Changes in the inequality of the distribution of wealth among households one or more of whose members was in wage earning employment between 1986 and 2000

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The distribution of wealth among households one or more of whose members is in wage earning employment is highly and unevenly concentrated. In 2000, 10% of households owned 44% of total household wealth. This concentration is however falling with the onset of recent, more egalitarian generations.

By wealth, we mean wealth as assessed by INSEE in its surveys of household wealth since 1986 (see *box*). This comprises negotiable and realisable wealth, before subtracting indebtedness (thus gross wealth). Such wealth comprises mainly, in the case of households one or more of whose members is in regular employment, real estate and savings. According to INSEE's latest survey on household wealth, carried out in May 2000, half of all households one or more of whose members is in wage earning employment claimed to be worth more than 67,000 euros (440,000 French francs – the median wealth). 10% of households claimed to be worth more than 242,000 euros (1.6 million French francs).

A substantial concentration of wealth

Wealth is highly concentrated. In 2000, the wealthiest 10% of households accounted for 44% of overall household wealth, whereas the poorest 50% of households only accounted for 9%. However, the inequity has been falling, particularly since

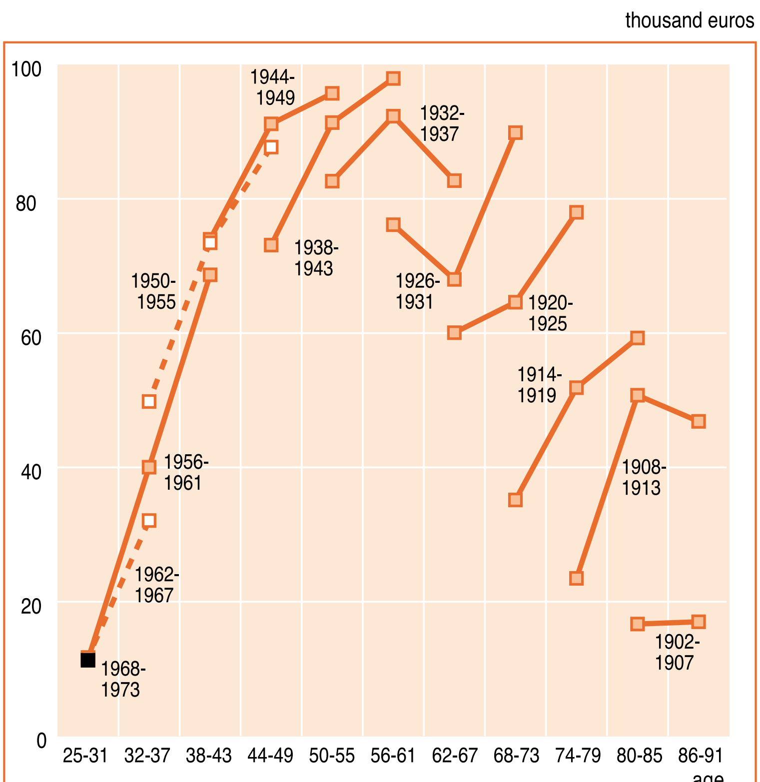
* Catherine Rougerie works for INSEE's Household Income and Wealth unit.

1992. Thus in 2000, the bottom level of wealth of the richest 10% of households was 3.7 times higher than the median level of wealth, compared with 4.6 times in 1986. The fall in this indicator suggests that the less wealthy households held a greater proportion of total wealth in 2000 than in 1986. However, all this data doesn't provide us with an insight into the trends relating to the wealthiest 1% of households, which surveys tend to have difficulty pinning down.

The older generations are more unequal than recent ones

An analysis of cohorts of respondents spanning three surveys carried out at six-year intervals (1986, 1992, 1998) provides a means of comparing the wealth of successive generations over time. Thus households aged between 36 and 41 in 1986 can be compared to those aged between 42 and 47 in 1992 and those aged between 48 and 53 in 1998. For each generation, the outcome is a 12-year trajectory represented by a curve.

Figure 1 – **Median wealth per generation in 1986, 1992 and 1998**



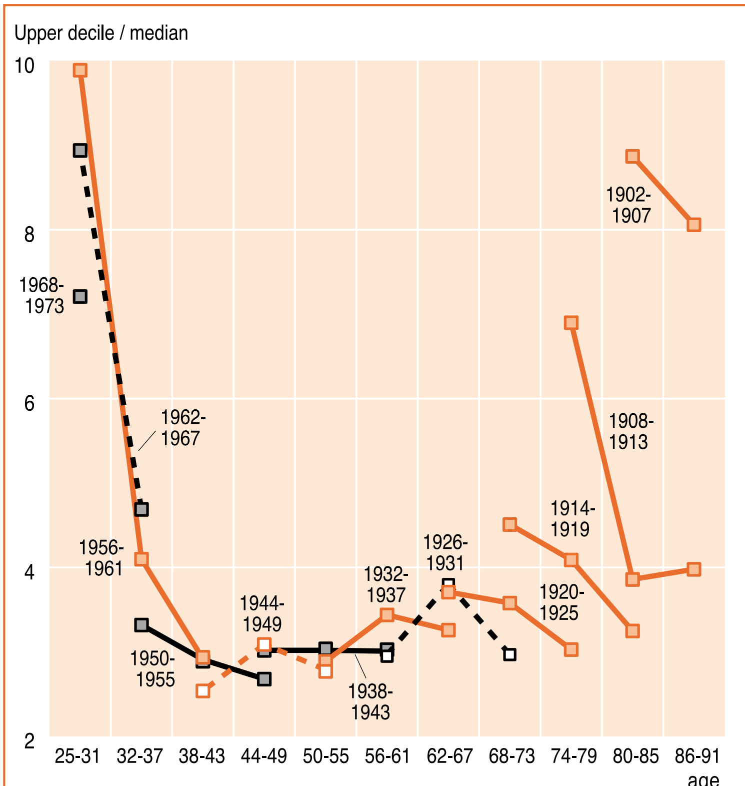
Scope : all households one or more of whose members is or was in wage earning employment (active or retired).
The data should be read thus : wealth is calculated in constant euros at 1998 prices. The median wealth of households of the 1944-1949 generation amounted to around 74,000 euros in 1986, 91,000 euros in 1992 and 96,000 euros in 1998 (reading horizontally). For those households where the head of the household is aged between 74 and 79, the median wealth increases from one generation to the next (reading vertically).
Source : Insee, Surveys of wealth (1986, 1992, 1998).

The resulting profile of median household wealth (see *figure 1*) shows a gradual build-up of wealth in the initial stages of a household's formation. Among most generations, wealth tends to increase as the household ages and this rising trend continues beyond the age of 60. A juxtaposition of the cohorts of respondents also shows that each of the generations born prior to 1950 amassed greater wealth than the previous one. For instance, according to the 1986 survey, at 70 years of age, the 1914-1919 generation had a median wealth of 35,000 euros in "constant 1998 euros". At the same age, the following generation (1920-1925) was worth nearly 65,000 euros and the 1926-1931 generation was worth close to 90,000 euros. This trend for a gradual increase in wealth among subsequent generations came to an end after 1950: from that generation onward, the median wealth is at best equal to that of the previous generation. We should point out that the method used to measure wealth is not flawless. Thus there is no obvious explanation for the fall in median wealth among 62-67 year olds for the generation born between 1926 and 1931.

It appears that the dispersal of wealth among households one or more of whose members is in wage earning employment, measured here by determining the gap between the median wealth and the wealth of the richest ten percent of households (see *figure 2*), is very substantial at the start of the life cycle. This observation results from the fact that we are looking at gross wealth: as soon as a household reaches home ownership, its wealth shoots up suddenly, because any debt contracted in the process is not taken into account. The increasing trend for home ownership among households thus accounts for a substantial fall in wealth dispersal within a given generation until the age of 40.

The rate of dispersal of wealth remains stable thereafter, and only starts to fall after the age of 70. From one generation to

Figure 2 – **Rates of dispersal[1] for each given generation in 1986, 1992 and 1998**



Scope : all households one or more of whose members is or was in wage earning employment (active or retired).
1. Dispersal is measured by means of the ratio between the minimum wealth of the richest 10 % of households and the median wealth of all households.
The data should be read thus : in the case of the 1914-1919 generation, the rate of dispersal (see above) falls as this generation gets older (reading horizontally). In the case of households aged 74 to 79 (age of the head of the household), the rate of dispersal falls as one shifts from an older to a more recent generation (reading vertically). However, this fall in dispersal rates is stymied to the point of vanishing when one compares recent generations. Finally, there is a high rate of dispersal among young households (left-hand-side of the graph).
Source : Insee, Surveys of wealth (1986, 1992, 1998).

For further information

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Sources

INSEE has been surveying household wealth since 1986. The surveys feature an all-encompassing question: "in your opinion, should you have to sell off all your current possessions, not to mention work-related assets and durable goods, how much could your household realise from such a sale?" Households are then asked to position their wealth within a given bracket. The actual extent of their wealth is then estimated for each household using the so-called 'residual simulation' method (see *For further information: 2001 Reports*).

the next, the substantial dispersal rates that one used to observe among those aged 70 and above in 1986 are no longer to be found in 1998. In the case of those generations born prior to 1925, the rate of dispersal has fallen sharply from one generation to the next. Conversely, in the case of generations born after 1925, the rate of dispersal is stable at best. As a result, the fall in the overall rate of dispersal of wealth among the population as a whole results essentially from the replacement of older generations by less inequitable generations.