data may be collected for specified groups than for other groups included in a general survey sample, provided that special measures are taken to identify the households to be treated in this way and that the sampling errors relating to the data for these groups fall within tolerable limits.

Basic concepts and definitions

11. Depending on the particular objectives of the survey, including the kinds of data to be featured in the final results, a choice may be made among several types of survey. However, the basic concepts recommended in the following paragraphs should be applied in all types of household income and expenditure survey.

Unit of data collection

12. The statistical units for collection of data on the income and expenditure of private households or families are defined as follows:

Household: The concept of household for income and expenditure surveys should be the same as the one adopted in the World Programme of 1970 Censuses of Population. A household may be either:

- (a) a one-person household, i.e. a person who makes provision for his own food and other essentials of living without combining with any other person, or
- (b) a multi-person household, i.e. a group of two or more persons who make some common provision for food or other essentials of living. The persons in the group may pool their incomes and have a common budget to a greater or lesser extent; they may be related or unrelated persons or a combination of both. The general criterion to be used in identifying the members of a multi-person household relates to the existence of common housekeeping arrangements.

Family: A family is defined for purposes of income and expenditure surveys as a type of household consisting of two or more persons related by blood, marriage or adoption who also satisfy the conditions of sharing the same housing unit and making common provisions for food and other essentials of living.

13. Sampling frames identifying the statistical units mentioned above are not always available and recourse must be made to frames such as housing lists, lists of addresses and so forth. Within the sample units selected from such frames, households or families as defined above should be identified for purposes of household income and expenditure surveys.

Income

14. (i) For household income and expenditure survey purposes, household income is the sum of money income and income in kind and consists of receipts which, as a rule, are of recurring nature and accrue to the household or to individual members of the household regularly at annual or at more frequent intervals.

(ii) Household income is derived from the following main sources: employees' salaries, wages and other related receipts from employers, net income from self-employment, business profits, income from personal investments (rent, interest, dividends), royalties and commissions. For purposes of household surveys it is convenient to include as income the periodic payments received regularly from an inheritance or trust fund, alimony, pensions, annuities, scholarships, remittances and other cash assistance regularly received, and various other periodic receipts, together with social security and assimilated benefits in cash and in kind.

(iii) Household income in kind includes wage payments in kind, goods and services transferred free of charge by an enterprise (including farm) to an employee or to the household of the owner or part owner of the enterprise; it includes also the value of home produce consumed within the same household (e.g. agricultural products, livestock products). Where an employee buys from his employer, for his household's consumption, goods or services at concessionary prices and thus obtains a significant advantage, the value of these concessions may also be taken into account as income in kind. The estimated net rental value of owner-occupied housing is in principle also to be treated as income in kind and, similarly, the estimated gross rental value to the occupier of rent-free housing, whether obtained as wages in kind or otherwise.

(iv) So far as possible, in order to provide supplementary information on other receipts and financial flows in the household sector for use in making estimates for the national accounts and for other special purposes, the following items should be recorded in household income and expenditure surveys but should not be regarded as within the concept of household income even though the proceeds may sometimes be spent on consumption; receipts from sale of possessions, withdrawals from savings, lottery prizes, loans obtained, loan repayments (principal) received, windfall gains, lump-sum inheritances, maturity payments (other than annuities) received on life insurance policies, lump-sum compensation for injury and legal damages received. The general features distinguishing these particular receipts and other items excluded from income are the following: they are as a rule non-recurring (i.e. not occurring year after year) and are not regarded as income by the recipient household.

Consumption expenditure

15. (i) For household income and expenditure survey purposes, household consumption expenditure refers to all money expenditure by the household and individual members on goods intended for consumption and expenditure on services, plus the value of goods and services received as income in kind and consumed by the household or individual members of the household. Thus, the value of items produced by the household and utilized in its own consumption, the net rental value of owner-occupied housing and the gross rental value of free housing occupied by the household represent part of household consumption expenditure.

(ii) Included in household consumption expenditure are payments, including sales taxes, made by the household for goods and services supplied and payments in connection with the use (consumption) of goods and services. Thus, payment by households for education, health and legal services are included. For certain purposes fees for driving permit, motor car registration and a number of similar charges should also be included in household consumption expenditure.

(iii) Household consumption expenditure excludes direct taxes, superannuation and other social security contributions, savings bank deposits, contributions to savings clubs or building societies, life insurance premiums, cash transfers to and disbursements on behalf of persons outside the household, and repayment of loans. Also excluded are disbursements in the nature of investments, gambling losses, cash grants and donations (except small contributions of a recurrent nature to churches and charitable institutions).

Household expenditure

16. Household expenditure includes consumption expenditure and non-consumption expenditure. The non-consumption expenditure of the household includes income tax and other direct taxes, pension and social security contributions and assimilated insurance premiums, remittances, gifts and similar transfers by the household as a whole and its individual members. Excluded are additions to savings, amounts invested or loaned, repayments of loans and outlays for other financial transactions. However, wherever it is both feasible and convenient to do so, information on those items also may be collected from households for use in making estimates for national accounts or for other special purposes.

Basic methodology

17. (i) For income and expenditure surveys, the size of the sample of households should be sufficient to ensure adequate representation of households of different sizes and compositions, income classes and socio-economic groups, as well as urban and rural areas and different climatic zones within the country. However, as noted in paragraph 10 above, supplementary surveys may be required to provide data adequate for separate analysis of these groups.

(ii) The design of the sample and the selection of sample households should be made in accordance with appropriate sampling techniques in order to obtain results as precise as possible with the resources available, taking into account the circumstances such as availability of suitable sampling frames. So far as possible, the sampling method employed should permit calculation of sampling error. Thorough research should be carried out to find and clearly identify the most suitable sampling frame, to determine the optimum stratification and other salient features of the sample to be used, as well as the best procedures for selection of the sample units.

18. In planning household income and expenditure surveys, provision should be made for preliminary or pilot studies through which proposed methods and questionnaires can be tested, interviewers trained and, where necessary, information useful for the design of an efficient sample can be gathered. So far as possible, provision should be made in the final survey plan for systematic checks and controls designed to detect, at an early stage, errors or deficiencies in the collection of data and in the responses obtained from households, with a view to necessary remedial action.

19. (i) For the collection of details of household income and expenditure, the relative advantages of using the interview method, or the account book method, or a combination of the two, in the particular circumstances of the inquiry should be carefully investigated. Different methods of collection may be used for different components of the household account to obtain results of optimum quality.

(ii) Surveys normally should represent a full year of household accounts to take into account seasonal variations in income and expenditure.

20. (i) The choice of appropriate reference periods for collection of data on various components of the income and the expenditure of households needs to be based on careful experimentation in the practical application of the concepts and definitions and investigation of respondents' ability to provide the information. Where the interview method is used, analysis of data derived in past household expenditure surveys will frequently assist in determining the optimum recall period for different types of items in the household account, as well as appropriate reference periods for reporting of the data, which have a great bearing on the quality and reliability of the data collected.

(ii) Where apparent biases due to unsatisfactory recall or reference periods are discovered in the survey results (e.g. through comparisons with other data on total consumption of particular commodities), an attempt should be made to assess the extent of the biases among particular population strata by making further investigations, such as a post-enumeration survey, or by thorough analysis of individual expenditure patterns among selected groups of households.

(iii) Similarly, apparent biases in reporting of expenditure, e.g. overstatement of consumption of luxury items or understatement of consumption of alcoholic drinks, tobacco, etc., should be thoroughly investigated with a view to assessment of their importance.

(iv) Other biases and non-sampling errors often more important than the above, especially understatement of income, may arise in particular circumstances in certain countries. When these are detected, remedial action should be taken along the lines indicated above in subparagraph (ii) or information should be provided on their nature and importance. Particular efforts should be made to correct the understatement of income by households.

21. Every effort should be made to limit to the minimum the rate of non-response and in this connection the length of the reference period chosen for the survey can be of great importance.

22. The measurement of consumption expenditure should be made on the basis of the total quantity and value of goods and services consumed by, or purchased by, or delivered to, the household. The choice of the basis on which household consumption is to be measured usually depends on whether the items of consumption are mostly purchased for cash or are derived to a large extent from home production and receipts in kind. In general, it is more appropriate in developing countries to measure the goods and services actually consumed by households during the reference period, especially in rural areas.

23. In countries where consumption articles are mostly purchased, the measurement of household consumption expenditure should be made on the basis of the total quantity and value of the various consumption goods and services delivered to or obtained by the household during the specified period. In practice, data may often be satisfactorily collected on the value of goods and services paid for, irrespective of when delivery takes place. In using the latter basis, the quantities of goods and services paid for should also be recorded, wherever possible. Data on quantities consumed are particularly valuable for analysis of food consumption. Where there is little variation in stocks, the amounts purchased correspond with the quantities consumed.

24. (i) The quantity and the value of household consumption in the form of home produce consumed (e.g. agricultural and livestock products) and other receipts in kind should be estimated and recorded. The value according to appropriate prices (usually local retail market prices) should be entered as income and as expenditure to ensure that total food and other consumption, and the corresponding expenditures, are recorded on a comparable basis for different households.

(ii) Where retail prices are used, valuation on the alternative basis of producers' prices may also be useful for other purposes such as national accounts statistics.

(iii) If the rental value of owner-occupied housing (net) or rent-free housing (gross) is imputed, it should be estimated and entered as income in the household account. The same amount should be added to household expenditure. The amounts of housing charges paid by the owner-occupier, such as rates or community taxes on house owners, water and sewerage charges, repairs and maintenance of the dwelling, are treated as expenditure; the net rental value would not include these amounts. If the rent-free occupier of housing pays such housing charges himself, the rental value should be imputed on a net basis.

(iv) Other income in kind should be treated as recommended in subparagraphs (i) and (ii) above.

25. Important supplementary details concerning characteristics of households, their economic situation and living conditions should be collected on at least a sub-sample of questionnaires, whenever it is practical and desirable to do so, provided that safeguards have been taken to ensure that the quality of the basic data obtained on household income and expenditure would not be seriously affected.

Classifications

26. Data on household income collected in household surveys should be classified in such a way in such detail that it is possible to identify wages and salaries, incomes of members of producers' cooperatives, entrepreneurial income, property income and transfer income.

27. Data on household expenditure should be subdivided into consumption and non-consumption expenditures and in each case the data should be further classified in some detail. In particular, household expenditures should be reported in sufficient detail to permit their classification, so far as possible, according to the Classification of Household Goods and Services contained in the United Nations System of National Accounts (SNA, revised, 1968) and to permit their classification in other ways to meet different purposes. Details should be shown for expenditures on food, drink and tobacco, clothing and footwear, rent and fuel, furniture, household equipment and operation, medical care and health, transport and communication, recreation, education and other consumption expenditure.

Tabulation of results

28. (i) As a rule, data obtained through household income and expenditure surveys should be tabulated in considerable detail. The following tabulations are examples:

- (a) household members by sex and age group, for each type of household;
- (b) households by size (number of members) and type of household (various "family nucleus" types and other households);
- (c) households by main sources of income and household income group;

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- (d) expenditures of households on each item (or sub-group of items) of expenditure, by ranges of household income; separate data should also be given for urban and rural households respectively and, if possible, for farm households;
 - (e) expenditures of households according to household income, cross-classified by number of persons in the household, or by type of household;
 - (f) income and expenditure of households of employees and of other socio-economic groups.

(ii) It is also desirable, particularly in connection with the investigation of many aspects of levels of living of the population, to make special tabulations of household income and expenditures according to fractile groups of households. Tabulations by fractile groups are also valuable for international comparisons and comparisons over time.

29. For every group of households distinguished in tabulations of income or expenditure, the main characteristics of the households comprising the group should be indicated, giving such details as average size of household, average income per household, and the average per household of: adult males, adult females, children, persons working, persons retired and other persons unoccupied. The average number of income receivers and average number of rooms used by the household should also be indicated if possible.

30. (i) Data derived from the survey concerning food expenditure should be analysed in relation to household composition and level of living of the household (as measured by total household income or consumption expenditure) and also in relation to other significant social and economic characteristics of the household, such as type of occupation or socio-economic group of the head of household.

(ii) An analysis of quantities of foods consumed, along the same lines as indicated in the preceding subparagraph, should be undertaken wherever the data available permit.

(iii) Consumption analysis should be carried out in respect of household expenditures for certain goods (other than food) and services which have particular significance for the study of levels of living of households, such as housing, education, health, household durables and automobiles.

Presentation of results

31. Household income and expenditure survey results should be published in as much detail as is practical and compatible with keeping confidential the data furnished by individual households. Users of the data would thus be able to rearrange the data to suit their own purposes, subject to the limitations imposed by sampling variability and other factors affecting the reliability of detailed items of data.

32. (i) In addition to presenting averages covering all households in the sample, the frequency distribution should be shown for important items of data.

(ii) Wherever the simple mean is published in respect of major items or sub-groups of items concerning income, expenditure or consumption which are subject to important reservations, it is

desirable that the median should also be computed and published or that some indication be given whenever the mean is subject to a large coefficient of variation.

33. (i) To assist in interpretation of the survey results, when these are published a description should also be given of the methods employed, including the sampling design and sampling methods. An indication of the variances of the sample data should be given for important items.

(ii) In the report on the household survey, information should also be given on the population universe covered by the survey, the response rate for various strata of the population, the theoretical or original sample and the effective response.

(iii) Other factors which have influenced the reliability of the survey data should also be mentioned, together with the result of any analysis made concerning the significance of non-sampling errors.

34. Full information should be given on the definitions applied and on the classifications used. If consumption scales are used, full details of their construction should be given. The methods of evaluation of income in kind and the corresponding expenditure should be described.

35. Since the quantity and value of various public and other social services (for instance, public education services, free medical services and the like) received free of charge by individual households cannot be readily evaluated, these items cannot be included in the individual household account. The report on the result of the survey should provide information (or references to sources of data) concerning such services, including, wherever possible, the total cost and number of beneficiaries and the estimated extent of consumption of the different services by the various strata of the population. Such data are essential to permit international and interregional comparisons of total private consumption of goods and services.

36. Services received free from other households, individuals outside the household or voluntary service organizations are also an important contribution to the level of living of some households. These services are of a voluntary nature and as a rule cannot be valued and included in the household consumption expenditure account. If possible, the report on the survey should draw attention to these services, whenever appropriate.

Appendix 2

Components of household income

1. Income from employment	
Employee income	Wages and salaries Cash bonuses and gratuities Commissions and tips; profit-sharing bonuses, etc. Remuneration for time not worked Free or subsidized goods and services from employer Termination and redundancy payments Employer social contributions (?)
Income from self-employment	Profit or loss from own unincorporated enterprise Imputed value of own-produced goods
2. Property income	Interest, dividends Net rent Royalties
3. Transfers received	
Social security pensions, benefits and allowances from government-sponsored schemes	State pension Child allowance Unemployment benefits, etc. Government non-cash transfers provided under social security schemes
Pensions and insurance benefits from schemes other than government-sponsored schemes	Pensions and benefits paid as part of social insurance schemes: – from former employer; – other
Social assistance benefits from government	Private pensions, annuities and benefits provided by government but not under a social insurance scheme
Current transfers from NPISHs	Regular cash, goods and services from charities and other institutions
Current transfers from other households	Alimony, child support, parental support Regular receipts from inheritances, etc. Gifts from other households
4. Other income from within household	Imputed value of services from owner-occupied dwelling; Imputed value of services from other consumer durables (?) Imputed income from home production of services (?) Imputed value of social transfers in kind (?) Imputed value of services transferred from other households (?) (1 + 2 + 3 + 4 + 5(?))
5. Other income from outside the household (?)	
6. Total income	
<i>Minus</i>	
7. Taxes and compulsory transfers	Direct taxes on income and wealth and compulsory fees
<i>Minus</i>	
8. Compulsory social security contributions	Employee social security contributions Employer social contributions (?)
<i>Minus</i>	
9. Inter-household family support paid	Alimony, child support, etc. (?) Regular in-kind transfers (?)
<i>Equals</i>	
10. Disposable income	(6 – 7 – 8 – 9)

(?) = Depending on the decision of the Meeting.

Appendix 3

Classification of Individual Consumption According to Purpose (COICOP)

COICOP: Divisions

01-12. Individual consumption expenditure by households

01. Food and non-alcoholic beverages
02. Alcoholic beverages, tobacco and narcotics
03. Clothing and footwear
04. Housing, water, electricity, gas and other fuels
05. Furnishings, household equipment and routine maintenance of the house
06. Health
07. Transport
08. Communications
09. Recreation and culture
10. Education
11. Restaurants and hotels
12. Miscellaneous goods and services