

4.4 Data treatment: Household definitions

Context

- The standard approach of welfare economics and welfare measures concerns individuals, but most data are gathered from households (while in some cases, e.g. earnings, data are available for both)
- In practice we infer individual welfare from household-level data, but a prior question is the household definition used
- Different definitions for household will lead to count some sub-units as separate households
- Alternative definitions should not affect non-equivalized mean data per head but will modify poverty and inequality figures
- For equivalized figures, everything will be modified

Concepts

- **Canberra definition for household surveys (UNECE 2009):**
A private household is either (a) a person living alone in a separate housing unit of who occupies, as a lodger, a separate room (or rooms) of a housing unit but does not join with any of the other occupants of the housing unit to form part of a multi-person household; or (b) a group of two or more persons who combine to occupy the whole part of a housing unit and to provide themselves with food and possibly other essentials for living. The group may be composed of related persons only or of unrelated persons or of a combination of both. The group may also pool their income.
- **Other standards exist: UN World population Census, ICLS, ECB – HFCS, SNA: all similar, with some minor differences:**
 - i) the detailed specification of the resources that must be shared to qualify as a multi-person household; ii) whether or not a multi-person household is confined to occupancy of a single dwelling or other place of residence; iii) whether or not people living in institutions are included within the household concept; iv) whether or not different household categories are identified and how they are defined (e.g. private households, resident households, etc.); v) the extent to which statistical coverage is restricted to certain household categories; and vi) the treatment of particular borderline cases
- **ECB-HFCS:**
 - Financial interdependence as additional criterion to decide on household membership for borderline cases (e.g. students away from the parental home)



In practice

Most countries in the OECD database use the same concept of households but:

- definitions of the household head differ (person with the highest income, best person able to speak about financial situation, oldest person)
- number of persons interviewed differ (all above 15, head only...)
- rules for the inclusion of individuals temporarily absent may differ
- Register-based country may have special difficulties in approximating household concept when original records (tax, benefits) refer to individuals

All these factors can have an impact on cross-country comparability of key estimates (e.g. poverty rates for youth may be affected by different treatments of students living away from the parental home)



For discussion

- Should we better document the differences in country definitions of households and related concepts (e.g. household head) and assess their impact whenever possible?
- Do country differences in the definition of household impact on the comparability of key indicators (e.g. youth)?
- While it may be impossible to impose a single definition of household in the OECD income distribution database, should the OECD recommend a more consistent treatment ?

