

The Household Sector in Italy: an analysis for Producer and Consumer Units

Item 5 of agenda

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Summary

- **Separate accounts are compiled for Producer and Consumer Households**
- **Criteria to classify institutional units into sectors**
- **An Analysis of labour input**
- **The Estimate of the share of Mixed Income transferred from producer to consumer HH**
- **Data dissemination**
- **An international comparison**
- **Going further**

Decomposing Households sector into Consumer and Producer Households

Households

group of people who collectively take responsibility for feeding and housing themselves;

it can consist of a single person or more people living under the same roof, generally linked by family ties;

the principal function of the sector is consumption, but it also has a productive one;

the output of the sector includes that of unincorporated enterprises and households producing housing services for themselves.

Decomposing Households sector into Consumer and Producer Households

Households

- *Households as consumers (CH)*

Individuals or groups of individuals whose principal function is consumption (their production is only for own final use)

- *Households as producers (PH)*

Own account workers and sole proprietorships **up to 5 employees**

The remarkable weight of small **unincorporated enterprises** classified as Households in Italy, calls for an attentive analysis of the sector

Criteria to classify institutional units into sectors

According to international recording standards as set out in ESA95, unincorporated businesses may be classified either in Non-financial corporations, as Quasi-corporations, or in Households.

The operational definition chosen to select the productive units to be classified as producer households, letting the remaining units in the corporation sector, implies the existence of self employed workers in S.11, which **derogates from ESA95 definitions**.

Non -financial Corporations	Corporations	Corporated enterprises and Cooperatives
	Quasi - Corporations	Partnerships and Sole proprietorships with more than 5 employees
Househols	Consumers	HHs staff and porters
	Producers	Own account workers and sole proprietorships up to 5 employees

Criteria to classify institutional units into sectors

ESA95 allows **two alternative ways** to classify unincorporated businesses:

- including all unincorporated businesses and the corresponding self employed in Households. This choice would have generated a oversized Households sector.
- reclassifying all self-employed of unincorporated businesses as employees. This choice would have prejudiced a correct representation of income flows generated in the enterprise and distributed to households.

Decomposing Households sector into Consumer and Producer Households

Turnover

18,9

7,1

22,8

19,8

31,4

Persons employed

36,3

9,8

21,2

12,5

20,3

Enterprises

88,9

5,7

4,0, 0,1

0%

25%

50%

75%

100%

■ 1-5

■ 6-9

■ 10-49

■ 50-249

■ 250 and more

Decomposing Households sector into Consumer and Producer Households

Turnover

8,6

7,9

77,5

3,5

Persons employed

25,5

16,1

51,1

6,2

Enterprises

64,3

17,6

16,6

1,1

0%

25%

50%

75%

100%

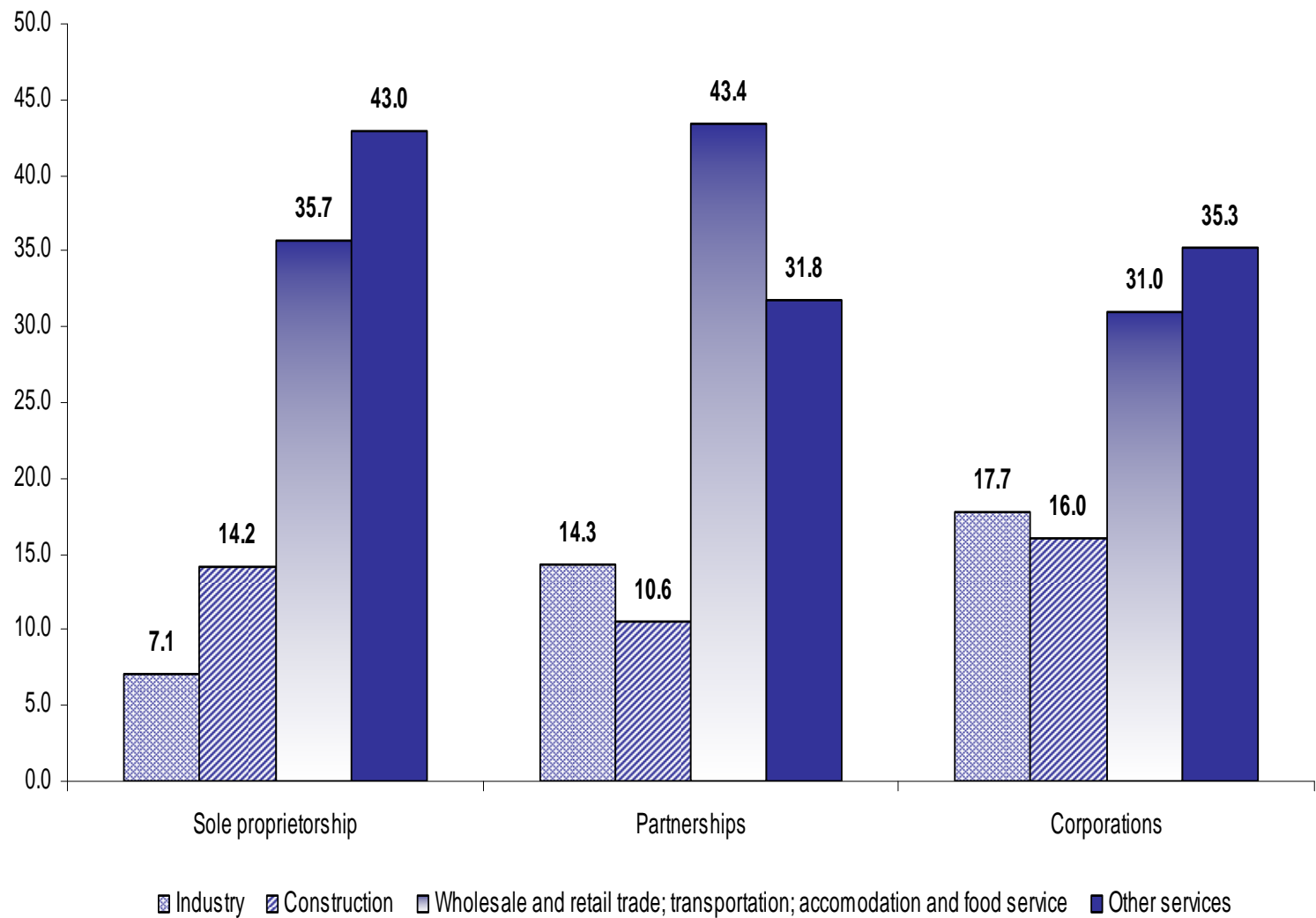
■ Sole proprietorship

■ Partnerships

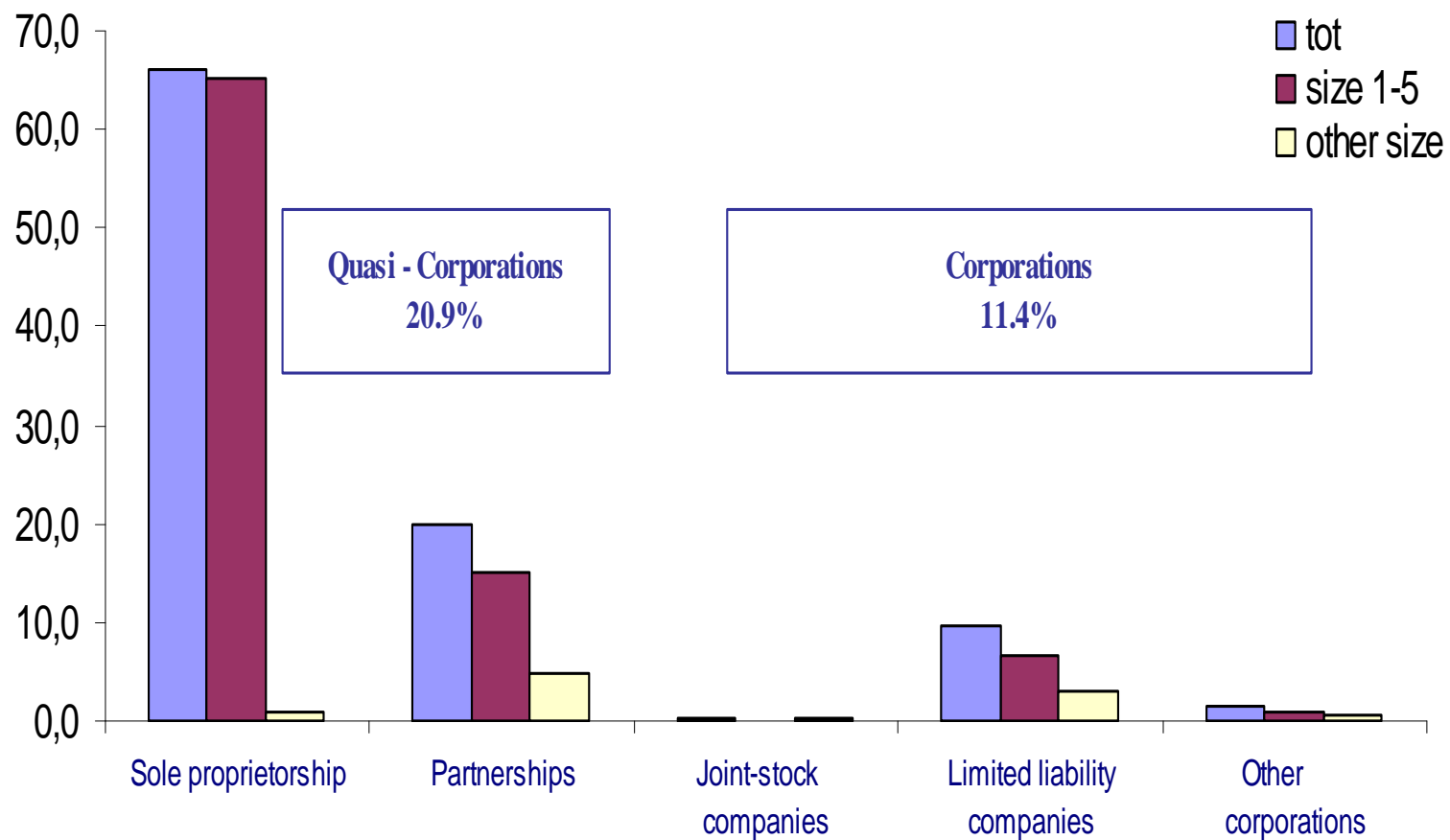
■ Corporations

■ Co-operative societies

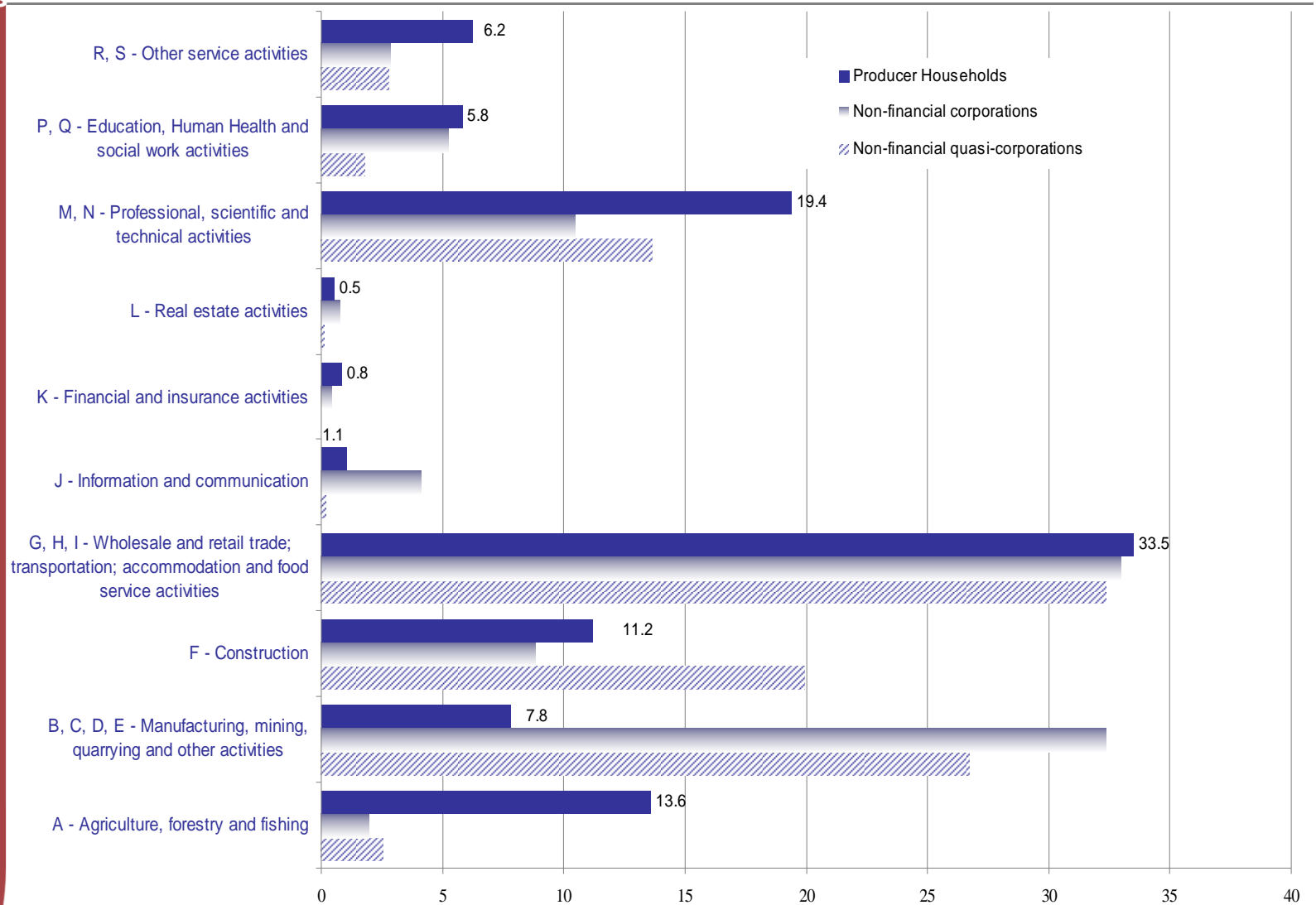
Decomposing Households sector into Consumer and Producer Households



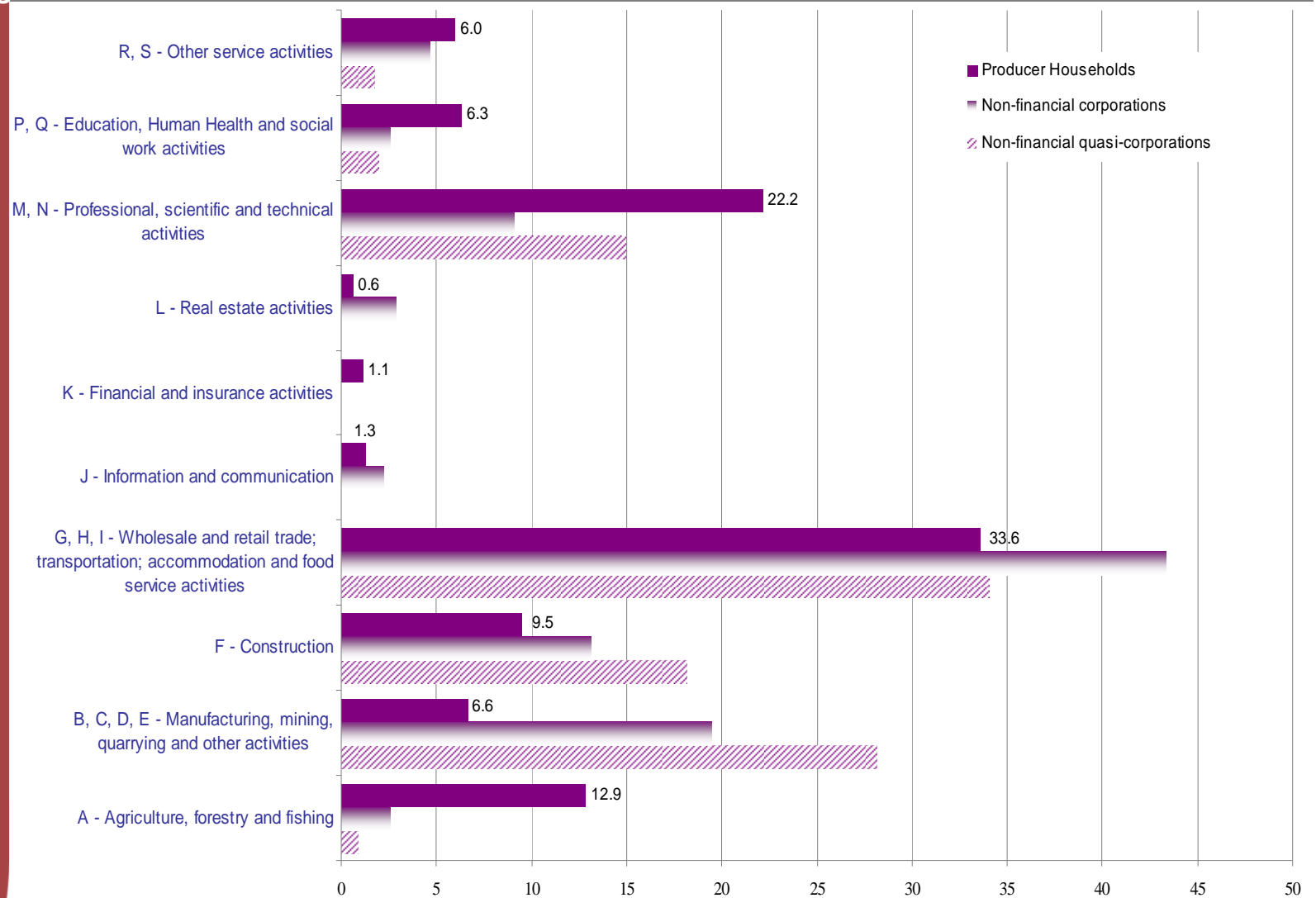
Decomposing Households sector: the weight of self employed workers



Analysis of labour input: total employment



Analysis of labour input: self-employment

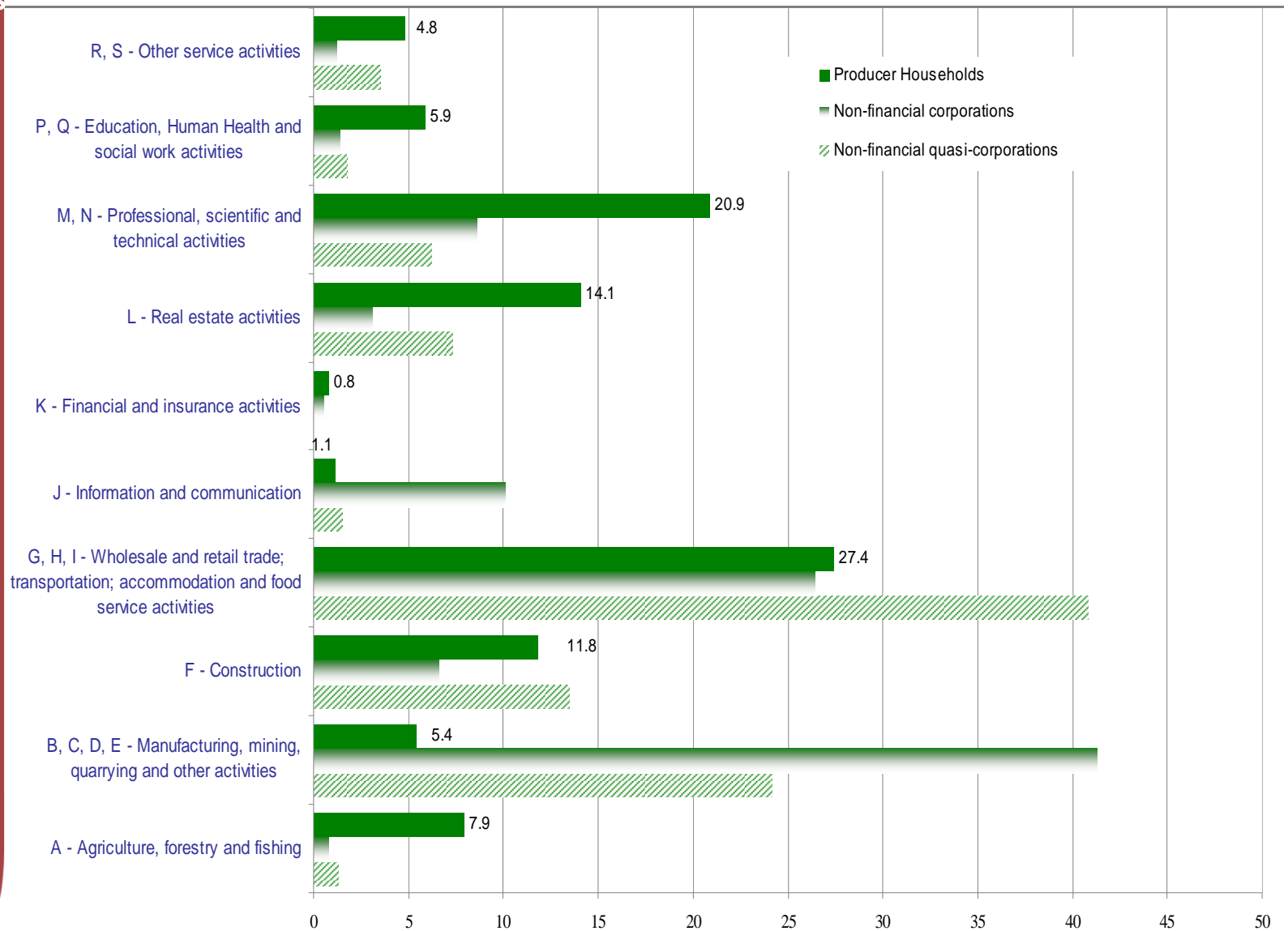


The complete set of Households accounts

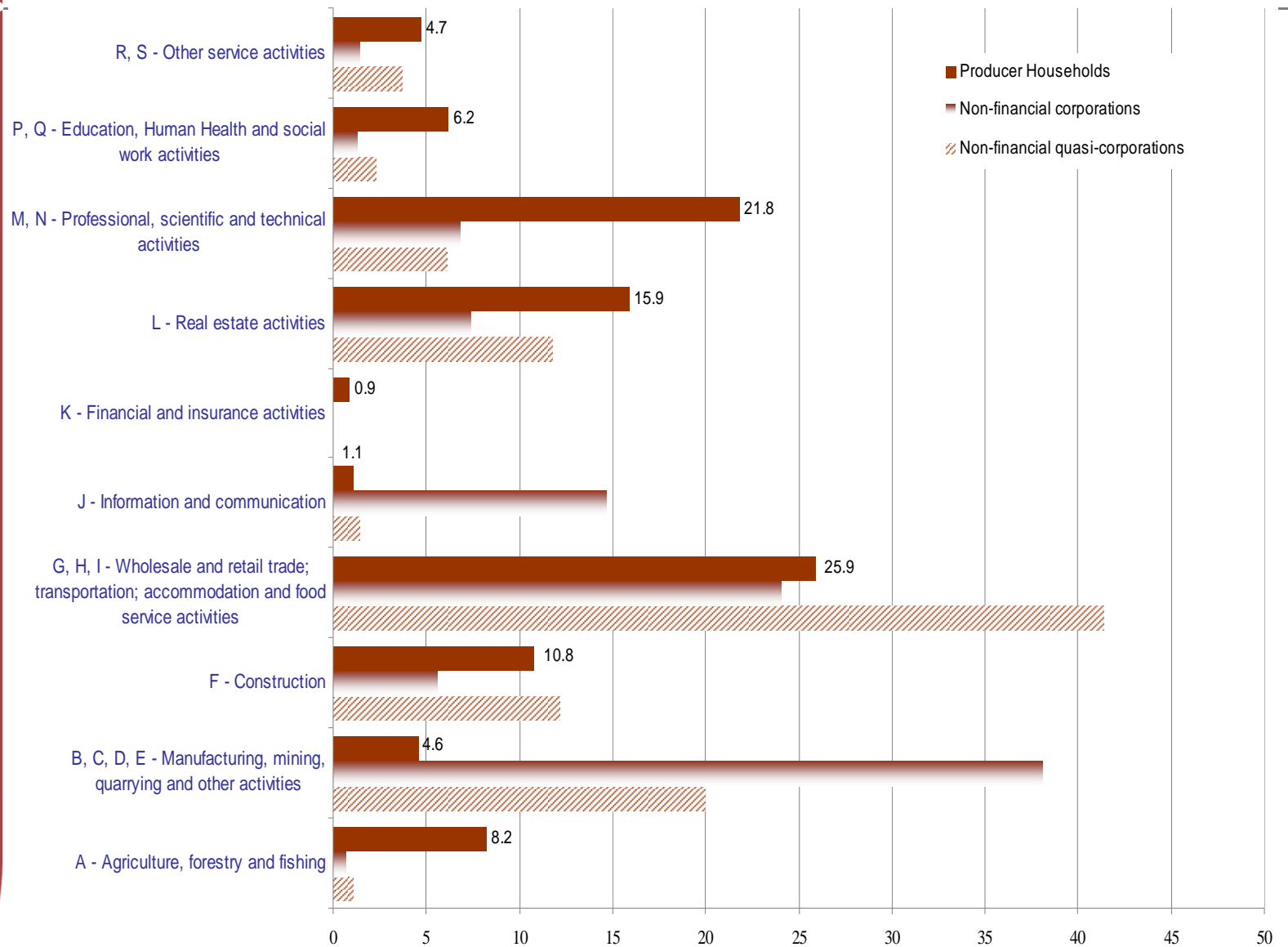
In compiling sector accounts, for each transaction average per capita values are estimated from the surveys and then are applied to the relevant FTEUs (by institutional sector/sub sector, industry and size class), in order to gross up to target population.

Hence, for each institutional sector a labour input matrix is produced [estimated by Nace Rev.2 5 digit, 8 size classes, separately for registered and non registered jobs, and for employees and self employed workers] on the basis of the information on size, legal status and economic activities of the enterprises derived from the Business Register.

The complete set of Households accounts: value added



The complete set of Households accounts: gross operating surplus



The complete set of Households accounts: the estimate of the share of Mixed Income transferred from PH to CH

The decision to keep a complete set of accounts for Consumer and Producer Households entails the necessity to separate not only all flows directed to households, but also to distinguish the share of mixed income that should remain in Producer Households accounts from the one that has to be distributed to Consumer Households.

It is only this **share of mixed income** (SMI) that contributes to Consumer Household disposable income.

The complete set of Households accounts: the estimate of the share of Mixed Income transferred from PH to CH

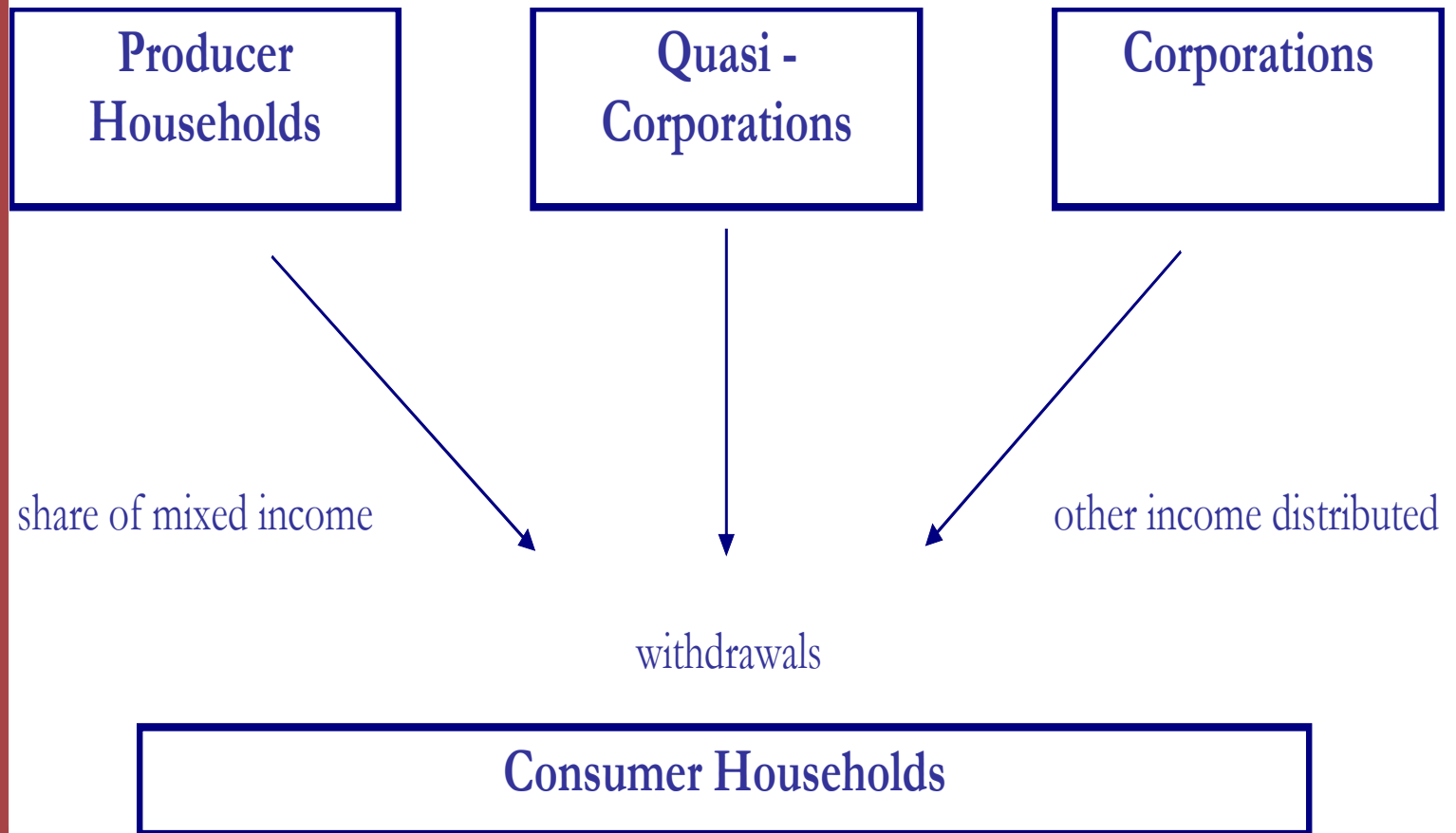
The underlying assumption: the enterprise is the source of present and future income of the household.

When economic crisis occurs the households will compress their consumption and postpone investment decisions. On the other hand, in periods of economic expansion they will channel more resources to consumption and saving.

To guarantee the firm development and therefore the future sustain to household consumption and saving, not all Mixed income is transferred to the household, as it is necessary ...

$$\text{SMI} = \text{B3} - \text{D41} - \text{D45} - \text{D5} - \text{K1}$$

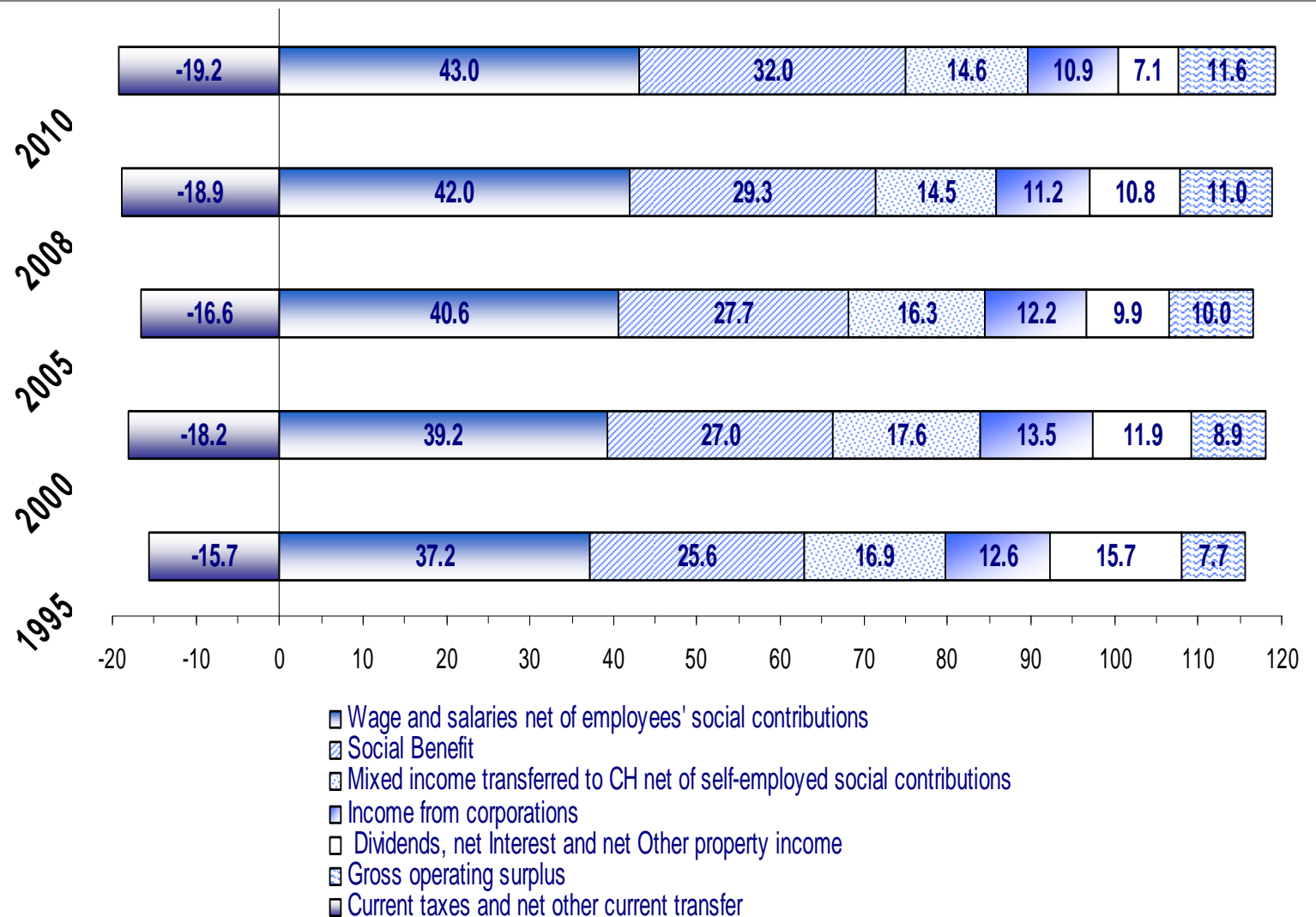
The distribution of Gross operating surplus and Mixed income to CH



The complete set of Households accounts: the estimate of interest for PH and CH

	Households	
	CH	PH
<u>Interest received</u>		
Currency and transferable deposits	83%	17%
Other deposits	100%	0%
Short-term securities	96%	4%
Medium and long-term securities	95%	5%
Other accounts receivable/payable	18%	82%
Total	78%	22%
<u>Interest paid</u>		
Short-term loans	77%	23%
Medium and long-term loans	76%	24%
Total	77%	23%

Main outcomes: Secondary distribution of income



The complete set of Households accounts: the estimate of GFCF by kind of fixed asset

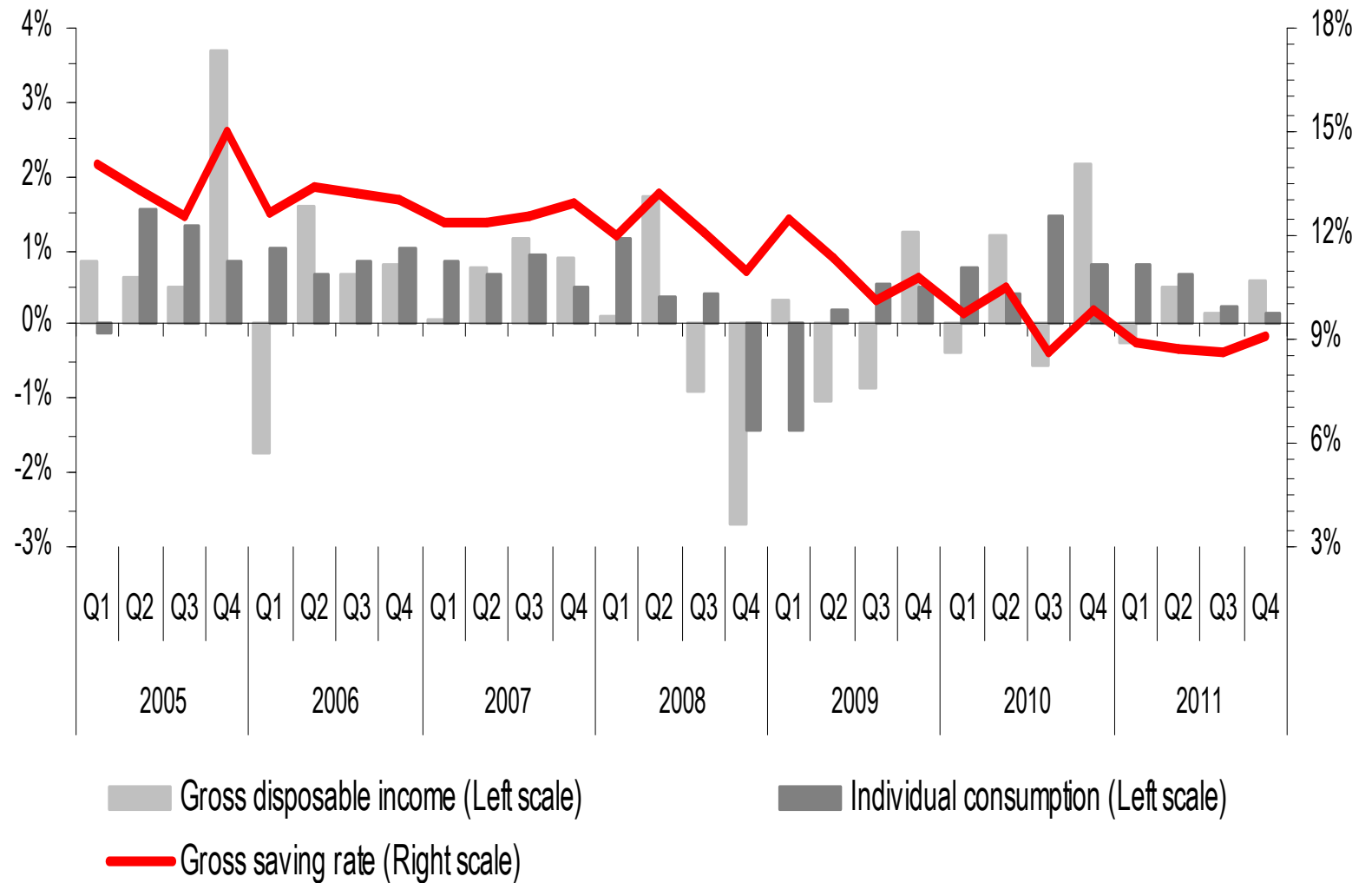
	CH	PH	NFC
Machinery, equipment and furniture	0.0	35.0	50.8
Dwellings and costs of ownership transfer	100.0	18.3	2.4
Non residential buildings and costs of ownership transfer	0.0	21.2	26.9
Road transport equipment and repair of motor vehicles	0.0	20.6	9.5
Other transport equipment	0.0	0.2	2.9
Intangible fixed assets	0.0	3.6	7.5
Cultivated assets	0.0	1.0	0.1
Total GFCF	100.0	100.0	100.0

	CH	PH	NFC
Machinery, equipment and furniture	0.0	12.8	80.8
Dwellings and costs of ownership transfer	85.6	7.8	4.4
Non residential buildings and costs of ownership transfer	0.0	10.1	55.7
Road transport equipment and repair of motor vehicles	0.0	32.0	64.9
Other transport equipment	0.0	1.4	91.0
Intangible fixed assets	0.0	8.6	76.6
Cultivated assets	0.0	68.4	31.4
Total GFCF	23.8	11.9	51.9

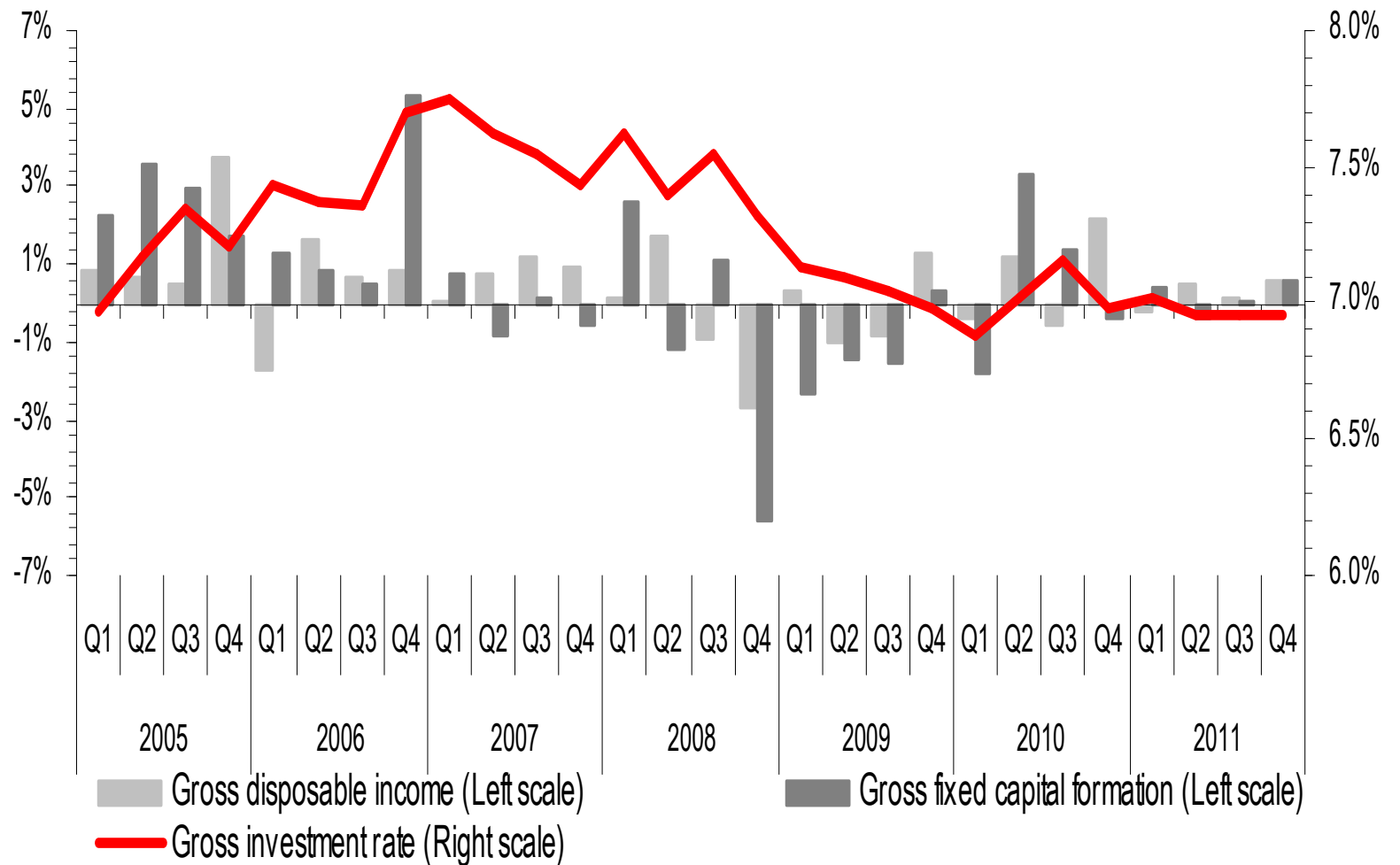
Data dissemination

- ✓ **Annual Sector Accounts**
- ✓ **Quarterly Sector Accounts**
- ✓ **Regional Accounts**

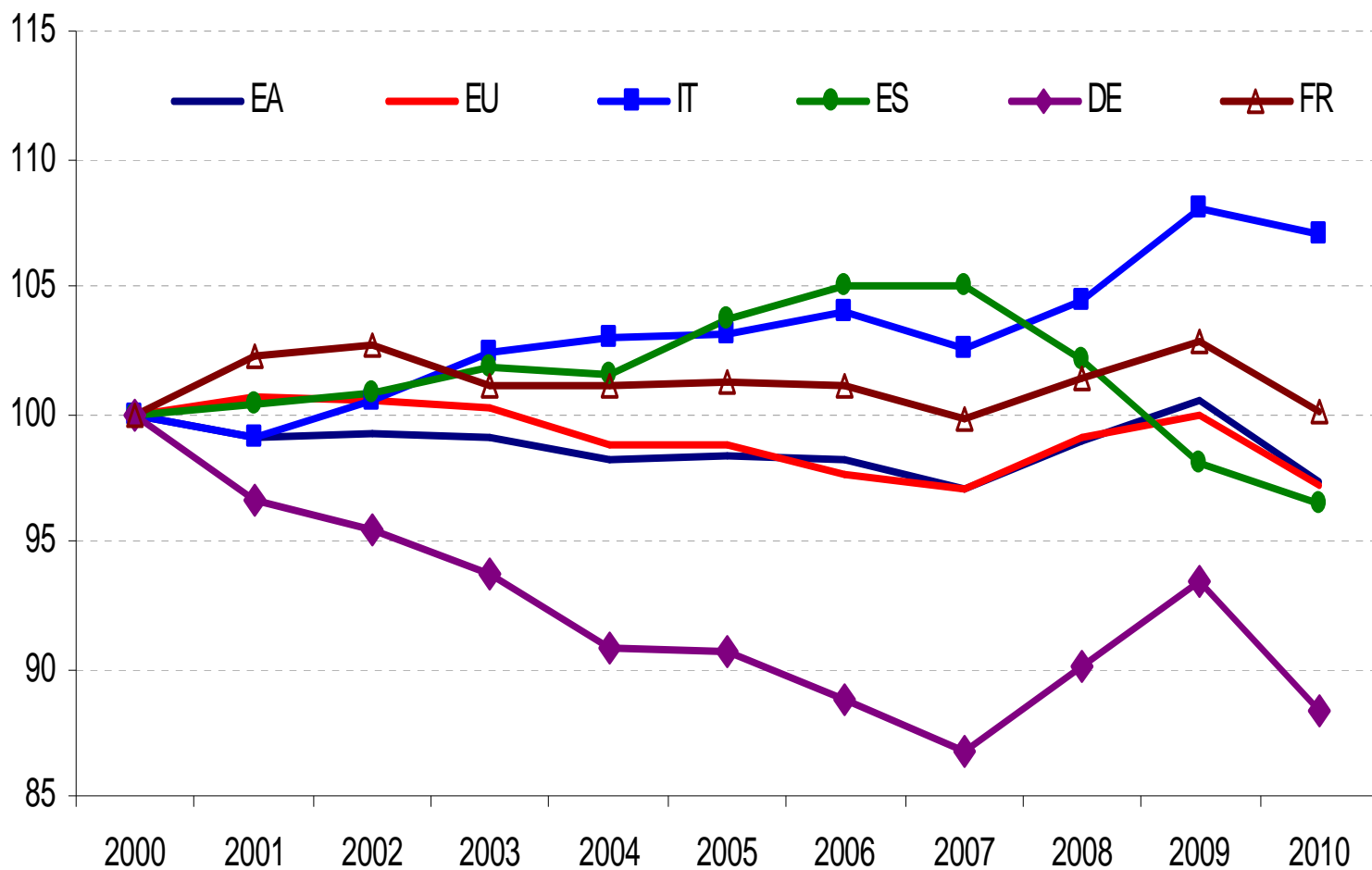
Main outcomes: CH Gross saving rate



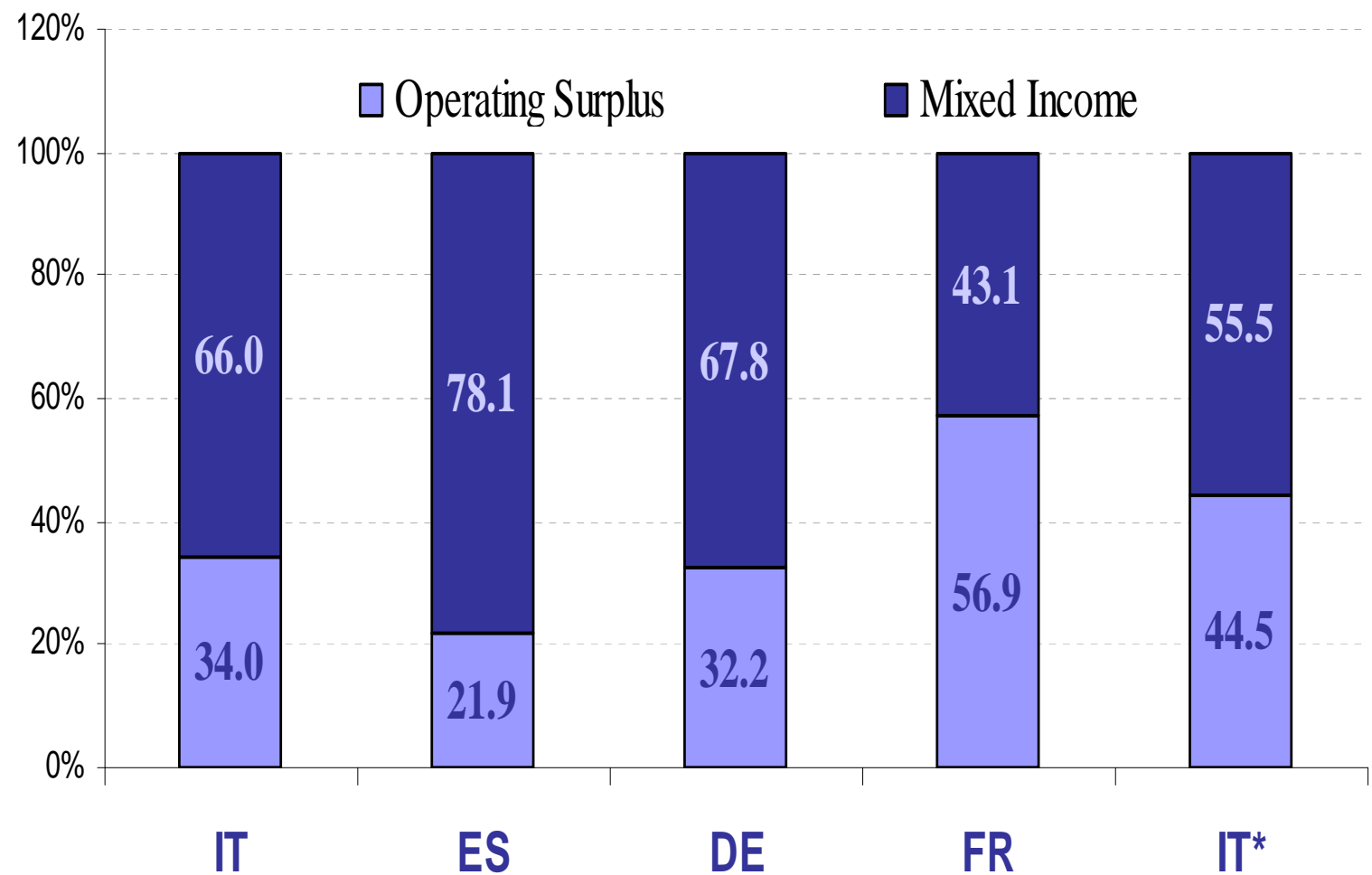
Main outcomes : CH Gross investment rate



An international comparison: Share of HH Gross operating surplus on National private sector by country



An international comparison: composition of Gross operating surplus / Mixed income in the HH sector by country



An international comparison: contributions to growth in gross household disposable income

2008	Balance of Primary Income (Gross)	Social Contributions net	Social Benefits net	Other Current Transfers net	Current taxes on income paid	Disposable income (Gross)
EA	3.8	-1.3	1.2	0.1	-0.6	3.2
EU	1.5	-0.6	0.9	0.0	-0.2	1.6
IT	2.7	-1.3	1.3	0.1	-0.9	1.9
ES	5.0	-1.4	2.4	0.4	0.3	6.5
DE	4.3	-1.0	0.2	0.0	-0.9	2.7
FR	3.6	-0.9	1.0	0.3	-0.6	3.4

Going further: an overview on the endowment of non financial assets for PH and CH

	CH	PH	NFC	Other sectors	Total economy
Dwellings	78.0	12.0	8.0	2	100.0
Other buildings and structures	0.0	13.0	47.0	40	100.0
Machinery and equipmet	0.0	14.0	80.0	6	100.0
Transport equipment	0.0	24.0	71.0	5	100.0
Other fixed assets	50.0	11.0	32.0	7	100.0
Total fixed assets net of dwellings	5.0	14.0	56.0	26	100.0
Total fixed assets	16.0	70.0	6.0	8.0	100.0

	CH	PH	NFC	Other sectors	Total economy
Dwellings	92.0	38.0	9.0	6	42.0
Other buildings and structures	0.0	33.0	45.0	84	33.0
Machinery and equipmet	0.0	17.0	34.0	6	16.0
Transport equipment	0.0	7.0	7.0	1	4.0
Other fixed assets	8.0	5.0	5.0	2	6.0
Total fixed assets	100.0	100.0	100.0	100.0	100.0

... conclusions

ADVANTAGES

The distinction, between **Producer** and **Consumer Households**:

- allows to better interpret the productive and distributive flows of the two sub-sectors;
- supplies a tool to better represent the economic behaviour of the whole productive system, made up not only of Corporations (S.11 and S.12), but also of small market producers which are indeed a relevant but at the same time a fragile share of Italian economic system;
- allows to better represent HH **saving** and **investment rates**;
- allows to better allocate **FISIM**.

... conclusions

The compilation of two separate set of accounts for the two sub-sectors is based on the assumption that the assets of enterprises classified as Producer Households only include financial and non financial assets and liabilities which are functional to market activities.

The accumulation of saving is a typical function of households as consumer units; all distributive and re-distributive flows of Producer Households are estimated according to this hypothesis.

→ Need to harmonize the composition of the household sector across countries, to enhance international comparability.

That's all, folks!

