



# Informal sector in a national accounts context

# THE HOUSEHOLD SECTOR

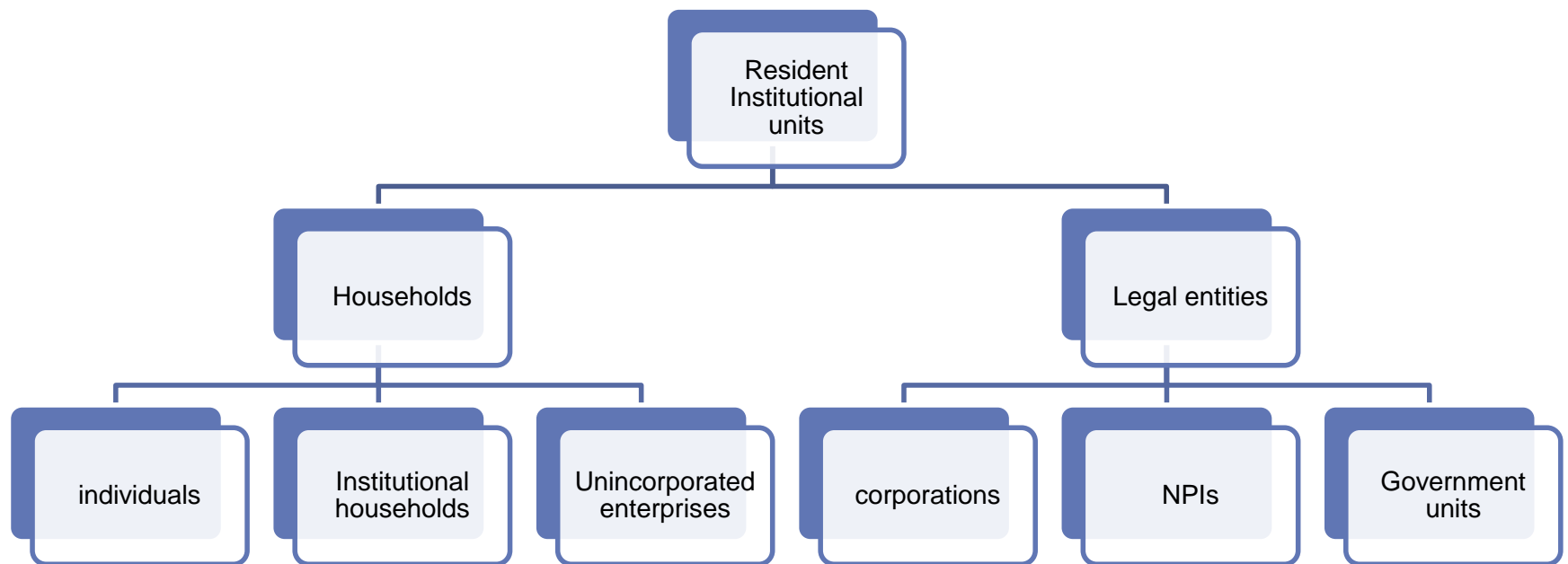
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# Intro Institutional units and sectors

# Two sorts of Institutional units

- Persons or groups of persons in the form of households
- Legal or social entity

# Summary table institutional units



# Households

- A household is a group of persons who share the same living accommodation, who pool some or all of their income and wealth and who consume certain types of goods and services collectively; mainly housing and food (May be, but are not necessarily families) (art.4.4)
- Institutional households: groups of persons staying in hospitals, retirement homes, convents, prisons, etc. for long periods of time

# Legal or social entity

- A legal or social entity is one whose existence is recognized by law or society independently of the persons, or other entities, that may own or control it
- Includes corporations, NPIs and government units
- Note: the status of an institutional unit cannot always be inferred from its name, and it is necessary to examine its objectives and functions

## Legal unit (cont'd)

- Units that do not have such a legal personality are called **natural persons**.
- *Incorporated* units are recognized by law, and the unit becomes a legal person.
- Units that are not incorporated are called *unincorporated*. These are not legal units, but natural persons.
- The most important example of a natural person for national accounts is the *household*.



# Corporations

- The term corporations in the SNA covers
  - legally constituted corporations
  - cooperatives
  - limited liability partnerships
  - notional resident units
  - quasi-corporations
- In the SNA, the term corporation is used more broadly than in just the legal sense. In general, it includes all entities that:
  - Aim to generate profit or other financial gain for owners
  - Are recognized as legally separate from owners
  - Set up to engage in production

# 3 sorts of quasi-corporations

- Unincorporated enterprises owned by government units that are engaged in market production and that are operated in a similar way to publicly owned corporations
- Unincorporated enterprises, including unincorporated partnerships or trusts, owned by households that are operated as if they were privately owned corporations
- Unincorporated enterprises that belong to institutional units resident abroad, referred to as “branches”

# SNA Coding of Sectors

- Total economy (S1)
  - Non-financial corporations (S11)
  - Financial corporations (S12)
  - General government (S13)
  - Households (S14)
  - Non-profit institutions serving households (S15)
- Rest of the world (S2)

# Decision tree institutional units and sectors

- Important to decide which units belong to which sectors
  - Non-financial corporations
  - Financial corporations
  - General government
  - Households (including unincorporated enterprises within households)
  - NPISHs
- See decision tree page 62 2008SNA manual
- Rest of the world
- The whole of each institutional unit must be classified to one specific sector even though that unit may be engaged in more than one type of economic activity

# First separation

- Households
- Include institutional households
- Include unincorporated enterprises within households

# Market and non-market

- Once households removed, all remaining units are producers
- Do they aim to sell their products at prices that are economically significant?
- If yes, are market producers
- If no, are non-market producers

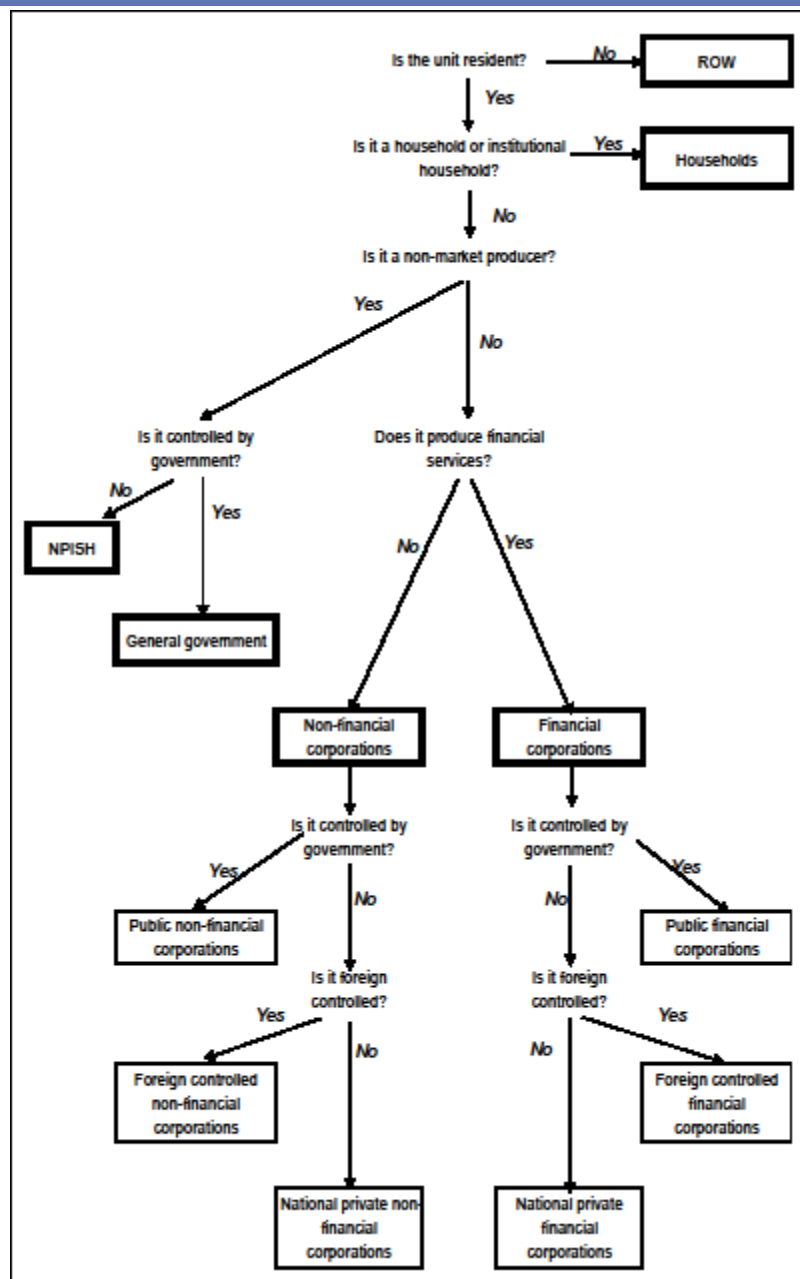
# Economically significant prices

- Economically significant prices are prices that have a significant effect on the amounts that producers are willing to supply and on the amounts purchasers wish to buy. These prices normally result when:
  - The producer has an incentive to adjust supply either with the goal of making a profit in the long run or, at a minimum, covering capital and other costs; and
  - Consumers have the freedom to purchase or not purchase and make the choice on the basis of the prices charged.

# Market producers

- Corporations
  - Legally constituted
  - Partnerships etc.
  - Quasi-corporations
- NPIs that sell their output at economically significant prices
- Government units that sell their output at economically significant prices





# Definition of Household

- Art 4.149 For the purposes of the SNA, a household is defined as a group of persons who:
  - share the same living accommodation,
  - pool some, or all, of their income and wealth
  - consume certain types of goods and services collectively, mainly housing and food
- The household sector consists of all resident households
- members of the same household do not necessarily have to belong to the same family so long as there is some sharing of resources and consumption
- Excludes live-ins: paid domestic employees

# Institutional households

- examples of persons belonging to institutional households are the following:
  - Members of religious orders living in monasteries, convents or similar institutions;
  - Long-term patients in hospitals, including mental hospitals;
  - Prisoners serving long sentences;
  - Persons living permanently in retirement homes
- Note not included persons who:
  - enter hospitals, clinics etc. for short periods
  - attend residential schools, colleges or universities,
  - serve short prison sentences
    - These should be treated as members of the individual households to which they normally belong

# Unincorporated enterprises within households

- Households engage in:
  - Final consumption
  - Production via
    - unincorporated market enterprises producing goods or services for sale or barter on the market
    - unincorporated partnerships that are engaged in producing goods or services for sale or barter on the market

# Links with informal sector

- The ILO informal sector: household unincorporated enterprises divided into:
  - one part forming the informal sector
  - a second part being units treated as formal, because of the numbers of employees or registration
  - the third part being referred to simply as households

# Data sources informal sector

- Household surveys
- Establishment surveys
- Preferred method: mixed households and establishment surveys
  - sample should be stratified to the geographical zones of economic activities of households

THE END

Thank you for listening!