FRANCE

POVERTY MEASUREMENT IN FRANCE

by

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I. DIFFERENT APPROACHES TO POVERTY

Different approaches are possible specially in France where there is no « Official » definition for poverty (there is an « usual » definition : half median of income per consumption unit). To schematise it can be considered that approaches are different according to answers given by each researcher to the three following basic questions :

- Will our arguments be based on objective data or will subjective angles be considered ?
- Will only the income be considered or will the consumption and more generally the various angles of living conditions come into it ?
- Are we looking for an absolute or a relative measurement of poverty ?

Definition can be :

- Objective R type approaches (based on financial Ressources) being subdivided whether they are absolute or relative
- Objective LC type approaches (Living conditions) being also subdivided whether they are absolute or relative
- SWB type approaches (Subjective well being) based on answers to subjective questions such as « from what level of income can we declare a household is well being » or « what would be the minimum income required to make ends meet » ?

The total we can get (as for households or individuals) significantly vary from an approach to an other, and moreover the typical poor profile is very different. For instance, the living conditions approach emphasises a significant proportion of poor elderly people who subjectively feel to be well off.

Not one of these approaches is really better than the others. Main characteristics, advantages and disadvantages of each proposed option can be pointed out.

- **SUBJECTIVE APPROACHES:**

They are very noticeable because they allow to differently consider two different households with the same income, nearly identical consumption, depending on the level of well being they feel to get from it.

Is this an advantage or a disadvantage ? The answer to this question depends on the ethical choices of what can be taken for allowed or not allowed with an approach of social inequalities. Discussion of the same nature will be encountered with approaches based upon consumption (expensive tastes, a.s.o...)

Do we have to consider as being not poor someone who is objectively without any financial means but is satisfied with his lot, and to the opposite do we consider as poor someone insatiable having higher incomes ?

These different approaches are used often in international studies. It is to be pointed out that results depend very much on the way the question is asked and which expressions are used.

Consumption and standard of living approaches are based on the observation of the various factors defining a household environment (accommodation, equipment), its different consumption items (food, activities, transportation ...) as well as facts that can have influence on the transition from consumption to standard of living (state of health...). Inquiries can easily measure relevant facts (or at least their money components) and reflect not only the closest present but also the past in a certain extent. They also deeply depend on the household choices as regards to its decision to either consume or save, and also between the different consumption items.

Again these different characteristics can be received either as advantages or as disadvantages depending on whether we need to measure an immediate and short-term poverty, or a recurrent poverty according to whether individual tastes as they are be considered as a relevant data.

Referring to the only income the following polar characteristics are to be pointed out: individual tastes are nearly not considered, but the incomes can strongly vary from one year to another and thus is not very relevant to establish a continuous standard of living. In addition it cannot be easily measured both through the fiscal sources and through inquiries near households : capital incomes are not well known just as incomes of self-employed. The transition from the income to the standard of living assumes that a unit of consumption system can be defined for a several person household, so that the « household size » effect be corrected. The usually used system called 'Oxford Scale' (1 for the first adult then 0,7 for the next and 0,5 for children) does not seem to be as relevant as it was at the time of its implementation. Or course results depend very much on this deflator. In France as in European community we adopt now the OECD scale (1 for the first adult then 0.5 for the next and 0.3 for children), which follows from the comparison between families with children and single persons about the transformation of fashion consumption. This equivalent scale is adopted also by EUROSTAT in their recent studies.

The real standard of living can finally be higher than expected when only considering the monetary income : the great significance of the family production and of the transfers in kind between households (assistance) have to be pointed out.The exclusion and lack of integration angle being a very important component of poverty is probably better taken into consideration with approaches different from the ones based on the only income.

- **ABSOLUTE OR RELATIVE?**

  The « absolute » approaches take as given a minimal basket of goods to be consumed to survive. The concepts of minimum living wage (defined as the minimal level of consumption for surviving) are based on eating needs, as defined by nutritionists as per sex and age, they also can explicitly include needs considered as basic (accommodation, clothing). This concept used by researchers is different from the official minima income concepts, as minimum vieillesse (minima for elderly people), and RMI (minimum income for integration). To a larger extend the minimum social income concepts include goods considered as « normal » and « obvious » by the most part of a society.

  The « relative » approaches are the ones adopted by researchers in France (and also INSEE and EUROSTAT) and assume that as soon as incomes are unequal there are cases of relative poverty. The distribution foot defines poor even if the lowest income in the society is high enough allows to obtain the minimal consumption basket.

  The « absolute » approaches suffer from the normative nature of the basket definition that is more and more embarrassing since the account of the only food consumption is wandered (and even on that point agents differ). They are considered as not very adequate to a developed society.

  The « relative » approaches suffer from the arbitrary nature of the threshold kept (1/2 average, ½ median, 40% of the average, 40% of the median ...) and can explain that if we consider the income definition problems, together with measurement and calculation of consumption units problems we could get and estimation of the total number of poor varying from 4 millions to over 9 millions people in France. The widely accepted definitions lead to consider as far as income is concerned a proportion of a little bit more than 10% of the households which corresponds to a total number of persons between 4.5 and 5.5 millions of poor.

II. RELATIONSHIP BETWEEN POVERTY MEASUREMENT AND DEFINITION OF INCOME

  With the definition of the equivalence scale (here it is the Oxford scale) the calculation of the number of poor households or individuals depends in a large extend on the type of income considered.

  As integration in the poor household category depends on a relative factor (the half-median) there is no mechanical relation between neither the average level of income even nor the poverty point and the total number of individual or households counted as being poor. In addition, it will be noticed that slight variations in terms of households can prove to be higher in terms of individual : thus the transition between available money income (after tax) and extended income does not alter very much the total number of poor households (+2.9%) but does notably affect the total number of poor individual (+17.5%).

The various thresholds can vary by 14% according to whether we consider property incomes or not. It can be interesting to locate these different thresholds compared with the social minima covered by the law. It can be noticed that the thresholds defined in terms of half-median income per consumption unit are covered by the legal minima. The SMIC when it is considered as being the income of one individual is over the poverty threshold. But if we consider a two children family, the SMIC made up with family benefits remains very much under the poverty threshold. The same two children family receiving two SMIC will get out of poverty. The RMI is lower that the poverty threshold but to the opposite the MINIMUM VIEILLESSE[1] levels quite well these money thresholds. Consequently the Minimum Vieillesse directly affects the relative poverty of the elderly.

It is to be noticed that this measurement has been calculated from inquiries made near « ordinary » households and by definition do not take into consideration the extremely poor emerging population with no fixed address. This population is estimated at about 2 or 3 hundred thousands people.

III. SOME IMPORTANT RULES OF POVERTY MEASUREMENT IN FRANCE

The 6 recommendations about the measure of Poverty .

1. Make better measure of some kind of income like wealth's income, Transfers between family members, social transfers, alimonies ....
2. Include wealth in the income's definition (fictive loans for owners, both interest (imputed and received)
3.   Chose equivalence scale adapted to actual consumption

for example : - Modify unit consumption $m = 1 + 0.35 * (n-1)$
- different Scales based on the nth power like $m = \mathrm{sqrt}(n)$
or $m = (\text{nadult} + 0.7* \text{nchild})$ to the power of 0.6
where nadult : number of adult in household
nchild : number of children in household
- OECD scale describe before.
4. Chose the permanent income despite the instantaneous income (use of Panel data should allow it).
5. Study of non cash components of the standard of living like family production, subsistence farming, potential income, income including individual public expenditure, social benefits in kind.

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[1] The social minima implicitly use equivalence scales : for instance concerning the minimum vieillesse if we consider a couple, the second recipient receive 80% of the benefits allowed to the first. When considering the RMI the second personn of the household receives 50% of the amount received by the first one and the third one receives only 30% of this amount.

6. Replace the poverty rate by poverty indexes (which verify monotony axiom and transfer axiom)   like :
   - poverty intensity
   - measure inequality between poor people (i.e. Sen index, Foster index ...).

   The interpretation of these indexes is not easy for non statisticians (and sometimes for them).

IV. SOME RESULTS ON THE MONETARY POVERTY IN FRANCE:

In 1994, 10% of the households are counted as being poor as they have a standard of living at their disposal lower than the half median of the total population. This poor households percentage is overall the same than the one observed in1984 ; however poverty of the youngest households is increasing. This instant measurement has to be completed with the dynamic poverty study. A household panel follow-up during two consecutive years shows a very important mobility either with inputs or outputs. On the other hand this panel does not allow yet to isolate pockets of poverty lasting on several years or the recurrence of poverty for a household.

The income definition chosen to calculate a poverty threshold has a great consequences on both the number and more specially the structure of the poor populations. Thus if we consider the money assistance between households, the poverty ratio decreases poverty specially amongst the youngest households. Considering property of the main home the resulting monetary benefits always favour the elderly (the most part of them own their home) over youngest households, the working class, large or single parent families.

Poverty development favours retired people over the labour force households.

POVERTY DURABILITY AND DEVELOPMENT:

Cross-section surveys entitle both a diagnosis of instant poverty (as of the survey date) and an analysis of these diagnosis developing with the time. It would be necessary to consider the same households or the same individuals chosen within a panel during several years in order to be able to appreciate the real poor population development. Then the risk of remaining or becoming poor could be evaluated and the poor population changes could be measured between different dates.

Only two surveys, in France, have been worked in this direction. The first one uses surveys made near the households from 1987 to 1994 regarding overall economic situation. The second one has been worked from two different waves for the European community household panel (1993 and 1994). Panel data of the same type have already generated surveys of the same nature in various foreign countries (USA, Belgium, Luxembourg ...) as well as in « Lorraine » where a regional panel data had been collected between 1985 and

1990. However the main problem using a few numbers of panel waves is the occurrence of interference linked by errors which appears on income measures. This is not a problem easy to resolve because it makes transition in poverty very hazy.

An other estimate of the poverty mobility characteristics during two running years can be calculated with the two first waves of the European household panel. An individual poverty rate will be generated as of each date from this representative panel : a person will be declared as poor when the household income is lower than the half median standard of living. From the data it will be noticed that the individual poverty rate has a value close to both the one of the rate got with the households and the results obtained from the overall economic situation surveys.

WITH AN ECONOMIC RECESSION PERIOD THE POVERTY EXIT IS RARE

The total poverty mobility measured with the rotation rate in overall economic situation surveys does not really change between 1987 and 1994. But inequalities between poor and not poor households increased by the end of the 80s in probability terms.

INCOME ADJUSTED TO FICTITIOUS RENTS: CONSEQUENCES ON THE POVERTY MEASUREMENT

Considering a same unit per consumption income the situation of households can be very different depending on whether they are owners of their accommodation or not. Thus an estimate is carried out for the incomes adjusted to the fictitious rents.

Transition to the adjusted income increases the number of poor for the youngest, the working class and large and single parent families.

V . OTHERS APPROACHES DEVELOPED AT INSEE

1. In continuation of Atkinson-Bourguignon's analysis about the link between demography and poverty conception, Chambaz and Maurin (INSEE) have studied the poverty development using general sequential comparisons procedures on household's distribution income from 1977 to 1994.

2. The next studies at INSEE will be concentrated on individual poverty and not on household poverty. This direction is imposed by the recent increasing of the number of homeless persons.

VI . Some selected poverty statistics

Table 1. **Poverty rates according to reference person's activity (%)**

	1984	1989	1994
Poverty rate based on corrected wealth's income per unit consumption			
Total household	10.4	9.6	9.9
labour force	9.9	9.9	11.4
retired	11.5	9.0	6.9
Poverty rate based on declared income per unit consumption by household in family expenditure surveys			
Total household	9.9	8.8	9.2
labour force	8.7	8.8	10.1
retired	12.5	8.7	7.3

Table 2. **Thresholds of poverty and minimum legal income**

	Thresholds[1]	SMIC	Minimum vieillesse[2]	RMI[2]
Amount (francs 1994)				
1984	36 101	54 857	37 401	-
1989	37 452	55 958	38 487	27 682
1994	39 801	58 577	38 323	27 576
Ratio of annual average rate (%)				
1989/84	0.8	0.4	0.6	-
1994/89	1.2	0.9	-0.1	-0.1
Global ratio (%)				
1994/84	10.2	6.8	2.5	

1. Poverty line at <50% of median equivalent income (income before taxes with correction of under evaluation of wealth's income)
2. For one person

Table 3. **Low household's standard of living's according to socio economic group**

Socio economic group of the reference person	Number of households	Household poverty rate (en %)			Breakdown of poor households (%)		
	1994	1984	1989	1994	1984	1989	1994
ALL	**23 155 880**	**10.4**	**9.6**	**9.9**	**100**	**100**	**100**
Farmers	414 615	35.9	31.2	25.6	9	8	5
Craftsman	584 999	15.1	16.7	12.0	4	5	3
Traders	398 059	17.3	11.6	16.1	2	2	3
Employers, managers, private professional	2 579 329	0.8	0.7	1.6	1	1	2
Employees	2 753 217	6.0	5.7	10.4	7	7	12
Skilled workers	3 343 829	10.2	9.0	11.4	17	16	17
non skilled and farm workers	1 143 754	18.6	22.4	27.7	12	13	14
Retired farmers	760 956	26.8	19.0	20.3	9	7	7
Retired non farmer self employed	783 753	16.1	16.5	9.1	5	5	3
Retired managers	2 185 663	1.2	1.5	0.2	1	1	0
Others Retired wage-earning	3 515 459	10.8	7.5	6.2	16	12	10
Others non-working population	1 578 176	25.8	29.0	31.8	15	21	22
from which :							
Students	362 710	57.5	48.9	60.0	5	8	10
Non-working population less than 60 years old	502 036	26.1	30.8	31.8	6	7	7
Non-working population more than 60 years old	659 629	14.6	16.2	14.5	4	5	4

Table 4 : **Without student's households : impact on poverty rate**

socio economic group	Poor household rate (%)		
	1984	1989	1994
ALL (without student's household)	10.0	8.9	9.1
Other non-working population	20.5	23.3	23.4

Poverty line at <50% of median equivalent corrected income per Oxford consumption unit
Source : Enquêtes Budget de famille, INSEE

Graph 1   : **Poor person rate per age**
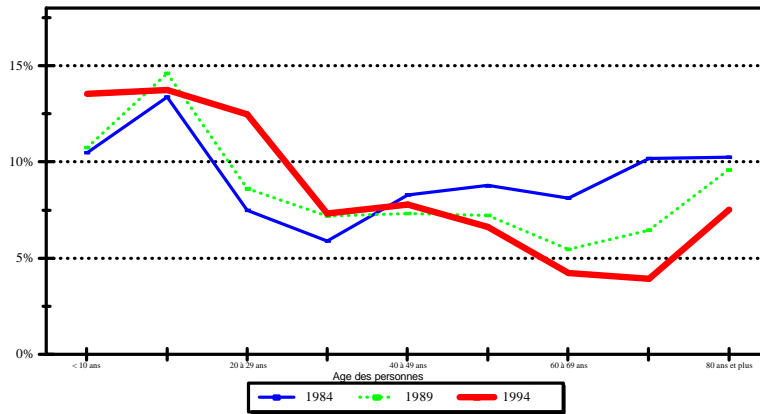
Poverty threshold: 50% of median equivalent corrected income per Oxford consumption unit
Source : Enquête Budget de famille, revenus corrigés, INSEE

Table 5 : **Monetary poverty rate of the households according to their composition (%)**

Type of household	Poor household rate			Poor household rate (Without student's households)		
	1984	1989	1994	1984	1989	1994
ALL	**10.4**	**9.6**	**9.9**	**10**	**8.9**	**9.1**
Single person						
60 years old or less	8.3	9.0	11.9	5.8	5.3	7.8
Over 60 years old	11.0	9.2	7.6	11.0	9.2	7.6
Couple without children						
60 years old or less	4.5	4.3	5.7	4.1	4.2	5.3
Over 60 years old	11.6	8.2	5.4	11.6	8.2	5.4
Couple with children						
1 child	6.4	5.9	7.1	6.4	5.9	7.1
2 children	8.4	8.6	9.5	8.4	8.6	9.5
3 children and over	22.6	21.0	19.7	22.6	21.0	19.7
Single parent family	13.8	20.4	20.5	13.8	20.4	20.5
Others	15.0	11.4	14.3	15.0	11.4	14.3

Poverty threshold: 50% of median equivalent corrected income per Oxford consumption unit
Source : Enquêtes Budget de familles, INSEE

Table 6 : **Transition of the household from poverty to non poverty between 1987 and 1994 (%)**

Period	Poverty exit rate (%)	Poverty entrance rate	Rate of Turnover
From 1987 to 1988	55.8	6.0	11.8
From 1988 to 1989	50.2	6.8	11.4
From 1989 to 1990	49.1	7.5	12.2
From 1990 to 1991	45.8	7.0	11.2
From 1991 to 1992	45.8	6.1	11.1
From 1992 to 1993	39.8	6.1	10.6
From 1993 to 1994	44.8	5.9	11.1

Source : Enquêtes de Conjoncture auprès des ménages, 1987 à 1994, INSEE

Table 7: **Transition of the individuals from poverty to non poverty between 1994 and 1995 according to age (%)**

individual age	Poverty rate for 1994	Transitions between 1994 and 1995 Poverty exit rate	Poverty entrance rate	Rate of turnover
ALL	**15**	**36**	**6**	**10**
Below 20 years old	22	31	7	13
From 20 to 29	17	43	6	13
From 30 to 39	13	41	5	10
From 40 to 49	11	30	5	8
From 50 to 64	11	40	5	9
From 65 to 74	7	34	4	6
75 and Over	11	50	9	13

Source : Panel européen des ménages, INSEE Vagues 1994 et 1995

Table 8 : **Transition of the individuals from poverty to non poverty between 1994 and 1995 according to household composition development (%)**

Development in composing the household from which the individual comes	Percentage of concerned persons	Poverty rate for 1994	Transitions between 1994 and 1995		
			Poverty exit rate	Poverty entrance rate	Rate of turnover
No change within the household between 1994 and 1995					
Single person below 60	4.1	13	35	4	8
Single person over 60	4.5	9	57	6	10
Single parent family	5.6	26	32	7	14
Couple without children	18.3	7	29	4	6
Couple with 1 child	15.0	9	49	4	8
Couple with 2 children	21.3	10	51	4	9
Couple with 2 children or over	16.3	30	25	12	16
Other households	1.2	22	38	14	19
Change within the household between 1994 and 1995					
Moving in couple	1.1	23	45	12	19
Couple with an additional child	3.3	14	19	7	9
Couple with one child less	4.4	22	45	3	12
Couple -> single person	1.2	8	(82)	9	16
Couple -> single parent family	0.8	25	25	20	21
Single parent family with one child less	0.6	23	(54)	3	14
Other changes	2.3	31	40	12	20
All	**100**	**15**	**36**	**6**	**10**

Source : Panel européen des ménages, INSEE Vagues 1994 et 1995

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