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 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.

<table>
<thead>
<tr>
<th>Non-financial Corporations</th>
<th>Corporations</th>
<th>Corporated enterprises and Cooperatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quasi-Corporations</td>
<td></td>
<td>Partnerships and Sole proprietorships with more than 5 employees</td>
</tr>
<tr>
<td>Households</td>
<td>Consumers</td>
<td>HHs staff and porters</td>
</tr>
<tr>
<td></td>
<td>Producers</td>
<td>Own account workers and sole proprietorships up to 5 employees</td>
</tr>
</tbody>
</table>
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 an 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

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<table>
<thead>
<tr>
<th>Turnover</th>
<th>18,9</th>
<th>7,1</th>
<th>22,8</th>
<th>19,8</th>
<th>31,4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Persons employed</td>
<td>36,3</td>
<td>9,8</td>
<td>21,2</td>
<td>12,5</td>
<td>20,3</td>
</tr>
<tr>
<td>Enterprises</td>
<td>88,9</td>
<td>5,7</td>
<td>4,0</td>
<td>0,1</td>
<td>0,1</td>
</tr>
</tbody>
</table>

Legend:
- **1-5**: 5%
- **6-9**: 10%
- **10-49**: 25%
- **50-249**: 36%
- **250 and more**: 89%
Decomposing Households sector into Consumer and Producer Households

**Turnover**
- Sole proprietorship: 8.6%
- Partnerships: 7.9%
- Corporations: 77.5%
- Co-operative societies: 3.5%

**Persons employed**
- Sole proprietorship: 25.5%
- Partnerships: 16.1%
- Corporations: 51.1%
- Co-operative societies: 6.2%

**Enterprises**
- Sole proprietorship: 64.3%
- Partnerships: 17.6%
- Corporations: 16.6%
- Co-operative societies: 1.1%
Decomposing Households sector into Consumer and Producer Households

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- Sole proprietorship
  - Industry: 7.1
  - Construction: 14.2
  - Wholesale and retail trade; transportation; accommodation and food service: 35.7
  - Other services: 43.0

- Partnerships
  - Industry: 14.3
  - Construction: 10.6
  - Wholesale and retail trade; transportation; accommodation and food service: 31.8
  - Other services: 43.4

- Corporations
  - Industry: 17.7
  - Construction: 16.0
  - Wholesale and retail trade; transportation; accommodation and food service: 31.0
  - Other services: 35.3
Decomposing Households sector: the weight of self-employed workers

Quasi-Corporations 20.9%

Corporations 11.4%
Analysis of labour input: total employment

A - Agriculture, forestry and fishing
B, C, D, E - Manufacturing, mining, quarrying and other activities
F - Construction
G, H, I - Wholesale and retail trade; transportation; accommodation and food service activities
J - Information and communication
K - Financial and insurance activities
L - Real estate activities
M, N - Professional, scientific and technical activities
P, Q - Education, Human Health and social work activities
R, S - Other service activities

Producer Households
Non-financial corporations
Non-financial quasi-corporations
Analysis of labour input: self-employment

1.1

A - Agriculture, forestry and fishing

B, C, D, E - Manufacturing, mining, quarrying and other activities

F - Construction

G, H, I - Wholesale and retail trade; transportation; accommodation and food service activities

J - Information and communication

K - Financial and insurance activities

L - Real estate activities

M, N - Professional, scientific and technical activities

P, Q - Education, Human Health and social work activities

R, S - Other service activities

Non-financial corporations

Producer Households

Non-financial quasi-corporations
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

- A - Agriculture, forestry and fishing: 7.9
- B, C, D, E - Manufacturing, mining, quarrying and other activities: 5.4
- F - Construction: 11.8
- G, H, I - Wholesale and retail trade; transportation; accommodation and food service activities: 27.4
- J - Information and communication: 1.1
- K - Financial and insurance activities: 0.8
- L - Real estate activities: 14.1
- M, N - Professional, scientific and technical activities: 20.9
- P, Q - Education, Human Health and social work activities: 5.9
- R, S - Other service activities: 4.8

Categories:
- Producer Households
- Non-financial corporations
- Non-financial quasi-corporations

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The complete set of Households accounts: gross operating surplus

- A - Agriculture, forestry and fishing
  - Producer Households: 8.2
  - Non-financial corporations: 2.2
  - Non-financial quasi-corporations: 0.8

- B, C, D, E - Manufacturing, mining, quarrying and other activities
  - Producer Households: 4.6
  - Non-financial corporations: 1.8
  - Non-financial quasi-corporations: 0.7

- F - Construction
  - Producer Households: 10.8
  - Non-financial corporations: 3.2
  - Non-financial quasi-corporations: 1.2

- G, H, I - Wholesale and retail trade; transportation; accommodation and food service activities
  - Producer Households: 25.9
  - Non-financial corporations: 12.3
  - Non-financial quasi-corporations: 4.2

- K - Financial and insurance activities
  - Producer Households: 0.9
  - Non-financial corporations: 0.3
  - Non-financial quasi-corporations: 0.1

- L - Real estate activities
  - Producer Households: 15.9

- M, N - Professional, scientific and technical activities
  - Producer Households: 21.8

- P, Q - Education, Human Health and social work activities
  - Producer Households: 6.2

- R, S - Other service activities
  - Producer Households: 4.7
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 …

\[ SMI = B3 - D41 - D45 - D5 - K1 \]
The distribution of Gross operating surplus and Mixed income to CH

- Producer Households
- Quasi-Corporations
- Corporations

- Share of mixed income
- Other income distributed
- Withdrawals

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

<table>
<thead>
<tr>
<th>Interest received</th>
<th>CH</th>
<th>PH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Currency and transferable deposits</td>
<td>83%</td>
<td>17%</td>
</tr>
<tr>
<td>Other deposits</td>
<td>100%</td>
<td>0%</td>
</tr>
<tr>
<td>Short-term securities</td>
<td>96%</td>
<td>4%</td>
</tr>
<tr>
<td>Medium and long-term securities</td>
<td>95%</td>
<td>5%</td>
</tr>
<tr>
<td>Other accounts receivable/payable</td>
<td>18%</td>
<td>82%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>78%</strong></td>
<td><strong>22%</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Interest paid</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term loans</td>
<td>77%</td>
<td>23%</td>
</tr>
<tr>
<td>Medium and long-term loans</td>
<td>76%</td>
<td>24%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>77%</strong></td>
<td><strong>23%</strong></td>
</tr>
</tbody>
</table>
Main outcomes: Secondary distribution of income

- Wage and salaries net of employees' social contributions
- Social Benefit
- Mixed income transferred to CH net of self-employed social contributions
- Income from corporations
- Dividends, net Interest and net Other property income
- Gross operating surplus
- Current taxes and net other current transfer
The complete set of Households accounts: the estimate of GFCF by kind of fixed asset

<table>
<thead>
<tr>
<th>Kind of Fixed Asset</th>
<th>CH</th>
<th>PH</th>
<th>NFC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machinery, equipment and furniture</td>
<td>0.0</td>
<td>35.0</td>
<td>50.8</td>
</tr>
<tr>
<td>Dwellings and costs of ownership transfer</td>
<td>100.0</td>
<td>18.3</td>
<td>2.4</td>
</tr>
<tr>
<td>Non residential buildings and costs of ownership transfer</td>
<td>0.0</td>
<td>21.2</td>
<td>26.9</td>
</tr>
<tr>
<td>Road transport equipment and repair of motor vehicles</td>
<td>0.0</td>
<td>20.6</td>
<td>9.5</td>
</tr>
<tr>
<td>Other transport equipment</td>
<td>0.0</td>
<td>0.2</td>
<td>2.9</td>
</tr>
<tr>
<td>Intangible fixed assets</td>
<td>0.0</td>
<td>3.6</td>
<td>7.5</td>
</tr>
<tr>
<td>Cultivated assets</td>
<td>0.0</td>
<td>1.0</td>
<td>0.1</td>
</tr>
<tr>
<td><strong>Total GFCF</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Kind of Fixed Asset</th>
<th>CH</th>
<th>PH</th>
<th>NFC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machinery, equipment and furniture</td>
<td>0.0</td>
<td>12.8</td>
<td>80.8</td>
</tr>
<tr>
<td>Dwellings and costs of ownership transfer</td>
<td>85.6</td>
<td>7.8</td>
<td>4.4</td>
</tr>
<tr>
<td>Non residential buildings and costs of ownership transfer</td>
<td>0.0</td>
<td>10.1</td>
<td>55.7</td>
</tr>
<tr>
<td>Road transport equipment and repair of motor vehicles</td>
<td>0.0</td>
<td>32.0</td>
<td>64.9</td>
</tr>
<tr>
<td>Other transport equipment</td>
<td>0.0</td>
<td>1.4</td>
<td>91.0</td>
</tr>
<tr>
<td>Intangible fixed assets</td>
<td>0.0</td>
<td>8.6</td>
<td>76.6</td>
</tr>
<tr>
<td>Cultivated assets</td>
<td>0.0</td>
<td>68.4</td>
<td>31.4</td>
</tr>
<tr>
<td><strong>Total GFCF</strong></td>
<td><strong>23.8</strong></td>
<td><strong>11.9</strong></td>
<td><strong>51.9</strong></td>
</tr>
</tbody>
</table>
Data dissemination

✓ Annual Sector Accounts
✓ Quarterly Sector Accounts
✓ Regional Accounts
Main outcomes: CH Gross saving rate

Gross disposable income (Left scale)  
Individual consumption (Left scale)  
Gross saving rate (Right scale)
Main outcomes: CH Gross investment rate

Gross disposable income (Left scale)
Gross fixed capital formation (Left scale)
Gross investment rate (Right scale)

Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1
2005 2006 2007 2008 2009 2010 2011

-7% -5% -3% -1% 1% 3% 5% 7%

6.0% 6.5% 7.0% 7.5% 8.0%
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

![Bar chart showing the composition of Gross operating surplus and Mixed income for countries IT, ES, DE, FR, and IT*]
An international comparison: contributions to growth in gross household disposable income

<table>
<thead>
<tr>
<th>2008</th>
<th>Balance of Primary Income (Gross)</th>
<th>Social Contributions net</th>
<th>Social Benefits net</th>
<th>Other Current Transfers net</th>
<th>Current taxes on income paid</th>
<th>Disposable income (Gross)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EA</td>
<td>3.8</td>
<td>-1.3</td>
<td>1.2</td>
<td>0.1</td>
<td>-0.6</td>
<td>3.2</td>
</tr>
<tr>
<td>EU</td>
<td>1.5</td>
<td>-0.6</td>
<td>0.9</td>
<td>0.0</td>
<td>-0.2</td>
<td>1.6</td>
</tr>
<tr>
<td>IT</td>
<td>2.7</td>
<td>-1.3</td>
<td>1.3</td>
<td>0.1</td>
<td>-0.9</td>
<td>1.9</td>
</tr>
<tr>
<td>ES</td>
<td>5.0</td>
<td>-1.4</td>
<td>2.4</td>
<td>0.4</td>
<td>0.3</td>
<td>6.5</td>
</tr>
<tr>
<td>DE</td>
<td>4.3</td>
<td>-1.0</td>
<td>0.2</td>
<td>0.0</td>
<td>-0.9</td>
<td>2.7</td>
</tr>
<tr>
<td>FR</td>
<td>3.6</td>
<td>-0.9</td>
<td>1.0</td>
<td>0.3</td>
<td>-0.6</td>
<td>3.4</td>
</tr>
</tbody>
</table>
## Going further: an overview on the endowment of non financial assets for PH and CH

<table>
<thead>
<tr>
<th></th>
<th>CH</th>
<th>PH</th>
<th>NFC</th>
<th>Other sectors</th>
<th>Total economy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dwellings</td>
<td>78.0</td>
<td>12.0</td>
<td>8.0</td>
<td>2</td>
<td>100.0</td>
</tr>
<tr>
<td>Other buildings and structures</td>
<td>0.0</td>
<td>13.0</td>
<td>47.0</td>
<td>40</td>
<td>100.0</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>0.0</td>
<td>14.0</td>
<td>80.0</td>
<td>6</td>
<td>100.0</td>
</tr>
<tr>
<td>Transport equipment</td>
<td>0.0</td>
<td>24.0</td>
<td>71.0</td>
<td>5</td>
<td>100.0</td>
</tr>
<tr>
<td>Other fixed assets</td>
<td>50.0</td>
<td>11.0</td>
<td>32.0</td>
<td>7</td>
<td>100.0</td>
</tr>
<tr>
<td>Total fixed assets net of dwellings</td>
<td>5.0</td>
<td>14.0</td>
<td>56.0</td>
<td>26</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total fixed assets</strong></td>
<td><strong>16.0</strong></td>
<td><strong>70.0</strong></td>
<td><strong>6.0</strong></td>
<td><strong>8.0</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>
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 nonfinancial 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!