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THE PEOPLE'S DEMOCRATIC REPUBLIC OF ETHIOPIA
CENTRAL STATISTICAL AUTHORITY

**RURAL HOUSEHOLD INCOME, CONSUMPTION
AND EXPENDITURE SURVEY**

(May 1981 - April 1982)

ADVANCE REPORT

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Rural Household Income, Consumption and
Expenditure Survey
(May 1981 - April 1982)

ADVANCE REPORT

1. INTRODUCTION

As part of the Rural Integrated Household Survey Programme (RIHSP), the Household Income, Consumption and Expenditure Survey was launched in May 1981 by the Central Statistical Authority. The survey which lasted for a year, was undertaken among the agricultural sedentary population in the rural areas of twelve regions, excluding Eritrea and Tigray. The surveys conducted prior to the RIHSP with regard to the rural households were adhoc and limited in scope and coverage for use in plan preparation, monitoring an evaluation. Thus, to bridge one of these gaps the Household Income, Consumption and Expenditure Survey was undertaken simultaneously in rural area to provide data at national and regional levels.

2. OBJECTIVES

The main objectives of the Household Income, consumption and Expenditure Survey were to:-

- a) obtain data that could be an input in the preparation of socio-economic policies and plans;

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- b) assess the quality and quantity of food and drinks consumed by the rural population;
- c) compare the levels of living of the rural population by region through income, consumption and expenditure data;
- d) obtain data that could be useful in the estimation of National Income;
- e) provide weights for the construction of consumer price index for the rural area;
- f) provide data to establishments engaged in purchasing and selling activities; and
- g) to assess and identify surplus and deficit areas.

3. SCOPE AND COVERAGE

The household income, consumption and expenditure data were obtained from about 12,000 rural households which were selected from 500 Farmers' Association Areas which served as the primary sampling units. Data were collected on age, sex, other demographic variables, household income and receipts, consumption of food and drinks,

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expenditure of the household on various consumption and non-consumption items and on expenditure and income of household enterprises. Twelve schedules were used for this purpose.

4. METHOD OF DATA COLLECTION

The Household Income, Consumption and Expenditure Survey was conducted over a period of one year (May 1981 to April 1982). During the period data were collected from each selected household adopting the method of personal interviews and objective measurement. (For information on survey methodology refer to the Rural Integrated Household Survey Programme, Methodological Report for the period of 1980 - 1983, Statistical Bulletin 34, Addis Ababa, February 1983.)

Each household, in general, was visited quarterly for a period of one month during the year. To obtain information on food, drinks and tobacco a visit was made to each selected household twice weekly for a period of one month. For other consumption and non-consumption items the household was asked to provide information once for a reference period of a week. In addition information on durables was collected for three months preceding the last day of the reference month. On the other hand, information on household enterprises was collected for a

month and three months on the visit made on the last day of the reference (the reference month is the period to which data referred) month.

5. DATA PROCESSING

Data processing includes a number of activities of which the most important are editing, coding, verification, data-entry and tabulation. Eventhough, careful supervision was done at the time of data collection in order to further ensure good quality data 100% manual editing, coding and verification of the questionnaires was made at the Head Office.

The anticipation that these activities would take time before the results of the main survey were out led to the decision of the preparation of an advance report which would provide data at national level based on a 25% sub-sample of households of the main survey. Thus, priority was given to the sub-sample in editing, coding, verification and data-entry.

In spite of all the efforts made to expedite the publication of this report certain unavoidable delays were experienced in data processing and analysis. The report which only presents the results of the analysis of household income, expenditure and consumption pattern, is based

on the returns obtained from the 25% sub-sample. The sub-sample constitutes 3082 households with about 15,552 persons. All values and quantities in this report refer to a year.

6. CONCEPTS AND DEFINITIONS

Here, we shall define some of the important technical words which are used in the survey.

6.1 Household:- constituted of a person or group of persons, irrespective of whether related or not, who normally live together in the same housing unit or group of housing units and who have common cooking arrangements.

6.2 Member of Household:- Person constituting a household is called member of the household.

The following are considered as members of a household:-

- a) All persons who lived with the household for at least 6 months including those who were not with the household at the time of the survey and were expected to be absent from the household for less than six months.

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b) All guests and visitors who stayed with the household for six months and above.

c) Servants, guards, baby-sitters, etc. who lived with the household even for less than six months.

6.3 Household Size:- It is the total number of members of a household.

6.4 Head of Household:- is a person who economically supports or manages the household or for reasons of age or respect, is considered as head by the household or declares himself as such.

6.5 Income:- refers to domestic consumption of own crops and own livestock and livestock products, domestic consumption of goods and services purchased for resale or produced or processed in the household enterprise other than agriculture, wages and salaries, allowance, overtime, bonus, pension, commission, discounts (i.e. concessions obtained), imputed rent of free housing (provided by employer), imputed rent of employer subsidized housing (i.e. subsidized amount only), other employee's benefit, interest received,

profit and dividend received, imputed rent of owner occupied housing, remittance (regularly received), value of items obtained free, rent of personal possessions, alimony (regularly received) and other types of income.

6.6 Receipts:- refers to income plus 'ekub' and 'edir', gifts, loans, repayments of loans, insurance (maturity payments received on life insurance and lump-sum compensation for injury), legal damages (excluding alimony), lottery prizes, inheritance received, withdrawal from saving and sale of household durable goods and personal effects.

6.7 Domestic Expenditure:- refers to total expenditure on food, drinks, tobacco, fuel and light (energy), water, laundry and cleaning materials and the like, clothing, footwear, textiles and jewellery, transportation, communication, medical cost, payments for durable items of personal use and durable household items, reading and recreation, house rent and repairs and other household expenditures.

6.8 Payments:- refer to items under domestic expenditure plus interest paid, 'ekub' and 'edir' payments, gifts and remittance paid, deposit in bank account, insurance

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paid, loans given and repayment of loans made, pension and other contributions and donations, income tax, fines and other legal expenses, purchases of lottery tickets, gambling expenses and other payments.

6.9 Enterprise:- is an undertaking where goods and services are produced for sale. An agricultural enterprise producing for household consumption only is covered by this definition. Those engaged in buying and selling activities are included.

7. LIMITATIONS

The planning and execution of the survey and editing of the returns were carefully done to minimize various types of errors. In the initial stage a choice was made between alternative systems of measuring consumption expenditure taking into consideration the level of economic development and convenience of the type of measurement selected.

Thus, for food, drinks and tobacco the values and quantities of items actually consumed were recorded while for energy sources and water, the quantities and values of the items acquired or obtained were collected irrespective

of whether they were wholly consumed or not during the reference period. On the other hand, data on part or total payment made during the reference period with respect to other items were collected along with their quantities. As it will be observed in the tables that follow the overstatement of expenditure on energy and water can be largely attributed to the recording system selected. Other limitations of the data are mentioned under the appropriate sub-sections.

As the results are obtained from sample households, they are subject to sampling errors. However, at this stage sampling errors are not calculated. Moreover, being based on advance tabulation of the data derived from 25 per cent sub-sample the results presented in this report are provisional. This final figures which will be published later on after a detailed analysis of the whole survey may show differences.

8. SUMMARY OF RESULTS

8.1 Household Characteristics

8.1.1 Household Size

The average household size for the rural population as obtained from the sub-sample was 5 persons. This showed

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a slight increase over the 1981 Rural Demographic Survey which gave 4.8 persons per household. Table 1 shows that the most common household size was 4 and it is followed by five, three and six-person household, in that order, accounting for almost two-thirds of the total. One and ten-person and over household constituted 4.8 per cent. On the other hand, the members of the former sizes stood at 58.0 per cent of the total.

8.1.2 Age and Sex Structure

The age sex structure presented in Table 1 indicates that out of the total population 49.4 per cent and 46.0 per cent, respectively, were in age groups under 15 and 15 - 64 years while 4.6 per cent were aged 65 years and above. Calculating the ratio of the population aged 15 years and below and 65 years and above to the population aged 15 - 64 years we get 1.17. In other words every 100 persons supports 117 persons. This is slightly higher than the ratio of 1.12 as obtained from the 1981/82 Rural Labor Force Survey. If we take the population under the age of 30 years to represent the young people 69.2 per cent of the total were in this group.

8.2 Patterns of Household Expenditure, Consumption and Payments

Among other things Table 2 provides distribution of households by domestic expenditure groups. The table shows that households spending below 900 Birr constituted nearly one-fourth (23.9 per cent) of all households while the top 25 per cent of households were spending 2300 Birr and above. In general the number of households and persons in each expenditure group tend to increase upto 900 to 1099 Birr and then gradually decline except in expenditure groups 1900 to 2299 Birr and 2700 to 3499 Birr. About three quarters of the households representing a little above two-thirds of the members spent less than 2300 Birr per year.

Comparing the expenditure distribution with that of income in Table 6 the distributions are more or less similar but both seem to have characteristics different from usual income or expenditure distributions. In other words, the results of the sub-sample do not reveal a concentration of receiving or spending units at a relatively low income/expenditure and a spread at high incomes/expenditures. In addition the distribution of income has relatively sharper peak than the distribution of expenditure. It becomes obvious that expenditure is less equitably distri-

buted than income. Similar pattern is also observed when comparing the distribution of households by payment and receipt groups.

The whole economic picture of the household is provided if the earlier statement is complemented by information in Tables 10 to 13 and 16. These tables show households, income and receipts cross-classified by income and expenditure and by receipts and payment groups and distribution of expenditures by income group. Households who spent what they earned represented 45.5 per cent and their share in the total income was 41.8 per cent. Those who spent more and less than they received were 36.4 per cent and 17.7 per cent and their shares in income were 32.4 per cent and 25.9 per cent, respectively. When cross-classified by receipt and total payment groups the corresponding proportions of households are 51.9 per cent, 31.5 per cent and 16.2 per cent. On the other hand, the proportions of receipts received and spent, saved and which induced to spend more are 46.9 per cent, 23.7 per cent and 29.4 per cent, respectively. A slight decline has occurred in the percentage of saving units and a major one in "spendthrifts" thereby contributing to the increase in the number of households who spent what they had received. On the other hand, the proportions of receipts received and spent and which induced more spending are lower than that of income. However, the proportion of receipts received and spent increased

by 5.1 percentage points over that of income. Table 16 shows expenditures per household and per person by income group. The data reveal that with the exception of one or two cases at income levels 2699 Birr and below expenditure of the household was higher than income. In other words, for income upto 407 Birr per person per year the proportion of income consumed exceeded 100 per cent as "consumers drew upon past savings". Thereafter as income increased the average propensity to consume declined drastically and the average propensity to save ranged between one per cent and 40 per cent. One main reason that can be suggested about the dis-saving groups is that income is often under-reported and the survey would have suffered from this. Thus, one is tempted to conclude that households who spend more than their income either draw the difference from accumulated past savings or from borrowing on the expectation that their future income will be sufficiently higher or cover the excess expenditures with remittance, gifts and the like. In addition households who spend less than what they get are tempted to spend more as long as they get extra money. It is under these circumstance that expenditures are usually taken as a good approximation of incomes.

Tables 14 and 16 present average household and per capita expenditures according to domestic expenditure and income groups, respectively. Per household and per

capita expenditure stood at 1974 Birr and 391 Birr, respectively. In examining the actual consumption pattern, the average expenditure in monetary terms could prove misleading. Consumption categories are, therefore, shown in both tables as percentages of total expenditure per household and per person, which provide a clearer picture. From the results of the sub-sample the economic position of households is best represented by the distribution of expenditure according to income group rather than expenditure group and the analysis here will dwell upon the distribution by the former.

Of the average expenditure (including all payments) per household 91.5 per cent was allocated for consumption expenditure and 8.5 per cent for others. Of the total expenditure 'ekub', loans given out and repaid, "bank deposit", investments and 'edir' contributions totalled only 4.2 per cent. This gives some idea of the order of magnitude of the savings element in the rural area.

Excluding the non-consumption items it is readily apparent from Table 16 that the largest item of expenditure was food, comprising 56.5 per cent of the total. The range of variation in this percentage is from 52.9 per cent to 73.4 per cent. Thus, in considering the percentage of expenditures devoted to food in each income group the survey showed that it varied inconsistently with income. In other

words the consumption of food (including others) is not at all related to income of households in the rural area. However, to interpret this result we may recall the fundamental law of consumption propounded by Ernst Engel which states that a household spends a lower percentage of its income on food as its standard of living rises which in this case is the opposite. Consequently we can take the percentage of income spent on food as a measure of the standard of living. Among the food items consumed the most important groups were cereals with 33.5 per cent and pulses and dairy produce each with 4.5 per cent of the total consumption expenditure. The shares of vegetables, spices and other food items were 3.3 per cent, 2.5 per cent and 6.0 per cent, respectively. Using the Food Composition Table for use in Ethiopia by Gunnar Agren, and Rosalind Gibson, 1968, Expanded Food Composition Table for use in Ethiopia, Ethiopian Nutrition Institute and other unpublished sources, the total calorie per person per day is calculated at about 2639, divided mainly among cereals, 74.1 per cent; pulses and oil seeds, 7.7 per cent; fruits and vegetables, 2.1 per cent; spices, 1.3 per cent; meat, fish and dairy produce, 2.1 per cent; other food items (includes bread, sugar, cooking oil and kocho), 11.4 per cent, and drinks and stimulants, 1.3 per cent. The second major item was housing (including rent,

building materials, energy and water) with 16.3 per cent. The third principal commodity group was drinks and tobacco, 7.8 per cent. Most of the households in the income groups between 199 Birr and below and 799 Birr and between 2700 and 7500 Birr and above spent more on drinks and tobacco, between 7.9 per cent and 13.8 per cent, than on clothing, household equipment, household operation, services and other items. Those between income groups 800 and 2699 Birr spent less than half of one per cent on the item. The other households in the remaining income groups spent between 3.6 per cent and 9.1 per cent of the total consumption expenditure.

8.3 Patterns of Household Income and Receipts

The results of the sub-sample (see Tables 12 and 13) showed that the average household income was 1681 Birr and the per capita income was 333 Birr per year while the corresponding receipts were 1728 Birr and 342 Birr. Basic income, thus, accounted for 97.3 per cent of total household receipt. Based on Tables 19, 21, 23 and 25 non-cash income and receipts were the main source contributing 62.8 per cent of the total. Among the non-cash items consumption of goods from household enterprise was the most important with a proportion of 81.0 per cent in income and 79.6 per cent in receipt. In general the distribution of receipts by source and receipt groups does not show significant variability between receipt groups.

However, in the low receipt groups, viz. 199 Birr and below, 200 - 299 Birr, 300 - 399 Birr, 400 - 499 Birr, and 500 - 599 Birr, gifts, loans received and other receipts had a high proportion of total receipts, ranging from 4.6 to 8.7 per cent, than in other groups for which the proportions were 1.3 to 3.8 per cent.

The primary concern with the general nature of the distribution and concentration of income leads to the consideration of frequency distribution first. Tables 6 and 8 show frequency distribution of income and receipts, respectively.

Recalculating the average household size using the data in both tables would provide an interesting feature of average number of members in each of the income and receipt groups. Since both reveal similar results an explanation is here given in relation to household size by income groups. The highest income of the 50 per cent low income earning households falls in the income group 1300 to 1499 Birr. Thus, about half of the households, 48 per cent were in less than 1300 Birr income groups. The next largest number of households, 45 per cent, falls in income group 1300 to 3499 Birr. Only 7 per cent of the households had income 3500 Birr and above. The average size of households in the lower income ranges is smaller than in the higher income ranges. Thus, households in the income range below 499 Birr had only 2.6 to 3.7 members whereas those in the 500

to 1299 Birr group had 3.9 to 4.8 members on the average. Between 2300 to 5899 Birr and 5900 to 7500 Birr and above the average number of members rose from between 5.0 to 5.8 to 7.1 and 8.9. It seems there exists some correlation between size of households and household income. Household size tended to increase as per increase in household income. This means that the actual standard of living of the households in the low income ranges is not as low as one would imagine from their incomes. In other words, a high-income household would not necessarily have a high standard of living and a low-income household would not necessarily have a low standard of living. It should be noted from the discussion in the previous subsection that households in the lowest income range spent more per member than per capita expenditures of households in the highest income ranges. Therefore, in terms of spending per member, the standard of living of the lowest income groups is higher on the average than those receiving above 2699 Birr.

8.4 Conclusion

In surveys of this nature income is usually understated and does not always represent the actual economic position of the household. From the results of the subsample we observe that income is equitably distributed than expenditure. However, the actual level of consumption in fact determines the standard of living. Therefore,

in terms of spending per person, the standard of living of the lowest income group is higher on the average. With respect to saving the result revealed that households in the upper most income groups tend to save.

The information collected about the quantities of various food commodities consumed by the households showed that households considerably depend on cereals, pulses and oil seeds which contribute 81.8 per cent of the total calorie per person per day.

Note:-

1) Symbols used

- .. negligible
- not available
- PHH Per household
- PP Per person
- M Male
- F Female
- M+F Both sexes

- 2) Figures may not add up to totals because of rounding.