

Households economic conditions

The most important source of information on goods and services household expenditure is the Household Budget Survey. The wide range of details relating to the various items of expenditure, together with the information gathered on single household members, allows the survey to provide also an exhaustive overview of changes in level and composition of consumption expenditure according to changes in social and economic households conditions. Furthermore, the survey plays an important role in calculating quarterly and annual aggregates for National Accounts, in defining the weighting system for consumer price indices and for official relative and absolute poverty estimates.

This section presents data from 1973, when survey methods and expenditure classification were deeply reviewed with the aim of harmonising with National Accounts¹ schemes.

During the years, the survey has undergone several changes, the last and most recent being the break of the time series in 1997, when all the phases of the statistical production process were reviewed in order to ensure higher quality in the disseminated information, to obtain representative estimates at the regional level and to harmonize definitions and methodology to the most recent Eurostat (European Union statistical office) directives.

Households consumption

The *Household Budget Survey*, was first conducted in 1968², through two distinct surveys: the first, on non-food goods and services expenditures, on a quarterly sample of 27,000 households (reduced by a half in 1972); the second, on food expenditures, on a sub-sample of the first survey households (of approximately 6,500 households).

In 1973 the two surveys were integrated into a single one and sampled households were asked about expenditures on food and non-food goods and services. Moreover, a new sample design was adopted with a sample of approximately 3,000 households per month, for a total of 36,000 per year. The design, substantially still in use, is based on a two-stage sample (with stratification of the first stage units represented by 673 municipalities), defined on a quarterly basis and applied to the four quarters of the year.

The survey questionnaires have also changed significantly over time.

In the expenditures diary, which did not include pre-printed items until 1973, the most frequent items were gradually pre-codified in order to help households in filling the diary.

To improve the estimation of a phenomenon which was becoming progressively less important due to the fall in the numbers of family-run farms and farming households, in 1986 a second diary was adopted to survey values and consumed quantities of self-consumption goods.

Later, the reference periods for expenditures afforded less than once every month were also modified.

In 1997, the survey was redesigned as it is still today, as a result of an in-depth revision of the sample design, the data processing procedures and the questionnaires. Some of the main changes included those referring to the recording period of current expenditures and self-consumption, reduced from ten to seven days, and to the reference periods modified according to the household expenditure frequencies, varying from a monthly basis for clothing, housing and education expenditures, to a quarterly basis for extraordinary expenditures and to a yearly basis for insurance expenditures.

Today, the survey records all household expenditures to purchase goods and services to meet

¹ For the differences between the survey estimates and those disseminated by the National Accounts on final household consumptions, please refer to ISTAT publication *Le nuove stime dei consumi finali delle famiglie (New final household consumption estimates)*, 2000 - Metodi e norme, n. 7.

² Before this date, surveys on consumptions were sporadic and partial, as that on "non-farming" households.

household members needs³. Any monetary expenditure that the household affords for a purpose other than consumption is excluded (for example, expenditures to buy houses or lands, to pay taxes or related to professional occupation). The survey refers to the total cost of the good or service purchased, apart from the moment of consumption or use and the payment instrument (instalments or credit card).

In order to compare expenditure levels of households with different socio-economic features and expenditure behaviours, and to provide poverty estimates, imputed expenditures are also considered, such as those for self-consumptions (household self-produced goods from vegetables garden or farms, consumed by the household itself) or the imputed rents for owner-occupied or free of charge houses. The imputed rent is the return household would have if it rented at market prices the house it is living in and it has to be taken into account because the householders have housing service at their disposal.

The survey is conducted through a self-filled diary, in which the household records purchases over a seven-day period, and a final face-to-face interview.

As for all households sample surveys, the survey unit is the “de facto household” (see [Glossary](#))

Almost daily expenditures (such as for food, tobacco, newspapers) are daily recorded in the “Purchases diary” for a period of seven days, given the difficulty of remembering and recording them for a longer period. Where applicable the household has to fill in the “Self-consumption diary” recording the quantity of self-produced goods consumed during the seven-day reference period. In order to assure the daily-expenditure representativeness during the survey month, the seven-day period is randomly selected.

During the first week of the month following the survey month, the household receives the visit of the interviewer who withdraws the diaries and submits the “Summary of expenditures” questionnaire. The latter records socio-demographic characteristics and living arrangements for all household members, together with all the expenditures not elsewhere recorded, i.e. all expenditures that for their periodicity (such as rent), exceptionality or high level (such as durable goods purchase) are hard to forget. These expenditures generally refer to the last month, with the exception of durable goods and exceptional expenditures which refer to the last three months, and insurance expenditures, which refer to the last twelve months.

Municipalities are entrusted with data collection: they are responsible for the random selection of residing households from their registers (according to a given extraction step) and for choosing, training and assisting interviewers, following Istat methods and scheduling. The survey is a continuous one, carried out all year round, as estimates must take into account the expenditure seasonality, both for National Accounts estimates and for consumer price indices weighting. For this purpose, all provincial capitals are involved in the survey each month of the year.

Briefly, the survey involves quarterly 470 municipalities. All provincial capitals and four non-capital municipalities with a high population size (for a total of 107 municipalities) participate each month; the remaining 363 municipalities are selected for each region taking into account their population size (under the hypothesis that consumption behaviours and levels vary between big and small centres) and are divided into three groups, so that each of them participate in the survey four times a year, always in the same month (first, second or third) of each quarter.

According to sample design, approximately 28,000 households are interviewed each year (2,330 per month).

Data presented in this section refer to monthly household consumption expenditure by expenditure category, geographical area, household size and reference person’s professional condition. Data are in current Euros.

Classification variables are chosen to provide a complete outline of household expenditure behaviour. Therefore, variables relating to household members socio-demographic features and geographical area of residence have been considered, being highly associated with household expenditure level and composition.

Household size, together with household typology, household members age and relationships and geographical area of residence, is the most influential factor affecting household spending behaviour, since it is strictly associated with a different household budget allocation. The expenditure to achieve

³ Briefly, the expenditures include those for: food and drink, housing and domestic bills, furnitures, clothing, shoes, health, transport and communication, leisure, education, culture and goods and services of a more occasional or exceptional nature (expenditures for professionals’ fees, financial services, removals, car rental, etc.).

a given level of wellbeing, in terms of goods and services consumption, is not directly proportional to household size, because of economies of scale: some goods and services are simultaneously available for a second person without reducing their availability for the first (e.g. heating or electricity). Series presented in this section refer to the period 1973-2009.

Warnings for time series comparisons

- For the years 1973-1978, it has been necessary to regroup some expenditures in order to make them directly comparable with current data: therefore, the totals for food and drink and for non-food expenditures no longer coincide with data disseminated in previous publications (Households consumption expenditure, Years 1973, 1974, 1975, 1976, 1977 and 1978. Supplement to the monthly statistical bulletin no. 3 in 1975, nn. 1 and 13 in 1976, no. 8 in 1977, no. 15 in 1978 and no. 7 in 1979). In particular, “Other goods and services” expenditure includes household expenditures on “Hotels, guest-houses, trips and travels” and “Meals and snacks away from home”. Since 1979, this last expenditure has been included among non-food expenditures.
- For the years 1973-1979, 1984 and 1986 the lack of micro-data files prevented data analysis from being conducted in accordance with currently adopted classification modalities. In particular, see tables by household size, where households with 4 or more components are differently grouped.
- For the years 1973-1996, household consumption survey data have undergone several changes, so comparisons across years should be made with caution, especially when changes are slight.
- In 1977, substantial changes were made to the 1973 sample design, regarding in particular the substitution rules of municipalities which refuse or are unable to participate.
- In 1979, the most important change was the adjustment of the nomenclature to the one used by the ESA, which involved changes in some expenditure categories composition. In particular, the new composition of “Other non-food expenditure” category includes: “Meals and snacks away from home”, previously classified under food expenditures; “Hotels and public concerns”, “Trips and travels”, “Games and betting” and “Stationery articles” originally classified under “Recreation, culture and entertainment”; “Leather bags and articles” and “Jewels and jewellery” previously under “Clothing”.
- In the 1984-1985 period, according to the 1981 census data on household structure of the population (as it was done in the previous decade with a lighter impact), an *ex novo* municipalities stratification was adopted and the number of sampled households was redefined, fixing the minimum number of interviews to 9 per month.
- From 1992, the “Reference person”, i.e. the holder of the registry form according to current Population Register Regulations (Presidential Decree no. 223 May 30, 1989, Official Gazette no. 132 June 08, 1989; Minister of the Interior memorandum no. 4 February 10, 1996, no. 11 July 23, 1996, no. 2 January 15, 1997, no. 3 January 20, 1997; Minister of Education memorandum no. 214 March 24, 1997, no. 124 March 09, 1998, no. 161 March 31, 1998), has replaced the “head of the household”. Data classified by professional condition refer to the reference person professional condition (employee, self-employed or non-professional condition).
- Due to the survey review carried out in 1997, the time series has been interrupted and it cannot be rebuilt. Therefore data referred to years 1997-2009 cannot be directly compared with those previously collected, neither in terms of level nor of household consumption expenditure composition.

Poverty

Official poverty estimates are disseminated by ISTAT on the basis of the Household Budget Survey. A household is defined as relatively poor if its monthly consumption expenditure (both for food and drink and for non-food goods and services) is lower than or equal to the threshold value, known as the “relative poverty line”, whose estimate is based on the Household Budget Survey.

Poverty is measured at the household level, assuming that household members resources are equally distributed within the household and that all members share the same standard of life.

In particular, the measure of relative poverty, known as the International Standard of Poverty Line (ISPL), is calculated on the basis of the distribution of consumption expenditure among households residing in Italy. A two-member household is defined poor if its consumption expenditure is lower than or equal to the average *per-capita* consumption expenditure. In other words, a two-member household is considered poor if its expenditure level is lower than or equal to the average level for a single person.

The consumption expenditure for households of different size is made equivalent to that of a two-member household using specific coefficients (Carbonaro’s scale of equivalence) which take into account different needs and scale economies that occur as the number of household members increases. In fact, the economic resources to achieve a given level of wellbeing are not directly proportional to the household size. Dividing household consumption expenditure by the coefficient referred to the household size, the equivalent consumption expenditure is obtained which can be directly compared to that of a two-member household.

The following scale of equivalence is applied:

Household size	Scale of equivalence (coefficients)
1	0,60
2	1,00
3	1,33
4	1,63
5	1,90
6	2,16
7 or more	2,40

Since the poverty threshold value, during the years, depends on the changes in the distribution of household consumption expenditure, the estimate of relative poverty may rise even during periods of growth or greater wellbeing. In fact, if economic development produces a rise in consumption expenditure for all households, but this increase is stronger among households with the highest expenditure levels, inequality rises as far as the poverty line value. This produces an increase in the number of poor households, even though the households with the lowest levels of consumptions expenditure have really improved their standards of living. Vice versa, stability or decrease in relative poverty estimate can also occur in periods of recession/economic stagnation. Briefly, relative poverty indices are influenced by rises and decreases in social differences, also influenced by the economic cycle, which may not coincide with a real worsening or improvement in population’s standards of living.

The poverty line, as a threshold to group population into poor and non poor, represents a convention which can significantly affect the level and characteristics of the household defined as poor. The analysis is therefore combined with the results obtained by using two additional lines, equal to 80% and 120% of the standard line. To disseminate estimates, most often used indicators are the relative poverty incidence and intensity presented in this section from 1980 onwards.