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Compilation of output and gross value added from sample
survey data on Household Unincorporated Enterprises with
At Least Some Market Production (HUEMs)

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I. Introduction

1. This working paper discusses issues that may arise in compiling national accounts, in particular gross output, intermediate consumption and gross value added, of household unincorporated enterprises with at least some market production (HUEMs). The discussions are framed around utilising survey data from “1-2” surveys developed by the UN Development Account Project *Inter-regional Cooperation on the Measurement of Informal Sector and Informal Employment* (ISIE Project). This two-phased survey² consists of an LFS-based survey in the first phase and a HUEM survey in the second phase. Data from the phase 1 survey is used to estimate informal employment, including informal sector employment, and to construct a list of HUEMs (or sampling frame) from information collected from the self-employed persons identified in the first phase survey; a sample of HUEMs so identified are selected for the second phase or HUEM survey. The HUEM survey is designed to provide data for the direct estimation of gross output, intermediate consumption and gross value added of HUEMs.

2. While the paper provides a general discussion of national accounts concepts, the focus is on how these apply to HUEMs and the subset of informal sector enterprises³. The paper provides guidance on what data items and corresponding survey questions need to be included in a HUEM survey to obtain reliable estimates for national accounts statistics. The Project developed generic questionnaires for each of the two phases; these were tested and are being recommended for use in national surveys. In examining the relevant national accounts concepts pertaining to HUEMs and the required data items for a HUEM survey, this paper raises issues and provides recommendations with the end in view of improving the identification of HUEMs in the generic phase 1 questionnaire and the national accounts-related data items in the generic questionnaire for the phase 2 or HUEM survey.

3. This document consists of five main sections. Section I is an introduction. In Section II, HUEMs are defined. The section discusses the relationship between HUEMs and the production boundary of the System of National Accounts (SNA) 2008 and concepts and issues related to the scope of HUEM surveys and output of HUEMs. To provide the context of the elaboration of the HUEM survey as a data source for estimating value added of the household sector, Section III discusses a strategy for integrating data on HUEMs into existing national accounts data and the data requirements for compiling direct estimates of value added from a HUEM survey. The section also looks at issues and suggests corresponding guidelines for the compilation of gross output, intermediate consumption and gross value added for HUEMs, and the informal sector from the data collected based on the questionnaire. To conclude, Section V provides some recommendations on the integration of data collection on HUEMs and the informal sector within an overall data collection program for economic statistics.

² The survey methodology is discussed in Working Paper No. 1- The “1-2” Survey: A tool to implement a unified data collection strategy for informal sector and informal employment statistics— a technical paper prepared by the ISIE Project.

³ Although the HUEM survey was designed to estimate national accounts statistics on informal sector (IS) enterprises, this paper takes the view that a discussion on HUEMs clarifies measurement issues related to household sector accounts. Thus, the paper discusses not only the informal sector but also the formal HUEMs, non-HUEMs and household quasi-corporations.

II. Household Unincorporated Enterprises with some Market Production (HUEMs)

A. Concept and Definition

4. HUEMs include all unincorporated enterprises (i.e., household production units) with at least some of their outputs sold (or bartered) on the market, whether they are owned by one or more than one family member, and whether they are individually owned by a household or in partnership with other households. More specifically, a HUEM is a production unit satisfying the following three identifying criteria:

HUEM1. Legal organization

- Unincorporated: production units that are not constituted as separate legal entities independently of their owners; i.e., a HUEM is a household unincorporated enterprise

HUEM2. Book-keeping practice

- Production units do not keep a complete set of accounts

HUEM3. Product destination

- At least some of the products (goods and services) are sold in the market
- Products are intended to be sold/bartered in the market on regular basis

The generic questionnaire for phase 1 of the “1-2” survey suggests a sequence of questions that operationalises these identifying criteria. (Refer to the Phase 1 Generic Questionnaire- HUEM Identification Module in Appendix 1, which includes an associated decision table for identifying HUEMs on the basis of the given questionnaire items.)

5. Figure 1 below, which is an elaboration of Figure 1 in Working Paper #1, situates HUEMs in the universe of production units in the household sector within the production boundary of the SNA and informal sector enterprises within the universe of HUEM units. The informal (sub) sector is distinguished from the formal (sub) sector of HUEMs based on country-specific definitions. These definitions typically apply ICLS-recommended criteria on size and registration of the enterprise⁴ but may also use criteria that reflect national policy priorities⁵ (e.g., micro-enterprises). This figure clearly shows that the scope of HUEMs is broader than that of informal sector enterprises.

6. The phase 2 or HUEM survey implemented under the ISIE project focuses only on HUEMs as production/statistical units and excludes from its coverage those household units that are not considered part of HUEMs. By definition, HUEMs exclude:

- All unincorporated enterprises that keep a full set of business accounts, which are classified in the SNA as quasi-corporations. These units are included in the corporations sector in the SNA.

⁴ See Working Paper No. 1 for details of ICLS decisions and references.

⁵ See the discussion on international comparability issues in Working paper No. 1.

Figure 1. Relationship between HUEMs, other Household Unincorporated Enterprises and the Informal Sector (an elaboration of Figure 1 in Working Paper No. 1)

Household Sector				Corporations		Gov't & NPISH	
HUEM Units				Non-HUEM units	• HH quasi-corporations	• Incorporated enterprises • Gov't quasi-corporations	• Non-market units (general gov't; NPISH)
AGRICULTURE (commercial)		Non-AGRICULTURE		• Households producing only for own final use • Subsistence farmers • Owner-occupied housing services			
Formal sector	Informal sector	Formal sector	Informal sector				
Household Unincorporated Enterprises							

- All production units in the household sector devoted only to production for own final use (non-HUEMs in Figure 1).⁶

7. A HUEM is a subset of household unincorporated enterprises as defined by the SNA, but with:

- the “primary objective of generating employment and incomes to the persons concerned” as defined by the ILO in the resolution of the 15th ICLS (2008 SNA, 25.37); and
- “...at least some production for sale or barter (2008 SNA, 25.46)”.

8. These two phrases in the 2008 SNA must be tied together to clarify further the definition of HUEMs as it is quite clear that HUEMs should not include households that may have some incidental sales of what they produce but for whom the primary objective of their production is not to generate employment and income for themselves. For example, it is quite clear that households engaged in subsistence farming are non-HUEMs (see Figure 1). These households always sell some of their products to pay for their basic survival needs such as purchase of cloths, medicines and/or paying for education. In this case, however, the intention of selling to the market is not with the “primary objective of generating employment and incomes to the

⁶ By design, the statistical units of the HUEM Survey implemented by the project did not include non-HUEM units and household quasi-corporations. In this situation, a comprehensive and integrated data collection strategy must cover the excluded units elsewhere to make the SNA household sector complete. However, it is easy to see that household quasi-corporations are not normally covered anywhere else except through household surveys; it may therefore be better to include them in the scope of the HUEM survey, and then “transfer” the corresponding data to the corporations sector.

persons concerned”. Similarly, the incidental sales of non-farm households should be analyzed in the same manner. In general, to be a **HUEM as defined above, a HUEM must have entrepreneurial spirit in the sense that the unit intends (and tries) to pursue production for the market on a regular basis.** For the case of seasonal production, the units would be regarded as producing on a regular basis if production takes place regularly.

B. Scope of economic activities in HUEM surveys

9. In determining the scope of data collection in a HUEM survey for purposes of national accounts estimation, the boundary of economic activities that are to be included needs to be considered. If the measurement objective includes the analysis of the share of HUEMs in the total economy, then the scope of the HUEM survey should be the same as scope of economic activities used to produce estimates for the total economy. Moreover, the methods and concepts used in defining and collecting data on HUEMs and in the national accounting system (NAS) must be the same for this analysis to be useful.

10. In principle, the survey should include all economic activities that HUEMs engage in and thus generate employment and create value added to the total economy. The phrase “in principle” is used here because in practice statisticians always have to face a certain trade-off between exhaustiveness in coverage and the ability to estimate trends. Exhaustiveness is a picture-taking exercise that may be possible occasionally and that is necessary for getting a realistic picture of the situation at a given point in time. Time series that are necessary for analysing changes and rates of growth require consistency in the indicators collected and the methods used in data collection. Although it might be possible to enumerate all the activities of HUEMs the exercise might be too costly. Thus, the scope of the survey may not cover some activities that are too difficult or too costly to capture, such as illegal activities.

11. In order to estimate the share of HUEMs in the total economy, the scope of activities of HUEMs cannot be less than the scope of the current national accounting system. The scope of activities of HUEMs, however, may be broader than that of the current NAS. In this case, the data obtained from HUEMs could replace the values currently used by the NAS and thus improve the current estimates.

12. For a clear understanding of the scope of activities of HUEMs and the NAS, it is important to elaborate in detail the scope of activities of HUEMs. Figure 2 illustrates the accounting of gross outputs of HUEMs and the use of these outputs by economic activity as defined by ISIC Revision 4 (ISIC). A related matrix is the commodity flow analysis shown in Appendix C- Table 1 which links products (using the Central Product Classification (CPC)) to activities.

Figure 2. The scope of economic activities of HUEMs

	ISIC Revision 4 ⁷	Gross output / value added	Sale to market	For own use		
				Intermediate consumption	Gross capital formation	Final consumption
		(1)=(2)+(5)	(2)	(3)	(4)	(5)
Current* : Data collection by surveys Future** : Proxies are collected to impute agricultural major products.	A. Agriculture, forestry and fishing					
	A.1. Major products					
	A.2. Supplementary products					
	B. Mining and quarrying					
	C. Manufacturing					
	D. Electricity, gas, steam and air conditioning supply					
	E. Water supply; sewerage, waste management and remediation activities					
	F. Construction					
	G. Services Wholesale and retail trade; repair of motor vehicles and motorcycles					
	H. Transportation and storage					
	I. Accommodation and food service activities					
	J. Information and communication					
	K. Financial and insurance activities					
	L. Real estate activities					
	M. Professional, scientific and technical activities					
	N. Administrative and support service activities					
	P. Education					
	Q. Human health and social work activities					
	R. Arts, entertainment and recreation					
	S. Other service activities					
Current* : Unclear Future** : Proxies are collected for imputation by national accountants	T. Activities of households as employers (Domestic services produced with paid staff)					
	Services of money lenders (to be an only item to be included in K)					
	Services of owner occupied dwellings (to be included in L later)					

* These refer to existing practices.

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