INCOME DISTRIBUTION DATA REVIEW - FRANCE

1. Available data sources used for reporting on income inequality and poverty

1.1. OECD reporting:

OECD income distribution and poverty indicators for France are computed by INSEE from the annual Enquête Revenus fiscaux et sociaux (ERFS). ERFS data are available from 1996. Data before 1996 are from the annual Enquête Revenus Fiscaux (ERF) and are available for the years 1984 and 1996 in the OECD database; those are, however, considered to have lower quality data on social benefits and capital income and are therefore only partially comparable with the later data series.

1.2. National reporting and reporting in other international agencies:

Income distribution and poverty indicators for France are also available from

- National ERFS series published annually by INSEE
- Eurostat's EU-SILC annual survey since 2005, and Eurostat's ECHP annual survey, available from 2000 to 2004.
- LIS database, using the French Household Budget Survey from INSEE (Enquête Budget de famille) in 1984, 1989, 1995, 2000 and 2005

The below Table 1 presents the main characteristics of those three datasets:

Table 1. Characteristics of dataset used for income reporting, France

	National survey (Income)	EU-SILC from Eurostat	LIS database
Name	Enquête Revenus Fiscaux et sociaux	EU-SILC	Enquête Budget de famille
Name of the responsible agency	INSEE	Eurostat	INSEE
Year (survey and income/wage)	1996-2009 annualy	EU-SILC 2005-2010 representing 2004-2009 income, and ECHP before 2004	1985, 1990, 1995, 2000/1 and 2006 surveys representing income for 1984, 1989, 1994, 2000 and 2005
Period over which income is assessed	Annual income for the all year N (appariement statistique du fichier de l'enquête Emploi en continu correspondant aux données de l'enquête du 4e trimestre de l'année N, avec les fichiers fiscaux (déclaration des revenus) de l'année N.	Annual income for the all year N-1	Annual income for the all year N-1
Covered population	All households, except those fiscally not independent (often students), or in institutions or mobile homes, or with negative income (often self-employed)	All households in France métropolitaine, except those in institutions	All ordinary households in metropolitan France; are thus excluded collective households (such as hospices, religious communities, university campuses, workers dormitories, prisons, etc.) and homeless persons.
Sample size	85 800 individuals corresponding to 37 000 households (2006). Each individual represents around 700 persons of the population.	13 500 households (in SILC 2010)	Around 20000 dwellings in metropolitan France were sampled. In the end, 10 240 households were interwieved, including 25 364 individuals.
Sample procedure	4th term of on-going Labour Force Survey (cross-section) combined with information from taxes authorities.	stratified survey, rotating over 9 years	cross-sectional survey broken down by 8 waves during one year - from a random uniform sample on 1999 census
Response rate	85 % is the reponse rate of the employement survey at the 4th quarter of 2009. This survey is then linked with aministrative records with more than 96 % of good linking.		Around 60% of households contacted finilised all 3 questionnaires and individual diaries
Imputation of missing values	yes: total and partial	yes: total and partial	yes: partial-unit non-response as well as item non-response have been fully imputed
Unit for data collection	Household	Household and individual	Mostly individual, some income sources at the household level
Break in series	No as 1996-2004 data (from Enquête Revenus Fiscaux (ERF) with lower quality data on social benefits and capital income) have been retroplated		-
Web source:	http://www.insee.fr/fr/methodes/default.asp?page=sources/ope-enq-erf.htm	http://epp.eurostat.ec.europa.eu/portal/page/portal/income_social_inclusion_living_conditions/quality/national_quality_reports	http://www.lisdatacenter.org/techdoc/fr/frindex.htm

2. Comparison of main results derived from sources used for OECD indicators with alternative sources

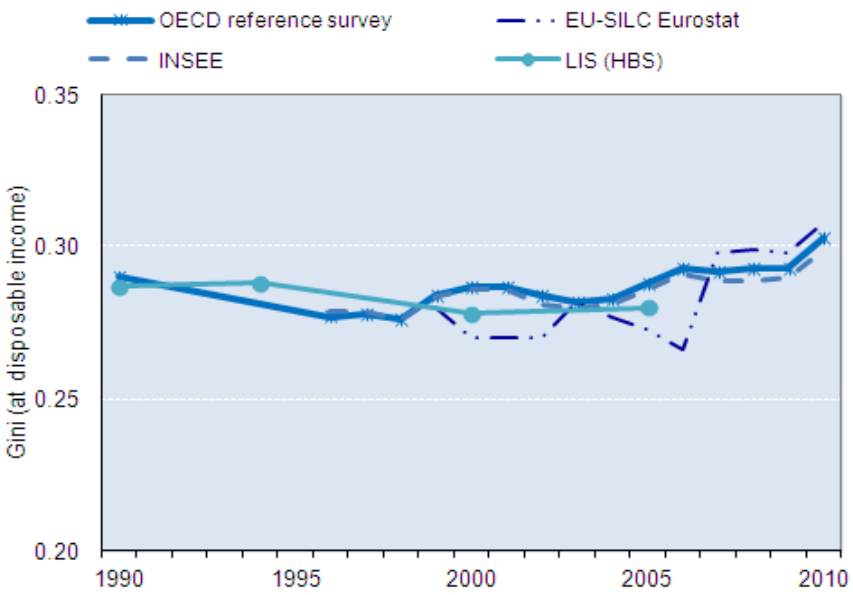
2.1 Income

2.1.1 Time series of Gini coefficients and other inequality indicators

According to the OECD income distribution database, income inequality among total population has remained broadly stable in France since 1990, in contrast to most other OECD countries which have seen a steady increase. From a modest decline in the 1990s, inequality in France has been slowly increasing during the 2000s, since 2005.

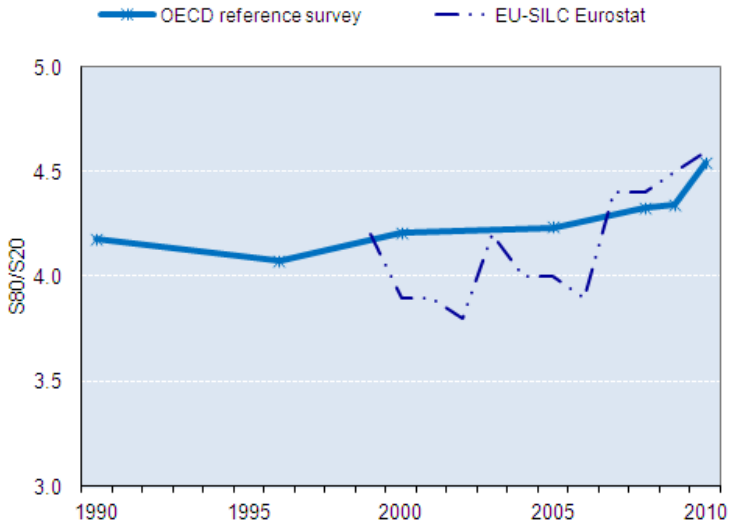
The OECD reference Gini series is very similar in level and trend to the French INSEE series published at national level – they are both based on the same ERFS survey. The EU-SILC series from Eurostat shows a similar upward trend in the 2000s with similar Ginis in 1999, 2003 and 2007. But the Eurostat series shows more variation during intermediate years. Finally, overall the LIS series shows a similar stable trend, but data are only available until 2005.

Figure 1.1. Gini coefficients, France



Also, when comparing the income quintile share ratio (S80/S20) from the OECD reference survey and the Eurostat EU-SILC, as for the Gini series, the EU-SILC series from Eurostat shows a similar upward trend in the 2000s and particularly between 2009 and 2010, with similar Ginis in 1999, 2003 and 2007. But the Eurostat series shows more variation during intermediate years.

Figure 1.2. S80/S20, France

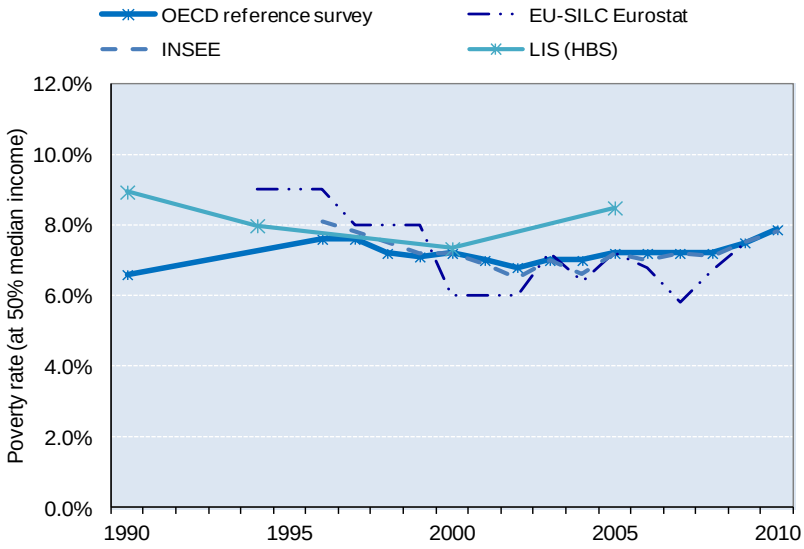


2.1.2 Time series of poverty rates

According to the OECD income distribution database, the share of the French population living with less than 50% of the median equivalised income (10 406 Euros per year in 2010) has remained broadly stable at around 7% until 2008. It recently increased to 7.5% in 2009 and 7.9% in 2010.

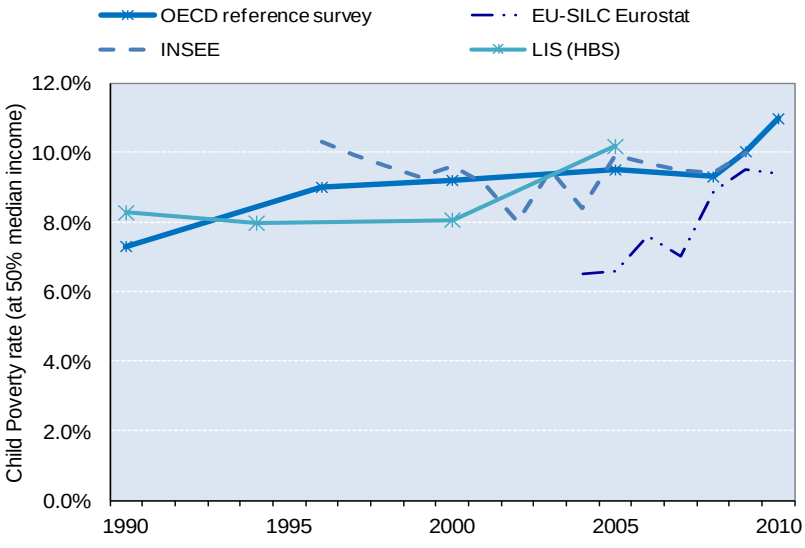
The OECD reference series is very similar to the French INSEE series – they are both based on the same ERFS survey. However, the EU-SILC series from Eurostat and the LIS eries based on HBS shows a different downward trend in the late 1990s, from 9% in 1994 to 6% in 6% in 2001-02 for the former. The LIS series shows a different upward trend in relative poverty from 7.3% 2000 to 8.5% 2005.

Figure 2.1 Trends in poverty rates



As for child poverty, the OECD reference series shows a continuous upward trend. The INSEE series shows a different downward trend from 10.3% in 1996 to 9.3% in 1999, then it shows some variation in 2002 (8.0%) and 2004 (8.4%). It looks similar to the OECD series since the revised ERFS from 2005 onwards. Although rates are different, other sources also show an upward trend in poverty rates among children, particularly with a steeper increase from 2005 on EU-SILC series.

Figure 2.2. Child Poverty rates, France



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2.2 Wages

See Part II of the present Quality Review.

3. Consistency of income components shares with alternative data sources

3.1. Comparison of main aggregates: earnings, self-employment income, capital income, transfers and direct taxes

Table 2 shows shares of income components for the latest available year, according to the OECD benchmark series. When comparing the composition of the average equivalised disposable income of the OECD reference survey (based from ERFS) with the EU-SILC series, shares of income generally match, except for the share of taxes. The latter are estimated to be much lower in ERFS. This is due to the fact that the ERFS excludes some social contributions, which underestimates the effect of taxes (14% of HDI against 23% using EU-SILC).

Table 2. Main income aggregates, France, 2008

Survey	Year	Unit	Wages	Capital	Self Employment	Transfers	Taxes	Disposable income (HDI)
OECD reference suvery	2008	natcur	16 125	2 990	1 723	6 841	-3 482	24 197
		% av HDI	67%	12%	7%	28%	-14%	
EU-SILC (OECD-ELS)	2008	natcur	17 771	3 663	1 843	7 798	-5 735	25 207
		% av HDI	71%	15%	7%	31%	-23%	

Figure 3 compares the trend in shares of public cash transfers in equivalised disposable income from the OECD reference series with the share of total cash social spending in net national income, reported from the OECD Social Expenditure database (OECD SOCX). OECD SOCX series include pensions, incapacity, family, unemployment, social assistance. Both series show similar trends throughout the period.

4. Metadata of data sources which could explain differences and inconsistencies

Definitions, methodology, data treatment

Methodological differences between the OECD Terms of References and the methodology used by INSEE on ERFS:

Children are defined as non-married children in the household, without limit of age, rather than persons below age 18, as suggested in the OECD Terms of Reference

The work status of persons is taken from data matching with the LFS and the definitions therefore are conform to LFS concepts, rather than defining "work" as having non-zero earnings as suggested by the OECD Terms of Reference)

Methodological differences between the OECD reference series based from ERFS and French results based on ERFS:

Equivalence scale: the OECD reference series (as well as the LIS series) uses the square root of household size (so does the LIS series), whereas the INSEE-ERFS series (as well as the Eurostat series) uses the OECD modified equivalence scale (1.0 to the first adult, 0.5 to the second and each subsequent person aged 14 and over, 0.3 to each child aged under 14).

5. Summary evaluation

The OECD reference series and the INSEE series (coming from the same survey) show very similar results. The OECD reference series based from INSEE-ERFS show less variation (are smoother) than EU-SILC series. This is probably due to the fact that ERFS is based on a larger sample than EU-SILC (37 000 > 13 500 households). There are, however, more differences in estimates between these series for the period of the 1990s and early 2000s, than since the early 2000s.

The main issue arising from the comparison of ERFS with EU-SILC data arises from differences in covering income taxes, in particular social security contributions. It seems that the INSEE-ERFS series therefore underestimate the volume of income taxes. This is particularly important for estimates of redistribution.

Bibliography:

Insee (2012), Revenus-Salaires - Les niveaux de vie en 2010
(www.insee.fr/fr/themes/document.asp?ref_id=ip1412)