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## A COMPLIMENTARY SYSTEM OF STATISTICS OF THE DISTRIBUTION OF INCOME AND WEALTH

(Prepared by the Statistical Office of the United Nations)

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A COMPLIMENTARY SYSTEM OF STATISTICS OF THE  
DISTRIBUTION OF INCOME AND WEALTH

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## A COMPLEMENTARY SYSTEM OF STATISTICS OF THE DISTRIBUTION OF INCOME AND WEALTH

### I. INTRODUCTION

1. This paper outlines the types of data on incomes, consumption and accumulation of households needed for purposes of a proposed system of income distribution and related statistics complementary to the SNA and the MPS, and discusses the definitions, classifications and tabulations of these data.

2. Papers prepared by the Statistical Office of the United Nations on the objectives, character and content of a complementary system of income distribution and related statistics have already been considered by a number of Expert meetings as well as by the Fifteenth Session of the Statistical Commission.

3. The first meeting discussing this topic was the Group of Experts on Social Policy and the Distribution of Income in the Nation convened by the Secretary-General in accordance with a resolution of the Commission for Social Development of the United Nations, from 23 January to 1 February 1967. The paper submitted to the Group outlined the scope, character, definitions and classifications of a system of income distribution and related statistics in the light of the need for these data in assessing social conditions and formulating and evaluating social policies.<sup>1/</sup> The Group dealt mainly with the requirements for income distribution and related statistics in identifying welfare and other social problems and assessing the effects of policies adopted to resolve these problems.<sup>2/</sup>

4. The paper submitted to the second meeting, namely the Working Group on Statistics of Income Distribution of the Conference of European Statisticians which met from 1 to 5 May 1967, discussed in some detail

<sup>1/</sup> Statistics of Income Distribution, Group of Experts on Social Policy and the Distribution of Income in the Nation, Commission for Social Development, E/CN.5/AC.13/R.2.

<sup>2/</sup> See Report of the Group of Experts on Social Policy and the Distribution of Income in the Nation, E/CN.5/420, Commission for Social Development.

the objectives, scope, character and relation to the new SNA and MPS, as well as definitions and classifications of a proposed system of the distribution of income, expenditure and accumulation.<sup>3/</sup> The Working Group agreed in principle with the approach taken in the Statistical Office paper.<sup>4/</sup> The Fifteenth Session of the Conference of European Statisticians also discussed the subject based on the Report of the Working Group.

5. A Meeting of Experts on the Scope, Methods and Uses of Family Expenditure Surveys was convened by the ILO from 4 to 13 December 1967. Family expenditure surveys are of course an important source of basic data for the compilation of income distribution statistics, and the paper submitted by the Statistical Office to the Expert Meeting was written from that point of view.<sup>5/</sup>

6. At its Fifteenth Session, the Statistical Commission discussed a progress report on the work on income distribution and related statistics by the Statistical Office.<sup>6/</sup> This report also contained an outline of the proposed supplementary system of income distribution and related statistics. The Commission agreed that a system of income distribution and related statistics at the micro level, consistent with the systems of national accounts and balances but supplementary to them, should be developed. It also indicated that attention should be devoted to the limitations on

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<sup>3/</sup> Statistics of the Distribution of Incomes, Expenditure and Accumulation, Working Group on Statistics of Income Distribution, Conference of European Statisticians, Conf.Eur.Stats/WG.27/2.

<sup>4/</sup> See Report of the Meeting Held in Geneva, 1-5 May 1967, Working Group on Statistics of Income Distribution, Conference of European Statisticians, Conf.Eur.Stats/WG.27/5.

<sup>5/</sup> Requirements for Data for Purposes of Income Distribution and Related Statistics, Meeting of Experts on the Scope, Methods and Uses of Family Expenditure Surveys, International Labour Office, FES/1967/III.

<sup>6/</sup> A Complementary System of Statistics of the Distribution of Income and Wealth, E/CN.3/363.

concepts and definitions which are imposed by the possibilities and methods of gathering data.<sup>7/</sup>

7. Recommendations made by the meetings which have already discussed the proposals for a supplementary system of income distribution and related statistics are, to the extent possible, taken into account in preparing the present paper. Also, information gathered for a comparative study of national practices in income distribution and related statistics has been used.

8. The first four sections of this paper discuss the objectives and character of income distribution and related statistics, the stage of development of national statistics on these subjects, the relation of the system to the national accounts and balances and the scope, organization and development of a complementary system. The final four sections of the paper include a detailed discussion of the definition and classification of the statistical units, and of incomes, consumption and accumulation.

## II. OBJECTIVES AND CHARACTER OF INCOME DISTRIBUTION AND RELATED STATISTICS

9. Statistics of the distribution of income, expenditure and accumulation are needed for a wide range of different purposes. The most common and traditional type of questions which income distribution and related statistics are used to highlight, concerns the characteristics, determinants and equity of the distribution of welfare among the population. Of interest in this respect are studies of the incomes which various groups of the population receive from participating in production and from property, in relation to their economic and social characteristics, and analysis of the ways in which incomes are redistributed among households through taxation and other government measures. For the same purposes, data are also required on the level and pattern of the

<sup>7/</sup> Statistical Commission, Report of the Fifteenth Session, E/CN.3/390. Paras. 34-39.

consumption of households and the means in addition to disposable income through which the consumption is financed. Information on changes in the size distribution of incomes, and in the disposition of these incomes, is also basic to assessing the effects of trends in economic conditions on the well-being of various population groups.

10. Data on the distribution and disposition of family incomes are needed in dealing with the questions of promoting steady economic growth and stabilizing prices. Information is required on the size of the disposable income of various groups of households, and on the way in which they divide income between consumption and saving. 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. Projecting the demand for consumers' goods and services and assessing demand-pull pressures on prices require, 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.

11. For purposes of planning, programming and economic analysis, statistics are required which provide as detailed a picture as possible of all aspects of the distribution and redistribution of household income and the pattern of consumption and savings, but not all these data are necessarily required at annual intervals. In order to obtain comprehensive statistics of this type, special family income and expenditure surveys undertaken at intervals of three to five years are needed. The present paper is mainly concerned with the definition and classification of the data which may be included in such comprehensive surveys.

12. 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 and expenditure.

These data are usually obtained from quarterly or monthly surveys, which comprise only the most central part of the information collected for the comprehensive surveys. Frequently, current surveys cover only a small sample of households drawn from a special section of the population, such as urban workers, or salary earners, pensioners 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, at least, the entire urban population.

### III. STAGE OF NATIONAL DEVELOPMENT OF STATISTICS

13. The data on the incomes, consumption, and accumulation and wealth of various classes of the population now compiled by a number of countries, are far short of the requirements for information outlined above. The available information is limited to presentations of incomplete data derived, without adjustment to a common basis, from income-tax returns, social security records, wage-and-salary enquiries, family-budget surveys and population censuses. Data in respect of income shares, i.e., the industrial and functional distribution of incomes, which are usually compiled as part of the national accounts, are much more developed.

14. The scope of the enquiries into detailed statistics of the distribution of incomes is often restricted to particular groups in the population and to data on selected, or total, earned incomes in cash. While account is sometimes taken of direct taxes, other forms of non-contractual transfers of income are frequently excluded. Income and expenditure surveys in MPS countries and a few recent surveys in SNA countries, however, contain data on all forms of receipts and outlays. The information available for classification of the data according to the characteristics of the income recipient units is scanty except in the case of censuses of population and household sample surveys.

15. More ample information is frequently available on the personal consumption of selected classes of the population from surveys taken for



purposes of weighting index numbers of consumer prices. However, these data are usually un-coordinated with statistics of income and are generally gathered at irregular, long intervals of time. Very little information is available on the savings or wealth of various groups of the population.

16. The concepts, definitions and classifications utilized in gathering and compiling the data in wage-and-salary enquiries, income-tax records, population censuses or family expenditure surveys necessarily reflect the major objectives of each of these enquiries. The degree of co-ordination between income and expenditure data from the various sources leaves much to be desired. And, in many instances, little attention has been devoted to the requirements of income distribution statistics or to the question of relating the data sought to national accounting concepts. As a result, marked difficulties have been experienced in attempts to integrate the data into adequate presentations of micro-statistics in respect of incomes, consumption or saving.

17. A promising development is that detailed sample surveys of the income and outlay of all households are undertaken at annual or less frequent intervals by most countries with centrally planned economies and some countries with market economies. These enquiries can be designed to yield appropriate detailed data; and the costs of gathering the data can be kept within reasonable bounds. The results of surveys, coupled with co-ordinated data from more extensive but less detailed benchmark surveys, should furnish a suitable basis for compiling the required statistics.

18. A number of factors are leading national statistical offices to devote increasing attention to the question of improving and extending their statistics on the distribution of incomes and expenditure. In the first place, a significant increase has taken place in the demands for the data for purposes of analysis and the formulation of policies. Secondly, the emergence of integrated systems of statistics in national

accounting and demography has encouraged a co-ordinated approach to concepts, definitions and classifications in related fields. Thirdly, the use of electronic computers has facilitated the integration and summarization of basic series of data from diverse sources; and the development of general-purpose national sample surveys has provided a feasible means of gathering reliable detailed information.

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

19. The proposed system is designed to provide much more extensive and detailed classification of data in respect of the income and outlay and accumulation and holdings of assets and liabilities of the population than it is feasible to include in the revised SNA or MPS. All that can be, and is, provided for in either system is classification of these data according to the various categories of flows and stocks and the main classes of economic agents.

20. The system of income distribution and related statistics should be complementary to the national accounts and balances, i.e., fit in with both the revised SNA and the MPS. With the addition of some further sub-divisions of flows, the building blocks for a common set of income distribution and related statistics would be available in each of the systems. Relating the system closely to the national accounts and balances will avoid the confusion and difficulties which would result from treating essentially the same flows and stocks differently in the complementary system and in the national accounts and balances.

21. In the revised SNA<sup>8/</sup>, the flows and stocks which are to be covered in a complementary system are dealt with in the accounts and tables on the income and outlay and consumption expenditure and capital finance of households. Data from the consumption expenditure account of general government and private non-profit institutions serving households are

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<sup>8/</sup> The version of the proposed revised SNA used is Proposals for the Revision of the SNA, 1952, August 1967, Statistical Commission, Fifteenth Session, E/CN.3/356.

required for purposes of the concept of total consumption. This concept may also involve data from the production accounts of industries on outlays for recreational, health and similar services furnished to employees collectively and free of charge. 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. For most purposes, it will be necessary to divide this account into four major parts: (i) compensation of employees and entrepreneurial income, (ii) all distributed factor incomes received, i.e., net property income in addition to compensation of employees and entrepreneurial income (iii) other current (redistributive) transfers, net, and disposable income and (iv) consumption expenditure and saving (See Annex I). In addition, it will be of interest for certain purposes, to use the income and outlay account as it is in the revised SNA.

22. It should be recalled that the household accounts and tables enumerated above cover private non-financial unincorporated business units, as well as the other activities of the owners of these businesses. Entrepreneurial income includes the operating surplus of these unincorporated units reduced by the property income paid out in connexion with the business. Payments of consumer debt interest and business debt interest are distinguished, one from the other, in the revised SNA. However, in the case of the capital finance accounts of households, certain financial claims, e.g., trade credit, may need to be sub-divided into liabilities connected with the unincorporated businesses and other liabilities especially for purposes of the complementary system.

23. For the complementary system, it will be necessary to obtain data not only for the household sector as a whole, but also for different types of households, classified by the socio-economic status of the head, as well as for institutional households (see Annex I). Data for family households by socio-economic status of head can be gathered in household surveys. The classification by socio-economic status shown in Annex I is illustrative only and a more detailed classification will

have to be developed. Supplementary inquiries into the few data which are required on the income and outlay of institutional households should not present serious difficulties.

24. It is recognized that even special comprehensive surveys on household income and expenditure cannot supply all the information needed for a complementary system which is completely co-ordinated with the national accounts and balances. For instance, respondents to such surveys normally cannot furnish information on imputed insurance charges, employers' contributions to social insurance and pension funds, or imputed pension transactions. Furthermore, household surveys are subject to certain deficiencies resulting from non-response or inaccurate response, which make it difficult to reconcile the data obtained in such surveys with the corresponding aggregates of the systems of national accounts and balances. Thus, while efforts should be made to make the detailed statistics as consistent as possible with the corresponding items of the national accounts and balances, complete co-ordination cannot be achieved in practice for some components.

#### V. SCOPE, ORGANIZATION AND DEVELOPMENT OF A COMPLEMENTARY SYSTEM

##### A. Scope

25. All aspects of the 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. Statistics of household consumption, distributed factor incomes, current transfers and disposable income of persons have been the traditional subjects of income distribution statistics.

26. Difficult problems of concept and practice arise in efforts to compile data on the total consumption of the population. However, 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 personal consumption only, would not show the complete

picture. It is therefore thought that data on the total consumption of the population should be considered at this stage in developing international guidelines.

27. The revised systems of national accounting include detailed recommendations in respect of the definition, classification and tabulation of all types of capital transactions and some countries gather data on household transactions in at least some types of financial claims. Furthermore, transactions in respect of private pension funds, life insurance, saving accounts and securities as well as capital formation in non-financial unincorporated businesses are of particular relevance to the well-being of some population groups and to patterns of income receipt and disposition. It is therefore suggested that data on the capital transactions of households should be dealt with at this juncture in developing the complementary system.

28. While there is undoubtedly a need for data on the distribution of wealth among households in the form of consumer durable goods, financial claims and tangible capital assets, it is doubtful whether an effort should be made to spell out this aspect of a complementary system at this juncture. The balance sheet and associated revaluation accounts of the revised SNA are not yet defined and delineated in detail. Further, very few if any, official efforts have been made to gather and compile figures systematically of the value of the financial assets and liabilities of households. Some countries do however, gather data on selected financial items, such as the value of outstanding consumer debt, and on the possession of consumer durables such as automobiles, radios, refrigerators, and washing machines.

## B. Coverage

### a. Population

29. In order to yield, as far as possible, significant and reliable data for the uses indicated in Chapter II, and also to be consistent in coverage with the national accounts, information on income, consumption

and accumulation obtained from family expenditure surveys should ideally relate to a representative sample of the entire resident population.

30. Data for the institutional population should be included and shown separately in all classifications. As in national accounting, the transactions of the institutional population and of the institutions in which they reside, should be separated, one from the other. The goods and services which the institutions supply to individuals free of charge, is to be part of the consumption of the institutions. These goods and services would, however, be included in the total consumption of the institutional population.

b. Income and expenditure in kind

31. Not infrequently the data on income and personal consumption gathered through family expenditure surveys in developed countries are restricted to cash receipts and outlays, because of the substantial difficulties of gathering data on incomes and consumption in kind and the view that incomes in kind may be insignificant. In developing countries, household income and expenditure inquiries necessarily cover incomes received in kind and the associated personal consumption.

32. In view of the significance of income in kind in the developing as well as some developed countries, and the advantage of attaining consistency with the systems of national accounting which include these incomes, data on incomes should include receipts in kind, as well as in cash. Personal consumption should of course also cover flows in kind. However, household receipts of current transfers of a non-contractual nature, and personal consumption, would not include the value of goods and services which enterprises, general government and private non-profit organizations furnish free of charge, other than those which are treated as income in kind. Transfers of gifts in kind from and to the rest of the world, would, however, be accounted for in current redistributive transfers and in personal consumption.

C. Data in Comparable Prices

33. For purposes of comparing the levels of living of groups of the population during different periods of time and projecting consumer demand, data are wanted in constant prices in respect of personal and total consumption classified according to categories of goods and services and the characteristics of spending units. 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. In compiling the series, use should be made of the bills of goods and services in the personal consumption of each group of the population during a given period of time.

D. Organization of the System

34. The proposed organization of the complementary system of income distribution and related statistics is indicated by the manner in which items of data of the system are to be grouped and tabulated.

a. Items of data

35. The items of data are to be grouped in terms of their place in national accounting and in satisfying analytical requirements for information. The manner in which it is suggested that the items of the household income and outlay and capital finance accounts be organized is set out in Annex I. A full complementary system will include in addition household balance sheet and revaluation accounts.

36. Income: The first step in the distribution of incomes is the division of incomes originating in production between compensation of employees and operating surplus. This division of incomes is of basic interest for purposes of studying the links between the remuneration and supply of labour and capital, on the one hand, and unit costs of production and the level and competitiveness of prices, on the other. It does not, however, precisely portray the incomes received by resident individuals, or households, from employment and businesses; and is appropriately dealt

with in the main national accounting system rather than the complementary system. It is the receipts of employee compensation and entrepreneurial income from unincorporated businesses and quasi-corporations by residents on the income and outlay accounts that is the earliest step in the distribution of income which should be covered in the complementary system. Information on the distribution of these incomes among resident households is essential in assessing the well-being of the population and the attributes with which it varies.

37. For this purpose, the net property income received by resident individuals or households is also of basic interest. Data classified according to the characteristics of households on the total of distributed factor incomes received, i.e., the sum of the receipts of employee compensation, entrepreneurial income and net property income, are also wanted in considering the demand-pull aspects of incomes policy and devising fiscal measures.

38. The next phase in distributing incomes consists of the redistribution in the form of direct taxes, social security benefits, social welfare assistance, etc.. These redistributive current transfers are non-contractual in character; and furnish the link between the disposable income and the distributed factor income of households. The transfers provide a major means through which Government directly influences the income of households available for consumption and saving. Data are therefore needed on the type and dimensions of these transactions of households classified according to characteristics which are relevant to problems of welfare and spending-saving behaviour. Also essential are statistics of the distribution of disposable income classified in a similar fashion, at least some of which should be in real terms in order to abstract from changes in prices.

39. For purposes of delineating the links between the statistics of the complementary system and the revised SNA or developed MPS clearly, it is advantageous to set out the elements and total of household current



receipts and current disbursements separately, i.e., in the form of an income and outlay account. The income and outlay account shown in the complementary system might be sub-divided according to the socio-economic and other key characteristics of households to a somewhat greater extent than in the parent national accounting system.

40. Consumption and saving: Disposable income is divided into consumption expenditure and saving. 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 wanted for a purpose, such as assessing and improving the level of living of the population and identifying points of demand-pull pressure. These data also provide the basis for compiling needed figures of the level of the real consumption of goods and services, and the correlative prices. Data of saving classified according to similar attributes of households as consumption expenditure, are also of considerable interest.

41. Two concepts of consumption may be used in studies of the level of living of households. The concept most commonly used related to consumption expenditure, i.e., consumption which is financed out of the disposable income or dissaving of the households themselves. The other concept covers, in addition, goods and services furnished free of charge by government, private non-profit institutions, and enterprises; and is referred to as the total consumption of the population. The broader concept of consumption is more suitable for international comparisons of levels of living.

42. Accumulation: 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 need for data on the transactions in financial claims of various groups of households. Data on changes in consumer debt and in assets which are relatively liquid (e.g., savings accounts, marketable securities) or are designed to

insure against periods of reduced earnings (e.g., equity in private pension funds, annuities) are of particular value in this respect. Statistics of transactions in financial claims should also be valuable in examining means of mobilizing funds for investment and studying saving-spending patterns of given classes of households during the course of a business cycle.

43. Much of the saving of the owners of unincorporated businesses may be used to finance the capital formation of these units. Or, they may contract debts for this purpose. All aspects of the capital finance account of households are therefore of interest in the complementary system. Balance sheet data on the tangible capital assets of unincorporated businesses are also needed, for example in assessing the wealth and magnitude of the entrepreneurial income of the owners.

b. Tabulations

44. The tabulations of the complementary system can usefully be divided into three classes differing in the range of items covered and the detail of classification. Each group of tabulations are intended to satisfy a differing set of analytical requirements.

45. Summary tables: The first class of tabulations should be devoted to summarizing and correlating the experience and behaviour of broad groups of households in respect of all facets of the complementary system. The extent to which transactions are detailed should be limited so as to focus attention on the main flows and relationships. These tables should show totals for the various series so as to indicate the links between the complementary system and the national accounts and balances and furnish the basis for comparing the circumstances of each group of households with those of the entire population. For the latter purpose it will be useful to indicate the number of households and individuals in each group.

46. The classifications of households utilized in the summary tables should be those which are of basic and general value in analysis; and the least detail levels of classification should be used. Examples of these classifications are the socio-economic status and age and sex of the household head, magnitude of total and per capita distributed factor incomes received by households, and the area of location (e.g., urban-rural) of households. A number of the summary tabulations, in particular according to socio-economic status of household head and fractile groups (e.g., quintiles) of per capita distributed factor incomes received, would be of interest internationally.

47. Tables in respect of classes of transactions: The second type of tabulations might be designed to exhibit the details of each class of transactions, classified according to the pertinent characteristics of households or individuals. The more detailed level of classification of households would be employed in each set of these tabulations. In addition, use should be made of schemes of classifying transactor units which describe the variation in the magnitude of the relevant flows. The classifications of transactors and transactions which are of interest for each set of tables are discussed in the following sections of this paper. A limited number of the detailed tabulations, utilizing the same classifications of households as in the summary tables and a few additional classifications which are of particular significance in each case, might be recommended for use internationally.

48. Cross-classifications by two or more attributes: The third group of tables should be designed to cross-classify the main aggregates of the complementary system according to two or more attributes of the relevant transactor units, either households or individuals. These tables may also include additional classifications of transactors and transactions, such as classifications by number of children of the household and other aspects of the composition of the households. It will probably be feasible to include very few specific recommendations in respect of the detailed cross-classifications in the international guidelines.

### E. Priorities in Developing the System

49. It seems desirable that the first order of priority in developing the complementary system be assigned to data in respect of incomes and personal consumption. Data on the total consumption of the population might be given priority over statistics of household capital transactions. Figures of total consumption are of direct relevance to measuring the level of living of various groups in a population and international comparisons of well-being. Although serious difficulties are involved in gathering some of the required data, many of the figures should be available from government administrative records and performance budgets.

50. There are significant differences in the relative urgencies with which data are wanted on capital transactions. Payments from private pension funds, drawing down of savings accounts, and payments of life insurance claims are important sources of finance of consumption for significant portions of the population, and should be accorded a high priority. Next in order of priority among the capital transactions might be those 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, other tangible assets and intangible assets other than financial claims, and some types of loans.

## VI. THE DEFINITION AND CLASSIFICATION OF THE STATISTICAL UNITS

### A. The Statistical Units

51. While the household should be used as a statistical unit for all aspects of income distribution and related statistics, it is also essential to use the individual as income recipient unit in the case of most items of distributed factor incomes and some items of accumulation.

52. In most instances, the distributed factor incomes accrue from the productivity activity or the property of individuals, and problems of allocating the incomes among two or more individuals do not arise.

Important exceptions are income derived from farms and other household enterprises jointly owned and operated by husband, wife and perhaps other members of the family, and transactions in, and income derived from, other assets jointly owned by husband and wife. 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.

53. Because some individuals may have more than one job, the job may be a more appropriate statistical unit than the individual for analysis of scales of pay. In classifications of income by type, which relate to the population as a whole, income may be the most appropriate statistical unit.

54. The household is the basic statistical unit for studies of the relationship between the distribution of total income from labour; property and entrepreneurship, and spending-saving behaviour. Since most earners have dependents, the household or the family is the practical statistical unit for the redistributive transfers linking distributed factor incomes and disposable incomes. Grants are often made on the basis of families rather than individuals, and allocating these grants among earners and dependents would be difficult and arbitrary. The household is the preferable statistical unit for purposes of 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.

#### B. The Concept of the Household

55. 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 other demographic inquiries. Under 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 for 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 common 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. In some socio-economic situations relating mainly to developed countries the family household may be used instead, i.e. a group of individuals related by blood, marriage or adoption who satisfy the other conditions of the housekeeping concept.

56. A definition is also required of the institutional population in order to clearly separate this population from non-institutional households. It is suggested that the definition recommended for inclusion in the 1970 European programme for population censuses be used for this purpose, i.e., a group of persons living together, sharing their meals, bound by a common public objectives and/or general personal interest and ruled by an authority outside the group. Persons living in hotels or boarding houses should be treated as members of one- or multi-person private households. The same applies to personnel of institutions who live with their families or as individual persons in the institution but are not subject to common rules set by the institution.

C. Classifications of the Statistical Units

a. Classifications for general use

57. Certain attributes of households are of interest in classifying all aspects of the complementary system. Tabulations of the data according to the socio-economic status of the head of the household and the area of location of the household may be expected to reveal systematic differences in income experience and spending-accumulation behaviour. An urban-rural classification is of considerable value for this purpose, particularly in developing countries.

58. Classifications according to age and sex of the household head are valuable for purposes of studying patterns of experience and behaviour, and in analyzing trends over time for cohorts of households. Tabulations according to size of total and per capita distributed factor and disposable income are wanted for such purposes as measuring the effects of redistribution on levels of living and examining patterns of spending and accumulation. For similar purposes, cross-classifications by number of children in the household and other aspects of the composition of the household may also be useful. A classification of households according to the main type of income received, taking into account the income of all income recipients belonging to the household, is also useful for some purposes.

59. Tabulations of summary data according to socio-economic status of the head of household and size of per capita income are likely to be of particular interest internationally. For purposes of international comparisons preference should be given to the use of fractile groups in classifications according to size of total income.

b. Classifications for distributed factor incomes

60. In tables on distributed factor incomes, classification according to the size of distributed factor income per income earner, or the number of income recipients and total income, would array households according to one factor determining the magnitude of this income. Other schemes of classification which may furnish explanatory variables of 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. Classifications according to number of household members and number of income recipients per household, coupled with fractile groups of size of total distributed factor income might be emphasized in the international guidelines.

61. The socio-economic status, age and size of the income recipients should be key classifying elements for factor incomes received by individuals, while the industrial and occupational attachment as well

as the educational attainment and length of work experience, of the income earners are useful additional characteristics for the classification of compensation of employees and entrepreneurial income.

c. Classifications for disposable income and consumption

62. Classifications according to size of disposable income will be needed in studying the formation and magnitude of this income in the case of households in various socio-economic categories, as well as in describing and analyzing the level and pattern of consumption of households. More significant information for the purposes of income analysis would result from the use of per capita disposable income or from cross-classifications of data by size of household and magnitude of disposable income. Also advantageous in the case of tables on the level and pattern of personal consumption are classifications according to the size of total and per capita consumption. The magnitude of disposable income, total and per capita, coupled with size of household may be the most useful classifications for purposes of the international guidelines.

d. Classifications for accumulation

63. The 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.

e. Socio-economic status

64. At this juncture, an internationally agreed socio-economic classification is not available, and it will therefore be necessary to develop such a classification for the complementary system. It may also be necessary to devise standard classifications according to age and according to size of family.



65. The primary categories of the classification according to socio-economic status should distinguish heads of household according to basic status classes, for example, employers, own-account workers, members of producers' co-operatives, employees, independent inactive persons living in private households, and institutional population. Distinctions which merit consideration for the second or third levels of classification are: (i) the division of employers and own-account workers, as well as members of producers' co-operatives, into agricultural and non-agricultural; and the separation of liberal and related professions from other non-agricultural employers and own-account workers; and (ii) the division of employees into directors and managers, professional and technical workers, other non-manual workers, and skilled, semi-skilled and unskilled manual workers.

66. Special problems arise in separating the transactions relating to their business from their other transactions, in the case of owners of unincorporated enterprises included in the household sector. For this purpose it will be necessary to classify all households, any member of which owns and operates a business of this type, as households of owners of unincorporated enterprises, while for other households the classification might be based on the socio-economic characteristics of the recipient of the greatest income. It is likely that the owner of the unincorporated enterprise would, in most instances, be the chief breadwinner.

67. Producers' co-operatives are corporate units where the owners constitute the whole or the main part of the labour force. It seems justified to raise a special category for members of producers' co-operatives at the first level of classification, because of their special position as both employers and employees, and because of the importance of these co-operatives, particularly in MPS countries.

f. Classifications according to size of incomes and other flows

68. It seems desirable to emphasize the fractile-group approach in tabulations according to size of income, personal consumption or saving.

The use of this approach will be of assistance in portraying and comparing the form of distribution and compiling measures of equality or concentration. For example, if cumulative distributions are charted of the proportion of households of individuals in each fractile group and the coupled proportion of the statistics under study, the result is a Lorenz curve. Since differences in prices or money do not play a central role in defining the form of these distributions, tabulations based on fractile groups are of particular value for purposes of international studies.

69. Tabulations of households and individuals according to size of income, expenditure, etc., defined in absolute terms, will also be required. This will be the case, for example, in cross-classifications of data according to one or more attributes of households or individuals and the magnitude of a given flow.

## VII. DEFINITION AND CLASSIFICATION OF INCOMES

### A. Compensation of Employees

#### a. Benefits in kind

70. The concept of compensation of employees in the national accounts encompasses all proceeds from employment, in money and kind, which are clearly of benefit to the employees individually. The benefits accruing to employees from the health, recreational, educational and similar facilities which employers make available to employees collectively, are not covered in the compensation of employees; and are excluded from the consumption expenditure of employees. It is considered that for purposes of studies of the welfare and economic behaviour of individuals and households, these flows should be restricted to benefits which may be unambiguously allocated and are the subject of individual decision and choice. Also excluded from compensation of employees are expenditures of producing units which contribute to the amenities of working life or compensate for expenses incurred in business travel. In general, employee

compensation is 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.

71. In both the SNA and MPS, part of the compensation of employees may consist of the cost to the employer of goods and services furnished free of charge, or at reduced prices, on an individual basis. The cost to the employer rather than the cost at retail is utilized as the basis of valuation for a number of reasons. In the first place, the cost to the employer is equivalent to the money income which the employee foregoes and the expenditure which the employer incurs. Secondly, the cost is a measure of the production actually embodied in the goods and services. For example, a shorter chain of distribution and transportation is likely to be involved in the case of goods and services furnished by employers than in the case of goods and services sold at retail. Thirdly, the difficulties of estimation are eased by the use of the cost to the employer.

b. Classification

72. Employee compensation should be sub-divided into (i) wages and salaries, (ii) employers' contributions to social security schemes, and (iii) employers' contributions to private pension, family allowance, health and other casualty insurance, life insurance and similar schemes. This not only contributes to comparability with each system of national accounting but also separates the receipts of employees into those of benefit currently and in the future. It also segregates the element of employee compensation in respect of which figures are generally not available from household enquiries. A sub-division into payments to (i) members of the armed forces and (ii) other employees is also proposed. Since national practice varies with regard to the inclusion of data on compensation in kind, it may also be advantageous to sub-divide wages and salaries into payments in cash and payments in kind.

c. Transactions in respect of private pension and insurance schemes

73. Where employers' contributions to private pensions are made to a pension fund, these contributions, reduced by an estimated share in the administrative expenses of the pension fund, are included in the saving of the employees on whose behalf they are made, in the form of an increase in their equity in pension funds. The share in the administrative expenses of the pension fund is part of the personal consumption of the employees. The disposable income of the employees includes total employers' contributions to the pension funds on their behalf and imputed interest on their equity in the pension funds. When pensions are paid to the employees, these payments are recorded as reductions in their equity in pension funds.

74. Where a pension fund does not exist, the pensions actually paid are shown as current transfers from the employers to the retired employees, and an amount equal to the imputed employers' contributions included in the compensation of present employees, is shown as current transfer from these employees to their employers.

75. In the case of casualty insurance, contribution by employers on behalf of their employees reduced by a service charge which is included in the personal consumption of the employees, are transfers from the employees to the private casualty insurance schemes. The claims paid are current transfers from the private casualty insurance scheme to the employees. In the case of life insurance, the contributions, reduced by a service charge, which is included in the personal consumption of the employees, are part of the saving of employees in the form of increase in their equity in life insurance reserves. Receipts of life insurance claims represent reductions in this equity.

B. Entrepreneurial income

a. Gross output

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

77. Gross output covers all production for market (sale or barter) and on own account for purposes of capital formation. Also included are a number of activities conducted on own account for purposes of household consumption. These activities may be carried on 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, included in gross output would be the results of agricultural, forestry, fishing, hunting and mining activities, the second-stage processing of agricultural products by growers (e.g., the manufacture of butter and cheese, wine, flour, yarn and cloth, or furniture), and the owner-occupancy of dwellings. In the case of household and other enterprises engaged in production for the market, included in gross output in addition, is the output of any other goods and services for personal consumption by the owners which are also produced 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 entrepreneurial income.

78. Production on own account should be valued in terms of the cash alternatives foregone. Thus to the producer, the value of income and consumption in kind should be considered equal to the cash income that would be realized by the sale of these items, i.e., the market value at the producing unit. It has been argued that this approach results in under-valuation of the household consumption of goods and services produced on own account and that the use of the retail price is more appropriate. However, the retail price includes the value of transport, distributive and other services which in fact are not embodied in these goods and services.

79. The proposal to value all personal consumption in terms of retail price appears to originate in the desire to arrive at measures of the quantity of goods and services consumed which do not necessarily vary

with the quantum of embodied production. However, the complementary system is concerned with incomes from production and costs, as well as levels, of consumption. Further, in view of the differences between areas of a country in transport costs and price levels, it will generally not be possible to assign the same value to the identical quantum of goods or services from the point of view of the consumer. It does not seem desirable or feasible to utilize the values assigned to goods and services as proxies for quantities consumed in all cases. Appropriate measures of the quantities concerned might be developed as supplementary data in the case of selected goods, e.g., caloric content in the case of foodstuffs. In the case of a number of other commodities, the units of measurement will necessarily be physical dimensions; and these data will be non-additive.

b. Operating surplus

80. Determining the expenses to be deducted from gross output in order to arrive at operating surplus is often beset with problems. These problems arise from the difficulties of (i) separating current outlays for household activities and for business purposes (ii) distinguishing capital outlay from current expenditure in respect of the business, and (iii) making appropriate estimates of provisions for the consumption of fixed capital. This is especially so in the case of farms. The rent paid for tenant farms may cover the farm land, farm buildings and equipment, and the dwelling; and there may be little basis for separating the three. It is proposed that rent on farm buildings and equipment only 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 on the dwelling is to be included in the personal consumption of the farmer.

c. Deductions from operating surplus

81. Entrepreneurial income accruing to households should comprise the net proceeds of the unincorporated enterprises included in the household sector of the revised SNA and the actual payments made to the owners out

of the current receipts of quasi-corporations. Entrepreneurial income net of these withdrawals is retained in the quasi-corporations and constitutes one element of their savings.

82. In order to compute entrepreneurial income from the operating surplus of unincorporated enterprises, net payments of property income in connexion with these businesses need to be subtracted. Payments of property income may consist of interest in respect of funds borrowed for use in the business or the delayed settlement of trade credit, rents on farm and other land utilized in the enterprise, and royalties in respect of patents, copyrights or concessions. Interest may be received in connexion with the business in respect of credit granted to consumers.

83. Net rents on owner-occupied dwellings in many countries constitute an important part of the net proceeds of unincorporated enterprises. These net rents should be distinguished as a separate category of entrepreneurial income in income distribution statistics.

d. Classification of entrepreneurial income

84. For purposes of studies of the links between type of productive activity and the distribution of entrepreneurial income, it will be desirable to classify entrepreneurial income according to the kind of economic activity in which it originates. A broad distinction between agricultural and non-agricultural activity, sub-divided into owner-occupied dwellings and other, would be of basic value. Further sub-division of agricultural and non-agricultural activity into employers and own-account workers and according to broad categories of kind of activity would be of considerable interest. 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 businesses.

c. Property Income

85. Property incomes consist of interest, rent, royalties, etc., and dividends. Interest relates to actual receipts or payments and accruals

of interest. The accruals of interest to households will include interest on the net equity of households in pension funds and in life insurance reserves.

86. Payments and receipts of rent, royalties, etc., should relate to the use of land, patents, copyrights, etc., only. Dividends generally consist of distributions of the net earnings of incorporated enterprises and co-operatives to owners of shares in these businesses.

D. Redistributive Transfers

a. Scope

87. The transactions of households which furnish the bridge between distributed factor income and disposable income consist of transfers of income on current account which for the most part are non-contractual (unrequited) in character. However, also included here are transactions in respect of private casualty insurance policies, whether or not the premiums are part of employee compensation, and in respect of pensions paid directly by employers.

88. It is suggested that, except for write-offs of bad debts, the finance by government agencies of purchases which households make, and gifts in kind from and to the rest of the world, transfers in cash only be covered as part of the current redistributive transfers received (made) by households. Transfers in kind from general government and private non-profit institutions to persons would however be included in total consumption of the population.

b. Classification

89. In order to furnish suitable data for analyzing the nature and effect of the redistribution of incomes in respect of households, it is proposed to classify non-contractual current transfers by type of transfer, by purpose and by source of finance.



Classification of unrequited Current Transfers received and made by Household

A. By type of transfer

Transfers received by households

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

Transfers made by households

Direct taxes  
Fees, fines and penalties  
Social security contributions  
Current transfers to private non-profit institutions serving households  
Unfunded employee welfare contributions, imputed  
Current transfers n.e.o.

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)  
- 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)  
- Write-offs of bad debt  
- Other purposes

Transfers made by households

Compulsory transfers to general government  
Contributions in respect of pensions, benefits etc. paid directly  
to employees (imputed employers' contributions)  
Membership dues  
Donations to private non-profit institutions serving households  
Gifts to other households  
Migrants' transfers (including transfers of own goods and gifts  
in kind)  
Other purposes

C. By source of financeTransfers received and made by households

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

## VIII. DEFINITION AND CLASSIFICATION OF CONSUMPTION

A. The Two Concepts

90. Household consumption expenditure relates essentially to goods and services purchased by households. It includes goods and services which make up income in kind, i.e., items produced on own account and utilized in final consumption and goods and services received as part of wages and salaries. Total consumption of the population covers, in addition, free goods and services which general government and private non-profit institutions provide to the population, individually or collectively, and which employers provide to their employees collectively. It therefore furnishes a more complete measure than personal consumption of the level of living of households.

B. Classification

91. In order to describe the pattern of consumption, it is proposed to classify household and total consumption according to type of goods and services (i.e. non-durable goods, semi-durables, durable goods, and services) and object (purpose) for which these goods and services are utilized, by means of the categories of the revised SNA. These distinctions are designed to classify goods and services according to broad categories of income elasticity of demand and the period of time over which the goods and services are in fact consumed. The classification according to 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 quantity terms.

92. Household consumption expenditure should include purchases of secondhand goods. Receipts from the sale of second-hand goods and scrap and waste should be shown separately as negative items under the appropriate headings of household consumption expenditure.

C. Definition and Valuation of Total Consumption

93. It seems essential to take account of a number of considerations in determining which portions of the consumption expenditure of general government and private non-profit institutions to include in total consumption of the population. The basic criteria proposed are whether the service in question is clearly and primarily of benefit to the population as consumers and adds to the level of living of persons during the period of account. Attention also needs to be devoted to the difficulties of allocating the consumption among various groups of households.

94. Total consumption of the population should, as a minimum include, in addition to household consumption expenditure, the free food, clothing, medical care and education which general government, private non-profit institutions and enterprises furnish to persons individually, in addition to items which may already be included in income in kind. These goods

and services should be valued in terms of net outlays on the items concerned (i.e. cost of production less receipts from sales).

95. In addition, the net outlays of government and private non-profit institutions on theaters, museums, libraries, parks and other recreational and cultural services, may be included. The benefits in these cases clearly accrue solely to the population as consumers. Allocation of these outlays in terms of actual use of the facilities concerned by different population groups may, however, be difficult.

96. Serious problems of definition and allocation will arise in respect of the services which employers furnish to their employees collectively. Not infrequently, these services are furnished for a number of purposes, some of which do not focus on the employees as consumers. For example important functions of the health services provided are likely to concern work accidents and injuries, sick leave and qualifications for employment. Educational programmes may relate to vocational training, as well as to general adult education. Recreational activities may be designed to enhance the public image of the employer.

97. Provision for identifying the cost of the services in question is made in the developed MPS, but not in the revised SNA. In the SNA, the costs are part of intermediate consumption and primary inputs. It seems necessary to provide for a supplementary functional classification of the cost structure of producers in order to separate out these costs.

#### IX. DEFINITION AND CLASSIFICATION OF ACCUMULATION

##### A. Internal Sources of Financing Investment

98. The internal sources of finance of investment will be savings 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. It seems appropriate to show each of these flows separately in the tables of the complementary system and to define the flows as in the revised SNA.

a. Saving

99. Saving as defined in the SNA is mainly restricted to funds from current activities which are actually in the hands of, and under the immediate control of, persons for use in investment. Exceptions are contributions (employees', as well as employers') to the equities in pension funds and life insurance reserves and the imputed interest earned on these holdings. The accumulation of these rights may be expected to influence the spending-saving behaviour of persons.

100. The magnitude of saving per household should be a useful classifying element in tabulations of capital transactions, in particular figures of investment in tangible assets and data on net financial assets acquired. Saving per household will also be of interest in cross-classifications with socio-economic status and the age and sex of household heads, and, in the case of households of owners of unincorporated enterprises, with kind of economic activity of the unincorporated enterprises.

b. Capital transfers

101. 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 wars, floods or other calamities, and endowments and other capital donations to private non-profit institutions. Most of these transfers occur quite infrequently during the life cycle of a household. Households of owners of unincorporated businesses may in addition receive capital transfers in respect of their business, for example investment grants, which may not be as infrequent.

B. Investment in Tangible and Selected Intangible Assets

102. In addition to the gross capital formation in unincorporated enterprises included in the household sector, this category of investment includes net acquisitions of land, copyrights, concessions and net purchases of non-reproducible art objects and antiques. These forms of investment are in a sense internal investment. The same definitions and sub-divisions

of these transactions as in the revised SNA are suggested. It will be of value to classify gross capital formation in fixed assets according to the kind of economic activity of the unincorporated enterprises involved.

C. Financial Assets and Liabilities

a. Classification

103. Transactions in financial assets and liabilities may be viewed as external forms of investment and external sources of financing investment and consumption. In view of the purposes to be served by the data of the complementary system on financial transactions, an adaptation is required of the scheme in the revised SNA for classifying financial claims. The adaptation suggested is indicated below.

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A. Financial Assets

1. Currency and transferable deposits
2. Other deposits
3. Securities
  - i. Quoted on stock exchange
  - ii. Not quoted on stock exchange
4. Other loans, including mortgages
5. Net equity on pension funds
6. Net equity on life insurance reserves
7. Proprietors' net addition to investment of quasi-corporate enterprises
8. Trade credit and advances
9. Other financial assets

B. Liabilities

1. Loans, including mortgages
  2. Trade credit and advances
    - i. Business debt
    - ii. Consumer debt
  3. Other liabilities
-

104. In the case of financial assets, distinctions are not drawn in the adapted classification between types of securities, or lengths of maturity of bills, bonds or loans. The list of liabilities is very brief since a few types of liabilities only are of importance in the case of households and unincorporated businesses.

b. Basis of recording

105. Recording on a gross basis is suggested in respect of transactions relating to pension funds and life insurance actuarial reserves. For some households, receipts from these sources will be an important means 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, proprietors' net addition to investment in quasi-corporate enterprises and perhaps consumer debt on a gross basis. In the first case, this approach will make it possible to indicate realized capital gains on sales, which may be a factor in spending-saving behaviour. In the case of consumer debt, differing households may be contracting and redeeming the indebtedness.

c. Pension funds

106 In the case of pension funds, the additions to the equity of a group of persons during a given period will consist of their own contributions and employers' contributions on their behalf, reduced by their share in the administrative expenses of the fund during the period. The reductions in equity during a given period will be made up of payments of pensions or lump-sum settlements of accumulated equity (e.g., the actual or actuarial value of contributions plus interest).

107 For relatively small groups of households, the difference between the additions to and withdrawals from pension funds during a period may not be precisely equal to the change in their equity in the fund during the period. These differences may result from divergence between actual experience and actuarial expectations, losses of equity on leaving

employment, etc.. In order to account for these differences it would be desirable to record them as capital losses or gains in the revaluation accounts of households.

d. Life insurance

108. The additions to life insurance reserves during a given period will consist of the sum of the actual premiums paid, reduced by a proportion of the service charge for carrying the insurance, and the interest earned on the reserves. Reductions in the equity of households in life insurance reserves consist of payments of claims on death, on cash surrender of policies, or on maturing of endowment and similar arrangements.

109. In the case of small groups of households, the claims paid on death and the fees for the risk of providing the insurance may not be equivalent, one with the other, during a given period. Other situations may also occur which disrupt the balance during a given period between net premiums reduced by claims paid, on the one hand, and the change in the life insurance actuarial and similar reserves, on the other. For example, the loss on non-payment of premiums of the right to accumulated saving in the form of these reserves. As in the case of pension funds, it would be desirable to bring the actual capital transactions of various groups of households in life insurance and the changes in their equity on the actuarial and similar reserves of life insurance into balance through entries of capital losses (gains) in the revaluation accounts of the households.

e. Investment in quasi-corporate enterprises

110. Proprietors' additions to investment in quasi-corporate enterprises will consist of funds for investment purposes, or fixed assets, securities and the like transferred by the owners to a quasi-corporate unit. The withdrawals will consist of funds which the proprietors take from the accumulated retained saving of the quasi-corporate enterprises and



from the proceeds of the sale of its fixed and financial assets, as well as transfers of fixed assets, securities and other financial assets from the business to the proprietors as individuals.

f. Securities

111. Recording the transactions of households in securities on a gross basis would permit the tabulation of realized capital gain (losses) on sales of the securities as part of capital transactions. The receipts on sale of securities might be sub-divided into the cost of the securities on acquisition and the realized capital gain (loss) on sale. Purchases of securities would be recorded at cost of acquisition.