

Revision of the SNA

The Household Sector

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I. Report on the Fourth Expert Group Meeting

on the

Revision of the SNA

The Household Sector

Florence, August 29 - September 4, 1987

Introduction

1. The meeting was opened by Ramesh Chander who welcomed the participants on behalf of the World Bank. Topics such as the measurement of subsistence agriculture and measures of poverty and welfare are of special interest to the World Bank in its dialogue with its member countries. For this reason it was particularly appropriate that the Bank was sponsoring this particular expert group meeting in the SNA Revision process.

2. Pablo Mandler agreed to act as chairman and he began by asking the participants if they had any amendments to make to the annotated agenda. It was agreed that issues concerned with measurement of the labor force and factor markets should be dealt with in the discussion on subsectoring and that a discussion of reconciliation between analyses contained within the SNA and those put forward within the income distribution guidelines should be discussed under the issue of harmonization.

Terminology

3. Anne Harrison introduced paper H1 "Coverage of the Household Sector" and referred in particular to paragraphs 5 and 6 of that paper. Confusion often arises between micro datasets and surveys which relate to households and the concept of the household sector as presently defined in the SNA and it was suggested that it might be appropriate to use some other word, perhaps personal or individual, to refer to the household sector.

4. Many participants agreed that confusion was frequent but were not happy with the alternatives presented. One objection was on grounds of terminology; "individual" has a particular meaning often used in contradistinction to household as representing the members of the household separately and therefore introducing this term to relate to the sector would simply exacerbate the confusion rather than relieve it. It was also felt to be rather premature to decide this issue before the role of unincorporated enterprises and non-profit institutions were resolved later in the agenda.

5. Many participants felt that the confusion arose only because the terminology was used too loosely. The household sector as defined in the Blue Book refers to households as institutional units. These institutional units perform a number of functions, particularly as consumers and as producers. In this latter role as producers the institutional unit of the household functions as an unincorporated enterprise. To talk about the household sector containing households and unincorporated enterprises is to confuse the institutional unit and the function being performed by that unit. It was therefore agreed that at least for the duration of this expert group meeting, precise terminology would be used with the household sector used to refer to the institutional sector concept and the term consumers would be used to denote households as consumers and unincorporated enterprises as households as producers.

6. Further clarification on these issues evolved in subsequent discussion on unincorporated enterprises and private non-profit institutions serving households.

Imputations and Re-Routings

7. Paper H2, "Imputations and Re-Routings in the SNA", was introduced by Brian Newson. He reminded the experts that previous discussion had suggested that it would be helpful to develop a taxonomy of imputations and re-routings. This would be useful for the Blue Book and SNA structure as a whole but was particularly important for the household sector given the magnitude and importance of some of these items for this sector. In particular he introduced a potential taxonomy which is reproduced in the annotated agenda. This distinguishes three classes of imputations for non-monetary transactions and distinguishes between imputed and re-routed transfers.

8. The paper contained three tables as annexes. The first annex attempted to enumerate all the imputations and re-routings identified in terms of the SNA headings shown in Table 8.2 of the present SNA. Another table made available to participants showed these imputations and re-routings related to the individual transactions in the account laid out as presented in the accounts following Table 8.3 in the Blue Book. These two tables are attached as Annex 1a and Annex 1b to this report. Annex 2 of paper H2 shows how sector accounts may be represented including only the most important imputations and re-routings. Based on this, Annex 3 shows how the accounts may be separated into actual flows and imputed and re-routed flows. These two tables were discussed both in general under imputations and re-routings and more particularly later in the discussion on the measures of household income.

9. As has happened in previous discussions, the ambiguity over some of the terms used proved an immediate difficulty. Is an imputation necessarily an imputed transaction or is transaction a term that should be restricted to

market transactions? Is the process of attributing value-added to the banking sector on the basis of interest information or separating the service charge element from insurance premia paid a process of imputation? If so, does it result in one imputation or two since one measured quantity is divided into two notional components? It was pointed out that the extent of imputations through the accounts is very considerable. Consider the effects of aggregation. If estimating the consumption of fixed capital is defined as an imputation then it follows that the gross operating surplus also must be an imputation. Indeed, if the output of government services is treated as an imputation then presumably so is GDP itself. Further, even if these problems are overcome it is clear that much derived data, for example all data at constant prices, all seasonally adjusted data and much of the data contained in input-output tables would also have to be described as imputations.

10. For all these reasons it was eventually decided that it would not be practical at this stage to develop a full taxonomy of imputations. However it was recognized that while it is difficult to define the abstract concept, there is a common sense set of items which need to be specifically treated in the SNA. It was agreed that it would be appropriate to itemize these by means of tables like Annex 1a or Annex 1b. Because these would constitute a definition of imputation by a process of enumeration, it was important that these lists be comprehensive. Several participants felt that the attraction of a table like Annex 1b was that it then became clear where the counterpart entry of the items would appear. It was also argued that an extensive table like this might be rather offputting for the reader but given the difficulty of defining a succinct concept it is not clear what the alternative is.

11. While it was agreed that the Blue Book should contain the comprehensive list of imputations, re-routings and re-classifications as an aid to both users and compilers, instruction needs to be given to compilers that efforts should not be made to compile data for all of these items where they are thought to be insignificant. This may lead to different countries showing different numbers of imputations but clearly some minimum list would need to be agreed for inclusion within the SNA questionnaire. The extensive discussion that would be necessary to guide compilers in determining what was important and how it should be calculated should be left for inclusion in the handbooks.

12. The opportunity to distinguish market from non-market transactions was felt to be very important. It is clear that the sort of imputation involved for the output of the banking sector is quite different from the imputation used to value own-account subsistence agriculture. This led to an agreement that it might be helpful to distinguish between the case where no transaction has taken place but one is imputed (for example consumption of own output), re-routings (for example employers contributions to pension funds) and "re-classifications" (for example the division of insurance premia into service charges and net premia). It was also thought it would be helpful if some indication were given in published accounts of the extent of imputations. Some countries already do so, and for example, imputations account for approximately 9% of GNP in the USA.

13. The group did not discuss the possible extensions to the present set of imputations included in para 2, page 4 of paper H2.

Transactions, Transactors and the Production Boundary

14. On Monday morning the group turned their attention to this subject and Anne Harrison introduced paper H3 with this title. This paper suggested that transactions could be defined in terms of the transactors participating and that the production boundary should in turn be defined as the sum of the transactions previously defined. This implies that it would be the definition of the transactors which defines the production boundary and suitable disaggregation of the transactors could allow for estimates of enlarged GDP to include for example household services and possibly leisure activities.

15. In the ensuing discussion, most attention was focussed on the definition of transaction and clarifying the existing production boundary. It had become clear in the discussion on Sunday under imputations and re-routings that there is some misunderstanding about the word transaction. Several participants argued that it carried a connotation of relating only to market activity and one where there is an exchange of money for goods and services in a two way flow. This differs from the concept described in French as "opération" which covers both monetary and non-monetary transactions and also transfers. It was argued that a suitable English word should be sought that could be used with the same definition as opération. Several participants were reluctant to introduce an alternative term since they felt that this would give rise to confusion, especially with those who were not working in either French, English or Spanish as their mother tongue. Further, it was supposed that there would be an unofficial translation of the term into transaction and any existing confusion would be perpetuated. An alternative would simply be to define transaction explicitly with the same coverage as opération (at present transaction is not defined in the Blue book). Whether

transaction is defined in the same way as opération or if a new word is used then the implications of this definition as distinct from the present common usage of transaction must be spelt out explicitly in the new Blue Book.

16. Whatever term is used it should be clear that opération covers flows connected with goods and services, redistribution, all financial assets and liabilities. It also covers property income and other factor income payments though these last two are not transfers.

Production Boundary

17. It was recalled that at the first expert group meeting on the structure of the SNA and the preceding Interregional seminar it had been agreed that the production boundary should be largely unchanged though it was clear that some clarification and minor extension was needed in respect of own-account production. In general it was not felt possible to have a single succinct definition of the production boundary that would explain why some items were included and some excluded but it was felt that it was possible to give fairly general indications followed by specific lists of examples that would make clear where the boundary should be drawn. It should also be admitted explicitly that a degree of pragmatism is reflected in this approach.

18. In accepting this approach, stress was laid however on the need to be clear on what should be included and what excluded from GNP. It should not be an area where excessive discretion was left to national accountants because of the need for harmonization with other statistics and international comparability.

19. As a first step in defining the production boundary, it was felt it would be helpful to have a definition of production. It was suggested that a definition similar to that used in the French system of accounts would be

appropriate. This can be translated as "production is the creation of goods and services which are exchanged on the market, are capable of being marketed or are produced with factors of production bought in the market" (this last covers primarily the production of government services). This definition of production should be amplified by some of the present Blue Book guidance on the production boundary. For example, it should exclude the further processing of goods bought as consumers' expenditure. Production which is marketed is included and the additions that are made for non-marketed production are largely made to avoid the distorting effects of increasing monetization of productive activities.

20. The meeting considered the table attached here as Annex 2a which defines the recommendations for activities to be included in the production boundary in the existing Blue Book. Some changes to this table were agreed readily. In particular, it was suggested that the four items at the bottom of column two (weaving baskets and mats, making clay pots and plates, weaving textiles and making furniture) with two items from column four (dressmaking and tailoring and handicrafts not involving primary products) should be included in the production boundary where the amount of such items produced on own-account was a significant proportion of the total produced in the country. However, it was agreed that three previous restrictions should be dropped. i) It should not be necessary that the raw materials used for these handicrafts to be primary products; it was felt unreasonable to include weaving of cotton but exclude weaving involving synthetic materials, for example. ii) Further the present SNA only includes such activities if some of the output is in fact marketed; this too was felt to be an inappropriate condition. At present the activity of a weaver who sells a small proportion

of his product is all included whereas the product of one who sells none is wholly excluded. In future the activity of both should be included in total as long as home weaving is a significant part of the production of fabric in an economy. iii) The present SNA also suggests that processing of primary products is only included if the production of the primary product and the processing are done by the same institutional unit. This also was felt to be inappropriate; if processing of milk into butter is to be included, it should not matter whether the milk is produced from within that household or by a neighbor's household.

21. While there was general agreement on the above proposals, some warnings were issued about their interpretation. For example, in including the creation of goods and services capable of being marketed in production, clarification needs to be given as to whether the criterion means they must be capable of being marketed domestically or is the existence of a market in another country sufficient justification for inclusion. Further, in valuing the output, recognition should be given to the fact that if only a small proportion of output is marketed this may be at a price which is not representative of the price that would prevail if all the activity were in fact marketed.

22. Referring again to Annex 2a it was pointed out that gathering field crops or fruit and vegetables is presently included in the SNA production boundary and should continue to be so though the item is missing from this table. Further it was agreed that the cost of storing crops should be regarded as part of the cost of growing and producing crops and the value attributed to crop production should include storage costs where appropriate.

23. It was argued that the activity of obtaining water for own consumption was equivalent to gathering fruit and vegetables and should be treated as the production of a good (that is making the water available where it is needed) and thus should be included within the production boundary. There was some discussion about the value to be placed on this activity and references were made in connection with this item as with many others about the amount of time that may be involved in undertaking this activity. It was agreed that the amount of time needed to produce a good is irrelevant as far as the SNA production boundary is concerned. Goods, when produced, are ascribed the market value of these goods and if the market value is zero then the product has zero value. The question of the allocation and valuation of use of time is important in its own right but this is not what the SNA production boundary presently attempts to measure and the participants did not think this should change.

24. Two other items that had previously been discussed for possible inclusion within the production boundary were midwife and funeral services. It was agreed in discussion that it would be difficult to identify these unambiguously because they are often associated with possibly expensive ceremonies. More substantive discussion suggested that they should not after all be included in the production boundary. It was argued that the only extensions to the production boundary previously accepted are for the production of goods. This presumably is on the basis that a good, once produced, is capable of being resold. However, this is not true for services. Services produced on own-account are always immediately consumed by those producing them and therefore do not add to the pool of goods and services available for redistribution. On these grounds therefore it was

agreed that no own-account services should be included within the production boundary. This exclusion would include midwife and funeral services thus reversing the provisional suggestion to include them.

25. The other major item for discussion on how far the production boundary should cover own-account activities was on activities related to constructing, repairing and maintaining dwellings and farm buildings. The existing SNA production boundary includes construction and major repairs of dwellings and farm buildings and it was confirmed this should remain so. In many developing countries where buildings are less robust, it may be necessary to carry out substantial repairs on a regular basis. Rethatching a building every year was quoted as a specific example. It was agreed that such activity should be treated as capital repair to buildings in accordance with the present Blue Book definition of capital repairs as "those that lengthen the expected lifetime of the building or increase its productivity". As such these activities should be included within the production boundary.

26. There was then discussion about the appropriate treatment of current repairs and maintenance defined as those that make good breakage or keep the buildings in proper working order. It was felt that these could be subdivided into two categories by reference to commercial renting of property; those minor repairs which would normally be carried out by a tenant (for example, painting walls, changing a tap washer, installing curtain rails) should not be treated as falling within the production boundary. The items purchased should be included as final consumption but no imputed value added should be made for the labor input. For more substantial repairs (mending a hole in the roof, replastering a wall) the tenant would expect the owner to undertake this activity and the owner would normally employ a commercial firm to do this.

Where such activities are undertaken by the owner, either in respect of his owner-occupied dwelling or a dwelling he owns but rents, these activities should also be included within the production boundary including imputed value added for the labor input. There was discussion about how this activity should be shown in the accounts. In this case the owner-occupier is undertaking two separate activities, one as the owner-occupier of the house and the second as construction activity. In principle, it would be possible to show these as two production accounts, one attributed to own account housing and one to construction but it was felt more appropriate to consolidate them in a single production account and assume that the production of construction services was secondary production within a single production account.

Other Related Issues

27. It was agreed that communal activities should be included within the production boundary when the production activities fell within the boundary. The definition of production for own-account in these cases would be interpreted more liberally than meaning for the consumption of an individual household producing the good.

28. There was some discussion about how far an enlarged GDP concept was appropriate. It is clear that there is considerable interest in several quarters in deriving a measure of GDP that includes household services. However, it was not felt appropriate that the basic concept of GDP should be extended to include these. While it can be argued that excluding such services discriminates unfairly against poor countries, it can equally be argued that including these services would be detrimental to the interpretation of the accounts for such countries since by reductio ad

absurdum if one includes sufficient activities, it can be shown that no one is poor at all. Without reaching conclusions on how enlarged measures of GDP should be measured, it was agreed that where possible the estimates for own-account production should be shown separately from marketed production wherever possible.

29. There was discussion about the implications for labor statistics of the proposed changes to the production boundary. Mr. Hussmanns from ILO confirmed that an individual was deemed to be economically active if he or she was undertaking production that fell within the production boundary. He felt that the changes proposed above would make it easier to interpret this definition. In commenting on the question of enlarged consumption, he pointed out that not only can one define away poverty by including sufficient activity, one can also define away the economically inactive population by including sufficient within the production boundary.

30. (Subsequent to the meeting, contact was made with the FAO in Rome and the proposed changes to the production boundary were explained to them. Here too, there was agreement that these clarifications to the production boundary were desirable and would improve the harmonization of data provided by different agencies.)

31. Annex 2b shows the proposed definition for the production boundary once the modifications above have been made to the earlier table Annex 2a.

32. The question of the appropriate valuation of production for own consumption was also raised. As mentioned above, it was agreed that valuation should not reflect the amount of time taken in producing a commodity but should represent the appropriate market valuation. This market price would be the price prevailing at the nearest point of transaction of similar goods.

The implication for agricultural products therefore will usually be equivalent to the farmgate price conventionally used in valuing subsistence agriculture. As mentioned above however, this should include implicit costs of harvesting and storage of crops where this is appropriate.

33. A discussion on the appropriate treatment of home tailoring led to a further clarification of present practice. In some countries all tailoring is done within the household. Consumers buy material and take it to the tailors to make up and ready made garments are not usually available for direct purchase. In these cases, the consumer buys the material and a tailoring service; the tailor does not acquire ownership of the materials and these should not be shown as intermediate inputs.

Illegal Activities

34. Derek Blades introduced paper H4 on this topic. In doing so, he made the distinction between illegal and hidden activities, that is activities which are themselves legal but may not be disclosed for example to the tax authorities. The present SNA mentions illegal activities explicitly and says they should be included where the receipts are obtained with the unenforced consent of the payer. This would mean that some illegal transfers, for example payments made under extortion would be excluded. The question therefore was whether to abide by the present recommendations or to make changes.

35. It was generally agreed that there needed to be clarifications of such terms as illegal, hidden, black and informal activities. It was agreed that black was an inappropriate adjective to use and should in general be avoided.

36. The criterion of unenforced consent obviously gives rise to difficulties. While it may be possible to use this to judge whether an activity is included in the production boundary or not, subsequent transactions involving payments which may originally have been excluded will not be identifiable by this criterion and it is therefore very difficult to track the implications of such transactions throughout the accounts. It was generally agreed that the most important illegal activity that needed to be encompassed in national accounts is all aspects of the drug trade. Here, some of the payments made may appear to be voluntary but in fact are backed up by threats of reprisals. It was generally agreed that in principle all transactions, including transfers, connected with illegal activities should be included though it was recognized that there would be difficulties of measurement in practice.

37. The meeting was reminded of discussion on this subject that had taken place at the regional meeting in Addis Ababa. There, the distinction was made between activities that are illegal but not criminal, for example building a house without permission, those that are illegal and criminal, such as drugs, and smuggling which was felt to be a special case. There the participants strongly felt that all such activities should be included in the accounts.

38. It was pointed out that the treatment of illegal activities does not pertain only to the household sector. Arguably some drug producers and drug dealers should be treated as establishments. Large-scale theft may lead to subsequent distribution which should certainly be included within the production boundary as an establishment activity; indeed the owner of the establishment may not always be aware that the goods he is dealing in were

originally stolen. Both businesses and government may be involved in smuggling or in international transactions which are not legal in the partner country.

39. Paragraph 21 of paper H4 talked about tax evasion and claimed that the national accounts would always reflect the true estimate of tax liability. This was thought to be inaccurate and that in many cases government would not have received adequate information from enterprises on which to assess taxes. This paragraph therefore should be amended in any subsequent consideration.

40. There was some discussion about the specific treatment of shoplifting. It was agreed that the price of the goods actually sold includes an allowance for losses due to shoplifting. Nevertheless it was argued that the value of the shoplifting should be treated as value added with a compensating increase in final consumption and should lead therefore to an increase in GDP. Similarly, bribery also would imply higher levels of both consumption and wages and salaries.

Unincorporated Enterprises

41. Paper H5 spelt out the main issues on this topic and was introduced by Anne Harrison. It is clearly recognized that not all productive activity is carried out by corporate enterprises. There are basically three alternatives for dealing with unincorporated enterprises.

- (1) They can all be left in the household sector;
- (2) Estimates can be made for their activity and these estimates can be added to the corporate sector, leaving the household sector without any productive activity; or

- (3) a compromise can be established whereby some unincorporated enterprises are treated as quasi-corporations and transferred to the corporate sector, leaving the remaining unincorporated enterprises in the household sector.

There were some advocates for each of these solutions. The main reason for leaving unincorporated enterprises included in the household sector is because of the impossibility of disentangling the accounts for these production activities from the accounts related to other household activities. In particular, capital financing was usually inextricably entangled and therefore even if one can make estimates for the production account it is much more difficult to make estimates for the income and outlay and capital finance accounts for unincorporated enterprises. Such estimates are however made by Germany, for example, which means that capital formation and interest payments, taxation and borrowing for enterprise activity is aggregated whether this is for corporate or unincorporated enterprises.

42. Many participants had difficulty with the idea of making such estimates accurately and were therefore more disposed to the proposition that all unincorporated enterprises should remain within the household sector. However, it was recognized that for some countries there are important large unincorporated enterprises which function to all intents and purposes as corporate enterprises except perhaps for the question of what amount of withdrawals from operating surplus are made by the proprietors. The present SNA recognizes such firms and suggests they be treated as quasi-corporations and transferred out of the household sector. The criterion given is that these firms should have separate accounts and be "relatively large and important". Many participants expressed dissatisfaction with this last clause

because of the ambiguity of interpreting it. It was also felt that there may be some large and important firms for which estimates of withdrawals could not be made adequately and equally some smaller firms where adequate estimates could be made. The question was also raised of the parallel with public enterprises. Brian Newson circulated a table for six Common Market countries showing the treatment of quasi-corporations. At present, it varies very substantially from country to country with 77% of gross operating surplus for Italy appearing in the household sector, 38% for the U.K., and 0 for Germany and the Netherlands. This underlines the fact that the present guidelines are interpreted very differently from country to country and that the size criteria in this and other contexts has proved unenforceable.

43. After considerable discussion, it was agreed that the concept of quasi-corporation should be retained and should be defined as an unincorporated enterprise for which a complete set of accounts was available including information on withdrawals of operating surplus. This criterion should not be qualified by size. Some participants felt that no unincorporated enterprise would meet this condition and that therefore this would have the effect of leaving all unincorporated enterprises in the household sector. Nevertheless all participants felt that this was a much cleaner distinction than previously existed in the SNA and was to be endorsed.

44. There was little if any sympathy with the idea that unincorporated enterprises be defined only by size with small incorporated enterprises being included in the personal sector. The criterion accepted implies that if a distinction between formal and informal activities is based on the legal criterion of incorporation or a close parallel then the corporate and public sectors in the SNA would correspond with the formal sector and production activity within households would correspond to informal activity.

45. It was confirmed that a consequence of this decision would be that in future production accounts should be calculated for the household sector. Not doing so may lead to errors in GDP by treating intermediate purchases for unincorporated enterprises as final consumption.

46. As a special case of unincorporated enterprises, consideration was given to the appropriate classification of outworkers. These consist of workers, often women, who assemble products at home from components which may either be bought by the outworker or may be supplied without cost from an enterprise. In some cases, this enterprise may not even be located in the country in question. There is also variation in whether the outworkers own any capital equipment that is necessary to assemble the products, for example a sewing machine in the case of assembling clothing. Whether such workers are classified as employees or self-employed depends on a number of criterion. The relationship between the person and the employer is important. If there is a contract implying regularity of employment then the worker would normally be regarded as an employee. If payment is on a piece rate basis this would tend to imply the worker should be treated as self-employed. A number of participants with special interest in this subject met with Mr. Hussmanns from ILO and prepared a set of conclusions which the meeting subsequently endorsed and incorporated in the summary and conclusions. These are reported in full below.

47. In general, the term "outworkers" may cover a variety of different working situations, depending on national practices.

48. Usually, outwork applies only to non-agricultural activities. Remuneration is typically received on a piece-rate or task-specific basis (as opposed to a time-rate basis) and thus, within certain limits, outworkers are

free to determine the number of hours devoted to their task and in scheduling their working time. Persons who themselves employ paid workers are not to be considered as outworkers.

49. According to the International Classification of Status in Employment (ICSE), outworkers may, depending on the specific conditions in which their activity is performed, be classified into the categories of either "employee" (= performing work for wage or salary) or "own-account workers" (= operating business/enterprise without assistance of paid workers, but possibly with the assistance of unpaid family workers). Thus, because they would be regarded as owning a business/enterprise, workers who own the necessary equipment (e.g. sewing machines) or own some or all of the material they use (e.g. yarn or fabric) should not, in principle, be classified as employees. However, it appears that, in establishment surveys and censuses, they are often classified as employees and their income reported as wages. Further work needs to be done in cooperation with the ILO in order to harmonize the classifications in the SNA and in labor statistics and to align principle and practice.

Sub-Sectoring and Harmonization

50. Lourdes Ferran introduced paper H13 on "Sub-Sectoring of the Household Sector". This explores some of the uses that can be met by providing accounts for sub-sectors of the household sector, including for example the needs raised by recent interest in the role of women in development and the possibility of deriving a concept of extended GDP. The paper also examines the characteristics that might be used in determining sub-sectors. These two characteristics of sub-sectoring, the analytical usefulness of providing extra information relating to the household sector and the practical questions of how to do the sub-sectoring, were the two lines along which the discussion developed.

51. The case was strongly argued that the present SNA concentrates on the production process and the technology involved in producing goods and services, but largely ignores the distributional effects of who benefits by the production generated. The present SNA review therefore could be seen as an opportunity to redress this imbalance and provide for an extension to the accounts that would allow explicitly for the analysis of who gets what out of productive activities. A means of doing this would be to disaggregate both household consumption and compensation of employees using the same sub-sectoring characteristics and also to provide a mapping between the individuals who are recompensed via compensation of employees with their incidence in households. Information on distribution of company profits to households and transfers from government and with the rest of the world would also need to be disaggregated according to the same criteria.

52. While several participants agreed that the present review was indeed an occasion to look forward and emphasize aspects of the accounts that needed emphasizing in the future, they felt the full scheme being proposed here might be over-ambitious for incorporation in the main Blue Book. This concern was underlined by a number of participants who reminded the meeting that the statistical commission had called for a simplification of the process and, useful as this extra information might be, it was an elaboration rather than a simplification of the present system.

53. It was pointed out that there is at present no significant complementary system of statistics that deals with the issues of household income and expenditure. Most of the work done to date has concentrated almost entirely on analyzing the results of household surveys and has had difficulty in reconciling these results with aggregate national accounts at both the

theoretical and practical levels. One possibility that should be explored therefore is to elaborate the principles frequently worked through in social accounting matrices in such a way that this work could be seen as being a complementary system to the SNA. Just as it is usual for countries to compile an input-output table once every five years, say, it might also be possible to recommend that similar work on the distribution and redistribution of income should also be done at approximately this frequency. Putting these aspects forward as an integral part of the national accounts might also help focus attention on the need to study the household sector directly, instead of as is frequently the case merely deriving it residually.

Definition of Sub-Sectors

54. There was extensive discussion as to what the appropriate characteristics were that should be taken into account in determining sub-sectoring. It was pointed out that in general countries at different stages of development differ more in the composition of their household sectors than in any other sector of the economy, so, it may be difficult to determine characteristics that should be commonly adopted across countries. Previous expert groups have accepted the concept of hierarchies of classification which would apply to transactors as well as transactions. This may be a case where a standard recommendation was made at a high level of the hierarchy and countries should be left to choose the appropriate characteristics for lower level disaggregation depending on local circumstance.

55. Many participants felt that it would be more appropriate to allocate households to sub-sectors according to characteristics of their total or main income rather than the characteristics of an individual. Such characteristics may be in terms of income bands or whether the main source of income is from

an unincorporated enterprise, as an employee or from some other source, for example recipient of transfers. While many people welcome this approach in theory, it was deemed to be difficult to execute in practice. Sampling frames for surveys typically had to be drawn up from socio-economic data on individuals and it was therefore felt appropriate to revert to dealing with the socio-economic characteristics of an individual.

56. A key question was whether the socio-economic characteristics of the head of household should be the appropriate criterion of the first level classification in the hierarchy. In general it was felt the term head of household should be dropped; this carries cultural connotations which are not necessarily appropriate to data needs and practicalities. In preference the term reference person should be used; in some cases this person would indeed be the head of the household but should not necessarily be selected on that basis.

57. One way of combining the theoretically desired and practical aspects of sub-sectoring may be to recommend that where possible the reference person for a household should be chosen as the main provider of income. Categorizing the household according to the employment status of this individual would then be equivalent to classifying the household according to main source of income. Again it was argued that there was a distinction between analysis according to ex ante characteristics which was useful for policy purposes and analysis based on ex post characteristics used for descriptive purposes. The classic example of an ex post characteristic is actual income distribution. In general the characteristics that were listed as being possible candidates for sub-sectoring included employment status, industry of employment, race, religion, language, location and endowments such as the ownership of land. In

considering a disaggregation of the labor force as distinct from households, it might also be appropriate to consider disaggregation by level of education, age, sex and other possible causes for discrimination.

58. Given this plethora of alternatives and the recognition that not all of these could be accommodated in international guidelines but rather should be left to be selected on the basis of local priorities, an attempt was made to distinguish the main characteristics which was felt should be recommended for standardization at the international level. Table H14 was circulated showing the recommendations in the present SNA Blue Book, in the present SNA questionnaire and in the Income Guideline Recommendations. A slightly modified version of this table is given in Annex 3. Here the Blue Book distinguishes first by employment status whereas the questionnaire and Income Guideline Recommendations distinguish first by industry. It was felt it would be more helpful to preserve employment status as the first level in the hierarchy. This would lead to a three-way split between entrepreneurs, employees and other. Full sets of accounts should be provided for each of these sub-classifications. It is obvious that entrepreneurs will need a production account but production accounts would also be needed for employees and others insofar as households in these categories had owner-occupied housing, undertook domestic service or had unincorporated enterprises in the households which did not provide the main source of income. All three categories would of course have income and outlay and capital finance accounts and balance sheets. There was less unanimity about subsequent disaggregations of the hierarchy. It was felt it might be appropriate to distinguish between agriculture, industry and services for entrepreneurs and employees. It might also be appropriate to break entrepreneurs into employers and own-account

workers. Further, it might be appropriate to disaggregate employees according to the level of skill required, for example, high, medium and low skills. As far as the third category "other" was concerned, it was felt appropriate that disaggregation should be between recipients of property income (rent, dividends, etc.), pensioners and other recipients of transfers. The purpose of distinguishing pensioners from other recipients of transfers was that typically pensioners may not be poor whereas those dependent on transfers from other family members for example usually would be. It was noted that inmates of institutions who fall within the personal sector from the point of view of expenditure would usually be incorporated in the category of other recipients of transfers.

59. There was discussion about how many of these recommendations should be included in the Blue Book but it was generally recognized that where disaggregations are recommended in the Blue Book this is likely to encourage data collection procedures to follow suit. A suggestion was made that the overall structure of the national accounts to be presented in the Blue Book might be given with the advice that different sectors may be expanded in different years thus obviating the need to ever do a fully expanded system at one time but allowing flexibility to deploy resources in alternate sectors as opportunity permits. If this concept is acceptable then one should be careful that all of the major components are mentioned in the Blue Book. Those which are dealt with only in handbooks will tend to be treated as less important and may never be undertaken.

Total Consumption of the Population

60. Werner Thon introduced the first section of this topic for discussion by recapitulating the arguments that had led to the concept of individualized and collective consumption. After extensive discussion in various fora, it

seemed clear that there was a desire to introduce these concepts into the national accounts; the question that remained was whether to use individual and collective consumption as a substitute for the previous breakdown for household and government consumption or to introduce it as an additional concept.

61. There was fairly unanimous agreement that the concept should be introduced as an additional one and five components of consumption should be shown, individualized consumption by general government, private non-profit institutions and households and collective consumption by general government and private non-profit institutions. There was some discussion about how this should be presented, whether the primary categorization should be by consumption or by consumption expenditure. Several participants favored classification by consumption, that is to show all the components of individual consumption followed by both the components of collective consumption but others pointed out that to leave the first categorization by consumption expenditure would make the transition from the present practice easier and possibly less confusing.

62. It was pointed out that so far there has been no study of services provided by government to enterprises and how these should be treated. At the moment, overheads for transport services for example, which might properly be regarded as intermediate consumption for enterprises are still dealt with as collective consumption of government. It was suggested that a study in this area should be undertaken, if possible in time for the expert group meeting on the public sector.

63. There was some discussion about terminology. On the whole, the participants favored the expressions consumption and consumption expenditure and would not adopt the terminology total consumption of the population.

However, it was recognized that there was a need to have corresponding income concepts and the terminology for these was not clear. Maintaining the expression total consumption would allow the possibility of the matching income aggregate being referred to as total income but no resolution was reached on this issue.

64. It was readily agreed that the principle for sectoral allocation of consumption expenditure should be based on the final bearer of the expense rather than the unit undertaking the initial expenditure. It was pointed out however that this has implications for the calculation of income concepts which have yet to be worked through comprehensively and may indeed present difficulties in reaching an entirely congruent concept.

65. There was also discussion about how far individualized consumption expenditure could be disaggregated when the household sector is sub-sectored. While it seems that some information from government would permit disaggregation at certain levels of the hierarchy, it is not clear whether this can be carried down to very fine disaggregation. This too is a topic which should be investigated.

66. The next item to be discussed is the appropriate treatment of government expenditure on goods and services. It was proposed that goods and services forming part of individual consumption expenditure should appear in an input-output table as final demand for the appropriate categories. Other purchases would appear as intermediate input into the output of government services which would itself then appear in total under a separate column for government collective consumption. This approach was generally received sympathetically but it was felt that it would be helpful to have a short paper working through the consequences presented to the expert group on input-output

and this was agreed. One consequence of these changes is that in future government would no longer simply produce non-market services but would also in effect produce goods and services, though the goods component would be relatively small, for example food aid and medicines bought on prescription.

67. The next item for discussion was the criteria to distinguish individual from collective consumption. In general it is agreed that the individual nature of consumption can be identified because at least in theory the consumers and beneficiaries can be identified because the goods and services provided are for a limited number of consumers and because usually the consumer must take the initiative to acquire the goods and services. Collective consumption on the other hand is defined as consumption such that once the service has been produced, the individual consumer has no alternative but to consume it and consumption of the service by one individual consumer does not reduce the utility of another. These broad definitions are acceptable in general terms but it was felt that a more specific definition should be incorporated in the Blue Book. The idea of defining collective consumption explicitly and individual consumption as all other government consumption was not thought to be acceptable; rather the alternative of using categories of COFOG (Classifications of Function of Government) was felt to be superior. The headings of COFOG itemized in the annotated agenda were those that were felt to be the appropriate categories of individual consumption. However it was pointed out that in the present COFOG classification general administration for each of these headings is included with the headings but these items should be treated as collective consumption. It was therefore strongly urged that the public sector expert group should be asked to consider remodifying COFOG so that these administrative headings could be grouped together separately from their functional headings.

68. It was provisionally agreed that expenditure by private non-profit institutions should be divided between individual and collective consumption along the same lines as expenditure by government. This was subsequently confirmed in the discussion on non-profit institutions.

Enterprise Final Consumption

69. The group then considered the possibility of introducing the concept of final consumption of enterprises. Items which could fall into this category were of two sorts, i) an extended set of benefits accruing to employees such as the provision of sporting facilities and ii) expenditure undertaken by enterprises which incidentally or directly benefitted the population at large. Under this latter category television programs supported by advertising and commercial sponsorship of the arts and sporting events are the obvious examples. The two types of expenditure were treated separately in discussion.

70. It was generally agreed that expenditure of the first sort could be treated by extending the definition of wages in kind. Some exceptions to this principle were noted, for example where accommodation is provided for employees in enclave establishments where the benefits are more properly regarded as benefits to the employers than to the employees.

71. It was recognized that the other type of expenditure by enterprises for the population at large presented problems of interpretation and particularly of international comparability. However the group felt strongly that it would not be appropriate to introduce a concept of final consumption of enterprises. Even if entertainment services are funded by advertising contributions, those advertising fees are truly intermediate consumption of the enterprises producing the commodities or the distribution industries

concerned in selling them. It would not be appropriate to increase the value of GDP because of the production of entertainment as a by-product either at zero or a reduced cost. Elsewhere in the accounts, products are valued at their market price and this is felt to be the appropriate valuation for these market services also. However the problem of international comparability was recognized. It was suggested an appropriate alternative might be to develop an alternative analysis which allowed for the separation of the entertainment services in a way analogous to the separation of distribution margins from market price expenditure. A separate paper on this topic will be prepared and circulated to members of this expert group and for consideration possibly at the coordinating group meeting.

72. There was some discussion about how far sponsorship was analogous to advertising; in some cases obviously the parallel is very close but instances were quoted where sponsorship is undertaken by firms as an image-building exercise with the political aim of avoiding nationalization. Nor is it clear whether in some instances sponsorship is paid for out of post-tax profits rather than being regarded as intermediate expenditure. In such cases sponsorship might more appropriately be treated as a transfer than intermediate consumption.

Consumer Subsidies

73. Some subsidies are intended to modify the price of various items to allow more of the population to purchase these items. Because the effect is focussed in terms of particular sections of the population, it has been argued that these subsidies should be treated like individual consumption rather than as subsidies in general. This has led to a proposal that subsidies should be split between economic and social subsidies, economic subsidies raising the

returns to the producer and social subsidies reducing the prices for the consumer. The most obvious categories for subsidies which are candidates for being treated as social subsidies in this way are subsidies in relation to housing and food. Three possible ways of dealing with these subsidies have been suggested. The first is to include them explicitly as individual expenditure of government, the second is to treat them as transfers to households and then record consumption at the full price. The third was to leave the SNA as it is but provide extra information on the classification of subsidies to allow analyses to be undertaken in, for example, a satellite account.

74. There was widespread sympathy with the idea that the distinction between subsidies such as these and individual consumption by government was a fine one. It is anomalous that if consumers pay the full cost of housing the full cost appears as household consumption expenditure; if government pays the whole cost it appears as individual consumption by government but if government subsidizes household expenditure then a smaller total expenditure on housing appears in GDP. Because of the importance of housing and food subsidies in some economies, considerable support was expressed in favor of treating these subsidies as additions to GDP. However, most participants felt that restricting the treatment to food and housing would be artificial and not easily defensible. In a country where housing is subsidized by government in such a way that consumers pay part of the rent and government pays a subsidy, the fact that GDP is lower than it otherwise would be reflects actual institutional arrangements. Making the adjustment to GDP of treating the subsidies as final expenditure is, in effect, a what if analysis. What if the institutional arrangements were different? Once this question is raised,

there are a never ending series of questions which may be asked, most noticeably in relation to public enterprises. What if they operated under different conditions to alter their prices? What if the indirect tax structure were different? And so on.

75. Even in the case of a government subsidy on imputed food, the case for treating this as individual consumption is not unambiguous. If the government were to remove the subsidy and it had been treated as individual consumption then total consumption would not alter although in practice consumers would clearly be worse off. Similar considerations carry over to the treatment of VAT where the imposition of differential rates may be regarded as embodying implicit subsidies (or indirect taxes). Estimating the "true" rate and correctly interpreting the effects of changes to these rates would be difficult and arguably contentious in much the same way as "adjusting" the prices of the outputs of public enterprises would be.

76. It was noted that the incidence of subsidies under the present treatment should not affect the derivation of constant price data as long as the prices at different points in time correctly allowed for the effect of subsidies. It could however give problems for price indices or other index measures such as in ICP where the weights for subsidized expenditure were considered lower than the unsubsidized equivalent.

77. Lastly, considerable unease was expressed about the bases of distinguishing economic from social subsidies; it is the nature of a subsidy to change both the return to the producer and cost to the consumer.

78. In general therefore, the group came down against the idea of introducing consumer subsidies as a form of final expenditure. This recommendation was buttressed by two others however. Firstly, in the public

sector expert group attention should be drawn to the need not to use the expression subsidy for government expenditure which national accountants would truly regard as a transfer. Secondly, a detailed classification of subsidies by type and purpose should be elaborated and presented as part of the analysis of government expenditure and of the SNA so that a detailed study of the full effects of tax incidence can be carried out. It was further suggested that an elaboration of how such an analysis should be conducted might be included in the handbook on the household sector.

Boundary Problems Between Household Income and Consumption

79. A number of specific and rather disparate issues were taken up under this heading. These included items which affect not only the derivation of total consumption of the population but also the interface between micro and macro data. The main paper that was relevant for this discussion was paper H8 "Household Consumption and Income Statistics in the SNA and the Micro Statistics".

80. The paper raised again the question of whether consumer durables should be treated as capital formation with consequent imputations of output over the life of the asset. It was generally agreed that this would not be an appropriate treatment; consumer durables should not be regarded as fixed capital of the same sort as the capital of enterprises. One consequence of this is that consumer durables should not enter into balance sheet calculations except as a memorandum item and possibly in the reconciliation account.

81. It was felt the present treatment of owner-occupied housing is adequate; these constitute unincorporated enterprises and generate an operating surplus. The output generated should not be treated as property income.

82. While recognizing the importance of human capital, it was not felt appropriate at this stage to change the SNA to convert consumption on educational services into a concept of human capital. Studies in this area should continue to be done as satellite analyses.

83. Secondhand sales of consumer goods by households should be treated as negative consumption. The present provisions for treatment of losses in the SNA was felt to be adequate. Incidental small losses should be treated as consumption. Accidental losses which are replaced via insurance policies are covered by a transfer from insurance enterprises to households and new consumption by households. Major disasters such as earthquakes do not affect the current flows in the SNA but will affect the reconciliation account.

84. It was agreed that the practice common in some countries of describing household consumption expenditure as being calculated on a domestic and a national basis was inaccurate and misleading. The concept required for national accounts is consumption expenditure by resident households either in the domestic territory or abroad. Items showing expenditure abroad by nationals and expenditure in the domestic territory by non-nationals may be necessary intermediate steps to reach this total but should not be used to derive an alternative confusing concept of household consumption expenditure.

85. It was noticed that in principle customs duties paid by resident households on consumer goods imported should be included in consumption; where necessary this may be included in a miscellaneous item.

86. Consumer goods received by resident households from abroad or purchased by resident households as gifts to be sent abroad should be treated as imports and exports as appropriate with corresponding transfers in the balance of payments account. Migrants household goods should not be treated

as imports or exports since these are goods not changing ownership and have been regarded as consumption at the time and in the country of purchase.

87. The question of the appropriate treatment of interest on consumer debt was raised; this is an important issue for the household sector and some participants felt that the view that interest be treated as a service should still be considered. This item is for discussion at the financial flows and balance sheet expert group meeting.

88. Business travel should be treated as intermediate expenditure. If an enterprise provides a car to an employee, this should be treated as income in kind and final consumption. If however the enterprise provides a bus service to its employees, this should be treated as intermediate consumption. The provision of free railway travel to employees of the railways should also be regarded as income in kind; there is a remaining question of what the appropriate valuation of this should be.

89. Working tools and specialized clothing should be regarded as intermediate consumption if there is a contractual obligation on the employee to provide these.

90. All uniforms should be treated as intermediate consumption; this is a change to the present SNA recommendations where uniforms provided to civilian employees only are treated this way. It is felt that the lack of distinction between army uniforms and those provided to private security guards and the nature of combat uniform for the army are such that it is simpler and more appropriate to treat all uniforms as intermediate consumption.

91. The present SNA recommendations on free housing for the military should stand; that is, accomodation provided to staff and their families should be treated as income in kind and household consumption but barracks should be treated as intermediate consumption.

92. As far as prisons are concerned, in principle, food issued to prisoners should be treated as individual consumption. Lodging and clothing however would continue to be treated as intermediate consumption of government and therefore collective consumption.

Social Security, Private Pension and Life Assurance Funds

93. On Thursday morning, Derek Blades introduced paper H9 with this title and the discussion turned first to the question of social security contributions paid by the employer on behalf of the employee. These transactions may seem different from the point of view of the different parties involved. From the government's point of view, these payments essentially constitute taxes. For the employer, they represent part of labor cost. To the employee they frequently seem to have nothing to do with earnings. However, it was generally agreed that these payments do indeed represent part of labor cost and frequently not all employees have the same rights to social security benefits. These entitlements may depend on the extent of contributions made on their behalf by employers. Continuing to treat employers' contributions to social security as part of compensation of employees and routing these through the household sector would preserve symmetry with private schemes and, on balance, it was agreed that this present treatment should be preserved. There was some sympathy for the view that these payments should be treated as a tax but it was not quite clear whether they should be regarded as a direct or an indirect tax, neither category seeming wholly appropriate. There was also discussion about the possibility of estimating the true cost of labor which would include other costs to the employers, for example medical expenses and transport costs. It was suggested that it might be appropriate to ask the expert group meeting on production accounts to consider defining the cost of labor.

94. The discussion then turned to the question of employers' contributions to pension and life insurance schemes. It was proposed that these should be treated in the same way as social security payments just discussed. There was also a question about the status of these funds; should they be regarded as being owned by the employees? If so, a consequence was that the interest earned on pension and life insurance funds is attributed to the household sector and these interest earnings are implicitly included in household disposable income. It was generally agreed that while this last effect is not always apparent to users of the statistics, it was a logical consequence of a decision to treat employers' contributions in this way and it was felt on balance appropriate that the treatment should continue. However, it was urged that the items representing these imputed interest earnings and their attribution to households should be shown explicitly.

Household Income Concepts

95. The meeting then went on to discuss paper H10, "Alternative Household Income Concepts in the SNA" which was introduced by Brian Newson. This paper incorporated concepts that had been discussed previously under the discussion on imputations and re-routings and the effects of arguing to incorporate enlarged consumption measures. Much of the discussion centered around the tables attached to that paper as Tables A and B which are attached to the summary and conclusions of this meeting. Table A gives an income and outlay account for the household sector with sufficient extra detail incorporated to be able to distinguish imputed transactions. Table B is then a rearrangement of Table A with all of the actual transactions assembled at the top of the table and imputed income and expenditure in the lower half of the table. Also, re-routings have been consolidated out. A balancing item is introduced

in Table B entitled discretionary income which is arithmetically equivalent to monetary final consumption expenditure plus monetary savings. This concept is equivalent to available income as used in the M61 Income Guidelines.

96. Although some changes needed to be made to the exact form of these tables, the general structure was welcomed by the participants and it was felt it would be very helpful to have both tables included in the Blue Book. Table A was felt to be much more useful than the present income and outlay account for the household sector. The inclusion of Table B would, it was felt, help to show both users and compilers how one could rearrange the standard accounts to produce extra analyses that gave insight into particular facets of the accounts and demystified the process of so doing.

97. Reference was made again to the need to determine appropriate terminology for a total income concept matching consumption. There was also some discussion about whether the term "discretionary" or "available" was the appropriate word to use. It was agreed that a single concept should be used both in the SNA and M61; preferences were expressed both in favor of available and discretionary as the term to use but it was pointed out that both these words translate into the same word in both French and Spanish. If one were needed, this is an extra reason to push for harmonization of the concepts.

98. Neither table explicitly describes income as being primary, secondary or income after redistribution because it is felt that these concepts can be defined clearly as long as the various components are identified separately.

99. There was some specific discussion about the treatment of gross operating surplus of own-account production. In Table B it is treated as being all non-monetary and all non-discretionary but these attributions may not always be 100% correct. It was agreed that some more working through in respect of this item was necessary.

100. Another issue was raised relating to the treatment of operating surplus. Many participants felt that analyses based on the consolidated accounts of a nation were frequently misleading when a comparison was made between the proportion of GDP attributable to operating surplus as against compensation of employees and this proportion was regarded as the ratio of profits to wages. Operating surplus in the household sector account relates to operating surplus of unincorporated enterprises and therefore contains both profit and wage elements which means that the proportion described immediately previously can be very misleading. There was a strong feeling that it would be appropriate in the new SNA to ensure that value added was described as being made up of three components, operating surplus of incorporated enterprises, operating surplus of unincorporated enterprises and compensation of employees. The possibility of finding other terminology to make the difference clear between operating surplus for different sorts of enterprises should be investigated but bearing in mind the need to have a correspondence in presentations of a T account type. Part of the problem arises from the assumption that gross operating surplus is in effect profits. While national accountants are aware this is not so, it may be very difficult to change the public preconception of this identity.

101. It was also thought it might be appropriate to distinguish own-account housing from other own-account production.

102. There was some discussion, without resolution, about how many monetary transfer payments should be treated as non-discretionary.

103. The meeting then discussed whether income concepts corresponding to those previously discussed for the household should exist for all other sectors. Summary presentations of accounts for all sectors in the form of a T account typically require that matching concepts be present for all sectors.

The question then was what the interpretation for these income concepts was for the other sectors and were they helpful. It was agreed that for the government sector this should be discussed explicitly at the public sector expert group meeting. It was not clear where corresponding discussion for the enterprise sector would take place. The view was expressed that the main purpose of the T accounts is as a basis for teaching and exposition and that therefore it is important to have matching concepts throughout. If it was felt that it is not possible to use matching concepts to discretionary income in other accounts then it may be appropriate to revert to introducing a table like Table B as a bridge table for the household sector rather than as part of the basic structure.

104. One concern about treating Table B as an ancillary table is that then the concept of total income of the population does not exist in a central framework although it had previously been agreed that total consumption of the population would so exist. The omission of total income of the population means that some of the steps in the distribution and redistribution of income would be missing. It was argued that this omission would be more important than the introduction of discretionary income items for other sectors.

105. Given the decision to base the definition of individual consumption on the basis of the ultimate bearer, the implications for calculating the corresponding income concept have still to be worked through. It was agreed study on this was necessary.

Formal/Informal Sectorization

106. The meeting briefly reconsidered the distinction between the formal and informal sectors of the economy. Mr. Hussmanns from the ILO pointed out that there would be a conference of international labor statisticians in October where this would be considered. The proposal at present was that

informal activities should be defined as those that are small scale, self-employment activities with or without employees. They have a low level of organization and technology. They tend to escape tax and other regulatory bodies. It was recalled that at the interregional seminar a distinction had been made between formal and informal activities which were primarily to do with the legal status of a firm and modern and traditional methods of production which had largely to do with technology. It was possible to think of formal traditional activities as well as informal activities using modern technology. It was therefore suggested that the ILO meeting should reconsider this aspect of their definition of informal.

Non-Profit Institutions

107. Jan van Tongeren introduced two papers on this topic H11 entitled "Private Non-Profit Institutions in the System of National Accounts" and H12 "Private Non-Profit Institutions Serving Households". The first of these included the results of a mini-survey conducted by the U.N. Statistical Office which revealed the disparity of practices currently employed by countries in response to the present recommendations in the SNA. At present, non-profit institutions are defined as those that obtain their revenue principally from transfers and operate at or below cost. The categorization of NPI's between sectors is initially undertaken on the basis of the source of finance. However, this leads to four categories of NPI's, those serving government, those serving enterprises, those serving households with more than two employees and those included within the household sector which have fewer than two full-time employees.

108. The meeting felt that in principle NPI's should be defined by what they do and not by whether they make a profit or not. National legislation

about the treatment of non-profit bodies was not felt to be an adequate conceptual definition of these institutions.

109. It was felt that it would be appropriate to defer discussion of non-profit institutions funded by government until the expert group meeting on the public sector. That group should define whether NPI's to be included in the government sector should be defined only according to the source of finance or whether some definition such as "financed and controlled by" government were appropriate.

110. There was extensive discussion about whether private NPI's should be divided between the enterprise and household sector according to who provided the finance or who the institution served. It was pointed out that for many developing countries, NPI's are very important but are frequently financed from abroad, sometimes from foreign governments. It was felt therefore there was no alternative for these NPI's but to attribute them to sector depending on who they serve. If domestically financed NPI's were attributed to sector according to the source of finance, this could lead to some anomalous inconsistencies. It was also pointed out that many NPI's received finance from both the enterprise and household sector and the proportion of this funding may well alter from year to year. Therefore, it was ultimately agreed, though with some reluctance, that it would be appropriate to use the consideration of who the NPI served as the basis for sectorization for all private NPI's.

111. There was then discussion about whether private NPI's should form a sector on their own of equal status with households, government and the enterprise sector or whether they should be treated as a sub-sector of the household sector. On balance, it was agreed that they should probably be

treated as a sub-sector. This would remove the necessity of distinguishing between those with more than two employees and those with fewer. It was pointed out that some countries have little if any data available on NPI's. At the moment, this leads to an omission of the whole sector and to some error in the household account for those NPI's with fewer than two employees. It was felt it would be preferable to merge these two omissions in a single location. However it was also strongly urged that where possible estimates should be made for NPI's and shown as a distinct sub-sector so that alternative analyses could be undertaken if so desired.

112. One consequence of this decision that was not explicitly discussed at the meeting for lack of time was the fact that "household" is now the appropriate terminology both for the whole sector and for the sub-sector that excludes private non-profit institutions serving households. This may necessitate revisiting the issue of whether an alternative term should be adopted for the sector as a whole.

113. Some other aspects of private non-profit institutions were also discussed. It was confirmed that where possible these should be classified according to COFOG and this would lead in principle to the concept of individual and collective consumption within the household sector in respect of PNPI's.

114. It was agreed that religious missions, private aid agencies and community activities should form part of private NPI's serving households. In many cases these would explicitly appear as PNPI's. If such activities existed for a sufficiently short period of time that they would not otherwise count as resident agents, it might be appropriate to impute a PNPI nonetheless. Communal associations might also constitute a PNPI. Where such

associations produced capital assets, these assets would be attributed to the sector that was responsible for their upkeep. The valuation of such assets would be based on the market price analog; this might imply imputing a value to the labor involved in constructing the asset. In general however labor provided free or at very reduced costs to PNPI's should be reflected at its actual cost however low. These two conclusions are in conformity with the decisions made earlier on own-account production; that it was only goods for which a value would be imputed and not services. In this case the capital assets are being treated as goods where the pure services provided by free labor remain services. This decision also maintains consistency with labor statistics where volunteers are not included in employment measures.

Handbook for the Household Sector

115. Most of the subjects discussed on Friday morning were a continuation of earlier items and the points raised in discussion have been incorporated in discussion of the topics above as appropriate. However, one new item was raised which was the status of the handbook on the household sector. Jan van Tongeren explained that this should contain the further elaboration of the system as presented in the Blue Book and should deal with the problems associated with collecting data at source and compiling this data into suitable forms. The handbook(s) should also deal with the links with complementary systems but it was hoped that sufficient changes would be made to the income guidelines that this would now be seen as integral with the larger concept of the SNA and not an entirely separate analysis. One aspect of the handbook should be an emphasis on giving guidance to compilers on direct measures of household activity rather than leaving compilers to derive the whole of this sector residually. It was also supposed that the handbook

on the household sector would deal with the question of measures of enlarged GDP where estimates were made for household activities and possibly for measurement of leisure time.

116. The handbook would obviously deal with the whole question of micro-macro linkages but a plea was made that the impression should not be given that it was only relevant if a suitable large scale survey were available but point out that useful information can be derived about the household sector even without such micro datasets. The handbook too was the place where the question of sub-sectoring the sector and procedures for compiling income and outlay and capital formation accounts for various sub-sectors should be entered into.

117. The meeting recognized that there was a conflict between an open-ended list of desires in relation to the handbook and the budget and time constraints that were in effect; but, given the importance of the household sector, the group hoped that some forward progress in this area could be made as soon as possible.

LIST OF IMPUTATIONS AND RE-ROUTEINGS IN SNA

Heading (= complete SNA list)	Imputation/re-routeing or in kind
1.0 Gross output of goods and services (1.5 + 1.7)	Own-account production - food and other subsistence output - imputed rent (housing, other buildings) - capital formation Distributed in kind as compensation of employees Services produced for own-use (govt + PNPI) Imputed output of bank services
1.10 Imports of goods and services) cif))	(Demonetization of gold (Gifts (Part of insurance services imported/exported (Arbitrage profits/losses on goods
2.10 Exports of goods and services)	(Imports fob or imputed export of freight/insurance services (on imported goods supplied by resident transporters/insurers
2.20 Government final consumption expenditure	Output producers of government services valued as sum of costs, minus non-commodity sales
2.31 Final consumption expenditure PNPI	Output producers of PNPI services minus non-commodity sales
2.32 Final consumption expenditure resident households	Own account production - food and other subsistence output - imputed rent - capital formation - social benefits in kind - wages and salaries in kind - social benefits reimbursed - gifts from abroad

Heading (= complete SNA list)	Imputation/re-routeing or in kind
2.1/3 Intermediate consumption	<ul style="list-style-type: none"> - goods and services produced by different establishments of a single enterprise
2.5 Increase in stocks	<ul style="list-style-type: none"> - intermediate consumption from own-account production
2.6 Gross fixed capital formation	<ul style="list-style-type: none"> - valuation at replacement cost - attribution of work in progress
2.6 Gross fixed capital formation	<ul style="list-style-type: none"> - Own account production of capital assets - financial leasing (distribution by branch or sector) - valuation of changes in livestock
3.1 Compensation of employees	<ul style="list-style-type: none"> - Wages and salaries in kind (incl. distribution of shares) - employer contributions to social security and pension funds - unfunded employee welfare benefits.
3.3 Consumption of fixed capital	
3.4 Indirect taxes	--
3.5 Subsidies	--
4.1 Compensation of employees	(as 3.1)
4.3 Entrepreneurial income of private unincorporated non-financial enterprises	"proceeds" from own account production, including owner occupiers
4.4/5 With drawals from entrepreneurial income of quasi-corporate enterprises	--

Heading (= complete SNA list)	Imputation/re-routeing or in kind
4.6.1 Interest	<ul style="list-style-type: none"> - net rent on land and buildings abroad - interest on imputed loan for financial leasing - imputed interest on life insurance and pension funds - counterpart of dividends paid in the form of shares
4.6.3 Rent	<p>Agricultural land rent recorded net of maintenance charges</p>
5.1/3 Net casualty insurance premiums	<ul style="list-style-type: none"> - net recording and division between sector
5.2/4 Casualty insurance claims	<ul style="list-style-type: none"> - claims settled in kind
6.1 Direct taxes	
6.2 Compulsory fees, fines and penalties	
6.3 Social security contributions	<ul style="list-style-type: none"> - employers contributions routed through households
6.4 Social security benefits	<ul style="list-style-type: none"> - in kind and reimbursement - consumption subsidies ?
6.5 Social assistance grants	
6.6 Current transfers to PNPI	
6.7 Unfunded employee welfare contributions	<ul style="list-style-type: none"> - value imputed - routed through households
6.8 Unfunded employee welfare benefits	
6.9/12 Current transfers n.e.c.	<ul style="list-style-type: none"> - international cooperation in kind - counterpart of gifts exports/imports

Heading (= complete SNA List)	Imputation/re-routeing or in kind
7.4 Purchases of land, net	
7.5 Purchases of intangible assets, n.e.c. net	
7.6/7 Capital transfers	<ul style="list-style-type: none"> - cancellation of bad debts - confiscation of property
<p>Among Transactions in Financial Claims. The only imputations or re-routeings concern :</p>	
8.8 Long term loans n.e.c.	<ul style="list-style-type: none"> - imputed loan for financial leasing - ownership of land and buildings abroad
<p>and timing differences between incurrence of a liability and actual payment for example</p>	
8.9 Net equity of households on life assurance reserves and pensions funds	
8.12 Accounts receivable and payable	

ALTERNATE ANALYSIS OF IMPUTATIONS AND RE-ROUTINGS

PRODUCTION ACCOUNTS - SOURCES

PRODUCTION ACCOUNTS - USES

Ent	A/M	PMPI	C	ROM	
X	X	X	X		1.1 Gross Output
					of which:
					- Production for own consumption
					- Feed and other subsistence output
					- Imputed rent (housing, other buildings)
					- New capital formation
					- Imputed consumption of fixed capital
					- Government services
		X	X		Output of PMPI's
					Imputed output of bank services

	Ent	M/H	PMPI	C	ROM
1.2.1 Intermediate Consumption	X	X	X	X	
of which:					
Goods and services produced by different establishments of a single enterprise	*				
Intermediate consumption for own-account production - actual		X	X	X	
Intermediate consumption for own-account production - imputed	*	*	*		
Imputed consumption of bank services	*				
1.3.1 Compensation of Employees					
of which:					
Wages & salaries net of all social contributions					
- in cash	X	X	X	X	
- in kind	*	*	*	*	
Employers actual SS and pension contributions	X	X	X	X	
Employers actual SS and pension contributions	X	X	X	X	
Employers imputed SS and pension contributions	*	*	*	*	
Unfunded employee welfare benefits	*	*	*	*	
Distribution of shares	*				
1.3.2 Operating Surplus	X	X	0	0	
of which:					
From production of subsistence output	*	*			
Imputed rent	*	*			
Imputed operating surplus of banks	*				
1.3.3 Consumption of Fixed capital	X	X	X	X	
of which:					
Imputed element	*	*	*	*	
1.3.4 Indirect Taxes	X	X	X	X	
1.3.5 Less Subsidies	X	X	X		

X denotes money flow
 * denotes imputed flow
 Bl. items are imputations or re-routings

CAPITAL FINANCE ACCOUNT - SOURCES

CAPITAL FINANCE ACCOUNT - USES

NFE	FE	M/H	PMPI	C	ROM	
X	X	X	X	X	X	5.7.1 Saving
X	X	X	X	X		5.3.3 Consumption of Fixed Capital
						of which: Imputed
X	X	X	X	X	X	5.7.6 Capital Transfers (Net)
						of which:
						Cancellation of bad debt
						Confiscation of property

	NFE	FE	M/H	PMPI	C	ROM
5.2.5 Increase in Stocks	X	X	X			
of which:						
Excludes value of stock appreciation	*	*	*			X
Attribution of value of work in progress	*	*	*			*
5.2.6 Gross Fixed Capital Formation	X	X	X	X	X	
of which:						
Production on own account	*	*	*	*	*	
Valuation of changes in livestock	*	*	*	*	*	
Financial leasing	*	*	*	*	*	
Imputed capital consumption	*	*	*	*	*	
5.7.4 Purchase of Land (Net)	X	X	X	X	X	
5.7.5 Purchase of Intangible Assets n.e.c. (Net)	X	X	X	X	X	X
5.7.8 Net Lending	X	X	X	X	X	X
of which:						
Demutualization of gold	*	*	*	*	*	*
Imputed loan for financial leasing	*	*	*	*	*	*
Ownership of land and buildings abroad	X	X	X	X	X	*
Timing adjustments between liability and payment on items such as life insurance reserves, pension funds, accounts receivable	*	*	*	*	*	*

TABLE 5. SNA RECOMMENDATIONS CONCERNING THE COVERAGE OF
THE PRINCIPAL TYPES OF SUBSISTENCE PRODUCTION

All to be included		Mainly to be excluded	
<u>Primary production:</u>	<u>Processing primary products*</u>	<u>Fixed capital formation</u>	
. growing field crops, fruit and vegetables	. threshing and milling grain	. construction of dwellings	. repairing and maintaining dwellings and farm buildings
. producing eggs, milk and food	. making butter, ghee and cheese	. construction of farm buildings	. storing crops
. hunting animals and birds	. slaughtering livestock	. building boats and canoes	. carrying water
. catching fish, crabs and shellfish	. curing hides and skins	. clearing land for cultivation	. dress-making and tailoring
. cutting firewood and building poles	. preserving meat and fish		. handicrafts not involving primary products (e.g. metal holloware, rubber shoes)
. collecting thatching and weaving materials	. making beer, wine and spirits		. mid-wife services
. burning charcoal	. crushing oil-seeds		. funeral services
. mining salt	. weaving baskets and mats		
. cutting peat	. making clay pots and plates		
	. weaving textiles		
	. making furniture		

* These articles are only included if they involve the processing of primary products. Pounding maize (a primary product) to make cornflour is included in gross output, but using flour (a processed product) to bake bread is excluded.

Own Account Production to be included in SNA Production Boundary

<u>Primary production</u> (1)	<u>Processing primary products</u> (2)	<u>Fixed capital formation</u> (1)	<u>Other processing</u> (3)
- growing field crops, fruit and vegetables including storage costs	- threshing and milling grain	- construction of dwellings	- repairing and maintaining dwellings and farm buildings of type to be carried out by landlord
- gathering of field crops, etc.	- making butter, ghee and cheese	- construction of farm buildings	- dress-making and tailoring
- carrying of water	- slaughtering livestock	- building boats and canoes	- handicrafts not involving primary products (e.g. metal holloware, rubber shoes)
- producing eggs, milk and food	- curing hides and skins	- clearing land for cultivation	- weaving baskets and mats
- hunting animals and birds	- preserving meat and fish		- making clay pots & plates
- catching fish, crabs and shellfish	- making beer, wine and spirits		- weaving textiles
- cutting firewood and building poles	- crushing oil-seeds		- making furniture
- collecting thatching and weaving materials			
- burning charcoal			
- mining salt			
- cutting peat			

(1) With in previous SNA production boundary.

(2) Previously was within production boundary only if primary product was own production. This qualification is to be removed.

(3) Previously only included if materials were primary products own produced and some of the output was sold. All these restrictions to be removed.

SUBSECTORING OF THE HOUSEHOLD SECTOR

Present SNA Recommendations

- Proprietors - Agricultural
- Other
- In Employment
- Other

Present SNA Questionnaire

- Agriculture
- Non-Agriculture - Entrepreneurs
- Salaried Workers
- Other

Income Guideline Recommendations

- Agriculture - Employers
- Own-account
- Employees

- Non-Agriculture - Employers
- Own-account - Professional
- Other
- Employees - Civil - Managerial
- Supervisory
- Clerical
- Manual
- Military - Officers
- Other

- Economically Inactive - In Households - Pensioners
- Property owner
- In Institutions

Revised Suggestion

- Recommended First Level - Possible disaggregation
- Entrepreneur - Employer - Agriculture
- Non-Agriculture
- Own-account - Agriculture
- Non-Agriculture

- Employee - Agriculture
- Non-Agriculture

- Other - Property Owner
- Pensioner
- Recipient of Transfers

II. List of Outstanding Tasks

Paragraph Number	Topic	Responsibility
13	Extensions to present set of imputations	—
49	Harmonize classifications of employer, self-employed and employee	ILO
51-53	Elaborate the possibility of incorporating redistributive aspects of income within the SNA	—
62	How should services provided by government to enterprises be treated in total consumption of the population	—
65	Disaggregation of individualized consumption expenditure of government	—
66	Paper on the input-output presentation of government consumption	Input-output expert group
67	Review COFOG to separate administrative expenditure	Public sector expert group
71	Paper to identify entertainment services covered by advertising costs	Anne Harrison
87	The appropriate treatment of interest on consumer debt	Balance sheet expert group
93	Define the cost of labor	Input-output expert group
99	Separate the gross operating surplus of own account production into monetary and non-monetary components	—
103	Define appropriate income and savings concepts for government	Public sector expert group
105	Examine how to calculate total income concept matching total consumption	—
106	Clarify the definition of formal and informal	ILO
109	Define public NPI's	Public sector expert group
112	Can the expression household be used both for a sector and sub-sector of the SNA	—

III. Summary and Conclusions

Terminology

1. It was agreed that the existing SNA terminology was appropriate for describing the household sector as a group of institutional units. The sector will in future comprise:

- a. Households (including private unincorporated enterprises)
- b. Private non-profit institutions (see also para 45-48)

2. Production and consumption are functions performed by the institutional units of this sector. The term "household sector" will be used to refer to the institutional sector as such; when referring to households in their act of consumption, the term "consumers" will be used.

Imputations and Reroutings

3. The group acknowledged the intention expressed at earlier meetings to develop a comprehensive typology of imputations and reroutings. However, the meeting agreed that this was not possible at the present time and it may be more practical to resort to definition by enumeration. It was, however, agreed that it may be helpful to distinguish between the case where no transaction has taken place but one is imputed (e.g. consumption of own output), reroutings (e.g. employers' contributions to pension funds), and "reclassifications" (e.g. division of insurance premiums into service charges and net premiums).

4. It was agreed that the Blue Book should contain a comprehensive list of imputations and reroutings as a guide to both users and compilers. This may appear as an annex.

5. The handbooks will contain more information on imputations and reroutings, on how they should be calculated, and which of these should be identified in published tables. It was agreed that this should allow for separate identification of non-monetary transactions.

Transactions, Transactors and Production Boundary

6. The group discussed the concept of transactions and the distinction of various classes of them. It was noted that the term transaction is often interpreted in a narrow sense, restricted to monetary flows and a matching flow of goods or services. It was agreed that there is a need for a concept with wider coverage, relating to all flows, whether monetary or non-monetary and whether relating to flows connected with goods and services, redistribution or financial assets and liabilities. In French the term

"opération" is used for this concept. The group proposed that an appropriate English term should be sought conveying the same meaning; if no such word can be found, the term "transaction" should be defined with this meaning.

7. The group agreed that the term "transfers" should be confined to unrequited transfers. Property income and other factor income payments are not included in transfers.

8. It was agreed that the existing SNA production boundary should not be changed significantly although it should be clarified particularly with regard to production for own consumption.

9. Production was provisionally defined as consisting of goods and services which are (a) purchased at the market, (b) capable of being purchased at the market or (c) produced by factors of production purchased on the market. The group agreed that this general definition should be supplemented in the Blue Book by an extensive list of examples of the kinds of goods typically produced for own consumption in developing countries that should be included within the production boundary. These goods would only be included in the accounts if they were quantitatively important in the total supply of these goods for the country in question. However the previous restrictions that such goods should only be included if made from primary products, or if made from own produced materials or if some were exchanged on the market should be removed.

10. In contrast to goods, services once produced on own account are not available for sale on the market. Presumably for this reason hitherto they were excluded from GDP and the group reaffirmed this convention.

11. After considering several additions to the present list of types of goods that should be included in the production boundary, it was agreed that clothes and handicrafts made for own consumption should be included. Obtaining water for own consumption was regarded as producing a good (i.e. water made available at the place where needed) and therefore falls within the production boundary. The activity of growing crops should be deemed to include harvesting and storage of crops.

12. It was confirmed that capital repairs and alterations to buildings, identified as those that lengthen the expected lifetime of the building or increase its productivity, undertaken by the owners are included in the production boundary as fixed capital formation.

13. The group discussed whether own-account current repairs and maintenance to buildings, identified as those that make good breakage or keep them in proper working order, should be specifically included in the production boundary. If owner-occupiers as owners maintain their own dwellings they are providing construction output which they consume themselves in addition to their principal output (housing services). It was agreed that both the principal and secondary outputs should be shown in a single production account for owner-occupied dwellings.

14. Materials used for repairs normally carried out by tenants should appear in final consumption with no associated value-added for imputed labor input.

15. The group agreed that own account production should be valued at prices prevailing at the nearest point of transaction of similar goods. This principle would usually imply the use of farm-gate prices for agricultural products.

Illegal Activities

16. The Blue Book should clarify the distinction between illegal and hidden activities. In principle the fact that a flow is illegal or hidden is not a reason for excluding it from the flows presented in the national accounts, although there are obvious difficulties of measurement.

Unincorporated Enterprises

17. Most of the group agreed that the concept of quasi-corporate enterprise should be retained, but extended to cover unincorporated enterprise of whatever size for which complete accounts, including information on withdrawals by households, are available. It was noted, though, that such accounts may not often be available and so few unincorporated enterprises may be so treated in practice. Unincorporated enterprises for which no such complete accounts exist remain in the household sector because it is not possible to distinguish transactions relating to the unincorporated enterprises from those relating to the household.

Informal Sector

18. The group expressed a strong interest in incorporating the distinction between formal and informal activities in the accounts, but noted that this should be done in collaboration with the ILO who are due to consider this matter in October 1987.

Outworkers

19. In general, the term "outworkers" may cover a variety of different working situations, depending on national practices.

20. Usually, outwork applies only to non-agricultural activities. Remuneration is typically received on a piece-rate or task-specific basis (as opposed to a time-rate basis) and thus, within certain limits, outworkers are free to determine the number of hours devoted to their task and in scheduling their working time. Persons who themselves employ paid workers are not to be considered as outworkers.

21. According to the International Classification of Status in Employment (ICSE), outworkers may, depending on the specific conditions in which their activity is performed, be classified into the categories of either "employee" (= performing work for wage or salary) or "own-account workers" (= operating

business/enterprise without assistance of paid workers, but possibly with the assistance of unpaid family workers). Thus, because they would be regarded as owning a business/enterprise, workers who own the necessary equipment (e.g. sewing machines) or own some or all of the material they use (e.g. yarn or fabric) should not, in principle, be classified as employees. However, it appears that, in establishment surveys and censuses, they are often classified as employees and their income reported as wages. Further work needs to be done in cooperation with the ILO in order to harmonize the classifications in the SNA and in labor statistics and to align principle and practice.

Sub-Sectoring

22. Socio-economic criteria should be used for subsectoring the household sector. Households will be allocated to sub-sectors according to the characteristics of the reference person, who many participants felt should usually be the main income provider.

23. Most of the group agreed that the first level of the classification should be: entrepreneurs, employees, others. For lower levels of the hierarchy, the following breakdowns were suggested:

for entrepreneurs, "employers" and "other entrepreneurs";
for entrepreneurs and employees, "agriculture", "industry", and "services";
for employees, "high", "medium" and "low" skills;
for others, "rentiers", "pensioners" and "other transfer recipients".

The last category would include inmates of most collective households.

24. Under these proposals, "entrepreneurs" will always have production accounts, "employees" and "others" will have production accounts only in respect of owner-occupied housing, domestic service, incidental production activities and unincorporated enterprises owned by members of the household other than the reference person. All three first-level categories will have income and outlay, capital finance accounts and balance sheets.

25. In view of the importance of information on labor markets, some participants suggested that recommendations should be made in the SNA to subdivide compensation of employees and labor inputs according to labor market characteristics such as education, location and characteristics that might be grounds for discrimination (see also para 54).

Total Consumption of the Population

26. The group expressed preference for the term "consumption" instead of "total consumption of the population" to describe household consumption including individualized consumption of government and PNPI's. The term "consumption expenditure" would be retained for the concept now in the SNA. The importance and usefulness of the concept (total) consumption was widely recognized and the group proposed that both consumption and consumption expenditure should be included in the central part of the SNA.

27. Attention was drawn to the importance of the relationship between consumption and income concepts. The Group proposed the compilation of an income concept to be the counterpart of (total) consumption. The view was expressed that (total) income may play a less important role in income statistics than (total) consumption in consumption statistics.

28. Preference was expressed for the consumption expenditure concept based on the ultimate bearer principle, i.e. to treat reimbursed expenditures initially made by households as expenditure of the reimbursing sector. The implications of this for the integration of total income in the income and outlay accounts require further study.

29. Attention was drawn to the fact that government expenditure provides benefits not only to households, but also to enterprises. Thus, analogously to the transfer of some government expenditure to household consumption, similar transfers from the government to the enterprise sector may be justified. The group recognized the importance of this problem and urged that further studies should be made in this respect, and referred to the expert group on the public sector.

30. It was proposed that (total) consumption should be compiled also for sub-sectors of the household sector. While it is possible to do this at the meso level it may be very difficult to undertake this at the micro/individual level.

31. It was proposed that goods and services purchased by government for direct transfer to households should be routed directly to government's final demand in input-output tables without passing through its intermediate consumption and output. A paper on this and related proposals will be presented to the SNA expert group on input-output and production accounts.

32. Individual consumption expenditure of government consists of services provided to identifiable consumers. In practice these services will be identified in the Blue Book by reference to the relevant COFOG (Classification of the Functions of Government) codes agreed by the Group.

33. COFOG should be revised to facilitate the identification of individual consumption expenditure of government by isolating general administrative and research expenditure at a high level of the classification, so it may be attributed to collective consumption. This matter should be referred to the expert group on the public sector.

34. It was agreed that, in principle, consumption expenditure of private non-profit institutions serving households should be divided into collective and individual components on the same principles as government expenditure.

35. The group rejected the proposal to establish a concept of final consumption expenditure of enterprises. The definition of income in kind needs to be expanded to include more types of enterprise expenditures that are clearly of benefit to employees, such as company cars. Other examples may be child-care, sporting and recreational facilities. However it was also noticed

that some such expenditure is mainly of benefit to the employer; in these cases the expenditure remains intermediate consumption of the enterprise. Enterprise expenditure on advertising and sponsorship which finance entertainment services should continue to be treated as intermediate consumption.

36. The group requested a short paper exploring possible ways of dealing with enterprise-financed entertainment services in the ICP (International Comparisons Project) context.

37. Some participants felt that some government payments to producers and importers may be more appropriately shown as social benefits to households than as subsidies. Important examples include payments (now shown as subsidies) on food, housing and pharmaceuticals.

38. Many participants considered treating these payments as social benefits was an unjustified manipulation of market prices for consumption, at least in the main accounts. However, a classification of subsidies by COFOG would allow users to make alternative analyses. In revising COFOG clearer guidance should be given on the functional classification of subsidies.

Household Income and Consumption -- Boundary Problems

39. The group considered the list of problems in delineating household consumption expenditure from other aggregates given in the annotated agenda under this heading. The existing SNA treatment was confirmed by the group with the following exceptions:

- (a) military uniforms are to be treated as intermediate consumption like other working clothes;
- (b) the adjectives "national" and "domestic" will no longer be applied to household consumption expenditure. This latter will only appear in the SNA on a national basis (i.e. expenditure by residents at home and abroad).

In addition, it was agreed that food provided by government to prisoners will be defined as individual consumption expenditure of government.

Household Transactions with Social Security, Private Pension and Life Insurance Funds

40. The present SNA routing of employers' contributions to social security schemes through compensation of employees should be maintained.

41. As regards household transactions with private pension and life insurance funds, the group also preferred to keep the present SNA treatment. However the group agreed that a supporting table should be included in the Blue Book that would detail household payments into and receipts from these funds.

Alternative Income Concepts

42. The group welcomed the creation of income aggregates for the household sector, in addition to those in the present SNA.

43. Two tables in the paper "Alternative Household Income Concepts in the SNA" (attached as Tables A and B) were discussed. The first proposed an income and outlay account for the household sector in which non-monetary and rerouted components were separately identified. The second table showed how these components could be rearranged to obtain a narrow measure of discretionary income and a broader concept of total income, the latter being the income equivalent of (total) consumption. The group agreed that both types of tables should appear in the Blue Book. The group was unhappy with the term "discretionary" income, and also with the near-equivalent "available" income used in the income guidelines (M61). A new term should be found to be used with identical coverage in both the SNA and M61.

44. The group noted that operating surplus of the household sector combines the return to labor with the return to capital. In many countries this has created problems in interpreting operating surplus. This problem would be eased by showing gross operating surplus of the household sector separately from the corporate sector in the consolidated accounts.

Non-Profit Institutions (NPI's)

45. The group agreed that the present SNA definition of non-profit institution was broadly satisfactory. The scope of government NPI's should be defined by the expert group on the public sector. Allocation of non-governmental NPI's between institutional sectors should be based on whom they serve.

46. Most of the group preferred to put private NPI's serving households into a subsector of the household sector.

47. It was agreed that, in principle, all private NPI's serving households should be allocated to this sub-sector regardless of the number of employees.

48. The group agreed that religious missions, private aid agencies and community activities form part of the private NPI's serving households.

49. Labor inputs provided in mission schools and hospitals and volunteer labor in NPI's generally should be valued at actual compensation paid even if this was very low or even zero.

50. In accordance with the definition of the production boundary, all production including capital assets such as roads, schools, etc. produced on a communal basis should be valued at market prices.

51. Capital assets constructed on a communal basis should be attributed to the sector responsible for their upkeep; that sector may be different from the sector that produced the asset.

Harmonization

52. The group welcomed the intention of the U.N. Statistical Office to produce a handbook on household sector statistics amplifying concepts, classifications, methods of compilation and links between micro and macro data. The group emphasized the importance they attached to early publication.

53. The group recognized that it was not possible to eliminate all differences in the concepts and definitions used for household income and expenditure surveys and those used for the national accounts. The Blue Book should emphasize the importance of micro data-sets for the household sector and draw attention to their elaboration in the handbook. Differences should however be reduced to the minimum, and bridge tables linking the micro and macro concepts should be provided in the handbook.

54. The group stressed the importance of alternative presentations of income and its redistribution as commonly portrayed in Social Accounting Matrices (SAMs) and called for a detailed paper on the possibilities and problems of making these aspects a standard part of the SNA. The paper should be considered by the expert group on input-output and by the final group on the SNA structure.

NEW INCOME AND OUTLAY ACCOUNT OF HOUSEHOLD SECTOR WITH EXTRA DETAIL

TABLE A

Receipts	Disbursements
<p>3.4.1 Compensation of employees</p> <p>1. Gross wages and salaries</p> <p>A Wages and salaries net of all social contributions</p> <p>a. cash</p> <p>b. in kind</p> <p>B Employers actual social contributions</p> <p>2. Employers actual contributions to social security schemes</p> <p>3. Unfunded employee welfare imputed contributions</p>	<p>3.4.6.1 i Consumer debt interest</p> <p>ii Other interest</p> <p>3.4.6.3 Rent</p> <p>3.5.1 Net casualty insurance premiums</p> <p>3.6.1 Direct taxes</p> <p>3.6.2 Compulsory fees, fines, penalties</p> <p>3.6.3 Social security contributions</p> <p>A employers</p> <p>B employees</p> <p>C non-employed</p>
<p>3.3.2 Operating surplus</p>	<p>3.6.6 Current transfers to MFI</p>
<p>3.4.5 Withdrawals from entrepreneurial income of q-c enterprises</p>	<p>3.6.7 Unfunded employee welfare contributions imputed</p>
<p>3.4.7.1 Interest</p> <p>a. actual</p> <p>b. imputed interest on household equity in life insurance reserves and pension funds</p>	<p>3.6.11 Current transfers n.e.c.</p> <p>A in cash</p> <p>B in kind</p>
<p>3.4.7.2 Dividends</p>	<p>3.2.32 Final consumption expenditure</p>
<p>3.4.7.3 Rent</p>	<p>B individual</p>
<p>3.5.2 Casualty insurance claims</p>	<p>a. purchased</p>
<p>3.6.4/5 Social security benefits and social assistance grants</p> <p>A in cash</p> <p>B Reimbursement for previous expenditure</p> <p>C in kind</p> <p>1. from social security</p> <p>2. from employer</p> <p>D Consumption subsidies</p>	<p>b. reimbursed expenditure</p> <p>c. in kind</p> <p>1. from social security</p> <p>2. from employers</p>
<p>3.6.12 Current transfers n.e.c.</p> <p>A in cash</p> <p>B in kind</p>	<p>d. own account</p> <p>1. food and other subsistence</p> <p>2. housing services</p> <p>e. consumption subsidies</p> <p>3.7.1 Saving</p>

ALTERNATIVE PRESENTATION OF GNP INCOME AND OUTLAY ACCOUNT FOR HOUSEHOLD SECTOR

TABLE B

Receipts	Disbursements
I - ACTUAL INCOME AND EXPENDITURE	
3.4.1 Compensation of employees A Wages and salaries net of all social contributions a. in cash	3.4.6.1 i Consumer debt interest ii Other interest
3.3.2 Gross operating surplus less value of own account production	3.4.6.3 Rent
3.4.5 Withdrawals from entrepreneurial income e-c enterprises	3.5.1 Net casualty insurance premiums
3.4.7.1 Interest A Actual	3.6.1 Direct taxes
3.4.7.2 Dividends	3.6.2 Compulsory fees fines penalties
3.3.7.3 Rent	3.6.3 Social security contributions C Non-employed
3.5.2 Casualty insurance claims	3.6.6 Current transfers to PMP
3.6.4/5 Social security benefits and social assistance grants A In cash	3.6.11 Current transfers n.e.c. A In cash
3.6.12 Current transfers A In cash	-----
	3.2.32 Discretionary income (balance)

	3.2.32 Final consumption expenditure B Individual a. purchased
II - IMPUTED INCOME AND EXPENDITURE	
3.4.1 Compensation of employees A Wages and salaries net of all social contributions b. in kind	Final consumption corresponding to :
3.3.2 Gross operating surplus Value of own account production	3.4.1.A.b Wages and salaries in kind
3.6.4/5 Social security benefits and social assistance grants B Reimbursement C In kind 1. from social security 2. from employer D Consumption subsidies	3.2.32.d Own-account production
Individualized consumption government and PMP	Social security benefits and social assistance grants b. reimbursement c. in kind 1. social security 2. unfunded employee welfare benefits imputed
3.6.7.1 Interest B Imputed interest on household equity in life insurance reserves and pension funds	e. Consumption subsidies
	Individualized consumption government and PMP

	Total Consumption

	3.7.1 Gross saving

TOTAL INCOME	

Memorandum : Holding gains and losses
Item

IV. Draft Annotated Agenda

Terminology

Should there be a separate term to describe the household sector as understood in national accounts as distinct from households as referred to in micro statistics? Would the personal sector be an appropriate alternative?

Ref: H1, para 2, 3

Imputations and Re-Routings

Taxonomy. The following taxonomy has been suggested to cover imputations for non-monetary transactions:

1. involving one unit only (for example, subsistence agriculture);
2. individualized transactions involving two units (for example, income in kind);
3. non-individualized transactions involving two units, (for example, the output of banking services).

Transfers may be:

1. imputed (for example, interest accruing from life insurance and pension fund assets) or;
2. re-routed (for example, employers' contributions to these funds).

Is this taxonomy helpful and exhaustive? What items, if any, should be added?

Ref: H2, pages 2, 3

Presentation. The SNA tables contain some but not all of the major imputations in the accounts. Should the new presentation be extended to include all of these? Should they be shown at all points in the tables or only where they are most useful from an analytical point of view. For example should the breakdown of compensation of employees be shown where they are received by the household (personal) sector only or also on the payment side of the enterprise accounts? There may be a trade-off between the simplicity of presentation and risk of confusion to the users.

Ref: H2, pages 3, 4

Distinguishing Imputations. It is suggested it would be helpful to separate the accounts into actual transactions and imputations and re-routings. This would allow the distinction between monetary and non-monetary transactions to be apparent and should facilitate micro-macro-links in all

sectors (such as industrial inquiries, household surveys and government financial data). Would this help compilers and analysts of the accounts?
Ref: H2, page 5

Extensions. A possible list of extensions to the present list of imputations is suggested. These are:

1. income from land in kind (for example crop-sharing);
2. casualty insurance claims in kind
3. capital transfers in kind (for example gifts, taxes, debt cancellation).

Should these be incorporated? Are there any others that should be added?
Ref: H2, page 4, part 2

Transactors, Transactions and the Production Boundary

What to Include. The paper of this title suggests a series of clarified definitions that allow the production boundary to emerge as a principle rather than a list of specific inclusions and exclusions. The first definition is: A transaction is an exchange of goods and services between two transactors. Identification of the transactors, which may alter with consolidation, specifies which transactions are to be included within the production boundary. A single unit is to be recorded as separate transactors from the production and consumption point of view when there is a commercial market for the product and increasing prosperity at both the personal and national levels leads to increasing commercialization. Do these definitions approximate the existing definition of the production boundary well and allow for the desired extensions?

Ref: H3, para 1-13, Annex 1; H8, para 93-99

Valuation. How should production for own consumption be valued?
Ref: H3, para 14-16

Household Services. Household services might be included in augmented GDP by treating individuals in households employed outside the home as different transactors within the household sector from those mainly producing household services. Thus household services would be covered in detailed household sector data but consolidated out of aggregate GDP. Would this be desirable?

Ref: H3, para 17; H8, para 126-131

Leisure Activities. Could the production boundary be extended further to have a second augmented measure of GDP? The distinction between household services and leisure activities would need to be drawn. One suggestion is that a household service must be capable of being done by somebody else and that it should be done primarily for economic reasons rather than pleasure. Is this acceptable? Should both extensions to the present production boundary be allowed for in the new SNA?

Ref: H3, para 18; H8, para 132-137

Illegal Activities. The proposal is that the fact that some activities are hidden or illegal implies that they are difficult to measure, not that this is a reason for their exclusion, as a matter of principle, from the production boundary. Recognition of this could lead to higher estimates of GDP in certain circumstances; for example, when theft from the place of work is treated as income in kind and therefore value-added rather than intermediate consumption. Bribery would imply higher levels of both consumption and wages and salaries. In other circumstances there would be compensating changes within the GDP aggregates, for example where smuggling led to an increase in imports and personal consumption. Are these proposals acceptable?

Ref: H4; H8, para 123-125

Unincorporated Enterprises

Quasi-Corporations. It is proposed the existing concept should remain. Should it be defined according to legal criteria, employment criteria or some other? Should it be categorical or an indicative definition? Must it be identical over time and across countries?

Is the distinction between quasi-corporate and unincorporated enterprises identical with the definition between formal and informal activity or is it possible to have some informal quasi-corporate activities or some formal unincorporated activities?

Should outworkers ("maquiladoras") be considered unincorporated enterprises or be treated as part of the corporate sector?

Production Accounts. Should these be estimated for unincorporated enterprises to prevent errors in the estimation of private consumption?

Should the operating surplus of unincorporated enterprises be distinguished from that for corporate enterprises, say by renaming it "entrepreneurial income"?

Can income and outlay and capital formation accounts also be estimated for unincorporated enterprises? If not, does it matter if the sectors are inconsistent across the accounts?

Classification. Is it agreed unincorporated enterprises may be financial or non-financial? Is it desirable to separate monetary from non-monetary activities and is this possible?

Ref: H5; H6

Total Consumption of the Population

Individual vs. Collective Consumption. Should final consumption be shown divided between individual and collective consumption, thus making total consumption of the population integral to the SNA and no longer a satellite concept? Would this distinction be in addition to or in replacement for the present distinction between final consumption by households, PNPI and

government? Should the sectoral allocation of consumption expenditure be based on the unit undertaking the initial expenditure or the final bearer of the expense?

Ref: H7, para 17-35

Government Expenditure on Goods and Services. Should it be separated between intermediate and final consumption according to whether it is used in the production of other services or represents goods and services distributed or paid for by government?

In the input-output tables, collective consumption would have a column of inputs in the body of the table; only individual consumption items would appear in the final demand columns. Is this acceptable?

Ref: H7, para 25-28

General Government Individual Consumption Expenditure. Should this be defined according to the nature of individual consumption, as non-collective consumption, or would a definition based on COFOG be preferable? A specific suggestion follows:

"All government final consumption expenditure in the following COFOG headings except for general administration and research in each heading

- 04. Education
- 05. Health
- 06. Social Security and Welfare
- 08.01 Sport and Recreation
- 08.02 Culture

and where they are important and statistics permit

- 07.11 (part of) provision of housing
- 07.31 (part of) collection of household refuse
- 12.12 (part of) operation of transport systems"

Ref: H7, para 36-43; H8, para 83-92

Private Non-Profit Institutions Serving Households. Should all services of PNPISHs be treated as individual consumption or if information exists should a similar distinction be made as for general government consumption expenditure?

Ref: H7, para 44-46; H8, para 117-122

Final Consumption of Enterprises. Enterprises incur expenditure on behalf of their own employees (income in kind). Should these be treated as final consumption of the enterprise or imputed transfers to persons? Enterprises also incur expenditure on behalf of the population at large (for example, via advertising and commercial sponsorship of sports and the arts). Should these be treated as final consumption of enterprises or intermediate consumption? Is the distinction between expenditure for specific individuals and expenditure for the population at large important and should it be identified?

Ref: H7, para 47-57; H8, para 49-57

Consumer Subsidies. Can subsidies be divided into social subsidies (which reduce prices for the consumer) and economic subsidies (which raise returns to the producer). If so, how should consumer subsidies be defined? Is a combination of those COFOG codes identifying individual consumption plus a list of beneficiary groups (e.g. the old, the sick) appropriate?

Should consumer subsidies be included in final consumption and value-added when estimating GDP at market prices? If so, should they be treated as social benefits, (i.e. increasing private consumption) or as individual consumption expenditure of general government?

Is there any parallel to be considered in the case of indirect taxes?
Ref: H7, para 58-62; H8, para 138-143

Household Income -- Boundary Problems

Should employers' social security contributions continue to be treated as imputed compensation of employees or should they be classified as indirect taxes paid by the enterprise to government?
Ref: H9, para 3-5; H10, para 13

How should private pension and life assurance schemes be treated? Wholly within the household/personal sector with employers' contributions treated as imputed compensation of employees, the assets owned by households and imputed interest income and imputed expenditure of the service charge separately identified? Or is some separation desirable, for example by treating the schemes as a subsector of the personal sector but distinct from households proper?
Ref: H9, para 6-10; H10, para 13

Is there a case for treating consumer durables as capital formation with consequent imputations of output over the life of the asset? What are the consequences for the household sector balance sheet?
Ref: H8, para 58-62

Is the present basis for imputing rent of owner-occupied dwellings in need of revision? Should these be treated as unincorporated enterprises with operating surplus or not with income classified as property income?
Ref: H8, para 64-69; H10, para 12c

How should the capital transfer nature of casualty insurance claims and inheritance tax at the micro level be reconciled with the current transfer treatment at the macro level?
Ref: H8, para 151-155; H10, para 12a

Are there any other problem areas at the boundary between household current or capital expenditure?
Ref: H8, para 70-73

Should household consumption be calculated on domestic and national bases?

Ref: H8, para 74-79

Are there any ambiguities remaining at the boundary between domestic and national consumption?

Ref: H8, para 80-82

How can service charges on insurance and on pension fund payments be reconciled between the micro and macro requirements?

Ref: H8, para 100-107; H10, para 12b, 13

What is the appropriate treatment of interest on consumer debt?

Ref: H10, para 12d; H8, para 108-116

How far is it practical to establish consumption of fixed capital in subsectors of the personal sector? Should savings appear gross at the more disaggregated levels?

Ref: H10, para 13

Should business expenses (for example for travel, working tools, special clothing) for civilians, armed forces and prisoners be classified as income and expenditure?

Ref: H8, para 32-46

Household Income -- Aggregate Concepts

It is suggested that the separate identification of imputations and re-routings would allow calculation of an income concept excluding the items which households could not direct to other uses. Would such a concept of discretionary income be helpful?

How far can the concept of available, disposable and discretionary income be harmonized?

The adoption of the concept of individual consumption of general government and PNPIs and consumer subsidies would also alter the present conventional presentation of household income. How should the presentations be altered in light of the decisions on these other items?

Would the suggestion of introducing restricted and enlarged income concepts be helpful?

How far can and should pure household income be distinguished from income of the whole sector, including unincorporated enterprises etc?

Ref: H10, para 6-10; H8, para 114-150, 156-161

Should income concepts exist for sectors of the economy other than the household sector and in total?

Ref: H10, para 14

Private Non-Profit Institutions

The present SNA recommends defining PNPIs serving government and enterprises in terms of funding and those serving households (PNPISH) in terms of output. Is distinction into the three types of PNPI relevant and practical? If so, how can the wide variety of treatment presently encountered be avoided? Would reference to COFOG assist?

Ref: H11; H12, para 11

What is this distinguishing characteristic of PNPIs serving households? Is it the non-profit or redistributive function? Should this lead to a change in terminology?

Ref: H12, para 1-2

Is splitting PNPISH between those with more than two employees and those with fewer appropriate?

Should PNPISH be a full sector of equivalent stature with, for example, the government and enterprise sector or should it be a subsector of the household sector separately identified where possible?

Ref: H12, para 4

Should the following activities be treated as PNPISH: missionary activities; aid relief activities; collective activities and institutions?

What is the sectoral allocation of capital assets produced by these activities?

Ref: H12, para 5-10

How should the provision of free labor be valued?

Ref: H12, para 17-18

What is the appropriate treatment of transfers to and between PNPISHs?

Ref: H12, para 15-16

Subsectoring

The major candidates are pure households, institutions, PNPIs, pension funds, unincorporated enterprises. Which should be included and shown separately in the accounts where possible? Is the fact that the criteria for finer subsectoring may be different from one of these subsectors to another a problem or an advantage?

Ref: H13, para 62-66

Should pure households be subsectored according to the employment characteristics of the head of household (defined how?) or by the main source of livelihood?

Ref: H13, para 76-80, 98-111; H14

How would flexibility to allow responsiveness to local conditions using other criteria, for example location or income distribution, be achieved? Is it practical to think of series of criteria which could be applied separately or in combination, for example to distinguish formal and informal activities or though using modern or traditional techniques? Should the subsectoring criteria be incorporated in international guidelines as standards or indicatively?

Ref: H13, para 37-61, 68-71, 90-93, 132-146

Is subsectoring the household sector an exercise in breaking down aggregate data or building aggregates from micro datasets? How far can these alternatives be reconciled? Is the ability to prepare a full set of accounts on a wholly consistent basis essential to the needs of analysts?

Ref: H13, para 10-23, 73-75

Should households with and without enterprise activities be separately distinguished?

Ref: H13, para 67

Should accounts covering enterprise activities distinguish activity for own account and for the market?

Ref: H13, para 25-30

Should accounts be prepared showing production of household services and leisure activities? How far should these be shown as the standard part of the SNA accounts both before and after consolidation to aggregate sectors?

Ref: H13, para 55-60, 85, 147-153

Other Harmonization Issues

What is the best way to achieve and maintain consistency between related statistical systems such as demographic and employment statistics and standards being suggested for household surveys (NHSCP)?

What should the relationship be between the classification of household expenditure by object and CPC and ISIC?

References

- H1 : Coverage of the Household Sector
- H2 : Imputations and Re-Routeings
- H3 : Transactors, Transactions and the Production Boundary
- H4 : Illegal Activities
- H5 : Unincorporated Enterprises
- H6 : Productive Activities of Households
- H7 : Total Consumption of the Population
- H8 : Household Consumption and Income Concepts in the SNA
- H9 : Social Security, Private Pension and Life Insurance Transactions
- H10 : Alternative Household Income Concepts in the SNA
- H11 : Private Non-Profit Institutions in the SNA
- H12 : Private Non-Profit Institutions Serving Households
- H13 : Subsectoring of the Household Sector
- H14 : Subsectoring of the Household Sector - Table

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VI. Comments and Observations

**OBSERVATIONS ON THE REPORT OF THE SNA EXPERT GROUP ON THE HOUSEHOLD SECTOR
UNITED NATIONS - STATISTICAL OFFICE**

Paragraph 28, page 12

The argument used that the inclusion of non-market services may be ultimately "detrimental to the interpretation of the accounts" of developing countries only holds if the non-market services are not appropriately valued. If appropriately valued, i.e., in conformity with the opportunity cost of the factor service used, the non-market services will have a value close to zero and do not add much to GDP. This argument was mentioned in the meeting.

Paragraph 29, page 13

Change the last sentence as follows: "...., one can also defined away the economically inactive population by including more non-market activities within the production boundary."

Paragraph 36, page 15

Add a last sentence to this paragraph which should read as follows: "Non-inclusions of illegal transactions would introduce imbalances and other distortions in the accounts as the same or related transactions are illegal in some sectors and legal in others. For example, income obtained from drug production and use is illegal but once it is used to purchase, for instance, consumption goods, it becomes a legal income."

Paragraph 40, page 16

Add a sentence to the paragraph as follows: "... an allowance for losses due to shoplifting. Some maintained that this would imply that shoplifting should be considered as intermediate consumption of the trade sector. Nevertheless ..."

Paragraph 43, page 18

Replace in the 4th line of this paragraph the term "withdrawals of operating surplus" by "withdrawals of entrepreneurial income".

Paragraph 81, page 33

The last sentence of this paragraph is unclear. It might be better to present a positive statement which would read as follows: "The output generated by owner-occupied housing services should be treated as gross output produced by the household sector which is allocated to household consumption."

Paragraph 97, page 38

Rather than referring to the SNA and M.61, reference should be made in the this paragraph (5th line) to SNA and the future Handbook on Household Sector Accounts. The latter Handbook will incorporate the conceptual guidelines that are now included in M.61, but revised on the basis of the present SNA Review, in addition to information on how to compile household sector accounts.

PROPOSALS FOR REDRAFTING THE REPORT OF THE EXPERT
GROUP MEETING ON THE HOUSEHOLD SECTOR
INTERNATIONAL LABOR OFFICE

(1) paragraph 29:

... Mr. Hussmanns from the ILO confirmed that an individual was deemed to be economically active if he or she was undertaking activities that fall within the production boundary. Thus, a clear delineation of the production boundary is essential for labour statistics. He felt ... definition. In commenting on the question of enlarged consumption, he pointed out that not only can one define away poverty by including sufficient activity, one can also define away unemployment and economic inactivity by including sufficient within the production boundary.

(2) paragraph 46:

... There is also variation in whether the outworkers own any capital equipment that is necessary to assemble the products, for example a sewing machine in the case of assembling clothing. In many cases, it is not easy to determine whether such workers are to be classified as employees or self-employed because the borderline between outwork and sub-contracting is vague. Proper classification may have to be based on a number of criteria, e.g. the type of employment relationship, the modes of remuneration, ownership of material or capital equipment, etc. If there is a contract implying regularity of employment then the workers would normally be regarded as an employee. [Next sentence should be deleted]. A number of participants with special interest in this subject ... conclusions. These are reported in full below.

(3) paragraph 49:

According to the International Classification of Status in Employment (ICSE), outworkers may, depending on the specific conditions in which their activity is performed, be classified into the categories of either "employee" (= performing work for a public or private employer and receiving remuneration in wages, salary, commission, tips, piece-rates or pay in kind) or "own-account worker" (= operating own economic enterprise, or engaged independently in a profession or trade, without hired employees [but possibly with the assistance of unpaid family workers]). Thus, because they would be regarded as operating an enterprise, workers who own

(4) paragraph 106:

... Mr. Hussmanns from the ILO pointed out that the Fourteenth International Conference of Labour Statisticians in October/November will discuss this issue with a view to contribute to the development of international statistical standards. The proposal at present was that informal sector consists of small-scale, self-employed activities with or without hired employees. Typically, they have a low level of organisation and technology. To the extent these activities escape tax and other regulatory bodies, they are concealed. The criteria proposed for conceptualisation of the informal sector show similarity with those applied in the SNA characterisation of the traditional versus the modern sector. One possibility of operationally defining the informal sector could be using non-registration as a proxy criterion. It was recalled that ... technology. It was possible ... technology. It was therefore suggested that the ILO meeting should reconsider this aspect of their concept of informal.

(5) paragraph 114:

... This decision also maintains consistency in labour statistics where, following the SNA production boundary, volunteer services are not included in employment measures.

(6) Annex 3, Outstanding items:

...

49 Harmonise classifications of own-account worker and employee.

...

COMMENTS ON THE FULL REPORT OF THE EXPERT
GROUP MEETING ON THE HOUSEHOLD SECTOR

ANDRE VANOLI - INSEE - FRANCE

P. 7, § 18, L. 2 : "GDP" instead of "GNP"

Top of P. 8, L. 1 : "formulated would be more convenient than "translated" as the definition I proposed during the meeting is not a direct translation of the present French definition

P. 16, § 40 : It could also be argued that the allowance for losses due to shoplifting should be treated as (imputed !) transfers between households, neither the total amount of final consumption nor value added being changed

P. 27 and 28, § 66 : The formulation of this § is not perfectly clear for me. I suppose it is related to § 31 of the summary and conclusions which looks perfectly clear. On the contrary, the second and third sentences of § 66 are ambiguous, as they deal with individual as opposed to collective consumption. This is not the problem treated in § 31 of the conclusions. Additionally, I don't understand the last sentence of § 66. In the present SNA the government sector (I mean the institutional sector) can produce goods and market services as well as non market services, if some commodity producing units (industry in the 68 SNA terminology) belong to institutional units of government or some non market services producing units ("producers of government services" in the 68 SNA terminology) produce marginally some commodities. So what means the last sentence exactly ?

P. 30, § 71 : Regrettably there is no recall of the proposal made by Creemans (the Review of Income and Wealth - June 1980). I gave a summary of it during the discussion. So the only alternative is not the analogy with distribution margins. As a separate paper is to be prepared, I hope it will cover the whole range of possible solutions and not only in the ICP context as § 36 of the conclusions says.

P. 33, § 81 : The formulation "these constitute unincorporated enterprises" can be misleading. It would be better to say simply "it constitutes a producing activity and generates, etc..."

P. 34, § 84, L. 5 : "residents" instead of "nationals" and "non-residents" instead of "non nationals"

P. 41, § 107 : I was obliged to leave before non-profit institutions were discussed, so I had not the opportunity to say that many indicators in table II are erroneous, as regards France. Every time the sector MEN (= households) is indicated, it should be read instead "Private non-profit institutions serving households"

Annex 3 : The eventual disaggregation of employees according to the level of skill required wich is dealt with P. 25, § 58 is not included in the revised suggestion in annex 3. I think it should.

List of outstanding items : 62 : "in total consumption of the population" needs to be deleted

List of participants : I have been included in the representatives from the International Organizations

