

# 96th DGINS Conference

## Sofia, 30 September 2010

### Session I: Household perspective and distributional aspects of income, consumption and wealth

Chair: François Lequiller, Eurostat

Discussant: Wim van Nunspeet (CBS, Netherlands)

# Mandate of the TF “Household Perspective”

- Better promoting existing National Accounts data on household income
- Fostering the compilation of the balance sheets accounts of households
- Broaden income measures to non market domestic activities as well as leisure time
- Providing information on the distribution of income, consumption and wealth

# Organisation

- Delegates from: AT, BG, DE, DK, FR, IT, NL, DK, OECD, UNECE, ECB, Eurostat
- First meeting held on 2 July 2010 in Luxembourg
- Next meetings planned on 22 October 2010 and 1 February 2011
- Final report to be submitted by 31 March 2011

# I. Better promoting existing National Accounts data on household income

- Should there be more (emphasis on) quarterly data on household income?
  - e.g.: real growth of household gross disposable income
- Which income data should be the leading (annual) indicators on household income in the European context?
  - e.g.: gross / net disposable income; adjusted for social transfers in kind / not adjusted; in constant prices / Purchasing Power Parities; per capita / per consumption unit; with GDP / Net National Income (NNI) as reference ?

## II. Fostering the compilation of the balance sheets accounts of households

- Can we agree to prioritize the transmission of data on households dwellings?
- Should we put more effort in distinguishing households and NPISHs?
- ... and between households as consumers and households as producers (entrepreneurs)?

### III. Broaden income measures to non market domestic activities as well as leisure time

- Is there a need for a EU Regulation requiring to compile satellite accounts for households including a valuation of their non market domestic activities ? Leisure time ?
- Is there (thus) a need for a EU Regulation to collect time use data (TUS) ? And what should be the frequency of such TUS data (5 or 10 years) ?

# Inequalities between households in the national accounts: the French experience

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# Breakdown of the French household accounts using surveys : data

- › The framework : national accounts
- › Reference year: 2003
- › Five surveys involved:
  - Income : SILC 2004, Tax income 2003
  - Consumption : Budget survey 2006, Health and Housing surveys, 2003 and 2002
- › 4 classification variables : standard of living, household composition, employment status and age of the head of the household



# Breakdown of the French household accounts using surveys : resources

- › Beginning of the project : July 2007
- › First publications : June 2009 and November 2009
- › Joint work of National accountants and statisticians specialised in HH surveys
- › About 600 working days for the first step of the project : 12 persons, with 5 more directly involved

# Breakdown of the French household accounts using surveys : methodology

- › 1. Comparison of estimates coming from micro and macro data sources
- › 2. Imputations on micro data, e.g.
  - Financial revenues : imputations based on behaviour pattern, using Wealth survey information
  - Public education expenditure : imputation of mean cost according to school level
  - Incomes from non observed economy and VAT fraud : imputations based on conventions
- › 3. Breakdown for each component of income and consumption, using distribution coming from micro data (collected or imputed) and benchmarking aggregates on national account figures

# Result : the 20% richest households receive 40 % of the total amount of disposable income



Scope : ordinary households resident in mainland France, excl. Fisim.

Source : Insee, national account 2003, SILC2004, Tax Income 2003, Household Budget 2006, housing and health surveys.

## Result: ratio Q5/Q1 lower on average consumption expenditure than on disposable income

### Disposable income by standard of living quintile in 2003

	Q1	Q2	Q3	Q4	Q5	All households
Annual equivalent amount per CU, in €	10 100	16 400	21 000	26 800	50 000	24 900

$$Q5/Q1 = 5.0$$

### Consumption expenditure by standard of living quintile in 2003

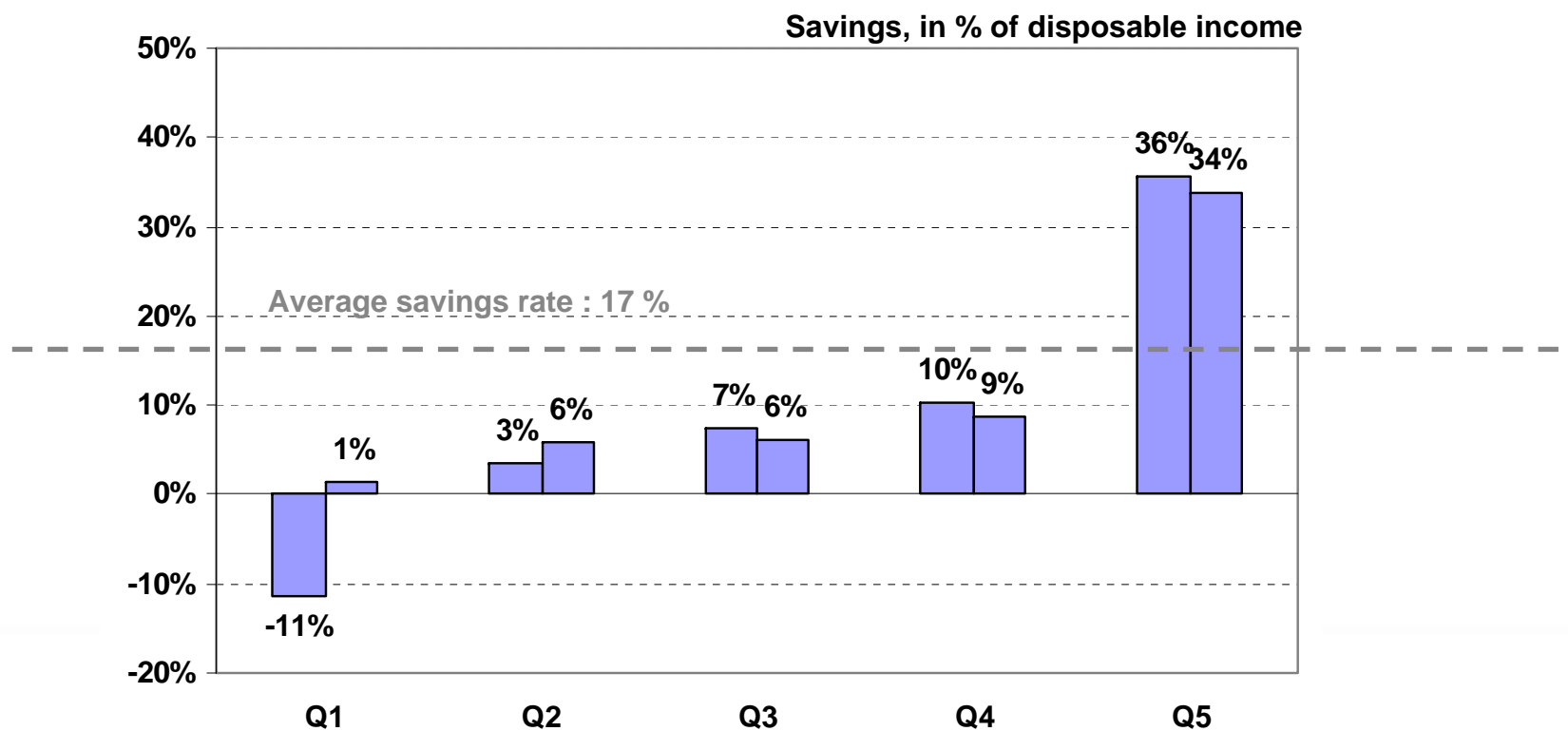
	Q1	Q2	Q3	Q4	Q5	All households
Annual equivalent amount per CU, in €	9 900	15 400	19 800	24 400	33 100	20 600
% of consumption expenditure						
of which : Food and non-alcoholic drinks	20	17	16	14	12	15
Leisure and culture	7	9	9	10	11	10

$$Q5/Q1 = 3.3$$

Scope : ordinary households resident in mainland France, excl. Fisim.

Source : Insee, national account 2003, SILC2004, Tax Income 2003, Household Budget 2006, housing and health surveys.

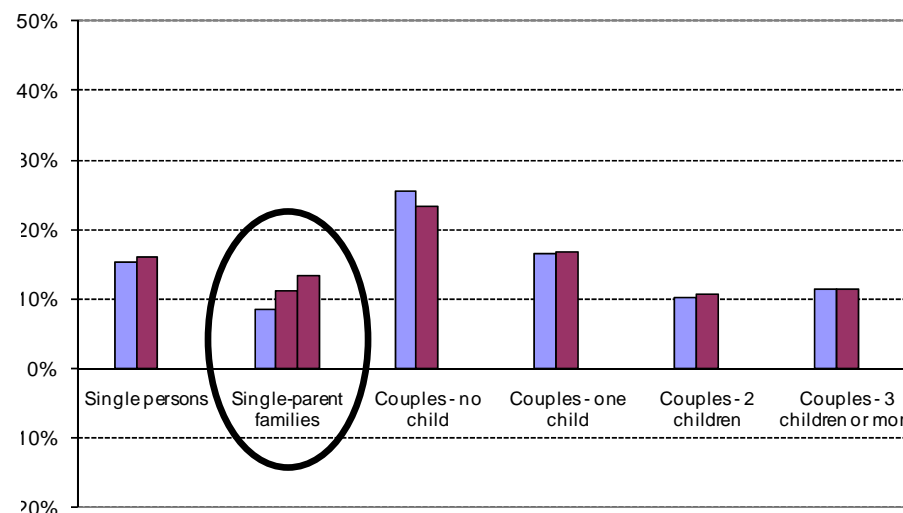
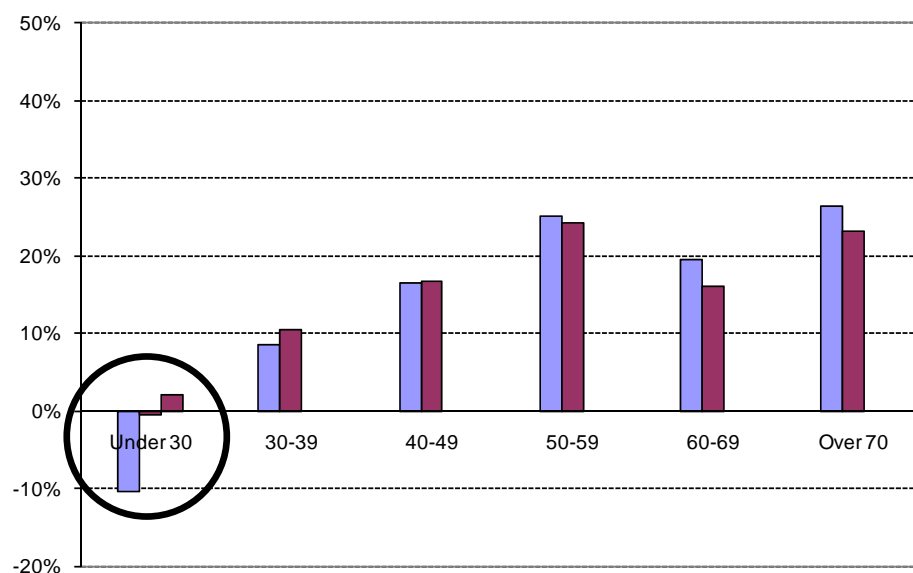
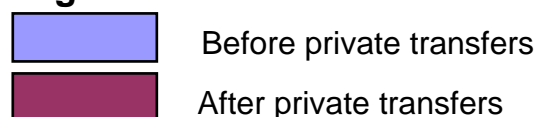
## Result: 80% of savings come from the 20% richest households



Two estimates depending on the adjustments made on the information collected in SHB concerning income (a variable used for the imputation of the « NA » standard of living)

# Result : The youngest and single-parent families benefit from private transfers between households

## Savings rate :



Scope : ordinary households resident in mainland France, excl. Fisim.

Source : Insee, national account 2003, SILC2004, Tax Income 2003, Household Budget 2006, housing and health surveys.

## Result : social transfers in kind reduce inequalities

### Income aggregates distribution according to standard of living quintile in 2003

In % (All households = 100)

	Q1	Q2	Q3	Q4	Q5	All households	Total (in billions €)
<b>Primary income (1)</b>	<b>5</b>	<b>12</b>	<b>17</b>	<b>24</b>	<b>42</b>	<b>100</b>	<b>1 140,2</b>
<b>Disposable income (2)</b>	<b>8</b>	<b>13</b>	<b>17</b>	<b>22</b>	<b>40</b>	<b>100</b>	<b>993,4</b>
Social transfers in kind (3)	25	21	19	18	18	100	229,5
<i>of which : health</i>	21	22	21	18	19	100	97,8
<i>education</i>	28	20	19	18	15	100	75,1
<i>housing allowances</i>	70	23	5	1	1	100	10,2
<b>Adjusted disposable income = (2)+(3)</b>	<b>11</b>	<b>15</b>	<b>17</b>	<b>21</b>	<b>36</b>	<b>100</b>	<b>1 222,9</b>

Scope: ordinary households resident in mainland France, excl. Fisim.

Source : Insee, national account 2003, SILC2004, Tax Income 2003, Household Budget 2006, housing and health surveys.

- › Q5/Q1: from 5.0 to 3.2 regarding adjusted disposable income
- › Q5/Q1: from 3.3 to 2.2 regarding actual consumption



## Next steps of the project

- › A new classification variable for households (urban vs rural) (2011)
- › Breakdown of the balance sheet account by category (2011)
- › Time series: estimating real (PPPs) income changes by category over several years (2011-2012)



## IV. Providing information on the distribution of income, consumption and wealth

- Which definition of income should be preferred for crossing NA data with social statistics?
  - the NA definition of income or
  - income concepts that are more familiar to individual households, excluding e.g. social transfers in kind or imputed rents
- Should the EU develop household comprehensive surveys covering income, consumption and wealth ?  
Or instead, should this information be collected through different means and matched *a posteriori* ? (current practice)

## V. First conclusions

- Better promoting existing National Accounts data on household income  
⇒ Importance to agree on common headline figures across the ESS
  
- Fostering the compilation of the balance sheets accounts of households  
⇒ Importance of transmitting the data required through the current and future ESA transmission programme
  
- Broaden income measures to non market domestic activities as well as leisure time  
⇒ Create a EU legal framework for TUS ?  
⇒ Develop household satellite accounts covering non market domestic activities

## V. First conclusions

- Providing information on the distribution of income, consumption and wealth

- ⇒ Bridge the definitions of income used in NA and social statistics (Canberra group)

- ⇒ Promote pilot studies matching survey data on (each component of) income with NA corresponding aggregates

- ⇒ Next steps: develop additional sources that allow the breakdown of consumption and wealth by category of households