

Conclusion and Outlook

Summary of the Report and the Principal Recommendations

This report presents the main findings of the works lead by the expert group on the measurement of inequality and redistribution, between April 2019 and February 2020.

Starting with the analyses of the various studies around the same topic of a measuring inequalities and redistribution reaching opposite conclusions, the first task was to identify whether the differences come from data sources, concepts or methods.

Convinced that only common standards would allow for robust comparisons, the group then proposed conventions for distributing national income in its entirety, this being the broadest analytical framework possible.

More precisely, the expert group recommend, the establishment of distributional accounts based on a precise and complete method, which could integrate the upcoming new generation of international accounting standards.

It is not possible to perform any statistical comparison, regardless of whether they involve studies concerning the same country or international comparisons, unless a precise set of rules is adopted by the international community within the framework of *UNStats*.

The other major contribution of the expert group is to have established a set of “best practices for the study of inequality and redistribution.. These recommendation and conventions for practitioners rely on a collegial exchange and consensus-based conclusions between experts from the academic world and from official statistics.

The recommendations are detailed in the report and grouped in an appendix. We should here insist on four particular key points:

- The importance of the method used to classify individuals and to aggregate transfers.

- The necessity to use several indicators for the robustness of the results to be demonstrated.
- The exigence of a comprehensive overview is required in order to assess unbiased evaluation of the redistribution of an income and transfer system.
- A least, measuring the redistributive impact of transfer operations requires that the balance between taxes and benefits.
- Where this is not practicable, the dependence of the results on the transfers that have not been taken into account should be discussed where possible.
- Paying particular attention to the extreme ends of the distribution provides for a better understanding of inequality and the impact of the redistribution of created wealth, whether through the market or through transfers.

This report also a ready-for-use methodological guide for the establishment of distributional accounting in the form of a table of distributed national accounts (DNA). The method adopted is as robust as it is transparent, in the sense that it describes the data used and the underlying assumptions in fine detail and provides the tools to allow the method to be reproduced for (or adapted to) France.

A distributional accounting exercise primarily relies on a central data source in which a large number of incomes and transfers are observed or simulated. To allow them to be reproduced in other countries than France, the conventions adopted for the distributed national accounts are described in detail in the appendix.

The hope of the expert group is that they will fuel the debates and contribute to advance knowledge of redistribution and its impact on inequality, without replacing the rich body of work that already exists on the subject of inequality.

Further Studies and Study Priorities

Looking beyond the recommendations set out in this report, -and without encroaching on the study programmes of the member institutions they belong to, the experts agreed upon a study and research program aimed at improving the measurement of redistribution and the effect that public transfers have on inequality. The needs for further development identified by the working group are as follows:

- Supplement the INES *open source* model by making use of FIDELI or FILOSOFI in order to improve knowledge at the extreme ends of the distribution.
- Make use of EDP-santé (Permanent Demographic Sample – Health) and consider the opportunities for matching between the ERFS or FIDELI and the SNDS.
- Expand the uses of *nowcasting* in order to be able to establish distributed accounts within the same time frame as the national accounts.
- Improve the information available with regard to education by means of local

expenditure data for children and students, linked to their parents' household.

- Reconcile household and corporate data in order to better measure the impact of taxes on production (in particular corporate income tax) and to issue fewer imputation assumptions with regard to the distribution of retained earnings.
- Deepen the knowledge of data falling outside the usual scope of inequality analysis and incorporate improvements to the prototype distributed national accounts for low income households and those living in shared accommodation.
- Make use of the DSN in order to improve the distribution of local collective public expenditure.
- Establish a distributional account of household wealth by clarifying the coherence between the concepts and data within national accounting, tax data and the Wealth survey. It could be of use for these studies to draw upon those carried out within the scope of a joint mission by INSEE and *Banque de France*, which is currently in progress, and which is addressing in particular the issue surrounding the differences in concepts and data between national accounting, tax data and data from the Wealth survey (European HFCS survey), as well as issues relating to the distribution of individual returns by type of asset.