

## **Inequalities between households in the national accounts**

### **Breakdown of household accounts**

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The household accounts published by the national statistical office present as exhaustive a picture as possible of the income, consumption and savings of all households, but without providing information on disparities between them. Household surveys collect microeconomic information which can be used to study inequalities at individual level. These two approaches have been combined to give a breakdown for 2003 of disposable income and consumption expenditure measured in the national accounts according to standard of living (defined as income level per consumption unit), age, socio-professional category of the head of the household and household composition. When completed, these studies will form the basis for measuring the evolution in purchasing power of each of these categories and hence the evolution in inequalities between households in the national accounts.

The disposable income of the wealthiest 20% of households was shown to be five times greater than that of the poorest 20%. In the case of the latter, more than half of their income consisted of social benefits and they spent one third on expenses described as “pre-committed”, expenses which are difficult to negotiate in the short term (rents and housing charges, telephone services, insurance).

Representing on average almost a quarter of the consumption budget, housing is the primary item of expenditure for all households, whatever their standard of living; the proportion of this expense increases with age. Households of working people and retired households of the same social category have fairly similar standard of living, but the oldest people consume less, as to some extent they retain the consumption habits they had in their youth.

The savings ratio, which is the fraction of disposable income which is not consumed, increases with standard of living and with age. It is particularly high for the self-employed, whose savings may also be directed towards maintaining and improving the tools of their trade. Overall, the most well-off households save over one third of their income. Conversely, the most modest households generally cannot save at all and they even have a negative savings rate, estimated at between -11% and 1% in 2003. The main beneficiaries of private transfers between households, young people, single-parent families and those on the most modest budgets, have a higher savings rate after taking these monetary transfers into account.

**Disposable income** (*definitions*) measured in the national accounts includes income from economic activities, benefits and income from assets, from which are deducted taxes and contributions. Disposable income thus represents what is available to households for consumption and savings. A household's disposable income, divided by the number of

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**consumption units (CU)**, gives the figure for their **standard of living**. From the evolution in disposable income, adjusted for the increase in the price of consumed products, it is also possible to obtain the purchasing power trend. In 2008, for example, households in France had an average annual disposable income per consumption unit of €29,230; of this, 84.7 % went on consumption; the rest was saved. On average, compared with 2007, purchasing power per consumption unit remained stable.

Thus the national accounts can be used to describe relationships between the major macroeconomic aggregates (income, consumption, savings) and to analyse their trends. Moreover, the national accounts have been harmonised internationally and comparisons can be made between countries. Although the accounts aim to be exhaustive, this macroeconomic approach cannot provide information on the disparities that exist within households overall. A strong demand has been expressed<sup>1</sup> for the purchasing power trend to be measured by category of household, according to standard of living in particular.

Household surveys, on the other hand, provide data on income and consumption at microeconomic level and thus it is possible to study disparities between different categories of household. However, the field of study, the concepts and the definitions used in these surveys for disposable income and consumption expenditure differ from those used in the macroeconomic context. As a result, there are discrepancies between the national accounts figures and the information collected in surveys.

These two approaches were therefore combined (box 1) so as to obtain household accounts by category. Four criteria were defined: standard of living, age of the household head, their socio-professional category, and household composition. The elements that make up the disposable income and consumption expenditure in the different categories were broken down based on the national accounts for 2003, with the field being **ordinary households** in mainland France. In 2003, these households had a total disposable income of €93 billion, consumption expenditure was €821 billion and their savings ratio was 17.3%.

In the end, the resulting breakdown made it possible to differentiate the structure of disposable income and consumer budget according to type of household (age, socio-professional category, household composition or standard of living). These results gave a new view of the disparities between households, which were consistent with the national accounts figures: global totals for income, consumption and savings. Detailed figures are available on the website [insee.fr](http://insee.fr).

### **Income from activity is the main component of disposable income**

Disposable income includes several types of income (income from economic activity, benefits, income from assets - box 1), from which are deducted taxes and contributions. Income from activity, before deductions, can represent more than 100% of disposable income. Taxes are deducted, preceded by a negative sign.

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<sup>1</sup> Cf. in particular the report submitted to the Minister for the Economy, Finance and Employment in February 2008 by the Quinet commission on measuring household purchasing power, and before this the report on the same subject by the Economic Analysis Council (CAE) (Moati, Rochefort, 2008).

Income from activity, which includes gross wages, salaries and self-employed' profits, made up 93% of disposable income for ordinary households in France in 2003 (*figure 1a*). In the national accounts, income from activity traditionally includes all social contributions, employers' contributions (22% of disposable income) as well salaried and self-employed workers' contributions (10% of disposable income), which means that the total cost of labour can be given. These contributions are then deducted from the primary income, as levies.

*Box 1*

**Breakdown of ordinary household accounts using survey data**

The breakdown of "household accounts" on the basis of data from the national accounts for the year 2003 and from five surveys carried out by Insee on income and consumption: Statistics on household income and living conditions (SILC - 2004), Tax income (Enquête sur les Revenus Fiscaux, ERF - 2003), Household Budget (Budget des Familles, BdF - 2006), Housing (Enquête Logement 2002) and Health (Enquête Santé 2003). From this individual data it was possible to distribute the global macroeconomic totals for income or consumption between the different categories of households.

The surveys covered only ordinary households, in other words people living in independent housing, and not those living in collective accommodation (residential homes, boarding schools, workers' hostels, retirement homes, prisons, etc.). Also, most of them only covered mainland France, whereas the national accounts cover all the resident population, including France's overseas Départements (Dom). In this study, the global totals relating to ordinary households resident in mainland France were separated out and for these households only, disposable income and consumption expenditure were broken down by category. **Financial intermediation services indirectly measured (FISIM, which corresponds to the margin applied for services provided by banks) were not taken into account.**

**Gross disposable income, consumption expenditure and household (\*) savings in 2003**

<i>Annual amounts in 2003</i>	<b>Household accounts</b>	<b>Household accounts (excl. FISIM)</b>	<b>...includes ordinary households France (excl. FISIM)</b>	<b>...includes Overseas Departments (excl. SIFIM)</b>
<b>Average disposable income per consumption unit - in euros</b>	<b>24,660</b>	<b>24,420</b>	<b>24,91</b>	<b>18,360</b>
Total in billion d'euros	1,042.7	1,032.7	993.4	19.8
<b>Average consumption expenditure per consumption unit - in euros</b>	<b>20,770</b>	<b>20,540</b>	<b>20,590</b>	<b>15,110</b>
Total in billion euros	878.3	868.3	821.2	16.3
<b>Average savings per consumption unit - in euros</b>	<b>3,890</b>	<b>3,890</b>	<b>4,320</b>	<b>3,250</b>
Total in billion d'euros	164.5	164.5	172.2	3.5
<b>Saving ratio</b>	<b>15.8%</b>	<b>15.9%</b>	<b>17.3%</b>	<b>17.7%</b>
<b>Number of households (**)</b>	<b>27,127,561</b>	<b>27,127,561</b>	<b>25,190,968</b>	<b>609,913</b>
<b>Average number of consumption units (***)</b>	<b>1.56</b>	<b>1.56</b>	<b>1.58</b>	<b>1.77</b>

(\*) Households including self-employed.

(\*\*) The number of households is based on a satellite account of housing. Each person living in collective accommodation counts as one household (hypothesis only, calculation by authors).

(\*\*\*) The average number of consumption units is taken from the Housing survey (backed to 2006 for Dom). Each person living in collective accommodation counts as one consumption unit (hypothesis only, calculation by authors).

Source: National accounts - Base 2000, Insee.

These various limitations to the scope of the national accounts do not alter the general structure of disposable income and alter consumption spending only slightly (Insee, 2008). The average savings ratio for ordinary households in mainland France (17.3 %) is nevertheless 1.5 point higher than that published for the population as a whole. Thus excluding people living in collective accommodation reduces global consumption expenditure more than income. Composed for the most part of elderly people, the population living in collective accommodation in fact has a high level of dissaving. It is probable that they use the assets that they accumulated earlier to finance this expenditure surplus. Moreover, other people living in collective accommodation (students, young workers) probably benefit from financial help from their families.

#### **Four classification variables**

The accounts are studied according to four criteria: socio-professional category of the household head, their age, household composition and also household classification according to standard of living divided into five quintiles (each one representing 20% of all households).

The first three variables in the typology were available in all the surveys. However, standards of living, defined as the ratio of household disposable income to number of consumption units, had to be created. There was no variable in the surveys that corresponded exactly to disposable income as defined in the national accounts.

Disposable income as defined in the surveys included only benefits received from the State or social security, and associated contributions, whereas the national accounts also covered benefits and contributions from private social insurance schemes, like mutual funds, and schemes that come directly from employers. The surveys, on the other hand, included housing allowances in disposable income, whereas these appeared only in **adjusted disposable income** in the national accounts.

Regarding housing, whereas the national accounts covered all owned housing, the surveys covered mainly elements relating to people's main residence (accommodation tax, property tax, loans). Moreover, in the surveys, rents imputed to owners for their main residence were not systematically taken into account when measuring disposable income.

Some components of disposable income were not well covered in the surveys, which covered only samples of the population. This was the case notably for income from assets, which are particularly concentrated within the population and hence difficult to observe. Without making an adjustment to the macroeconomic data, the amount of assets was underestimated in the surveys. Lastly, income from undeclared work or fraud was of course absent from data collected through the surveys. The national accounts carry out adjustments to take this type of income into account.

The national accounts also calculate certain implicit incomes which cannot be directly assessed by the households: this is the case for FISIM or imputed social contributions, or imputed contributions declared in compensation for benefits paid directly by employer schemes.

Disposable income "as defined in the national accounts" was therefore calculated by taking as reference the data from the SILC survey. In this way it was possible to get closer to the national accounts concept of disposable income, because as well as the components normally taken into account in surveys when measuring disposable income, this survey covered resources like benefits in kind or home-consumption. Income that was not well covered (financial income) underwent econometric estimates and was corrected according to the macroeconomic data. The missing components (interest on consumer credit, income from fraud, undeclared work) were distributed on the basis of hypotheses. For income from fraud and undeclared work, distribution adjustments were made among households: the categories concerned by these adjustments were self-employed, the most well-off senior managers, salaried workers in the first half of the income distribution and non-active persons, excluding retired people.

An explicative equation of this disposable income was then estimated econometrically for the SILC, so that it could be applied to the other surveys. The explicative variables (income declared by households in the survey, social category, housing occupation status and household composition) were present in all the surveys. The imputed income from this information was then related to the number of consumption units for each household and lastly they were classified according to standard of living, defined according to the national accounts definition.

### **Breakdown for each component of income and consumption**

Each component of disposable income and consumption expenditure (salaries, benefits, rent, etc.) was broken down by category of household in the following stages:

- the survey which would provide the closest definition to that used by the national accounts for the component under consideration was identified (e.g. for health expenditure, the Health survey rather than the Household Budget survey);

- average amounts were calculated for each category of household (e.g. average salary for each standard of living quintile);

next the associated global financial totals were calculated, by multiplying the average amounts by the numbers of people in each category. The total number of household members per household category in 2003 were taken from the Employment survey, adjusted for the number of households from the housing satellite account for 2003;

- lastly, the overall totals obtained were readjusted to the totals in the national accounts, limited to cover ordinary households in mainland France.

Thus each component of disposable income and consumption expenditure was broken down from the national accounts totals by category of household. From this, total disposable income could be deduced by adding together, for a given category, all the components that made up the income. The same was done for consumption expenditure; savings and saving rates could then be deduced from this.

In order to compare the level of disposable income and consumption expenditure by category, the global totals were divided by the number of households in the category, then by the average number of consumption units in this category.

### **Two estimates for savings rates according to standard of living**

In the household surveys, there was under-declaring of income compared with the macroeconomic totals or administrative sources, which sometimes required adjustments to be made.

Thanks to the wealth of data collected in the Household Budget survey, on income, consumption and on the degree of financial well-being of each household, it is possible to adjust incomes based on a coherence filter between income and consumption. This is what was done in this study. Thus, when households declared an income which was very much lower than their everyday consumption expenditure (defined as consumption excluding major or exceptional purchases), yet without indicating that they felt they were in any financial difficulty, their income was aligned with the level of their consumption expenditure. This adjustment is based on a study already carried out in 1999 on data from the Household Budget survey (Loisy, 1999). These adjusted incomes are then used for the equation for imputing disposable income “as defined in the national accounts” and hence for classification according to standard of living.

The results presented here take this adjustment into account. Like other adjustments that were made, especially on components that are absent from the surveys, its effect on the results obtained is not neutral. In particular, it can affect the evaluation of the level of consumption expenditure by households in the first quintile. Generally, results according to standard of living (compared with results according to age, socio-professional category or household composition) are the least robust in withstanding the different hypotheses and adjustments carried out. To highlight this point, two estimates are given for savings rates expressed according to standard of living, incorporating the income adjustments made in the Household Budget survey (figure 12): the first estimate is based on an *a minima* adjustment of incomes declared in the survey; the second uses the finer adjustment based on income-consumption coherence.

### **Integration of transfers between household residents**

By definition, when a count is made of households as a whole it covers all residents. Financial transfers (maintenance, financial assistance) and exchanges of goods and services (cars, clothes, electrical goods) between residents are therefore neutral for the purposes of the account and are not the subject of specific evaluations. However, these transactions are not distributed uniformly between households. **Private transfers** are mainly made to young people (Herpin, Dechaux, 2004). It is thus necessary to evaluate them and take them into account when

households are broken down. In the context of this study, evaluations were carried out to integrate, on the one hand, private transfers made in cash and on the other hand, purchases and sales of cars between households. Thus the disposable income and the savings ratio were calculated both before and after taking private transfers into consideration.

The total amount of private transfers is not estimated in the national accounts. Global amounts were taken from the Household Budget survey, as was the breakdown of the average amounts received and paid per category. These are monetary transfers only. Transfers in kind are excluded, as are inheritances and gifts. A detailed analysis of transfers in the Household Budget survey highlights the impact of the extreme values on average transfers by category. A filter was therefore applied to remove households declaring the extreme amounts of transfers received or paid out from the database. Savings rates after private transfers are given according to the two calculations (with all amounts declared or after capping households declaring the extreme amounts) when they differ by more than 2 points (figure 13).

### **Analysis of disparities between households specific to the national accounts**

This study gives an analysis of disparities in savings, income and consumption between categories of households in the context of the national accounts. Some results are identical to those obtained from the survey data (e.g. similarity between standards of living of working people and retired people or the higher proportion of expenditure on food by the less well-off).

However, the concepts of disposable income and consumption expenditure differed to some extent (particularly the presence of imputed rents). Moreover, these concepts were not broken down in the same way. In the individual surveys, old-age and unemployment benefits were in fact considered as income substitution benefits rather than social benefits. The general social contribution (CSG) and the social debt repayment contribution (CRDS) are usually added to employees' social contributions and deducted from income from activity, whereas in the national accounts they form part of current taxes. Thus the weight of the different components and the differences between categories are not necessarily the same. For example, the weight of benefits in the income of older people is higher in this analysis than in analyses based on individual data. Also, the weight of housing in total expenditure according to standard of living is stable whereas in the surveys it decreases.

Social benefits represent 30% of disposable income. They include old-age benefits, unemployment benefits, sickness or maternity benefits, family benefits and basic income support.

Income from assets includes financial income (interest received and paid, dividends, life-insurance) and income from property. It represents 21% of disposable income. Income from property includes income from property received by lessors, and also income imputed to owner-occupiers (**imputed rents** - glossary).

Lastly, current taxes (income tax, wealth tax, accommodation tax, etc.) represent 14% of the disposable income of ordinary households in mainland France. By convention, they also include the general social contribution (CSG) and the social debt repayment contribution (CRDS).

### **Disposable income of the most well-off households is five times higher than that of the least well-off**

The make-up of households' disposable income varies according to their position on the standard of living scale. Households are distributed by increasing standards of living into five quintiles, each one representing 20% of the whole, or five million households.

Whatever the household's standard of living, income from economic activity is always the main component of the disposable income. However, this represents only 67% of disposable income for the least well-off households, compared with 93% on average (*figure 1a*). For the most well-off households too this income is slightly lower than for the other categories (89%).

For the poorest households, social benefits make up 52% of disposable income, compared with 25% to 35% for households in the other quintiles. It is mainly family benefits and the basic income support received by the poorest households that account for these differences.

### 1a. Breakdown of annual disposable income by standard of living quintile in 2003

	Q1	Q2	Q3	Q4	Q5	Total
<b>Average disposable income per CU - in euros</b>	<b>10,080</b>	<b>16,410</b>	<b>21,040</b>	<b>26,750</b>	<b>50,030</b>	<b>24,910</b>
<b>Total in billion euros</b>	<b>78.7</b>	<b>130.3</b>	<b>169.2</b>	<b>218.0</b>	<b>397.3</b>	<b>993.4</b>
Base 100	100	100	100	100	100	100
Income from economic activity	67	94	102	104	89	93
<i>includes;</i>						
<i>employers' contributions</i>	14	23	26	26	20	22
<i>salaried and non-salaried contributions</i>	8	10	11	11	10	10
Income from assets	8	11	14	18	32	21
<i>includes:</i>						
<i>financial income</i>	1	2	2	4	17	9
Primary income	75	105	116	123	121	115
<b>Average primary income per CU - in euros</b>	<b>7,510</b>	<b>17,210</b>	<b>24,380</b>	<b>32,830</b>	<b>60,620</b>	<b>28,590</b>
<b>Total in billion euros</b>	<b>58.7</b>	<b>136.6</b>	<b>196.0</b>	<b>267.5</b>	<b>481.4</b>	<b>1,140.2</b>
Taxes	-5	-7	-10	-13	-20	-14
Contributions	-22	-33	-36	-37	-30	-32
Benefits	52	35	30	27	25	30
<i>includes:</i>						
<i>old-age</i>	21	19	19	18	20	19
<i>unemployment</i>	6	4	3	3	2	3
<i>others (family, basic income support,...)</i>	25	12	8	6	3	8
Other transfers	1	0	0	1	4	2

Analysis: income amounts (positive figures) and taxes or contributions (negative figures) are expressed as a proportion of disposable income. For 100 of disposable income, primary income (income from activity + income from assets) for the first standard of living quintile corresponds to an index of 75: for these households primary income represents on average an amount equivalent to three-quarters of disposable income.

Note: average incomes per consumption unit are obtained by dividing average incomes by the average number of consumption units per household in the category. All results, especially the detailed breakdown of disposable income, can be found on the website insee.fr.

Scope: ordinary households resident in mainland France, excl. FISIM. Source: Insee, national accounts 2003, SILC 2004, Tax Income 2003, Household Budget 2006 surveys and calculations by the authors.

For the better-off households, income from assets represents a particularly large proportion (32%) of disposable income. The proportion of income from assets increases with standard of living: 8% for the first quintile, 18% for the fourth. Until now, income from assets has consisted mainly of imputed rents, although financial income has increased slightly with standard of living. For the richest households on the other hand, income from assets is divided almost equally between property income and financial income. In fact, the concentration of this last type of income is particularly high at the top end of the distribution table: although the disposable income of the richest 20% of households represents 40% of disposable income for all households, 81% of financial income goes to this last quintile. Thus financial income accounts for the large proportion of income from assets to be found in the last standard of living bracket, compared with the median brackets.

The weight of taxation in disposable income increases with standard of living (from 5% to 20%), clearly showing the progressive nature of the income tax scale.

These results (smaller proportion of income from economic activity at the two extremes of the standard of living scale, income from assets increasing with standard of living) confirm those obtained from individual data in income surveys (Insee, 2009).

Annual disposable income per consumption unit for the richest households was five times<sup>2</sup> higher than for the poorest households: €50,030 compared with €10,080. **Private monetary transfers** between households, which mainly benefit the poorest households, reduced the gap slightly, to 4.8 (*figure 1b*). Private transfers therefore had very little effect on inequalities in standard of living.

The disposable income of households in the third quintile, which was probably about the median value, was €21,040. Average disposable income (€24,910) was 18% higher, indicating a non-uniform distribution of disposable incomes between households. In fact, some of the richest households have a very high level of disposable income, which raises the average value.

### 1b. Disposable income after private transfers by relative income level quintile in 2003

	Q1	Q2	Q3	Q4	Q5	Total
Average disposable income per CU - in euros	10,080	16,410	21,040	26,750	50,030	24,910
Total in billion euros	78.7	130.3	169.2	218.	397.3	993.4
Base 100	100	100	100	100	100	100
Average disposable income per CU after private transfers - in euros	10,340	16,540	211,200	26,650	49,200	24,820
Total in billion euros	80.7	131,3	169,8	217,1	390,7	989,6
Index	103	101	100	100	98	100

Note: private transfers reduce disposable income in the richest bracket, for the benefit mainly of the most disadvantaged bracket. A proportion of private transfers go to people living in collective housing. As a result, disposable income after transfers across all ordinary households (€989.6 billion) is lower than disposable income before private transfers (€993.4 billion).

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

Source: Insee, national accounts 2003, SILC 2004, Tax income 2003, Household Budget 2006 surveys and calculations by the authors.

### Young people and single-parent families have the lowest disposable income

In households whose head is under 30 years old, the average disposable income per consumption unit is lowest (€17,270 compared with €24,910 on average). Nevertheless, these households are the main beneficiaries of private transfers, which occur mainly from households aged over 50

<sup>2</sup> The difference in average disposable income per consumption unit between the fifth and first standard of living quintiles is 4.3 using the individual data (source: tax and social income survey 2006).

towards those aged under 40. These transfers increase their average disposable income by 10%.

Whether in terms of primary income or disposable income, in households whose head is between 50 and 59 years old, the average income per consumption unit is highest (*figure 2*). In households aged 60 or over primary income is particularly low; however, their average disposable income is similar to that of the youngest households when retirement pensions are taken into account.

## 2. Breakdown of annual disposable income by age of the head of the household in 2003

	Under 30	30-39	40-49	50-59	60-69	Over 70	Total
<b>Average disposable income per CU - in euros</b>	<b>17,270</b>	<b>23,280</b>	<b>24,760</b>	<b>30,170</b>	<b>26,660</b>	<b>23,600</b>	<b>24,910</b>
Base 100	100	100	100	100	100	100	100
Income from economic activity	136	130	122	112	34	7	93
includes:							
employers' contributions	33	32	29	26	7	1	22
salaried and non-salaried contributions	13	13	12	12	5	3	10
Income from assets	7	12	19	23	28	34	21
includes:							
financial income	0	1	8	11	12	16	9
Primary income	143	142	141	135	62	41	115
<b>Average primary income per CU - in euros</b>	<b>24,630</b>	<b>32,970</b>	<b>34,960</b>	<b>40,780</b>	<b>16,590</b>	<b>9,560</b>	<b>28,590</b>
Taxes	-13	-13	-15	-16	-13	-11	-14
Contributions	-46	-45	-41	-38	-12	-4	-32
Benefits	17	15	13	16	61	75	30
includes:							
old-age	0	1	2	6	55	69	19
unemployment	7	3	3	4	2	0	3
others (family, basic income support,...)	10	11	9	6	4	5	8
Other transfers	0	1	2	3	2	0	2
<b>Average disposable income per CU after private transfers - in euros</b>	<b>18,990</b>	<b>23,780</b>	<b>24,840</b>	<b>29,840</b>	<b>25,540</b>	<b>22,560</b>	<b>24,820</b>
Index	110	102	100	99	96	96	100

Note: average incomes per consumption unit are obtained by dividing average income by the average number of consumption units per household in the category. All results, and in particular the detailed breakdown of disposable income, can be found on the website [insee.fr](http://insee.fr).

Scope: ordinary households resident in mainland France, excl. FISIM. Source: Insee, national accounts 2003, SILC 2004, Tax income 2003, Household Budget 2006 surveys and calculations by the authors.

The composition of the household disposable income according to household composition reflects for the most part the structure of the different categories by age (*figure 3*). Thus, income from economic activity has a lower weighting in the disposable income of single persons (65%) and couples with no child (74%). In contrast, income from assets plays a greater part, as much as 25%, compared with 20% or less for all the other categories. People aged 60 or over are over-represented in the category of single persons. Also, for couples with no child, the head of the

household is for the most part aged 50 or over. However, the proportion of income from economic activity in the disposable income drops from the age of 60 and income from assets increases with the age of the head of the household (*figure 2*). The amount of financial assets held does indeed increase with age; the same is true for home ownership and hence for the sums of imputed rents taken into account when considering income from assets (Baclet, Raynaud, 2009).

### 3. Breakdown of annual disposable income by household composition in 2003

	Single persons	Single-parent-families	Couples with no child	Couples with 1 child	Couples with 2 children	Couples with 3 children or more	Total
<b>Average disposable income per CU - in euros</b>	<b>22,400</b>	<b>17,640</b>	<b>30,890</b>	<b>26,570</b>	<b>23,720</b>	<b>19,460</b>	<b>24,910</b>
Base 100	100	100	100	100	100	100	100
Income from economic activity	65	93	74	122	124	106	93
includes:							
employers' contributions	15	21	17	30	30	25	22
salaried and non-salaried contributions	7	10	9	12	13	11	10
Income from assets	25	15	24	20	18	18	21
includes:							
financial income	11	5	11	8	5	6	9
Primary income	90	109	99	142	142	124	115
<b>Average primary income per CU - in euros</b>	<b>20,140</b>	<b>19,190</b>	<b>30,440</b>	<b>37,660</b>	<b>33,780</b>	<b>24,050</b>	<b>28,590</b>
Taxes	-13	-12	-14	-16	-14	-13	-14
Contributions	-23	-31	-26	-42	-43	-36	-32
Benefits	45	33	39	14	13	24	30
includes:							
old-age	36	13	32	5	1	2	19
unemployment	3	5	3	3	3	3	3
others (family, basic income support...)	6	14	4	6	9	19	8
Other transfers	1	1	2	2	2	1	2
<b>Average disposable income per CU after private transfers - in euros</b>	<b>22,640</b>	<b>18,170</b>	<b>30,080</b>	<b>26,680</b>	<b>23,820</b>	<b>19,480</b>	<b>24,820</b>
Index	101	103	97	100	100	100	100

Note: average incomes per consumption unit are obtained by dividing average income by the average number of consumption units per household in the category. All results, and in particular the detailed breakdown of disposable income, can be found on the website [insee.fr](http://insee.fr).

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

Source: Insee, national accounts 2003, SILC 2004, Tax income 2003, Household Budget 2006 surveys and calculations by the authors.

The proportion of social benefits in the disposable income is highest for single persons and couples with no child (45% and 39%). Of course, these two categories of household include a large proportion of retired people, whose pensions are included in social benefits. The situation of couples with no child improves compared with other couples if we consider disposable income rather than primary income, even though the weight of family benefits and basic income support

in the disposable income increases with the number of child. The amount of income involved when we consider retired people is in fact considerably higher.

Single-parent families have the lowest disposable income. The proportion of income from economic activity in their disposable income is less than that for other households with at least one child. On the other hand, social benefits represent one third of their disposable income, with family benefits and basic income support accounting for 14%. Only large families have a higher proportion of family benefits and basic support in their income. Lastly, single-parent families are the main beneficiaries of private transfers between households, especially alimonies, which increase their disposable income by 3%.

### **The weight of income from assets is particularly high for the self-employed**

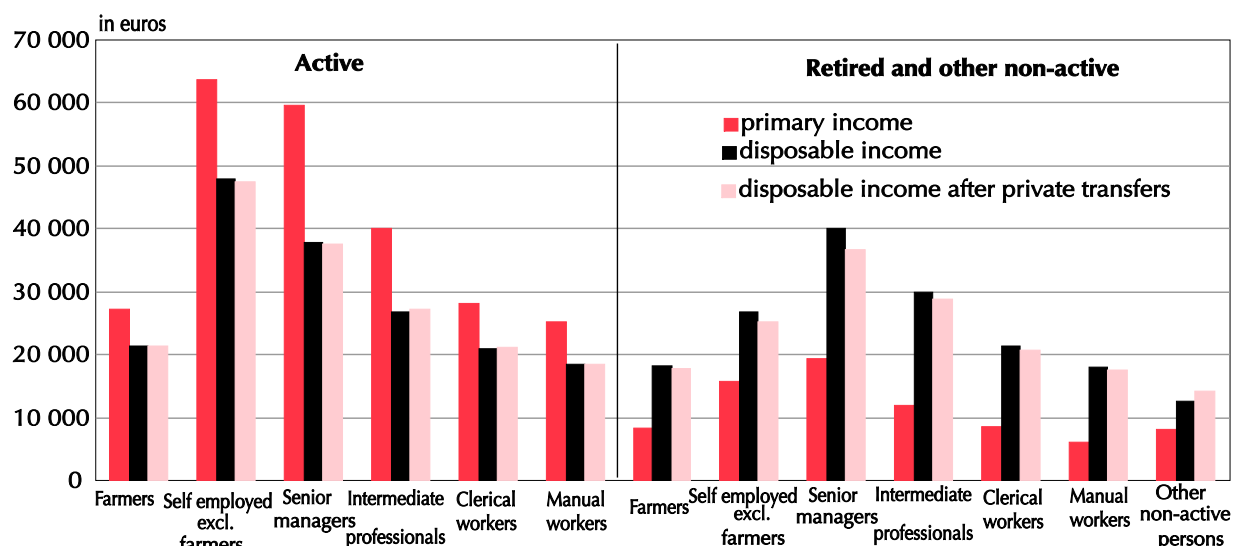
The differences in average income between **socio-professional categories**<sup>3</sup> are considerably reduced when we move from primary income to disposable income (*figure 4*). This is due firstly to the fact that retired people are distinguished from working people in the classification system used. The average disposable income per consumption unit is similar for retired people and working people, as was the case in studies based on individual data (Goutard, Pujol, 2008). Income from assets, which represents a significant proportion of the disposable income of retired people, is composed mainly of imputed rents for the most modest categories, like retired clerical workers or retired manual workers.

Among the active population, the difference between households with the highest average income per consumption unit (skilled workers, retailers, company managers and professionals) and those with the lowest income (manual workers) stands at around 2.5 for the primary income and the disposable income alike. The average primary income of those in senior manager occupations is 2.4 times higher than that of manual workers, but their average disposable income is only 2.0 times higher. Unemployment benefits, family benefits and basic income support have a greater weight in the disposable income of manual workers (17%) and skilled workers (13%) than in that of the other socio-professional categories (maximum 9%, *figure 5*). Compared with senior manager households, the weight of all family benefits and basic income support in particular is higher, and also that of unemployment benefits, though to a lesser extent.

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<sup>3</sup> This refers to the socio-professional category of the head of the household. To avoid confusion, the expression “household of manual workers” or “household of senior managers” will be used to designate a household where the head of the household is a manual worker or a senior manager.

#### 4. Average annual income per consumption unit, by socio-professional category of the head of the household in 2003



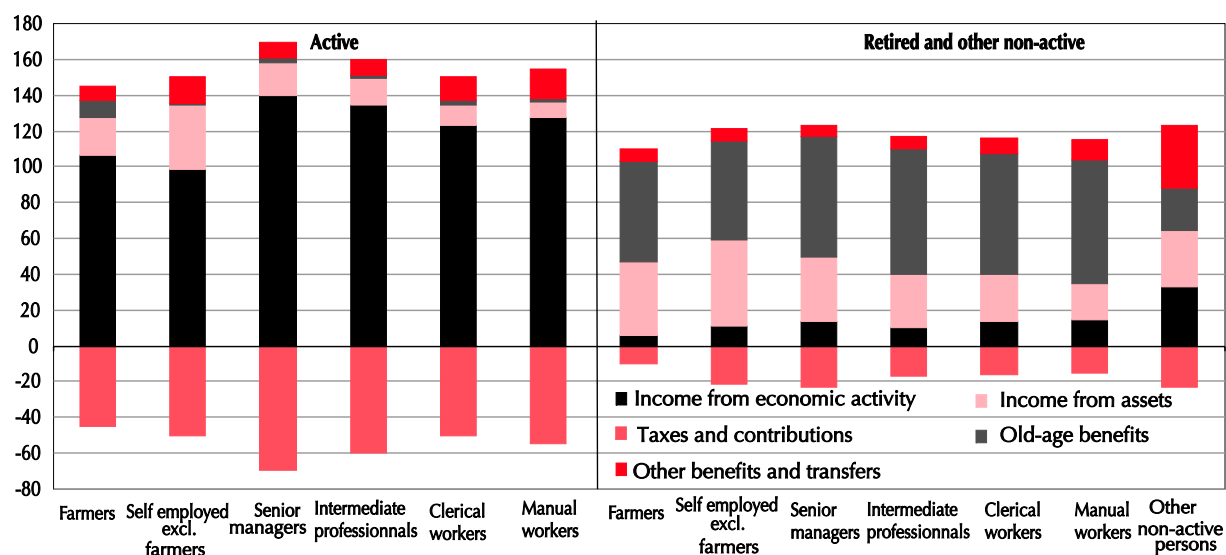
Note: average incomes per consumption unit are obtained by dividing average income by the average number of consumption units per household in the category. All results, and in particular the detailed breakdown of disposable income, can be found on the website [insee.fr](http://insee.fr).

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

Source: Insee, national accounts 2003, SILC 2004, Tax income 2003, Household Budget 2006 surveys and calculations by the authors.

The categories of self-employed people, farmers, skilled workers, retailers, company managers, to which have been added for the purposes of this study the professionals, have a particularly high proportion of income from assets in their disposable income, both in the active and the retired categories. Income from assets represents one fifth of the disposable income of households of active farmers and more than one third for other self-employed workers. When they have retired, the weight of income from assets is over 39%, compared with 21% for all households taken together. The relatively low retirement pensions for these categories no doubt have an influence on their accumulated assets.

## 5. Breakdown of annual disposable income by socio-professional category of the head of the household in 2003



Analysis: among the active population, for a disposable income of 100, manual worker households have an average income from economic activity of 128, income from assets of 8, old-age benefits are 2, other benefits and transfers are 17, reduced by 55 for taxes and contributions.

Note: All results, and in particular the detailed breakdown of disposable income, can be seen on the website [insee.fr](http://insee.fr).

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

Source: Insee, national accounts 2003, SILC 2004, Tax income 2003, Household Budget 2006 surveys and calculations by authors.

### Standard of living and socio-professional category largely determine consumption level

Disposable income enables households to finance their consumption expenditure. In the national accounts, this corresponds to expenditure that households can effectively cope with (excluding services provided by the public authorities such as health care, education or housing) (*box 2*). In 2003, annual consumption expenditure was on average €20,590 per consumption unit<sup>4</sup>.

<sup>4</sup> As mentioned previously, the area of study has been limited here to ordinary households in mainland France.

### Household consumption in the national accounts and surveys

A study of consumption can be based on two types of data: data produced by the national accounts and that collected during household surveys.

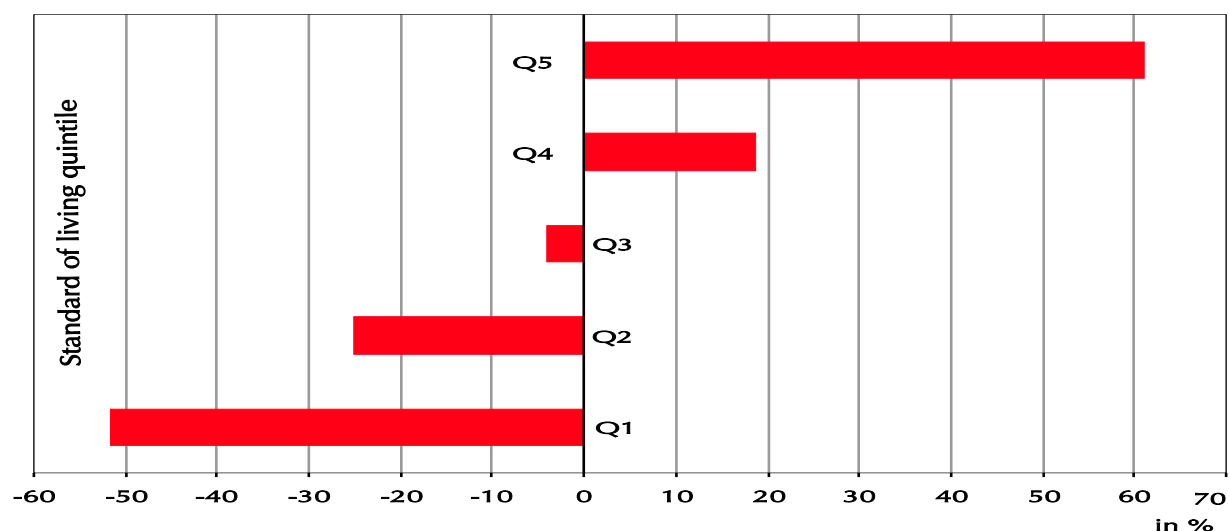
The national accounts use various sources (surveys in companies, tax and customs data, estimates, etc.) to evaluate household **consumption expenditure** by type of product. Estimates by product do not take into account spending by French tourists abroad but do include spending by foreign tourists in France. To obtain the total consumption expenditure for French residents only, global consumption in France by non-residents is subtracted and global consumption by residents outside France is added. Market goods and services make up most of household expenditure. Traditionally, in the national accounts these include **home-consumption** and **imputed rents**. Also included in this expenditure are amounts of goods and services consumed by households but financed by insurance companies. On the other hand, the national accounts do not classify as consumption money spent on carrying out major home improvements, or any associated loans. Lastly, the national accounts do not traditionally distinguish ordinary households from collective housing.

In France, as in most countries, household surveys are carried out in order to measure consumption: this is the Household budget survey (BdF), last carried out in 2005-2006 (<http://www.insee.fr/fr/methodes>). When gathering information from households, the BdF survey is obliged to remain close to their perception of consumption, and move away from the concepts used by the national accounts. In some cases, they can come back to them later, from the data collected (imputed rent, valuing home-consumption). However, it is sometimes impossible to use the same concepts as in the national accounts, for example for expenditure on health, as a household is often not able to provide the amount actually spent. Of necessity, the BdF survey collects only data on expenditure by people living in France in ordinary households. It takes into account spending during tourist trips abroad but not spending by foreign tourists in France.

In the context of this study, it was consumption expenditure “as defined in the national accounts” that was broken down by type of household, but for a field corresponding to that used in the surveys: expenditure relating only to ordinary households resident in mainland France. The Housing and Health surveys have also been used, replacing data collected in the Household Budget survey, in their relevant fields.

The level of spending increases with household standard of living (*figure 6*). With an annual expenditure of €9,940, households in the first standard of living quintile consume 52% less per consumption unit than the average household, whereas the richest households spend 61% more, at €33,140. Nevertheless, with a ratio of 3.3, the difference in consumption levels between the first and last quintiles is not as great as that for disposable income (5.0).

## 6. Difference in average annual expenditure per consumption unit by standard of living in 2003



Analysis: the first quintile (Q1) contains the most modest 20% of households in respect of disposable income per consumption unit. On average, per year and per consumption unit, these households spend 52% less than an average household.

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

Source: Insee, national accounts 2003, Household Budget 2006, Housing 2002, Health 2003, SILC 2004 surveys and calculation by the authors.

Consumption expenditure also depends largely on socio-professional category, itself closely linked with standard of living (*figure 7*).

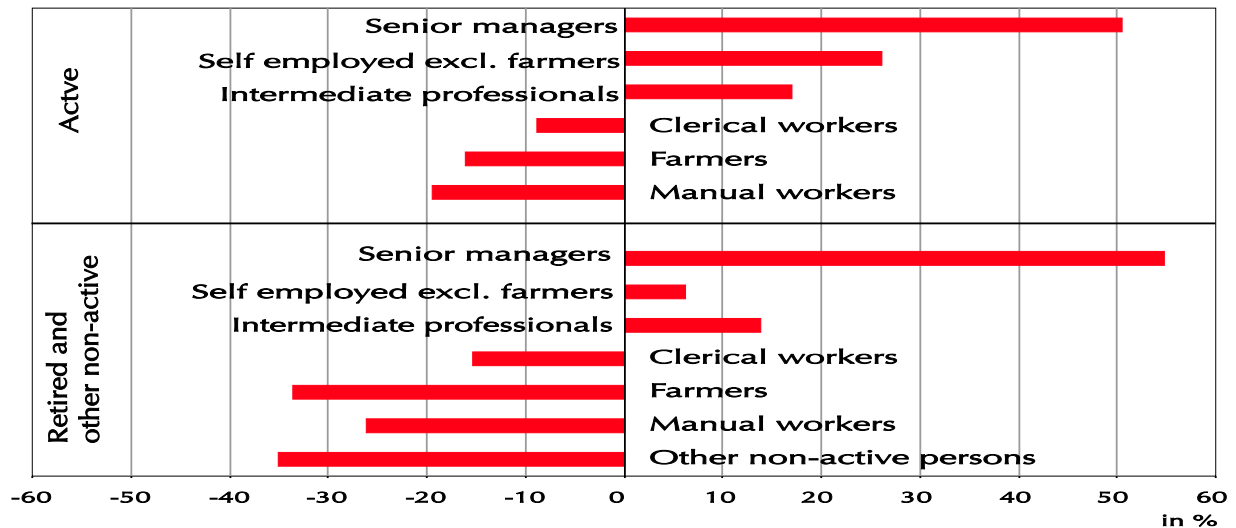
In 2003, households where the head of the household was active had an average expenditure of €21,940 per consumption unit, compared with €19,630 for retired people and €13,370 for other people not in work. So retired people consume on average and per consumption unit 11% less than working people. Only households of retired senior managers have a higher level of consumption than working senior managers.

The hierarchy of levels of expenditure per consumption unit for retired households according to their original socio-professional category is very similar to that of working people.

Among the “working” households, the households of senior managers consume annually 51% more than average. Next are the households of self-employed workers excluding farmers, then intermediate occupations. In contrast, in households of manual workers or working farmers consumption is below average, at -19% and -16% respectively. Per consumption unit, the households of working senior managers consume twice as much as the households of active manual workers. Households of retired senior managers have an annual consumption expenditure equal to 2.1 times that of retired manual workers, a similar difference to that which separates

working people in the same socio-professional categories.

## 7. Difference in average annual expenditure per consumption unit by socio-professional category of the head of the household in 2003



Analysis: a household where the head of the household is a senior manager, and is in activity, spends annually and per consumption unit, 51% more than the average household.

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

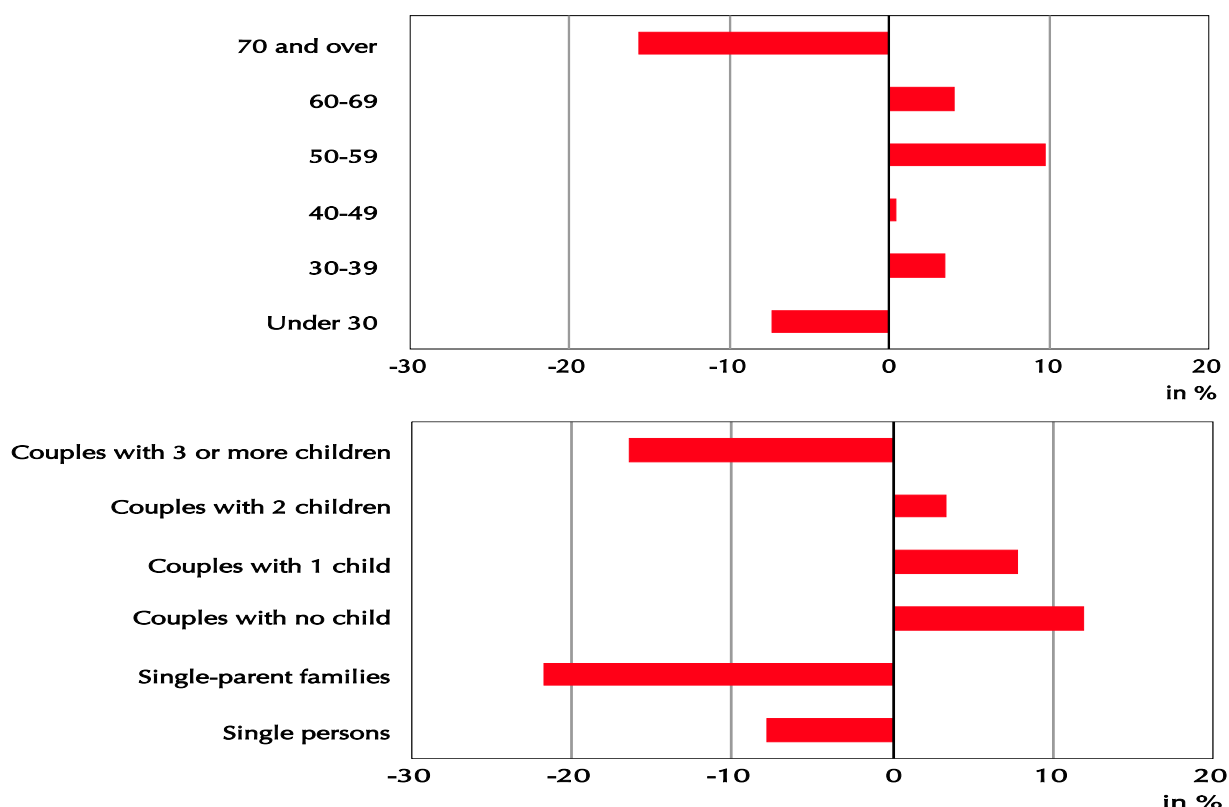
Source: Insee, national accounts 2003, Household Budget 2006, Housing 2002, Health 2003, SILC 2004 surveys and calculations by the authors.

The age of the head of the household, like household composition, has a less marked influence than relative income level or socio-professional category on expenditure per consumption unit. Indeed, apart from single-parent families, who consume 22% less than the average household, or large families, the other categories are not very far from average consumption (*figure 8*). Consumption levels are also fairly close from one age bracket to another, with the exception of those aged 70 and over.

However, here we are comparing different generations on the same date, without differentiating the effects that age and their generation may have (households are not monitored as they age). In young households, consumption is comparable to that of their elders in 2003, but probably different from that of young people 20 or 30 years ago. Studies based on Household Budget surveys show that for the same standard of living and household size, the oldest generations consume less (Bodier, 1999). Thus the fact that the level of consumption is lowest after the age of 70 (-16% compared with the 2003 average) can be explained not only by the drop in income, but also by the fact that these households belong to generations who were always in the habit of consuming less. The reduction in consumption due to age, although very real, is in fact therefore less than the graph data might suggest<sup>5</sup>.

<sup>5</sup> For information, this study is limited to ordinary households. Elderly people living in collective accommodation can be assumed to have their own specific habits.

## 8. Difference in average annual expenditure per consumption unit by age of the head of the household and household composition in 2003



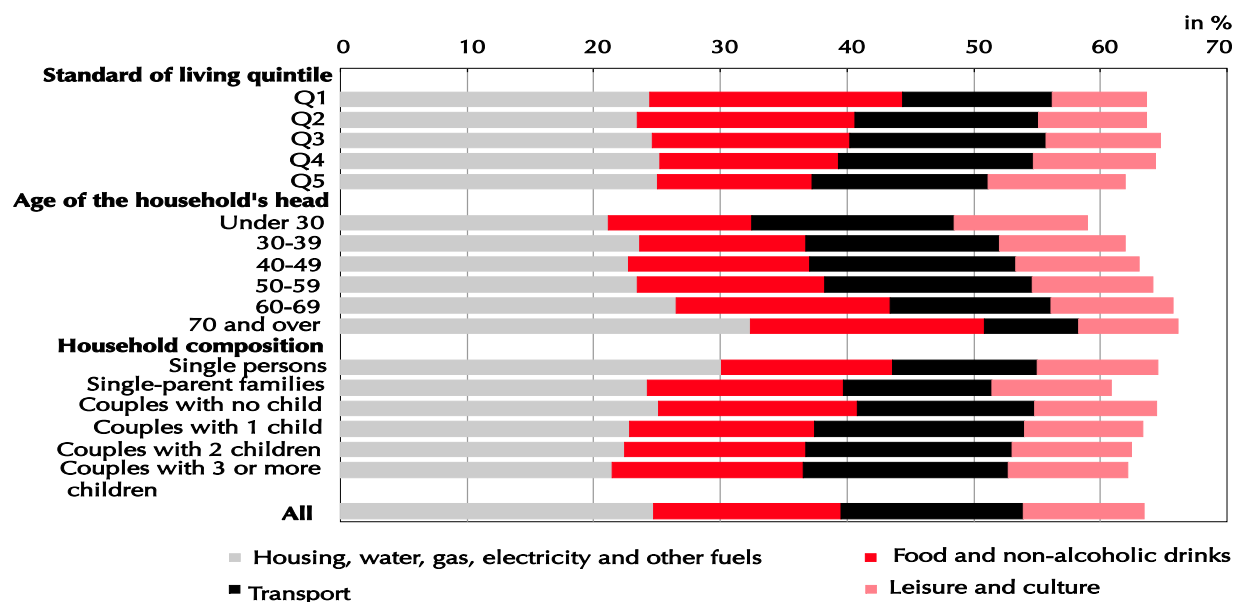
Scope: ordinary households resident in mainland France, excl FISIM.

Source: Insee, national accounts 2003, Household Budget 2006, Housing 2002, Health 2003, SILC 2004 surveys and calculations by the authors.

## Housing: first item of expenditure for all types of household

Three major consumption items share 50% to 60% of household expenses, depending on the classification criterion studied (*figure 9*): housing (rent, water, electricity, heating, etc.), food (at home, excluding alcoholic drinks) and transport. Expenditure associated with housing is always the largest item: it represents about one quarter of the average household budget in France. It varies between one fifth of the budget for couples with three children or more or for the under-30s to one third for households of retired clerical workers or the over-70s. Food and transport are in second or third position depending on the type of household.

## 9. Share of the four main items of expenditure in household consumption budgets in 2003



Analysis: in 2003, households in the first standard of living quintile spent 24% of their consumption budget on housing related expenditure. All results can be seen on the website [insee.fr](http://insee.fr).

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

Source: Insee, national accounts 2003, Family Budget 2006, Housing 2002, Health 2003, SILC 2004 surveys and calculations by the authors.

While the share of expenditure on housing varies relatively little with household standard of living, major differences are observed when the distinction is made within the category between imputed rents and real rents (*figure 10*).

## 10. Share of each item of expenditure by standard of living quintile in 2003

	Q1	Q2	Q3	Q4	Q5	Average share
Food and non-alcoholic drinks	20	17	16	14	12	15
Alcoholic drinks and tobacco	5	4	4	3	2	3
Clothes and shoes	5	5	5	5	5	5
Housing, water, gas, electricity and other fuels	24	23	25	25	25	25
<i>including:</i>						
<i>real rents</i>	7	6	5	3	2	4
<i>imputed rents</i>	7	10	14	16	17	14
<i>water, gas, electricity,...</i>	10	7	6	6	6	7
Furniture, household articles and everyday maintenance of the dwelling	5	6	5	6	8	6
Health	5	4	4	3	2	3
Transport	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, cafés and restaurants	4	5	5	6	7	6
Other goods and services	9	9	9	9	10	9
<b>Annual consumption expenditure per consumption unit (in €)</b>	<b>9,930</b>	<b>15,450</b>	<b>19,760</b>	<b>24,420</b>	<b>33,140</b>	<b>20,590</b>

Analysis: in 2003, households in the first standard of living quintile devoted 20% of their consumption expenditure to food compared to an average of 15%.

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

Source: Insee, national accounts 2003, Household Budget 2006, Housing 2002, Health 2003, SILC 2004 surveys and calculations by the authors.

**Imputed rents** represent an ever-increasing proportion of household consumption expenditure as standards of living improve (*figure 10*), as the proportion of owner-occupier households increases along with standard of living. The vast majority of the better-off households are owner-occupiers: 53% are owners and 31% are in the process of becoming home-owners<sup>6</sup>. Thus, depending on standard of living, these imputed rents represent 16% to 17% of household expenditure for the last two standard of living quintiles, or 2 to 3 points above average. Households in the first quintile, who are more often tenants (69%), always have a smaller proportion of their expenditure devoted to imputed rents, equal to 7%, or 7 points below the average. Conversely, the proportion of **true rent** paid by tenants, after deduction of housing benefits<sup>7</sup>, decreases with household standard of living. Thus they represent 7% of household expenditure for the first quintile, or 3 points above average, compared with 2% for those in the last quintile (only 16% of whom are tenants).

<sup>6</sup> Source: Housing survey 2002, with standard of living “as defined in the national accounts” used in this study.

<sup>7</sup> In the national accounts, only the due rent that is really paid by households is included in their consumption expenditure.

Taking imputed rents into account in consumption expenditure in the national accounts is the main reason for the divergence from the survey results. In the Family Budget survey of 2006, where imputed rents are not counted as expenditure, housing represents 16% of the household budget. In contrast to the data presented here, in the survey there are wide variations according to household standard of living: from 25% of the budget for the poorest households to 12% for the richest. It is only true rents that cause this disparity for the most part, since imputed rents are not taken into account and housing benefits are not deducted from rents (Bellamy, Léveillé, 2007).

The proportion of consumption expenditure devoted to housing varies considerably with age and there are wide disparities if this item is broken down further. Imputed rents represent 20% of household expenditure for those aged 70 or over (or 6 points above average), compared with 6% for the under 30s, with this proportion increasing with age. Conversely, true rents account for 11% of budget for the youngest category, compared with less than 4% for the oldest. The oldest category also spends the largest part of their budget on water, gas or electricity: 9% compared with 7% on average. This share of household expenditure also increases with age (taking the generation effect into account in housing expenses, see Bodier, 1999, Laferrère, 2006 and Berger et al, 2008).

### **The weight of food and transport varies considerably according to household category**

The weight of household consumption expenditure on food decreases with standard of living: with 20% of their consumption budget, the poorest households devote 5 points more than average to this type of expenditure, and the richest 3 points less. The existence of a growing link between household poverty and the proportion of the budget spent on food is well known and was studied as early as the nineteenth century by Engel.

The amount spent on this item also varies according to socio-professional category. Among the working population, farmers spend the largest proportion, almost 19% on average. Conversely, senior managers spend the smallest proportion, 11%. Retired people allocate about 18% of their budget to food, almost 3 points more than average. However, there are also wide disparities according to the original socio-professional category, which are similar to those observed in the working population. Households of former farmers spend 22% of their budget on food, compared with approximately 15% for former senior managers.

The proportion of consumption expenditure devoted to transport, on the other hand, varies considerably according to household composition: the presence of children causes a marked rise in this item of expenditure. Single persons spend 3 points less than average, compared with 2 points more (17% of the budget) for couples with one child. This share of the household budget remains fairly stable whatever the number of children. According to the Household Budget survey of 2006, single persons and single-parent families are the categories least likely to own a car, but 94% of couples, with or with no child, do own one. Moreover, the presence of a child influences the rate of possession of a second car: 65% of couples with at least one child own two cars, compared with 40% of couples with no child.

The weight of transport decreases sharply according to age. In 2003, the proportion of expenditure on transport by households aged 60-69 was 2 points lower than average, and for those aged 70 and over it was 7 points lower.

### **One third of disposable income of the poorest households goes towards pre-committed expenses**

Consumption choices can thus be made in favour of different items of expenditure (housing, food, health, leisure, etc.), in varying proportions depending on the type of household. However, consumption is not always a question of choice. Some expenses are incurred in the context of a contract which is difficult in the short term to renegotiate. These are **pre-committed expenses** which households cannot easily avoid and for which no leeway, or very little, is possible in the short term: expenses relating to housing, telephone services, insurance, financial services, etc. Almost one third of the household consumption budget (32%), or slightly over one quarter of disposable income (26%), consists of “pre-committed” expenses. Expenditure on food, part of which can be considered as essential, is excluded as in the short term households are generally able to select these types of goods according to price levels from among the wide variety available. Similarly, travel costs (often seen as essential, especially for journeys to the workplace) is not included (Accardo et al., 2007).

The proportion of disposable income spent on these pre-committed expenses varies according to standard of living. The two extremes of the distribution scale are contrasted: for the poorest households these expenses represent one third of their income; for the richest, one fifth (*figure 11*). Housing expenditure is the most important item in household budgets, especially for the least well-off as one quarter of their income is spent on housing-related costs (rent, water, gas, electricity, etc.), compared with one sixth on average for households with higher standard of living.

## 11. Pre-committed expenses<sup>8</sup> according to standard of living quintile in 2003

	Q1	Q2	Q3	Q4	Q5	Total
<b>Average disposable income per consumption unit - in euros</b>	<b>10,080</b>	<b>16,410</b>	<b>21,040</b>	<b>26,750</b>	<b>50,030</b>	<b>24,910</b>
Average pre-committed expenses per consumption unit - in euros	3,300	4,840	6,280	7,780	10,300	6,510
Average negotiable income per consumption unit - in euros	6,780	11,570	14,760	18,970	39,730	18,400
<b>Pre-committed expenses (as % of disposable income)</b>	<b>33</b>	<b>29</b>	<b>30</b>	<b>29</b>	<b>21</b>	<b>26</b>
<i>including:</i>	0	0	0	0	0	0
- housing	24	22	23	23	17	20
<i>including:</i>	0	0	0	0	0	0
Rents (real or imputed)	14	15	17	18	13	15
Other associated expenses (water, gas, electricity, etc.)	10	7	6	5	4	5
- telecommunications	4	3	3	3	1	2
- insurance and financial services	5	4	4	4	3	3

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

Source: Insee, national accounts 2003, SILC 2004, Tax income 2003, Family Budget 2006, Housing 2002, Health 2002-2003 surveys and calculations by authors

Spending on rent (true rents for tenants or imputed rents for owners) increases with standard of living: it is 4.4 times higher for the richest households (€6,320 per year and per consumption unit) than for the poorest (€1,430). From the first to the fourth quintile, the proportion of disposable income spent on rent increases from 14% to 18%. On the other hand, the income differential between the fourth and the fifth quintiles is higher than the amount of rent, thus giving a smaller proportion of disposable income (13% compared to 18%). Other housing-related expenses (water, gas, electricity, everyday maintenance) increase with standard of living (from €1,000 per year and per consumption unit for the first quintile to €1,990 for the last), at a slower rate than for incomes.

Once these pre-committed expenses have been paid, the remaining income (**negotiable income**) is used to finance the rest of the consumption expenditure (food, clothing, transport, leisure, hotels-restaurants, etc.) or is put aside. The negotiable income of the poorest households is on average €6,780 per consumption unit, compared with €39,730 for the richest: a difference of 5.9 whereas the difference is 5.0 compared with disposable income. Thus the disparities are more pronounced for the income share that can be freely devoted to consumption and to savings.

### Unequal distribution of savings in the population

Household savings correspond to what is left from the household income once all consumption expenditure has been paid. There are several reasons why a household may choose to save rather than to consume, once the pre-committed and essential expenses have been dealt with: to invest or acquire high-value goods, to protect oneself against life's hazards, professional hazards

<sup>8</sup> In this study we were able to begin to analyse the concept of pre-committed expenses, yet without being able to define it precisely. For example, expenditure on life-assurance cannot be dissociated from spending on insurance as a whole, whereas it is not included in pre-committed expenses. In contrast, the financial intermediation services (FISIM) are not part of the scope of the study and are therefore not included.

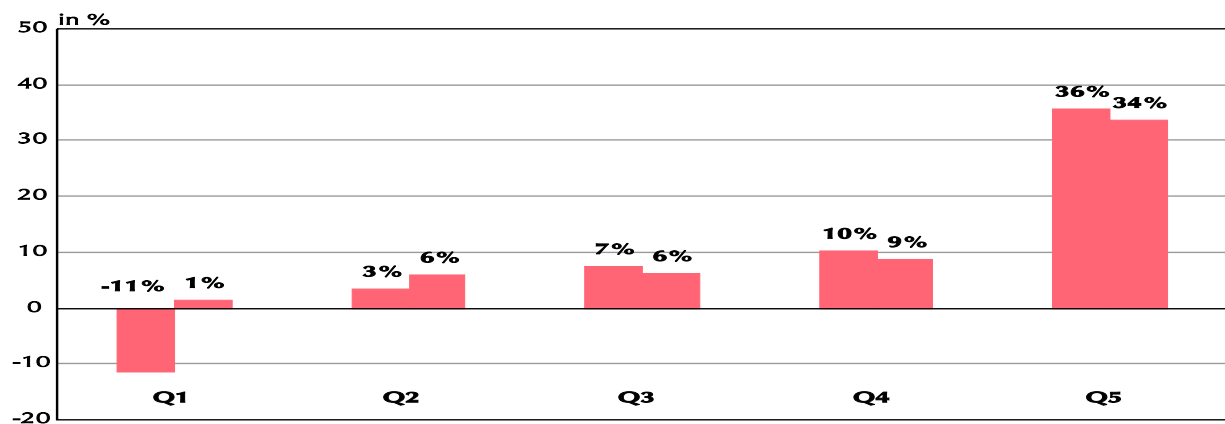
in particular, to save for retirement, to pass on something to one's children. In 2003, an ordinary household in mainland France saved on average €4,320 per consumption unit, or 17.3% of disposable income.

The **savings rate** increases with relative income level (*figure 12*): the rate for the poorest households is estimated on average to be between -11% and 1%, according to two alternative estimates (*box 1*), and for the better-off households between 34% and 36%. The variation in estimates is greater for the low standard of living brackets.

Only one estimate is given here for the other classification criteria, as results are more robust.

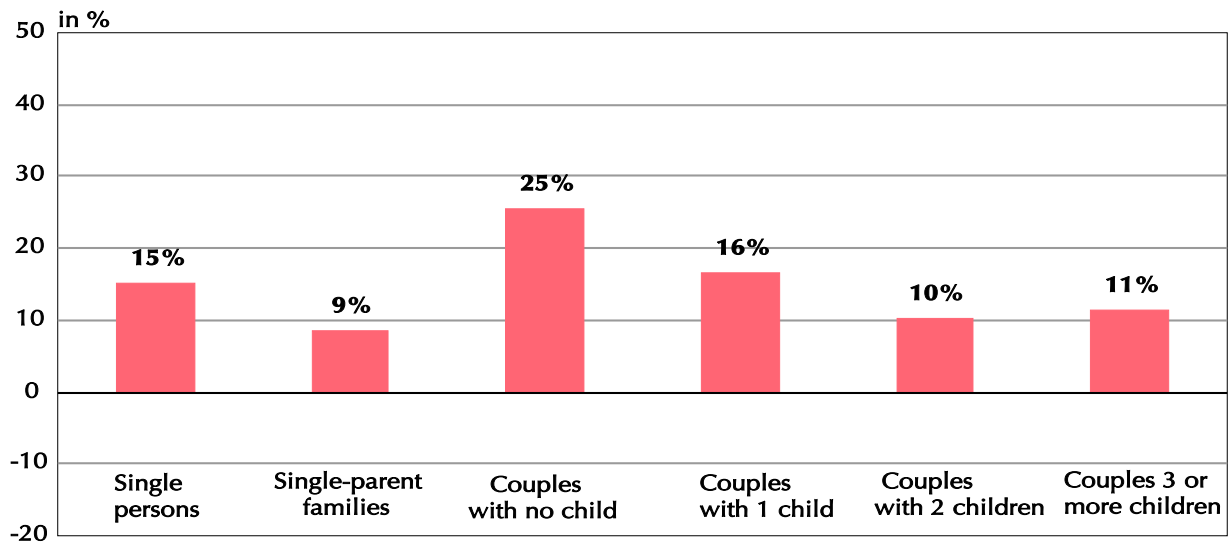
## 12. Savings rate according to category of household in 2003

A – By quintile of standard of living

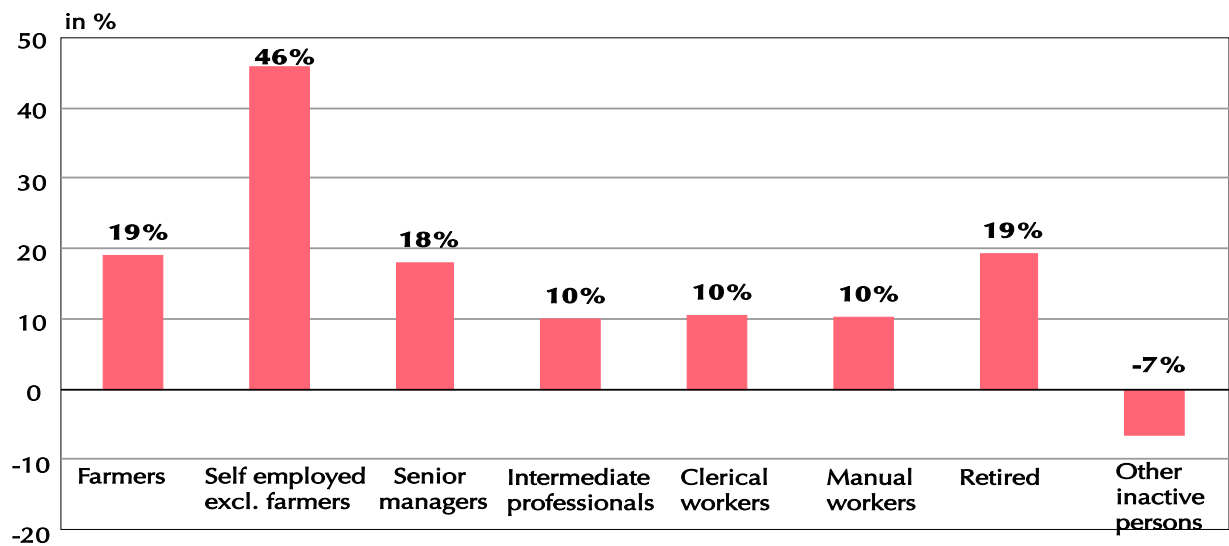


Analysis: two estimates of savings rates by standard of living quintile are presented according to the method selected for the declared income adjustment in the Household Budget survey (cf. box 1). With an *a minima* adjustment the savings rate for the first quintile is -11% on average; by carrying out a finer adjustment, based on a coherence filter between declared income and consumption, the savings rate is 1% on average. For the other variables in the typology (family composition, age and socio-professional category) results were similar whatever income adjustment method was used. In the graphs, only the savings rate estimate based on a fine adjustment is shown.

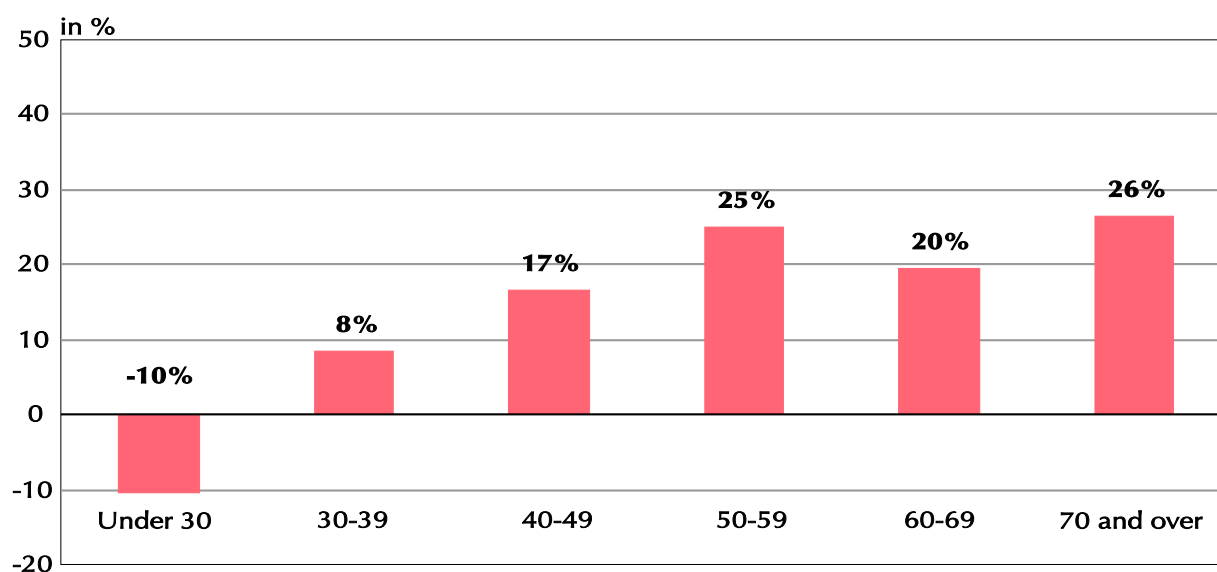
B – According to household composition



C – By socio-professional category of the head of the household



#### D – By age of the head of the household



Note: Detailed results are given on the website [insee.fr](http://insee.fr).

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

Source: Insee, national accounts 2003, SILC 2004, Tax income 2003, Household Budget 2006, Housing 2002, Health 2002-2003 surveys and calculations by authors.

The savings rate also increases with age: from -10% on average for the youngest households to 26% for the over-70s. It dips for the 60-69 age bracket (20%). The peak for the oldest households could indicate a wish to save as a precautionary measure or to pass on their money, but it can also be explained by the reduced consumption habits of the older generations. The differences in savings rates may be due to generational effects and should not be interpreted only as a change in saving habits in the course of a lifetime.

The savings rate appears particularly high for all self-employed workers compared with other categories of households: 19% for farmers and 46% on average for other non-salaried people. However, the savings rate of households of self-employed workers is not strictly comparable with that of other categories. Indeed, self-employed workers' savings are also used to finance their professional investments. The more uncertain nature of their income in this category of household, and the fact that they have lower retirement pensions than salaried workers perhaps also account for their relatively high savings rates.

On average, couples with no child save the most, with a savings rate of 25%. The effects of age and generation mentioned above also come into play here. In contrast, single-parent families and couples with two or more child save relatively little, with savings rates of between 9% and 11%.

### **Certain types of household show average negative savings overall**

The poorest 20% of households show negative savings overall (savings rate estimated at between -11% and 1%). The same is the case for households where the head of the household is non-active, yet not retired<sup>9</sup> (-7%) or is under 30 (-10%).

At individual level, there are different possibilities to explain such a situation in a given year: a major expense, like the purchase of a vehicle, financed by a consumer credit loan or from savings already accumulated; a drop in income, due to a period of unemployment or inactivity; the cost of studies, financed by a loan.

A globally negative savings rate for one category does not mean that all households in this category have a negative savings rate. It is the consumption of all 20% of the poorest households which was greater than the total disposable income that they received in 2003; some of the poorest households were able to show a positive savings rate. Conversely, if the global savings rate is on average positive for a given category, this does not mean that some people have not, in that year, spent more than their current income.

The poorest households are not necessarily the same from one year to the next. Thus households appear to be relatively mobile within the income scale. Using the panel from the SILC survey, a longitudinal analysis was carried out of the incomes of individuals who were present in the sample three years running, in 2003, 2004 and 2005. Half of the individuals in the first standard of living quintile in 2003 remained in the same bracket for 3 years. The proportion of individuals who were consistently in the same position is very similar for the richest individuals (52%). It is lower, between 23% and 28%, for the other quintiles<sup>10</sup>.

A consumption item that is not covered by income obtained in the year may be covered by support from family members. Thus, taking private transfers into account can modify the savings rate profile.

### **Private transfers in favour of single-parent families and the youngest individuals**

The amounts of private transfers were evaluated and distributed amongst the different categories of households by means of the Household Budget survey. Estimates varied according to the sample used for the calculation, depending on whether the households declaring the highest amounts were included or not (*box 1*). It was decided to keep the two estimates for the net average private transfers in figure 13 in order to present two evaluations of the savings rate as after transfers they differ by more than 2 points (single-parent families and households where the head of the household is under 30).

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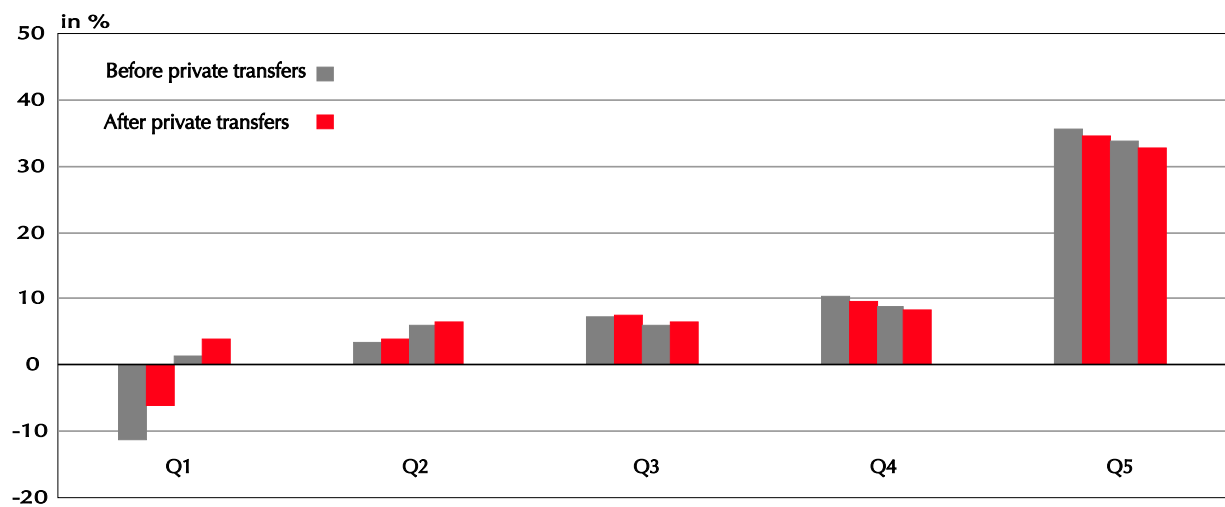
<sup>9</sup> This category includes students, housewives or those who have never worked.

<sup>10</sup> The concept of standard of living used is the one usually calculated from data from the SILC survey and therefore differs in part from standard of living “as defined in the national accounts” used in this study.

The introduction of private transfers between households has a major impact on the savings rate of the poorest households (*figure 13*): the estimate of the average savings rate, between -11% and 1% before transfers, is between -6% and 4% after private transfers.

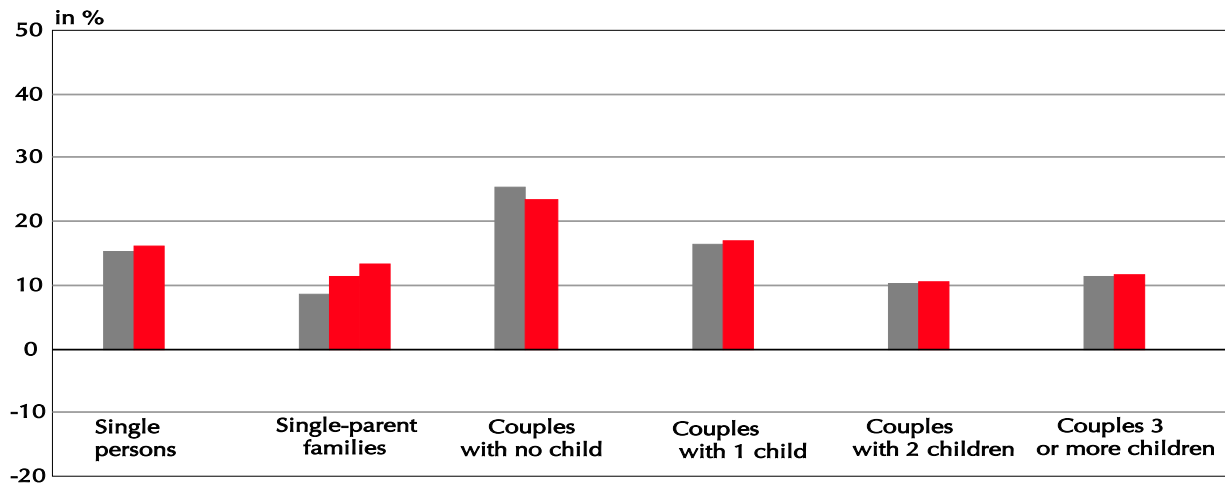
### 13. Savings rate before and after private transfers according to household category in 2003

A – By quintile of standard of living



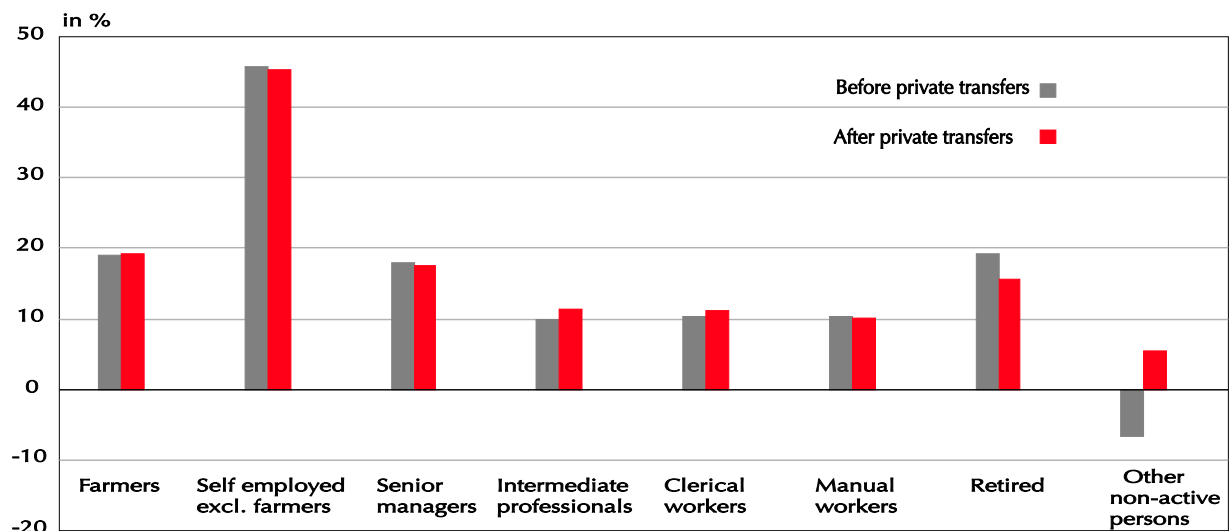
Analysis: According to the first estimate (with an *a minima* income adjustment from the Household Budget survey - cf. box 1), the savings rate for the first quintile is on average -11%. After private transfers, it is -6%. The alternative estimate (with a finer income adjustment) puts it, on average, at 1% before private transfers and 4% after transfers.

## B – According to household composition

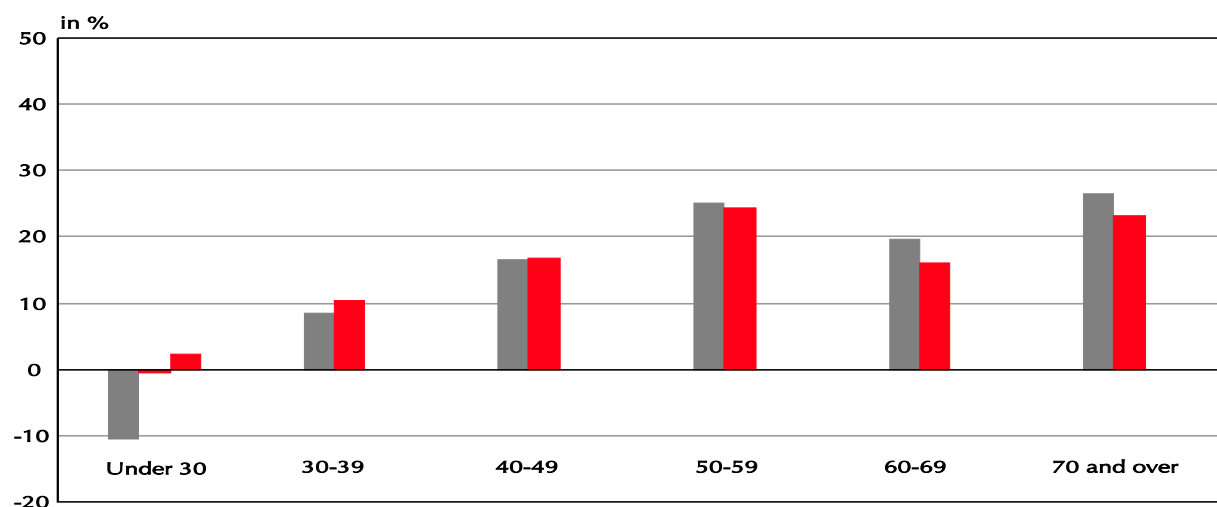


Analysis: for single-parent families, the savings rate before transfers is 9%. After transfers, it is estimated to be between 11% and 13% depending on the calculation method used for private transfers (before or after capping households declaring extreme amounts - cf. box 1).

## C – By socio-professional category of the head of the household



## D - By age of the head of the household



Analysis: for households where the head of the household is under 30, the savings rate before transfers is -10%. After transfers it is estimated at between 0% and 2% depending on the calculation method used for the private transfers.

Note: Detailed results are available on the website [insee.fr](http://insee.fr).

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

Source: Insee, national accounts 2003, SILC 2004, Tax income 2003, Family budget 2006, Housing 2002, Health 2002-2003 surveys and calculations by authors.

Transfers in favour of single-parent families, which include alimonies, increase their savings rate by 3 to 5 points depending on the calculation used. Compared with the low level of their average disposable income, the savings rate of single-parent families after transfers appears relatively high, which could be explained by the fact that they tend to be more cautious.

Private transfers result in a marked increase in savings rates in the youngest households: for the under-30s, calculations estimate this at 0% or 2%, compared with -10% before transfers. In contrast, private transfers have the effect of decreasing the savings rate of the over-50s.

Finally, by taking into account transfers between households, the savings rates of some socio-professional categories are modified substantially. This is the case for retired senior managers (resp. self-employed excluding farmers) whose savings rate decreases by 3 to 7 points depending on the calculation used for the private transfers (resp. 2 to 5 points) once transfers have been incorporated. Conversely, the savings rate of households where the head of the household is non-active, apart from retired households, is increased very markedly by transfers (+12 points); it is negative before transfers, but becomes positive on average after transfers.

## Definitions

### Home-consumption

Consumption of products that derive from production by the households themselves (vegetable garden, rearing animals, hunting etc.). In the national accounts, home-consumption is an integral part of household consumption.

### Socio-professional category

The nomenclature of professions and socio-professional categories, known as PCS, replaced the CSP in 1982. It classifies the population according to a synthesis of their profession (or former profession), hierarchical position and status (salaried or non-salaried).

There are three overlapping levels:

- socio-professional groups (8 items);
- socio-professional categories (24 and 42 items);
- professions (486 items).

To breakdown accounts per household, an intermediate 13-category nomenclature, based on the 24-item list is used. Contrary to the standard socio-professional nomenclature, professionals have been here grouped with the self-employed instead of being classified in the senior managers group.

### Pre-committed consumption expenses

Expenses that are incurred in the context of a contract that is difficult to renegotiate in the short term. This definition was recommended by the commission appointed to “Measure household purchasing power”.

These expenses are defined as follows:

- expenses related to housing (including rents imputed to owner-occupiers), expenses relating to water, gas, electricity and other fuels;
- telecommunications services;
- canteen expenses;
- television services (television licence, subscriptions to pay-to-view channels);
- insurance (excluding life-assurance);
- financial services (including financial intermediation services indirectly measured - FISIM).

### Imputed rent

In the national accounts, owners are considered to be producers of a housing service, from which they derive benefit. To this end, resources known as imputed rents are awarded to them, which correspond to the rents that would be paid in the private rental sector for dwellings of a similar nature. These imputed rents are also included in their consumption expenditure.

### True rent

Amount paid by a tenant in exchange for living in a dwelling. Rent does not include additional property charges, which cover a certain number of expenses owed by the tenant and associated with water and energy consumption, use of the lift, collective heating system when this is present, share of expenses for maintaining or repairing communal areas, household waste disposal taxes, etc. In the national accounts, only the charges really paid by households are included in consumption expenditure in true rent. Housing benefits are therefore deducted.

### Ordinary households (as defined by household surveys)

Since 2005, a household is considered to be all those people (related or not) who share the same dwelling on a regular basis (this may or may not be their principal residence) and who have a common budget. The usual residence is the dwelling where a person usually lives. Thus belonging to the same household are people who share a common budget, i.e.

- 1) who contribute resources used for expenditure to benefit the life of the household;
- 2) and/or who simply benefit from this expenditure.

In surveys carried out before 2005, people had to share the same principal residence in order to be considered as households (or "ordinary households"). Moreover, it was not necessary for them to have a common budget. Thus, a household corresponded to a dwelling (principal residence).

In the 2003 breakdown of household accounts by household, ordinary households correspond to dwelling-households.

### Standard of living

The standard of living is equal to the **disposable income** of the household divided by the number of **consumption units** (CU - see definition below). The standard of living is therefore the same for all individuals in the same household.

### Negotiable income

The negotiable income corresponds to the disposable income after deduction of pre-committed expenditure.

### Private transfers

In the national accounts, all transfers between residents, whether transfers of cash (maintenance, financial aid) or purchases/sales of goods and services (cars, clothes, household appliances) are neutral and are not subject to evaluation. In the case of a breakdown of the household account by category, the same cannot be the case, as these transfers are not uniformly distributed between households. Flows of income designated "private transfers" have therefore been introduced. This refers only to cash transfers. Transfers in kind are excluded: thus the money that a student receives from his parents to pay his rent is included but not the sum represented by the rent if the parents pay it directly to the landlord. Inheritances and gifts are also excluded from "private transfers".

### Consumption Unit (CU)

Weighting system which allocates a coefficient to each household member, in order to compare the standard of living of households of different sizes or compositions. Using this weighting system, the number of people is converted into a number of consumption units (CU). To compare household standard of living, it is not possible to refer to consumption per person. In fact, the needs of a household do not increase strictly in proportion to its size. When several people live together, it is not necessary to duplicate all the consumer goods (especially consumer durables) according to the number of people in order to maintain the same standard of living.

Thus, to compare the standard of living of households of different sizes or composition, a corrected income measurement is used per consumption unit using an equivalence scale. The scale which is currently most used (and often called the "modified" OECD scale) has the following weighting:

- 1 CU for the first adult in the household;
- 0.5 CU for other people aged 14 or over;
- 0.3 CU for children under 14.