

# 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

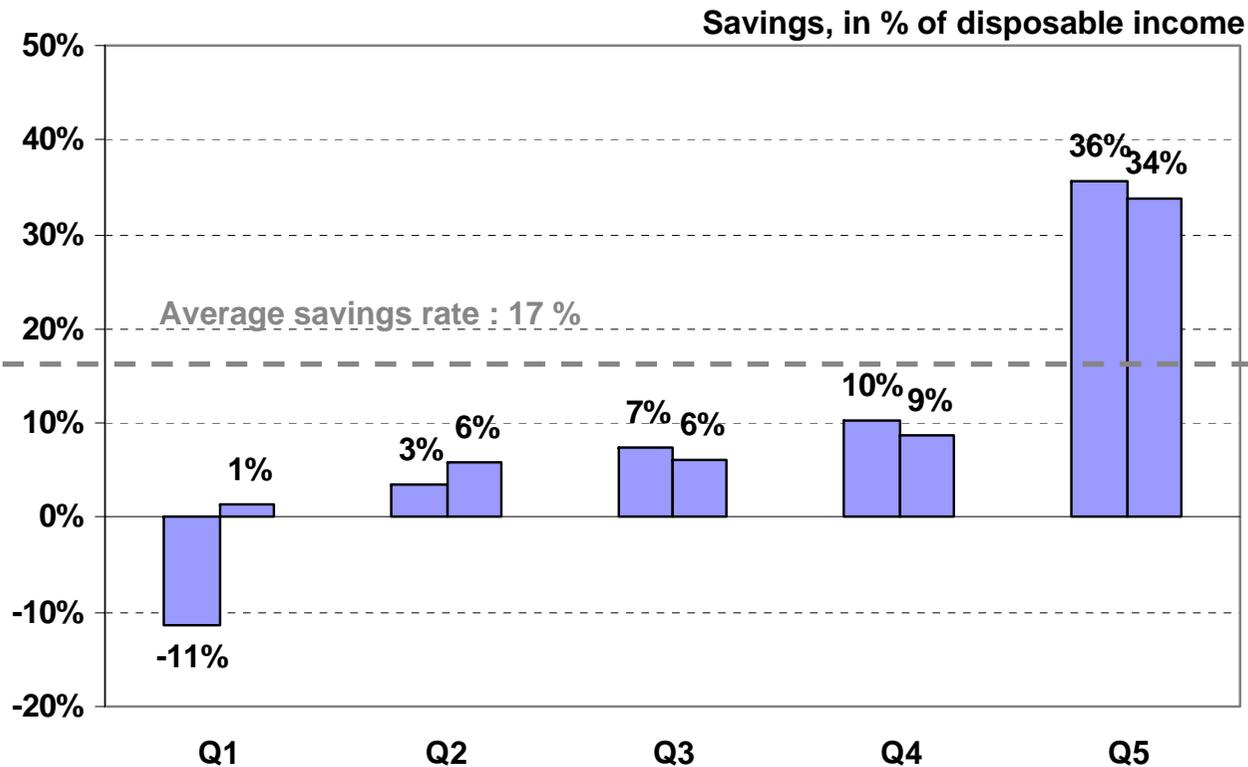
	Q1	Q2	Q3	Q4	Q5	All households
Annual equivalent amount per CU, in €	9 900	15 400	19 800	24 400	33 100	20 600
<b>% of consumption expenditure</b>						
of which : Food and non-alcoholic drinks	20	17	16	14	12	15
Leisure and culture	7	9	9	10	11	10

$Q5/Q1 = 3.3$

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.

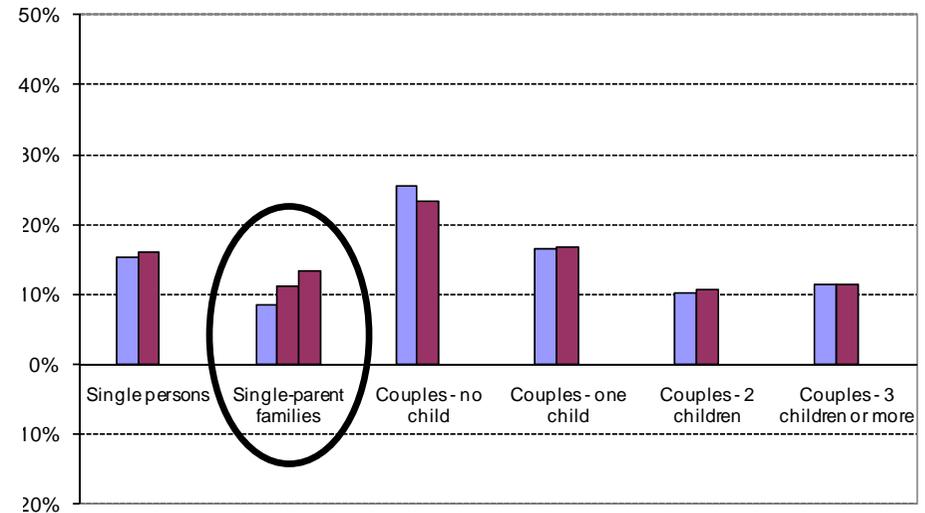
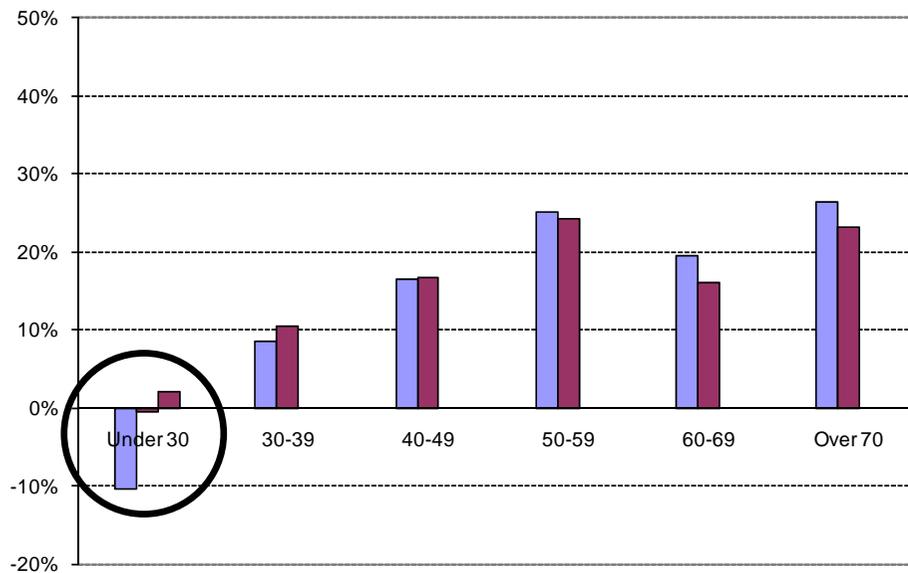
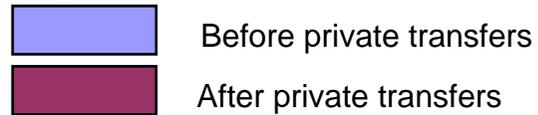
## Result: 80% of savings come from the 20% richest households



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