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STATISTICS DIRECTORATE
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Working Party on National Accounts

SOCIAL DISPARITIES BETWEEN GROUPS OF HOUSEHOLDS WITHIN A NATIONAL ACCOUNTS FRAMEWORK: A BREAKDOWN OF HOUSEHOLD ACCOUNTS

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This paper will be presented and discussed under item 10 of the draft agenda

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NOTE BY THE SECRETARIAT

1. The paper attached presents some preliminary results of a study conducted at INSEE and aimed at developing a household appropriation account for detailed categories. The evidence currently available refers to household income and consumption in 2003, with data disaggregated for a number of groups: i) household composition; ii) age of the household's reference person; iii) socio-economic status of the household reference person; and iv) quintile of household income per consumption unit. The goal of this research is to present information on the distribution of income, consumption and savings within the conventional national account framework. To that end, the research relies on both national account aggregates for various items of household income and consumption, and on survey data on how various flows are distributed. In order to provide a complete view of redistribution, social transfers in-kind (government reimbursement of health care or education expenditures for example) are taken into account. INSEE now envisages extending this research to the year 2006 (based on the distributive profile prevailing in 2003); and to household assets and liabilities.

2. While this type of research has been, so far, limited to a single country, the Working Party may wish to consider how this approach could be extended to a cross-country context. Several initiatives have recently argued for pursuing work along these lines. In particular, the report of the *Commission on the Measurement of Economic Performance and Social Progress* (the so-called Stiglitz-Sen Commission) has stressed the importance of incorporating information on the distribution of household resources within the system of national accounts; and argued that household income, consumption and wealth should be considered jointly to capture situations of advantage and distress.[1] The Australian Bureau of Statistics (ABS) is also developing a framework for assessing hardship and low consumption possibilities that encompasses both actual consumption and consumption possibilities (as shaped by both income and assets). With rising demands for more consistent and comprehensive measures of household economic resources, integrating both macro- and micro-perspectives, other statistical offices are likely to take initiatives in this domain. This underscores the potential for a comparative project in this field to achieve greater international consistency and to benefit from mutual learning.

3. The data requirements for a possible comparative project on household economic resources will depend on its level of ambition.

- As a first step, the project could focus on developing a SNA-based account on household income for detailed categories, along the lines pursued by the researchers at INSEE. Most OECD countries compile a household appropriation account as part of their SNA, and have information (from surveys and administrative registers) on how household income is distributed. Developing an SNA-consistent household account by detailed categories would require comparing aggregates of various components of household income from macro- and micro-sources[2]; using information from available micro-sources to allocate macro-aggregates among different household categories; and making assumptions on the distribution of those SNA components that fall outside the scope

1 See http://www.stiglitz-sen-fitoussi.fr/documents/rapport_anglais.pdf.

2 A preliminary comparison between macro- and micro-data on household disposable income and its components was presented at the 2008 meeting of the OECD Working Group on National Accounts.

of micro-sources. The main value added of work along these lines would be in providing a more detailed account for the household sector that, being consistent with SNA-definitions, is more suited for cross-country comparisons of *levels* of income for specific household groups and more comprehensive (as compared to micro-data) for the assessment of inequalities in terms of the income flows that are covered. Work along these lines could be initially implemented for conventional measures of household income and then extended to other elements (i.e. in-kind government sources) that are part of "adjusted" household income.

- As a second step, work could be extended beyond income to cover household consumption and wealth. While being more demanding in terms of data requirement (i.e. few OECD countries have micro-data covering two types of household economic resources, and even fewer have data on all three of them), work along these lines would allow moving toward the establishment of a full set of integrated accounts for the household sector.

4. Whatever the level of ambition, a comparative project along these lines would require the co-operation of experts in different countries who have access to detailed micro- and macro-data on household economic resources. A project along these lines could be based on the model used by the Secretariat to pursue work on the measurement of human capital, i.e. with co-operation among a set of "partners" willing to join the project, elaboration based on a common set of assumptions, and overall co-ordination assured by the Secretariat.

5. Delegates are invited to:

- NOTE the paper by INSEE.
- COMMENT on its methodology and applications.
- CONSIDER whether the approach pursued by INSEE could be extended to a cross-country context.
- EXPRESS their interest in contributing to comparative work on household economic resources along the lines described in this cover-note.

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Summary

1. In France, there are several types of household survey, each one focusing on different aspects of household behaviours. They provide a large variety of information on wages, dwellings, property income or consumption expenditure. At a macro-level, the National Accounts System allows economists to understand relationships between income, consumption and savings within a consistent and integrated framework. In the past few years, there has been an increasing demand for better consistency between micro and macro statistics in France like in many other countries. The European System of Accounts already considers the possibility of establishing national accounts by household categories. This should allow a better understanding of households' economic behaviour and a better description of social disparities between groups of households within a consistent and integrated framework.

2. This note presents a detailed analysis of household account as defined in National Accounts, breaking it down by household categories through the use of household surveys (part 1). The "household-subcategories accounting system" is presented using French data for 2003, focusing on income and consumption. It is based on National Accounts' framework and figures and uses different surveys to distinguish household categories (depending on the level of income, on the employment status or age of the head of the household, on the household composition). Estimates of household-subcategories disposable income, consumption expenditure and savings rate are presented (part 2). Social disparities between groups of households are inferred.

3. Social transfers in kind (social security benefits, reimbursements, social assistance benefits in kind) have also been broken down by household-subcategories, which allows producing also estimates of adjusted disposable income and actual consumption by household categories. By showing how consumption expenditure incurred by general government and NPISHs[3] for the benefit of individual households amends social disparities (part 3), it provides a more complete view of the redistribution process between groupings of households.

1 Object of the study and methodology

1.1. This household subcategories accounting system is built for 2003[4], from production to savings, including redistribution in kind

4. Firstly, primary incomes, disposable income and consumption expenditure are examined:

- Primary incomes include the compensation of employees (wages and salaries, social contributions), the income of self-employed workers and property income (dividends, interests and rents) other than capital gains.
- Disposable income is what remains from the household income to be consumed or saved, once taxes and social contributions have been deducted. It includes primary incomes plus social transfers in cash (of which unemployment benefits, old-age pensions, family allowances). Four main taxes are taken into consideration: the income tax, the housing tax, "CSG" (generalized social contribution) and "CRDS" (contribution to the reimbursement of social debt).
- Consumption expenditure is what households are directly paying for. It includes the part of health, education and housing expenditures that is still incurred by household once public social expenditure have been taken into account. What the welfare system takes care of (housing benefits,

3 Non Profit Institutions Serving Households

4 2003 has been chosen as a reference because most of the household surveys which were necessary to the project had been held during/near that year.

national insurance refunds) is not included in households' consumption expenditure. Some specific elements are added to the effective payments made by households in order to record what they consume from their own production. For instance, it is assumed that owner-occupiers produce a housing service for themselves, which will be taken into account both as part of their production with imputed rents (includes in primary incomes) and of their consumption.

5. Once disposable incomes and consumption expenditures are measured for each household subcategory, it is possible to make an estimation of savings rates[5] by household subcategories.

6. Secondly, the redistribution of income in kind account is studied. It shows two more elements in the description of the redistribution process; it records:

- social benefits in kind, which include market goods and services which the recipient household does not incur the expense or for which the household makes the initial outlay and is later reimbursed (health, housing).
- the transfer of individual non-market goods and services, such as education, health...

7. Those social transfers in kind are recorded as resources (it measures adjusted disposable income) and as uses (it measures actual consumption). The difference between disposable income and adjusted disposable income is equal to the difference between consumption expenditure and actual consumption; it corresponds to social transfers in kind. Therefore, figures for savings are the same in both cases.

1.2. Households are classified into subcategories according to four criteria: income level, employment status, age and family structure

- Income level: households will be divided into five equal groups of income per consumption unit (CU), each one representing 20 % of the whole population, on an increasing scale (named Q1 to Q5). The resources taken into account so as to estimate the level of income rely on the definition of disposable income used in national accounts. An equivalent income per CU is calculated with this disposable income by using an equivalence scale[6].
- The head of the household's employment status: thirteen categories are defined, dividing employed people in ten categories using the International Standard Classification of Occupations (ISCO); the three other categories are unemployed, pensioners and other inactive persons.
- The head of the household's age: under 30, from 30 to 39, from 40 to 49, from 50 to 59, from 60 to 69 and 70 or more.
- Structure of the households: single persons, single-parent families, couples without child, couples with one child, two children, three children or more.

1.3. The household account is broken down into categories through the use of household surveys

8. The household national account is built with macro data that do not give any information on which types of households are concerned. But different surveys can provide a global amount for each kind

5 Saving rate correspond to the ratio between saving (difference between disposable income and final consumption expenditure) and disposable income.

6 The equivalence scale used here is the "OECD-modified equivalence scale". This scale assigns a value of 1 to the household head, of 0.5 to each additional adult member (aged 14 or more) and of 0.3 to each child (under 14).

of income (wages, taxes, social benefits, social transfers in kind) or consumption (housing, transportation, alimentary goods...) and its repartition among the different categories of households.

9. The same methodology is applied for each line of the household account (i.e. for each type of income or expenditure):

- the average income/expenditure in the survey is calculated for each subcategory ;
- multiplying by the number of households in each category a total amount of income/expenditure for each subcategory is obtained ;
- in most cases global amount obtained for the whole population are likely to be different from macro statistics. An adjustment is made to obtain for all households the NA amount.

10. Given that methodology, remaining problems are linked to discrepancies between the definitions of the different components of disposable income and consumption expenditure in the national accounts and surveys data. Assumptions and calculations have been made to fill the gaps (for imputed rents, property incomes, VAT fraud or tax evasion, education...).

1.4. Five household surveys are used

11. Two surveys on households' incomes can be used:

- Statistics on income and living conditions (SILC) for 2004 (which are based on incomes received in 2003), a European project. As far as French data are concerned, incomes are currently collected through households' statements[7].
- Tax Income survey (*enquête Revenus fiscaux*) for 2003, which is based on the Labour force survey data (sample of last quarter of 2003), completed with administrative data on tax income (which are based on incomes received in 2003). This is the reference survey with which individual incomes are measured in France ;

12. The French national institute of statistics' (Insee) survey on households' budget (SHB) for 2006 can be used, which describes very precisely the households' expenditures, their amount and their nature.

13. In addition two more surveys have been used (the Housing survey and the Health survey) in order to estimate more precisely the households' housing consumption expenditure, as well as their health expenditures. Those surveys have been also used to break down social transfers in kind such as dwelling allowances or reimbursement by social security funds.

See appendix 1 for information on sample size by subcategories.

1.5. A restricted field: ordinary households living in mainland France

14. National accounts gather data for the whole French population, including people living in overseas "*départements*" and non-ordinary households. On the contrary, most households surveys held by the French national institute of statistics take place in mainland France. Besides, their target is the sole ordinary households, i.e. people living in their own dwelling, whether it belongs to them or not; people living in a collective housing are not surveyed. Thus, people living in rest-homes, boarding schools, dormitories, religious communities or prisons do not take part in the surveys. The household sub-categories accounting system has therefore to be limited to ordinary households living in mainland France. In 2003,

7 Incomes will in next survey be collected from tax returns, starting from the 2008 survey.

there were approximately 25 millions of households in mainland France (600 000 in overseas "*departments"*) and 1.4 million people who are not part of ordinary households.

Table 1.1 - Breakdown of household NA in three parts

Amount en B€	Whole population	Whole population (without FISIM)	…including ordinary households - mainland	…including 4 overseas départements	…including non-ordinary households - mainland
Disposable income	1 042,7	1 032,7	993,4	19,8	19,4
Consumption expenditure	878,3	868,3	821,2	16,3	30,7
Social transfers in kind	267,2	267,2	229,5	7,5	30,2
Adjusted disposable income	1 309,9	1 299,9	1 222,9	27,3	49,6
Actual consumption	1 145,5	1 135,5	1 050,7	23,8	60,9

Source: Insee, National account 2003

1.6. Two changes introduced in the national account framework

15. In national account, transfers between resident households are globally neutral regarding households as a whole. But it is necessary to take them into account if households are broken down into categories.

16. Thus a new line is created in the household national account, using the SHB, to take into account financial transfers between resident households as incomes: a notion of "disposable income after private transfers" is introduced; for example, financial support from parents to their child living in his own dwelling. This transfer is considered as a new source of income for the child; it reduces incomes for their parents

17. Cars' purchase and sale between resident households are also taken into account in consumption expenditures: if a household directly buys a car to another one it is considered as a positive transportation's expenditure for the buyer and as a negative one for the seller.

2 Disposable income, consumption expenditure and savings rate

2.1. …according to income level

18. Households are divided into five equal groups of income per consumption unit (CU), on an increasing scale (named Q1 to Q5), each one representing 20 % of the whole population (i.e. about 5 millions of ordinary households in mainland France).

Table 2.1 - Composition of disposable income per income level

In % of disposable income	Q1	Q2	Q3	Q4	Q5	All households
Wages and salaries, income from self-employment	67%	94%	102%	104%	89%	93%
...including employers' social contributions	14%	23%	26%	26%	20%	22%
...including employees and self employed' social contributions	8%	10%	11%	11%	10%	10%
Property incomes	8%	11%	14%	18%	32%	21%
...including financial incomes	1%	2%	2%	4%	17%	9%
Primary income	75%	105%	116%	123%	121%	115%
Annual equivalent primary income per CU, in €	**7 500**	**17 200**	**24 400**	**32 800**	**60 600**	**28 600**
Taxes on income and other current taxes	-5%	-7%	-10%	-13%	-20%	-14%
Social contributions	-22%	-33%	-36%	-37%	-30%	-32%
Social benefits other than social transfers in kind	52%	35%	30%	27%	25%	30%
for retired people	21%	19%	19%	18%	20%	19%
for unemployed people	6%	4%	3%	3%	2%	3%
others social benefits	25%	12%	8%	6%	3%	8%
Curent transfers	1%	0%	0%	1%	4%	2%
Disposable income - Annual equivalent amount per CU, in €	**10 100**	**16 400**	**21 000**	**26 800**	**50 000**	**24 900**
Total amount, in B€	**78,7**	**130,3**	**169,2**	**218,0**	**397,3**	**993,4**
Disposable income after private transfers -Annual equivalent amount per CU, in €	10 300	16 500	21 100	26 600	49 200	24 800
	103%	101%	100%	100%	98%	100%

Covers the population living in ordinary households, mainland France. Except Fisim.
Sources : Insee, National account 2003 and surveys (SILC2004, SHB2006, ERF2003, Housing survey and Health survey).

19. The 20 % richest households (Q5) receive 40 % of the total amount of disposable income (397,3 B€ of the 993,4 B€ for all households).

20. For those wealthy households, the average primary income (60 600 € per CU) is 8.1 times higher than the average for the 20 % poorest households (7 500 € per CU). This ratio (Q5/Q1) is worth 5.0 for the average disposable income (50 000€ versus 10 100€). This ratio decreases significantly because the disposable income includes taxes, social contributions and benefits, which reduce inequalities. This ratio drops to 4.8 after private transfers: the richest households give money to others, whereas the poorest ones receive money.

21. The composition of disposable income depends on the income level:

- Wages, salaries and income from self-employment represent a lower part of disposable income for the two extreme groups Q1 and Q5; for the whole population this type of income represents 93 % of disposable income but only 67 % for the poorest households and 89% for the richest ones.
- Social benefits account for 52 % of disposable income for the 20 % poorest households (30 % for the whole population) ;
- Property incomes are concentrated on wealthy households, especially for financial incomes: property incomes make up 32 % of disposable income for the richest (versus 21 % for all households), including 17 % of financial incomes.

Table 2.2 - Composition of consumption expenditure per income level

% of final consumption expenditure	Q1	Q2	Q3	Q4	Q5	All households
Alimentary goods and non-alcoholic beverages	20%	17%	16%	14%	12%	15%
Alcoholic beverages and tobacco	5%	4%	4%	3%	2%	3%
Clothes and shoes	5%	5%	5%	5%	5%	5%
Housing, water, gas, electricity and other combustibles	24%	23%	25%	25%	25%	25%
…including real rents	7%	6%	5%	3%	2%	4%
…including imputed rents	7%	10%	14%	16%	17%	14%
...others expenditures	10%	7%	6%	6%	6%	7%
Furniture, usual care of the housing	5%	6%	5%	6%	8%	6%
Health	5%	4%	4%	3%	2%	3%
Transportation	12%	14%	16%	15%	14%	14%
Communication	4%	3%	3%	3%	2%	3%
Leisure and culture	7%	9%	9%	10%	11%	10%
Education	1%	0%	1%	1%	1%	1%
Hotels, bars and restaurants	4%	5%	5%	6%	7%	6%
Other goods and services	9%	9%	9%	9%	10%	9%
Final consumption expenditure - Annual equivalent consumption expenditure per CU, in €	**9 900**	**15 400**	**19 800**	**24 400**	**33 100**	**20 600**

Covers the population living in ordinary households, mainland France. Except Fisim.
Sources : Insee, National account 2003 and surveys (SILC2004, SHB2006, ERF2003, Housing survey and Health survey).

22. The estimation of consumption expenditure according to income level depends on the readjustments made on SHB data: two options have been simulated. Only one is presented in table 2.2. The composition of consumption expenditure is roughly the same with the two options.

23. In 2003 a household spends 20 600€ per year and per CU. The ratio of the average consumption expenditure of the richest and the poorest households (Q5/Q1) is lower than the income ratio: 3.3 vs 5.0.

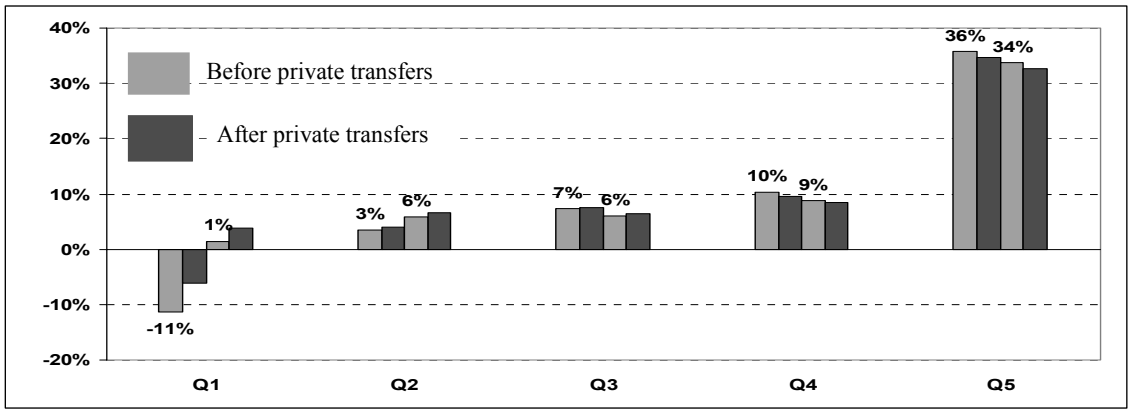
24. The composition of total consumption expenditure depends on the income level:

– Alimentary goods represent a decreasing part of households budget as income increases;

– On the contrary, leisure and culture represent an increasing part of households budget as income increases;

– Housing expenditure as a whole seems to represent the same part in the budget for all households. But higher is the income, larger is the part of imputed rents. As a matter of fact, the proportion of owners is higher in the wealthy population.

Graph 2.1 - Savings rate per income level



Covers the population living in ordinary households, mainland France. Except Fisim.
Sources: Insee, National account 2003 and surveys (SILC2004, SHB2006, ERF2003, Housing survey and Health survey).

25. The graph 2.1 shows savings rates according to income level, based on both estimations of the consumption expenditure. The second estimation is the one which was presented in table 2.2.

26. We can see that as income level increases, savings rates are higher, with a very high savings rate for the 20 % richest households, between 34% and 36%.

27. For the 20 % poorest households, estimations of the savings rate fluctuate between -11 % and 1 %. For this group, estimations are more sensitive to the option of readjustment chosen for SHB data than for other income levels.

28. Households can temporarily have a negative savings. They can face one year a big expenditure (a car, a payment for education) that exceeds their annual regular incomes. Households in this situation may have extra cash from banks (from personal accounts or by contracting a loan) or directly from others households. As a matter of fact, when private transfers are taken into account, savings rate is higher, especially for the 20 % poorest households.

2.2. …according to the head of the household's employment status

29. Four main employment status are defined for the head of the household: two status for active people (employed and unemployed); two others for inactive persons (pensioners and other inactive persons - including students, housewives, persons who never worked). Employed people are then broken down into ten groups using the International Standard Classification of Occupations (ISCO).

Table 2.3 - Composition of disposable income according to the head of the household's employment status

In % of disposable income	Employed	Unemployed	Pensioners	Other inactive	All households
Wages and salaries, income from self-employment	127%	75%	12%	33%	93%
...including employers' social contributions	30%	18%	3%	6%	22%
...including employees and self employed' social contributions	13%	7%	3%	4%	10%
Property incomes	18%	11%	31%	31%	21%
…including financial incomes	7%	2%	12%	19%	9%
Primary income	146%	85%	42%	64%	115%
Annual equivalent primary income per CU, in €	**40 100**	**13 500**	**10 300**	**8 000**	**28 600**
Taxes on income and other current taxes	-15%	-7%	-11%	-13%	-14%
Social contributions	-44%	-25%	-6%	-10%	-32%
Social benefits other than social transfers in kind	11%	46%	75%	59%	30%
for retired people	2%	3%	67%	24%	19%
for unemployed people	2%	28%	2%	3%	3%
others social benefits	6%	15%	6%	32%	8%
Curent transfers	2%	1%	0%	0%	2%
Disposable income - Annual equivalent amount per CU, in €	**27 500**	**15 800**	**24 300**	**12 600**	**24 900**
Total amount, in B€	**675,3**	**25,7**	**248,2**	**44,2**	**993,4**
Disposable income after private transfers -Annual equivalent amount per CU, in €	27 600	16 000	23 300	14 100	24 800
	100%	101%	96%	113%	100%
Number of households (million)	**14,0**	**1,0**	**7,6**	**2,5**	**25,2**

Covers the population living in ordinary households, mainland France. Except Fisim.
Sources: Insee, National account 2003 and surveys (SILC2004, SHB2006, ERF2003, Housing survey and Health survey).

30. Among "active households" (that is to say that the head of the household is active), employed and unemployed people have quite different levels of disposable income. The average primary income is 3.0 times higher for employed people; the average disposable income is 1.7 time higher.

31. Inactive people (excluding pensioners) constitute the households group which is the poorest according to the level of primary income (8 000 €) and according to disposable income too (12 600 €).

32. Social benefits account for a huge part of disposable income for inactive people and unemployed (table 2.3). They are mainly made of retirement pensions for pensioners (pensions make up 67 % of their disposable income versus 19 % for the whole population), of unemployment benefits for unemployed workers (28 % versus 3 %), and of other social benefits for inactive persons (32 % versus 8 %).

33. Property incomes account for 31 % of inactive people's disposable income (21 % for the whole population).

34. Other inactive get a rather large amount of private transfers, increasing by 13 % their disposable income, while pensioners' disposable income is reduced after taking into account those transfers.

35. Among employed households the composition of income can be studied according to the ISCO classification.

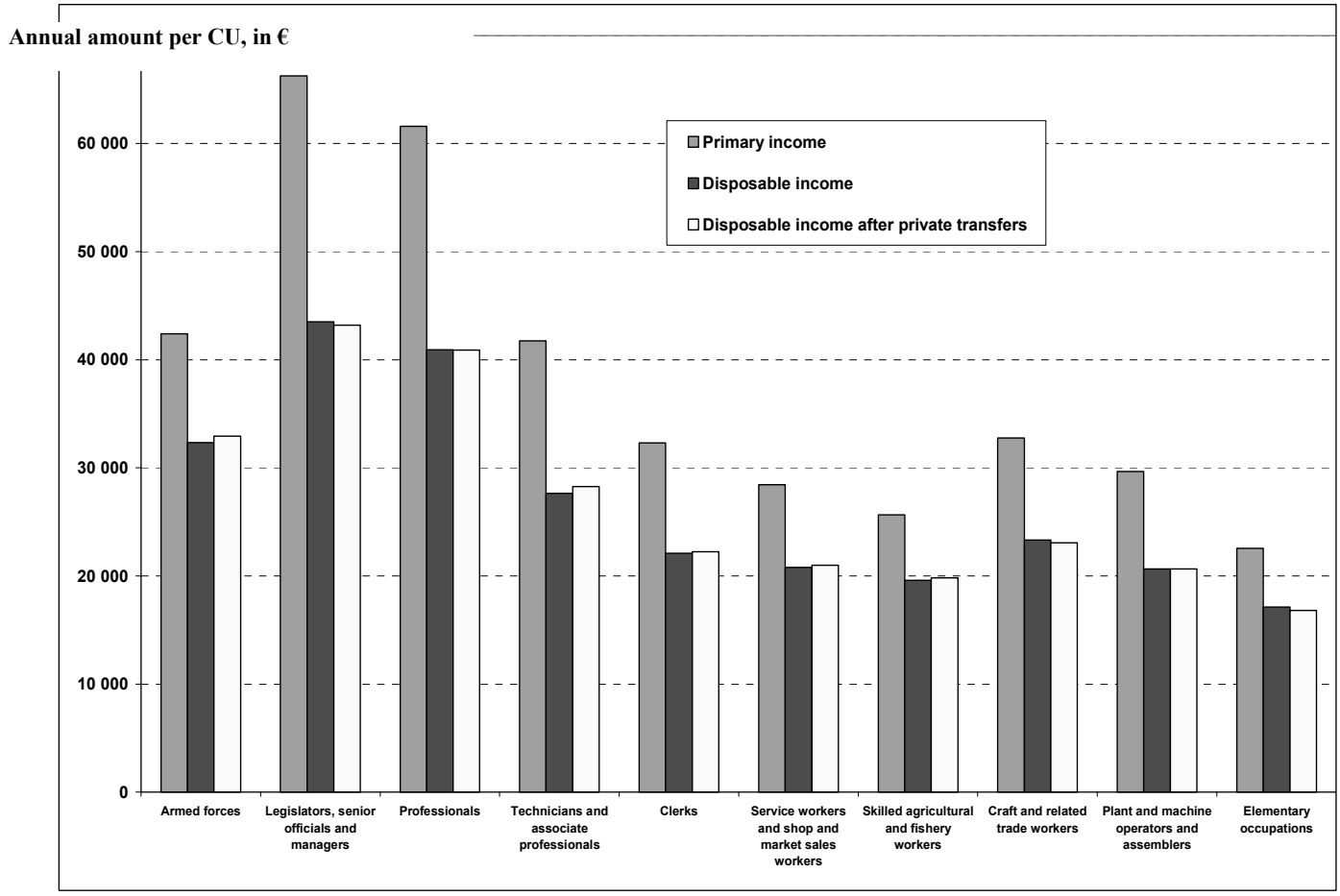
Table 2.4 - Number of households according to ISCO for employed workers

ISCO of the head of the household	Number of households	
	Million	%
Armed forces	0,3	2,0%
Legislators, senior officials and managers	1,3	9,5%
Professionals	2,0	14,4%
Technicians and associate professionals	2,6	18,2%
Clerks	1,1	7,9%
Service workers and shop and market sales workers	1,0	7,2%
Skilled agricultural and fishery workers	0,6	4,3%
Craft and related trade workers	2,4	17,0%
Plant and machine operators and assemblers	1,8	12,6%
Elementary occupations	1,0	6,9%
All employed households	**14,0**	**100,0%**

Covers the population living in ordinary households, mainland France.
Sources: Insee, Housing National account and Labor Force survey.

36. Warning: results must be analyzed carefully for "Armed forces" households, as they represent only 2 % of employed households (see appendix 1 for information on sample sizes).

Graph 2.2 - Primary income and disposable income according to ISCO for employed workers

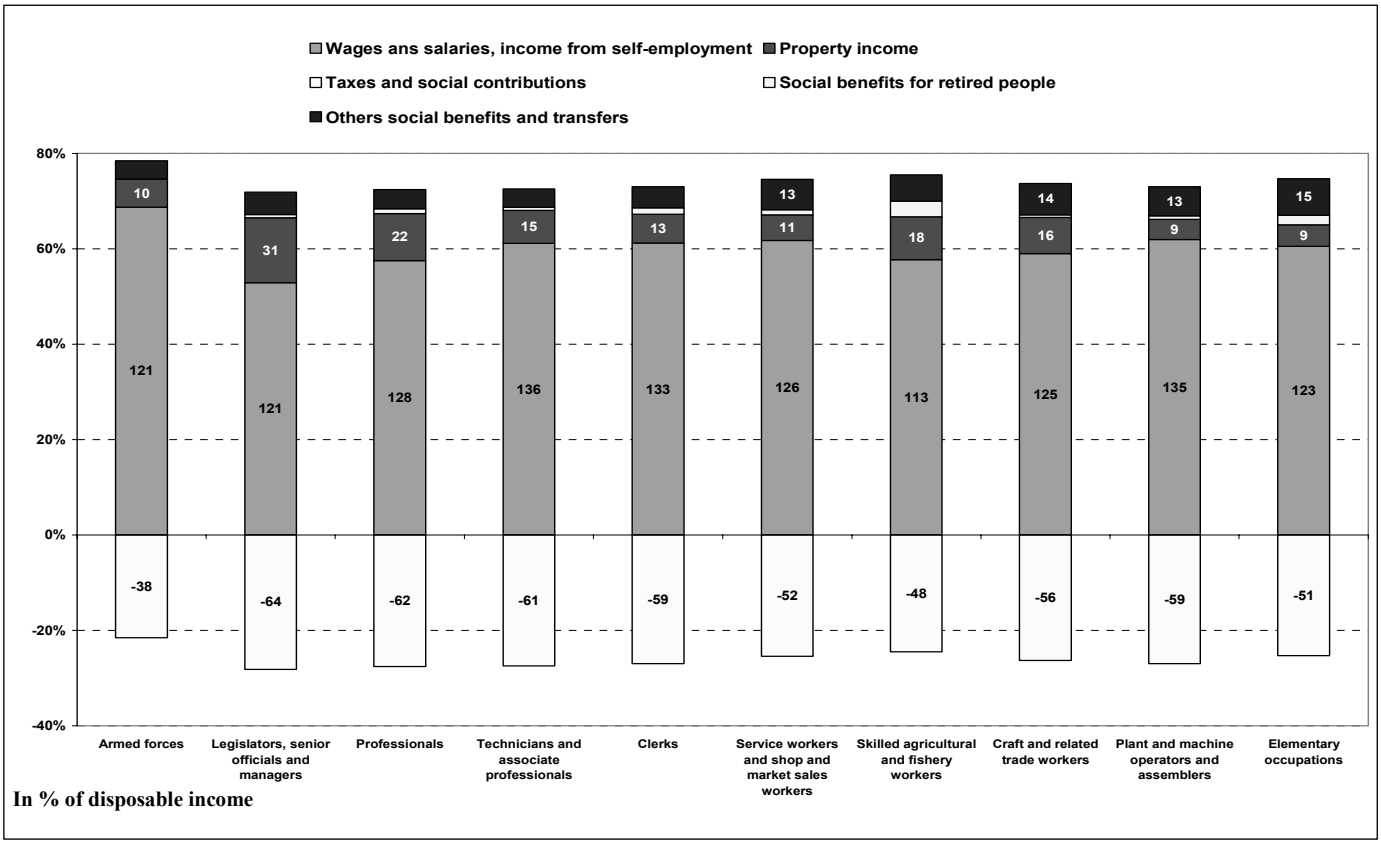


Covers the population living in ordinary households, mainland France. Except Fisim.
Sources: Insee, National account 2003 and surveys (SILC2004, SHB2006, ERF2003, Housing survey and Health survey).

37. Legislators, senior officials, managers and professionals have the highest average income. On the opposite, workers with elementary occupations receive the lowest incomes.

38. The hierarchy is the same according to primary income or disposable income. Yet income inequalities are reduced when one considers disposable income. The ratio between extreme groups (legislators, senior officials and managers on the one hand; elementary occupations on the other hand) decreases from 2.9 for the average primary income to 2.5 for the average disposable income.

Graph 2.3 - Composition of disposable income according to ISCO for employed workers

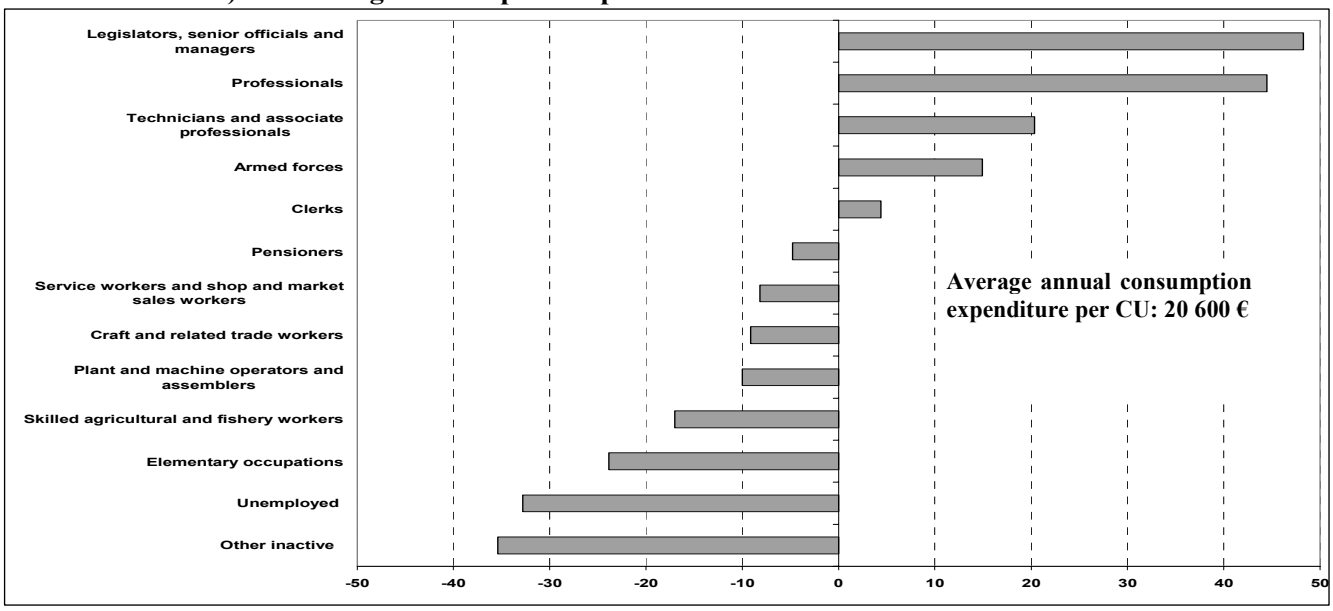


Covers the population living in ordinary households, mainland France. Except Fisim.
Sources: Insee, National account 2003 and surveys (SILC2004, SHB2006, ERF2003, Housing survey and Health survey).

39. Legislators, senior officials and managers seems to be specific in regards of the part of property incomes: they represent a very high part of disposable income for this group of households (31 % vs 21 % for the whole population - cf. table 2.3).

40. Compared to the whole population, service workers, craft workers, assemblers and elementary occupations' workers have a bigger part of social benefits (other than retirement pensions) in their disposable income.

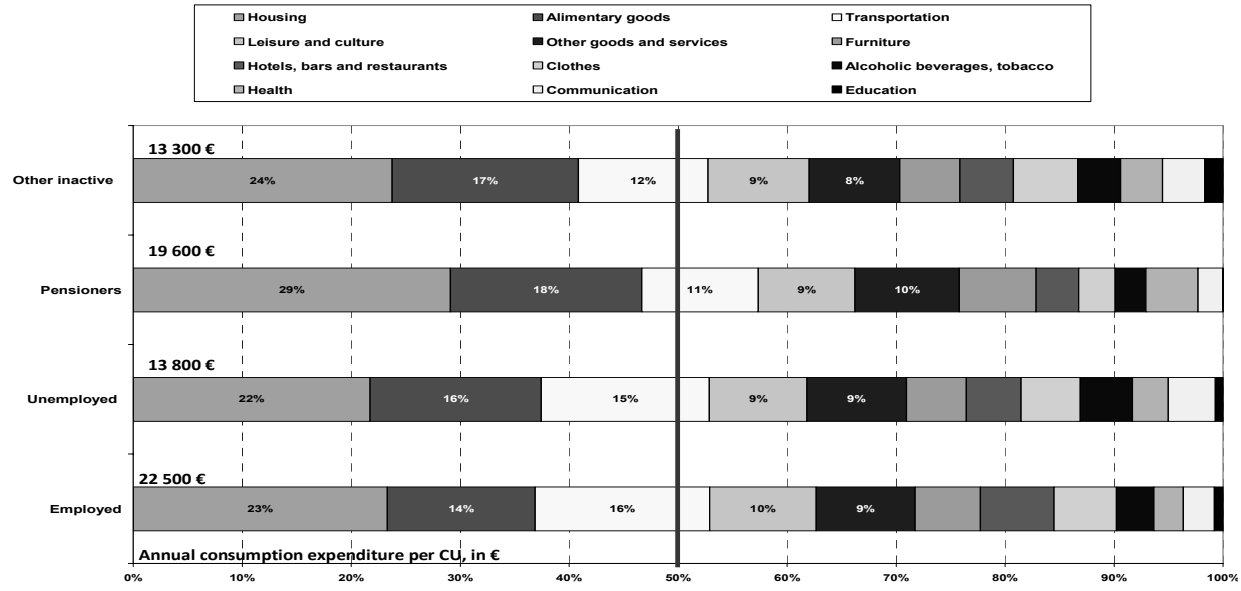
Graph 2.4 - Difference between annual consumption expenditure per employment status (of the head of household) and average consumption expenditure



Covers the population living in ordinary households, mainland France. Except Fisim.
Sources: Insee, National account 2003 and surveys (SILC2004, SHB2006, ERF2003, Housing survey and Health survey).

41. An ordinary household spends 20 600 € in average per CU for is annual consumption in 2003. Legislators, senior officials, managers and professionals spend 44 % more than the average. On the other side, other inactive and unemployed households spend 33 % less than the average consumption for the whole population.

Graph 2.5 - Composition of consumption expenditure according to the head of the household's employment status

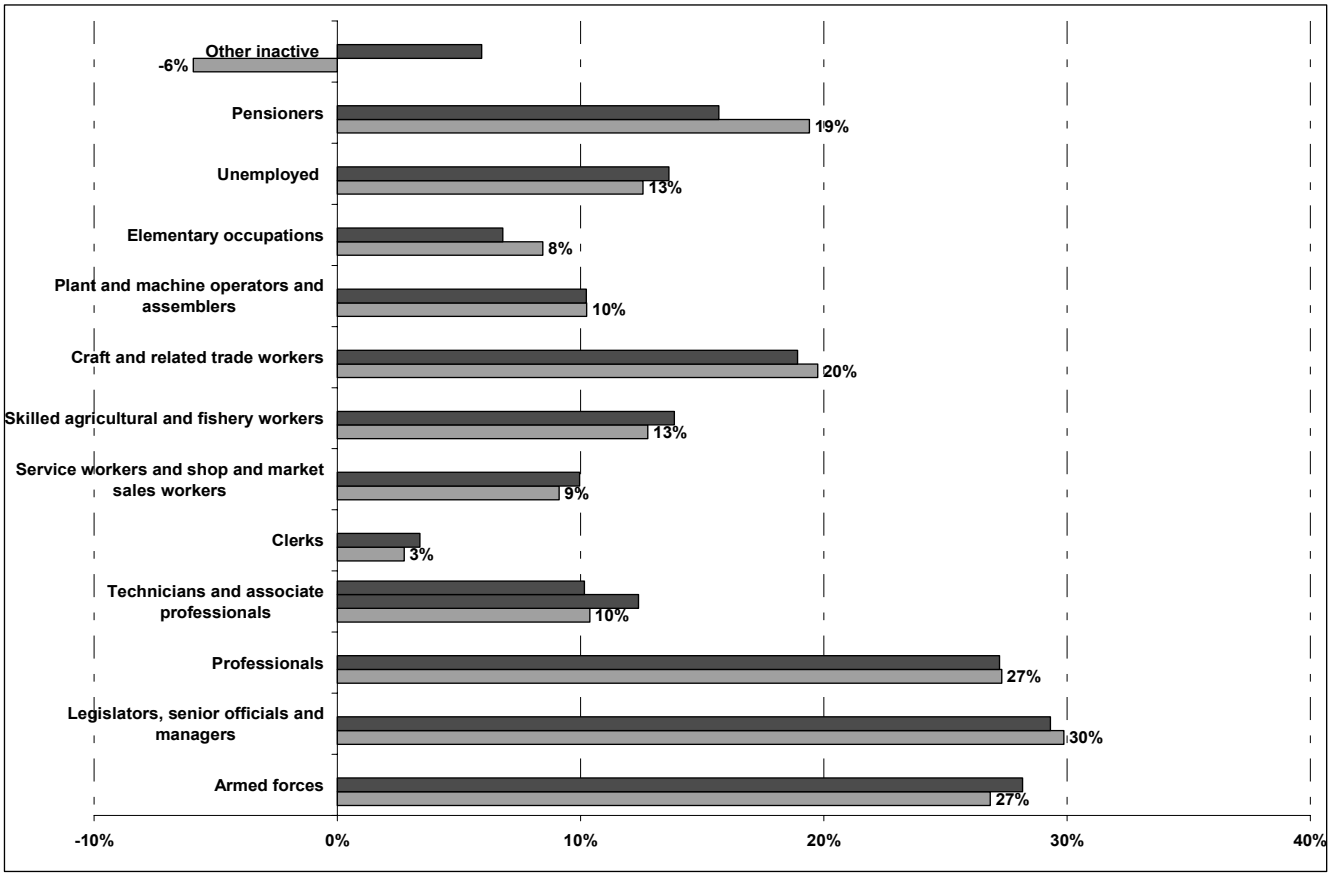


Covers the population living in ordinary households, mainland France. Except Fisim.
Sources: Insee, National account 2003 and surveys (SILC2004, SHB2006, ERF2003, Housing survey and Health survey).

42. Active households have similar budget structures whether the head of the household is employed or not (chart 2.5) but employed households spend 1.6 time more per CU than unemployed households (22 500 € versus 13 800 €).

43. A higher part of pensioners' budget is allocated to housing, partly because of a bigger proportion of owners in this category (imputed rents are more important).

Graph 2.6 - Savings rate according to the head of the household's employment status



Covers the population living in ordinary households, mainland France. Except Fisim.
Sources: Insee, National account 2003 and surveys (SILC2004, SHB2006, ERF2003, Housing survey and Health survey).

44. Note: two estimations of private transfers have been simulated. Both estimations are presented only if they provide significantly different savings rates (i.e. a difference of more than 2 points): it is the case only for technicians and associate professionals.

45. Legislators, senior officials, managers, professionals and armed forces have the highest savings rates, around 27 % and 30 %.

46. Craft and related trade workers'savings rates are similar to pensioners' ones. About 20 % of their disposable income is allocated to savings.

47. On the other side, clerks have a very low savings rate (3 %). Other inactive persons have a negative one (-6 %), but when private transfers are taking into account it jumps from -6 % to 6 %.

2.3. …according to the head of the household's age

48. Six groups of households are created according to the head of the household's age: under 30, between 30 and 39, between 40 and 49, between 50 and 59, between 60 and 69 and 70 or more.

Table 2.5 - Composition of disposable income according to the head of the household's age

In % of disposable income	Under 30	From 30 to 39	From 40 to 49	From 50 to 59	From 60 to 69	70 or more	All households
Wages and salaries, income from self-employment	136%	130%	122%	112%	34%	7%	93%
...including employers' social contributions	33%	32%	29%	26%	7%	1%	22%
...including employees and self employed' social contributions	13%	13%	12%	12%	5%	3%	10%
Property incomes	7%	12%	19%	23%	28%	34%	21%
...including financial incomes	0%	1%	8%	11%	12%	16%	9%
Primary income	143%	142%	141%	135%	62%	41%	115%
Annual equivalent primary income per CU, in €	**24 600**	**33 000**	**35 000**	**40 800**	**16 600**	**9 600**	**28 600**
Taxes on income and other current taxes	-13%	-13%	-15%	-16%	-13%	-11%	-14%
Social contributions	-46%	-45%	-41%	-38%	-12%	-4%	-32%
Social benefits other than social transfers in kind	17%	15%	13%	16%	61%	75%	30%
for retired people	0%	1%	2%	6%	55%	69%	19%
for unemployed people	7%	3%	3%	4%	2%	0%	3%
others social benefits	10%	11%	9%	6%	4%	5%	8%
Curent transfers	0%	1%	2%	3%	2%	0%	2%
Disposable income - Annual equivalent amount per CU, in €	**17 300**	**23 300**	**24 800**	**30 200**	**26 700**	**23 600**	**24 900**
Disposable income after private transfers -Annual equivalent amount per CU, in €	19 000	23 800	24 800	29 800	25 500	22 600	24 800
	110%	102%	100%	99%	96%	96%	100%
Number of households (million)	**2,6**	**4,7**	**4,9**	**4,7**	**3,2**	**5,1**	**25,2**

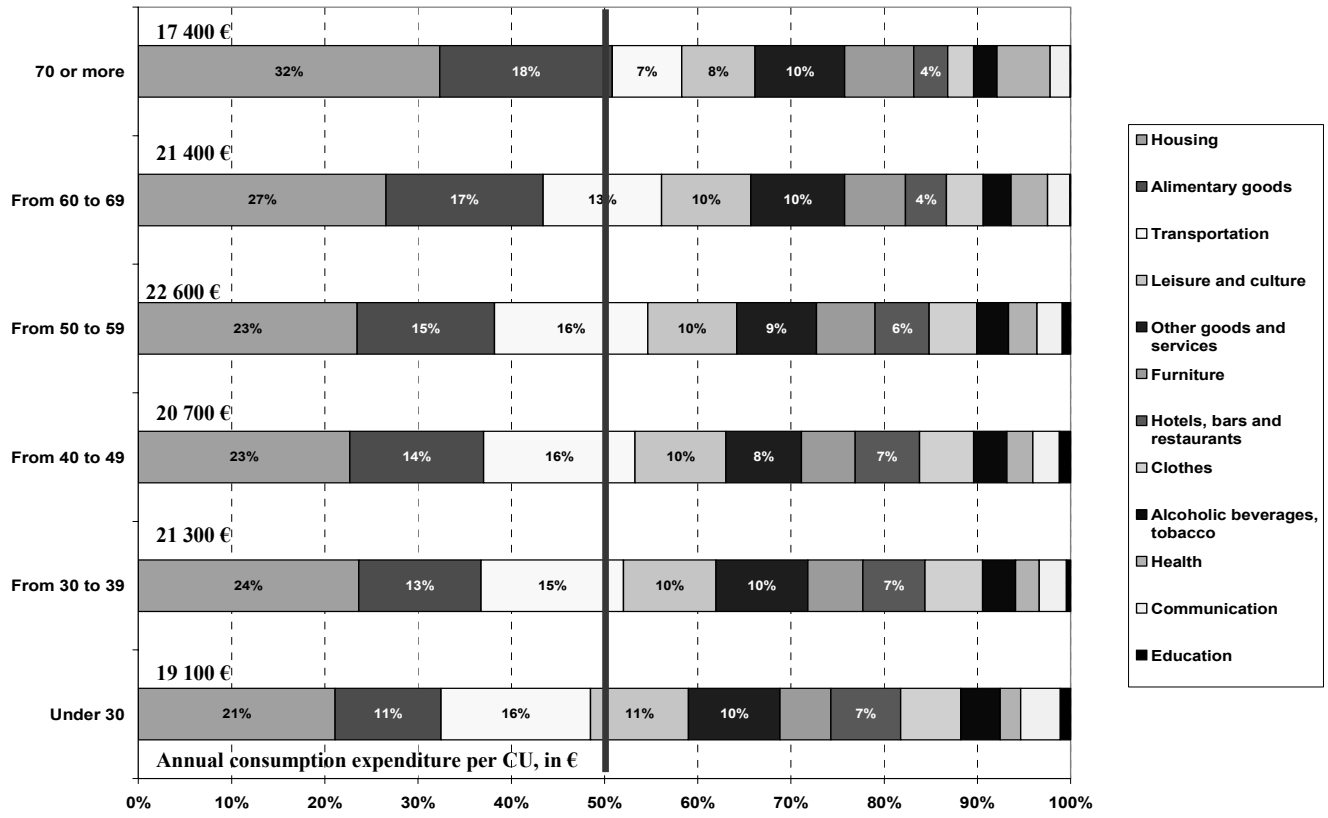
Covers the population living in ordinary households, mainland France. Except Fisim.
Sources: Insee, National account 2003 and surveys (SILC2004, SHB2006, ERF2003, Housing survey and Health survey).

49. The poorest groups according to the primary income are aged groups (60 and more). But the hierarchy is different if we analyze the disposable income: in this case the youngest receive the lowest income (17 300 €, so 31 % less than the average amount – 24 900 €). Aged people's disposable income is considerably higher than their primary income because of retirement pensions which represent more than 55 % of disposable income for people between 60 and 69 years old and 69 % for 70 and more years old (compared with 19 % for the whole population).

50. Property incomes account for about 30% of aged people's disposable income.

51. Private transfers are received by the youngest households (they represent 10% of their disposable income) and are provided by aged households.

Graph 2.7 - Composition of consumption expenditure according to the head of the household's age



Covers the population living in ordinary households, mainland France. Except Fisim.
Sources: Insee, National account 2003 and surveys (SILC2004, SHB2006, ERF2003, Housing survey and Health survey).

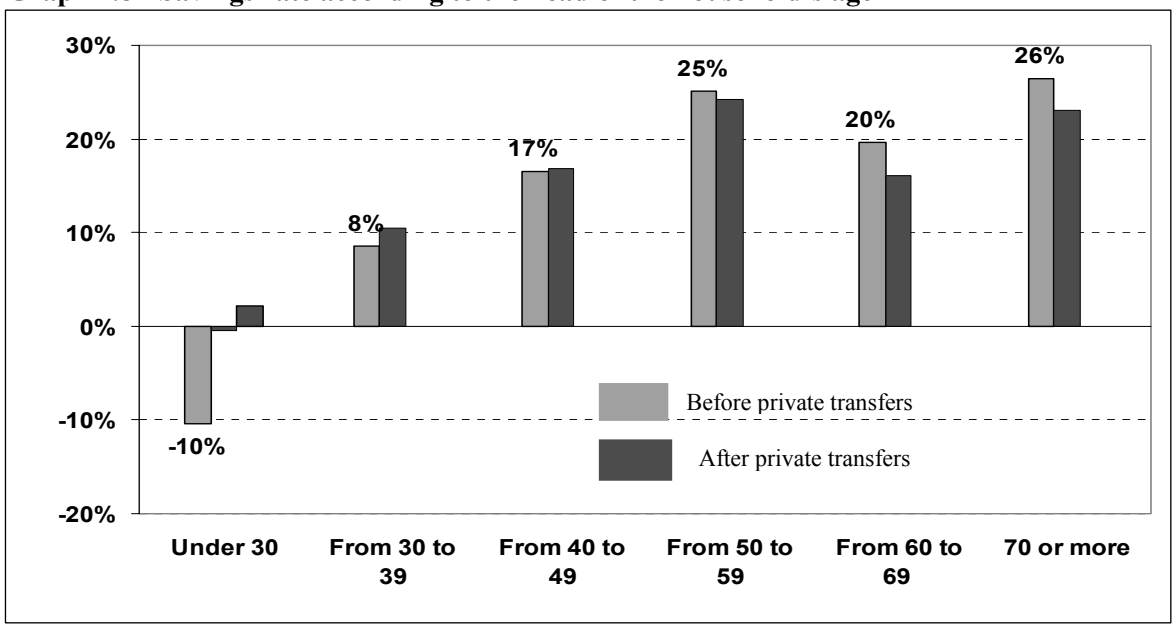
52. When the head of the household is very young (under 30) or old (70 or more) they spend less than the average consumption expenditure (19 100 € per CU for the youngest; 17 400 € for the oldest, compared with 20 600 € on the whole population).

53. The structure of the budget is different according to the head of the household age:

– The graph 2.7 shows an increasing part of housing expenditure and alimentary goods in the budget as the households grow older; part of housing expenditure is 1.5 time higher for the oldest than for the youngest group (under 30) ; the ratio is 1.6 for alimentary goods;

– On the contrary, spending for transportation and leisure are higher in young households' budget. The transportation budget part is 2.3 times higher for young people than for aged ones.

Graph 2.8 - Savings rate according to the head of the household's age



Covers the population living in ordinary households, mainland France. Except Fisim.
Sources : Insee, National account 2003 and surveys (SILC2004, SHB2006, ERF2003, Housing survey and Health survey).

54. - To sum up, older the head of the household is, higher the savings rate is (-10 % for the youngest households; 26 % for the oldest ones). Yet, the savings rate decreases slightly for households between 60 and 69, before increasing again for the oldest ones (70 or more). For the latter, this high savings rate can be explained by lower consumption expenditure. These generations have been used to spend less than younger generations. Aged people could also save more money because they want to hand over something to their children.

2.4. …according to household composition

55. Six groups of households are created according to family structure: single persons, single-parent families, couples without child, couples with one child, two children, three children or more.

Table 2.6 - Composition of disposable income according to household composition

In % of disposable income	Single person	Single-parent family	Couple without child	Couple with one child	Couple with two children	Couple with three children or more	All households
Wages and salaries, income from self-employment	65%	93%	74%	122%	124%	106%	93%
...including employers' social contributions	15%	21%	17%	30%	30%	25%	22%
...including employees and self employed' social contributions	7%	10%	9%	12%	13%	11%	10%
Property incomes	25%	15%	24%	20%	18%	18%	21%
...including financial incomes	11%	5%	11%	8%	5%	6%	9%
Primary income	90%	109%	99%	142%	142%	124%	115%
Annual equivalent primary income per CU, in €	**20 100**	**19 200**	**30 400**	**37 700**	**33 800**	**24 000**	**28 600**
Taxes on income and other current taxes	-13%	-12%	-14%	-16%	-14%	-13%	-14%
Social contributions	-23%	-31%	-26%	-42%	-43%	-36%	-32%
Social benefits other than social transfers in kind	45%	33%	39%	14%	13%	24%	30%
for retired people	36%	13%	32%	5%	1%	2%	19%
for unemployed people	3%	5%	3%	3%	3%	3%	3%
others social benefits	6%	14%	4%	6%	9%	19%	8%
Curent transfers	1%	1%	2%	2%	2%	1%	2%
Disposable income - Annual equivalent amount per CU, in €	**22 400**	**17 600**	**30 900**	**26 600**	**23 700**	**19 500**	**24 900**
Disposable income after private transfers -Annual equivalent amount per CU, in €	22 600	18 200	30 100	26 700	23 800	19 500	24 800
	101%	103%	97%	100%	100%	100%	100%
Number of households (million)	**7,6**	**2,0**	**7,4**	**3,3**	**3,3**	**1,6**	**25,2**

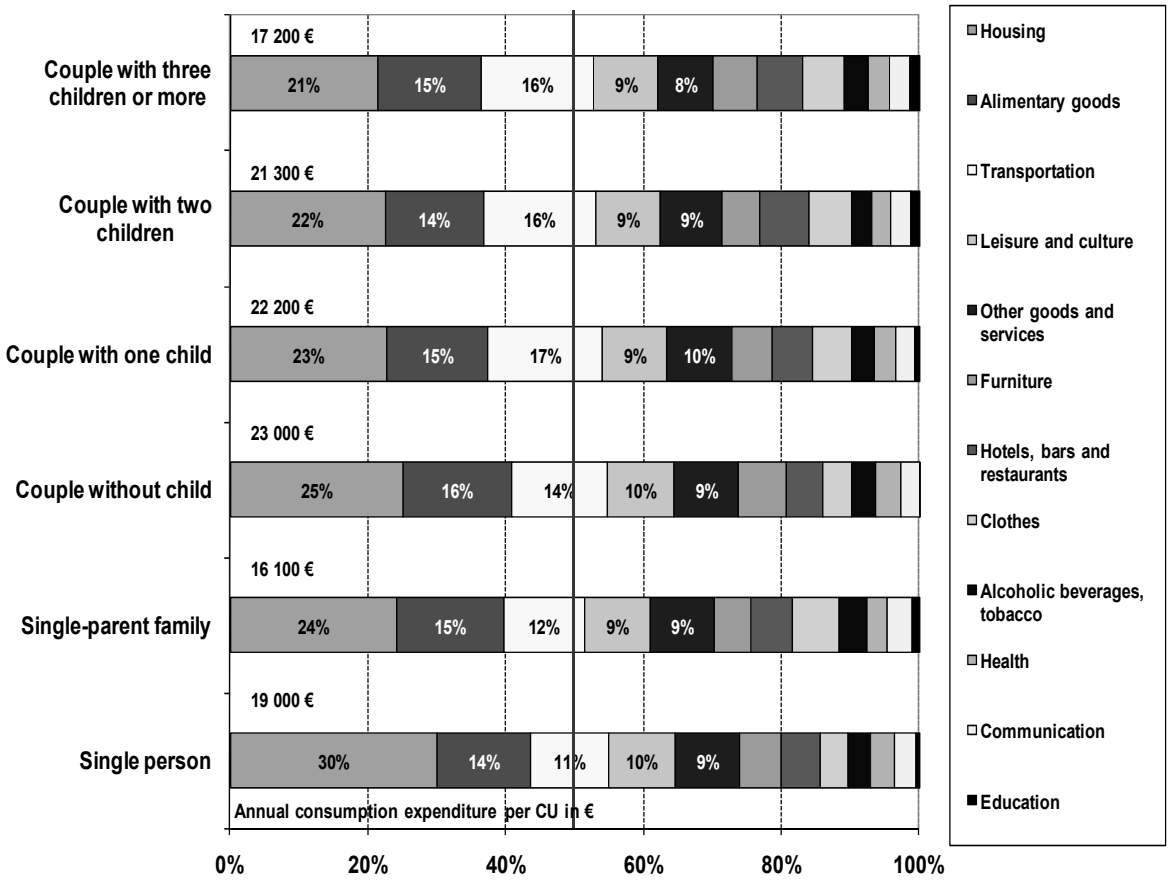
Covers the population living in ordinary households, mainland France. Except Fisim.
Sources : Insee, National account 2003 and surveys (SILC2004, SHB2006, ERF2003, Housing survey and Health survey).

56. Single-parent families and couples with 3 children or more have the lowest disposable incomes. Couples without child's disposable income, the highest one, is 1.8 time higher than single-parent families' one.

57. Social benefits account for 33 % of single-parent families' disposable income. They also benefit from private transfers (which include alimonies): their disposable income is 3 % higher after taking them into account.

58. Retirement pensions account for 36 % of single persons' disposable income and 32 % of couples without child's one. The heads of those types of households are on average older than in other households and are often pensioners. Consequently, property incomes also make up for a larger part of their disposable income than for the other households (around 25 % vs 21 % for the whole population).

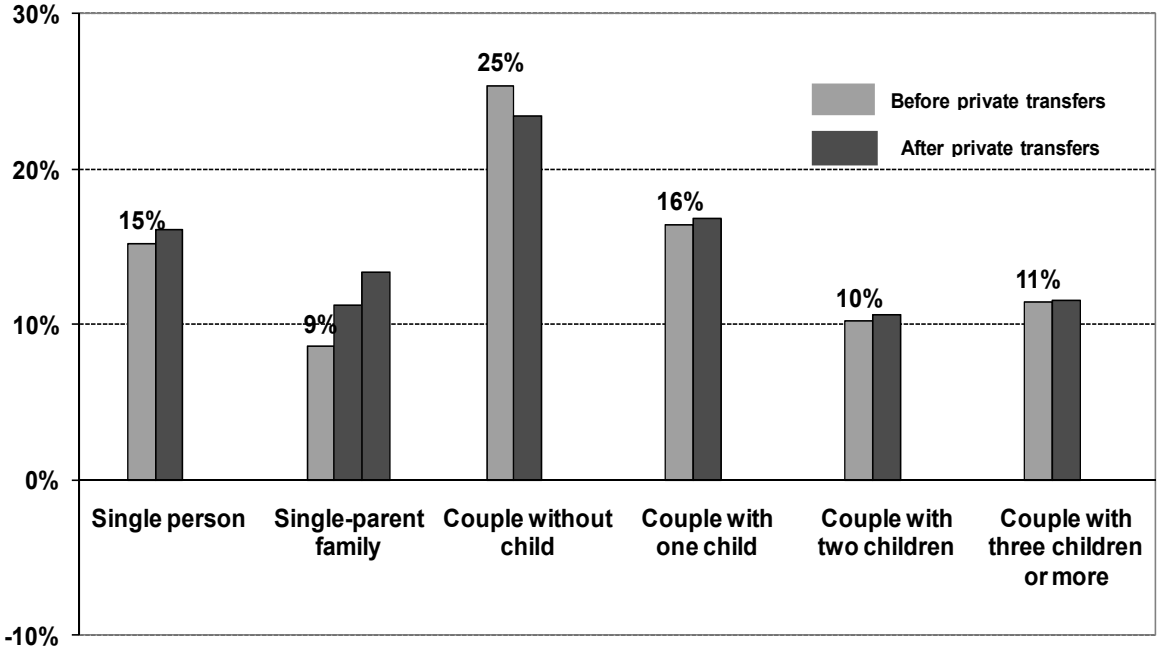
Graph 2.9 - Composition of consumption expenditure according to household composition



Covers the population living in ordinary households, mainland France. Except Fisim.
Sources : Insee, National account 2003 and surveys (SILC2004, SHB2006, ERF2003, Housing survey and Health survey).

59. Single-parent families' consumption expenditure is 22 % less important than the average annual consumption expenditure. Housing expenditure is higher for single persons (30 % of their budget) and couples without child (25 % of their budget), which are older than other categories.

Graph 2.10 - Savings rate according to household composition



Covers the population living in ordinary households, mainland France. Except Fisim.
Sources : Insee, National account 2003 and surveys (SILC2004, SHB2006, ERF2003, Housing survey and Health survey).

60. Couples without child have by far the highest savings rate (25 % vs 16 % or less for the other types of family structure). On the opposite, single-parent families and couples with two or more children have the lowest savings rates, between 9 % and 11 %. Single-parent families' savings rate is 3 to 5 points higher (according to the estimation) after taking into account private transfers.

3 Adjusted disposable income and actual consumption

3.1. Social transfers in kind

61. Social transfers in kind consist of goods and services provided to individual households by government units and NPISHs freely or at prices which are not economically significant. Added to consumption expenditure, they form actual consumption of households which represents the whole amount of goods and services consumed by households, whoever is involved in financing it.

62. Reimbursements of health care form 43 % of the transfers in kind and education 33 %. They include also expenses for social care (6%), such as services for child day care, disabled or elderly people, housing (4%), cultural and recreational services (7%). In 2003, it is almost 230 B€, and 9 100 € in average by household or 5 800 € per consumption unit (CU) (Table 3.1).

Table 3.1: Social transfers in kind

Year 2003	Total Billions of €	%	Per household in €	Per CU in €
Health care goods & services	97,8	43%	3 900	2 500
Education	75,1	33%	3 000	1 900
Social care	12,8	6%	500	300
Recreational & culture services	16,5	7%	600	400
Housing	10,2	4%	400	300
Other transfers in kind	17,1	7%	700	400
Total	**229,5**	**100%**	**9 100**	**5 800**

Covers the population living in ordinary households, mainland France. Except Fisim.
Sources : Insee, National account 2003 and surveys (SILC2004, SHB2006, ERF2003, Housing survey and Health survey).

63. The adjusted disposable income is derived from the disposable income by adding the value of social transfers in kind. Similarly, the actual consumption of households is derived from their consumption expenditure by adding the same value.

3.2. Social transfers in kind reduce inequalities

64. Disposable income per CU ratio is 5.0 times higher for the wealthiest households than for the poorest. After social transfers in kind, the adjusted disposable income ratio between those two categories falls at 3.2. Social transfers in kind account for 43 % to the actual consumption of the poorest but for 13 % of the wealthiest (table 3.2).

Table 3.2 : Adjusted disposable income and actual consumption by income level

per CU, in euro

	Q1	Q2	Q3	Q4	Q5	Q5/Q1	All households
Primary income	7 500	17 200	24 400	32 800	60 600	8,1	28 600
Contributions and taxes	-2 800	-6 600	-9 800	-13 500	-24 800		-11 500
Benefits and other transfers	5 400	5 800	6 400	7 500	14 200		7 800
Disposable income	10 100	16 400	21 000	26 800	50 000	5,0	24 900
Social transfers in kind	**7 400**	**5 900**	**5 400**	**5 000**	**5 100**	**0,7**	**5 800**
Adjusted disposable income (after social transfers in kind)	**17 500**	**22 300**	**26 400**	**31 800**	**55 100**	**3,2**	**30 700**
Consumption expenditure	9 900	15 400	19 800	24 400	33 100	3,3	20 600
Actual consumption	**17 300**	**21 400**	**25 100**	**29 400**	**38 200**	**2,2**	**26 400**
Social transfers in kind in % of disposable income	*73*	*36*	*26*	*19*	*10*		*23*
Social transfers in kind in % of actual consumption	*43*	*28*	*22*	*17*	*13*		*22*

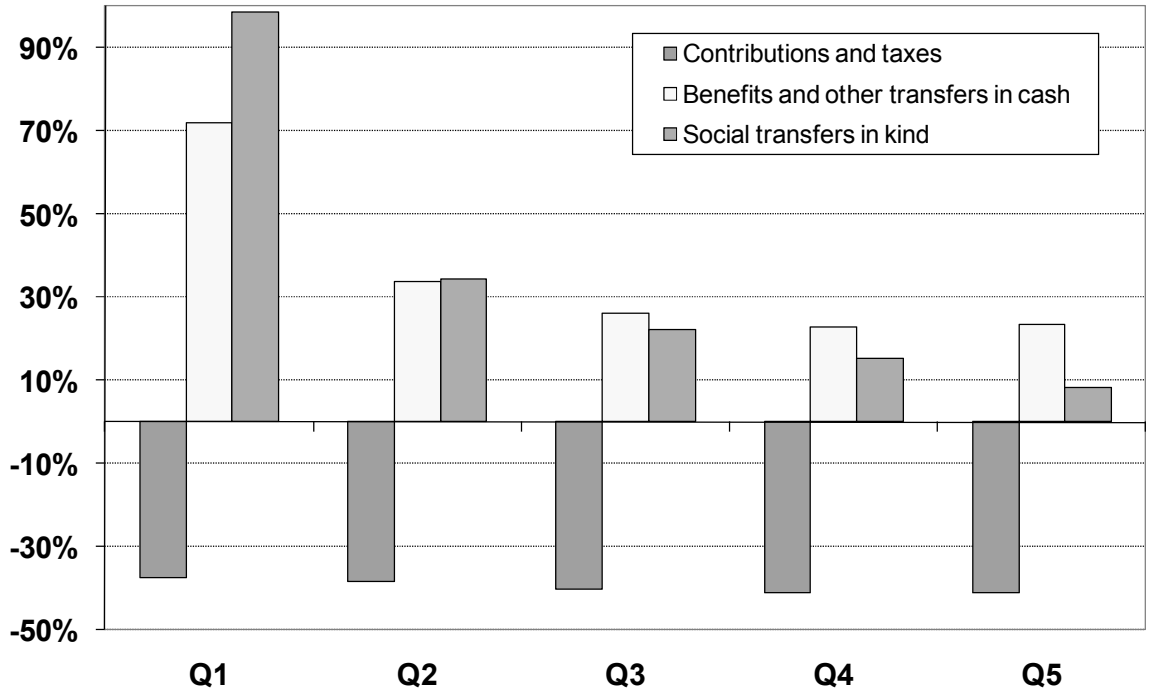
Covers the population living in ordinary households, mainland France. Except Fisim.
Sources : Insee, National account 2003 and surveys (SILC2004, SHB2006, ERF2003, Housing survey and Health survey).

65. With 7 400 € per CU in 2003, social transfers in kind of the poorest part of the population represent 73% of their disposable income and almost reach the level of their primary incomes. Declining with income increases, transfers represent only 10% of disposable income of the wealthiest and 8% of their primary incomes.

66. Taking part in what is usually called redistribution, the direct taxes and social contributions contribute to finance benefits or other transfers in cash, as well as the social transfers in kind, mainly made up of health and education services.

67. The poorest households (Q1) are the only ones to benefit from positive transfer in cash. Proportionately to their primary income, they are less exposed to direct taxes and social contributions: 37% of their primary incomes when it represents 41% for the wealthiest households. Considering their low income, they receive more social benefit in cash (basic support income, family allowances, unemployment benefit). The social benefits in cash also including pensions, represent 71% of their primary income when they represent only 23% for the wealthiest mainly composed of pensions. As part of social transfer in kind, in addition to health and education services available to everyone, the poorest households also receive allowances or benefits subject to income requirements, like housing allowances or universal health care coverage which also takes care of the financial part usually assumed by the households (Graph 3.1).

Graph 3.1 : Share of transfers, taxes and contributions according to income level, in % of primary income



Covers the population living in ordinary households, mainland France. Except Fisim.
Sources : Insee, National account 2003 and surveys (SILC2004, SHB2006, ERF2003, Housing survey and Health survey).

68. The health care expenses represent the highest part of the expenses included in the social transfers in kind.

69. But, education expenses which represent one third of those transfers, participate more in the inequalities reduction. Indeed, 20% of the poorest households benefit from 28% of education expenses when they benefit from 21% of health expenses. They are also receiving 70% of housing allowances; altogether, they are receiving a fourth of the social transfer in kind. (Table 3.3).

Table 3.3: Education expenses participate more in the inequalities reduction than health expenses

	Q1	Q2	Q3	Q4	Q5	All households	Total in billions euros
Primary income	**5%**	**12%**	**17%**	**24%**	**42%**	**100%**	**1 140,2**
Taxes	3%	7%	12%	21%	57%	100%	-137,7
Social contributions	5%	13%	19%	25%	37%	100%	-320,7
Social benefits and other transfers in cash	13%	15%	17%	19%	36%	100%	311,6
Disposable income	**8%**	**13%**	**17%**	**22%**	**40%**	**100%**	**993,4**
Social transfers in kind	25%	21%	19%	18%	18%	100%	229,5
of which: health	*21%*	*22%*	*21%*	*18%*	*19%*	*100%*	*97,8*
education	*28%*	*20%*	*19%*	*18%*	*15%*	*100%*	*75,1*
housing allowances	*70%*	*23%*	*5%*	*1%*	*1%*	*100%*	*10,2*
Adjusted disposable income (after social transfers in kind)	**11%**	**15%**	**17%**	**21%**	**36%**	**100%**	**1 222,9**

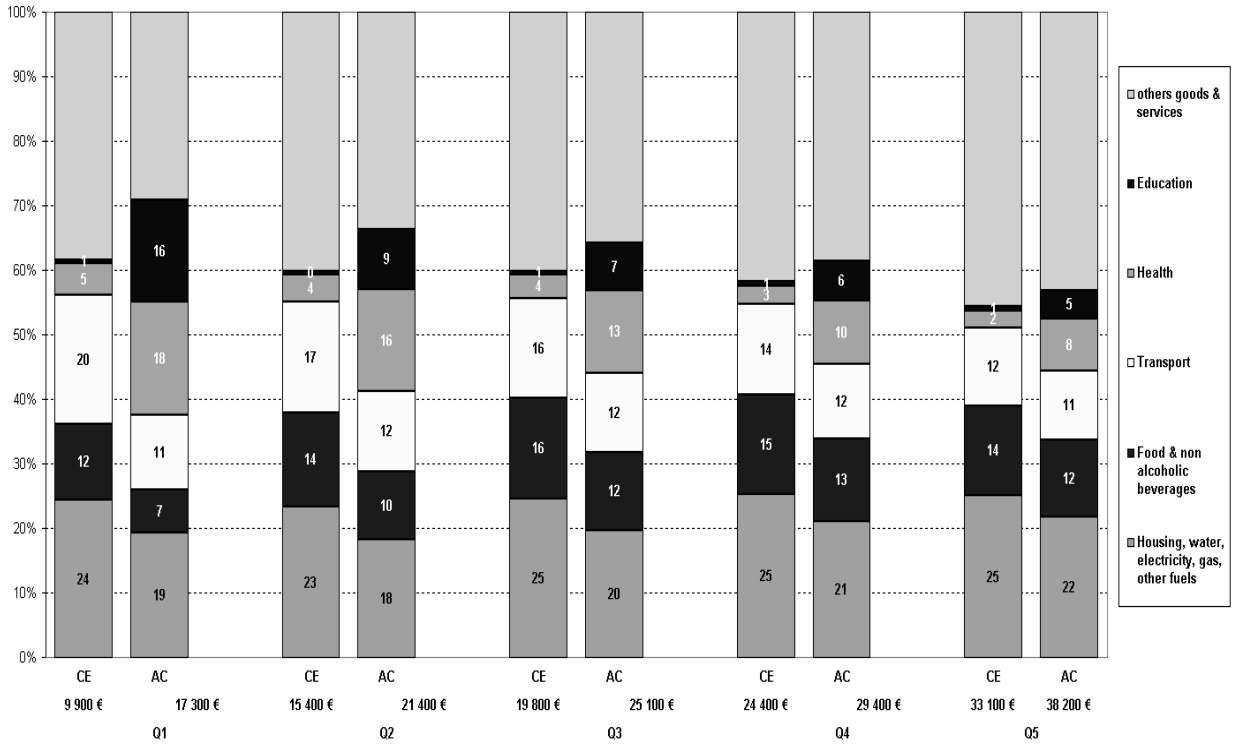
Note The 20 % poorest households (Q1) receive 5 % of the total primary income, the 20 % following (Q2) 12 %…
Covers the population living in ordinary households, mainland France. Except Fisim.
Sources : Insee, National account 2003 and surveys (SILC2004, SHB2006, ERF2003, Housing survey and Health survey).

70. Only for the poorest part of the population, the transfers related to education expenses are slightly bigger than the transfers related to health care. The demographic and social characteristics of those households explain that particularity. The first group of households gather students and/or 30 years old head of households and households with three or more children, the youngest using less medical cares.

3.3. Health care and education has a great influence on consumption.

71. Whatever their standard of living, housing, food and transport expenses account for, at least, half of households' consumption expenses. After adding the social transfers in kind, the households' consumption structure differs significantly, especially when the social transfers represent an important part of their budget.

Graph 3.2 : consumption expenditure (CE) and actual consumption (AC) by level of income



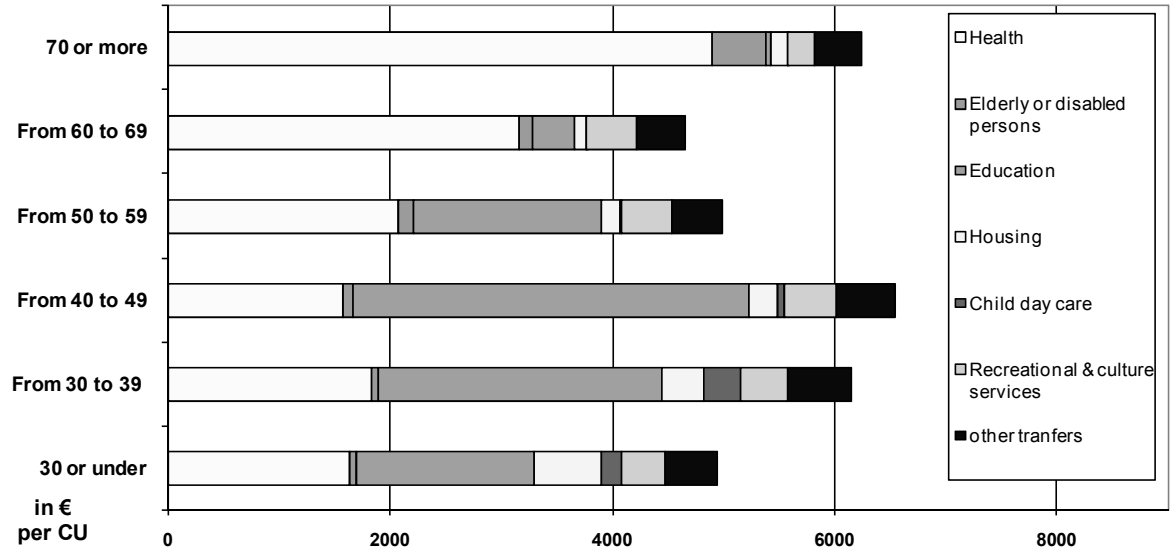
Reading note: for each group of households, the first bar of the chart shows the structure of consumption expenditure (CE) (below the average consumption per CU - 9 900 € for Q1), the second bar shows the structure of actual consumption (AC) (average per CU - 17 300€ for Q1).
Covers the population living in ordinary households, mainland France. Except Fisim.
Sources : Insee, National account 2003 and surveys (SILC2004, SHB2006, ERF2003, Housing survey and Health survey).

72. Thus, for the poorest households, after social transfers in kind have been taken into account, as they represent 43% of the actual consumption, health care (18%) comes as the second consumption item, lightly smaller than housing (19%) but still bigger than education (16%). Before transfers, those items were respectively 5%, 24% and 1%. For the wealthiest part of the population, as social transfers in kind represent only 13% of actual consumption, the consumption structure is less impacted. The health care goes from 2% to 8%; education from 1% to 5% and housing, from 25% to 22% (Graph 3.2).

3.4. Social transfers in kind: a key role for the oldest part of the population and for large families.

73. For the oldest households (70 years old and more), social transfers in kind related to health care represent 78% of the total transfers, whereas they represent only 43% for all households; that part still represents 69% when the reference person is between 60 and 69 years old. The elderly people can also receive an individualized allowance for autonomy (included in item “Elderly & disabled persons” - Graph 3.3)

Graph 3.3: Social transfers in kind according to the head of the household's age



Covers the population living in ordinary households, mainland France. Except Fisim.
Sources : Insee, National account 2003 and surveys (SILC2004, SHB2006, ERF2003, Housing survey and Health survey).

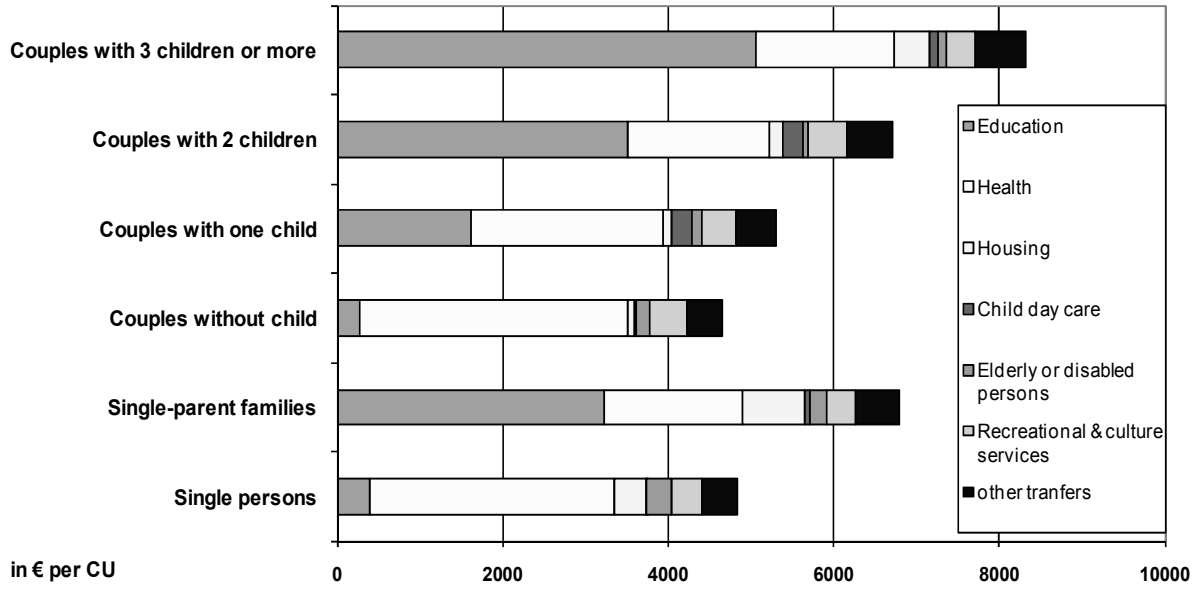
74. Health care for the elderly represent logically the main item of the actual consumption (25%) just in front of housing (24%); in the consumption expenditure, those items were representing respectively 6% and 32%.

75. Transfers related to education rise with the number of children per family. Those transfers are essential for the families with three children or more (61% of the transfers compare to only 33% for all households). They still represent 52% of the transfers in kind for families with two children and 48% for single parent families. The latter are also the main beneficiaries of housing allowances with the large families. (Graph 3.4)

76. Globally, the disposable income of the single parent families is raised by 38% with the transfers in kind, which represent 30% of their actual consumption (22 % for all the households). Families with three children or more also largely benefit from social transfers, because of education expenses for their children at school. Transfers represent one third of their actual consumption.

77. Couples without child or without any child still living at home benefit only lightly from such transfers. They mainly benefit from transfers related to health care (69%). In fact, more than half of those couples are 60 years old or more, and more than a quarter are 70 years old or more.

Graph 3.4: Social transfers in kind according to household composition



Covers the population living in ordinary households, mainland France. Except Fisim.
Sources : Insee, National account 2003 and surveys (SILC2004, SHB2006, ERF2003, Housing survey and Health survey).

APPENDIX 1 - survey's sample size and number of households by subcategories in 2003

	Sample size					Number of households (*)	
	SILC 2004	ERF 2003	SHB 2006	Housing survey 2002	Health survey 2003	Number	%
Number of households	**10 273**	**35 260**	**10 240**	**32 156**	**6 746**	25 190 968	100,0
Structure of household	**SILC 2004**	**ERF 2003**	**SHB 2006**				
Single person	3 040	10 586	2 717	9 118	2 316	7 554 771	30,0
One-head family	806	2 868	908	2 491	463	1 997 644	7,9
Couple without children	2 897	10 634	3 046	9 471	2 029	7 393 549	29,4
Couple with one child	1 284	4 475	1 345	4 242	763	3 345 361	13,3
Couple with two children	1 470	4 374	1 467	4 494	808	3 269 788	13,0
Couple with three children or more	776	2 323	757	2 340	367	1 629 856	6,5
Head of the household's age	**SILC 2004**	**ERF 2003**	**SHB 2006**				
Under 30	1 124	3 478	1 190	3 850	809	2 579 555	10,2
From 30 to 39	1 980	6 261	2 046	6 227	1 318	4 700 635	18,7
From 40 to 49	2 073	6 679	2 098	6 407	1 306	4 892 086	19,4
From 50 to 59	1 969	6 655	2 025	5 572	1 208	4 670 405	18,5
From 60 to 69	1 308	4 665	1 280	4 229	952	3 224 444	12,8
70 or more	1 819	7 522	1 601	5 871	1 153	5 123 843	20,3
Head of the household's employment status	**SILC 2004**	**ERF 2003**	**SHB 2006**				
Armed forces	111	336	88	305	57	274 357	1,1
Legislators, senior officials and managers	548	1 750	611	1 964	314	1 335 045	5,3
Professionals	960	2 703	1 016	2 634	632	2 024 646	8,0
Technicians and associate professionals	1 150	3 428	1 229	3 033	789	2 554 692	10,1
Clercks	570	1 565	591	1 666	364	1 114 361	4,4
Service workers and shop and market sales workers	515	1 411	528	1 334	304	1 018 098	4,0
Skilled agricultural and fishery workers	259	797	281	857	161	608 129	2,4
Craft and related trade workers	859	3 224	840	2 952	551	2 385 678	9,5
Plant and machine operators and assemblers	694	2 439	695	2 477	515	1 766 032	7,0
Elementary occupations	446	1 328	499	1 295	276	962 308	3,8
Unemployed	449	1 338	444	1 596	342	1 009 560	4,0
Pensioners	3 158	11 396	2 956	9 520	2 049	7 639 206	30,3
Other inactive persons	509	3 507	461	2 523	392	2 498 857	9,9
Unknown	45	38	1	0	0		

(*) The number of households is extracted from the Housing satellite account ; the distribution of households from the Labor Force survey.

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