Distributed national accounts

A Broader Approach to Inequality and Redistribution in France With a Monetary Valuation of Public Services

Mathias ANDRÉ – Insee

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INTRODUCTION
INEQUALITY AND EXTENDED REDISTRIBUTION

OLD QUESTIONS AND GROWING PUBLICATIONS ON INEQUALITY AND REDISTRIBUTION

– **Studying inequalities is old and central : Kuznets, Atkinson, Palma, Bourguignon, Deaton, Milanovic, Piketty**

– **Usual measure of inequality and redistribution is centered on wages, property and mixed income, taxes on income and wealth and social benefits in cash but also old with national accounts**

- **Accounting tables by socio-economic status in the 1950s : experimental, unique and one-shot (cf. Vanoli)**

- **Seminal work by Insee followed by OECD**

- **Word Inequality Lab compute DINA's distributing 100% of national accounts over a large set of countries (Piketty, Saez and Zucman 2018, WIL, 2021, …).**

– **Early works showed the importance of in kind transfers such as education or health.**

- **INSEE DG initiated in 2018 a French expert group on inequalities and redistribution:**

  - **set of recommendations relative to the measure of inequality and redistribution**
  - **a comprehensive micro-founded method to distributed national accounts between households**

MULTIPLE INTERNATIONAL INITIATIVES

- **SNA 2025 and SEC 2028 : upcoming obligations on Households DA**

- **Several working groups :**
  - Expert Group EG DNA (OCDE), income and consumption of S14
  - *Eurostat Task Force (TF HDA)* to implement DNA in a centralized exercise
  - Other initiatives : UNStats, *G20 Data gap initiative,* Afristat

- **Academic works following Piketty, Saez, Zucman (2018), WIL.data**

- **Also on wealth :**
  - OECD Expert group Distributional Household Wealth
  - ECB Distributional financial accounts

TWO TYPES OF DISTRIBUTIONAL ACCOUNTS, GROUNDED, COHERENT AND COMPLEMENTARY:

- **Distributed Household Sector Accounts :**
  - Concerns the household sector (S14), studies income, consumption, and savings
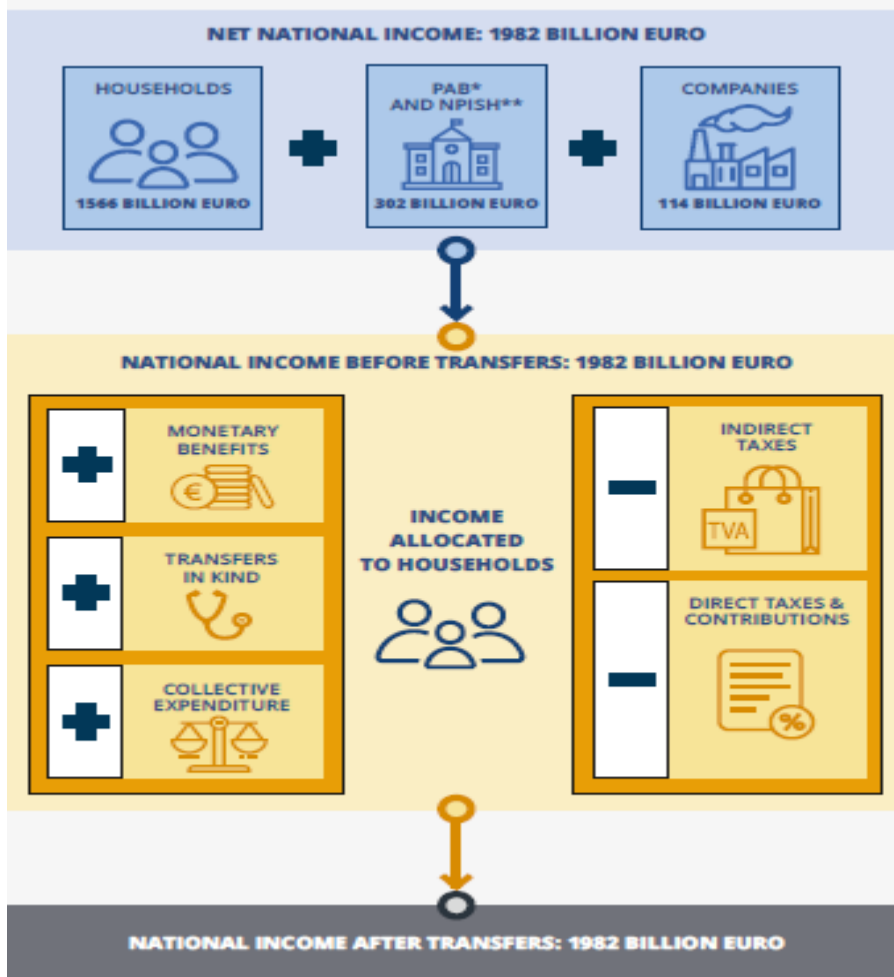 - Insee work published since 2009, by quintile, age, and occupation
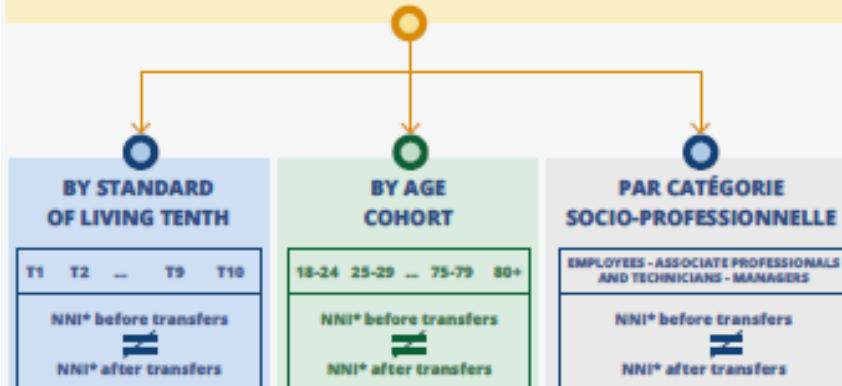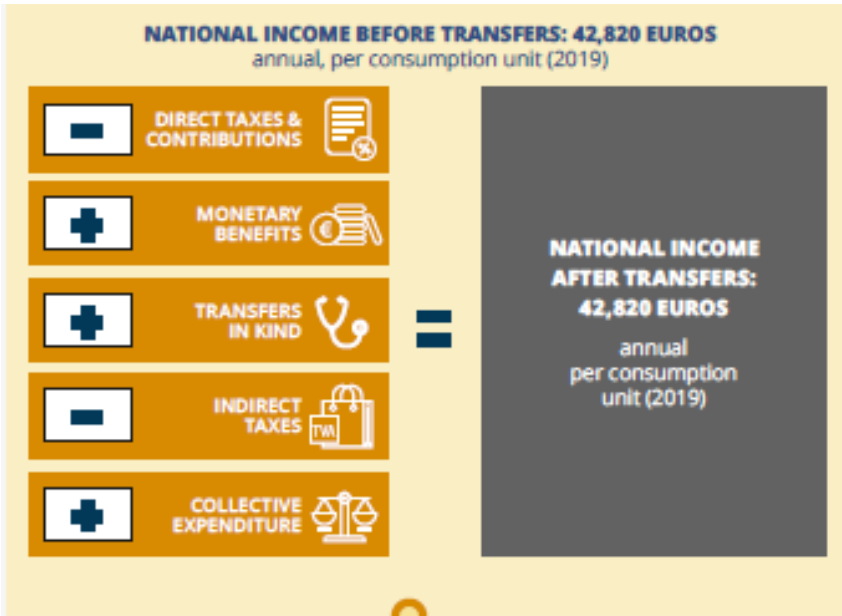
- **Distributed National Accounts :**
  - The entire NNI (S1), studies extended redistribution
  - Publication in 2021 and 2023 (on 2019)
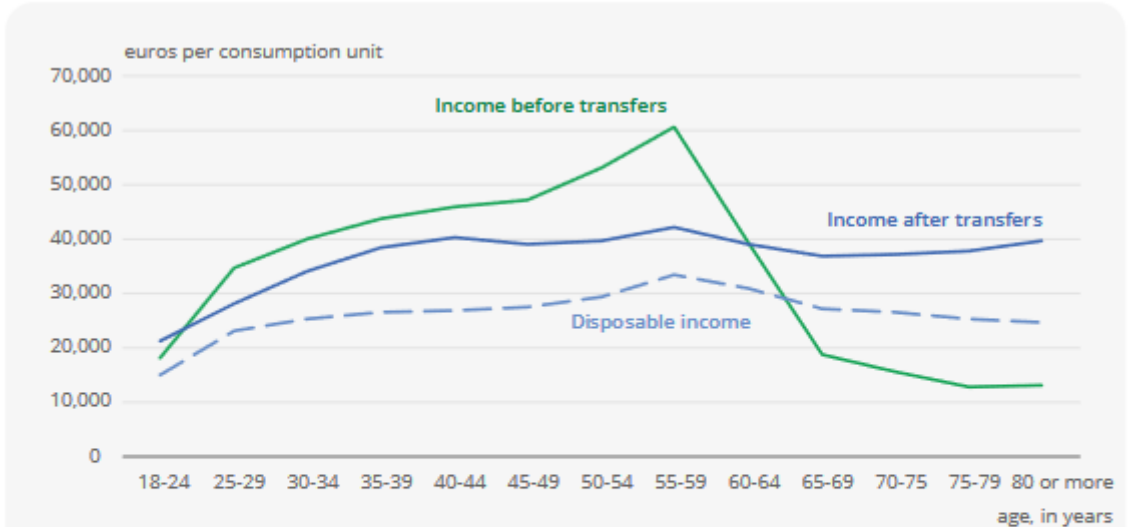 - Forthcoming 2024 on 2022 with series since at least 2018

EXTENDED REDISTRIBUTION IS EXHAUSTIVE

– **Distribution to households groups of all national income, *before* and *after* transfers, with a monetary valuation of public services**

– **Completeness : deductions *vis-à-vis* benefits, and reciprocally**

  - **Extended redistribution includes monetary redistribution**

  - **Integration into the accounting framework (SNA)**

NET NATIONAL INCOME: 1982 BILLION EURO

HOUSEHOLDS
1566 BILLION EURO

PAB* AND NPISH**
302 BILLION EURO

COMPANIES
114 BILLION EURO

NATIONAL INCOME BEFORE TRANSFERS: 1982 BILLION EURO

MONETARY BENEFITS

TRANSFERS IN KIND

COLLECTIVE EXPENDITURE

INCOME ALLOCATED TO HOUSEHOLDS

INDIRECT TAXES
TVA

DIRECT TAXES & CONTRIBUTIONS

NATIONAL INCOME AFTER TRANSFERS: 1982 BILLION EURO

NATIONAL INCOME BEFORE TRANSFERS: 42,820 EUROS
annual, per consumption unit (2019)

DIRECT TAXES & CONTRIBUTIONS (−)

MONETARY BENEFITS (+)

TRANSFERS IN KIND (+)

INDIRECT TAXES (−)

COLLECTIVE EXPENDITURE (+)

= **NATIONAL INCOME AFTER TRANSFERS: 42,820 EUROS**
annual per consumption unit (2019)

BY STANDARD OF LIVING TENTH

T1 T2 ... T9 T10

NNI* before transfers ≠ NNI* after transfers

BY AGE COHORT

18-24 25-29 ... 75-79 80+

NNI* before transfers ⇄ NNI* after transfers

PAR CATÉGORIE SOCIO-PROFESSIONNELLE

EMPLOYEES – ASSOCIATE PROFESSIONALS AND TECHNICIANS – MANAGERS

NNI* before transfers ≠ NNI* after transfers

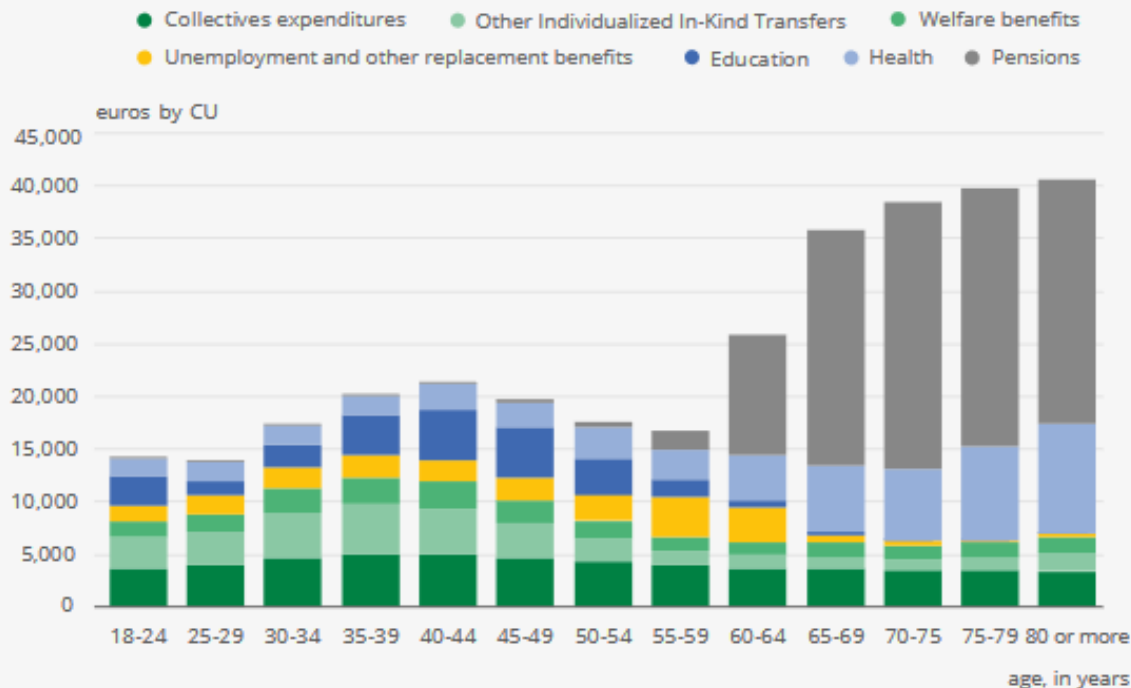## INCOME BEFORE AND AFTER TRANSFERS BY AGE :

Notes: Age of the household reference person. Retirement pensions and unemployment benefits are included in extended redistribution (and not in incomes before transfers). Income after transfers adds in-kind transfers and collective expenditures to disposable income.
Reading: The income before transfers for individuals aged 55-59 is €60,810 per consumption unit (CU).
Scope: France.
Source: Insee, DNA 2019 ; authors' calculation.

OVERVIEW OF THE RESULTS

Decomposition of Income Before Transfers by Standard of Living
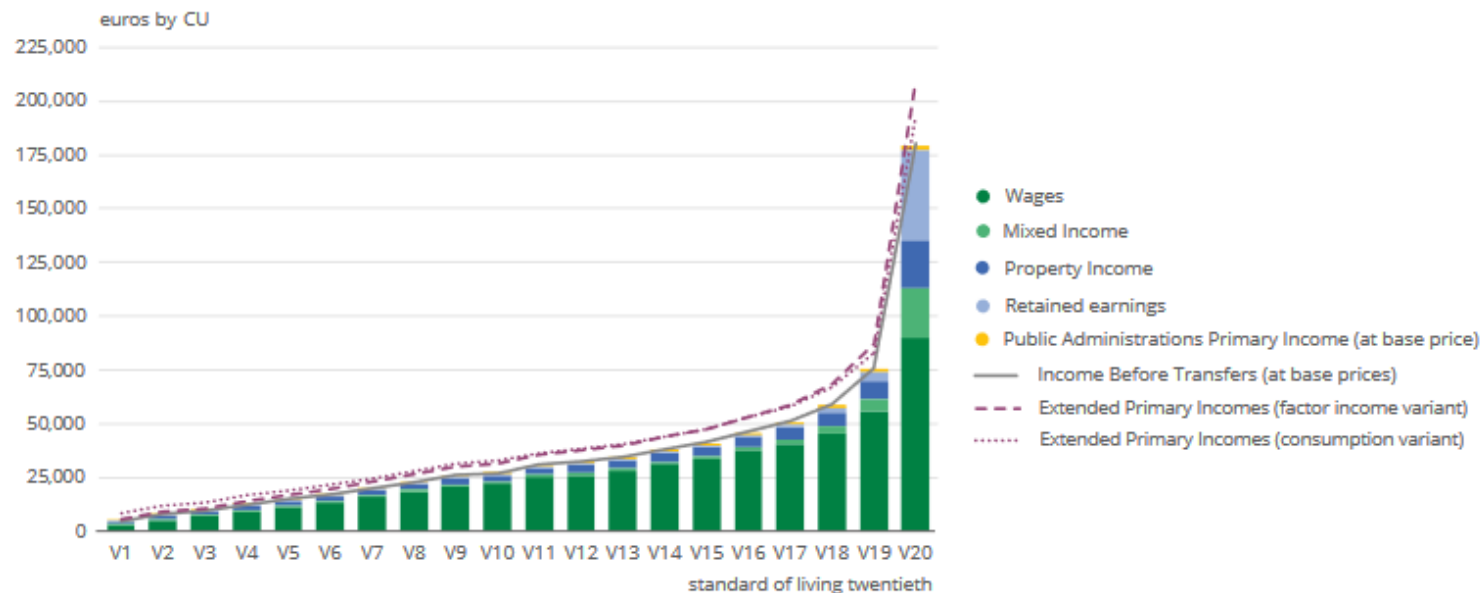
- **Before transfers :** better-off households have an income 18 times higher than poor households

- **After transfers : 3** times higher

Note: Retirement pensions and unemployment benefits are not included in the incomes before transfers (at base prices) and expanded primary incomes (at market prices).

Reading: The average income before transfers (at base prices) of the top 5% (V20) is 180,270 euros per consumption unit (CU).

Scope: France.

Source : Insee, DNA 2019 ; authors' calculation.
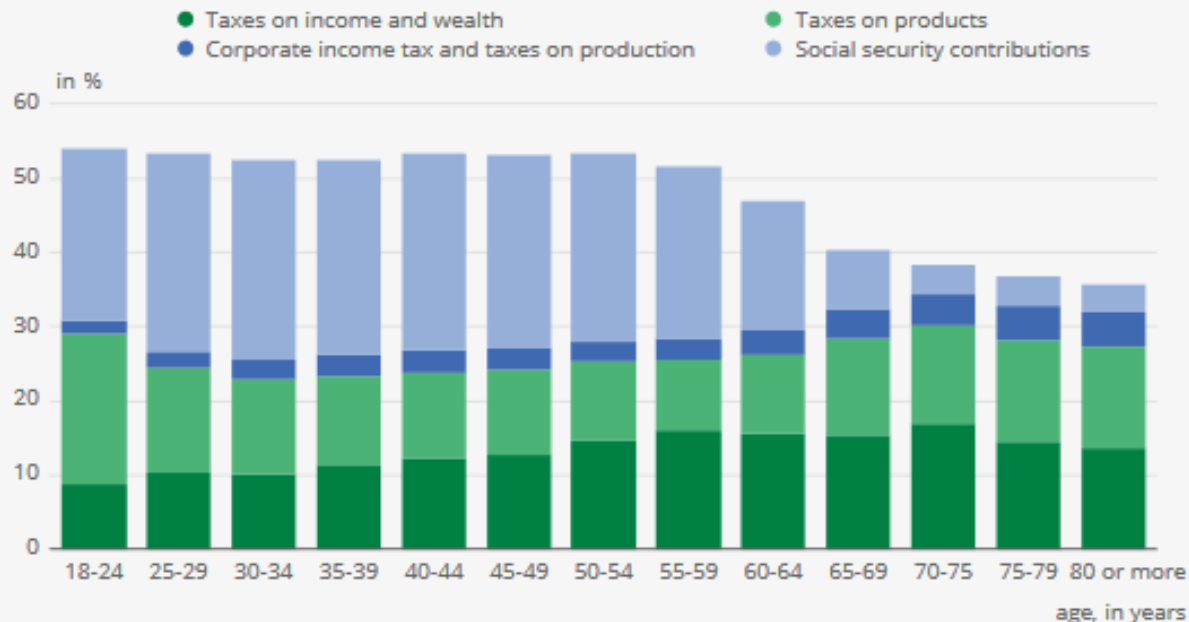
Taxes represent more than 50% of the primary income of households under the age of 60, compared to less than 40% for those over 65

Notes: Age of the household reference person. These results are also available by twentieth of the standard of living in supplementary data on insee.fr.

Reading: The amount of healthcare-related transfers paid to individuals aged 55-59 is 2,900 euros per consumption unit (UC).

Scope: France.

Source: Insee, DNA 2019 ; authors' calculations.

- Most transfers are received by households aged 60 or over due to retirement pensions and health spending

- People over 60 are the main beneficiaries of the redistribution extended to all public transfers.

Percentage of Net Beneficiaries, in %

Redistribution Without Replacement Incomes

Extented Redistribution

Usual Redistribution

standard of living twentieth

Notes: Retirement pensions and unemployment benefits are included in extended redistribution (and not in income before transfers). Redistribution without replacement incomes includes retirement pensions, unemployment benefits, and the contributions that finance them in primary income before redistribution.
Reading: Among the bottom 5% (first twentieth of usual standard of living), 98% are net beneficiaries of extended redistribution, and 94% are beneficiaries of usual redistribution.
Scope: France.
Source: Insee, DNA 2019 ; authors' calculation.

- With or without pensions (equilibrated by SSC) in the before transfers : 61% vs. 57% of net beneficiaries

- Extended redistribution is twice larger than usual redistribution

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in Gini points

Primary inequalities
- Gross Wages: +0.282
- Net mixed and property income: +0.086
- Retained earnings: +0.063
- Primary income of the public authorities (at base prices): +0.008

Transfers paid
- Taxes on Products and Production: +0.050
- Taxes on Income and Wealth: −0.028
- Social Security Contributions: +0.014

Transfers received
- Monetary Transfers: −0.098
- In-Kind Transfers: −0.131
- Collective Expenditures: −0.060
- Other Transfers: +0.006

Net impact of extended redistribution

Note: Retirement pensions and unemployment benefits are included in extended redistribution (and not in incomes before transfers).
Reading: The contribution to the reduction of inequalities from in-kind transfers amounts is of 0.131 Gini point.
Scope: France.
Source: Insee, DNA 2019 ; authors' calculation.

- (Working paper) 'Do I get my money back?': A Broader Approach to Inequality and Redistribution in France With a Monetary Valuation of Public Services, André, Germain, Sicsic (march 2023)

- (Methodology, ongoing translation) Comptes nationaux distribués – une nouvelle manière de distribuer la croissance Une expérience innovante au service du débat public, André, Germain, Sicsic (june 2023)

- (Main results) Extended redistribution, including all monetary transfers and public services, improves the standard of living of 57% of people in France, André, Germain, Sicsic (september 2023)

- **NEW RESULTS ! #STAYTUNED**
  - **Production process at Insee :**
    - **Annually produced**
    - **Close cooperation between social statisticians and national accountants**
  - **2024 Three Publications :**
    - **Analysis of extended redistribution in 2022, net disposable income profile by household categories**
    - **Focus on consumption and savings by household categories : standard of living, age, family type, diploma, PCS, rural/urban**
    - **An experimental study on « equally-weigthed growth » (by capita)**
  - **New tables : incomes and transfers by categories for 2018 – 2022**

Thank you for your attention !

insee.fr

mathias.andre@insee.fr

Expert on redistribution, National accounts Department

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APPENDIX
HOW TO ALLOCATE ALL INCOME AND PUBLIC TRANSFERS ?

RANKING OF HOUSEHOLDS

- All income and transfers are ranked by standard of living

- No reclassification ; no issues with pensions

- Other ranking by socio-demographic variables from LFS : age, diploma, family size, urban area, etc.

INCIDENCE OF TRANSFERS

- Analysis of the distribution of taxes, not the effects of a tax reform using a counterfactual (Saez et Zucman, 2019)

- The factor that pays a tax is the one whose tax amount depends on

- Ex : SSC on wages of workers, CIT on shareholders, indirect taxation on consumption of households

DISTRIBUTION WITH A COMPREHENSIVE MICRO SOURCE :

- Ines microsimulation model (matched LFS with social & fiscal administrative data), consumption data, and wealth survey : monetary income and transfers, including indirect taxation, SSC, wealth tax, and some in-kind benefit

- Allows for the distribution of around 90% of the amount of each national accounts aggregate, the rest being distributed proportionally

- Imputation for imputed rents and non-taxed capital income with econometric regression using LFS variables

- Corporate income tax and retained earnings distributed depending on received dividends

- **Education**: based on number of children and educational training (from LFS) and educational costs (from ministry of education) + reclassification of non-cohabiting students from wealthy families (ENRJ survey)

- **Health** (and mutual insurance): based on health expenditure from model OMAR from DREES (based on the Health and Welfare Survey, matched with administrative data on health insurance reimbursement)

Collective consumption:

- **Local public service (70%):** Local authority, equipment, police.

➤ Territorial distribution based in proportion to the presence of the public employees concerned in each territory ("basin de vie"), measured via the wage bill.

- **National/Non local (30%)** : defense, general administration.

➤ Lump-sum (with a sensitivity analysis proportionally distributed to income)