



UNITED NATIONS
ECONOMIC
AND
SOCIAL COUNCIL



Distr.
GENERAL

E/CN.3/400
19 August 1969

ORIGINAL: ENGLISH

STATISTICAL COMMISSION
Sixteenth session
Item 8 of the provisional agenda

A DRAFT COMPLEMENTARY SYSTEM OF STATISTICS
ON THE DISTRIBUTION OF INCOME AND WEALTH

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I. INTRODUCTION

1. This paper and document E/CN.3/399 set out the results of the work that has been carried forward on statistics of the distribution of household incomes, outlays and wealth since the Fifteenth session of the Statistical Commission. Document E/CN.3/399 furnishes a comparative analysis of national practice, experience and developments in the collection and compilation of these series of data. This paper proposes draft international guidelines in respect of a system of these statistics which will complement the System of National Accounts (SNA) and the System of Material Product Balances (MPS).^{1/}
2. In drafting this paper account was taken of the national requirements for, state of development of, and practices and problems in the collection and compilation of, statistics of the distribution of household incomes, expenditure and wealth that were revealed by the study in document E/CN.3/399. The proposals in this paper also reflect the comments of the Fifteenth session of the Statistical Commission on document E/CN.3/363, an earlier and less complete version of the draft international guidelines and the discussions of European and African Working Groups in respect of income distribution and related statistics.
3. The draft guidelines set out in document E/CN.3/363 have been extended in this paper to include proposals concerning the required classification schemes of the complementary system in respect of socio-economic status, age groups and level of educational attainment and concerning standard tabulations in respect of the data of the system. The definitions of the items of data of the system have been detailed in order to distinguish, where necessary, between the data that it is feasible to present at the summary (macro) and detailed (micro) levels of tabulation and in order to delineate clearly how these items of data fit into the SNA and into the MPS. The description of the character

^{1/} See Studies in Methods, Series F, No.2, Rev.3, United Nations, New York and document E/CN.3/396, Statistical Commission, Sixteenth session, respectively.

and structure of the complementary system has also been elaborated in this paper.

4. Nonetheless, this paper is not intended as a final draft of the proposed international guidelines in respect of a system of statistics of the distribution of household incomes, outlays and wealth. Further work is for example, required in order to formulate suggestions in respect of the statistics of the distribution of household wealth, in the light of the detailed guidelines that are being developed in respect of the balance sheet and attendant revaluation accounts of the SNA. In order to formulate the final draft of the proposals, it also seems necessary (i) to engage in another round of consultations with national statistical authorities and interested international agencies on a version of this paper which reflects the comments concerning it of the Sixteenth session of the Statistical Commission and (ii) to have the assistance and advice of a group of experts. The Commission, in considering this paper, may wish to indicate the lines along which, and the way in which, the further work of drafting the proposed international guidelines in respect of the income distribution and related statistics should proceed.

5. Before this paper is considered by the Sixteenth session of the Statistical Commission, it will be discussed by meetings of Asian and European Working Groups during the last quarter of 1969. The reports of these discussions will be made available to the Commission.

6. This paper is organized in the following fashion. Dealt with first are the character of, and requirements for, statistics of the distribution of household incomes, outlays and wealth which have led countries to gather and compile the data. Discussed next are the nature and purpose of the proposed international guidelines in respect of these statistics. The first section of the draft guidelines concerns the character and structure of the complementary system of income distribution and related statistics in relation to the SNA and MPS and the scope, organization and suggested order of development of the series of data. The following portions of the proposed international guidelines concern the definition and classification of the statistical units to be used in the complementary system and of the items of data in respect of current receipts, consumption and accumulation. The last section of the guidelines

deals with the proposed standard tables of the complementary system.

II. OBJECTIVES AND CHARACTER OF THE STATISTICS

A. Major purposes of the statistics

7. Countries have gathered and compiled statistics of the distribution of * household incomes, outlay and accumulation of households in order to have data for purposes of dealing with a wide range of inter-connected economic and social questions.

8. The most common and traditional type of questions for which income distribution and related statistics are wanted concern the character, determinants and equity of the distribution of welfare among the population. Of interest in this respect are studies of the range, type and adequacy of the incomes which various groups of the population receive from participating in production and from property; analysis of the ways in which incomes are redistributed among these groups of households through taxation and other governmental means; and measures of the character and magnitude of their wealth. For the same purpose data are also required on the level and pattern of the consumption of various classes of households and the means, e.g., drawing down of savings, debt, in addition to disposable income, through which this consumption is financed. Information on changes in the size distribution of incomes and their disposition is also basic to ascertaining the effects of trends in economic conditions on the well-being of various population groups.

9. Data on the size of the disposable income of various groups of households and on the way in which they divide this income between consumption and saving are needed in dealing with the questions of promoting steady economic growth and stabilizing prices. For fiscal policy it is also essential to have relatively detailed figures on the distribution of income received by households from production and from property, the effect of tax measures on disposable incomes, and the patterns in which disposable incomes are allocated among households. Projecting the demand for consumers' goods and services and assessing demand-pull pressures on prices requires, in addition, information

on the pattern of household outlays on consumption. Programmes designed to mobilize funds for fixed capital formation involve knowing the types of assets in which households invest their savings, coupled with information on the size and disposition of their incomes and wealth.

B. Periodicity of the requirements

10. For purposes of planning and programming sustained economic growth, countries require statistics which provide as detailed a picture as is possible of all aspects of the distribution and redistribution of household incomes and the pattern of consumption and savings, but not all these data are necessarily required at annual intervals. These statistics should not only be comprehensive in scope and coverage but should also be classified in considerable detail according to the characteristics of households and individuals. In order to obtain comprehensive statistics of this type, countries have undertaken special surveys at intervals of three to five years. It is usually not feasible to undertake such ambitious inquiries at more frequent intervals of time.

11. For a current assessment of the effects of economic and social policies, the interest is primarily in quick and frequent indicators of the main aspects of the distribution of household incomes. These data are usually obtained from annual or even quarterly or monthly surveys. They relate mainly to income from production and property, and selected transfer payments, i.e., only the most central part of the information sought in the comprehensive surveys. The data are also classified according to the characteristics of households and individuals in far less detail than the series of the less frequent inquiries. The current surveys often cover only a small sample of households drawn from a special section of the population, such as urban workers, or salary earners, etc. In order to supply data which are useful for an analysis of changes in the income distribution, however, the surveys should cover a representative sample of as much of the population as is possible.

C. Type of statistics required

12. It should be evident from the discussion above that countries require data

classified according to the social and economic characteristics of households and individuals in respect of each of the major steps in the formation and disposition of income and in respect of the forms in which wealth is accumulated and held. Though these data concern the same flows and stocks as the national accounts and balances, most of the statistics of the distribution of household incomes, outlays and wealth are too detailed in classification to be included as an integral part of these accounts and balances. It is, for example, feasible to include in the SNA or MPS, data in respect of the income shares of households and other institutional sectors and in respect of incomes received and disposed of by households as a whole, or even classified into a few categories, but not by households classified according to various characteristics into a considerable number of categories. While it is necessary to adapt the national accounting definitions of certain of the flows and stocks for purposes of practical use in gathering income distribution and related statistics, it would be advantageous and feasible to co-ordinate the income distribution statistics with the national accounting data so as to supplement the latter series. This is not done in most instances because countries have developed their income distribution and related statistics for restricted purposes, independently of their national accounting.

1. On incomes

a. Primary incomes

13. The first stage in the receipt of incomes by households is the incomes originating directly from the involvement of the recipients in production as either employee or entrepreneur. These incomes are called "primary income" in this paper. In the case of the SNA, primary income consists of compensation of employees plus the entrepreneurial income (i.e. the operating surplus of the business reduced by the property income paid out in connexion with it) realized by unincorporated enterprises included in the household sector and withdrawn by the owners from the net income of private unincorporated units included in the corporate sector, i.e. private quasi-corporate units. Countries have not infrequently found it necessary to restrict the data gathered and

compiled in respect of the compensation of employees to wages and salaries in the case of the micro statistics of the system. In the case of the MPS, primary income consists of wages and salaries plus the entrepreneurial income of private unincorporated businesses.

14. In the case of the compensation received by employees, countries have found it desirable to analyze how the size of the compensation varies with the socio-economic status, sex, age, educational attainment, occupational and industrial attachment and other personal characteristics of employees. These data are wanted for purposes of dealing with questions of income policy, disadvantaged groups in the population and other aspects of welfare. In the case of entrepreneurial income, the kind of economic activity, size and other characteristics of the unincorporated unit from which the income is realized have been used as explanatory variables. The preceding characteristics and the number of earners and dependents have been found to be relevant in studies of the distribution of primary income among households.

b. Distributed factor incomes

15. In addition to incomes from employment and entrepreneurship, households receive incomes from the ownership of property. These incomes consist of their net receipts of interest, rent and dividends, largely from the distribution of the gross profit (operating surplus) of business enterprises. The sum of primary income and net property income is called "distributed factor income" in this paper.

16. Data on the distribution of factor incomes to resident households are given particular attention in national inquiries into income distribution statistics. Such data are essential in considering the demand-pull aspects of income policy, devising fiscal measures, and identifying and resolving problems of the well-being of the population. For these purposes, data are required on the magnitude and sources of income from labour, property and entrepreneurship of earning and spending units, e.g. households, which are correlated with such characteristics as their socio-economic status, size and composition.

c. Disposable income

17. Disposable income results from the formation of household income. It is equivalent to the sum of the distributed factor income of households and the net current transfers other than property income which they receive. The transfers received and paid out consist of unrequited (non-contractual) current transfers and contractual transfers in connexion with casualty insurance. The most important unrequited current transfers which link the distributed factor income and disposable income of households, are payments to, and receipts from, government in the form of direct taxes, social security contributions and benefits, social welfare assistance, etc.; in other words, transactions with government aimed at the redistribution of incomes. Not infrequently, it has been impracticable to cover certain unrequited current transfers of the SNA fully in the detailed income distribution statistics, e.g. the inclusion in the social security contributions of households of the employers' contributions.

18. Data are therefore required on the type and dimensions of the unrequited current transfers received and paid by households classified according to the household characteristics which are relevant to problems of welfare. Disposable income is the income available for consumption and saving; and data are wanted on its distribution among households classified according to size and composition, socio-economic status, spending-saving behaviour, etc.. The size of household disposable income is itself a valuable classifying characteristic.

2. On consumption

19. Statistics of the level and pattern of consumption of goods and services by households, in relation to such characteristics as their disposable income, size and socio-economic status, are frequently compiled in national inquiries. These data are wanted for a number of purposes. Examples of these purposes are assessing and furthering the welfare of the population, identifying points of demand-pull pressure and setting realistic goals for expanding domestic production and imports. These data also should provide the basis for compiling

needed figures on the level of consumption of goods and services, in constant prices and the correlative prices.

20. Statistics in current and constant prices of personal consumption expenditure furnish more direct indicators of the level of living of various classes of the population than data on their disposable income. The relation of outlays on consumption to disposable income does not depend on the income level alone but varies with the size and over the life cycle of a household.

21. For purposes of examining the role of services produced by government and private non-profit institutions in the distribution of economic welfare, as well as for studies of the level of living of households, data are also required on the total consumption of the population. This concept covers, in addition to personal consumption expenditure, goods and services furnished free of charge or at a nominal charge by government and private non-profit institutions. Total consumption of the population, since it is a broader concept than personal consumption, is more suitable for international comparisons of levels of living.

3. On accumulation and wealth

22. During various periods in their life cycle, households may be expected to finance outlays on consumption by drawing on accumulated saving or contracting debt. This points to the advantages of obtaining data on the transactions in, holdings of, and capital gains in, various types of financial claims by households classified according to socio-economic status, size of disposable income, saving, etc..

23. Information on the types and amount of durable consumer goods possessed by households is also useful in assessing their levels of living. Such data, in addition to statistics on financial claims, may also be of value in analyzing the variation in saving-spending patterns among households or over business cycles. Summary data in respect of the net worth of various classes of households are also of interest in assessing their saving-spending patterns and level of living.

24. In the case of the owners of unincorporated enterprises, statistics are also wanted in respect of the gross capital formation in, and stock of tangible

assets of their businesses. This may represent the bulk of their saving and wealth.

25. The accumulation and wealth of various classes of households has however been the subject of few national inquiries. This is due to the conceptual and practical difficulties of gathering these data.

III. PURPOSE AND NATURE OF THE INTERNATIONAL GUIDELINES

A. Objectives

26. A major consideration in formulating international guidelines for income distribution and related statistics is to promote national efforts to develop and improve the available statistics in these fields. The international guidelines are intended to be of assistance in determining the objectives and content of a fully developed system of income distribution and related statistics and the manner in which to evolve the system, co-ordinated with national accounting and other pertinent work. Countries will probably find it feasible to gather and compile all of the data of the proposed system about once every three to five years only. In order to make it practical to compile annual data, Countries will find it necessary to limit the data to the more summary series of the system concerning those aspects of the distribution of income, outlays and accumulation which are most likely to change from one year to the next. The series of the system which should be considered for annual compilation will be discussed in the system of the international guidelines in respect of tabulations of data.

27. Statistics on the distribution of income, expenditure and accumulation largely represent a disaggregation and detailing of certain aspects of the national accounts and balances. The recently revised and extended systems of national accounting therefore provide a framework which will accommodate the aligning of the more aggregative aspects of these statistics and the linking of the more detailed aspects. In order to ensure that this will be the case, income distribution and related statistics need to be considered in relation to the systems of national accounting.

28. The availability of guidelines should eventually result in a supply of statistics of the distribution of income, outlays and accumulation which are

very much needed for comparative international studies of the economic and social conditions and behaviour of disparate population groups in the course of economic growth and development. Scanty and fragmentary data only are now available for these purposes, except in the case of aggregative data on income shares. The guidelines should also furnish the basis for devising a system of reporting and publishing comparable data for international use in respect of the more general and fundamental aspects of the statistics.

B. Character

29. Statistics of the distribution of income, expenditure and accumulation involve a considerable number of series, classifications and tabulations, differing greatly in character and degree of detail, depending on the particular analytical purposes to be served. It is not feasible to cover the more detailed or special aspects of the statistics in the international guidelines. The guidelines focus on the aspects of the system of statistics which are central to its character and general use and which delineate its relationship to the systems of national accounts and balances. These aspects primarily concern the structure of the system and its concepts, basic definitions and main classifications. A significant degree of international comparability should be possible on these points. In addition the guidelines include tabulations of data which are fundamental for general and international purposes. It is also useful to include in the guidelines, descriptions of additional classifications, tabulations and other means of summarizing and analyzing the data of the system which are of interest for given statistical and analytical purposes.

30. The international guidelines of necessity indicate long-range goals for the work on statistics of the distribution of income, outlays and wealth. It therefore appears to be desirable to include suggestions for broad orders of priority in developing the statistics, in the light of the urgency with which the data are required and the difficulties of gathering the statistics. Countries will of course find it necessary to consider these suggestions in the light of their own requirements and statistical circumstances.

IV. THE SYSTEM IN RELATION TO THE NATIONAL ACCOUNTS AND BALANCES

31. The proposed system of income distribution and related statistics is designed to provide much more extensive and detailed classifications of data in respect of the income, expenditure and accumulation of the population than it is feasible to include in the SNA and the MPS. All that can be provided for in either system are classifications of these data according to the main categories of flows and the main classes of economic agents. If anything more were attempted, the national accounting systems would become far too over-burdened and unwieldy and it would be difficult to employ either system in studying the main relationships in the economy as a whole. For example, it seems appropriate to include data on disposable income classified according to component types of income or according to recipient institutional sub-sectors, but not on disposable income classified according to size and socio-economic status of households.

32. The system of income distribution and related statistics should be complementary to the system of national accounts. Its concepts and definitions should, as far as is possible, fit in with the SNA and the MPS. This will make it feasible not only to use the statistics of the complementary system of a country in conjunction with the data of its national accounting system but also to carry out international comparative studies of the well-being of the population in countries with differing economic and social systems. It would also avoid the confusion and difficulties which would result from treating essentially the same flows differently in the complementary system and the national accounts.

33. However, it is not always feasible to use the exact definitions of the national accounts and balances in the case of the detailed (micro) statistics of the distribution of income, outlays and wealth. This is so in the case of the definitions of certain transactions or imputations for the data which can be gathered or estimated in respect of undifferentiated or a few large categories of households only, i.e., the macro statistics of the income and other distributions. Such situations are much more frequent in the case of the SNA than in the case of the MPS; primarily because of the greater

number of imputations and of transactions, the details of which are not known by the recipients, from whom the detailed income distribution and related statistics must be gathered. Examples in the case of the SNA of the imputations and transactions under discussion are the service charges in respect of casualty and life insurance included in household consumption expenditure, employers' contributions to social security schemes and private pension, family allowance and health insurance schemes included in compensation of employees and the unrequited current transfers made by households, the equity of households on the reserves of life insurance and pension funds and perhaps the interest credited to them on this equity. Examples in the case of the MPS as well as the SNA may be the imputations in respect of certain types of work uniforms or food received as part of employment included in wages and salaries and household consumption expenditure. The manner in which the national accounting definition should be adapted in these situations so that it can be used in the micro income distribution and related statistics and be linked with the SNA and MPS, is discussed in the section of this paper devoted to the definition and classification of the data of the complementary system.

34. There are a number of advantages to formulating a single system of detailed income distribution and related statistics which is linked to both the SNA and the MPS. There is considerable interest in comparisons of the well-being of the population in countries with differing economic and social systems. Efforts to establish a single system of income distribution and related statistics would also be of help in bringing the concepts and definitions of the two systems of national accounts closer together.

35. It appears to be feasible to work out international guidelines in respect of a complementary system common to the SNA and the MPS. Although there are certain important differences between the two systems in the way in which the receipts and outlays of the population are classified, the concepts of wages and salaries, entrepreneurial income, and of expenditure on goods and services are to a large extent similar. With the addition of some further sub-divisions of flows, the building blocks for a common set of detailed income distribution

and related statistics would be available in each system of national accounting.

A. The system in relation to the SNA

36. In the SNA, the flows which are to be covered in a complementary system are dealt with in the accounts and tables on the income and outlay, consumption expenditure and capital finance of households. Data from the consumption expenditure account of general government and private non-profit institutions serving households are, in addition, required for estimating total consumption of the population.

37. The manner in which flows are grouped in these accounts is suitable for the complementary system, except in the case of the income and outlay account of households. For most purposes, it will be necessary to divide this account into four major parts: (i) primary income, i.e. compensation of employees and entrepreneurial income, (ii) total distributed factor income, i.e. primary income plus net property income received, (iii) other current (redistributive) transfers received and paid, and disposable income, and (iv) consumption expenditure and saving (see table 1 of Annex I).

38. In addition, it will be of interest for some purposes to use the income and outlay account as it is presented in the SNA. The use of this format is advantageous for purposes of gathering the data.

39. The accounts and tables for the household sector mentioned above cover non-financial unincorporated enterprises included in the household sector, in addition to the activities of the owners of these enterprises in their capacity as consumers. The entrepreneurial income originating in the unincorporated enterprises is their operating surplus reduced by the property income paid out in connexion with the businesses. The data needed for estimating this entrepreneurial income are available in the SNA, since operating surplus of unincorporated enterprises is shown on the income and outlay of households, and business debt interest is separated from consumer debt interest. In the case of the capital finance account of households and the associated supporting tables, the gross fixed capital formation of the unincorporated enterprises is

already distinguished from the other capital transactions of the owners of these businesses. However, certain financial claims, such as trade credit, will need to be sub-divided into liabilities connected with the unincorporated businesses and other liabilities, specially for the purposes of the complementary system.

40. Balance sheet and revaluation accounts are also included in the new SNA although definitions of the items and principles of valuation are not yet finally agreed upon.^{2/} It is suggested that the complementary system should include the balance sheet and revaluation items for households shown in Annex I. These items are consistent with the data at present proposed for inclusion in the SNA. The balance sheet and revaluation accounts together with the capital finance accounts will provide a complete picture of the financial and capital formation transactions of households, showing assets and liabilities at various points of time and fully accounting for changes in them.

B. The system in relation to the MPS

41. The relevant balances and tables of the MPS are (i) the balance of the money incomes and expenditures of the population, (ii) the personal consumption of material goods by the population; (iii) the balance of national income and its utilization; and (iv) the balance of production, distribution, redistribution and final utilization of the global product and the national income.

42. The balance of the money incomes and expenditures of the population is the basic table for data in respect of wages and salaries, entrepreneurial income and other distributed factor incomes, redistributive transfers, and the sub-division of disposable income between personal consumption and saving. It also furnishes most of the desired data on transactions in financial claims. This balance covers the transactions of persons in respect of their private business, as well as household, activities.

^{2/} See document E/CN.3/398 "The proposed Balance Sheet and Revaluation Accounts of the System of National Accounts (SNA)".

43. For purposes of drawing precise distinctions between incomes and consumption expenditures, on the one hand, and transactions in financial claims, on the other, further sub-division of a few categories of receipts and outlays would be required. For example, the category "receipts from financial institutions" may include receipts of interest, life insurance claims, etc. and the category "other receipts" also consists of a mixture of current incomes and financial claims. The entries of the balance would need regrouping and resummation for purposes of the complementary system of income distribution and related statistics.

44. In order to have complete data on distributed factor income, the cash figures of the money incomes and expenditures of the population need to be supplemented by data on incomes in kind recorded in the table on personal consumption of material goods by the population according to sources of origin. In this table, as in the balance of money incomes and expenditures, distinctions are drawn between wages and salaries, entrepreneurial income and, to some extent, property income. The table also furnishes data on the personal consumption of material goods by the population.

45. In order to estimate the total consumption of material goods by the population, it is necessary to add the goods utilized by institutions which furnish services to the population free of charge. The balance of national income and its utilization is a source of this information. The balance of production, distribution, redistribution and final utilization of the global product and the national income includes the data required to determine the personal and total consumption of non-material services by the population.

V. SCOPE, ORGANIZATION AND DEVELOPMENT OF THE COMPLEMENTARY SYSTEM

A. Series to be considered

46. While there is clearly a need for data on the distribution of wealth among households, in the form of consumer durable goods, financial claims and tangible capital assets, this aspect of the complementary system may be given low priority. The balance sheet and revaluation accounts of the SNA are at present still in process of being defined and delineated. Also, although

a number of countries gather data from households on selected balance sheet items, for example the amount of outstanding consumer debt, or the possession of automobiles, radios and other consumer durables, very few official efforts have been made to gather and compile figures systematically on the value of all balance sheet items.

47. Data on household capital transactions are of higher priority in an integrated system of income distribution and related statistics. Some transactions in financial claims by households are important in financing and influencing personal consumption, for example transactions in respect of private pension funds, life insurance, savings accounts and securities. Other financial transactions by households are important sources of business capital, for example, investment in unincorporated enterprises and for other business purposes. The discussion in a later section will indicate that data on realized capital gains on financial claims and other capital assets might be given almost as high a priority as capital transactions in view of their influence on personal consumption.

48. The revised version of the SNA and the MPS include detailed recommendations in respect of the definition, classification and tabulation of all types of capital transactions. Further, countries not infrequently gather detailed data on household transactions in at least some type of financial claims. For example, some market economy countries gather data on receipts from and payments into life insurance and savings accounts. Almost all countries with centrally planned economies gather and compile data on all cash household transactions, including transactions in financial claims.

49. The other aspects of statistics of the distribution of incomes and consumption are of course central to the purposes for which the data of the complementary system are wanted. Except for data on the total consumption of the population, relatively detailed statistics of the consumption, income from labour and entrepreneurship, net current transfers received and disposable income of households have been the traditional subjects of enquiries into income distribution and related statistics.

50. The concept of total consumption of the population is not utilized in the revised SNA, but has been introduced in the latest version of the MPS. Only a few national statistical offices have used the concept in their work on statistics of income and consumption. Difficult problems of concept and practice also arise in efforts to compile data on the total consumption of the population. For example, it is necessary to decide on which services and goods provided free by government and other non-profit services, and perhaps enterprises, should be included and how they should be allocated among various groups of the population. On the other hand, these services and goods play an important part for the well-being of the population and in the redistributive activities of government in the case of a number of countries. Also, the proportion of consumption accounted for by free goods and services varies substantially from one country to another, and comparisons of levels of living based on figures on personal consumption only, therefore would not show the complete picture. For these reasons, it is suggested that data on the total consumption of the population should be included at this stage in the international guidelines.

B. Coverage

1. Population

51. So as to be consistent with the national accounting systems, as well as to yield complete data on the well-being of the population, the complementary system should relate to the entire resident population. Persons in institutions such as orphanages, old-age homes, asylums and jails should therefore be covered, although it has so far been common practice to omit the institutional population from enquiries into income distribution statistics. However, it should not present serious special difficulties to obtain figures every three or five years on the few items in respect of income distribution and related statistics which will be relevant for the institutional population.

52. As in the national accounts, the goods and services which the institutions supply to their inmates free of charge is to be treated as part of the consumption of the institutions themselves. These goods and services would, however, be included in the total consumption of the population.

53. Because of the particular circumstances of the institutional population it is essential that it be shown as a separate group in the socio-economic classification applied in the complementary system.

2. Receipts and outlays in kind

54. Not infrequently, the income and expenditure enquiries of developed countries are restricted to cash receipts and outlays, even where the data are gathered through field surveys. The reasons for this are probably the more substantial difficulties of gathering data on incomes and consumption in kind and the assumption that the amounts in kind may be insignificant. Household income and expenditure enquiries in developing countries almost always cover incomes received in kind and the associated personal consumption, because of the importance of these items in the countries concerned.

55. In order to attain consistency with the systems of national accounting, and because income in kind is significant in many countries, it is proposed that primary incomes should include receipts in kind as well as in cash. Transfers of goods and services from and to the rest of the world and, to some extent, between resident households should also be accounted for in current redistributive transfers. Personal consumption should, of course, include corresponding flows in kind. However, household receipts of current transfers and personal consumption should not include the services and goods which general government and private non-profit institutions furnish to households free of charge. These goods and services would be covered in the concept of the total consumption of the population.

C. Data in comparable prices

56. It will be desirable to include data in constant prices for certain series of the complementary system. For purposes of comparing the levels of living of classes of the population during differing periods of time and projecting consumer demands, data in constant prices are wanted for personal and total consumption classified by the categories of goods and services of the SNA for socio-economic groups of households. It will also be valuable to compile data

in constant prices for selected commodities entering into personal and total consumption.

57. Data valued at comparable prices are also needed for purposes of comparing the well-being of populations which pay differing prices for exactly the same goods and services as seen from the consumers' point of view. The concepts and methods of compiling data in comparable prices for different populations are of course the same as those used in compiling data for the same population at different points of time.

58. For studies of trends in the well-being of various groups of the population, it will be valuable to measure changes in the purchasing power of their disposable income. These data are also wanted in studying the income elasticity of the personal consumption of various categories of goods and services. In compiling the series, use should be made of the baskets of goods and services consumed by each group of the population during a given period of time. As a part of their national accounting work, a few countries compile data of this type in respect of spending units classified according to size of disposable income or a proxy measure.

D. Organization of the system

59. The complementary system of statistics of income, consumption and accumulation will consist of tabulations and other presentations of statistics differing in the range of transactions shown, the way and detail in which households or other transactor units are classified, and the detail in which transactions are exhibited. It will be useful to divide the compilations of the system into three categories, which differ in the range of transactions covered and the detail of classification. Each group of tabulations should be designed to satisfy somewhat different sets of analytical requirements.

1. Summary tables

60. The first class of tabulations will summarize and correlate the experience and behaviour of various groups of households in respect of all facets of the complementary system. Included here are the macro statistics of the system.

The household is the most suitable common unit of observation and classification for the purposes of these tables which refer to all the statistics. It will be of value to indicate the number of households and persons included in each cell of the tables, in order to indicate the relative prevalence of each group and to furnish a basis for evaluating the data for the average household.

61. The schemes of classifying households utilized in the summary tables should be restricted to schemes basic to differentiating and analyzing experience in respect of the various categories of income, consumption and accumulation. The levels of classification used should not be too detailed, so as to focus attention on the main patterns.

62. The classification of households by socio-economic status of the head is a scheme of the type indicated. It focuses on the attributes of households which are invaluable in understanding differences in experience, resources and patterns of behaviour and in correlating the statistics with other economic and social data. Tabulations of the main series of the system according to the broad level of the socio-economic classification should make up much of the macro statistics. Classifications according to age and sex of the head of household or the area of location of the household would also be useful. In order to furnish correlated data on the experience of different income strata, it is important to use the size of household income as a classifying characteristic in the summary tables. Tabulations according to broad categories of size of household income are also part of the macro statistics of the system. Classifications of the data of the summary tables according to socio-economic status and fractile groups of income should be emphasized in the international guidelines.

63. All the categories of transactions included in the complementary system should be shown in the summary tables. The extent to which transactions are detailed should be limited so as to focus attention on the main flows and relationships. The presentation of averages is emphasized in the summary tables recommended for inclusion in the guidelines.

2. Tables in respect of classes of transactions

64. The second class of tabulations should be designed to exhibit the details of each type of transactions, classified according to the relevant characteristics of the transactor units in each case. This class of tabulations is part of the micro statistics of the system. These compilations would consist of tables in respect of (i) primary incomes and distributed factor incomes classified by detailed source of income, (ii) the transition from distributed factor income to disposable income and the details of the redistributive current transfers which provide the link, (iii) the division of disposable income into saving and personal consumption, and the classification of personal consumption and total consumption of the population by categories of goods and services, (iv) capital transactions, including the details of transactions in financial assets and liabilities, and (v) the main details of balance sheets and revaluation accounts.

65. The schemes of classification of households utilized in the summary tables will also be employed in most of the more detailed tabulations. In addition, for individual tables use has to be made of schemes of classifying transactor units (i.e. households or individuals) which are of interest for purposes of describing the variation in the magnitude of the flows in question. For example, classifications according to size of total and per capital disposable income of households are of interest in tabulations of the details of redistributive transfers and the pattern of personal consumption. The classifications of transactors which may be useful in the case of the various sets of tables are outlined in the next section of this paper, and the sub-divisions of transactions are discussed in the following sections. In the case of some of these tabulations, the use of medians or other measures of central tendency or dispersion, in addition to totals and arithmetic averages, might be advantageous. A limited number of the detailed tabulations are recommended for inclusion in the international guidelines.

3. Cross-classifications

66. The third group of tables should be designed to cross-classify the main

aggregates of the complementary system by two or more attributes of the relevant transactor units, either households or individuals. These tabulations are also part of the micro statistics of the system. It seems useful to tabulate cross-classifications in respect of all main aggregates, such as disposable income, personal consumption, saving etc., in order to delineate the experience of relatively homogeneous groups of transactors and to discern the circumstances with which this experience varies. For the same reasons, cross-classifications of component flows, such as compensation of employees, entrepreneurial income, social assistance payments, etc. are also likely to be of interest.

67. The attributes of transactors which should be utilized in the cross-classifications of main aggregates or other flows will of course depend on the aggregate or flow in question. For example, cross-classifications by size of distributed factor income of the household, or per earner, and age and sex of the head of household, will be of value in the case of total or per capita distributed factor income, but not in the case of total or per capita personal consumption. Or, cross-classifications which will be relevant in the case of compensation of employees, but not in the case of property income, are age, sex and kind of economic activity; occupation and kind of economic activity; and educational attainment, age and sex.

68. More use should be made of measures of central tendency, dispersion and skewness in this class of tabulations than in the two other classes. Few specific recommendations in respect of these tables are included in the international guidelines.

E. Priorities in developing the system

69. The first order of priority in developing the complementary system should be given to data in respect of incomes and personal consumption. These data are the most urgently required and have been the subject of most attention in the work on income distribution and related statistics. While distributed factor income and personal consumption have received more attention than redistributive transfers and disposable income, it does not appear appropriate

to suggest differing orders of priority for these series, which are required with the same degree of urgency.

70. Another way in which to set differing orders of priority for developing data on incomes and consumption, is to give the first order of priority to incomes and consumption in cash. However, in view of the importance of non-cash elements of wages and salaries and entrepreneurial income in many countries, it would not be appropriate to follow this course in the international guidelines. Individual countries, where incomes in kind are not significant, may however wish to assign first priority to cash transactions. Also, it may be appropriate to exclude the institutional population from the first priority in developing the statistics.

71. Data on the total consumption of the population might be given priority over statistics of household capital transactions, except perhaps those relating to pension funds and life insurance. Figures on the total consumption of the population are important in comparing the levels of living of various groups in a population and among countries. Also, the additional data needed to estimate the relatively narrow concept of total consumption of the population recommended for the complementary system should be available from governmental administrative records and performance budgets.

72. There are significant differences in the relative urgencies with which data are wanted on household capital transactions. Most important are transactions which represent significant sources of finance of consumption for some groups of households, such as payments from private pension funds, drawing down of savings accounts, and the payment of claims on, or the cashing of, life insurance. Next in order of priority might be capital transactions carried on in respect of the unincorporated enterprises included in the household sector, purchases and sales of securities, and consumer debt. This would leave to last priority net purchases of land and some types of loans.

73. Lowest priority may be given to balance sheet and revaluation items. Among non-financial assets, data on the value of non-residential buildings

and consumer durables owned by household would probably be most urgently needed. In most countries, net equity on life insurance reserves and on pension funds would be the most important financial asset of households.

VI. THE DEFINITION AND CLASSIFICATION OF THE STATISTICAL UNITS

A. The statistical units

74. While the household can be utilized as a statistical unit for all aspects of income distribution and related statistics, it is also essential and practical to use the individual as income recipient unit in the case of incomes from labour and entrepreneurship, distributed factor incomes and accumulation.

75. The household, or an equivalent unit, is generally employed as the statistical unit in field enquiries into family income, expenditure and accumulation. Both households and individuals are used in the compilation of income data from population censuses. Data based on income tax statistics are generally available for individuals or fragmented families only, because of the manner in which income-tax assessment and collection is administered. In statistics based on a combination of sources, income data from income tax statistics are sometimes reconstructed to refer to households by means of information in population censuses or household surveys.

76. The household is the basic statistical unit for purposes of studies of the relation between the distribution of income from labour, property and entrepreneurship, and welfare and spending-saving behaviour. Since earners in most cases have dependents, the household is also the practical statistical unit for the redistributive transfers linking distributed factor income and disposable income. Grants are often made on the basis of families rather than individuals, and allocating these grants between earners and dependents would be difficult and arbitrary. The household is also the preferable statistical unit for data on the division of disposable income between saving and consumption and statistics of the pattern of consumption since members of a household will more or less pool their incomes and consumption.

77. Since distributed factor incomes are in most cases linked to individuals, utilizing the individual or a suitable combination of family members as the statistical unit facilitates the analysis of the relationship of these incomes,

in particular employee compensation, to the characteristics of the recipients. Problems of allocating components of distributed factor incomes among two or more individuals will sometimes arise. Examples are farms and other household enterprises which are jointly owned and operated by husband, wife and perhaps other members of the family, or other assets owned jointly by husband and wife, and the income derived from these assets. For household enterprises it would be advantageous to take the family as the statistical unit, while a husband-and-wife unit could be usefully applied in the case of financial transactions in assets jointly owned by spouses and the income derived from such assets. The data collected in respect of intermediate units could, of course, be aggregated into household totals.

78. Both the household and the individual, or some intermediate unit between household and individual such as the husband-and-wife combination, appear to be appropriate statistical units for purposes of inquiries into the distribution of accumulation and wealth.

79. In classifications of income by type, which relate to the population as a whole, income may be the most appropriate statistical unit. With regard to compensation of employees, the job may be a more efficient statistical unit than the individual for analysis of scales of pay, because some individuals may have more than one job.

B. The concept of the household

80. In view of the uses to be made of the household-type statistical unit, it is desirable to define it in terms of the housekeeping concept that is employed in censuses of population and in the SNA. This concept also follows from the basic sources from which household data are derived in income and expenditure enquiries of MPS and SNA countries and minimizes the apportioning of figures among statistical units.

81. According to the housekeeping concept, a household may be (i) a one-person household, i.e. a person who makes provision for his own food or other essentials of living, without combining with any other person to form part of a multi-person household; or (ii) a multi-person household, i.e. a group

of two or more persons who occupy the whole or part of one housing unit and make provision for food or other essentials of living. The degree to which the persons in the group pool their income and outlay may vary. They may be related or unrelated persons. Boarders, but not lodgers, and domestic servants living in are included in a multi-person household.

82. The statistical unit to be used in the case of persons not living in households also needs to be defined. These persons consist of inmates of institutions such as homes for the aged, poor or orphans, asylums, prisons and the like, i.e. groups of persons living together who usually share their meals, are bound by a common objective, and generally are ruled by an authority outside the group. The staff of these institutions, and persons living in hotels or boarding houses, are not considered as persons not living in households, but should be treated as members of one- or multi-person households. The statistical unit in respect of inmates of institutions might consist of the single individual or the conjugal family living together in an institution.

83. In some socio-economic situations, a more restricted definition of the household than the house-keeping concept is likely to be desirable and practicable. This concept is the family household. In this case the multi-person household is limited to individuals related by blood, marriage or adoption who satisfy the other conditions of the housekeeping concept. In developed countries the use of the family or the housekeeping concept will result in delineating the same units in most instances, and where the units differ, the individuals making up housekeeping households are likely to pool their incomes to a minor extent. In developing countries, however, the situation is different, and the housekeeping concept is the more relevant one.

84. A uniform and clear definition of the head of household is also very important in income distribution and related statistics, since many classifications of multi-person households relate to the position of the head of household. It is recommended to use the definition adopted in the SNA, where the head of household is considered to be the individual who is generally recognized as such, for example, the husband in a one-family household,

the wife if no husband is present, the eldest head of a constituent family in a multi-family household. In most instances, the head of the household so defined will be the principal recipient of income in the household.

C. Classifications of the statistical unit

1. Classifications for general use

85. Certain attributes of households are of interest in classifying the statistics of all aspects of the complementary system. Tabulations of the data according to the socio-economic status, occupation or industry of the head of household and the location of the household by administrative or geographical areas may be expected to reveal systematic differences in income experience and spending-accumulation behaviour. An urban-rural classification is also important for this purpose in many countries, but is only of limited value in highly industrialized countries. These schemes of classification may also be of assistance in sub-dividing the population according to the sources of data and the difficulties of gathering the figures.

86. Classifications according to age and sex of household heads or individuals are also likely to be valuable for purposes of studying patterns of experience and behaviour. In addition, this type of tabulation might be utilized in analyzing trends for cohorts of households. Tabulations according to size of total and per capita income, perhaps utilizing distributed factor income, are wanted for such purposes as measuring disparities in well-being, the effects of redistribution on incomes and levels of living, and patterns of spending and accumulation. For similar purposes, cross-classifications by number of household members, number of dependents or number of children may also be useful.

87. Tabulations of summary data according to socio-economic status of the head of household and size of total or per capita income are recommended for use in the complementary system. For purposes of international comparisons preference should be given to the use of fractile groups rather than class intervals defined in absolute terms in classifications according to size of income.

88. A number of schemes of classifying households in addition to those enumerated above will be required for the tabulations relating to various aspects of the statistics.

2. Classifications for distributed factor incomes

89. In tables on income from labour, property and entrepreneurship, classifications according to the magnitude of the per capita disposable income of households will furnish valuable information for studies of welfare, in addition to classifications by size of total distributed factor income. Classifications by size of distributed factor income per recipient, or by the number of income recipients and total distributed factor income would array households according to one factor determining the magnitude of this income received by households. Other schemes of classification which may be useful in analyzing the distribution of compensation of employees and entrepreneurial income, but not of property income, are the industrial and occupational attachment of the heads of household and their educational attainment.

90. Most of the schemes of classification for tabulating the incomes of households from labour, property and entrepreneurship are also of interest for tables on these incomes of individuals. The socio-economic status, age and sex of the income recipients should be key classifying elements for the total of these incomes while the industrial and occupational attachment of the income earners are useful additional characteristics for the classification of compensation of employees and entrepreneurial income. The educational attainment and length of work experience of the income recipients are also likely to be useful supplementary classifications in the case of the latter types of incomes.

91. Classifications of compensation of employees, entrepreneurial income and property income by fractile groups of distributed factor incomes are emphasized in the proposed international guidelines. Tabulations of compensation of employees by sex and age group of earner, and of income from labour and entrepreneurship by educational attainment of the head of household may also be useful.

3. Classifications for disposable income and consumption

92. Classifications according to size of disposable income will be needed in tables on such incomes by type and on their allocation to households in different socio-economic categories. A classification by size of disposable

income is also significant in describing and analyzing the pattern of goods and services consumed and the distribution of consumption among households. More precise data for these purposes would result from cross-classifications of the statistics by size of household and magnitude of disposable income, but classifications according to per capita disposable income may furnish an adequate substitute for the cross-classifications. Also advantageous in the case of tables on the level and pattern of personal consumption are classifications according to the size of per capita consumption. All the classifications mentioned would be useful for purposes of international comparisons.

4. Classifications for accumulation and wealth

93. Magnitude of saving should furnish a useful scheme of classification in tabulating data on transactions in financial assets and liabilities. For gross capital formation and capital consumption of unincorporated enterprises, the kind of economic activity of the business should be employed as a classification. In the case of balance sheet and revaluation items the magnitude of net worth might be applied. These classifications would also be useful for international comparisons.

D. Specific classification schemes

1. Classification by socio-economic groups

94. No standard international classification by socio-economic groups has yet been developed. Interim classifications for use in the European Census Programmes have been worked out by the Working Group on Population Censuses of the Conference of European Statisticians. The proposed draft classification for use in the complementary system, which is shown in table 1 of Annex II is based on the same principles as the classification of the European Working Group, but differs from it in certain details.

95. Classifications by socio-economic groups, built up from various combinations of the basic classifications by status, occupation, industry, main source of livelihood, educational attainment or income are used more and more extensively in population censuses and household surveys. Although

it would be theoretically possible to develop a basic classification by socio-economic groups from an independent sociological classification of the population, no country has actually done this. Derived classifications by scores are also rarely used.

96. The draft classification by socio-economic groups shown in table 1 of Annex II is built up from the basic classifications by main source of livelihood, status, kind of economic activity and occupation. The classification is developed on two levels, consisting of five major groups and 15 groups. Main source of livelihood is used in distinguishing the economically active (major groups 1 through 4) from the economically inactive (major group 5). For the economically active, a combination of status, kind of activity and occupation is used in defining each socio-economic group. Major groups are formed by combining groups in such a way that sections of the population are derived which are reasonably homogeneous in economic behaviour.

97. In the following, the main features of the classification are discussed with starting point in its basic components.

98. Persons deriving their main source of livelihood from economic activity (major groups 1 through 4 of table 1 of Annex II) are those depending on income from entrepreneurship; wages, salaries and supplements in cash and in kind; own-account production; fees; commissions; tips; temporary unemployment benefits; sickness or maternity benefits; or any other income from economic activity. Temporary unemployment, sickness and maternity benefits are included because unemployed seeking work as well as persons temporarily absent for reasons of illness, injury or maternity are included in the economically active population.

99. With regard to the economically inactive population, a distinction is made in the classification proposed in table 1 of Annex II between persons living in households and in institutions, respectively.

100. In the status classification, family workers are shown as a separate category. Since the classification by socio-economic groups for the most part will be applied to multi-person households, family workers will normally be assigned to the same socio-economic group as the head of the enterprise for whom they work, who also in most cases will be the head of the household

concerned. No separate group for family workers was therefore included in the proposed classification. It should be noted that paid as well as unpaid family workers are included among the economically active only if they work a minimum of one third of normal working time.

101. The "International Standard Industrial Classification of All Economic Activities" (ISIC), Revision 2, was used in distinguishing between agricultural and non-agricultural activities.

102. The classification by occupations used in combination with the status and kind of activity classifications in defining the categories of the draft classification by socio-economic groups is the "International Standard Classification by Occupations, Revised 1968", (ISCO) issued by the International Labour Office. Temporarily unemployed are classified in the socio-economic group to which they would have belonged if employed, in conformity with the ISCO.

2. Classifications according to size of income and other flows

103. It is not possible to develop a standard classification by size of income or other magnitudes for international use in absolute terms, simply because national currencies differ in value. Any such standards therefore have to be expressed in terms of the number and relative length of the intervals used. In the following, suggestions are made of how a standard classification of this type by income size groups might be developed. Classifications by expenditure groups, savings groups etc. would be similar, but might differ from the income group classification with regard to the number of intervals used.

104. The number of income intervals applied in country statistics varies considerably according to the type of statistics and the kind of tabulation for which the income group classification is used. More than half of a sample of 80 income group classifications analyzed did, however, contain ten intervals or less. It therefore appears reasonable to suggest eight income groups for use in international comparisons.

105. Both the highest and the lowest interval of the income group classification

should be open-ended. It is necessary to make the lowest interval open-ended because households and individuals who receive mainly entrepreneurial and property incomes may have negative incomes in some years. Middle intervals which are widening with increasing incomes are used in most country classifications by income groups, because the relative rather than the absolute changes in income are relevant for many analytical purposes. Also, for instance, for such purposes as estimates of income elasticities of demand, it is necessary that all income groups include a number of households or individuals large enough to eliminate random variations within the group.

106. Widening income intervals for use in international comparisons can be determined by two simple methods. One method consists in making the middle intervals equal in logarithmic terms. The ratio between the upper and lower limits of each interval in absolute terms will then be constant, and constant relative changes in income are measured. If this method is used, however, the percentage of the total number of cases to be included in the upper and lower open-ended income groups has to be determined independently.

107. The second method may be preferable because of its greater simplicity. This method consists in determining the intervals in such a way that an equal number of cases falls within each interval (or an approximately equal number if the interval limits are rounded). In order to achieve this a cumulative list of incomes may be divided into equal parts corresponding to the number of income groups proposed. In this case the limits of all intervals, including the upper and lower open-end ones are determined in one operation. In the case of eight income intervals, seven limits have to be determined and each interval would include $12\frac{1}{2}$ percent of the total number of households or individuals. Fractile groups of income, which are used in determining income intervals where this method is applied, are also in themselves valuable measures in international comparisons of income distribution statistics.

3. Classifications by age group

108. In drawing up the age group classifications for individuals and heads of households shown in Table 2, of Annex II which are intended for use in

international comparisons of income distribution and related statistics, account has been taken of country practices.

109. Both the upper and the lower intervals of the proposed age group classifications are open-ended and are determined in such a way that they should contain relatively few cases. The upper age limit of the lower open-end interval in the classification for individuals is determined by the prevailing school leaving age or age for entrance into the labour force, and should in no case be put higher than 15 years but may be put lower if country conditions so require. This is consistent with the 1970 Population Census Programme. For heads of household, the prevailing age of marriage is decisive, and 20 years should be used with option to apply a lower age if country conditions so require.

110. The age above which all individuals or heads of household should be classified in one open-ended age group is determined by such factors as average length of life, the prevalent retirement age and the adequacy of the social security system. This age is in the proposed classifications put at 65 years for both individuals and heads of household. In the case of some developed countries it may be necessary to add an extra five year interval, while in other cases one or two of the highest five year intervals may have to be consolidated with the upper open-end interval.

111. The proposed classification applies five year intervals for the age groups 15 to 19 and 20 to 24 years in the case of individuals and the age group 20 to 24 years in the case of heads of household. These are the age groups when in most countries young people enter the labour force and get married. Relatively low, but rapidly increasing incomes are experienced in these young age groups. For the ages 25 to 54 years ten year intervals are proposed. During this period a steady increase in income, expenditure and accumulation is to be expected. Five year intervals are proposed for the ages 55 to 64 years, because in most countries persons will experience a progressive decline in incomes during this period.

4. Classifications by number of household members, dependents and earners

112. The number of intervals used in classifications of this type varies according to the average size of households in different countries. Usually, each interval except the upper open-ended one includes one person more than the preceding interval, from one onward.

113. It is recommended that for purposes of international comparisons these classifications should also be cumulative in terms of one person. The classification by number of household members should include no less than six intervals, with option to use a larger number of intervals, if needed. For number of dependents no less than four and for number of earners no less than three intervals should be used, which is consistent with six intervals for the number of household members. The upper interval should be open-ended in all cases.

5. Classification by educational attainment

114. An Expert Working Group under the auspices of the UNESCO in 1968 presented the fourth draft of an "International Standard Classification of Education" (ISCED). This classification is mainly intended for use in the current analysis of educational institutions, in respect of number of teachers, number of students undergoing education at the various levels, etc. Its main features can, however, be used in a classification by educational attainment.

115. The proposed classification by educational attainment shown in Table 3 of Annex II conforms quite closely to the ISCED. The definitions are adapted to fit a classification by educational attainment.

116. For population census purposes, educational attainment is defined as "the highest grade completed within the most advanced level attended in the educational system of the country where the education was received". If this definition is used, each item in the classification by educational attainment

needs to be divided in education completed and not completed. In a classification mainly intended to be used in combination with economic characteristics, however, education not completed is of little relevance. The proposed classification shown therefore refers only to persons who have completed their education within a given group or level.

VII. DEFINITION AND CLASSIFICATION OF INCOMES

A. Compensation of employees

1. Definitions in the systems of national accounts

117. Compensation of employees as in the SNA defined to comprise (i) wages and salaries of civilian employees and members of the armed forces, (ii) employers' contributions to social security schemes on account of their employees, and (iii) employers' contributions to private pension, family allowance, health and other casualty insurance, life insurance and similar schemes in respect of their employees. Imputed contributions are included under (iii) to the extent employers make direct payments to their employees in the absence of special schemes or reserves.

118. In the MPS, compensation of employees comprises wages and salaries only. The definitions of wages and salaries used in the two systems differ on some points. The SNA includes tips and pay on sick-leave in wages and salaries, while the MPS treats these flows as transfer payments. On the other hand, the value of civilian work uniforms, reimbursable expenses incurred by employees on official travel, and payments to authors, inventors etc. are included in wages and salaries in the MPS, while the first two of these items are treated as intermediate input in production and the last item is treated as property income, in the SNA. It is of interest to note that while the MPS treats income of members of agricultural cooperatives as a special category of income, incomes of members of non-agricultural cooperatives are included in wages and salaries, because they are paid at pre-determined, fixed rates. According to SNA definitions, the latter incomes would also be included in wages and salaries, while the former would be treated as a component of entrepreneurial income.

2. Definition for use in the complementary system

119. The concept of compensation of employees should, in principle, be employed both for the micro and the macro statistics of the complementary system. Compensation of employees includes important elements of benefits in addition to wages and salaries, and these benefits must be covered in order to obtain a complete picture of income from employment and to arrive at a concept of saving which is comprehensive.

120. For the micro statistics of the complementary system, however, it may not be practicable to obtain the required information on contributions to social security, pension and other schemes by employers on behalf of their employees, and the data on remuneration from employment therefore may have to be restricted to wages and salaries only. The link to the macro statistics will still be maintained, since the item wages and salaries is shown as a separate component in the classification of compensation of employees in the SNA and is used as the main concept of remuneration from employment in the MPS.

121. If employers' contributions to social security, pension and other schemes on behalf of their employees are excluded from the micro statistics of the complementary system, corresponding modifications are required in other items of the system. Employers' contributions to life insurance and pension schemes on behalf of their employees would have to be excluded from additions to employees' equity on life insurance and pension funds, and contractual transfers paid by households would be reduced by employers' contributions to social security, health and other casualty insurance schemes and imputed contributions in respect of pension and other benefits paid directly to the employees.

122. The concept of wages and salaries to be used in the complementary system should cover all payments which employees receive in respect of their work, whether in cash or in kind, and before deductions for their own contributions to social security, withholding taxes and the like. It should include payments such as commissions, tips and bonuses, cost of living and dearness allowances, vacation, holiday, sick leave and other direct pay by the employer

for relatively short absences, and fees to members of boards of directors. Food, housing and other commodities, whether produced in the employer's business or purchased by him from others for the purpose, which are provided to the employee free of charge or at reduced prices, by his employer, should also be included. The value of military uniforms, but not of free civilian work clothing, and the value of housing of military personnel in family dwellings, but not in barracks, should be covered. Reliable data on remuneration in kind may be difficult to obtain from respondents in inquiries on income distribution and related statistics. It is, however, essential that wages and salaries include remuneration in kind, which is more important in some types of employment than in others and more important in developing than in developed countries.

123. The above definition of wages and salaries excludes the reimbursed travel expenses and the value of civilian work clothing included in the MPS concept. Adjustments for these items generally can be made in the statistics of MPS countries. The definition includes tips and pay on sick leave which are treated as transfer payments in the MPS. Tips are quite unimportant in most countries using the MPS, and separate data are generally available for pay on sick leave. Payments to authors, inventors etc., are included in wages and salaries in the MPS, but are recommended treated as property income in the complementary system. This difference may, however, be warranted for institutional reasons.

3. Scope and valuation of benefits in kind

124. The remuneration in kind which should be included in wages and salaries covers only items which may be unambiguously allocated and are subject to individual decision and choice. Benefits accruing to employees from the health, recreational, educational and similar facilities which employers make available to their employees collectively, are therefore not covered in wages and salaries. Also excluded are expenditures of producing units which contribute to the amenities of working life or compensate for expenses incurred in business travel. In general, wages and salaries are defined net of any receipts or special outlays of employees in connexion with their work, which are of benefit to them as producers rather than as consumers.

125. The commodities furnished free of charge or at reduced prices to employees by their employers as wages and salaries in kind should, in principle, be valued at cost to the employer. This is consistent with the valuation recommended in the SNA. Existing income distribution statistics for MPS countries, as well as for many SNA countries do, however apply retail prices, and there are strong practical arguments for a valuation at retail prices where the data are gathered from the recipients of the commodities rather than from the employers.

126. Valuation at the cost to the employer is, however preferable, since this cost is equivalent to the money income which the employee foregoes and the expenditure which the employer incurs. Also, the cost to the employer is the correct measure of the production actually embodied in the goods and services concerned, since a shorter chain of distribution and transport is likely to be involved than in the case of commodities sold at retail.

4. Classification

127. Compensation of employees should first be sub-divided into (i) wages and salaries and (ii) employers' contributions to social security, pension, life insurance and similar funds. Since national practices vary with regard to the inclusion of data on remuneration in kind, wages and salaries should in their turn be sub-divided into (i) wages and salaries in cash and (ii) wages and salaries in kind.

B. Entrepreneurial income

1. The national accounts concept

128. Entrepreneurial income is defined in the SNA but not in the MPS. The entrepreneurial income accruing to households according to the SNA comprises the net proceeds of the unincorporated enterprises classified in the household sector, including net rents on owner-occupied dwellings, and the withdrawals by owners of income from quasi-corporate enterprises. These withdrawals consist of the actual payments made to the owners out of the current receipts of quasi-corporations, i.e. relatively large ordinary partnerships and sole proprietorships which have complete profit-and-loss and balance

sheet accounts on the financial assets and liabilities,

as well as the real assets, involved in the business.

Entrepreneurial income net of the withdrawals is retained in the quasi-corporations and constitutes one element of their saving.

129. A concept approximating entrepreneurial income as defined in the SNA may be derived from the table on primary incomes originating from net material product, of the MPS, by adding the items: (i) net income in cash and in kind of households from agricultural co-operatives, (ii) net value added originating in the production for sale and own consumption on personal plots of households, and (iii) the net material product of self-employed craftsmen, artisans and peasants, including taxes and other deductions. No imputation for net rents of owner-occupied dwellings is made in the MPS, and income from the service industries is excluded.

2. Definition for use in the complementary system

130. It is suggested that the concept of entrepreneurial income to be used in the complementary system should correspond to the SNA definition with the explicit addition of net income in cash and in kind of households from agricultural cooperatives. The latter item is similar in nature to entrepreneurial income, but is not specifically included in the SNA definition.

3. Classification

131. For purposes of studies of the links between types of productive activity and the distribution of entrepreneurial income, it would be useful to classify entrepreneurial income according to the kind of economic activity in which it originates. A broad distinction between agricultural and non-agricultural activity, the latter sub-divided into owner-occupied dwellings and other, would be of basic value. Net rents of owner-occupied dwellings should be distinguished as a separate category of entrepreneurial income, both because the item is not included in statistics relating to MPS countries and because in many countries these net rents constitute an important part of the net proceeds of the unincorporated enterprises included in the household sector. Also, the owners of such dwellings would not necessarily be regarded

as entrepreneurs for purposes of other statistics.

132. Further sub-division of non-agricultural activity would be of considerable interest. Use might be made of the major divisions of the classification according to economic activity of the SNA.^{3/} It will be desirable to utilize relatively broad categories in order to limit the problems of allocating current expenses where one proprietor is engaged in a number of different types of unincorporated or quasi-corporate business.

4. Gross output

133. It is evident that the scope of the concept "gross output of industries" is relevant to the definition of entrepreneurial income. The definition of gross output of industries is also of significance for the contents of personal consumption.

134. Gross output of industries as defined in the SNA^{4/} covers all production for the market (sale or barter), production of goods and services furnished to employees free of charge or at reduced prices and production on own account for purposes of capital formation. Also included are a number of activities conducted on own account for purposes of personal consumption. These activities may be undertaken by household-based, or other, unincorporated enterprises engaged in production for the market, or by households which are not engaged in production for the market. In all these instances, gross output should include the results of own-account activities in agriculture, forestry, fishing, hunting and mining, the processing of primary commodities by the producers in order to make such goods as butter, cheese, flour, wine, oil, cloth or furniture for their own use, and the owner-occupancy of dwellings. In the case of household and other enterprises engaged in production for the market, gross output in addition includes the output of any other commodities which are consumed in the households of the producers and which they also produce for the market. Where households engage in production for own-account consumption or capital formation only (e.g. raising crops, owner-occupancy of dwellings, construction of dwellings for own use), a nominal productive unit is defined for purposes of recording gross output and entre-

^{3/} See table 5.2, pp. 84-85, English version, A System of National Accounts, United Nations, New York, 1968.

^{4/} See paras. 6.10-6.40, pp. 95-98, English version of A System of National Accounts, United Nations, New York, 1968.

preneurial income.

135. In the MPS, the sum of the value of the gross output of material goods and services and of non-material services rendered would yield a concept of somewhat narrower scope than gross output of industries as defined in the SNA, because the MPS excludes such items as imputed rent of owner-occupied dwellings and the value of domestic services.

136. Production on own account should be valued in terms of cash alternatives foregone. This means that, for the producer, the value of income and expenditure in kind should be considered equal to the cash income that would be realized by the sale of these items at the producing unit. It has been argued that this approach results in the under-valuation of household consumption of goods and services produced on own account, and that valuation at retail prices is more appropriate. For this reason, and also because retail prices are readily available, many surveys of income distribution and related statistics for both MPS and SNA countries value own-account production at retail prices. However, the retail price includes the value of transport, distributive and other services which in fact are not embodied in commodities originating from own production.

137. The proposal to value all personal consumption in terms of retail prices appears to originate in the desire to arrive at measures of the quantity of commodities consumed which do not necessarily vary with the quantum of embodied production. However, income distribution and related statistics are concerned both with incomes from production and levels of consumption. Also, even if it was agreed that, for welfare comparisons between groups of a population, a valuation at average consumer prices were desirable, there are a number of problems connected with such a valuation. Average consumer prices may include indirect taxes which are not paid on quantities produced for own consumption, and some farm products such as live animals cannot be valued at consumer prices.

138. Appropriate measures of quantities might be developed as supplementary data in the case of some goods, e.g. caloric content of foodstuffs. For most

other commodities, the units of measurement will necessarily be physical dimensions, and these data will be non-additive.

5. Operating surplus

139. The reduction of gross output by the appropriate expenses in order to arrive at operating surplus often raises a number of difficulties in practice, because it is necessary to (i) separate current outlays for household activities and for business purposes, (ii) distinguish capital from current business expenditure, and (iii) make appropriate estimates of the consumption of fixed capital.

140. The difficulties are especially great in the case of farms. The rent paid for tenant for farms may cover the farm land, farm buildings and equipment and the dwelling, and there may be little basis for separating the three. The rent on farm buildings and equipment only should be considered an expense in arriving at operating surplus. The rent on the farm land is to be treated as a payment for the use of property in the farm enterprise, and the rent of the dwelling is to be included in the personal consumption of the farmer. In the case of owner-occupied farms, complications arise because of the need to impute gross rent on the dwellings as part of gross output, to distinguish current from capital outlays, and to separate these outlays into those pertaining to the dwellings and those relating to the farms.

6. Deductions from the operating surplus

141. In order to derive entrepreneurial income, net payments of property income in connexion with the unincorporated enterprises must be deducted from their operating surplus. The property income may consist of interests, rents and royalties. Interest may be paid in respect of funds borrowed for use in the business or the delayed settlement of trade credit, and may be received in respect of credit granted to consumers. Rents on farm and other land utilized in the enterprise are also treated as property income paid, and royalties might be paid in respect of patents, copyrights or concessions.

142. In order to derive entrepreneurial income of unincorporated enterprises, interest on consumer debt must be separated from other interest paid which essentially covers interest on property utilized in the enterprises. This separation is made in the SNA. In concept, any interest received from customers because of late settlement of accounts should also be separated from other interest received, but this item is usually insignificant. Problems of sub-dividing rents and royalties will not, in general, arise because these transactions relate to the business in practically all cases.

C. Primary income

143. This income concept, which equals the sum of compensation of employees and entrepreneurial income, is recommended for inclusion in the complementary system, although there are no corresponding concepts either in the SNA or in the MPS. Primary incomes are incomes originating directly from the involvement of the recipients in the process of production as either employees or employers. In income distribution and related statistics, it is of interest to analyze the relationship between primary income and disposable income or levels of consumption and accumulation.

D. Property income

1. The national accounts concept

144. Property income is in the SNA defined as the actual and imputed transfers of income resulting from the use by one economic sector of the financial assets, land and intangible assets, such as copyrights and patents, owned by another economic agent. Common types of property income of relevance to the household sector are interest and dividends, net rents and royalties in respect of the use of land, copyrights, patent and similar rights. Interest comprises actual receipts and payments in respect of such financial claims as bank and other deposits, bills, bonds, loans and consumer credit, as well as accrued interest on the household equity in life insurance reserves and pension funds. Households receive dividends in respect of shares and other

forms of participation in the equity of corporations. Receipts and payments of land rents should be net of land taxes and maintenance expenditure in respect of the land. These items should be recorded on the production account of the user of the land and would thus be deducted in arriving at his operating surplus and entrepreneurial income.

145. No concept corresponding to property income in the SNA sense is found in the MPS. However, the balance of money receipts and outlays of households contains separate items for receipts of interest on bank deposits and payments of interest on bank loans. The latter item mainly covers interest on consumer credit, which is shown separately in some tabulations. The concept of dividends does not apply in centrally planned economies, and land rents, which in such economies are always paid to the government, are in the MPS treated as taxes and are not classified separately from other taxes. In centrally planned economies, copyrights, patents etc. are not assets which can be sold or otherwise disposed of by their creators, and payments to authors and inventors are in the MPS treated as wages and salaries.

2. Definition for use in the complementary system

146. It is recommended that the concept of property income to be applied in the complementary system should correspond to the SNA definition, in principle including imputed interest on household equity on life insurance and pension funds. Since it is difficult to obtain information from respondents on the magnitude of this imputed interest, it may often be necessary, in practice, to omit the item from property income in micro statistics. It should, however, be possible to estimate it in the case of macro statistics.

147. The recommended concept includes the items of property income which are identified in the MPS, namely interest received on bank deposits and interest paid on consumer credit. Property income paid and received should be recorded separately in the complementary system. Property income paid would normally only consist in interest on consumer credit.

E. Distributed factor income

148. Factor income is in the SNA defined as the sum of compensation of employees

and operating surplus. The part of the factor incomes of resident and non-resident producers which is distributed to resident households equals the sum of compensation of employees, entrepreneurial income and net property income received by these households. The concept of primary distribution of income in the MPS is similar to factor income.

149. The concept of distributed factor income is recommended for inclusion in the complementary system. It shows the income received by households at the second stage of the distribution of incomes, and takes an intermediate position between primary and disposable income. The sum of wages and salaries and those parts of entrepreneurial and property incomes which can be identified in the statistics of countries with centrally planned economies gives a total which is conceptually consistent with distributed factor income, but narrower in scope.

F. Redistributive transfers

1. The national accounts concepts

150. Redistributive transfers in the SNA for the most part consist of current non-contractual (unrequited) transfers, which may be either compulsory or voluntary. Contractual transfers in respect of private casualty insurance transactions and pensions paid directly by employers are also included. Transactions in respect of life insurance and pension funds are in the SNA treated as financial transactions and not as contractual transfers.

151. Households may receive current transfers of a non-contractual character from general government agencies (e.g. social security benefits, social assistance payments), private non-profit institutions (e.g. fellowships or other cash grants), enterprises (e.g. write-offs of bad debts), other resident households (e.g. cash gifts), or the rest of the world (e.g. gifts in cash and in kind, migrants' remittances). Many of the transfers received from government agencies will arise out of legal commitments of the government. The remainder of the non-contractual current transfers received by households will be voluntary in character.

152. Non-contractual current transfers received by households should, in principle, include an imputed amount equal to the cost to government of goods and services supplied to persons directly and individually by other producers and paid for entirely, or in part, by government, if the individuals receiving the goods and services are free to select the private unit which is to furnish them, and the terms on which they are supplied. This situation arises when, for instance, a government health service fixes the maximum payment it will make in respect of medical treatment, but leaves the individual covered under the scheme free to choose the practitioner from whom to receive care and the terms on which the treatment is to be furnished.

153. The most important non-contractual current transfers paid to general government by households are direct taxes and social security contributions. Employee contributions to social security according to the SNA concept include contributions made by employers on their behalf, which are included in the concept of compensation of employees. Households also make non-contractual transfers to private non-profit institutions (e.g., dues, donations), other resident households, and the rest of the world. The payments to government arise out of legal obligations, while the other transfers are on the whole voluntary.

154. All transactions in respect of private casualty insurance are in the SNA treated as current contractual transfers between the households and the insurance companies involved. The amounts employees contribute to such insurance on behalf of their employers are included in compensation of employees. Contractual transfers by households to enterprises also include imputed premiums in respect of pensions and welfare benefits paid directly to the employees by their employers, because corresponding imputed employer contributions are included in compensation of employees. Payments in respect of uninsured injuries and damages are also included in contractual transfers.

155. The premiums paid in respect of private casualty insurance (and also the payments made by households in respect of life insurance and pension fund transactions) are in the SNA reckoned net of an imputed charge for the services rendered by the institutions concerned. These imputed service charges are included in household expenditure on goods and services^{5/}.

^{5/} For a description of how the service charges should be estimated, see paragraphs 6.36 - 6.40, page 98, English version, A System of National Accounts, United Nations, New York, 1968.

156. Although the concept of current transfers is not applied in the MPS, some payments of this type are shown separately on the balance of money receipts and outlays of households. The items covered are receipts of personal allowances, including pensions, family allowances, sickness and accident benefits and scholarships; and payments of taxes, fees and premiums on state insurance. As already mentioned, the MPS treats pay during sickleave as a sickness benefit and not as wages and salaries. Although the balance of money receipts and outlays classifies the receipt of casualty insurance benefits together with all other receipts from banks and insurance companies, the item is usually shown separately in statistics of countries with centrally planned economies.

2. Definition for use in the complementary system

157. In principle, it is recommended that the concept of current transfers to be applied in the complementary system should correspond as closely as possible to the SNA definition. As already indicated when discussing the definition of compensation of employees, however, employers' contributions to social security, private casualty insurance, etc. on behalf of their employees may have to be excluded from the micro statistics on current transfers, for practical reasons.

158. Except for gifts in kind to and from the rest of the world, write-offs of bad debts, migrants' goods and the value of goods and services supplied to persons directly and individually but paid for by government, transfers in cash only should be covered. It is, however, likely that write-offs of bad debts and, perhaps, migrants' goods may have to be omitted from the micro statistics because information on these items is very difficult to obtain in surveys. The value of goods and services supplied to persons directly and individually, but paid for by government also may have to be excluded from the micro statistics on current transfers because of lack of data. The individuals who receive these goods and services usually will not be in a position to evaluate them at their cost to the government, or even at retail prices. This would leave gifts in kind to and from the rest of the world as the only item of transfers in kind for which information may be obtained in practice for purposes of the micro statistics. Cash transfers do not include transactions in respect of pensions and life insurance, which should be treated as financial transactions, in conformity with the SNA definition.

159. Although casualty insurance premiums included in transfers paid by households should, in principle, be net of imputed service charges, it is recognised that in practice the gross premiums may have to be recorded, because a basis for the imputation of the service charges may be lacking.

3. Classification of non-contractual current transfers

160. It is proposed that casualty insurance premiums and benefits should be shown as separate items in the complementary system. Non-contractual current transfers may be classified in three ways, namely, by type of transfer, by purpose and by type of finance, in order to furnish suitable data for analysing the nature and effect of the redistribution of household income. The classification by type of transfer is intended for use in the main tabulations of the complementary system, while the classifications by purpose and by source of finance are recommended for the detailed tabulations.

Classification of non-contractual current transfers received and made by households

A. By type of transfer

Transfers received by households

Social security benefits
Social assistance grants
Unfunded employee welfare benefits
Current transfers n.e.c.

Transfers made by households

Direct taxes
Fees, fines and penalties
Social security contributions
Current transfers to private non-profit institutions serving
households
Current transfers n.e.c.

B. By purpose

Transfers received by households

Compensation for loss of income due to:
- old age or disability
- loss of earner
- accident or sickness
- unemployment (including general relief payments)

Classification of non-contractual current transfers
received and made by households (continued)

Family allowances
War bonuses, pensions and service grants
Coverage of medical and hospital expenses
Casualty, lay-off and severance compensation
Scholarships and fellowships
Gifts from other households
Migrants' transfers (including transfers of own goods and gifts in kind)
Write-offs of bad debt
Other purposes

Transfers made by households

Compulsory transfers to general government
Membership dues
Donations to private non-profit institutions serving households
Migrants' transfers (including transfers of own goods and gifts in kind)
Other purposes

C. By source of finance

Transfers received by households

General government
Private non-profit institutions serving households
Corporate and quasi-corporate enterprises
Other domestic households
Rest of the world

161. The definitions of the types of non-contractual current transfers listed in section A of the above table should be those of the SNA^{6/}. Most items of the purpose classification given in section B of the table are self-explanatory. The first four items bring together non-contractual cash transfers of all types and from all sources received by households in respect of loss of income due to old age or disability, loss of earner, accident or sickness, and unemployment, respectively. The item "Compulsory transfers to general government" covers all

^{6/} See table 7.1 "Classification and definition of unrequited current transfers except indirect taxes and subsidies", pp. 128-129, A System of National Accounts, United Nations, New York, 1968.

current transfers by households to government, since such transfers generally arise from a legal obligation. The sources of transfers received by households are listed in section C of the table. Transfers paid by households are financed by the households themselves except in the case of contributions to casualty insurance paid by employers.

VIII. DEFINITION AND CLASSIFICATION OF CONSUMPTION

A. The national accounts concepts

162. Household expenditure on goods and services as defined in the SNA relates essentially to goods and services purchased by households, items produced on own account and utilized in final consumption, including services of owner-occupied dwellings, and goods and services received as income in kind. In addition, it includes an imputed amount equal to the cost to government of goods and services supplied to individuals directly and individually by other producers and paid for entirely, or in part, by government, under certain circumstances.

163. The MPS concept of personal consumption, in addition to purchases of material goods and services, also includes an imputed amount for the consumption of fixed capital in owner-occupied, as well as rented, dwellings. This concept, excluding the consumption of fixed capital in rented dwellings, plus the MPS concept of purchases of non-material services, which includes paid rent, yields a total with somewhat narrower coverage than household consumption of goods and services in the SNA sense. Consumption from own production and from wages and salaries in kind are included in this total.

164. A second concept of consumption, namely the total consumption of the population, is also used in the MPS, but not in the SNA. In addition to personal consumption of material goods and non-material services purchased by households, total consumption of the population includes educational, recreational, cultural, medical, health, welfare and sanitary services furnished free of charge by government, institutions and enterprises. The services may be provided either individually or collectively and are valued at cost of production.

B. Definitions for use in the complementary system

1. Personal consumption

165. The concept of personal consumption to be used in the complementary system should, as far as possible, correspond to the concept of household final consumption expenditure as defined in the SNA. In principle, imputed charges for services rendered by casualty and life insurance companies and by pension funds should therefore be included. However, the data needed in order to estimate these service charges are not likely to be available for the purposes of micro statistics and they therefore will have to be left with the premiums. Personal consumption should include purchases of second-hand goods. Receipts from the sale of second-hand goods and scraps and waste should be shown separately as negative items under the appropriate headings.

166. In order to describe the pattern of personal consumption, it should be classified by the object (purpose) for which the goods and services are used, applying the categories of the SNA^{7/}. It is also recommended to classify personal consumption by type (i.e. durable, semi-durable, non-durable goods, and services). These classifications are designed to group goods and services according to broad categories of income, elasticity of demand and the period of time over which the goods are in fact consumed. The classification by object in addition provides the basis for the most detailed and direct data for purposes of assessing the components of levels of living and compiling measures in constant prices and in quantity terms.

2. Total consumption of the population

167. It is recommended that a concept corresponding to total consumption of the population be included in the complementary system. Such a concept will furnish a more complete measure of the level of living of households than personal consumption expenditure.

168. The concept of total consumption of the population to be used in the complementary system should include the value of those goods and services

^{7/} See table 6.1 "Classification of household goods and services", pp.105-108, English version, A System of National Accounts, United Nations, New York, 1968.

provided to persons free by government, non-profit institutions and enterprises, which are clearly and primarily of benefit to the persons or consumers. In selecting the goods and services to be included, account should be taken of the difficulties of allocating the consumption among differing groups of households.

169. The criteria proposed in the previous paragraph lead to the suggestion that the only additions to be made to personal consumption in order to derive total consumption of the population should be for the free food, clothing, medical care, recreation and education which government, enterprises and private non-profit institutions furnish to persons other than their own employees, individually and directly. These goods and services are clearly of benefit to the recipients, and are provided in a fashion that limits the problems of allocation. The goods and services should be valued in terms of the net outlays of the agencies providing them, i.e. the current costs incurred less fees and other payments by households in respect of these goods and services.

170. The proposed concept would exclude net outlays of government and private non-profit institutions on recreational and cultural services which are available to the population collectively. Allocation of these outlays in terms of actual use would be very difficult, if not impossible. Outlays on administration, research and other supporting services in respect of health, educational, cultural and similar facilities should also be excluded because the connection between these outlays and the level of living of the population during a specific period of account is far from direct and clear. Further, it would be impossible to include in micro statistics outlays on community services such as sanitation, street lighting and roads, which would have to be allocated between households and other sectors of the economy which also benefit from them. Finally, services which employers furnish to their employees collectively should be excluded. Not infrequently, these services are furnished for a number of purposes some of which do not focus on the employees as consumers. Where they are clearly and primarily of benefit to employees as consumers, it would be difficult to allocate the value of these services among individual employees.

IX DEFINITION AND CLASSIFICATION OF ACCUMULATION AND WEALTH

A. Internal sources of financing investment

171. The internal sources of finance of investment of households according to the SNA are saving and net capital transfers received, and in the case of households whose heads are owners of unincorporated enterprises, provisions for the consumption of the fixed capital of their businesses. No concept corresponding to saving is applied in the MPS, and no distinction is made between current and capital transfers. Consumption of fixed assets is taken into account for dwellings, but not for business assets of household enterprises. Saving, net capital transfers and consumption of fixed capital therefore have to be defined in terms of the SNA only. It seems appropriate to show each of the three flows separately in the tables of the system.

1. Saving

172. Saving is in the SNA defined as the difference between current receipts and current disbursements, which in the case of households equals disposable income less expenditure on personal consumption. The saving of households is mainly restricted to funds which are actually in their hands and under their immediate control, for use in investment. Exceptions are contributions by employees, as well as by employers on behalf of their employees, to the equities in pension funds and life insurance reserves, and the imputed interest earned on these holdings. The latter flows should, in principle, be included in the savings concept of complementary systems, but it is likely that they will have to be excluded from the micro statistics because of lack of data.

2. Consumption of fixed capital

173. This item should cover the consumption of fixed capital in respect of unincorporated enterprises included in the household sector including consumption of fixed capital in respect of owner-occupied dwellings.

3. Capital transfers

174. In the case of households not possessing unincorporated enterprises, capital transfers are likely to consist of inheritance taxes, legacies, migrants' transfers of capital, grants for damages incurred during war, floods or other

other calamities, and endowments and other capital donations to private non-profit institutions. Households of owners of unincorporated businesses may in addition receive capital transfers in respect of their businesses, for instance investment grants. Capital transfers should be recorded net in the complementary system.

175. Occasionally, government agencies or employers may make capital transfers to pension funds in order to prevent the funds from becoming insolvent. Such transfers should be treated as payments made directly to the pension funds, since they do not add to the equity of specific individuals in the pension funds, but are intended to make good losses which otherwise would have occurred.

B. Gross capital formation and net purchases of land

176. In addition to the gross fixed capital formation and increase in stocks of unincorporated enterprises included in the household sector, this category of the complementary system should include net acquisitions of land, copyrights, concessions, etc. by households. The definitions of these transactions in the SNA are suggested to the extent the transactions are applicable to households. It will be of value to classify gross capital formation, particularly in fixed assets, according to the kind of economic activity of the unincorporated enterprise involved.

C. Financial assets and liabilities

1. Definition and classification

177. It is recommended that the definitions of financial assets and liabilities of the SNA be applied for the complementary system. The MPS does not delineate a corresponding class of transactions, but some items falling within the SNA definition, such as increase in cash holdings, increase in savings bank deposits and purchases of bonds are included on the balance of money receipts and outlays of households.

178. Some types of financial assets and liabilities distinguished in the SNA have little importance in the financial transactions of households. A suggested adaptation of the scheme of classification given in the SNA is contained in the following table.

Classification of financial claims of households^{8/}

A. Financial assets

1. Currency and transferable deposits (Category 8.2)
2. Other deposits (Category 8.3)
3. Securities (Categories 8.4, 8.5 and 8.6)
4. Other loans, including mortgages (Categories 8.7 and 8.8)
5. Net equity on pension funds (Part of Category 8.9)
6. Net equity on life insurance reserves (Part of Category 8.9)
7. Proprietors' net addition to the accumulation of quasi-corporate enterprises (Category 8.10)
8. Trade credit and advances (Category 8.11)
9. Other (Categories 8.12 and 8.13)

B. Liabilities

1. Loans, including mortgages (Categories 9.7 and 9.8)
 - i. Consumer debt
 - ii. Business debt
2. Trade credit and advances (Category 9.11)
 - i. Consumer debt
 - ii. Business debt
3. Other liabilities

179. Distinctions are not drawn in this adapted classification between types of securities, or lengths of maturity of bills, bonds or loans. In the light of the importance of transactions in respect of pension funds and life insurance reserves for studies of welfare, it is proposed that the net equity of households in these funds and reserves be separated, one from the other. The list of liabilities is very brief because few types of liabilities are of any importance in the case of households. In order to distinguish liabilities incurred between those for business purposes and those for household purposes, it is suggested that trade credit and loans received be sub-divided into consumer and business debt.

^{8/} The codes shown in parenthesis next to the entries in this table indicate the corresponding categories of table 7.2 "Financial assets and liabilities" on pp. 133-134 of A System of National Accounts, United Nations, New York, 1968. Definitions of the categories are given in the table referred to.

2. Basis of recording

180. For purposes of the complementary system, it seems desirable to tabulate data on the transactions in selected financial assets and liabilities on a gross basis, i.e. to show separate figures for acquisition or incurrence and sale or redemption. The gross additions and reductions in respect of transactions relating to pension funds, life insurance reserves and investment in quasi-corporate enterprises are described in sections 3.-5. below. For some households, receipts from these sources will be an important source of financing current expenditure, while for other households, additions will represent an important means of saving. It also seems advantageous to record transactions in securities, and perhaps consumer debt, on a gross basis. In the former case, this approach will make it possible to indicate realised capital gains on sales, which may be a factor in spending-saving behaviour. In the latter case, different households may be contracting and redeeming consumer debt.

3. Pension funds

181. In the case of pension funds, the addition to the equity of a household during the period of account should, in principle, consist of the members' own contributions and employers' contributions on their behalf, reduced by their share in the administrative expenses of the fund during the period, plus interest accrued on the existing equity of the household in the fund. It is likely that for the purposes of micro statistics it will not be feasible to include employers' contributions to pension funds on behalf of their employees or to take into account accrued interest. Also, there will probably be no basis for an estimate of the service charge in micro statistics so that additions to pension funds would be gross of the members' share in the administrative expenses of the funds. Reductions in the equity comprise payments of pensions and of lump-sum settlements on withdrawal of individual household members from the fund.

182. The figures for the change during a period of account in the equity of a household may differ when based on the current transactions mentioned and when based on the balance sheet of the pension fund as of the beginning and the end of the period, because of periodical addition by the fund of capital gains to

the reserves of households. These capital gains will appear in the revaluation accounts of the pension fund and the household. Additional adjustments in the revaluation accounts may be necessary in order to account for capital losses of the household due to such events as forfeit of the whole, or part, of the equity when coverage is discontinued.

4. Life insurance

183. The addition to the equity of a household on life insurance reserves during a period of account should, in principle, consist of the premiums paid on its behalf, reduced by a service charge for carrying the insurance, plus accrued interest on the reserves. In micro statistics, gross premiums paid by the insured themselves may have to be used instead, since information on employers' contributions may be lacking and there may be no basis for estimates of the service charge and of accrued interest. Reductions in the equity consist of payments of claims on death, on cash surrender of policies, or on maturing of endowment and similar arrangements.

184. Particularly when the excess of total market value of assets over their total balance sheet value is large, life insurance companies often transfer that part of the excess which they regard as permanent to policyholders through the profit and loss account. An entry on the revaluation account becomes necessary when the unrealised capital gain is distributed to policyholders in the form of a reversionary bonus, payable only on the maturity of the policy.

5. Proprietors' net additions to the accumulation of quasi-corporate enterprises

185. Additions to investment in a quasi-corporate enterprise consist of funds for use by the enterprise in purchasing fixed assets, accumulating stocks, acquiring financial assets or liquidating liabilities. They may include fixed assets, securities and the like which the owner transfers to the capital of a quasi-corporate unit. Withdrawals will consist of funds which the proprietor takes from the accumulated retained saving and the reserves for the consumption of fixed capital of the quasi-corporate enterprise, and from the proceeds of the sale of its fixed and financial assets. The withdrawals may also include transfers of fixed assets, securities and other financial assets from the business to the proprietor as an individual.

6. Securities

186. The receipts on sale of securities might be sub-divided into the cost of the securities on acquisition and the realised capital gain or loss on the sale. Whether or not the realised capital gain or loss would be equivalent to the entry to be made in the revaluation account of the seller would depend on the manner in which balance sheet entries in respect of the securities are to be valued. Purchases of securities should be recorded at cost of acquisition.

D. Balance sheet and revaluation items

187. This section indicates which items of wealth of households and which revaluation items should be included in the complementary system. At this juncture it is still premature to provide definitions of items of wealth or to suggest principles of valuation. Also, tabulations of wealth and revaluations are not yet included among the standard tables of Annex III.

188. The classification of financial assets and liabilities shown in paragraph 178 in connection with the discussion of capital finance transactions of households should also be applied in classifying financial assets and liabilities of households.

189. For non-financial assets of households the following classification according to type is suggested:

1. Reproducible tangible assets
 - a. Fixed assets
 - i. Residential buildings
 - ii. Other
 - b. Consumer durables
 - i. Furniture, fixtures, etc.
 - ii. Major household appliances
 - iii. Personal transport equipment
 - iv. Other
2. Non-reproducible tangible assets
 - a. Land
 - b. Other

3. Non-financial intangible assets
 - a. Patents, trademarks and copyrights
 - b. Other

190. Revaluations may be classified in the following main groups:

1. Revaluations due to price changes
2. Adjustments
3. Other net increases in value

X TABLES RECOMMENDED INCLUDED IN THE INTERNATIONAL GUIDELINES

191. This section of the paper consists of a brief discussion of the tables which should be included in the international guidelines in respect of the complementary system of income distribution and related statistics.

192. As mentioned in section VI D of the paper, which deals with the organisation of the complementary system, the tables presenting the data of the system can be arranged in three main groups. The tables in respect of the first group "Summary tables" are tables 1 through 4 of Annex I. The second group "Tables in respect of classes of transactions" are represented by tables 5 through 19, and the third group "Cross-classifications" by tables 20 through 25.

A. Presentation of the statistics in the tables

193. The data in the first two groups of tables should be presented in terms of totals as well as averages per household. Where size groups of income or other magnitudes are used as the classifying characteristic, the distribution of totals should be shown in percentage form. Averages per consumption unit, in principle, would have been preferable to averages per household in the tables relating to personal consumption, but could not be used because no standard international scale of consumption units exists. Averages per household are valid for all households in the population from which a given sample is drawn, if the sample is representative.

194. In order to enable users to calculate per capita figures in addition to the averages per household shown in the tables, the number of households and the number of persons per household should be shown for each column in most

tables of the first two groups. Where applicable, number of earners per household also should be shown, which would make possible the calculation of figures per earner. In the tables relating to accumulation and financial transactions, the number of households only should be shown, since per capita figures are of little significance for the transactions concerned.

195. The number of households shown in the tables could either be the number included in the sample or the total number of households within the population group concerned. In the former case, the totals for the various transactions shown in the tables would, of course, refer to the sample only. If the sample is representative however, ratios between sample totals, or percent distributions based on them, could be used to draw inferences in respect of the population from which the sample was drawn.

196. In order to make possible estimates of totals which show the level of the various transactions for the population as a whole, the averages per household must be multiplied by the total number of households within each category of the classification used. Global data estimates in this way would make it possible to link the micro data of the complementary system to the macro data of the full national accounting systems. The required figures for total number of households can be estimated with starting point in the number of sample households, if data on non-response and detailed information on the sampling methods used and on sampling fractions are available. Alternatively, data on the total number of households can be taken from outside sources, such as population censuses, if the classifications of households applied in these sources correspond to, or can be converted into, the classifications used in the tables of the complementary system.

197. If the sample is representative, per capita figures valid for the total population can be estimated by dividing the sample averages by the number of persons per sample household. Figures per earner can be calculated in a similar way.

198. All tables of the first two groups which refer to a distribution of incomes by size groups should also include a column for the median. The difference between the arithmetic average and the median provides a simple measure of the skewness of an income distribution.

199. In the third group of tables, which relates to cross-classifications, the data are proposed presented in terms of the number of sample households within each cell of the three first tables. An alternative way of presenting the data would be to show total sample amounts in each cell. Number of households is, however, easier to interpret than total amounts in tables where size groups of income or expenditure is always one of the classifying characteristics used, because total amounts tend to be positively correlated with increasing income or expenditure.

B. Contents of the tables

1. Summary tables

200. Four summary tables are proposed included in the international guidelines. These tables should show the total value and average value per household of each of the main groups of transactions covered by the complementary system, classified by socio-economic groups of heads of household, fractile groups of total and per capita distributed factor income, and total disposable income, respectively.

201. The differences in the value of each main group of transactions among households with heads in differing socio-economic groups are of basic interest in a broad analysis of income distribution and related statistics. Equally of interest are the differences in the value of the various transactions among households in differing income groups. Since distributed factor income is the central income concept of the complementary system and also comes closest to the income concept traditionally used in income distribution surveys, summary tabulations of the value per household of each of the main groups of transactions classified by size groups of both total and per capita factor income of households are included. The differences between the two tabulations will indicate the effect on the value of transactions of differences in the size of households at differing income levels. Similarly, a comparison between the proposed tabulation of the value of transactions per household by fractile groups of disposable income and the tabulation based on total distributed factor income will indicate the effect of the level of net current transfers and their distribution on differing income groups.

2. Tables in respect of classes of transactions

202. The fourteen tables proposed for this group may be divided into four sub-groups according to the type of transaction to which they refer.

203. Tables relating to primary income. Seven tables concerning primary income and its components are proposed included in the guidelines. Three of these tables (tables 6, 9 and 10) refer to total primary income, i.e. compensation of employees plus entrepreneurial income, and its detailed components, classified by size groups of distributed factor income, by educational attainment of the head of household, and by number of earners per household, respectively. Size groups of distributed factor income, rather than primary income, of households is used as the classifying characteristic in table 6, in order to make the tabulated data comparable with those of the summary table using distributed factor income as the characteristic of classification. In tables 9 and 10 primary income and its components are proposed classified by educational attainment of the head of household and by number of earners, which are important explanatory characteristics of differences among households in these incomes.

204. The detailed components of compensation of employees per earner, classified by age group, separately for males and females and separately for agriculture and non-agriculture, respectively, are proposed shown in tables 7 and 8. All these characteristics of earners are of importance in explaining differences in the compensation of employees received. These tables focus on the analysis of wage rates and rates of compensation of employees since earners rather than households are used as statistical units.

205. Data on the net proceeds from the unincorporated enterprises included in the household sector are in table 11 juxtaposed with data on the gross capital formation in these enterprises and the sources of its financing. The data should be classified by socio-economic group of heads of household. A detailed classification is suggested for employers and own-account workers, while all other socio-economic categories are included in one group.

206. Tables relating to disposable income. Tables 12 and 13 classify the components of disposable income by socio-economic group of heads of household and by fractile group of distributed factor income of households, respectively.

These characteristics are of particular interest in analysing differences among households in the way their disposable income is built up from its various components.

207. The tables should include the detailed components of property income which furnish the links between primary income and distributed factor income. They should also cover the current transfers received and paid by households, which link distributed factor income to disposable income. The classification of transfers used specifies those transfers which by their nature take place only between households and government. This should make it possible to analyse separately the net effect of transfers to and from government on the redistribution of household income.

208. Tables relating to consumption. The components of personal consumption classified by socio-economic group of heads of household, by fractile group of disposable income of households, and by number of household members, respectively, are shown in table 14 through 16. These three household characteristics are of prime importance for the analysis of differences among households in the pattern of personal consumption. Although distributed factor income is the central income concept of the complementary system and is proposed used as a household characteristic of classification in the summary tables and in tables relating to components of income, disposable income is the more relevant classifying characteristic in tables relating to personal consumption. Personal consumption expenditure is in most cases financed solely out of the disposable income of households, and also claims the major part of this income. Where reliable income figures are lacking, a classification of households by expenditure groups therefore for most practical purposes can replace classification by groups of disposable income.

209. Personal consumption is in tables 14 through 16 sub-divided by object according to the main groups of the classification of household goods and services of the SNA, as well as by type, i.e. by durable, semi-durable and non-durable goods, and services.

210. Total consumption of the population classified by socio-economic group of heads of household is shown in table 17. In addition to personal consumption, total consumption of the population includes goods and services provided

to households free or at a nominal charge by government and non-profit institutions, which can be allocated on an individual basis and therefore be apportioned to groups of households. The socio-economic group of the head of household appears to be the household characteristic which is most relevant for the classification of the total consumption of the population.

211. Table relating to the financial transactions of households. Tables 18 and 19 distribute saving, net lending and transactions in financial assets and liabilities on households classified according to socio-economic group of heads of household and by size groups of saving (households with negative saving and quintile groups of households with positive saving). Savings groups is used as the household characteristic in one of these tabulations, because of the analytical interest of figures which indicate how households with differing levels of saving are distributing their investments or are financing their borrowing. A tabulation according to size groups of household disposable income might also be of interest, although the relationship with transactions in the various types of financial claims is less direct and more difficult to interpret in relation to income groups than in relation to savings groups.

3. Cross-tabulations

212. Six tables cross-classifying number of households by two or more household characteristics are proposed included in the guidelines. In tables 20 and 21 socio-economic group of heads of household is used as one characteristic in the cross-classification and size group of distributed factor income and disposable income, respectively, as the second characteristic. Cross-tabulations by socio-economic groups of heads of household and by income size groups make possible a detailed analysis of the size distribution of the incomes of each socio-economic group as well as of the distribution of incomes at various levels on households with heads in differing socio-economic groups. A comparison of the two proposed cross-classifications, using distributed factor income and disposable income, respectively, as the income characteristic of the households, will show the effect redistributive transfers have had on the distribution of income among households with heads in differing socio-economic groups.

213. In table 22 number of households are cross-classified by size groups of distributed factor income and two explanatory household characteristics, namely, number of earners per household and educational level of the head of household, respectively. The cross-tabulation of number of households by income size groups and number of earners will indicate to what extent households with differing income levels have more than one earner and the degree to which additional earners contribute to an increase in the well-being of the household. Size groups of distributed factor income of households cross-classified by the educational level of heads of households will provide data for an analysis of whether education "pays", i.e. whether a higher educational level is generally associated with a higher income.

214. A cross-tabulation of number of households by size groups of personal consumption expenditure and number of household members, is shown in table 23. This cross-classification should indicate to what extent the absolute level of personal consumption increases with an increase in household size and thus supplement the information provided in table 16 on the composition of personal consumption expenditure for households of different sizes. Tables 24 and 25 cross-classify unrequited current transfers of households by purpose and source of finance and by type of transfer and source of finance, respectively.

ANNEX I

List of items to be included in the complementary system

1. Compensation of employees
 - i. Wages and salaries
 - ii. Employers' contributions to social security and similar schemes
 - iii. Employers' contributions to life insurance and pension funds
 2. Entrepreneurial income
 - i. Net proceeds from unincorporated enterprises included in the household sector
 - a. Net rent of owner-occupied dwellings
 - b. Other
 - ii. Withdrawals from quasi-corporations
 - iii. Income of members of agricultural producers' cooperatives
-
3. Primary income (1 + 2)
-
4. Property income received
 - i. Interest
 - ii. Dividends
 - iii. Agricultural rent, royalties, etc.
 5. Property income paid
-
6. Distributed factor income (3 + 4 - 5)
-
7. Other current transfers received
 - i. Casualty insurance benefits
 - ii. Social security benefits
 - iii. Social assistance grants
 - iv. Unfunded employee welfare benefits
 - v. Current transfers n.e.c.
 8. Other current transfers paid
 - i. Casualty insurance premiums
 - ii. Direct taxes

List of items to be included in the complementary system (continued)

-
- iii. Fees, fines and penalties
 - iv. Social security contributions
 - v. Current transfers to private non-profit institutions
 - vi. Current transfers n.e.c.
-
9. Disposable income (6 + 7 - 8)
-
10. Personal consumption
-
11. Saving (9 - 10)
-
12. Consumption of fixed capital
13. Capital transfers received, net
14. Gross capital formation
- i. Owner-occupied dwellings
 - ii. Other
-
15. Net lending (11 + 12 + 13 - 14)
-
16. Acquisition of financial assets
- i. Currency and transferable deposits
 - ii. Other deposits
 - iii. Securities
 - iv. Other loans, including mortgages
 - v. Net equity on pension funds
 - vi. Net equity on life insurance reserves
 - vii. Proprietors' net additions to the accumulation of quasi-corporate enterprises
 - viii. Trade credit and advances
 - ix. Other assets
17. Incurrence of liabilities
- i. Loans, including mortgages
 - a. Consumer debt
 - b. Business debt

List of items to be included in the complementary system (continued)

- ii. Trade credit and advances
 - a. Consumer debt
 - b. Business debt
 - iii. Other liabilities
-
18. Total consumption of the population
-
19. Reproducible tangible assets
- i. Fixed assets
 - a. Residential buildings
 - b. Other
 - ii. Consumer durables
 - a. Furniture, fixtures, etc.
 - b. Major household appliances
 - c. Personal transport equipment
 - d. Other
20. Non-reproducible tangible assets
- i. Land
 - ii. Other
21. Non-financial intangible assets
- i. Patents, trademarks and copyrights
 - ii. Other
22. Stocks of financial assets (classified as 16)
23. Financial liabilities (classified as 17)
24. Revaluations
- i. Revaluations due to price changes
 - ii. Adjustments
 - iii. Other net increases in value

ANNEX II CLASSIFICATIONS

Table 1 Draft classification of socio-economic groups

Major group	Group
1 Employers and own-account workers in agriculture	11 Employers Heads of unincorporated enterprises classified in Major division 1 of the ISIC (Agriculture, forestry, fishing and hunting), with one or more employees aside from family workers
	12 Own-account workers Heads of unincorporated enterprises classified in Major division 1 of the ISIC (Agriculture, forestry, fishing, and hunting), with no employees except, possibly, family workers
	13 Members of agricultural producers' cooperatives Members of producers' cooperatives in agriculture, forestry and fishing Persons working in the cooperatives, who are not members but only receive wages and salaries, are classified in Major group 3 below
2 Employers and own-account workers outside agriculture	21 Employers Heads of unincorporated enterprises classified in Major divisions 2 to 9 of the ISIC, with at least one employee aside from family workers
	22 Own-account workers in the professional, technical, consulting and similar fields Own-account workers with occupations belonging to Major group 0/1 of the ISCO (Professional, technical and related services) Employees with similar occupations are classified in Group 31 below
	23 Other own-account workers Heads of unincorporated enterprises classified in Major divisions 2 to 9 of the ISIC, except those classified in Group 22, with no employees except, possibly, family workers
3 Employees in agriculture	31 Managers, supervisors, technical and clerical employees Employees of establishments classified in Major division 1 of the ISIC belonging to Major groups 0/1 (Professional, technical and related workers), 2 (Administrative and managerial workers) and 3 (Clerical and related workers), and to Group 6-0 (Farm managers and supervisors), of the ISCO. Includes working proprietors
	32 Labourers Labourers of establishments classified in Major division 1 of the ISIC, belonging to Major groups 6 (Agricultural, animal husbandry and forestry workers, fishermen and hunters), excluding farm managers and supervisors (Group 6-0), and to Group 9-8 (Transport equipment operators), of the ISCO. Includes members of non-agricultural producers' cooperatives
4 Employees outside agriculture	41 Managers, supervisors and professional employees Employees of establishments and public administration, classified in Major divisions 0/1 (Professional, technical and related workers, 2 (Administrative and managerial workers), in Groups 3-0 (Clerical supervisors), 3-1 (Government executive officials), 3-5 (Transport and communication supervisors) 4-0 and 4-1 (Managers and working proprietors, wholesale and retail trade), 5-0 and 5-1 (Managers and working proprietors, catering and lodging services), 5-2 (Housekeeping and related service supervisors) and 7-0 (Production supervisors and general foremen, and in Minor group 4-21 (Sales supervisors), of the ISCO
	42 Clerical, sales and service workers Employees of establishments and public administration, classified in Major divisions 2 to 9 of the ISIC, belonging to Major groups 3 (Clerical and related workers), 4 (Sales workers) and 5 (Service workers), of the ISCO, except Groups 3-0, 3-1, 3-5, 4-0, 4-1, 5-0, 5-1 and 5-2, and Minor group 4-21, which are classified in Group 4-1 above
	43 Manual workers Employees of establishments and public administration, classified in Major divisions 2-9 of the ISIC, belonging to Major groups 7 to 9 of the ISCO (Production and related workers) transport equipment operators and labourers), except Group 7-0 which is classified in Group 41 above
	44 Members of the armed forces Persons who are members of the armed forces as a regular occupation, and other persons in the armed forces, either for first time training or on recall of at least six months duration.
5 Economically inactive persons living in households	51 Economically inactive persons living in households Persons in households, mainly living from old age, superannuation, survivors', disability and invalidity or other pensions, scholarships, relief payments, family allowances or other benefits and assistance, paid by general government, cooperatives, enterprises or institutions, and from support by another person or persons. Also includes persons mainly living from interests, dividends, royalties, life insurance benefits, etc
6 Persons living in institutions	61 Economically inactive persons living in institutions Persons in institutions such as hospitals or homes for the care of the aged, the infirm, the needy, orphans etc, mainly living on pensions, benefits or assistance provided by general government or enterprises, or being supported directly by the institutions themselves, inmates of prisons, etc

Table 2 Draft classification by age groups for individuals and heads of household

Individuals	Heads of household
Below 15 years	Below 20 years
15-19 years	
	20-24 years
	25-34 "
	35-44 "
	45-54 "
	55-59 "
	60-64 "
	65 years and over

Table 3. Draft classification by educational attainment

Division	Major group
1. First level of education	<p>11 Primary school Persons who have completed general primary education, usually obligatory and lasting from 3 to 8 years for children between 6 and 15 years of age.</p>
2. Second level of education	<p>21 Lower stage of second level of education Persons who have completed middle schools, junior high schools etc., which extend education at the first level on a broader and more theoretical basis, or schools which combine extension of general education at the first level with teaching of knowledge and skills useful in the commercial, clerical, teaching, technical or agricultural fields. 2 to 5 years full-time attendance required, or corresponding part-time attendance.</p> <p>22 Higher stage of second level of education Persons who have completed lycées, senior high schools etc., which extend the teaching at the lower stage of the second level by developing the understanding of ideas and independent thinking of the students, or schools which combine extension of the teaching at the lower stage of the second level in general education with work and study useful in the commercial, technical and teaching fields, for work in hospitals and clinics, or in agriculture.</p>
3. Third level of education	<p>31 Non-academic third level education Persons who have completed teacher training schools requiring from 2 to 4 years full-time attendance upon completion of secondary education, and persons with degrees from vocational schools developing specialized knowledge and skills in areas such as agriculture, commerce or engineering with the aim of achieving mastery of practice based on relevant theory.</p> <p>32 First university degree or equivalent Persons with a first degree from a university or similar institution, requiring 3 to 7 years of full-time study after completion of secondary education.</p> <p>33 Post-graduate university degree or equivalent Persons with a post-graduate degree from a university or equivalent institution, requiring 1 to 3 years of full-time study after fulfilling the requirements of the first degree.</p>

ANNEX III TABLES

Table 1a Value of transactions according to socio-economic group of heads of households
Table 1b Value of transactions per household according to socio-economic group of heads of households

Type of transaction	All households	Households of employers and own-account workers					Households of employees		Inactive persons	
		In agriculture			Outside agriculture		In agriculture	Outside agriculture	Living in households	Living in institutions
		Employers	Independent own account workers	Member of producers' cooperatives	Employers	Own-account workers				
Number of households Average number of persons per household Average number of income earners per household	(Number)									
1 Compensation of employees a Wages and salaries b Employers' contributions to social security and similar funds c Employers' contributions to life insurance and pension funds 2 Entrepreneurial income	(Currency units)									
3 Primary income (1+2)										
4 Property income, net										
5 Distributed factor income (3+4)										
6 Other current transfers received 7 Less other current transfers paid										
8 Disposable income (5+6-7)										
9 Personal consumption										
10 Saving (8-9)										
11 Consumption of fixed capital 12 Capital transfers received, net 13 Gross capital formation										
14 Net lending (10+11-12-13) or (15-16)										
15 Net acquisition of financial assets 16 Net incurrence of liabilities										

Table 2a Percentage of value of transactions accounted for by fractile groups of households ordered according to distributed factor income

Table 2b Value of transactions per household of fractile groups of households ordered according to distributed factor income

Type of transaction	All households	Class intervals of distributed factor income corresponding to fractile groups of households								Median
		1st	2nd	3rd	4th	5th	6th	7th	8th	
		(Number)								
Number of households Average number of persons per household Average number of income earners per household	(Currency units)									
1 Compensation of employees a Wages and salaries b Employers' contributions to social security and similar funds c Employers' contributions to life insurance and pension funds 2 Entrepreneurial income										
3 Primary income (1+2)										
4 Property income, net										
5 Distributed factor income (3+4)										
6 Other current transfers received 7 Less other current transfers paid										
8 Disposable income (5+6-7)										
9 Personal consumption										
10 Saving (8-9)										
11 Consumption of fixed capital 12 Capital transfers received, net 13 Gross capital formation										
14 Net lending (10+11+12-13) or (15-16)										
15 Net acquisition of financial assets 16 Net incurrence of liabilities										

Table 3a Percentage of value of transactions accounted for by fractile groups of households ordered according to per capita distributed factor income
Arrangement of table similar to table 2a

Table 3b Value of transactions per household of fractile groups of households ordered according to per capita distributed factor income
Arrangement of table similar to table 2b

Table 4a Percentage of value of transactions accounted for by fractile groups of households ordered according to disposable income
Arrangement of table similar to table 2a.

Table 4b Value of transactions per household of fractile groups of households ordered according to disposable income
Arrangement of table similar to table 2b

Table 5a Primary income according to socio-economic group of heads of households

Table 5b Primary income per household according to socio-economic group of heads of households

	All households	Households of employers and own-account workers					Households of employees		Inactive persons	
		In agriculture			Outside agriculture		In agriculture	Outside agriculture	Living in households	Living in institutions
		Employers	Independent own-account workers	Members of producers' cooperatives	Employers	Own-account workers				
Number of households Average number of persons per household Average number of income earners per household	(Number)									
1 Wages and salaries 1) In cash 11) In kind 2 Employers' contributions to social security and similar funds 3 Employers' contributions to life insurance and pension funds 4 Compensation of employees (1 through 3)	(Currency units)									
5 Net proceeds from unincorporated enterprises included in the household sector 1) Net rents of owner-occupied dwellings 11) Other 6 Withdrawals from quasi-corporations 7 Income of members of agricultural producers' cooperatives 8 Entrepreneurial income (5 through 7) 9 Primary income (4+8)										

Table 6a Percentage of primary income accounted for by fractile groups of households ordered according to distributed factor income

Table 6b Primary income per household of fractile groups of households ordered according to distributed factor income

	All households	Class intervals of distributed factor income corresponding to fractile groups of households								Median
		1st	2nd	3rd	4th	5th	6th	7th	8th	
Number of households Average number of persons per household Average number of income earners per household	(Number)									
1 Wages and salaries 1) In cash 11) In kind 2 Employers' contributions to social security and similar funds 3 Employers' contributions to life insurance and pension funds 4 Compensation of employees (1 through 3)	(Currency units)									
5 Net proceeds from unincorporated enterprises included in the household sector 1) Net rents of owner-occupied dwellings 11) Other 6 Withdrawals from quasi-corporations 7 Income of members of agricultural producers' cooperatives 8 Entrepreneurial income (5 through 7) 9 Primary income (4+8)										

Table 7 Compensation of employees per earner, by age group and sex

Components of compensation of employees	All households	Age groups						
		Below 20 years	20-24	25-34	35-44	45-54	55-59	60-64
Number of earners		Males (Number)						
1. Wages and salaries 1) In cash 11) In kind		(Currency units)						
2. Employers' contributions to social security and similar funds								
3. Employers' contributions to life insurance and pension funds								
4. Compensation of employees (1 through 3)								
Number of earners		Females (Number)						
1. Wages and salaries 1) In cash 11) In kind		(Currency units)						
2. Employers' contributions to social security and similar funds								
3. Employers' contributions to life insurance and pension funds								
4. Compensation of employees (1 through 3)								

Table 8. Compensation of employees per earner, by age group and by agriculture and non-agriculture

	All households	Age groups						
		Below 20 years	20-24	25-34	35-44	45-54	55-59	60-64
Number of earners		In agriculture (Number)						
1. Wages and salaries 1) In cash 11) In kind		(Currency units)						
2. Employers' contributions to social security and similar funds								
3. Employers' contributions to life insurance and pension funds								
4. Compensation of employees (1 through 3)								
Number of earners		Outside agriculture (Number)						
1. Wages and salaries 1) In cash 11) In kind		(Currency units)						
2. Employers' contributions to social security and similar funds								
3. Employers' contributions to life insurance and pension funds								
4. Compensation of employees (1 through 3)								

Table 9a. Primary income according to educational attainment of heads of households

Table 9b. Primary income per household according to educational attainment of heads of households

Type of income	All households	Educational attainment of head of household					
		First level of education	Lower stage of second level of education	Higher stage of second level of education	Non-academic third level of education	First university degree or equivalent	Post-graduate university degree or equivalent
Number of households	(Number)						
Average number of persons per household							
Average number of income earners per household							
1 Wages and salaries 1) In cash 11) In kind	(Currency units)						
2 Employers' contributions to social security and similar funds							
3 Employers' contributions to life insurance and pension funds							
4. Compensation of employees (1 through 3)							
5. Net proceeds from unincorporated enterprises included in household sector 1) Net rents of owner-occupied dwellings 11) Other							
6. Withdrawals from quasi-corporations							
7 Income of members of agricultural producers' cooperatives							
8 Entrepreneurial income (5 through 7)							
9 Primary income (4+8)							

Table 10a. Primary income according to number of earners per household

Table 10b Primary income per household according to number of earners per household

	All households	Number of earners per household					
		One	Two	Three	Four	Five	Six and over
Number of households	(Number)						
Average number of persons per household							
1. Wages and salaries 1) In cash 11) In kind	(Currency units)						
2 Employers' contributions to social security and similar funds							
3. Employers' contributions to life insurance and pension funds							
4. Compensation of employees (1 through 3)							
5 Net proceeds from unincorporated enterprises included in household sector 1) Net rents of owner-occupied dwellings 11) Other							
6 Withdrawals from quasi-corporations							
7 Income of members of agricultural producers' cooperatives							
8. Entrepreneurial income (5 through 7)							
9 Primary income (4+8)							

Table 11 Net proceeds from unincorporated enterprises and accumulation, by socio-economic group of heads of household

Type of transaction	All households	Households of					Other households
		Employers		Own-account workers			
		In agriculture	Outside agriculture	In agriculture	In professional, technical, consulting and similar fields	Other own-account workers outside agriculture	
Number of households	(Number)						
1 Net proceeds from unincorporated enterprises included in household sector 1) Net rents of owner-occupied dwellings 11) Other	(Currency units)						
2 Gross capital formation 1) Owner-occupied dwellings 11) Other							
3 Saving							
4 Consumption of fixed capital 1) Owner-occupied dwellings 11) Other fixed capital							
5 Capital transfers, net							
6 Net borrowing							
7 Financing of gross capital formation (3 through 6)							

Table 12a Disposable income according to socio-economic group of head of household

Table 12b Disposable income per household according to socio-economic group of heads of household

Type of transaction	All households	Households of employers and own-account workers				Households of employees				Inactive persons	
		In agriculture		Outside agriculture		In agriculture	Outside agriculture	Living in households	Living in institutions		
		Employers	Independent own-account workers	Members of producers' cooperative	Employers					Own-account workers	
Number of households	(Number)										
Average number of persons per household											
1 Compensation of employees 1) Wages and salaries 11) Employers' contributions to social security and similar funds 111) Employers' contributions to life insurance and pension funds	(Currency units)										
2 Entrepreneurial income											
3 Primary income (1+2)											
4 Property income received 1) Interest 11) Dividends 111) Agricultural rent, royalties etc											
5 Property income paid											
6 Distributed factor income (3+4-5)											
7 Other current transfers received 1) Casualty insurance benefits 11) Social security benefits 111) Social assistance grants 1111) Unfunded employee welfare benefits 11111) Current transfers n e c											
8 Other current transfers paid 1) Casualty insurance premiums 11) Direct taxes 111) Fees, fines and penalties 1111) Social security contributions 11111) Current transfers to private non-profit institutions 111111) Current transfers n e c											
9 Disposable income (6+7-8)											

Table 13a Percentage of disposable income accounted for by fractile groups of households ordered according to disposable income

Table 13b Disposable income per household according to fractile groups of households ordered according to disposable income

Type of transaction	All households	Class intervals of disposable income corresponding to fractile groups of households								Median
		1st	2nd	3rd	4th	5th	6th	7th	8th	
Number of households Average number of persons per household	(Number)									
1 Compensation of employees 1) Wages and salaries ii) Employers' contributions to social security and similar funds iii) Employers' contributions to life insurance and pension funds 2 Entrepreneurial income	(Currency units)									
3 Primary income (1+2)										
4 Property income received 1) Interest ii) Dividends iii) Agricultural rent, royalties etc 5 Property income paid										
6 Distributed factor income (3+4-5)										
7 Other current transfers received i) Casualty insurance benefits ii) Social security benefits iii) Social assistance grants iv) Unfunded employee welfare benefits v) Current transfers n e c 8 Other current transfers paid i) Casualty insurance premiums ii) Direct taxes iii) Fees, fines and penalties iv) Social security contributions v) Current transfers to private non-profit institutions vi) Current transfers n e c										
9 Disposable income (6+7-8)										

Table 14a Personal consumption according to socio-economic group of heads of household

Table 14b Personal consumption per household according to socio-economic groups of heads of household

Type of consumption	All households	Households of employers and own-account workers				Households of employees		Inactive persons	
		In agriculture		Outside agriculture		In agriculture	Outside agriculture	Living in households	Living in institutions
		Employers	Independent own-account workers	Members of producers' cooperatives	Employers	Own-account workers			
Number of households Average number of persons per household	(Number)								
1 Food, beverages and tobacco 1) Food ii) Beverages iii) Tobacco 2 Clothing and footwear 3 Gross rent, fuel and power 4 Furniture, furnishings, household equipment and operation 5 Medical care and health expenses 6 Transport and communications 7. Recreation, entertainment, education and cultural services 8 Other goods and services	(Currency units)								
9 Total personal consumption i) Durable goods ii) Semi-durable goods iii) Non-durable goods iv) Services									

Table 15a Percentage of personal consumption expenditure accounted for by fractile groups of households ordered according to disposable income

Table 15b Personal consumption expenditure per household according to fractile groups of households ordered according to disposable income

Type of consumption	All households	Class intervals of disposable income corresponding to fractile groups of households							
		1st	2nd	3rd	4th	5th	6th	7th	8th
		(Number)							
Number of households									
Average number of persons per household									
		(Currency units)							
1 Food, beverages and tobacco									
1) Food									
ii) Beverages									
iii) Tobacco									
2 Clothing and footwear									
3 Gross rent, fuel and power									
4 Furniture, furnishings, household equipment and operation									
5 Medical care and health expenses									
6 Transport and communications									
7 Recreation, entertainment, education and cultural services									
8 Other goods and services									
9 Total personal consumption									
i) Durable goods									
ii) Semi-durable goods									
iii) Non-durable goods									
iv) Services									

Table 16a Personal consumption expenditure according to size of household

Table 16b Personal consumption expenditure per household according to size of household

Type of consumption	All households	Number of household members					
		One	Two	Three	Four	Five	Six and more
		(Number)					
Number of households							
		(Currency units)					
1 Food, beverages and tobacco							
1) Food							
ii) Beverages							
iii) Tobacco							
2 Clothing and footwear							
3 Gross rent, fuel and power							
4 Furniture, furnishings, household equipment and operation							
5 Medical care and health expenses							
6 Transport and communications							
7 Recreation, entertainment, education and cultural services							
8 Other goods and services							
9 Total personal consumption							
i) Durable goods							
ii) Semi-durable goods							
iii) Non-durable goods							
iv) Services							

Table 17a Total consumption of the population according to socio-economic group of heads of household

Table 17b Total consumption of the population per household according to socio-economic group of heads of household

Type of consumption	All households	Households of employers and own-account workers				Households of employees		Inactive persons	
		In agriculture		Outside agriculture		In agriculture	Outside agriculture	Living in households	Living in institutions
		Employers	Independent own-account workers	Members of producers' co-operatives	Employers				
		(Number)							
Number of households									
Average number of persons per household									
		(Currency units)							
1 Total personal consumption									
2 Goods and services provided free by government and non-profit institutions on an individual basis									
1) Education									
ii) Recreational services									
iii) Medical and health services									
3 Total consumption of the population									

Table 18a. Percentage of financial transactions accounted for by fractile groups of households ordered according to total saving

Table 18b. Financial transactions per household according to fractile groups of households ordered according to total saving

Type of transaction	All households	Households with negative saving	Savings groups corresponding to quintile groups of households with positive saving				
			1st	2nd	3rd	4th	5th
Number of households	(Number)						
1 Saving 2 Consumption of fixed capital and capital transfers received 3 Gross capital formation	(Currency units)						
4 Net lending							
5 Acquisition of financial assets 1) Currency and transferable deposits ii) Other deposits iii) Securities iv) Other loans, including mortgages v) Net equity on pension funds vi) Net equity on life insurance reserves vii) Proprietors' net addition to the accumulation of quasi-corporate enterprises viii) Trade credit and advances ix) Other assets 6 Incurrence of liabilities 1) Loans, including mortgages a) Consumer debt b) Business debt ii) Trade credit and advances a) Consumer debt b) Business debt iii) Other liabilities							

Table 19a. Financial transactions according to socio-economic group of heads of households

Table 19b. Financial transactions per household according to socio-economic group of heads of households

Type of transaction	All households	Households of employers and own-account workers					Households of employees		Inactive persons	
		In agriculture			Outside agriculture		In agriculture	Outside agriculture	Living in households	Living in institutions
		Employers	Independent own-account workers	Members of producers' co-operatives	Employers	Own-account workers				
Number of households	(Number)									
1 Saving 2 Consumption of fixed capital and capital transfers received 3 Gross capital formation	(Currency units)									
4 Net lending										
5. Acquisition of financial assets 1) Currency and transferable deposits ii) Other deposits iii) Securities iv) Other loans, including mortgages v) Net equity and pension funds vi) Net equity on life insurance reserves vii) Proprietors' net addition to the accumulation of quasi-corporate enterprises viii) Trade credit and advances ix) Other assets 6 Incurrence of liabilities 1) Loans including mortgages a) Consumer debt b) Business debt ii) Trade credit and advances a) Consumer debt b) Business debt iii) Other liabilities										

Table 24 Unrequited current transfers classified according to purpose and source of finance or destination of transfers

Purpose of transfers	Source of finance or destination of transfers				
	General government	Private non-profit institutions serving households	Corporate and quasi-corporate enterprises	Other domestic households	Rest of the world
(Currency units)					
I Received by households Compensation for loss of income due to 1) Old age or disability 11) Loss of earner 111) Accident or sickness 1v) Unemployment (including general relief payments) v) Family allowances vi) War bonuses, pensions, service grants vii) Coverage of medical and hospital expenses viii) Casualty, lay-off and severance compensation ix) Scholarships and fellowships x) Gifts from other households xi) Migrants' transfers (including transfers of own goods) xii) Write-offs of bad debt xiii) Other purposes					
II Made by households 1) Compulsory transfers to general government 11) Contributions in respect of pensions, benefits etc. paid directly to employees (imputed employers' contributions) 111) Membership dues 1v) Donations to private non-profit institutions serving households v) Gifts to other households vi) Migrants' transfers (including transfers of own goods and gifts in kind) vii) Other purposes					

Table 25 Unrequited current transfers classified according to type and source of finance or destination of transfers

Type of transfers	Source of finance or destination of transfers				
	General government	Private non-profit institutions serving households	Corporate and quasi-corporate enterprises	Other domestic households	Rest of the world
(Currency units)					
I Received by households 1) Social security benefits 11) Social assistance grants 111) Unfunded employee welfare benefits 1v) Current transfers n e c					
II Made by households 1) Direct taxes 11) Fees, fines and penalties 111) Social security contributions 1v) Current transfers to private non-profit institutions serving households v) Unfunded employee welfare contributions, imputed vi) Current transfers n e c					