

Making ends meet: Getting and spending in 2001 by older people in France and the USA

Charlotte Muller, Ph.D., Senior Economist, and
Oleg Volkov, Ph. D., Senior Research Associate
with research assistance by Sivia Naimer and Di Han

Making ends meet: Getting and spending in 2001 by older people in France and the USA

Table of contents

Executive summary

Recommendations

Introduction

Older households' budgets in France and the US

Annexes:

- A. Household income and expenditure in France
- B. Household income and expenditure in the US
- C. Statistical tables

Making ends meet: Getting and spending in 2001 by older people in France and the USA

Charlotte Muller, Ph.D., Senior Economist, and
Oleg Volkov, Ph. D., Senior Research Associate
with research assistance by Sivia Naimer and Di Han

EXECUTIVE SUMMARY

Interest in household incomes and expenses has a long history in social survey research. Today longer lives pose financial challenges for older persons trying to maintain a comfortable level of living in the face of uncertainties regarding pensions, investment values, health care costs, and employment possibilities. Public policy makers and private sector organizations should take advantage of the opportunity afforded by household budget studies to obtain a closer understanding of the ways in which older households manage to stay afloat economically and the degree to which they retain an acceptable level of parity with society as they age. International comparison is valuable in this context, for countries can learn from each other's approaches to protecting older age groups against marginalization and enabling them to share in economic progress.

The present report on older households in France and the USA, which is one of few reports providing some basis for evaluating the living standards of the elderly, comes from the project "Household Incomes and Expenditures of the Elderly", which is part of the research program of the Alliance for Health and the Future. This project was intended to perform a comparative study of budgets of older households in the all countries included in the Alliance for Health and Future research program.

While comparisons of income and expenditure per household are useful for some purposes, other bases are needed, since household size and composition affect both total income and expense and the distributions of these totals among major components, and, in particular, for the present project, since retiree households tend to differ in size and composition from economically active households. Accordingly, we have taken as the basic unit in much of the analysis the international concept of consumer unit, which converts a second adult or a minor child to an adult consumer equivalent (See *infra* for details). However, when making comparisons involving national GDP statistics, values received or spent per person in the household are used because GDP per capita is used by international agencies.

We select for comparison the households of retirees, who generally draw their main income from social security and pensions, with those of employees (wage and salary workers), whose main source of income is earnings from a job. This allows us to examine

how pensioners fare relative to the socioeconomic group from which they have generally withdrawn at pensionable age.

The absolute amounts, or levels, of income and expenditure, of retiree households are indicative of their access to consumer goods and services. Many factors may influence these levels - their work histories and other variables in their past, as well as current social programs, health status, and so forth. And, of course, the overall economic level of the country is a major factor.

In 2001, the GDP per capita in France was in current US dollars around \$22,000 or in purchasing power parities around \$26,000 compared with around \$35,000 in the US. It is not surprising, therefore, that French retirees have lower absolute income levels than USA retirees. However, the share of French retirees in the country's overall resources is actually greater: their per capita income is equal to 60% of the GDP per capita, compared with 43% for US retirees. And both their gross income and their disposable income (after obligatory payments) are similar to those of employees. By comparison, income of US retirees is much less than that of employees (gross income – 63%; disposable income – 69%). Thus the difference in relative economic status of worker households between France and the US narrows when workers retire from their primary job.

The term “retiree” today does not necessarily signify total withdrawal from the world of paid work, however, and this is a matter of great interest as countries ponder solutions to pension shortfalls and risk of poverty with the extension of life expectancy. Data in household budget surveys allow us to calculate the percent of retirees' total income derived from paid work even in the absence of strong national initiatives to increase their economic participation.

Here we have a pronounced difference between the two countries. In both countries, pensions and annuities dominate as sources of total household income for retiree households – 73% in France and 70% in the US. The US retirees' proportion from paid work is 60% higher than that of French retirees, a finding in keeping with the practice of early retirement in France, possibly reinforced by legal restrictions on work for hire in one's previous occupation. In neither country is this proportion very large, but in France the earnings share in retiree household income is only 13% as large as the earnings share for employee household, compared to 17% in the US. These levels reflect, in addition to labor force participation rates, the numbers in full or part-time status, plus skill levels and related wage rates.¹

Although investment income accounts for a relatively small percent of retiree households' income in both countries (about 8%), the fluctuations and dramatic reversals that are known to occur in capital markets are not inconsequential for older households. Financial assets may occupy an essential niche in an accustomed living pattern or as a reserve for emergencies. Hence, the market risks to which investments may be exposed

¹ While relatively few pensioners work during retirement in France, skill levels are relatively high. See: C. Muller and K. Knapp, *Productive Engagement: Job Skills of Older Workers*, Research Report. New York: Alliance for Health & the Future at the International Longevity Center-USA. 2004.

and the accountability of investment managers should not overlooked in forecasting and social planning.

Many factors (e.g., income level and price structure) may enter into the distribution of spending among categories of consumption. Trends in consumption patterns have changed the importance of transportation, leisure, and health care. French retirees have shared in the protection against health care costs available to the entire population, and spend out of pocket (in dollar equivalents) only half as much as US retirees on medical care. In 2001 (per year and per consumer unit), retirees in France spent on medical care \$1,092 (of which 42% or \$459 was for health insurance), while retirees in the USA spent on medical care \$2,333 (of which 51% or \$1,184 was for health insurance).

Other developments such as higher energy prices have raised housing costs of French households. Older households in France on average save considerably more than their peers in the United States.

As attention to prolonging work life grows, the household budget survey can be informative as to the impact on individual households of various initiatives intended to expand opportunities, maintain a work-ready older labor force, and prevent poverty. The survey can also help in assessing for what ages extended work life can be expected to have a substantial role in achieving economic security.

Finally, increased attention by national statistical offices to combining budget data on older households with data on labor activity of household members, time use, and household composition would help in exploring how a changing work outlook for older persons may translate into consumption levels and how out-of-pocket health care costs may affect consumption patterns and saving – information relevant to various social policy decisions.

RECOMMENDATIONS

Budget surveys are a potentially valuable source for understanding needs and coping in the era of longevity, especially in sharing this understanding across national boundaries. Micro data of censuses and surveys contain data on personal characteristics that can be tested in multivariate analysis for association with household revenue and expenditure patterns of older persons and often allow for following age cohorts over time within a country. Yet for international comparisons, reports of budget surveys, which present grouped data, are more accessible and their utility could be increased if more classification by certain characteristics were shown in published tabulations.

And although underlying micro data of surveys may contain exact age, disaggregating by narrow (10 or even 5 year groups) age intervals after 65 in published reports is still very irregular while it has become more necessary as longevity takes hold in many countries, with rapid growth in age groups after 75. It would be valuable, too, if budget information were shown together with data on economic activity rates and part-or-full time status, earning levels, disability, time use, and housing. Some of the relationships that might be useful in interpreting money income and expenditure patterns are discussed below.

HOUSEHOLD SIZE. In international statistics, a larger household is recognized as a factor reducing living costs per capita, chiefly because shelter becomes a “collective good” shared by household members. This lies behind the lower weight given to a second adult in a consumer unit in budget studies as mentioned earlier in this report. Critical to this reduction is the ability of the larger household to devote time to devise and create substitutes for market purchases. Yet this influence may vary in direction and magnitude depending on the reasons behind variations in household size, which may be different for the older population.

For younger age groups, the comparison often centers on single individuals entering into marriage. For older groups, however, the larger unit may be a couple in a marriage of long duration, with a substantial inventory of household goods, or the result of a disabled parent moving in with an adult child, or vice versa (in which case caregiving may compete with homemaking as a use of time, resulting in lower economies of scale than in a household without disability), or currently single adults combining residences and sharing resources. The household consisting of one older person may be a never-married, divorced, or widowed individual.

TIME AS SUBSTITUTE FOR MONEY. How household roles and duties are shared among occupants of one dwelling is of consequence for ability to maintain a satisfactory living standard with reduced income in older age groups. Thus, eating meals at home, which does increase in frequency with age, substitutes preparation time for cash outlays on restaurant or take-out meals, even though it may be prompted by diet or mobility restrictions (and not by a tight budget). A variety of other tasks, such as laundering, mending, cleaning, home repair, and gardening are available as market services if not

performed by households. Capacity for home production depends on individual skills, physical powers, motivation, and available time.

PAID WORK AS ALTERNATIVE USE OF TIME. Because of this last ingredient, time allocated to paid work by those older persons who continue in the labor force reduces time for other activities, including home-centered duties that would make a given amount of money income go further toward protection of the household's living standard. It would be desirable to ascertain how significant (how long, and how productive) the time previously spent in home services has been and how much it is cut down by work schedules.

The increase in continuous labor force participation of women in industrialized countries is not necessarily reflected in longer work life after conventional retirement age today. In married-couple households women generally spend more time than men on housekeeping. These patterns should be studied over time to evaluate whether longer work is associated with externalizing household functions – that is, transferring more functions to the marketplace. Additionally, work-related expenses such as appropriate clothing, transportation, and eating away from home, may blunt differences between younger and older households as work life stretches out into the 70's and even beyond for more residents, and may affect increasing numbers of older women.

TURNING POINTS IN OLDER AGE GROUPS. A matter of considerable interest for decision makers in the various sectors of society is to look for changes in the critical ages at which shifts in income and expenditure patterns occur, including a fall in earnings as a percent of income and a change in the effect of income or educational level on a consumption item's importance. Older persons, in addition to working more years, may continue to engage in travel and other activities longer than was usual in past decades if onset of major disabilities is delayed by medical innovations and new knowledge of prevention. Also, in meeting health needs, they may be able to use ambulatory care longer owing to greater preservation of mobility. (In addition, special public transportation for seniors may enlarge their activity range.) Thus earned income, leisure spending, and medical care of the older population may have a changing age trend.

We have noted a number of areas that interact with potential findings of budget surveys and in which social policy decisions may be on the horizon or should be encouraged. Relationships suggested by grouped data can be amplified and confirmed by microanalysis, and findings from smaller studies using micro data can be compared with data from budget surveys and other national sources. Observation of international differences can stimulate discussion and research and help guide action.

INTRODUCTION

The present report on budgets of older households in France and the USA comes from the project entitled “Household Incomes and Expenditures of the Elderly” at ILC-USA, which is a part of the research program of the Alliance for Health and the Future (AHF), a partnership of the International Longevity Centers of France, the UK, and the US. Interest in the relation between household incomes and expenses and the composition of household budgets has a long history dating back to the 1800s. Today older workers approaching their retirement as well as retired persons are concerned with the financial realities facing them. Will they need more money than they had planned for to cover steadily increasing costs of medical care and other necessities? Will pensions, social benefits and other available resources allow them to live comfortably throughout the retirement years?

The implications of household finances are relevant to public policy formation regarding the age of pension eligibility, the job opportunities that are needed for older workers, and the future of consumer markets. Public concern with protecting women against the risk of poverty to which they are exposed in many social environments is particularly relevant to the status of widowhood, since personal histories of widows are likely to contain more years in childbearing, childrearing, and other domestic tasks than in gainful employment.

Large-scale statistical information on social and economic characteristics of older persons and their households is increasing in volume as longevity and population aging spread around the world. At the same time, the expansion of the older population, combined with longer life expectancy, mean that more variation in individual histories, current resources, and needs not only is possible but also can be reliably measured given the larger population. Furthermore, from the perspective of social equity, marginalization of the older population is a continuing threat as past achievements in creating retirement security are being questioned in many countries at different economic levels. It is important to understand the extent to which retirees share in the economic advances and resources of their country of residence.

Household budget surveys show that people’s habits regarding getting and spending income change slowly. If we take, for example, expenditure patterns of the 1970s, 1980s, and 1990s, and that of today, we observe few differences in these patterns calculated as aggregates for all households in a country. But variations between subgroups may be substantial. Not many years have elapsed since studies recognized only two categories of older persons – the work force after retirement age and their spouses. The UN Statistics Division recommended before the 1990 World Population Census Round that 5-year age groups be also distinguished for age groups 65+ for population censuses and household surveys. The first point of interest was labor force participation, but it was followed by other activities of household members. At present, many countries follow this recommendation.

This report provides comparisons of elderly households' incomes and expenditures between France and the US in 2001. Detailed time-series of the national data are given in annexes. This report examines differences 1) between retiree households and the employee subgroup of economically active households in the general population, and 2) between age groups in the population aged 65+ years.

While national budget surveys differ in the extent of detail covered on area of residence and other variables that contribute to budget differences within the population, they do provide a tool for exploration of country differences in the position of older households.

The AHF project covers 12 countries: Canada, Czech Republic, France, Germany, Greece, Italy, Poland, Russian Federation, Spain, Sweden, United Kingdom and the United States. Longevity trends have created many older households whose members are relatively free of disability and disease, and are or can be productively engaged in society. Yet there are issues that demand society's attention as it adjusts to extended life expectancy – such as the degree of parity of older persons' living standards with the general population, financial burdens of health care, and strengthening the contribution of earnings to household income. International comparisons based on household budget surveys can call attention to both differences and similarities in the conditions of living and means of making ends meet that prevail among older households.

This report from the HIES project draws information on selected topics from national surveys in France and the US for 2001. It starts with a brief comparison of the latest available data on incomes and expenses of elderly households in France and the US. We discuss total income and expenditure figures expressed in current US dollars (in 2001 1Euro=\$0.8956=FF6.55957)² compared with purchasing power parities (also expressed in current US dollars), and then examine distributions among income sources and expense items expressed both in U.S. dollars and as percents of total income and expenses of households. The dollar totals are useful for comparing the level of living (higher in the USA) as a background to the analysis. By showing income and expenditure items as percents of their respective totals, we can identify the salient features of household budgets in each country. More detailed analysis of household budgets follows, in national currencies (French francs and US dollars, respectively).

Another aspect of interest today is what constitutes a household, given that traditional family forms are yielding place to many variations. If there is no family relationship via blood, marriage, or adoption, the UN standard is that a non-relative is considered to be a

² The use of purchasing power parities (PPP) is considered as a more accurate method of comparison than the market exchange rates since the latter do not necessarily reflect the relative purchasing power in different countries. PPPs show how many units of currency are needed in one country to buy the same amount of goods and services which one unit of currency will buy in the other country. However, the PPP method is not free from errors and weak points. Individual items are sensitive to the reference periods, method of compilation and calculation, coverage, social programs and economic policies of different countries. Here we show totals in PPPs (text Table 1-2 as well as some other in this report) and percentage distribution of components being studied. For more information, see *National Accounts, Main Aggregates, Volume I, issued annually by the Organization for Economic Cooperation and Development (OECD)*, Paris, France.

household member if a definite social or legal arrangement (such as being an employee) exists and the person shares some responsibility for the household's expenses. This is a contemporary issue because of the formation of many non-traditional households, stimulated by marriage dissolutions, singleness and alternative lifestyles, and economic advantages of combining resources for daily living.

The household³ is the basic unit of measurement in these studies, but we also make extensive use of information on consumer units for reasons discussed below. The consumer unit is an artificial yardstick based on an adult consumer equivalent. The "old" Oxford scale is the method most commonly used to calculate it. In the Oxford scale, the value 1.0 is given to the first adult (family head, reference person), 0.7 is applied a spouse and any other adults, and 0.5 is given to a dependent child (many countries specify the upper limit as age 14). While the text most often refers to statistics based on consumer units, our tables generally present statistics per household and per person as well.

Many researchers adopt this method to obtain a finer comparison than is provided by spending per household or per person (member of a household). For example, consider three 3-person households: The first consists of a lone parent with two children, the second, of a couple with a child, and the third, of 3 adults living together. These types differ as to income resources and expenditure patterns (children, non-elderly adult females, and elderly tend to consume less than non-elderly adult males). They also have different numbers of earners and thus vary as to income. If we divide all variables in question by 3.0 the picture could be distorted. To simplify the comparison, following the recommendation by EUROSTAT we show income and expenditure in these households per consumer unit. For the first household there will be 2.0 units ($1.0 + 2 \times 0.5$), for the second, 2.2 units ($1.0 + 0.7 + 0.5$), and for the last, 2.4 units ($1.0 + 2 \times 0.7$). While this is a convenience in international comparisons, later in this report we note the need to reconsider the reduced weight allotted to a second adult in view of women's changing activity levels and associated consumption needs and time constraints.

OLDER HOUSEHOLDS' BUDGETS IN FRANCE AND THE US

Since the programs of household budget studies in France are not the same as in the US, it is possible to compare only a limited number of income and expenditure components, age groups, and status in employment categories. Those aged 60 years and over number 12.1 million persons or 20.5 % of the total population of France (5.2 million males and 6.9 million females) [March 2000]. In the US those aged 60+ number 43.2 million persons or 15.6% of the total population (18.9 million males and 24.3 million females)

³ The US Consumer Expenditure Survey (CEX-2001) uses the term "consumer unit", but its definition corresponds to the unit called "household" in other countries and in US publications these two terms are used interchangeably. *Consumer unit* is defined as members (one or two or more persons) of a household related by blood, marriage, adoption, or some other legal arrangement who share responsibility for at least 2 out of 3 major types of expenses – food, housing, and other expenses. "*Consumer Expenditures in 2001*". (page 6). Report 966. U.S. Department of Labor, Bureau of Labor Statistics, April 2003.

[March 2001]. We select for analysis households whose reference person is aged 65+ years, and two subgroups - 65-74 and 75+ years. We also sort households by status in employment [not classified by age groups], which enables us to compare households of retired persons with those of unretired (active) wage or salary earners (employees).

In this report, we start with age 65 rather than age 60 to study budget differences among older households by age. The main reason is that national budget studies in both countries do not show separate data on age 60-64 but use the category 55-64. In France, retired persons aged 60-64 make up a significant portion of the group aged 55-64 – but only 385,000 persons of both sexes out of 2,700,000 aged 60-64 are in the labor force. This is related to the use of age 60 in France as a normal age of retirement both legally and in practice.

In France, there were 10.5 million persons receiving government pensions [retraités], of whom 10.1 million are retired persons aged 60+ (4.9 million males and 5.2 million females)⁴ and 0.4 million are aged 50-59 and are mainly recipients of invalidity benefits and the like. In addition to these 10.5 million retirees, 510,000 persons aged 60+ years are economically active (275,000 males and 236,000 females) [March 2000 data from ILC-USA's ESOP database].

In the US, social security retirement benefits are not available until 62 and employment is much more common after that age than in France. Sixty-five is the age of eligibility for full benefits, and pensions, social security, and railroad retirement benefits together constitute the main source of income of 39.6 million persons aged 65+.⁵

In France, the National Institute of Statistics and Economic Studies (INSEE) has carried out a series of family budget studies (BdF - “Budget des Familles”, and, since 1995, BdM – “Le Budget des Ménages” [households]): they were annual from 1965 to 1972, and then periodic in 1979, 1984-85, 1989, 1995, and 2001 (the latest one available at the time of our study). Information is collected from a sample of families, based on the latest census, that represent the *non-institutional* (instead of this internationally recommended term some countries use “household” or “community-dwelling”) population of France. The BdM-1995 and BdM-2001 provide detailed information on income by source and expenditure by item. We use also abbreviation HBS (Household Budget Survey) to refer to the 2001 survey.

Despite their long history, the previous surveys focused on the breakdown of family expenses and on the income side showed gross income only. INSEE states that income was often underestimated since not all surveyed households reported on this item and those reporting omitted such important receipts as social security allowances and medical care reimbursements; this may have been the justification for the absence of income components from previous survey reports.

⁴ *Enquête sur l'emploi de mars 2000. Résultats détaillés.* (Tableau PT03, page 49).

INSEE Résultats, No. 708-709. EMPLOI-REVENUS, No. 165-166, Juillet 2000. INSEE, Paris, France

⁵ *Statistical Abstract of the United States: 2002.* The National Data Book. 122nd Edition.
Table No. 513 (based on Current Population Survey – March 2001).

**Table 1-1. Annual budgets of all households and those with householder aged 65+:
US and France, 2001 (in current US dollars; 1 Euro = \$0.8956 = FF6.55957)**

Variables	France – 2001			I	USA – 2001		
	Household	Consumer unit	Person		I Household	Consumer unit	Person
1) Gross income							
All households	28,013	14,666	11,576	48,891	25,597	19,325	
65+ years	20,839	14,372	12,707	28,870	19,639	16,982	
65-74 years	21,958	14,542	12,692	33,184	21,002	17,797	
75+ years	19,198	13,912	12,466	23,480	17,393	15,653	
Retiree	22,733	14,858	12,990	25,788	17,543	15,169	
Self-employed	37,169	16,374	11,800	55,362	27,961	21,293	
Wage/salary earner	31,805	15,145	11,359	56,718	27,940	21,007	
2) Gross expenditure (non-consumption plus consumption)							
All households	26,835	14,050	11,089	42,439	22,719	16,774	
65+ years	17,763	12,250	10,831	28,828	19,611	16,658	
65-74 years	20,109	13,317	11,624	33,586	20,861	17,677	
75+ years	15,103	10,944	9,807	23,721	17,571	15,814	
Retiree	19,797	12,939	11,313	27,681	18,831	16,283	
Self-employed	35,732	15,741	11,343	52,792	26,663	20,305	
Wage/salary earner	31,138	14,828	11,121	47,373	23,336	17,546	
3) Disposable income (after all deductions)							
All households	23,503	12,305	9,712	42,234	22,112	16,693	
65+ years	17,536	12,094	10,693	26,598	18,094	15,646	
65-74 years	18,220	12,066	10,532	30,655	19,040	16,134	
75+ years	16,396	11,881	10,647	22,166	16,419	14,777	
Retiree	19,554	12,780	11,174	24,061	16,368	14,154	
Self-employed	30,302	13,349	9,620	45,089	22,772	17,342	
Wage/salary earner	27,108	12,909	9,681	48,475	23,879	17,954	
4) Consumption expenditure *							
All households	22,506	11,783	9,300	34,524	18,075	13,646	
65+ years	14,928	10,295	9,102	24,974	16,989	14,691	
65-74 years	16,821	11,140	9,723	28,987	18,004	15,256	
75+ years	12,766	9,251	8,290	20,673	15,313	13,782	
Retiree	16,574	10,833	9,470	24,454	16,635	14,381	
Self-employed	28,370	12,498	9,006	40,491	20,450	15,573	
Wage/salary earner	26,153	12,454	9,340	37,882	18,661	14,030	

* - In France data on health insurance, drugs and medical supplies were not collected

Sources: Annex Tables 1, 2, 3, and 4

In the US, consumer expenditure surveys date back to 1888. For about a century the CEX has been conducted annually. The Diary and Interview components of the CEX use independent samples representative of the U.S. population. The current CEX program, in use since 1980, is now under revision. In this report, we analyze data from HBS-2001 (France) and CEX-2001 (US). Some elements from earlier national studies are also included. For comparability, data in HBS-2001 given in Euros were converted to current US dollars.

A. WORKING AFTER “RETIREMENT AGE”

In France, persons born before World War II tend to retire 6 to 10 years after age 60; the younger generation tends now to retire earlier, even at age 50. Among those aged 50-54, there are 80,000 retirees, and at 55-59 there are 425,000 retirees in all [See: *Enquête sur l'emploi de mars 2000*. Tableau PT03]. About 75% of workers aged 60+ are in the age group 60-64 years (males, 73%; females, 79%), suggesting possible sources of increase in the older labor supply, especially for women.

Among older workers, in France, the largest industrial categories are as follows: 1) social, communal, and personal services, 2) agriculture, and 3) commerce, hotels, and catering. While in the past these categories were considered suitable for older persons because of diminished physical demands, the relatively low earnings in these industries compared to some other branches of the national economy (e.g., banking and finance, manufacturing) hold down the share of earnings in the total income of older workers.

In the US, the number of active workers aged 65-69 is about half as large as the number in the work force at 60-64. Those who continue to work after 65 are employed, as a rule, in their previous industry and occupation, where length of their service and work experience may be important assets to their employers. The earnings of these active workers are an important income source and constitute about 40% of the average income of households in that age group. The largest industrial categories where older workers are found are: 1) communal, social, and personal services, 2) commerce, hotels, catering, and 3) manufacturing [See: *Current Population Survey, March 2001*].

CONSUMPTION HIGHLIGHTS

ALL HOUSEHOLDS

Total (gross) income and expenditure [Annex Tables 1 and 2]

An average household in the US (all ages) has an annual gross income of \$48,900 and spends about \$42,400. In France, these figures are \$28,000 and \$26,800, respectively (or 57% and 63% of the US amounts). Using the PPP method, in which the US data is taken as a basis⁶, data for France will be 21.7% higher, i.e., gross income = \$34,100, total expenses = \$32,700 (67.7% and 77% of the US amounts, respectively). For all households in France, gross income per consumer unit is \$14,700 and total expenses are \$14,100. In

⁶ U.S. Census Bureau, *Statistical Abstract of the United States: 2003*. Table No. 1334.

the US, these amounts are \$25,600 for income and \$22,700 for expense. Data for France expressed would be \$17,900 and \$17,100, respectively.

Disposable income and consumption expenditure [Annex Tables 3 and 4]

In France, deductions from income (direct taxes and non-tax payments to pension funds and various insurances) are relatively larger than in the USA (16.1% versus 13.6% of total income, respectively). Based on this difference in addition to the lower level of gross income, disposable income is \$12,300 per consumer unit in France compared to \$22,100 in the US, as well as consumption expenditure is \$11,800 in France compared with \$18,100 in the US. Data for France expressed in PPPs would be \$15,000 and \$14,300, respectively.

Major components of consumption expenditure [Annex Tables 6-9, 13-14, 22-23]

Traditionally, basic needs consisted of housing, food and beverages, and clothing and shoes. Today the list is enlarged, and transportation and medical care have become major consumption elements. Some researchers would add leisure and entertainment to this list. In comparing components we used percent distributions (which are the same per household, consumer unit, or person) plus absolute values for expenditure categories calculated per consumer unit.

Six major categories are used to classify consumption expenditures (For details, see Annex Tables 6-9, 13-24 and 22-23): 1) housing (with 3 subcategories besides shelter: furniture and household goods, utilities, and household personal services), 2) food and beverages, 3) transportation, 4) medical care, 5) recreation, and 6) other expenses (with 6 subcategories including clothing and shoes). Taxes, insurance payments and other financial services are incorporated into various consumption categories; important examples are shelter, which includes property taxes as well as repayment of mortgage principal, and transportation, which includes auto insurance and taxes on gasoline.

Housing is the largest consumption component in both countries (accounting for more than one third of the total for all households). Americans spend a much higher percent of their housing outlay on shelter, which includes out-of-pocket expenditure for rent, maintenance and repair services, property taxes (in France, this includes dwelling tax), mortgage interest and charges for owned dwellings and other lodging.

Transportation is the second largest category of consumption spending of all US households, coming before food and beverages (22% and 15%, respectively). In contrast, French households allocate 20% of total consumption to food and beverages, and transportation costs (17% of the total) occupy third place. US households have larger outlays on food and beverages consumed away from home, which could be due in part to differences between the two countries in the classification of these expenses. This is also true for spending during leisure trips. The US Consumer Expenditure Survey differs from France and other countries in handling vacation spending: meals during vacation are counted as part of food expense: hotels, as shelter; and travel, as transportation. In

France, however, all these expenses are classified with leisure (vacation) and this diminishes the amounts presented for food away from home, total food and beverages, and transportation.

Medical care and clothing (including shoes) are also important basic needs. Medical care, in several population categories, accounts for a larger share of consumption than clothing and shoes (appearing as “apparel and services”) in both countries.

RETIREE HOUSEHOLDS/ ALL HOUSEHOLDS

Analysis of total annual consumption expenses per consumer unit shows that retiree households spend as much as the average for all households. (On a per capita basis, their spending even exceeds the average for all ages in both countries.) However, the composition of expenditure is different for older age groups, and there are important inter-country differences in the relation of consumption patterns to age.

Retired persons’ households allocate to housing a slightly smaller proportion of their consumption spending than all households. As between France and the US, the big difference is that the French retirees put a larger proportion of their housing spending into furniture and other household goods and utilities and less into shelter. .

Older persons allocate a smaller percent of their consumption budget to medical care in France than in the US. In France, “big-ticket” expenses (hospitals, medical treatment, and nursing homes) are reimbursed by social security or mutual insurance or other private insurance schemes. French national compulsory health insurance (NHI), funded through contributions proportional to income, covers about three fourths of the total medical costs of the entire population legally residing in France. While co-payments are imposed, beyond of modest level of health care expenditure, for all major diseases, drugs, visits to doctors, dental prostheses, and eyeglasses, French patients are exempt from any co-payments when they use French physicians who agree not to engage in extra billing.

Most of the population has complementary insurance, covering about one eighth of the total spending on medical care and supplies, “that resembles coverage for US Medicare beneficiaries. In contrast to Medicare, however, the French NHI coverage increases when a patient’s costs increases; there are no deductibles; and pharmaceutical benefits are extensive”⁷. In the US, Medicare is just started to cover some of the older population for some of its medication costs.

Every ten years INSEE carries out a special “Health survey” (in 1960, 1966-pilot, 1970, 1980 and 1991-92), one of whose aims is to estimate actual medical care expenses of the population. This survey collects information on costs of medical services provided by doctors and other health care specialists and institutions, the number, duration, and cost of stays in hospitals, surgeries (number and cost), type of social protection (social security, mutual and private insurance schemes), morbidity and health status, number of

⁷ Michael K. Gusmano, Victor G. Rodwin, Daniel Weisz. *A New Approach to Comparative Health Systems Analysis: Avoidable Hospital Conditions in Manhattan and Paris*. July 11, 2005. ILC-USA

bedridden days, and loss of activity. This information is then compared with BdF and BdM data as well as with the National Health Accounts published annually by the Ministry of Health.

From these investigations we find that out-of-pocket expenses of a household on medical care amount to about one third as much as the medical costs incurred by the French government. Households (all ages) pay only 2% of hospital charges; the rest is covered by medical insurance, as are 70% of the costs of ambulatory services and 56% of the costs of prescribed medicines. Retiree households spend 36% more money on medications than the average for all households although the proportion of their total household spending going to medications is the same (21%). Their spending on doctors and tests (25% and 28%, respectively) is lower than the proportions for all households.

The next sections of Part I include comparisons 1) of retiree households with those of employees, and 2) of households with householders aged 65-74 versus 75+. Part I concludes with an analysis of surplus or deficit positions of households by age of householder.

B. COMPARISONS OF RETIREES AND EMPLOYEES: FRANCE AND THE US (Re: Tables 1-3 to 1-7 at the end of Section B)

In the following section, retiree households are compared with households of active wage and salary earners (employees) in each country, and France and the US are compared with respect to the position of retirees relative to active workers in each country. Unless otherwise specified, the comparisons refer to consumer units. A household may have one or more consumer units. For a person living alone, the household consists of one consumer unit; for other configurations, see the Introduction.

INCOME

Share in GDP

While absolute amounts of income and consumption of retiree households in France are generally lower than in the US, their share of the country's overall resources is actually greater owing to established social programs. The households of French retirees have per capita income equal to 55.6% of the GDP per capita, compared with 42.0% for US retirees. [2001 data] (For all households, in contrast, the comparison is favorable to the US – France 50%, US 54%). Note that using the PPP method the values are the same.

Gross Income

In France gross income of retiree households is similar to that of employees, but US income reported by retirees is only 63% of the income of employees. While French retirees' income is 85% of that of US retirees the difference between the countries is greater for active workers – those in France receive only 54% of the income of US

workers. Thus the difference in household incomes between the countries narrows when workers retire from their primary job.

Deductions

Deductions as a percent of gross income of French retirees are 2.1 times as high as those of US retirees. However, for active workers, deductions are similar between the two countries. The French deductions include contributions under the national health insurance program.

Table 1-2. Ratio of household income per capita to the GDP per capita, all households and retiree households: US and France, 2001 (in US dollars, PPPs and percents)

Variables		USA	France
Population (mid-year)	(millions)	285.4	59.6
GDP - total	(billion of dollars)	10,020	1,320
GDP - per capita	(dollars)	35,045	21,505
GDP - per capita	(in PPPs)	35,045	26,179

Annual gross household income (per capita):

All households	(dollars)	19,325	11,576
	(in PPPs)	19,325	14,091
	<i>as % of per capita GDP</i>	<i>55.1</i>	<i>53.8</i>
Retiree households	(dollars)	15,169	12,990
	(in PPPs)	15,169	15,813
	<i>as % of per capita GDP</i>	<i>43.3</i>	<i>60.4</i>

Sources: 1) *Population and GDP (total and per capita)* - U.S. Census Bureau, Statistical Abstract of the United States: 2004-2005 (124 Edition). Washington, DC. December 2005.

2) *Annual gross household income* - CEX-2001 (USA) and BdM-2001 (France).

Disposable Income

French retiree households have a level of disposable income (gross income after deductions) similar to that of employees, as is the case for gross income. Again, in the US the retirees fare less well relative to employees, having only 69% of the amount at the disposal of employees.

Major Sources of Income

a) Labor income

For US retirees, the proportion of income from work is 60% higher than for French retiree households, which is consistent with the practice of early and complete retirement in France.

In France the share of labor income in retirees' household budgets is only 13% of the share of labor income for employees. In the US the share for retirees relative to the level for employees is slightly higher (17%). The levels reflect not only labor force participation rates but also full versus part-time status and wage rates.

b) Pensions and annuities

Pensions and social benefits together account for 73% of the total income of retiree households in France, while earnings provide only 10%. In the US, comparable figures are 70% and around 16%. Social benefits are a separate income category in France but the average amount for retirees is small, and employees derive some income from this source as well. In the US only a small percent of employee income is derived from pensions and social benefits.

GROSS EXPENDITURES

CONSUMPTION

France and the US differ in the allocation of household consumption budgets among various categories of items. Although the share of housing is about the same for retired and employee households (33-34% of total consumption) and for the two countries, there is a notable international difference in expenditure on transportation, which has taken an increasing share of consumption budgets. The transportation share is higher in the US than France for both retirees and employees (19% versus 14% for retirees; 23% versus 17% for employees).

In looking at retiree and employee households, we note that the principal difference in consumption between them within each country is medical care spending. But the difference is larger in the US: in France retirees spend 10% of their consumption budget on health care compared with 5.6% for employees, while in the US the difference is 14% versus 5%. Deductions from gross income support retiree health insurance in France and replace (unreimbursed) out-of-pocket expenditure at the time of service to a considerable extent.

Food and beverages are important in retiree budgets in France, more so than in those of active workers, whereas there is no difference between the two groups in the US. Most of the food and beverage spending of French retirees is on meals eaten at home (87% compared to 61% in the US), which may enable them to keep their food costs down for a given level of food quality.

Table 1-3. Annual gross income per capita of retiree households as percent of per capita GDP: France and the US, 2001 (in PPP and current US dollars; 1 Euro=\$0.8956=FF6.55957)

<i>Per Capita</i>	US dollars	US dollars	PPP (in \$)	PPP (in \$)
Variables	All households	Retiree households	All households	Retiree households
France 2001				
Total income	11,576	12,990	14,091	15,813
% of per capita GDP	53.8%	60.4%	53.8%	60.4%
USA 2001				
Total income	19,325	15,169	19,325	15,169
% of per capita GDP	53.5%	42.0%	53.5%	42.0%
France/USA	59.9%	85.6%	59.9%	85.6%

Table 1-4. Annual gross income and expenditure of retiree and employee households: France and the US, 2001 (in current US dollars)

Income

Per household

Country	All households	Retiree HH	Employee HH	Retiree/Employee
France 2001	28,013	22,733	31,805	71.5%
USA 2001	48,891	25,788	56,718	45.5%
France/USA	57.3%	88.2%	56.1%	

Per consumer unit

Country	All households	Retiree HH	Employee HH	Retiree/Employee
France 2001	14,666	14,858	15,145	98.1%
USA 2001	25,597	17,543	27,940	62.8%
France/USA	57.3%	84.7%	54.2%	

Expenditure

Per household

Country	All households	Retiree HH	Employee HH	Retiree/Employee
France 2001	26,835	19,797	31,138	63.6%
USA 2001	42,439	27,681	47,373	58.4%
France/USA	63.2%	71.5%	65.7%	

Per consumer unit

Country	All households	Retiree HH	Employee HH	Retiree/Employee
France 2001	14,050	12,939	14,828	87.3%
USA 2001	22,719	18,831	23,336	80.7%
France/USA	61.8%	68.7%	63.5%	

Table 1-5. Annual gross and disposable income of retiree and employee households, and deductions from gross income: France and the US, 2001 (in current US dollars)

Per consumer unit

Household types	Gross Income		Disposable Income		Percent of income deducted for payment obligations*	
	Retiree HH	Employee HH	Retiree HH	Employee HH	Retiree HH	Employee HH
France 2001	14,858	15,145	12,780	12,909	14.0%	14.8%
USA 2001	17,543	27,940	16,368	23,879	6.7%	14.5%

* Includes personal and other taxes, contributions to pension funds, social security, and insurance schemes

Table 1-6. Sources of gross income for retiree and employee households: France and the US, 2001 (in current US dollars)

Per consumer unit

Country	France 2001		USA 2001	
	Retiree HH	Employee HH	Retiree HH	Employee HH
Annual gross income (in \$)	14,858	15,145	17,543	27,940
<i>In percents of gross income (total = 100.0)</i>				
Labor	9.8	74.8	15.6	92.4
Pensions, annuities	68.6	1.7	70.4	2.9
Social benefits	4.1	8.5		
Property, investments	7.7	2.5	8.0	1.0
Indirect receipts	9.8	12.5	1.4	0.7
Other sources			4.6	3.0

Table 1-7. Distribution of household consumption across major categories for retiree and employee households: France and the US, 2001 (in current US dollars)

Basic items of consumption as percent of total consumption

Per consumer unit

Consumption categories	France 2001		USA 2001	
	Retiree HH	Employee HH	Retiree HH	Employee HH
Total (in \$)	10,833	12,454	16,635	18,661
of which:	(in percents of total consumption; total = 100.0)			
1. Housing	33.0	34.4	33.3	34.9
2. Food & beverages	22.5	19.9	15.4	15.3
3. Transportation	14.2	17.4	18.8	22.9
4. Medical care	10.1	5.6	14.0	5.0
5. Recreation, leisure	7.3	7.4	5.8	6.1
6. Other expenses	13.0	15.4	12.7	15.9

Ratios

Consumption categories	Retiree/Employee France 2001	Retiree/Employee USA 2001
Total	87.0%	89.1%
1. Housing	83.3%	85.2%
2. Food & beverages	98.5%	89.9%
3. Transportation	71.0%	73.1%
4. Medical care	155.5%	252.2%
5. Recreation, leisure	86.6%	83.8%
6. Other expenses	73.3%	71.4%

C. COMPARISONS BY AGE OF HOUSEHOLDER: 65-74 VERSUS 75+ IN FRANCE AND THE US (Re: Tables 1-8 to 1-11 at the end of Section C)

With longevity and the growth of the older population worldwide, diversity is to be expected in a group of such large numbers and representing a wider range of ages. Budget data allow for study of the association of behavior, resources, and needs of older persons with age. This section focuses on how household finances are related to age within the older population.

Comparisons by age are different from comparisons in the previous section between pensioners (retirees) and wage or salary earners (employees). The retirees, being more widely distributed across a range of ages, are at various stages of capacity for work, activity, and self-care. Their financial condition also varies depending on the time since their exit from the work force and the length of their exposure to personal contingencies. In the older population in the US, those over 75 are less likely to have earned income, their reserve of savings may have shrunk, and they are more likely to have one-person

households and increasing health needs. Some of this is also true in France, but one would expect fewer differences in earnings with age owing to early retirement, and health care costs are differently financed in France. Tables 1-8 to 1-11 show the differences between households with householder aged 65-74 and those with householder aged 75 or more, with regard to gross income and expenditures, obligatory (tax and non-tax) deductions from gross income, and disposable income. They also show age differences in percent of income from each major source and distribution of expenditures among major categories. We use consumer units as the basis to control for household size.

In the US, 13.4% of persons aged 65+ years are in the labor force. In France, labor force participation in this age group is only one-tenth as large (1.3%). This contrast is reflected in the proportion of the gross household income derived from paid work after 65. In the US, this was 27.7% for those aged 65+ (36% for 65-74 years, dropping to 14.6% for 75+.) In France, comparable figures for these age groups were 7.4%, 9%, and under 4%, respectively. In the US there is a substantial drop in disposable income (\$2,600) after age 75, which amounts to 86% of the all-household level before 75 and 74% after 75. But in France there is hardly any change after that age. While this suggests less separation of older people from the general society in France than in the United States based on economic level, and living standards, especially after 75, consumption figures tell a rather different story. In the age group 65-74, annual consumption in the US is \$15,300 or 112% of the all-households level. In France, the comparable figure is \$9,700 or 105% of the all-age average. In both countries there is a substantial drop in consumption spending after 75. One may look to physical limitations reducing leisure spending as a factor in this, especially in France, where income is maintained after 75. (More detailed information is given in Annex Tables 3, 4, 10 to 12, and 19 to 21).

We identify, for each country, those budget variables, measured per consumer unit, which show a substantial drop after age 75, defining substantial as 10 percentage points or more. Since GDP per capita and personal incomes in France are lower than in the U.S. we do not compare absolute amounts, but instead use percents of income or expenditure.

In France, as shown in Table 1-10, the percent of income derived from earnings falls off by 58 percentage points after age 75. It is this variable which, although small in money terms, shows the most contrast between age 65-74 and 75+. Non-consumption deductions as a percent of gross income fall by 14 percentage points and consumption expenditures decline by 18 percentage points. Among consumption categories the drop in transportation (40 percentage points) is notable and recreation also falls.

We also examine increases in budget variables after 75. In France there were increases of under one-tenth in the percent of income derived from pensions and in food and beverage outlays as a percent of consumption spending. In the US the increase in dependence on pensions as an income source was much more pronounced – the proportion of income from pensions rose over one-third, and there was a rise almost as large in the percent coming from investments. The proportion of consumption going to medical care also rose by about one-third. The changes in the US budgets of older people are undoubtedly related to the reduced economic activity after 75.

The comparison of health care expense for the younger and older group after 65 is complex because some types of health care services are less important or increase less rapidly (ambulatory visits), others more so (hospital days, long-term care)⁸. Also, the risk of leaving the community-dwelling population increases after 75. In the US, in 2002, the proportion of health care expense going to drugs and supplies rises from 28.8% at 65-74 to 33.7% at 75+ years [Table 125]; ambulatory visits rose with age from 679.3 per 100 persons per year to 818.3 [Table 154]. In 2001, days of hospital care rose with age from 1450 per 1000 persons per year at 65-74 to 2734 at 75+ years [Table 162]. While Medicare increased its outlays in the 5 years, 1996-2001, private health insurance outlays rose more rapidly [Table 162] and after 75 the expenditure of older persons on health insurance was only slightly (4%) less than at 65-74 [Table 125].

Table 1-8. Annual gross income and expenditure of households with householder aged 65-74 and 75+ years: France and the US, 2001 (in current U.S. dollars; 1 Euro=\$0.8956=FF6.55957)

Income

Per household

Country	All households	Age of householder		Ratio
		65-74 yrs	75+ yrs	(75+)/(65-74)
France 2001	28,013	21,958	19,198	87.4%
USA 2001	48,891	33,184	23,480	70.8%
France/USA	57.3%	66.2%	81.8%	

Per consumer unit

Country	All households	Age of householder		Ratio
		65-74 yrs	75+ yrs	(75+)/(65-74)
France 2001	14,666	14,542	13,912	95.7%
USA 2001	25,597	21,002	17,393	82.8%
France/USA	57.3%	69.2%	80.0%	

Expenditure

Per household

Country	All households	Age of householder		Ratio
		65-74 yrs	75+ yrs	(75+)/(65-74)
France 2001	26,835	20,109	15,103	75.1%
USA 2001	42,439	33,586	23,721	70.6%
France/USA	63.2%	59.9%	63.7%	

⁸ Statistical Abstract of the United States: 2004-2005 (the 124 Edition). Washington, DC. December 2005. Tables 121 (1996-2001 data), 125 and 154 (2002 data), and 162 (2001 data).

Per consumer unit

Country	All households	Age of householder		Ratio
		65-74 yrs	75+ yrs	(75+)/(65-74)
France 2001	14,050	13,317	10,944	82.2%
USA 2001	22,719	20,861	17,571	84.2%
France/USA	61.8%	63.8%	62.3%	

Table 1-9. Annual gross and disposable income of households with householder aged 65-74 and 75+ years, and deductions from gross income: France and the US, 2001

Gross and disposable income

Per consumer unit

	Gross Income		Disposable Income		Percent of income deducted for payment obligations*	
	65-74 yrs	75+ yrs	65-74 yrs	75+ yrs	65-74 yrs	75+ yrs
France 2001	14,542	13,912	12,066	11,881	17.0%	14.6%
USA 2001	21,002	17,393	19,040	16,419	9.3%	5.6%

* Includes personal and other taxes, contributions to pension funds, social security, and insurance schemes

Table 1-10. Sources of gross income by age of householder: France and the US, 2001

Per consumer unit

Income Sources	France 2001		USA 2001	
	65-74 yrs	75+ yrs	65-74 yrs	75+ yrs
Annual gross income (in \$)	14,542	13,912	21,002	17,393
<i>In percents of gross income (total = 100.0)</i>				
Labor	9.0	3.8	36.0	14.6
Pensions, annuities	70.2	76.6	52.4	70.8
Social benefits	4.3	4.0		
Property, investments	8.1	8.3	5.8	7.6
Indirect receipts	8.5	7.3	1.5	1.7
Other sources			4.3	5.4

Ratios:

Ratio of percents of gross income from specified sources

Income sources	75+/65-74	75+/65-74
	France 2001	USA 2001
Labor	42.3%	40.4%
Pensions, annuities & social benefits	108.2%	135.1%
Property, investments	102.0%	130.8%
Indirect receipts & other resources	86.8%	122.4%

Table 1-11. Distribution of household consumption across major categories by age of householder: France and the US, 2001 (in current US dollars and in %)

Basic categories of consumption as percents of total consumption

<i>Per consumer unit</i>				
Consumption categories	France 2001		USA 2001	
	65-74 yrs	75+ yrs	65-74 yrs	75+ yrs
Total (in \$)	11,140	9,251	18,004	15,313
	of which: (in percents of total consumption; total = 100.0)			
1. Housing	31.7	35.4	33.6	35.4
2. Food & beverages	22.8	24.4	14.5	15.8
3. Transportation	15.2	9.2	19.6	15.4
4. Medical care	9.9	12.8	12.4	16.4
5. Recreation, leisure	7.2	6.0	5.0	4.6
6. Other expenses	13.3	12.2	14.9	12.5

Ratios

Consumption categories	75+/65-74 France 2001	75+/65-74 USA 2001
Total	83.0%	85.1%
1. Housing	92.9%	89.5%
2. Food & beverages	89.2%	92.3%
3. Transportation	50.0%	66.7%
4. Medical care	107.3%	113.1%
5. Recreation, leisure	69.7%	77.9%
6. Other expenses	76.1%	71.2%

D. SURPLUS OR DEFICIT AT YEAR'S END?

By comparing averages for annual gross income and gross expenditures in specific household categories household surplus (saving) or deficit for various groups can be estimated. We look at variation across age groups. In France, households with heads under 35 have expenditure exceeding income and have a deficit (covered by use of past savings –i.e., dissaving, or incurring new debt. Help via transfers from other households will have already been tabulated as part of income.) After 35 all age groups show positive savings on average, which become substantial at 55-64. At that age they amount to €4,707 out of €29,463 income, or 16.0%.

French households of all age groups saved an average of €1,316 in 2001, or 5.0% of disposable income. At 65-74, there is €2,065 surplus out of €20,344 income or 10.2%, but at 75+, out of €18,307 income €4,572 is retained as surplus, or 25.0%. The households of retirees save an average of 15%, not quite midway between the percents

for 65-74 and 75+. For comparison, in the economically active population, employees/office workers end the year with expenditures greater than gross income, creating a 5.3% deficit (€1,138 compared to €1,353 income.)

In the US, only households with heads under 25 have expenditures greater than gross income - with a deficit equal to 12.6% of income. After 25, there are substantial positive savings starting at \$7,794 for age 25-34, peaking at \$10,634 out of \$53,339 at 45-54, or 19.9%. Then there is a decline to \$8,776 out of \$45,840 at 55-64, but this is still about the same proportion of income – 19.1% -- and the drop in the absolute amount of deficit is mostly explainable by the lower expenditure level in this age group. At 65-74 saving is trivial at \$228 out of \$30,655 income, or under 1%, and at 75+ a small deficit is incurred. For all ages 65+, positive saving is close to zero.

Are French older households accumulating wealth despite the drop in income after 55 and especially after 65? Some of the increase in percent of income saved may be due to higher survival rates of the more affluent such that those less likely to save are a smaller percent of the population older than 75. Also involved may be protection against extreme medical costs, public pensions that have been securely funded to the end of life, and ability to retrench on specific expenditures by combining households or substituting time use for money outlays while retaining a decent living standard. However, all such factors are vulnerable to public policies regarding income security and control of inflation, and to the flexibility of individuals in delaying full retirement and of the economy in providing work opportunities for retirees so as to supplement income from public programs.

For most older persons, today's saving levels during retirement are far from sufficient to compensate for any substantial changes in existing programs. These concerns apply to the US, where saving in upper age groups is negligible on average, while threats to financial security are intensified by the risk of uncovered medical events despite the high GDP per capita and wide Social Security coverage.

ANNEXES

- A. Household income and expenditure in France
- B. Household income and expenditure in the US
- C. Statistical tables

A. HOUSEHOLD INCOME AND EXPENDITURE IN FRANCE

Our analysis of income and expenditure in France is based on information published in the Household Budget Survey (BdM in French) of 2001. In addition, data from earlier rounds of the FBS and the HBS (1979, 1985, 1989, and 1995) were used to trace the two-decade development of some important consumption elements. Detailed information is shown in Annex Tables 10 to 17.

Time series are sensitive to inflation and demographic factors, but national sources do not correct monetary data for these variables. In France, growth of household expenses and labor income is fairly close to inflation trends. Table 2-1 shows long-term demographic changes in ages 60 and older from 1975 to 2000. Table 2-2 shows changes in consumer price indices for the years in which household budget studies were carried out.

Table 2-1. Demographic changes in older age groups: France, 1975 - 2000

Year	Variables	All ages	60+ yrs	60-64 yrs	65-69 yrs	70-74 yrs	75+ yrs
<i>a) Population (in million persons)</i>							
1975	Both sexes	52.6	10.0	2.5	2.4	2.1	3.0
	Males	25.7	4.1	1.2	1.1	0.9	1.0
	Females	26.9	5.9	1.3	1.3	1.2	2.0
2000	Both sexes	59.1	12.1	2.7	2.7	2.5	4.3
	Males	28.6	5.2	1.3	1.3	1.1	1.6
	Females	30.5	6.9	1.4	1.4	1.4	2.7
<i>b) Share of age groups (in percents)</i>							
1975	Both sexes	100.0	19.0	4.7	4.6	4.0	5.6
	Males	100.0	15.9	4.5	4.3	3.4	3.8
	Females	100.0	21.9	4.9	5.0	4.5	7.5
2000	Both sexes	100.0	20.5	4.5	4.5	4.2	7.2
	Males	100.0	18.3	4.5	4.4	3.8	5.6
	Females	100.0	22.6	4.5	4.7	4.6	8.8
<i>c) Gender shares (in percents)</i>							
1975	Males	49.0	41.1	46.6	44.8	42.1	32.8
	Females	51.0	58.9	53.4	55.2	57.9	67.2
2000	Males	48.4	43.2	48.3	46.5	44.0	37.4
	Females	51.6	56.8	51.7	53.5	56.0	62.6
<i>d) Population growth rates (1975 = 100.0)</i>							
2000	Both sexes	112.4	121.6	107.9	109.9	118.9	144.5
	Males	111.3	127.8	112.0	114.1	124.4	165.1
	Females	113.6	117.3	104.4	106.6	114.9	134.5

Source: ILC ESOP database

Table 2-2. Consumer price indices (1980 = 100.0): France, 1985 - 2001

	1985	1989	1995	2001
General	158.1	176.9	201.4	217.5
Food	158.9	177.2	189.8	214.2
Fuel, lighting	176.2	154.7	164.8	175.1
Clothing	158.7	186.8	202.3	210.7
Rent	155.9	195.3	242.4	268.4

Source: Yearbook of Labour Statistics. Issues for years 1989-90, 1998, and 2002. ILO, Geneva.

Hourly earnings in the non-agricultural sector rose by 230% in the decades 1980-2000, but the increase in consumer prices, especially for rent and household utilities and services, was even larger. Over the last three decades the aged population in France was growing faster than the total population. Now there are about 8 million households with at least one member aged 60+; 3 million of these consist of a single adult, and 2.6 million, of a couple without children. In other households at least one person aged 60+ and his/her spouse cohabit with younger members (their children, other young relatives, other persons). Although females outnumber males in the general population, in the upper age groups the number of males grew faster than that of females, resulting in a slight increase in the male/female ratio.

The increasing number of older persons (20.5% of the total population in March 2000) means that the share of older customers in consumer markets is rising. This is taken into account by INSEE in its budget surveys starting in 1979. Households with a reference person aged 60+ constitute about one third of surveyed households. Additionally, in 1990 the Center of Studies of Income and Living Costs (CERC) conducted a special survey, "Resources and Living Conditions of Persons Aged 60 years and over" (CERC 1990).

Until 1989, national household budget studies (BdM and BdF) provided no information on household income. Some general data on household resources were published in BdF -1989. Two later surveys, BdM-1995 and BdM-2001, show detailed data on total and disposable income of households, and classify this information according to householder's age and status in employment and household composition. Hence we can make a thorough analysis of the components of household resources for 1995 and 2001 while for earlier years we are limited to disposable income.

Gross income and total expenditures of a household [Annex Tables 10-14]

Gross income of older households in France includes all receipts from economic activity (including income taxes and some personal taxes withheld by employers), pensions and social benefits, income from financial investments and property), and financial assistance to the household.

Table 2-3. Annual budgets of selected categories of households: France, 2001
(in Euros and in percents; 1 Euro = FF6.55957 = \$0.8956)

Variables	Income			Expenditure		
	House- hold	Consumer unit	Person	House- hold	Consumer unit	Person
All households	31,279	16,376	12,925	29,963	15,687	12,381
65+ years	23,268	16,047	14,188	19,784	13,644	12,063
65-74 years	24,518	16,237	14,172	22,453	14,870	12,979
75+ years	21,436	15,533	13,919	16,864	12,220	10,951
Retiree	25,383	16,590	14,505	22,105	14,448	12,631
Self-employed	41,502	18,283	13,175	39,897	17,576	12,666
<u>Wage/salary earner</u>	<u>35,513</u>	<u>16,911</u>	<u>12,683</u>	<u>34,768</u>	<u>16,556</u>	<u>12,417</u>

Sources: Annex tables 10, 11, and 12

In 2001, the major source of income of retiree households is pensions and annuities (69%), followed by earnings (10%), income from investments and property (8%), and social benefits (4%). Pensions and annuities are the main source of income at ages 65-74 and also at 75+ but their importance is greater after 75 (77% as compared with 70%), while the role of earnings drops from 9% to 4%; however, the shares of investment and property income and social benefits remain similar (8% and 4%) for both age groups.

Table 2-4. Annual gross income, by source, of selected categories of households:
France, 2001 (in Euros)

Variables	of which:						
	TOTAL (Euros)	Labor	Pension, annuities	Social benefits	Property, investments	Indirect receipts	Other sources
All households	<u>31,279</u>	<u>17,658</u>	<u>6,039</u>	<u>2,579</u>	<u>1,259</u>		<u>3,744</u>
	<i>100.0</i>	<i>56.5</i>	<i>19.3</i>	<i>8.2</i>	<i>4.0</i>		<i>12.0</i>
			in percents				
65+ years	23,268	7.4	72.4	4.2	8.1		7.9
65-74 years	24,518	9.0	70.2	4.3	8.1		8.5
75+ years	21,436	3.8	76.6	4.0	8.3		7.3
Retiree	25,383	9.8	68.6	4.1	7.7		9.8
Self-employed	41,502	72.0	2.5	6.2	5.0		14.3
<u>Wage/salary earner</u>	<u>35,513</u>	<u>74.8</u>	<u>1.7</u>	<u>8.5</u>	<u>2.5</u>		<u>12.5</u>

Sources: Annex Tables 13 and 14

Household size and number of active breadwinners are important considerations in household budget studies. The number of earners suggests the share of labor income in total receipts. Since in France BdM does not show the number of earners, we turn to indirect information to assess the diminished role of economic activity in older households. For example, from 1995 to 2001, the share of labor income in total income of

retiree households dropped from 15% to 10% and that of social security benefits from 10% to 4%, while the share of pensions and annuities grew from 65% to 69%.

Total expenditure includes, in addition to consumption purchases and sums directly deducted by employers, various non-consumption disbursements out of income (property and dwelling taxes, mortgage payments and payments on loans). For retiree households, non-consumption items constitute about 16% of total expenditure, similar to the average for employee households.

Disposable income and consumption expenses of households [Annex Tables 10-17]

Disposable income of older persons was increasing during the last decade faster than was the case for employees, and at present the level for retired households is almost as high as the level for employees. This calculation is based on consumer units, which is important to remember because retired households are smaller than those of employees (1.8 persons and 1.5 consumer units as against 2.8 persons and 2.1 consumer units.) On a per household basis, retiree households' incomes would be substantially lower than those of employees. The differences have narrowed over the past decade.

Table 2-5. Annual gross and disposable income of selected categories of households:
France, 2001 (in Euros)

Variables	TOTAL	65+ years	65-74 years	75+ years	Retiree	Self- employed	Wage/salary earner
<i>a) Income per household</i>							
Total income	31,279	23,268	24,518	21,436	25,383	41,502	35,513
<i>less income/personal taxes,</i>	2,467	1,995	2,279	1,670	2,194	4,651	2,621
<i>less pension/insurance contributions</i>	2,569	1,693	1,895	1,459	1,356	3,017	2,624
Disposable income	26,243	19,580	20,344	18,307	21,833	33,834	30,268
<i>b) Income per consumer unit</i>							
Total income	16,376	16,047	16,237	15,533	16,590	18,283	16,911
<i>less income/personal taxes</i>	1,292	1,376	1,509	1,210	1,434	2,049	1,249
<i>less pension/insurance fees contributions</i>	1,345	1,168	1,255	1,057	886	1,329	1,249
Disposable income	13,739	13,503	13,473	13,266	14,270	14,905	14,413
<i>c) Income per person</i>							
Total income	12,905	14,188	14,172	13,919	14,505	13,175	12,683
<i>less income/personal taxes</i>	999	1,216	1,317	1,084	1,254	1,477	936
<i>less pension/insurance fees contributions</i>	1,062	1,033	1,095	947	775	957	937
Disposable income	10,844	11,939	11,760	11,888	12,476	10,741	10,810

Sources: Annex Tables 13 and 14

National data on expenditures published in earlier household budget studies indicate trends for all households only. From 1979 to 2001, annual consumption expense per household increased 270%, from FF61,650 to FF164,835 (current French francs). Spending patterns also changed. The share of food and beverages dropped from 29% to 20% of total consumption, while transportation expense increased from 13% to 17%. The housing share grew from 25% to 34% and housing is now the largest component of consumption spending. Cost in francs per household increased by 260% and per consumer unit, by 300%. The consumer price index for rent rose by 270%, for energy, by 180% [Table 2-2].

For analysis of consumption expenses by specific categories of households such as those with a retiree householder we used three reports – BdF-1989, BdM-1995, and BdM-2001. We start with a comparison of retiree and employee households.

Spending on housing includes rent, dwelling tax, mortgage payments (for owner-occupied residences), household goods and furniture, fuel and power (for cooking and heating), household maintenance services, and repairs and renovations. Retiree households in 2001 allocated about 33% of their total consumption to housing, four percentage points more than in 1989. In their budgets, rent, fuel/power, and household goods were more significant than home debt repayment, which accounted for only 1.9% of their total average consumption budget – 1/5 as much as for employees.

Table 2-6. Annual disposable income of selected categories of households: France, 1989, 1995, 2001 (per consumer unit; in current French francs and in percent)

	BdF-1989	BdM-1995	BdM-2001
All households (all ages):	(in current French francs)		
Per household	141,878	164,641	172,143
Per consumer unit	70,586	89,271	90,127
Per person	54,991	66,927	71,133
Age groups of older households:	(all ages = 100.0)		
Householder aged 55-64 years	107.4	113.1	112.3
Householder aged 65+ years	96.5	94.4	74.6
Householder aged 65-74 years	102.0	99.3	77.5
Householder aged 75+ years	91.1	87.6	69.8
Householder's status in employment			
Retiree	98.4	97.1	83.2
Self-employed	90.5	111.0	128.9
Wage/salary earners	104.8	104.7	115.3

Sources: *Le budget des ménages en 1989* (INSEE, Paris, 1991), *en 1995* (INSEE, Paris, 1997), & *en 2001*.

The food-and-beverage category is the second largest component of consumption; before 1989 it was the largest. It figures more prominently in the budgets of retiree households than in employee household budgets, taking up 23% of consumption outlays in 2001 (slightly down from 1995), compared with 20% for employee households. Retiree households put more of their food and beverage spending into food consumed at home. Food away from home was one fourth of total food outlay for all households in 2001.

Transportation is now a substantial budget item, accounting for 17% of total consumption for the general population. The share is less for retirees (14%), but transportation is still their third largest spending target. Age matters, however, since after 75 the proportion going to transportation goes down from 15% to 9% at the same time as medical care absorbs more of the household's budget.

Table 2-7. Annual spending of selected categories of households, by major types of expenditure: France, 1979 – 2001 (in current French francs and in percents).

Expenditure major types	Measure unit	1979	1985	1989	1995	2001
Total expenditure	per household	68,529	125,957	153,870	191,811	196,544
<u>Non-consumption</u>	<u>per household</u>	<u>6,879</u>	<u>16,696</u>	<u>26,004</u>	<u>38,105</u>	<u>32,059</u>
Consumption	per household	61,650	109,261	127,866	153,706	164,835
	per consumer unit	29,260	52,782	63,615	83,239	86,301
	per person	21,916	40,633	49,561	62,482	68,114
of which:		(in percents; consumption = 100.0)				
<u>1. Housing</u>		<u>25.3</u>	<u>27.0</u>	<u>31.1</u>	<u>34.2</u>	<u>34.1</u>
1a. Shelter		10.2	12.7	14.7	17.2	22.1
... Mortgage payments		4.7	5.7	6.8	7.3	6.7
... Property taxes		1.2	1.5	1.9	2.3	2.8
1b. Furniture, household goods		3.7	5.7	11.1	12.1	6.5
1c. Utilities (Fuel, power)		8.1	5.7	4.6	4.3	4.8
1d. Household personal services		3.3	2.9	0.7	0.6	0.7
<u>2. Food, beverages</u>		<u>28.7</u>	<u>26.3</u>	<u>23.7</u>	<u>21.0</u>	<u>20.4</u>
2a. Food away from home		3.9	4.3	5.0	4.1	5.0
<u>3. Transportation</u>		<u>13.2</u>	<u>14.5</u>	<u>14.7</u>	<u>13.9</u>	<u>16.8</u>
<u>4. Recreation, vacations, leisure</u>		<u>9.1</u>	<u>8.7</u>	<u>8.9</u>	<u>9.7</u>	<u>7.2</u>
4a. Vacations, leisure		1.8	2.4	2.9	4.6	1.1
<u>5. Medical care</u>		<u>5.3</u>	<u>5.5</u>	<u>6.2</u>	<u>5.5</u>	<u>6.7</u>

Sources: Annex Tables 16 and 17

Recreation is a growing expenditure item in France. Since 1979, household spending on recreation rose more than 200% (per consumer unit): from FF2,702 in 1979 to FF6,214 in 2001 and its share is now 7% of total consumption. Vacations absorb only 15% of recreation spending, compared to about 50% before 1993. Over half of the population takes vacations more than once a year, mainly in the summer and winter seasons. Many retirees prefer to visit relatives or friends (41% of reporting households) or to have a quiet stay in a full-pension hotel/family lodging (24%). Retiree households in 2001

allocated 7.3% of consumption (in 1995, 9.5%) to recreation, of which one seventh went to vacations, both these figures being 200% larger than in 1995 and 1989, and also similar to the all-household pattern.

Medical care spending includes out-of-pocket expense plus payments from insurance companies to households with coverage receiving health care. Household surveys are hard to interpret because of both insurance practices and reporting practices of respondents with regard to these components. French national health insurance covers the entire population legally residing in the country. Its reimbursements are significantly higher than copayments and direct out-of-pocket expenses of individuals for care. Surveyed households report mainly their direct expenses for medical services, drugs, medical supplies, and services of laboratories and hospitals, and BdF and BdM do not cover reimbursements. Yet some older households report “big-ticket” expenses for hospital care, medical treatments, and nursing home stays.

Table 2-8. Annual spending on medical care, by person, of older households:
France, 1979 – 2001 (in current French francs)

HBS years	All households	Retiree	55 - 64 years	65 – 74 years	75+ years
1979	1,170	1,740	1,366	1,686	1,933
1985	2,217	3,568	2,725	3,731	4,096
1989	3,053	5,029	3,664	5,334	5,884
1995	3,462	5,236	3,872	5,640	6,114
2001	4,570	6,991	5,533	7,057	7,771

Later, these sums are refunded to them by social security or mutual insurance or other private insurance schemes (while some providers such as nursing homes and home care agencies receive lump-sum payments by the insuring organization that are not linked to individual claims)⁹. These occasions and outlays that do not involve permanent transfers from the household to providers because of eventual reimbursement can be significant for older households and the reported costs should be treated with caution.

Other information on household spending on medical care comes from the special health survey conducted (roughly decennially) by INSEE starting in 1960 and covering morbidity, utilization of physician and hospital services, and other health-related variables. One of the aims of the survey is to estimate actual medical costs of the population. The information is compared with BdF and BdM data as well as with the National Health Accounts published annually by the Ministry of Health.

These investigations show that out-of-pocket expenses of households for medical care amount to only about one third of the care costs incurred by the administration. At the

⁹ Michel Grignon. *The Consequences of the Aging Population on Health Care Spending in France*. CREDES, Paris, France. 2004.

national level, households pay only 2% of hospital charges; the rest is covered by insurance, as are 70% of costs of ambulatory services and 56% of costs of prescribed medicines. Retirees spend more *money* on medications (34% of their medical expenses), and less on doctors and tests (25% and 28%, respectively) in comparison with the level for all households combined (29%, 30% and 29%, respectively)¹⁰. Official data from BdM-2001 show that retired persons, compared to wage and salary earners, spend almost twice as large a *share* of their income on medications, more than twice as large a share on health insurance, and 55% more for medical services. [Annex Table 17]

¹⁰ *Radioscopie du budget des ménages*. Tome 3. (page 14). Par D. Eneau, J.-M. Hourriez et M. Moutardier. INSEE Résultats, Nos. 248-249. « CONSOMMATION-MODES DE VIE », Nos. 50-51. Juillet 1993. INSEE, Paris, France.

B. HOUSEHOLD INCOME AND EXPENDITURE IN THE US

The American population in the age group 75 and over has been increasing rapidly. Overall, however, during the last two decades the share of the age group 60+ years has been stable at around 16% of the total population, since its growth rate is the same as that of the total population. But the male population is ageing faster than the female population and the gender shares in age groups 65-69, 70-74 and 75+ show this trend. Male labor activity rates are also higher: participation rates in March 2001 in the age group 65-69 were, for males, 31%, and for females 20%; at ages 70-74, 19% and 12%, and for 75+, 9% and 3%. [CPS, March 2001]. Extended life expectancy, resulting in change in the age profile, is taken into account by the CEX program in its sample design. Table 3-2 shows long-term demographic changes in age groups 60+ years from 1980 to 2001.

The CEX program also takes inflation into account, presenting its findings in both current and constant dollars. Table 3-1 shows changes in the consumer price indices (total and components) for the last two decades. For comparability with the latest French household budget survey, the present analysis uses results of the Consumer Expenditure Survey of 2001 (CEX-2001) supplemented by some data from previous rounds. The current CEX program was last revised in 1980.

This annual survey has two components: The Diary (household records of all expenses and receipts during two consecutive one-week periods) and The Interview (data on consumer expenditures and incomes collected in five interviews conducted at 3-month intervals). All business-related expenditures and expenses for which the household is reimbursed are excluded from both survey components¹¹.

Table 3-1. Consumer price indices (1980 = 100.0): US, 1985 - 2001

	1985	1990	1995	2001
General	130.6	158.6	184.9	214.9
Food	121.8	157.8	176.9	206.2
Fuel, lighting	139.7	139.7	149.1	181.1
Clothing	115.5	136.5	145.2	140.1
Rent	138.2	171.1	195.1	237.5

Source: Yearbook of Labour Statistics. Issues for years 1989-90, 1998, and 2002. ILO, Geneva.

¹¹ For more detailed description of the CEX, its methodology and recent developing of its diary see “Consumer expenditures in 2001”. USDL, BLS, Report 966, April 2003 and “Creating a “User-Friendly” Expenditure Diary”, by L. Stinson, N. To, J. Davis in Consumer Expenditure Survey Anthology, 2003. USDL, BLS, Report 967, September 2003.

Table 3-2. Demographic changes in older age groups: US, 1980 - 2001

Year	Variables	All ages	60+ yrs	60-64 yrs	65-69 yrs	70-74 yrs	75+ yrs
<i>a) Population (in million persons)</i>							
1980	Both sexes	226.5	35.6	10.1	8.8	6.8	9.9
	Males	110.0	15.0	4.7	3.9	2.9	3.5
	Females	116.5	20.7	5.4	4.9	4.0	6.4
2001	Both sexes	278.4	43.4	10.4	9.4	8.5	15.1
	Males	137.2	19.0	4.8	4.5	3.7	6.0
	Females	141.2	24.4	5.6	4.9	4.8	9.1
<i>b) Share of age groups (in percents)</i>							
1980	Both sexes	100.0	15.7	4.5	3.9	3.0	4.4
	Males	100.0	13.6	4.3	3.5	2.6	3.2
	Females	100.0	17.8	4.7	4.2	3.4	5.5
2001	Both sexes	100.0	15.6	3.8	3.4	3.1	5.4
	Males	100.0	13.8	3.5	3.2	2.7	4.4
	Females	100.0	17.3	4.0	3.5	3.4	6.5
<i>c) Gender proportions (in percents)</i>							
1980	Male	48.2	42.0	46.3	44.3	42.0	35.6
	Female	51.8	58.0	53.7	55.7	58.0	64.4
2001	Male	49.3	43.8	46.4	47.4	44.0	39.7
	Female	50.7	56.2	53.6	52.6	56.0	60.3
<i>e) Population growth rates (1980 = 100.0)</i>							
2001	Both sexes	122.9	121.9	103.1	107.0	124.6	152.4
	Males	124.7	127.2	103.2	114.6	130.8	170.1
	Females	121.2	118.0	102.9	100.9	120.1	142.6

Source: ILC ESOP database

Gross income and total expenditure of a household [Annex Tables 19 – 21]

The Census Bureau collects data on income of households, families and individuals in the Current Population Survey (CPS) and decennial population censuses¹². Data on money income collected in the CPS cover receipts before payments for personal income taxes, social security, union dues, and medical deductions. But money income does not reflect total household resources since it omits certain non-cash benefits received by some families (e.g., food stamps, health benefits, subsidized housing), by some farm families only (e.g., rent-free housing, goods produced and consumed on the farm), and by some non-farm residents only (e.g., use of business facilities and business transportation, and

¹² CPS fields surveys started in 1936, and since 1947 the CPS was conducted annually: population censuses, however, have more than 200 years of history.

full or partial payments by employers under retirement programs and for medical and educational expenses).

CEX includes additional information on income. It includes all incomes received during the 12 months preceding the interview by all members aged 14 and over of the reporting households (although not all households provide complete data).¹³ Sources of this income are wages and salaries; self-employment income; unemployment allowances; social security, pensions and annuities, benefits from private and government retirement schemes; workers' compensation and veterans' benefits; interest, dividends, investments, rental income and other property income; public assistance, food stamps, supplementary security income; and finally, regular contributions for support such as alimony and child support. Additionally, certain other money receipts are classified as income: sale of house furnishings, refunds from overpayments on social security, reimbursements from insurance policies, and property tax refunds. This concept is very close to the concept of personal income used in CPS although the latter excludes transfers among persons and capital gains or net losses.

For the present France-US comparison we were able, because CEX is annual, to select, as a major source, a year (2001) corresponding to the most recent round of the family and household budget studies carried out in France (See Part 2 above). Current and constant US dollars are used where possible to deal with the influence of inflation [The Consumer Price Index for All Urban Consumers rose by over 200% from 1980 to 2001], and second, of population growth (120% increase in 1980- 2001). While annual money income of all households (CPS data) rose 300% in current dollars the rise was only 1.3 times in constant 2003 dollars.

Social security and SSI benefits are the major source of income of older persons' households. For retiree households, they account for 70% of total income. Income from economic activity, consisting mainly of earnings of employees, supplemented by some from revenue from self-employment and unemployment allowances, is the second largest component of the income of retiree households (16%). Investments and property income for these households are 8% of the total income. Household size, number of earners and householder's occupation if active affect the size of gross income. For example, gross household income of managers and professionals is 300% higher (per household) or 200% higher (per person) than the total income of retirees. While gross income is equal to or more than total expenses for most types of households, expenses of retiree households exceed their gross income [Tables 19 to 21].

Total household expenditure includes non-consumption items (excise and sales taxes, contributions and payments for social security and pensions, life and other personal insurance, all personal taxes) as well as consumption expenses. The biggest non-tax payments were for pension fund contributions and social security payments¹⁴. Non-consumption expenses of retiree households are less than one third as great as those of employees.

¹³ For example, in CEX-2001, "complete income reports" were received from about 82% of households.

¹⁴ *Consumer Expenditures in 2001*. Report 966. Table A. U.S.DL, BLS. April 2003.

**Table 3-3. Annual gross income, by source, of selected categories of households:
US, 2001 (in current US dollars and in percents; per household)**

Variables	of which:						
	TOTAL (\$)	Labor	Pension, annuities	Social benefits	Property, investments	Indirect receipts	Other sources
All households	48,891	40,736	4,998		951	542	1,664
	100.0	83.3	10.2		2.0	1.1	3.4
			in percents				
65+ years	28,870	27.7	59.6		6.5	1.5	4.7
65-74 years	33,814	36.0	52.4		5.8	1.5	4.3
75+ years	23,480	14.6	70.8		7.6	1.7	5.3
Retiree	25,788	15.6	70.4		8.0	1.4	4.6
Self-employed	55,362	81.0	9.9		4.0	0.8	4.3
Wage/salary earner	56,718	92.4	2.9		1.0	0.7	3.0

Sources: Annex Tables 22 and 23

Disposable income and consumption expenses of a household [Annex Tables 19-21]

Disposable income is total income less personal taxes and non-tax payments as described above. It is available for consumption spending and savings. Personal taxes include federal, state and local income taxes, estate taxes, gift and personal property taxes, and motor vehicle licenses. Non-tax payments include passport fees, fines, forfeitures, donations, pensions and social security, life and other personal insurance. Disposable household income as reported in CEX-2001 was large enough to cover basic necessities of most types of households, including retiree households.

Housing is the largest component of household consumption expenses, equaling about one third of the total. For older persons, about a quarter of the total goes to shelter and only about 9% to household goods, furniture, fuel and power, etc.). Spending on shelter rose by about 10% from the level in 2000, other housing expenses, slightly less. Retiree households allocate 23% to shelter (or \$5,700 per year) and 10% (about \$2,500) to other housing expenses. These sums are below the amounts spent by employee households, largely owing to the low percent of retiree budgets going to mortgage payments.

US households, on average, allocate to transportation 22% of total consumption (about \$7,600 per household). This category occupies second place in the consumption budget of US households. But retiree households spend much less on this item. In 2001, they put 19% of their consumption spending into transportation (\$4,600). The Interview Survey of the CEX collected data on expenses incurred while on leisure trips; however, this expenditure is not shown separately but is distributed among food away from home, lodging, transportation, and other expenses.

**Table 3-4. Annual gross and disposable income of selected categories of households:
US, 2001 (in current US dollars)**

Variables	TOTAL	65+ years	65-74 years	75+ years	Retiree	Self- employed	Wage/salary earner
<i>a) Income per household</i>							
Total income	48,891	28,870	33,814	23,480	25,788	55,362	56,718
<i>less income/personal taxes,</i>	2,921	1,115	1,564	624	838	4,471	3,550
<i>less pension/social insurance contributions</i>	3,736	1,157	1,595	690	889	5,802	4,693
Disposable income	42,234	26,598	30,655	20,166	24,061	45,089	48,475
<i>b) Income per consumer unit</i>							
Total income	25,597	19,639	21,002	17,393	17,543	27,961	27,940
<i>less income/personal taxes</i>	1,529	759	971	462	570	2,258	1,749
<i>less pension/social insurance contributions</i>	1,956	787	991	511	605	2,930	2,312
Disposable income	22,112	18,094	19,040	16,419	16,368	22,772	23,879
<i>c) Income per person</i>							
Total income	19,325	16,982	17,797	15,653	15,169	21,293	21,007
<i>less income/personal taxes</i>	1,155	656	823	416	493	1,720	1,315
<i>less pension/social insurance contributions</i>	1,477	681	839	460	523	2,232	1,738
Disposable income	16,693	15,646	16,134	16,477	14,154	17,432	17,594

Source: Annex Table 20

Food and beverages accounted for 15% of consumption spending for the average household, or \$5,300 (per consumer unit, \$2,800; per person, \$2,100). In-home meals account for 58% of this; the proportion is somewhat greater for older persons [about two-thirds]. In contrast, working householders devote around 45% of their food expense to meals consumed away from home (including meals taken during leisure trips)

Health care is a substantial component of out-of-pocket expenses for older persons. These costs include health insurance, medical supplies and services, physicians' and hospital services, laboratory tests, and prescribed and non-prescribed medications.

For health care expenses, we use a *per-person base* for dollar amounts spent because these services are utilized by individuals. Medical care takes up to 14% of the total consumption of retiree households (\$2,050 per person, of which \$1,025 goes to health insurance.) For persons aged 75+ years, health care is even more important: 16.4% of total consumption spending goes to medical care, or \$2,300 per person (for all households, comparable figures are 6.3% and \$860). Half of health care spending goes to health insurance payments. This age group spends more on medical care than on transportation and about the same amount as it spends on food and beverages.

Table 3-5. Annual spending of selected categories of households, by major types of expenditure: US, 2001 (in current U.S. dollars, and percents)

Basic needs	TOTAL	Reference person is:					
		65+ years	65-74 years	75+ years	Retiree	Self- employed	Wage/salary earner
Total expenditure (hh)	42,439	28,828	33,586	23,721	27,681	52,792	47,373
Non-consumption (hh)	7,915	3,854	4,599	3,048	3,227	12,301	9,491
<u>Consumption (hh)</u>	<u>34,524</u>	<u>24,974</u>	<u>28,987</u>	<u>20,673</u>	<u>24,454</u>	<u>40,491</u>	<u>37,882</u>
(per consumer unit)	18,075	16,989	18,004	15,313	16,635	20,450	18,661
(per person)	13,646	14,691	15,256	13,782	14,385	15,573	14,030
of which:	(in percents; consumption = 100.0)						
<u>1. Housing</u>	<u>34.7</u>	<u>34.3</u>	<u>33.6</u>	<u>35.4</u>	<u>33.3</u>	<u>33.4</u>	<u>34.9</u>
1a. Shelter	25.2	24.0	23.9	24.3	23.2	24.4	25.5
... Mortgage payments	8.3	3.4	4.3	2.0	3.4	8.5	9.1
... Property taxes	3.6	5.4	5.2	5.6	5.1	3.6	3.3
1b. HH goods, furniture	4.2	3.6	3.9	3.1	3.6	3.9	4.4
1c. Utilities (Fuel, power)	4.4	6.0	5.5	6.8	6.0	4.4	4.1
HH personal services	0.8	0.7	0.3	1.1	0.4	0.7	0.9
2. Transportation *	22.1	17.9	20.0	15.4	18.8	21.6	22.9
<u>3. Food & beverages</u>	<u>15.4</u>	<u>15.0</u>	<u>14.5</u>	<u>15.8</u>	<u>15.4</u>	<u>15.7</u>	<u>15.3</u>
3a. Away from home*	6.5	5.3	5.6	4.8	5.2	7.1	6.8
4. Medical care	6.3	14.0	12.4	16.4	14.0	7.5	5.0
5. Recreation, vacation, leisure*	6.1	4.9	5.0	4.6	5.8	7.1	6.1

Sources: Annex Tables 24 & 25

C. STATISTICAL TABLES

1. Annual household gross income: US and France, 2001 (in current US dollars)
2. Annual household gross expenditure: US and France, 2001 (in current US dollars)
3. Annual household disposable income: US and France, 2001 (in current US dollars)
4. Annual household consumption expenditure: US and France, 2001 (in current US dollars)
5. Annual household gross income, by source: US and France, 2001 (in current US dollars and in percents)
6. Annual household consumption expenses by major expenditure categories: US and France, 2001 (in current US dollars and in percents)
 1. by age group of householder
7. Annual household consumption expenses by major expenditure categories: US and France, 2001 (in current US dollars and in percents)
 2. by activity status of householder
8. Structure of annual household consumption expenses: US and France, 2001 (per consumer unit) 1. by age group of householder
9. Structure of annual household consumption expenses: US and France, 2001 (per consumer unit) 2. by activity status of householder
10. Household annual income and expenditure: France, 2001 (in Euros; per household) 1. by some characteristics of household
11. Household annual income: France, 2001 (in Euros)
 1. by some characteristics of household
12. Household annual expenditure: France, 2001 (in Euros)
 1. by some characteristics of household
13. Sources of annual income of selected categories of households: France, 2001 (in Euros and in percents) 1. by age group of householder
14. Sources of annual income of selected categories of households: France, 2001 (in Euros and in percents) 2. by activity status of householder
15. Annual disposable income of selected categories of households: France, 1989, 1995, and 2001 (in current French francs)
16. Annual consumption expenses of selected categories of households: France, 1989 and 2001 (in current French francs and in percents) 1. by age of householder
17. Annual consumption expenses of selected categories of households: France, 1989 and 2001 (in current French francs and in percents)
 2. by activity status of householder
18. Characteristics of households surveyed by CES-2001 in the US
19. Household annual income and expenditure: US, 2001 (in current US dollars)
 1. by some characteristics of household
20. Household annual income: US, 2001 (in current US dollars)
 1. by some characteristics of household
21. Household annual expenditure: US, 2001 (in current US dollars)
 1. by some characteristics of household
22. Sources of annual income of selected categories of households: US, 2001 (in current US dollars and in percents) 1. by age of householder

23. Sources of annual income of selected categories of households: US, 2001
(in current US dollars and in percents)
 2. by activity status of householder
24. Annual consumption expenses of selected categories of households: US, 2001
(in current US dollars and in percents)
 1. by age of householder
25. Annual consumption expenses of selected categories of households: US, 2001
(in current US dollars and in percents)
 2. by activity status of householder