



# Accounting for Housing Services in Consumption and Income

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# Introduction

- Purpose
- Economic well-being measurement
  - Consumption
  - Income
- National and international statistics and activities
  - Price statistics
  - National Accounts
  - Consumer Expenditures
  - Income
- Data available on owner-occupied dwellings in household expenditure surveys internationally
- Importance of dwelling services nationally and internationally
- International standard: International Labour Organization Resolutions



# Purpose

- To review the importance of dwelling services in federal and international economic statistics
- To highlight the resolutions passed by the ILO in 2003 dwelling services in consumption and income measurement



# Economic Well-Being Measures

- Consumption of dwelling services from owner-occupied housing and free or reduced priced rental housing
- Income implicit from the production of owner-occupied housing and free or reduced price rental housing



# National Economic Statistics

- Consumption underlies how dwelling services are valued
  - Consumer price index
  - National accounts: Personal consumption expenditures
- Production of how dwelling services
  - National income accounts
- Spending on dwelling services-publication
  - Consumer expenditures
  - (Rental equivalence of owner-occupied housing available)
- Implicit return on home equity-alternative definition from Census Bureau
  - Income

Work is ongoing to value consumption and production at the micro-level using alternative approaches (Census and BLS)



# International Activities: Macro Statistics

- European Communities Commission Directives (89/130/EEC and 95/309/EC)
  - Principles for estimating dwelling services for the purpose of harmonized national product accounts
- Harmonized Index of Consumer Prices (HICP) project
- Meetings to account for owner-occupied housing in price indexes
  - ILO meeting of experts (2003)
  - CRIW Conference on Price Index Concepts and Measurement (2004)
  - Ottawa Group meeting (2006)
  - OECD-IMF Workshop (2006)

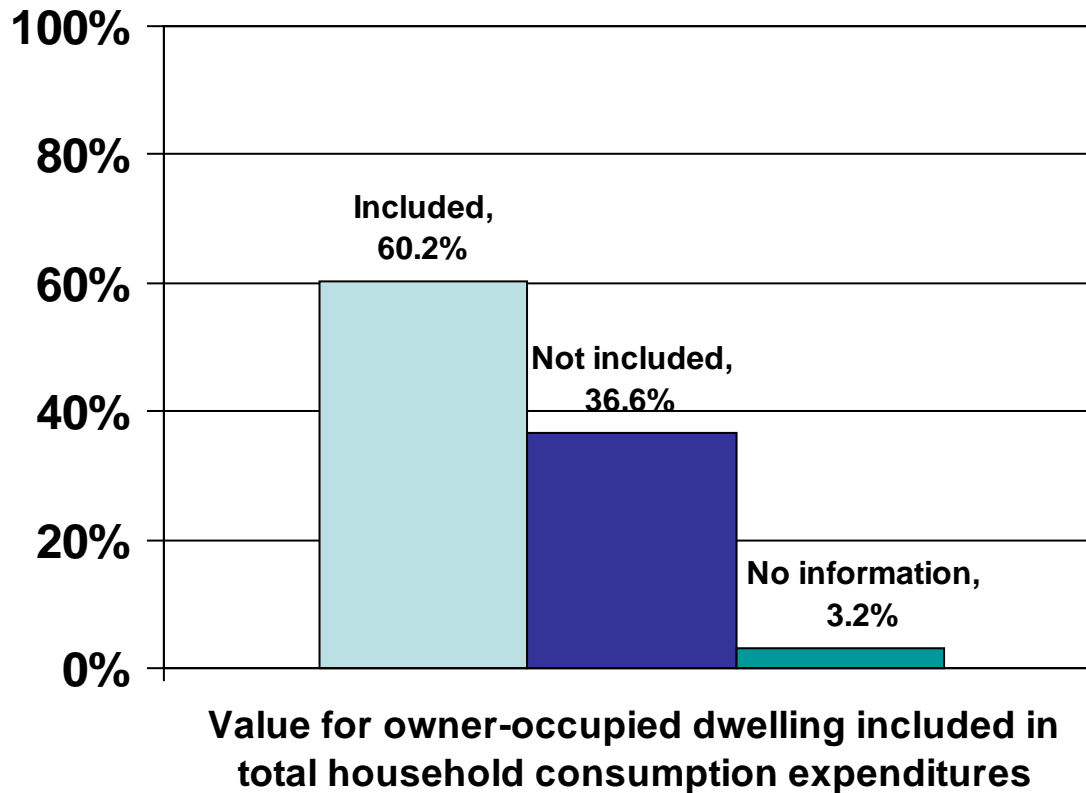


# International Activities: Micro Statistics

- ILO meeting of experts (2003)
  - Released Report II: Household Income and Expenditure Statistics
- ILO database of recent practices by countries to account for dwelling services in their income and expenditure surveys (2003-present)
- Eurostat meeting (2006) of Working Group on Living Conditions to discuss imputed rent for Household Budget Surveys and EU-Survey of Income and Living Conditions (EU-SILC)
  - Project: Accurate Income Measurement for the Assessment of Public Policies (AIM-AP)
  - Numerous papers for various European countries with various methods to impute rent for non-market dwellings (2007)



# ILO Consumption and Income Survey Database: Data on Owner-Occupied Dwellings

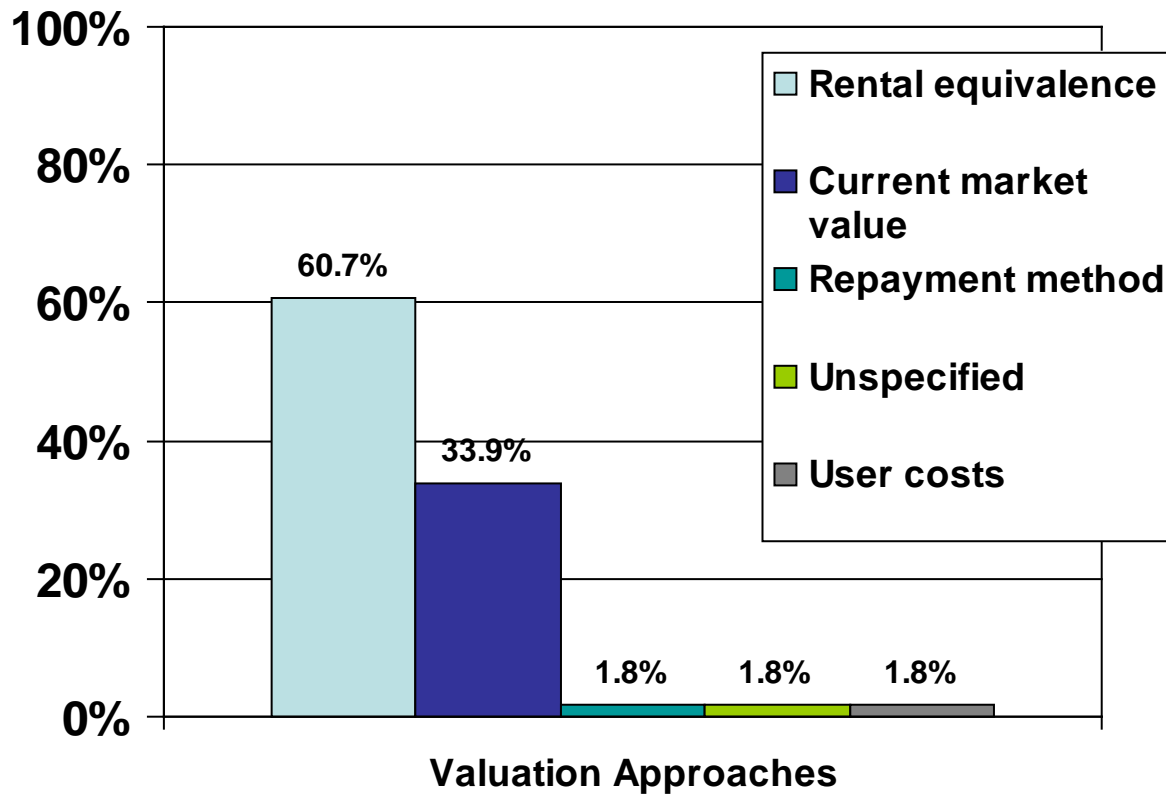


Information from 93 country household expenditure surveys





# ILO Database: Approaches to Value Owner-Occupied Dwellings



Information from 56 country household expenditure surveys



# ILO Database:

## Approaches to Value Owner-Occupied Dwellings

- Rental equivalence
  - Reported rental equivalence
    - Respondent provided
    - Interviewer provided
  - Imputed rents based on rents and dwelling unit characteristics
- Current market value
  - Rent to value ratio
- Repayment method
- User costs



# ILO Database: Household Consumption Expenditures

Country	% of Household Consumption Expenditures		Owner-occupied as % of both
	Actual Rents	Owner-Occupied	
Denmark (imputed rent)	4.5%	6.1%	57.5%
France (imputed rent)	5.3%	10.3%	66.0%
Iceland (user costs)	2.3%	12.8%	84.8%
Switzerland (imputed rent?)	8.7%	4.6%	34.6%
United States (reported rental eq)	4.7%	21.5%	82.1%



# ILO Resolutions (2003): Consumption

- **Consumption Expenditures** on services from owner-occupied dwellings
  - Assessed as the gross estimated value of the flow of services from these dwellings
  - Extend to all dwellings owned including vacation and weekend homes
- When rents subsidized, rental flows should be evaluated at market value for equivalence dwelling
- Estimates should be made in consistent manner in producing household income and expenditure statistics when analyzed jointly
- Consistent with SNA



# ILO Resolutions (2003): Consumption

- **Consumption Expenditures** on services from owner-occupied dwellings should be valued as **rental equivalence** for consistency with the SNA
- Depending upon national circumstances, user costs approach may be adopted
  - E.g., when rental markets are limited or do not exist
  - Could use interest on home equity as approximation of implicit income
- Last option, use out-of-pocket expenditures for dwelling consumption with no valued added for consistent income measure



# ILO Resolutions (2003): Income

- **Income** from household production for own consumption
  - Net estimated value of household services provided by owner-occupied dwellings
    - Value consumption then subtract expenses normally paid by landlords to provide dwelling services
- Estimates should be made in consistent manner in producing household income and expenditure statistics when analyzed jointly
- Consistent with SNA



# Conclusions

- International recommendations regarding the treatment of owner-occupied and reduced rent dwellings
- Recommended approach: rental equivalence
- Consumption and income should be consistently valued
- Work being conducted at the BLS and Census Bureau should continue, paying particular attention to the Eurostat work being conducted under the auspices of the AIM-AP project

