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Report of France on the measurement of economic performance and social progress

Note by the Secretary-General

In accordance with a request of the Statistical Commission at its forty-first session (E/2010/24), the Secretary-General has the honour to transmit the report prepared by the Institut National de la Statistique et des Études Économiques (National Institute of Statistics and Economic Studies) (INSEE) in France. The report takes stock of the main initiatives taken by France to put into effect the recommendations of the Commission chaired by Mr. Joseph Stiglitz, with Mr. Amartya Sen as adviser and Mr. Jean-Paul Fitoussi as coordinator, one year after the publication of the report. It describes both the main statistical projects undertaken and the ensuing publications, together with their significance at the international level. The Commission is invited to take note of the report.

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Report of the Institut National de la Statistique et des Études Économiques

I. Recommendations of the Stiglitz Commission

A. Mandate of the Commission

1. The Commission on the Measurement of Economic Performance and Social Progress, known as the Stiglitz Commission, was set up in February 2008 on the initiative of the President of the French Republic. It was mandated to identify the limitations of using gross domestic product (GDP) as an indicator of economic performance and social progress, to consider what additional information would be needed to give a more accurate picture, to discuss how best to present that information and to check the feasibility of using the measurement tools which it proposed. It submitted its report on 14 September 2009.[1]

B. Main lessons drawn from the report

2. Well-being depends on economic resources such as income, but also on non-economic properties of people's lives: what they do and what they can do, their appreciation of their life, their natural environment. Sustaining well-being at these levels depends on our ability to ensure that capital stocks that matter for our lives (natural, physical, human and social capital) are passed on to future generations. It is therefore important to distinguish between an assessment of current well-being and an assessment of its sustainability, in other words, of its ability to persist over time. To organize its work, the Commission was divided into three working groups, focusing on the traditional issues of measuring gross domestic product (GDP); quality of life; and sustainability, which drew up recommendations in each of these areas.

C. Twelve recommendations for the statistical system

3. Through its 12 recommendations, this landmark report calls for the sustainable reform of the entire domain of official statistics, both in France and at the international level. Following its publication, France put in place a comprehensive work programme. The first work area is concerned with short-term measures, taking information already available and applying it from a new perspective, as set out in section A of chapter II of the present report. The second area is concerned with medium-term measures which require statistical innovations (chapter II, section B) or the revision of surveys to generate new data (chapter II, section C). The third area is concerned with promoting the report and taking the necessary steps to implement it at the international level (chapter III).

[1] Available at the following address: www.stiglitz-sen-fitoussi.fr.

II. Implementation of the report's recommendations in France

A. Emphasizing the "household perspective" in national accounts

4. The Commission points out that GDP is a key measure of economic activity but that it is insufficient as a measure of economic well-being. Remaining within the framework of national accounts, it calls on statisticians to give more weight to the household perspective and to household accounting variables that give a better reflection of the production variables, the monetary components of the well-being of households (recommendations 1, 2 and 3).

5. Upon publication of the report, this recommendation was taken up by the Institut National de la Statistique et des Études Économiques (INSEE) in all its publications on macroeconomic statistics. Alongside statistics reflecting households' disposable income and consumption, increased visibility has been given to their adjusted disposable income and actual consumption, which includes expenses directly covered by the community, such as health-care and education costs.[2] In the publication on France's net wealth position, more prominence has also been given to a description of household wealth.[3]

6. A report published in *L'économie française*[4] illustrates how a simple change of perspective — from a production approach to an income approach — can change international comparisons. In terms of their per capita GDP, the major European countries and Japan are about 25 per cent below the level shown for the United States. Where their adjusted net disposable income is concerned, including income actually received by resident households and household-oriented public spending (education, health, etc.), France ranks higher than Germany, Italy and Japan and is on a par with the United Kingdom of Great Britain and Northern Ireland.

B. Statistical innovations

1. Measuring disparities between households in national accounts

7. Since 2007 INSEE has been engaged in pioneering work, at the global level, to explore discrepancies between the evolving patterns of purchasing power when calculated as an aggregate quantity and when measured at the level of households. This work is entirely consistent with the recommendations of the Stiglitz Commission, which undertakes to make comparisons between the statistical properties of "well-being" and advocates giving more prominence to the distribution of income, consumption and wealth (recommendation 4).

8. The household accounts published in the national accounts have the advantage of setting out as comprehensively as possible the income, consumption and savings

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[2] Guillaume Houriez, Vladimir Passeron and others, "Les comptes de la Nation en 2009: une récession sans précédent depuis l'après-guerre", Insee Première (IP) No. 1294, May 2010; Georges Consalès, "En 2009, la consommation des ménages résiste malgé la récession", IP No. 1301, June 2010.

[3] Nathalie Couleaud and Frédéric Delamarre, "Le patrimoine économique national en 2009", IP No. 1305, July 2010.

[4] D. Blanchet, M. Clerc and M. Gaini, "Les préconisations du rapport Stiglitz-Sen-Fitoussi: quelques illustrations". Insee Références, L'économie française, 2010 edition.

of all households within a harmonized framework that allows international comparisons. By giving the aggregate picture, it sheds light on the situation of an “average” household, but provides no information on the differences between households. INSEE household surveys, carried out at the same time as the publication of the accounts, gather individual information on income and consumption which can be used to measure disparities between individuals. These surveys can also yield consolidated results, however, that deviate from the macroeconomic aggregates. As they are sample surveys that can be affected by the response behaviour of the households surveyed, they contain a measure of uncertainty.

9. The purpose of this exercise is to beef up the macroeconomic statistics with indicators that are more individualized, but still consistent with the overall framework. Accordingly, an effort was made to cross-check the results of five major existing household surveys against national accounts. Using the information provided by the surveys, it was possible to “allocate” the total income and consumption in the national accounts according to different criteria for social and economic well-being. The criteria used were standard of living, make-up of the household, and age and social or professional category of the head of the household.

10. The initial results are particularly interesting.[5] They show, for example, that the French citizens’ average savings rate of 17 per cent of disposable income is actually derived from a zero, or even negative, savings rate of 20 per cent for the poorest households, while one fifth of the richest households have a savings rate of almost 35 per cent. Thus, where well-being is concerned, the most affluent households have much more leeway in seeking to improve their quality of life and freedom of choice. The results also shed light on the impact of private transfers between households and, to some extent, between generations. Young people who are poorer and have extensive needs are inevitably in a negative savings situation — but this situation is offset first by generation-to-generation transfers and then by other private transfers.

11. Another significant advance made possible by this empirical approach is that it takes into account transfers in kind associated with free education and public health benefits.[6] The disposable income of one fifth of the poorest households is doubled when these social transfers in kind are factored in, reducing the gap between the incomes of the 20 per cent richest and 20 per cent poorest from a factor of 5 to a factor of 3. This result demonstrates the significant impact which redistribution policies have on the incomes of the poorest.

12. These studies led to initial publications in 2009 and will continue. There are plans to add a social and economic urban-rural dimension in 2011 and to extend the breakdown to the statement of France’s net wealth position (recommendation 3) and then, in 2012, to study the evolution over 10 years of the income of the different categories of households. INSEE is also seeking to promote these studies at an international level. A task force on this issue will be set up by the Organization for Economic Cooperation and Development (OECD) in the fourth quarter of 2010. These statistical studies, which look at the household situation and analyse

[5] Maryse Fesseau, Vanessa Bellamy and Émilie Raynaud, “Les inégalités entre ménages dans les comptes nationaux”, IP No. 1265, November 2009.

[6] Sylvie Le Laidier, “Les transferts en nature atténuent les inégalités de revenu”, IP No. 1264, November 2009.

household consumption, savings and wealth in the overall framework of national accounts, while also taking into account free public transfers, are in line with the Commission's recommendations.

2. Producing indicators for the objective measurement of quality of life

13. One of the Commission's main recommendations on the measurement of well-being was the need to develop indicators of quality of life in all its dimensions, which could also yield comprehensive and holistic evaluations of disparities (recommendations 6, 7 and 8).

14. INSEE has developed objective measures of quality of life that go beyond purely material or monetary considerations.[7] They also take into account working conditions, social inclusion,[8] health and education, and insecurity, both physical and economic (such as unemployment), to produce a holistic view of the disparities. Most of these dimensions reflect recommendations of the Stiglitz Commission. This work is based on data drawn from several existing surveys, such as the statistics on income and living conditions (SILC) or the livelihood and safety survey. It should be possible to extend the analysis further in the light of future surveys.

15. Each dimension of quality of life is modelled from a list of basic binary indicators. A person does not reach a given standard of living in any one dimension if he or she is confronted by a number of problems (each measured by a basic indicator) at a level above an arbitrarily determined threshold. The various indicators are calculated at the individual level, thereby producing quality of life indicators for all possible social groups. The aggregate indicator for a given dimension is defined as the proportion of people below the threshold for that dimension. A radar chart is then used to show, in graphic outline, the position of a group of people relative to the general population.

16. These studies[9] show, for example, that 25 per cent of those with the lowest standard of living have a greater risk of encountering difficulties in each quality of life dimension. Their physical living conditions are harder than those of the general population, and they have worse health and a lower level of education. On average, they also have more difficult working conditions, lower levels of economic and physical security, less contact with other people and are more cut off from public life. Similarly, it appears that age-related effects differ depending on the dimensions considered. Younger people are better off in the dimensions of health, education and social contact, while the elderly are often less financially constrained and more involved in public life. The studies also show[10] that approaches to poverty in "monetary" terms and in terms of "living conditions" do not coincide exactly, as living conditions do not adjust immediately — or even systematically — to income.

17. Housing conditions have important social implications, including for children's education. The Commission recommends that particular attention be paid to this issue. In 2010, INSEE published a study on the disparities between

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[7] INSEE, *Objective Indicator of Quality of Life*, report prepared for the ninety-sixth conference of the Directors-General of National Statistical Institutes (DGINS), Sofia, September 2010; INSEE, "Une mesure de la qualité de vie", France, portrait social, 2010 edition.

[8] INSEE, "Qu'est-ce que le capital social?", France, portrait social, 2010 edition.

[9] INSEE, "Une mesure de la qualité de vie".

[10] "La pauvreté en conditions de vie a touché plus d'une personne sur cinq entre 2004 et 2007", Séminaire inégalités, 26 November 2010.

households in terms of housing costs[11] and another on marginal housing conditions (also to be published in late 2010).

3. Calculating the carbon footprint attributable to national demand

18. An important recommendation in the report is the need to distinguish between the assessment of current well-being and the assessment of its sustainability, i.e., the likelihood that it will persist over time. The Commission believes that it is not realistic to try and identify a single indicator for sustainability. It proposes using a single monetary indicator which focuses on the non-environmental dimensions of wealth, with a few well-chosen physical indicators to describe the status and trends of the environment. In line with the recommendations, the 15 sustainable development indicators[12] which were selected for monitoring the national sustainable development strategy include a range of physical indicators for the environmental aspects (recommendations 11 and 12).

19. A limited number of level 1 indicators are highlighted. GDP is used as an indicator of the economic and social circumstances, alongside the net national income per capita. The social dimension is more effectively taken into account with the use of indicators relating to the integration of young people in the labour market or early school-leaving.

20. Where climate change is concerned, the selected indicator is the carbon footprint attributable to final domestic demand.[13] This indicator — which the Stiglitz report favours over the ecological footprint[14] — is particularly innovative and needs to be further developed. It measures the carbon dioxide emissions generated — not by companies' production activities in a country's territory — but by the making of the products consumed by households, regardless of where they are made. In a globalized economy, this is a key indicator for assessing the overall impact of a country's consumption on the climate, which is a global public good. Attributing emissions from domestic production to final demand entails combining the input-output table (IOT) of the national accounts with the environmental accounts (in physical quantities), broken down by economic activity (following the "national accounting matrix including environmental accounts" — or NAMEA — system). Under these conditions, once all foreign trade has been taken into account, the carbon footprint of each French citizen's final demand measures 9 tons per year, while production on French soil is responsible for the emission, on average, of 6.7 tons per person.

21. These analyses go beyond the calculation of average CO_2 emissions per household. In line with the report's recommendations, they are also concerned with the diversity of the emissions, as a function of households' individual circumstances. Results showing this can be obtained by combining data on the consumption pattern of households by household type (see section A.1) with data on CO_2 emissions by major consumption area. These show[15] that the 20 per cent

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[11] INSEE, "Les inégalités des ménages face au coût du logement", 2010 edition.

[12] INSEE, *Repères: Les indicateurs de la stratégie nationale de développement durable*, 2010 edition.

[13] Ibid.

[14] INSEE, "Une expertise de l'empreinte écologique", Étude et document n°16, January 2010.

[15] F. Lenglart, C. Lesieur and J. L. Pasquier, "Les émissions de CO_2 du circuit économique". *Insee Référence*, L'économie française, 2010 edition.

richest households emit two and a half times more CO_2 than the 20 per cent poorest households. Owing, however, to structural difference in consumer baskets, the CO_2 content per euro spent is on average lower for well-to-do households than for those that are less well off.

22. There are plans to take the method used in calculating the carbon footprint and to use it to estimate France's water footprint in early 2011 and then to the footprint of other pollutants.

C. Producing new data

1. Clearer identification of the disparities

23. In response to the Commission's recommendation that more prominence should be given to analysing the distribution of income, consumption and wealth (recommendation 4), in 2010 several publications focused on an analysis of income disparities based on existing surveys, such as those on income tax and social security[16] or tax data.[17] One involved an analysis of very high incomes, another trends in the standard of living. They showed that, between 1996 and 2007, the level of the poorest households and that of the most affluent tended to rise faster than those of the categories in between. This result has the effect of matching the statistics with the sensation of increasing poverty experienced by the middle classes.

24. In order to extend the analysis of high incomes still further and to disaggregate the indicators of living standard disparities at the local levels — the department, commune and district levels — there are plans to step up observation arrangements in 2013 and at the same time to create a file for each household residing in France containing details of their tax credits and benefit payments.

25. Household assets represent an even more important source of inequality between households than income and the Commission is particularly attentive to this issue. Accordingly, in the 2009-2010 household assets survey there was a deliberate oversampling of wealthy households and questions were put on matters such as professional assets and intangible assets, in order to gain as much information as possible about "social capital" — in other words, everything to do with relationships (family relations, community life, participation in social discussions) or symbols of wealth (possession of works of art or luxury goods). The initial findings on wealth disparities and asset ownership levels will be published before the end of 2010.

26. Lastly, the tracking of unsatisfactory housing conditions, an important factor underlying inequality and poor quality of life, will be improved. The aim is to produce regular overviews of marginal housing conditions. A new survey of the homeless will be conducted in early 2012 and the protocols for censuses of the homeless population will be brought into line with this survey. Compared to its predecessors, the housing survey to be conducted in 2012 will contain far more questions on homelessness and the provision of shelter by third parties, and will also include a new section on the heating efficiency of residential housing. It will shed more light on the issues both of quality of life and of sustainable consumption.

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[16] Jérôme Pujol and Magda Tomasini, "Les inégalités de niveaux de vie entre 1996 et 2007", IP No. 1266, November 2009.

[17] J. Solard, "Les très hauts revenus: des différences de plus en plus marquées entre 2004 et 2007". *Insee référence, Les revenus du patrimoine des ménages*, 2010 edition.

2. Measuring subjective well-being

27. The Stiglitz Commission recommends that both objective quality of life and subjective well-being should be measured. To look more closely into these areas, several existing INSEE surveys have been expanded, including the SILC survey and the survey on households' time use.

28. In the first survey, since 2010 respondents have been asked about their subjective assessment of their lives in general and of some of its specific aspects (leisure, family relations, housing, work and health). Some of the households surveyed in 2010 will be sent an additional questionnaire, to gain a deeper understanding of the determinants of well-being. In the 2009-2010 time-use survey, the households surveyed are given a journal in which, over a period of 24 hours (48 hours at weekends), they record their activity every 10 minutes. In the survey, 1,000 households were asked to rate the quality of the time spent on each of their activities during the day. The initial results of these surveys should be available later in 2011 and will be published.

29. The results of the time-use survey will also be issued in 2011. They will provide elements that can be taken into account in addition to GDP when considering the domestic activities of households and will expand the range of income measures to non-market activities (see recommendation 5). Publication is planned for 2012.

III. France's involvement in international developments

30. In addition to producing national statistics, INSEE also plays a lead role at the international level with OECD and the European Union in publicizing and ensuring the implementation of the report's recommendations.

A. European sponsorship

31. The most progress has been made at the European level. INSEE and Eurostat are leading a sponsorship group in which 15 member States of the European Union have put forward proposals on ways of implementing the report's recommendations. A progress report was presented to the directors of national institutes of statistics at their meeting in September 2010 and the final report is due to be issued in July 2011. The sponsorship group is operating in a difficult environment, setting ambitious statistical goals in a context of fiscal restraint. The priorities may differ from country to country: some consider, for example, that the measurement of subjective well-being is still at the research stage.

32. For practical reasons, the sponsorship group is organized into four task forces. The first deals with issues related to the household perspective and the disparity in incomes, consumption and wealth; the second with issues of sustainability; the third with the multidimensional aspects of quality of life. Finally, the fourth task force is concerned with the conceptual framework and cross-cutting issues.

33. More specifically, the first task force is looking at which national accounts data should be highlighted in order to measure the well-being of households more accurately: household income, with or without in-kind services provided cost-free

by the Government; final consumption; or actual consumption. Based on the experience of France, it is considering which household surveys are required in order to disaggregate the household accounts by household category and to provide data on income distribution and consumption. It is also looking at the role to be accorded to household balance sheets in the programmes for the exchange of European statistics (European System of Accounts — ESA) and the need to broaden the income measures to non-market activities such as leisure and domestic work. The task force on sustainability is concerned with such issues as the integration of environmental accounts in national accounts; the link between national accounts and energy accounts; and a review of the dashboard indicators of sustainable development, with a view to strengthening its environmental component. The task force on quality of life is responsible for proposing objective indicators of quality of life based on the household surveys and relevant administrative data and combining the different dimensions. It is also required to assess disparities in living conditions and measure subjective well-being.

B. OECD

34. INSEE is also cooperating with OECD, which, outside the boundaries of Europe, is working on the application of the report to the countries of North America, and also to Australia, Japan, the Republic of Korea, Turkey and other countries. On the occasion of its fiftieth anniversary, OECD will bring out a publication on measuring progress and well-being, which will collate the data issued on this topic. It also plans to take a more detailed look at environmental accounting and the measuring of human capital stocks and intangible assets and to develop short-term indicators of living conditions from the standpoint of economic resources. An international task force led by OECD will be established in late 2010 to break down household accounts by category, building on work already done in France, and to draw up a conceptual framework linking the income, expenditure and wealth of individual households. All this will require strong leadership and coordination, in order, among other things, to harness synergies with the European sponsorship programme.

35. Lastly, in general terms, INSEE is going to considerable lengths to respond to international requests to publicize the report and the work that has already been performed. Once the report was published, INSEE drew up a communication plan to disseminate the Commission's recommendations and the progress made by the French official statistical system in implementing those recommendations. The INSEE website has a special page on issues, summarizing the work already accomplished and setting out the future agenda.[18]

36. Other countries are interested in these initiatives, including Brazil, which has invited Eurostat and INSEE to present the work of the sponsorship programme at the final meeting of the European Union-Mercosur statistical cooperation project. OECD is developing an Internet platform (Wikiprogress) for all partners and stakeholders involved in the Global Project on Measuring the Progress of Societies.

[18] www.insee.fr/fr/publications-et-services/default.asp?page=dossiers_web/stiglitz/performance_eco.htm.

Annex

Recommendations from the Stiglitz report

Recommendation 1: As part of the evaluation of material well-being, look at income and consumption rather than production.

Recommendation 2: Emphasize the household perspective.

Recommendation 3: Consider income and consumption jointly with wealth.

Recommendation 4: Give more prominence to the distribution of income, consumption and wealth.

Recommendation 5: Broaden income measures to non-market activities.

Recommendation 6: Quality of life depends on people's objective conditions and capabilities. Steps should be taken to improve measures of people's health, education, personal activities and environmental conditions. In particular, substantial effort should be devoted to developing and implementing robust, reliable measures of social connections, political voice, and insecurity that can be shown to predict life satisfaction.

Recommendation 7: Quality-of-life indicators in all the dimensions covered should assess inequalities in a comprehensive way.

Recommendation 8: Surveys should be designed to assess the links between various quality-of-life domains for each person, and this information should be used when designing policies in various fields.

Recommendation 9: Statistical offices should provide the information needed to aggregate across quality-of-life dimensions, allowing the construction of different indexes.

Recommendation 10: Measures of both objective and subjective well-being provide key information about people's quality of life. Statistical offices should incorporate questions to capture people's life evaluations, hedonic experiences and priorities in their own survey.

Recommendation 11: Sustainability assessment requires a well-identified dashboard of indicators. The distinctive feature of the components of this dashboard should be that they are interpretable as variations of some underlying "stocks". A monetary index of sustainability has its place in such a dashboard but, under the current state of the art, it should remain essentially focused on economic aspects of sustainability.

Recommendation 12: The environmental aspects of sustainability deserve a separate follow-up based on a well-chosen set of physical indicators. In particular there is a need for a clear indicator of our proximity to dangerous levels of environmental damage (such as associated with climate change or the depletion of fishing stocks).