**Covered income components in EU-SILC and HIES**

**EU-SILC**

According to EU-SILC definition, the key variable **Total disposable household income** (HY020) is the sum of gross personal income components of all household members, which consists of variables PYxx (see the table below), **PLUS** gross income components at household level, which consists of variables HY040-HY110 – **MINUS** taxes and transfers paid (HY120,130,140).

|  |  |
| --- | --- |
| *Name of EU income variable* |  |
| **A. Total household gross income** (A = 1 + 2 + 3 + 4) | HY010 |
| B. Tax on income and social contributions | HY140 |
| C. Regular taxes on wealth | HY120 |
| D. Regular inter-household cash transfers paid | HY130 |
| **E. Total disposable household income** (E = A – B – C – D) | HY020 |
| **1. Employee cash or near cash income** |  |
| 1.a Employee cash income | PY010 |
| 1.b Employee near cash income (Company car) | PY021 |
| **2. Cash benefits or losses from self-employment** | PY050 |
| **3. Social transfers** |  |
| 3.a Old-age benefits | PY100 |
| 3.b Survivor's benefits | PY110 |
| 3.c Disability benefits | PY130 |
| 3.d Education-related allowances | PY140 |
| 3.e Sickness benefits | PY120 |
| 3.f Unemployment benefits | PY090 |
| 3.g Family/children-related allowances | HY050 |
| 3.h Housing allowances | HY070 |
| 3.i Social exclusion not elsewhere classified | HY060 |
| **4. Other income** |   |
| 4.a Interest, dividends, profit from capital  investments in unincorporated business | HY090 |
| 4.b Income from rental of a property or land | HY040 |
| 4.c Pension from individual private plans | PY080 |
| 4.d Regular inter-household cash transfers received | HY080 |
| 4.e Income received by people aged under 16  | HY110 |

The EU-SILC construction of Total disposable HH income used two underlying international standards – Canberra manual on household income statistics, and the ESSPROS international classification for classifying the various national social benefits into shared component categories, based on the notion of classification “by purpose”. In the ESSPROS classification there are distinguished eight functions of social protection: 1) Sickness/Health care, 2) Disability, 3) Old age, 4) Survivors, 5) Family/children, 6) Unemployment, 7) Housing, 8) Social exclusion not elsewhere classified. All social benefits are also classified by type: cash benefits or benefits in kind.

**Income components in HIES**

**The coverage of income components in HIES is based on the 10 items and 5 aggregate levels. The composition is provided in the following table from the HIES derived variables database calculation specification:**

|  |  |  |
| --- | --- | --- |
|  | ***Description of Income*** | **=** |
| 1 | from Hired work |   |
| 2 | from Self-employment |   |
| 3 | from Sales of agricultural products |   |
| 4 | from Property (rental, savings interest)  |   |
| 5 | Pensions, scholarships, aids  |   |
| 6 | Foreign remittance |   |
| 7 | Cash received in the form of gift  |   |
| **8** | **Cash incomes and transfers**  | **Total of 1-7** |
| 9 | Sale of property |  |
| 10 | Cash borrowings or use of savings  |  |
| **11** | **Other cash resources** | **Total of 9-10** |
| **12** | **Noncash income** |  |
| **13** | **Total income** | **8+12** |
| **14** | **Total cash resources** | **8+11** |
| **15** | **Total cash and noncash income** | **12+14** |

The HIES coverage is more extensive compared to the EU-SILC one. This is due to the multi-purpose nature of the HIES survey, covering also the items of savings/dissaving and borrowing cash flow parts, wider scope of non-cash incomes and consumption expenditures.

**Household membership, persons covered in household income calculation**

In general instructions of Shinda 05, there is an important difference explaining how to record monetary and nonmonetary income of the selected household and its members during the past three months. It is stated there that in case a member who was a member of the selected household during the last three months, has leaved the household (moved out, has married, died etc.) in the month of the interview, the income of this member has to be reflected in the questionnaire during the interview, because the quarterly survey data covers last three months and by that time this person is deemed the member of the household.

This differs to the EU-SILC methodology, which is based on current household membership (at the time of the interview) and where the income part of the questionnaire is not filled in on behalf of the former household members. These are no longer considered as household members at the date of the interview and no information is collected about their income.

This is also the case for the income of the deceased persons, despite the fact that he/she lived in the household for the part of or for the whole income reference period and contributed to the income of the household in that period.

The income reference period in EU-SILC is 12 months. Although floating income reference period of the last 12 month preceding the interview is generally allowed, all but one of the EU-SILC implementing countries use the last calendar year income reference period (including the Czech SILC survey).

The income reference period for collecting data in HIES is shorter, derived from its quarterly nature – 3 months. This shorter reference period will tend to decrease the potential impact of this household membership methodological difference on the indicators.

*Related issue to be discussed and further assessed: link between the coverage of persons “during the income reference period” and household composition data, an impact on the calculation of the 12 month reference period income equivalent.*

**Comparison of Income Components – HIES, Georgia**

This part of the study compares the methodology of the Georgian HIES survey (H**ousehold Income and Expenditure Survey)** and European definitions of EU-SILC (Survey on Income and Living Conditions). It is based on a detailed reading of the Georgian guidelines of HIES 2019, and aims at summarizing the indicated differences found compared to the income definitions and detailed component concepts used in the methodology of the European set of indicators. It also refers to some examples from the data collection guidelines and recommendations, as applied in the shared EU\_SILC guidelines and in the Czech version of EU-SILC income components data collection based on them.

Part I – 1. Allowances

Georgia has a specific allowance for internally displaced persons. This type of allowance is not explicitly assessed and classified in the EU-SILC benefits scheme. This can be attributed to the fact, that no such social contribution was identified in the EU-SILC countries. It is, of course, perfectly OK that this financial assistance is surveyed in HIES within social benefits and state social support, as it seemed to contribute to the regular income of a certain type of Georgian households.

*Related issue to be discussed and further assessed: the nature of this benefit, in terms of its regular income support “current” nature vs. possible one-off capital transfer nature, assessment of its placement into ESSPROS scheme.*

Part I – 2. Gifts

The Georgian HIES questionnaire contains a separate table for all possible gifts. T**he instructions for interviewers** give some detailed examples extending their coverage, such as the value of a perfume or the price of a refrigerator or even a slaughter cattle received on the wedding date.

Irregular gifts are not included in the income definition for the EU income based indicators.

*Related issue to be discussed and further assessed: inclusion of this item in the total disposable income for calculation of the EU indicators.*

Part I – 3. Other income received

The EU-SILC income definition includes the corresponding types of income from capital assets (shares, stocks, interest on bonds, interest received on savings, interest received on money lent), the coverage of these items seems to be similar.

The national instrument of Educational grant from the state is covered in the questionnaire.

*Related issue to be discussed and further assessed: the nature of the educational grant from the state and its potential inclusion into the total disposable income for the calculation of the EU income based indicators.*

Rental income is included in the EU-SILC income definition and this items is similar to the EU-SILC item.

Alimonies are included in the EU-SILC income definition among transfers between households and as such, they are included as part of the total household disposable income.

The item funding from a donor could correspond to the item of intra-household transfers received (other than alimonies) – depending on the nature of the financial transfer (regular, contributing to the regular household disposable income).

One-off transfers (cash / non-cash inheritances, financial gifts, lottery winnings) are not included in the EU income definition (considered as part of the capital transfers, affecting assets of the household, but not its disposable income at the time of their receiving). The income from betting, if regular, could be considered as quasi-self-employment income – if regular by its nature and regular part of the household income earning activities.

*Related issue to be discussed and further assessed: inclusion of inheritances and one-off capital transfers in the total income aggregate for the EU income based indicators. Clarification of the nature of the funding from a donor and funding from a state items.*

Part II – 1. Changes in the financial status

According to the EU-SILC methodology, the total disposable household income does not include any income from the sale of real estates (i.e. land, fields, buildings, flats, garages) nor any income from the sale of a car or other movable property, these being eventually part of the wealth / assets balance.

EU-SILC does not cover any amount from existing savings. In the EU context, this topic is part of a special survey called “Household Finance and Consumption Survey” (HFCS) coordinated by the European Central Bank. The savings kept on the household bank accounts or deposit accounts are not part of the regular data collection in EU-SILC. Debts and loans (i.e. money borrowed or lent) are only the part of an occasional SILC module.

EU-SILC as such does not collect any amount received by the household from old arrears (outstanding salary, pension, scholarship, stopped social assistance etc.) expected to be paid. HIES also collects the data on the amount in GEL received as a repayment for goods, property or services previously sold on credit. This should not be included in the income part as well.

*Related issue to be discussed and further assessed: the position of these items vis-à-vis the total household income aggregate and their inclusion into the total income for calculation of the EU income based indicators.*

Part II – 2. Buying and selling a property

The EU-SILC survey does not cover wealth and property issues and therefore does not collect information on assets.

For the sake of the EU income based indicators, we recommend not to include Other cash resources (line 11), which is the sum of (lines 9+10) Sale of property, Cash borrowings and Use of savings in the total household income used for that purpose.

The Georgian questionnaire includes those kinds of income from sale, but as indicated in the HIES income components and aggregates specification table earlier in this document, it is not included in the Total household income (line 13), which therefore is fully in compliance with the concept and content of the total household disposable income used for the EU income based indicators. The provision of a more extended cash-flow oriented aggregate item (total cash resources) can be seen as a good practice and additional user benefit utilising the multi-purpose character of the HIES survey and thus more extended coverage covering to some extend also the asset side of the household economy and finances.

Part II – 3. Other change in the property status

The aim is to find out whether the household (or one of the members) has received real estate or expensive durables in the form of inheritance or a gift during the last three months. And there is also a reverse version of this question – real estate or expensive items transferred to somebody outside of the household in the form of inheritance or a gift.

According to the EU-SILC definition this is not considered as income component. These are considered as the capital transfers, affecting assets of the household, but not its disposable income at the time of their receiving.

*Related issue to be discussed and further assessed: confirm the position of these items with respect to their inclusion / non-inclusion in the total income aggregate and non-cash income aggregate.*

Part II – 4. Transfers received by and sent to the members having left

This whole part of the questionnaire is about people who are no longer members of the household, which means they are not included in the household composition. Moreover it implies both members having temporarily left the household and members having left for more than one year.

This block of questions in the HIES questionnaire also includes whether the person supports the household financially (material help) or the other way round, whether they support him/her. This, by the EU-SILC definition, would fall under the regular cash transfers between households and thus be belonging to the income components for the calculation of total household disposable income in the EU-SILC concept.

*Related issue to be discussed and further assessed: needs to be clarified with respect to the household membership (persons temporary away but still under the definition of current household members) and with respect to the items of alimonies and funding from a donor.*

Part II – 5. Income and expenditure in foreign currency

The respondents are asked to indicate any income received in a foreign currency, which might be from employment, state allowances, monetary gift connected with wedding, childbirth or Christmas, winning the lottery, betting, casino, profit from business etc. The EU-SILC methodology does not explicitly deal with income in foreign currency (as a separate item), leaving its eventual separate collection to the data collection practice in individual countries. In cases when a person from the selected household gets a salary, pensions, parental allowances or other kind of income from abroad, the currency conversion is left to the national practice (conversion by the respondent / during the interview, collection of amounts in typical foreign currencies and conversion during the data processing stage).

Incomes received from abroad (or sent abroad) are generally of a specific interest to the national accounts (although EU-SILC is not the typical source for that purpose).

*Related issue to be discussed and further assessed: similar to the discussion previously on the corresponding items and income components collected in GEL – with respect to their inclusion/ non-inclusion into the total income for calculation of the EU income based indicators.*

Shinda 05-1 – Income and Employment Questionnaire, for all household members aged 15+

This is very important questionnaire on work activity and income from employment.

Shinda 05-1 has to be completed regardless the person is no longer a member of the sampled household by the time of the interview. In this case, it should be conducted with a member who has reliable information about economic activities and income of the past three months of the former member who left the household. This issue is related to the issue of household membership vs. income reference period in the previous chapter.

The questionnaire then includes components of personal employment and self-employment income – salary, wage, profit from self-employment. Also included and covered by a separate question are extra money (bonuses, benefits) and remuneration in kind. Separately asked is also income from work abroad.

The inclusion of these income components in total disposable income for the EU income based indicators is in compliance with the European definitions of income indicators.

*Related issues to be discussed and further assessed: coverage of the fringe benefits / income in kind in income aggregates (cash and non-cash income). Income in kind from self-employment activities vs. goods produced for own consumption from own agricultural activities/farming (included in Shinda 04).*