Abstract for "Household and Individuals: Two Sides of the Same Coin"

Arjan Bruil (Statistics Netherlands)
Florin Barb (Statistics Netherlands)

The well-known Stiglitz report has recommended a shift of emphasis from the current production-oriented system of economic measurement to one focused on understanding socio-economic inequalities between various groups of households. Accordingly, this could be accomplished by looking merely at the joint distribution of household's income, consumption and wealth rather than at production indicators.

Undoubtedly, the inter-generational dimension of the economic transfers becomes relevant within the shifted paradigm. It has lately been considered and studied within the international research community by a dedicated consortium of specialists led by Lee and Mason. The remarkable output of their efforts is known today as the System of National Transfer Accounts which aims to provide at aggregate level a measure of the reallocations of economic resources across various age groups.

From the above two mentioned ideas, one can immediately notice the duality of the two fundamental analytic units - household(s) and individual(s). Two related questions are the corner-stone for analysis: a) Which is the best way to understand the new challenges, by considering individuals or households? b) How to produce consistent statistics relevant from both perspectives. The second question has captured our attention due to the methodological challenges risen. Let us mention a few problems specific to this issue.

By considering the households as the analysis unit, the whole argument is placed in the sphere of national account systems. By doing so, we have made not only a choice for the analysis unit (the household), but implicitly we have chosen also the approach, the sector based one. Consequently, due to the nature and structure of the available statistical data, many economic flows inner to the sector S.14, are either lost, because they cancel each other in the final balance equation (for example interhousehold transfers), or unavailable, because they are not measured at all, being considered as irrelevant for the sector accounting main purpose (for example intrahousehold transfers).

By considering the individual as the analysis unit, the constraints specific to the sector approach are becoming more important, as intrahousehold transfers are becoming more relevant for socio-economic analysis. Moreover, in this case, any comprehensive analysis relies heavily upon the availability of statistical micro-data on the individual level. For our purpose two main sources of micro-data are available: the Income Panel Survey and the Household Budget Survey. The first one contains income and wealth related variables out of which both households as well as individual statistics can be constructed, but the second one measures the consumption only within the household. The Social Transfers in Kind are often not measured at all.

In our paper we propose a solution that facilitates the two-way trip from the household realm to the one of individuals by enabling the analyst not only to make consistent statistics for both household and individual perspectives, but also facilitates the aggregation of many important economic variables

across these two important dimensions of well-being. The key role is played by a virtual register resulting from linking together the register of individuals with a register of households. Two applications of the proposed method are considered, the Social Transfers in Kind (from the individual level to the household level), and private consumption (from the household level to the individual level).