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THE STATISTICAL TREATMENT OF THE INDUSTRIAL  
ACTIVITIES OF HOUSEHOLDS

(Memorandum prepared by the Secretary-General)

1. The Second Regional Conference of Statisticians in the ECAFE area, meeting at Bangkok in September 1952, considered the question of definitions in basic industrial statistics, and concluded, inter alia, that "the problem of the treatment of the integrated family household, together with the related problem of production for direct personal or family consumption, should be referred to the Statistical Commission as an important problem of this region for consideration in its wider aspects."
2. The question of the treatment of these households and their industrial activities arose from a proposal that they should be excluded from basic industrial statistics unless they produced for sale, i.e., that production for direct personal or family consumption should be excluded.
3. The problem, it is understood, consists in the fact that in Asia, as in other parts of the world, there are substantial numbers of persons living in households which carry on a variety of economic activities; for instance, agriculture, fishing, handicrafts, possibly transport and service. Other typical features of these households are that practically all persons except small children work regularly or intermittently, that the division of labour is very little developed, all persons engaging successively in each activity, and that all or a substantial portion of the output is retained for consumption by the household. As a result, the concepts of "industry", "the economically active population" and "occupation" have limited application

to these households, and they have a limited relationship, or no relationship at all, to a market economy. While these additional features are characteristic, it is not essential that they should be present. For example, if in a household with mixed activities the work is in fact done by a single breadwinner, or if (a more unlikely case) the mixed output were all exchanged, the household would still be part of the problem. However, the mixed character of activity is taken to be essential. Thus, households wholly or very largely specializing on a single line of production do not require special treatment, whether or not all members work and whether or not the output is for sale. In practice, the specialists can only be engaged in agriculture or in production for exchange, and in either case the ordinary procedures of agricultural and industrial enquiries, with some modifications, can be applied to them.

4. The integrated (mixed) household activities which are the subject of this paper must be distinguished from ordinary non-economic domestic processes such as preparing food, cleaning and tidying. On the other hand, they do not include all economic activities which are household activities in the sense that they take place under the roof of a residence, since, as stated above, specialized production is not included.

5. It is assumed that the aspects on which the Commission's views are sought are not the practical techniques by which these households may be identified and enumerated, but the conceptual questions arising from their circumstances, namely (1) which, if any, of their activities are to be counted as "economic", (2) how are these households and their activities to be classified in economic classifications, and (3) to what extent, if any, are they covered by the recommendations relating to basic industrial statistics?

6. In order that the discussion should not be entirely academic, however, it is necessary to ask first, what information can be extracted from households, and to consider the other questions in the light of the answer.

I. What data can be extracted?

7. The enquiry in which experience of these matters has been most intensive and up to date seems to be the Indian National Sample Survey. Judging by the

questionnaires relating to households used in the fourth round of this survey, it is possible to obtain the following data which are relevant to this paper (the list apparently covers both specialized and mixed households), (1) the number of persons in the household, and, for each person, the economic status, the employment status, the principal and all the subsidiary means of livelihood and the number of days' work on each in the last month, (2) the household's consumption during a week or a month, in quantity and value, of home grown foodstuffs, and home produced fuels and clothes, (3) the quantity and value of livestock produce produced, sold and consumed during a month, (4) the quantity of major crops harvested during a month or a quarter, (5) details of the buildings, power equipment, machinery tools, furniture and fittings used in small-scale manufacture and handicrafts, (6) the consumption of fuel, lubricants and raw materials, in quantity and value, details of personnel and labour changes, and details of other expenses incurred during a month in handicrafts, (7) the quantity and value of handicraft products and by-products produced and consumed by the household during a week and a month, (8) details of the buildings, land and equipment used by the household in transport, the services produced, the material used, the labour changes and other expenses, (9) similar details for any trading activities of the household, together with data on the quantities and values of items of merchandise bought and sold during a month, (10) similar details for professional, service and financial operations conducted by the household.

8. It may be doubted whether all these data could or should be obtained in other enquiries covering mixed household activities. However, it would seem possible to obtain data at least on the following points: (a) the main and the subsidiary activities of each member of the household and the time spent on each during a recent period, (b) the quantities and an estimate of the value of the main livestock products, crops and industrial goods produced, sold, bought and consumed during a recent period.

9. In the light of this conclusion, the conceptual questions are now considered.

II. Which, if any, activities of mixed households are economic?

10. A convenient answer to this question is provided in the recent report on "A System of National Accounts and Supporting Tables" which is referred to in E/CN.3/147. This report includes a definition of the household activities which should be included in the national income, that is, all economic activities. The relevant passage is quoted in the annex to this paper. It will be seen that in the case of households engaged mainly in primary production - agriculture, hunting, fishing, and mining and quarrying - all primary production, whether exchanged or not, and all non-primary goods and services produced and exchanged are included. In the case of households engaged mainly in non-primary production, there is included (a) the total of their primary production, if any, whether exchanged or not, (b) the total of their production in their own trade, whether exchanged or not, and (c) the total of any other production which is exchanged.

11. This definition relates to all household activities, whether mixed or specialized, and therefore covers the field of mixed activities dealt with in this paper. Some part of the activities of such households are economic therefore.

III. How should the activities of mixed households be classified?

12. The relevant classification for consideration is of course the International Standard Industrial Classification of All Economic Activities. The explanatory notes to this classification make no mention of household activities, but since it relates to all economic activities, the households must be covered to the extent that their activities are economic.

13. First, as stated above, households wholly or very largely specializing on one line of production are not considered to present a problem. If agricultural, the whole of their activities would be classified to agriculture. If industrial, e.g., handicraft weavers or metal workers, the whole of their activities would be classified to the appropriate industrial heading.

14. Households with mixed activities can be treated, broadly speaking, in one of two ways. They can be treated as essentially indivisible units, each to be classified, with all its activities, under a single heading of the ISIC.

Alternatively, one or some or all of the activities can be separated from the other activities and classified separately.

15. If the households are treated as units, there are again two broad possibilities. First, the households could be classified, according to their major activity, under the existing headings of the ISIC (agriculture, weaving, etc.). This is the treatment which would accord with the general rules for classifying establishments in the ISIC. The major activity could be established from the data on the time spent by each member of the household on various means of livelihood. This would not be on the value of net output in each activity, as recommended in the ISIC, but on a basis approximating to employment (converted to full-time units), which is accepted as a substitute. If this solution were adopted, the statistics for the households should be shown separately from those for other establishments, because of the very different conditions of production.

16. The second possibility is that all mixed households could be classified under a single heading of the ISIC, possibly with appropriate sub-divisions. The heading might be (a) Division 0 (Agriculture), (b) a new sub-section of Division 9 (activities not adequately described), or (c) a new division, specifically for mixed household activities. Whichever of these headings were selected, this treatment appears to be better than the alternative of classifying households according to major activity to the existing headings of the ISIC. The reason is that the sub-divisions are not limited to the existing headings of the ISIC and can be selected to correspond more exactly with the modal combinations of activities observed. For instance, sub-divisions such as "agriculture-with-handicrafts" or "agriculture-with-weaving" or "rice cultivation-weaving-basketry" might be established.

17. However, any procedure in which all the activities of a mixed household are classified with the major activity is very rough. A good deal of valuable information on subsidiary activities may be lost if the household is classified in toto to one heading. Moreover, the major activity of the great majority of the households is likely to be agriculture, so that most subsidiary activities would be subsumed under this heading. The possibility of separating one or all

of the activities from the other activities should therefore be examined. Are mixed households statistically irreducible establishments? In the case of large establishments, it is usually possible to obtain some separate data on the different activities, e.g. gross value and possibly quantity of output and labour directly employed. What makes it impossible to secure a complete separation of the different departments is the impracticability of dividing up items such as administrative workers, maintenance workers, depreciation, and sometimes materials used. Provided data are not sought on these unsplittable items, however, but are confined to data such as time spent in different ways, and quantity and value of goods of different types produced, it would appear to be possible to secure entirely separate data for the various activities of the household.

18. It is not recommended however that each kind of activity should be treated as a separate economic unit and, as such, classified separately in the ISIC. This would accord an undue importance to very minor activities. As a practical solution it is proposed that the activities of mixed households falling under Division 0 of the ISIC (agriculture, forestry, hunting and fishing) should be treated separately, unless they are of very minor importance; and the remaining activities should be treated together. The Division 0 activities are likely to constitute in total the great bulk of all the activities of this group and if they are taken out, the problem presented by the ~~mixed~~ nature of the remaining activities is much less formidable. It becomes similar to the problem of the small shopkeeper who also makes or repairs goods on the premises, and which is dealt with by allocating the whole of the establishment to trade or to manufacturing according to the major activity. It is proposed therefore that the non-agricultural activities of mixed households be treated together and allocated as a unit to the heading, in the ISIC, of the major activity. Whether the treatment proposed involves splitting the household into two establishments, agricultural and non-agricultural, or whether the household is considered to be ~~one~~ <sup>one</sup> establishment with two kinds of activity, is largely a matter of words. However, if a statistical table were compiled in which the number of agricultural and of non-agricultural establishments were both shown and added together, the household would appear twice; logically therefore the

treatment should be considered as splitting the household into two establishments.

19. In tables covering both mixed households and other establishments, it will usually be valuable to show the data for households separately from the other establishments. In view of the fact that the counting of each household, or part of a household, as one establishment would give a false idea of the number of establishments, it would be necessary always to specify separately the number of households enumerated.

IV. To what extent are the activities of mixed households to be included in basic industrial statistics?

20. In the case of establishments other than mixed households, the recommendations of the Statistical Commission on basic industrial statistics cover all the activities of establishments classified to major groups 11 through 51 of the ISIC. They include the minor non-industrial activities of establishments which are mainly industrial, and they exclude the minor industrial activities of establishments which are mainly non-industrial. Is this rule suitable for mixed households also? Following the arguments of the previous section, it is suggested that it is suitable provided the agricultural activities have been treated separately. The recommendations relating to basic industrial statistics would therefore cover all the non-agricultural activities of mixed households whose major non-agricultural activity is industrial. They would therefore include minor amounts of trading, transport, etc., and on the other hand would exclude minor amounts of industrial activity by traders, etc. The number of households and the data on output, employment, etc., relating to them, should be shown separately from other industrial establishments.

21. As a guide to the limits of the non-agricultural activities which should be included in basic industrial statistics, it is suggested that the rules for the limits of national income given in section 2 of this paper be followed. It will be seen there that among non-primary producers a distinction is drawn between production in their own trade (the total of which is included) and other production (which is only included if it is for sale). In industrial statistics, the phrase "their own trade" is taken to mean the industrial heading (weaving, shoe-making, etc.) to which the establishment is classified on the basis of its

major activity. For a mixed household whose major non-agricultural activity was weaving, therefore, the following activities would be included in basic industrial statistics: (a) the total of cloth woven, whether for sale or for the household's own use, (b) the total of any other ~~non~~non-agricultural goods produced or services rendered for sale or exchange, but not those for the household's own use, (c) in addition, there might be included a very small amount of agricultural production (both for sale and for own use) if the household engages in such activity but not enough to warrant its being treated separately. The estimated gross value of these activities, the net value (if it is possible to establish this), persons engaged (estimated from the time spent) and so on would be included under the heading weaving. With regard to the country's production of woven cloth, there would be two figures - production in the weaving industry and total production, including production in other industries. (This is exactly parallel to normal practice in industrial statistics; for example, the United States publishes a figure for the production of each important commodity by establishments specializing in the production of that commodity, and another figure in which production by other industries is carried on). Production in the weaving industry would mean total production (of woven cloth) by weaving establishments other than households, plus total production, whether for sale or for own use, by households classified to weaving. Production in other industries would mean production of cloth for sale by households and other establishments classified to those industries; it would not include production for own use by households classified outside the weaving industry. If a figure including such (estimated) production is published, it should be carefully defined and explained, since it will include some activities not part of the national income.

22. A complication arises because mining and quarrying are regarded as industrial activities, but are included with agriculture, etc. as primary production in A System of National Accounts. This need not affect the conclusions of the paper however. It is still agriculture which would be treated separately, mining and quarrying being included with non-agricultural activities in deciding on the classification of the household.



23. With regard to the limits of non-agricultural activities which should be included in basic industrial statistics, it should be noted that all mining and quarrying activities, whether for sale or for own use, should be included, even if it is a minor activity of a household. In this respect, mining and quarrying differ from other non-agricultural production.

V. Conclusions

24. The conclusions of this paper may be summarized as follows:

- (1) The recommendations regarding the economic activities of households made in A System of National Accounts and Supporting Tables should be accepted.
- (2) The agricultural activities of mixed households should be treated separately and classified under Division 0 of the ISIC, and the non-agricultural activities (including mining and quarrying) should be treated together and classified as a unit under the appropriate heading of the ISIC according to the major activity.
- (3) The recommendations of the Statistical Commission relating to basic industrial statistics should cover all the non-agricultural economic activities of mixed households which are classified, on the basis of their major non-agricultural activity, under major groups 11 through 51 of the ISIC.

VI. Proposed action by the Statistical Commission

25. The Statistical Commission is invited (1) to approve the conclusions regarding the statistical treatment of mixed household activities set out above, and (2) to request the Secretary-General

- (a) to draw the attention of governments represented at the Second Regional Conference of Statisticians in the ECAFE area, and of other interested governments, to these conclusions.
- (b) to take account of these conclusions in the manual on basic industrial statistics, and in his further work in this field.

ANNEX

EXTRACT FROM "A SYSTEM OF NATIONAL ACCOUNTS AND SUPPORTING TABLES",  
A report prepared by a Committee of National Income Experts appointed  
by the Secretary-General

Chapter II (Basic Concepts) Part 2 (The Definition of the Value of Production)  
Section (a) The Boundary of Production, page 13

26. "In industrialized economies, in which monetary exchange and the division of labour have progressed far, the separation of households from enterprises and the inclusion in total product of production for home consumption do not constitute important practical problems in national accounting because by far the greater part of production takes place for sale in the market by enterprises which in most cases are clearly defined. In under-developed countries, however, the reverse is the case and so it is important to set up clearly defined rules for drawing the production boundary.

27. The following rules have as their object the inclusion in production of household activities that are clearly akin to those which are usually undertaken in enterprises and the exclusion of those for which the analogy with enterprises becomes tenuous and which do not lend themselves to any precise definition. It is convenient in stating these rules to draw a distinction between primary and other producers.

28. In the case of primary producers, that is those engaged in agriculture, forestry, hunting, fishing, mining and quarrying, all primary production whether exchanged or not and all other goods and services produced and exchanged are included in the total of production. In the case of other producers, that is those engaged in all other industries listed in the International Standard Industrial Classification, the total of their primary production is included as for primary producers. In addition there is included the total of their other production which is exchanged together with the unexchanged part of their production in their own trade. As a result of these rules there is omitted from production the net amount of all non-primary production performed by producers outside their own trades and consumed by themselves. Non-primary

production may be defined broadly as the transformation and distribution of tangible commodities as well as the rendering of services.

29. These rules are in close agreement with the imputation procedures used for industrialized economies. The farming imputation made for such economies accords with the rules given for primary producers and the rental imputation accords with the rules given for other producers if account is taken of the fact that home-ownership is regarded as a trade. In practice no other imputations of this kind are made since primary production and the consumption of their own produce by non-primary producers is of little or no importance."

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