DESIGNING HOUSEHOLD SURVEYS TO MEASURE POVERTY AND WELLBEING

Acquiring Wealth Information Through Surveys: an introduction

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2018 Training Course

Sadiba – Perugia – 12th December 2017
Wealth is the whole amount of material and immaterial goods with a market value that can be changed against money or other goods.

- **Wealth can generate wellbeing directly.** The homeowner benefits directly from the wealth possessed (the accommodation). The same way, owners of durable consumer goods (such as cars, household appliances, or valuable artworks) enjoy a "service" from using these goods (imputed income).
Definition and characteristics of net wealth

What is wealth and why is it important?

- Wealth can create wellbeing when it is turned into current consumption (by liquidating part of its wealth on the market). It is a safety net.

- Wealth may facilitate access to credit (making it easier for individuals to obtain bank loans to start a business)

- Wealth provides the owners with power, influence, and prestige (especially in considerable amounts).
Definition and characteristics of net wealth

What is wealth and why is it important?

Even taken together, income and consumption may fail to provide a complete picture of an individual wellbeing. Wealth can be used to refine the analysis.

Let’s consider 2 cases:

• High income/consumption and low wealth (i.e. young people; no safety net)
• Low income/consumption and high wealth (out of poverty? Illiquid wealth?)
Definition and characteristics of net wealth

What is wealth and why is it important?

- **Savings** (origin) → **Wealth** →
  - **Consumption** (destination)
  - **Capital income**

It is important to consider its ...

- Amount (vulnerability, well-being, tax base, finance)
- Composition (preferences/effects of policies)
- Distribution (cohesion/opportunities)

Today even more (greater variability of income)
Wealth by age of the household head

Household net wealth

The age-profile of household wealth (life-cycle theory)

Younger cohorts are poorer than older cohorts
Assets and liabilities by age of the household head

Houses and shares grow with age up to 65 years old, then decrease.

Treasury bills grow with age.

Debts decrease with age.
Wealth is usually much more concentrated than income.

In Italy, for example, wealth Gini concentration index is around 0.60 against 0.35 for income.
Gender wealth gap

Wealth distribution is usually analyzed at the household level (assuming an equal intra-household distribution).

The intra-household distribution of wealth is important. According to Deere and Doss (2006), land is owned by women in 11 per cent of cases in Brazil, 12 per cent in Peru, slightly above 20 per cent in Mexico and Nicaragua and just over 25 per cent in Honduras and Paraguay. In some African countries there are similar quotas: about 10 per cent in Zimbabwe and Benin, 14 in Morocco and 25 in the Congo and Tanzania.

If you don’t consider intra-household gaps, you may underestimate poverty and inequality.
Gender wealth gap in Italy

Properties held by men and women, 1986 - 2014
(Index number; Total = 100)

- M/F Gap 70% in 1986 – 28% in 2010 – 36% in 2014
## Gender wealth gap in Italy

*Intrahousehold wealth - Men vs women wealth, 1991-2014*

*(Percentages of couples)*

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<tbody>
<tr>
<td>Totale</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>a. W Women &gt; W Men</td>
<td>13.2</td>
<td>13.3</td>
<td>19.9</td>
<td>22.2</td>
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<tr>
<td>b. W Women = W Men</td>
<td>53.6</td>
<td>54.1</td>
<td>36.7</td>
<td>33.6</td>
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<td>c. W Women &lt; W Men</td>
<td>33.3</td>
<td>32.6</td>
<td>43.4</td>
<td>44.2</td>
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<td>(c – a)</td>
<td>20.1</td>
<td>19.3</td>
<td>23.5</td>
<td>22.0</td>
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Private and public wealth

We are taking of household wealth. No public wealth is considered! We don’t need to attach a value to beaches or monuments! (What is the value of the Colosseum in Rome?)

• This is important when you compare household wealth across countries and over time.
• The role of the State may change and should be taken into account (i.e. public debt)

Further components usually not included: public pension wealth, human capital
Median net wealth in some European countries
Are German households the poorest?

- WSJ: “Europe’s Poorest? «German household are among the poorest in the euro zone, according to a study by the ECB that adds a new twist to the debate over how taxpayers in Northern Europe should go to support weaker countries."
Some explanations

- Big differences of medians
- Lower differences of averages
- Small differences of per-capita values

- Wealth in Germany is much more concentrated than in Italy
- Germany and Italy have different household size
- Germany has a lower share of home-owners (social housing)
Some more technical issues: the wealthy

In the world the first 1% holds 50% of total net wealth. Huge wealth inequality is common to most countries (see Global Wealth Report)

Sample surveys are not able to account for the very rich. The extreme cases would even be a problem (outliers)

What to do?

• **oversample** rich households (or rich areas)
• **robust** statistics (i.e. winsorized estimates)
Some more technical issues: non-response

Income and wealth of interviewed households according to the results of the first visit (all sample = 100)
### Outline of the wealth module - 1

<table>
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<th>Time</th>
<th>Session</th>
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<tr>
<td>14:00 – 15:30</td>
<td>Definition and Measurement of Net Wealth, Assets and Liabilities</td>
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<td>- Basic Concepts (Household, Wealth and Net Worth)</td>
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<td>- Components of Household Wealth</td>
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<td>- Measurement of Wealth and Questionnaire Design</td>
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<td>Romina Gambacorta – Bank of Italy</td>
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<td>15:30 – 16:00</td>
<td>Tea/Coffee Break</td>
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<td>16:00 – 17:00</td>
<td>Collecting Data on Household Financial Behavior</td>
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<td>- Financial Education</td>
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<td>- Saving Attitudes</td>
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<td>- Risk Aversion</td>
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<td>- Expectations</td>
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<td>Giuseppe Ilardi – Bank of Italy</td>
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| 09:00 – 11:00 | Measurement Errors and Under-Reporting  
- Micro/Macro and Other Sources  
- Introduction: The Total Survey Error Framework  
- Non-Sampling Errors in Wealth Surveys  
- Household Surveys and Wealth Data: Oversampling | Andrea Neri – Bank of Italy |
| 11:00 – 11:30 | Tea/Coffee                                                             |                     |
| 11:30 – 12:30 | Robust Measures of Wealth Inequality  
- Outliers Detection: False and True Outliers  
- Robust Estimators of Wealth Inequality  
- Inequality Measures and The Very Rich | Giovanni Vecchi – University of Rome, Tor Vergata |
| 12:30 – 13:30 | Lunch                                                                 |                     |
| 13:30 – 15:15 | International Harmonization and Comparison: HFCS  
**Juha Honkkila** – European Central Bank (ECB) |                     |
# Outline of the wealth module - 3

<table>
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<th>Time</th>
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| 09:00 – 11:00 | Types of Household Debt, Trends, and Risks:  
- Informal Credit  
- Consumer Credit and Mortgages  
- Indicators of Over-Indebtedness  
- Financial Vulnerability  
Valentina Michelangeli – Bank of Italy |
| 11:00 – 11:30 | Tea/Coffee |
Heather Moylan – C4D2, World Bank |
| 13:20 – 13:30 | CONCLUSIONS |
Material and interaction

Each presenter was asked to suggest 2/3 basic papers/documents on the topic.

Documents are available in PDF.

Interact with the presenters and the colleagues!

Good work!