



# Asset-based poverty

How can we integrate wealth into official Swiss poverty statistics?

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- Why integrate wealth into poverty measurement?
- Operational choices and why they matter
- Communication issues and possible strategies



## How do we define poverty?

«People are considered to be poor if they do not have the **financial means** to buy goods and services that are necessary for a socially integrated life.» (FSO 2018)

- Statistical reality: **poverty = income poverty**  
→ only income from assets is considered, but not assets themselves
- Consequence: poverty rate (especially of the elderly) is overestimated
- Objective: integrate wealth into poverty measurement in the mid-term



## A lot is going on...

- National level: cantonal poverty reports based on tax data
- International level:
  - ECB: «Household Finance and Consumption Network» (HFCN)
  - Eurostat and OECD: «Expert Group on Measuring the Joint Distribution of Household Income, Consumption and Wealth at Micro-level» (EG ICW)
- Growing literature on the topic «asset poverty»



## The Swiss SILC module on wealth

- Statistics on Income and Living Conditions (SILC) with special Swiss modules on wealth in 2011/12, 2015, 2018 and (scheduled) 2020
- SILC is also used for income poverty measurement
- CH-SILC module 2015:
  - + decent response rates (at least 80%, depending on wealth component)
  - + refined data plausibilisation and imputation model
  - + good coherence with macro data (Ravazzini et al. 2018)
  - no information on debts other than mortgages
  - not possible to distinguish main residence from other real estate property



## But how should we take wealth into account?

«Asset poverty is defined as an individual having insufficient **wealth** to meet their **basic needs over time**.» UNECE (2017): Guide on poverty measurement, p. 159

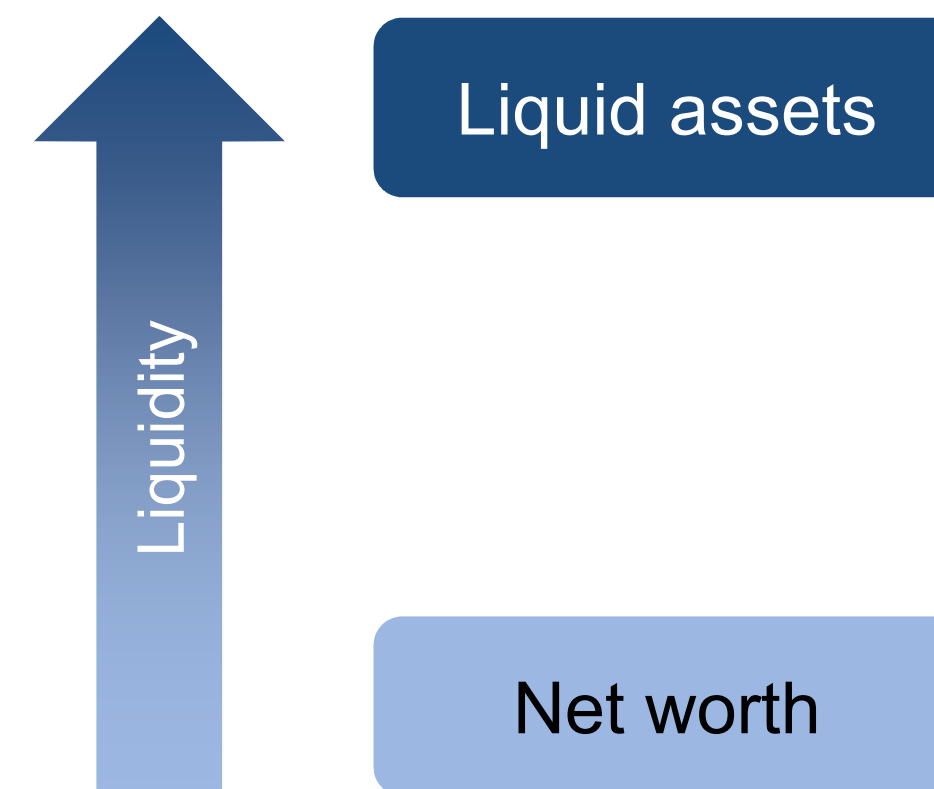
- Main reasons / advantages for Swiss official statistics:
  - + income poverty rate can still be updated annually...
  - + ... and remains unchanged → no break in time line
  - + international comparability (OECD / Eurostat)
  
- But we have to make **more choices**:  
which wealth concept, poverty line, and reference period should we apply?



## Wealth: which wealth concept?

assets in bank and postal accounts  
value of shares, bonds and investment funds etc.  
valuables (vehicles, jewelery etc.)  
real estate property – mortgage(s)

Source: author's own diagram (includes only wealth components available in SILC 2015)

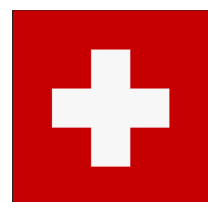


→ We focus on **liquid assets** as they are the only asset type to fully serve as an income substitute



## Basic needs: which poverty line?

- **Asset-based poverty line = (fraction of) income poverty line**
- In Switzerland, two poverty lines are used to measure income poverty:

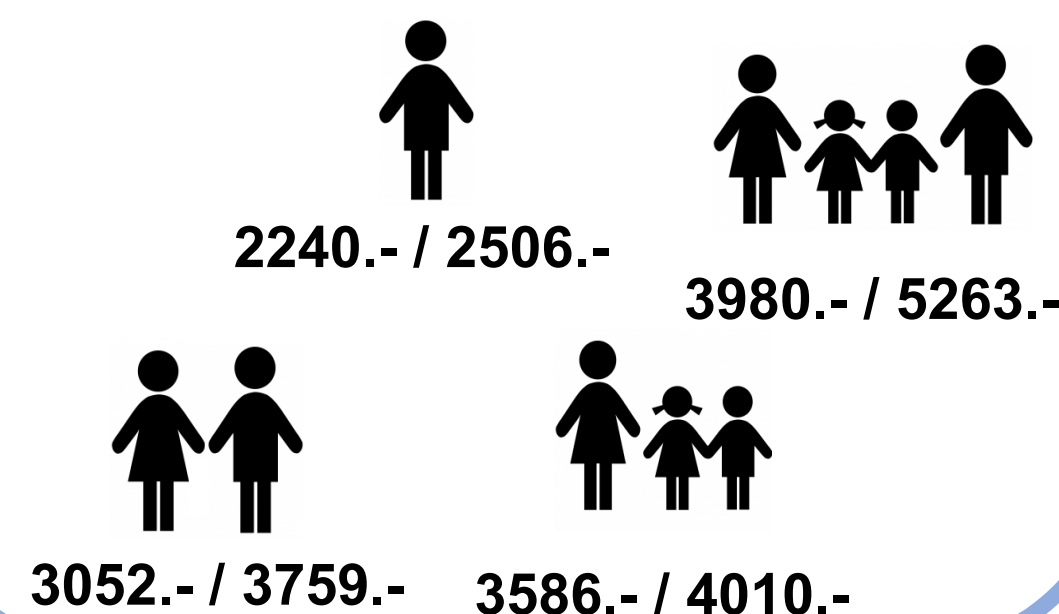


a **national poverty line** set at the social minimum subsistence level that serves as the basis for measuring public social assistance benefits



a **relative poverty line** set at 60% of median equivalised disposable income (Standard Eurostat)

**national vs. relative poverty line**  
values for selected household types,  
in CHF per month (1 CHF ≈ 0.88 EUR)

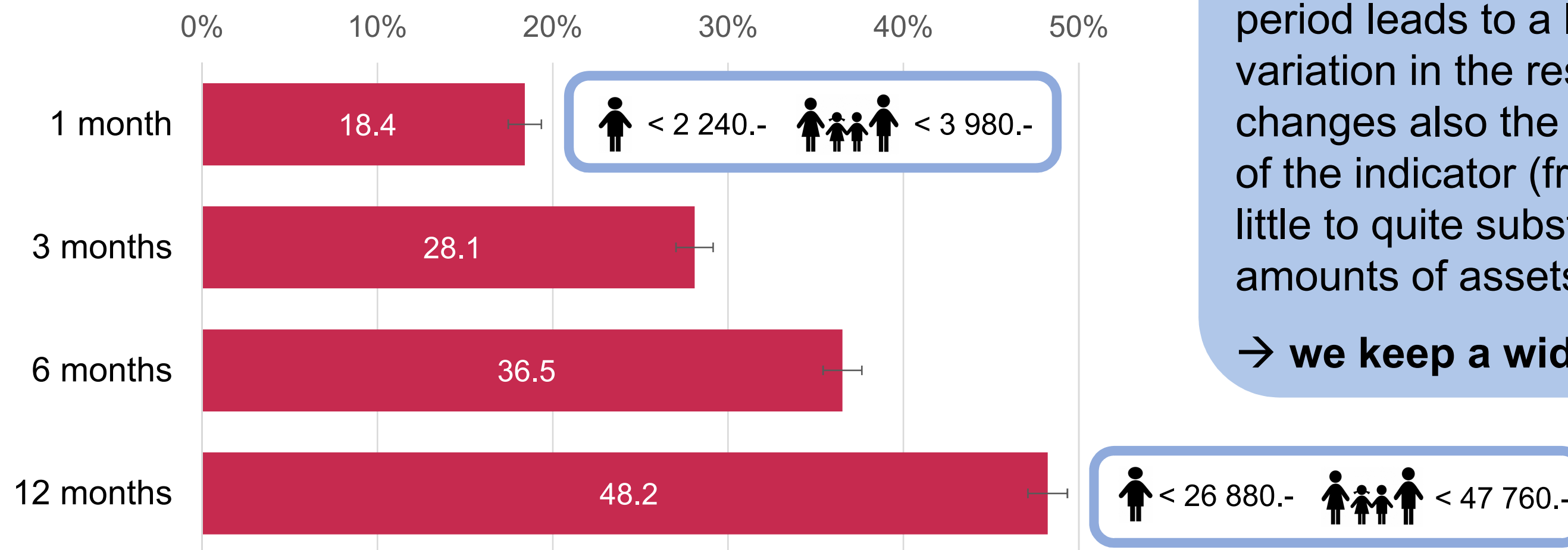






## Time: which reference period?

Asset-based poverty rates, by reference period



→ Changing the reference period leads to a large variation in the results and changes also the **meaning** of the indicator (from very little to quite substantial amounts of assets)

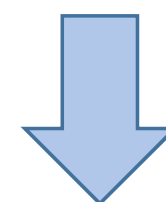
→ **we keep a wide range**

Source: FSO, SILC 2015 (provisional data on wealth, version 07.06.2018), based on liquid assets and the national poverty line

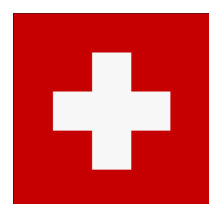


## Operational choices: summary

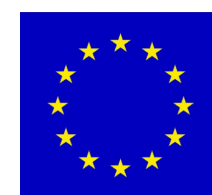
«Asset poverty is defined as an individual having insufficient **wealth** to meet their **basic needs over time.**» UNECE (2017): Guide on poverty measurement, p. 159



«Asset poverty is defined as an individual having insufficient **liquid assets** to meet their **poverty line over a duration of 1, 3, 6 or 12 months.**»



for Swiss analyses, we use the national poverty line

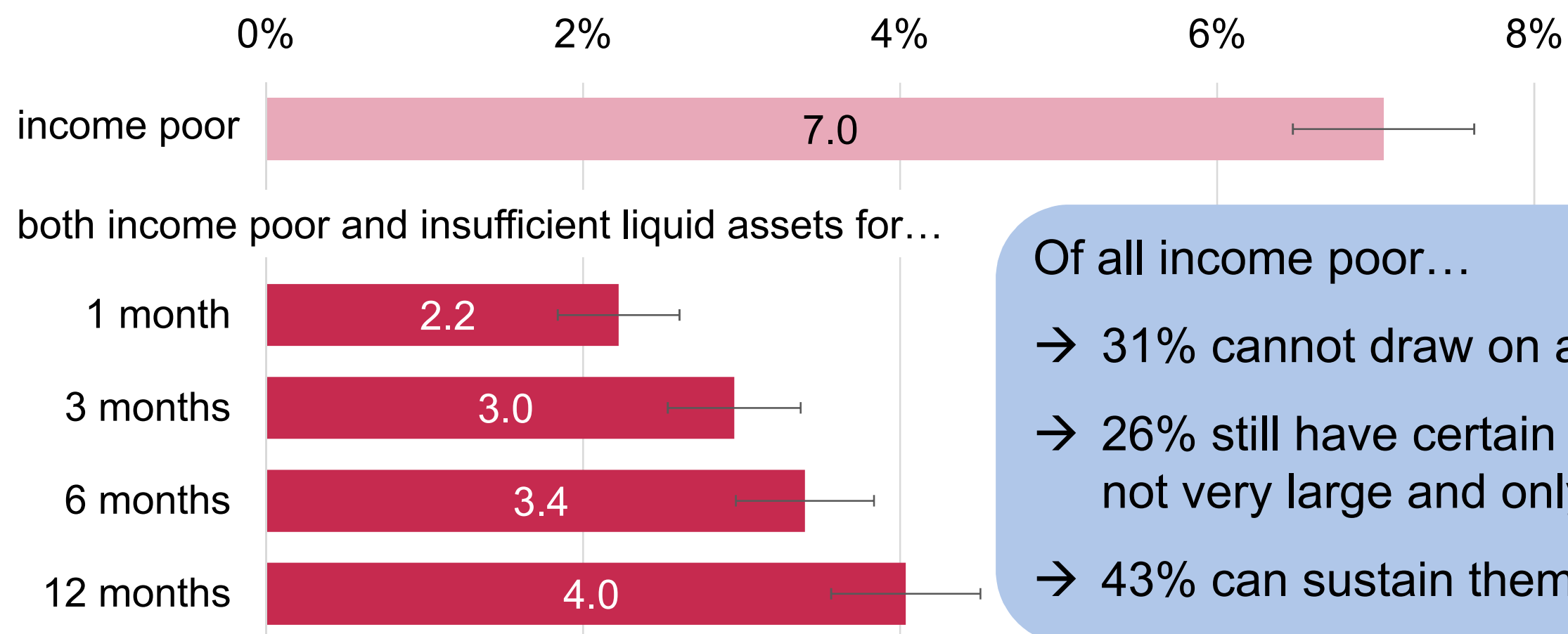


for international comparison we use the relative poverty line



## Combining income and asset poverty rates

Income poverty rate and twice poor rate (= share of persons that are both income and asset poor)



Of all income poor...

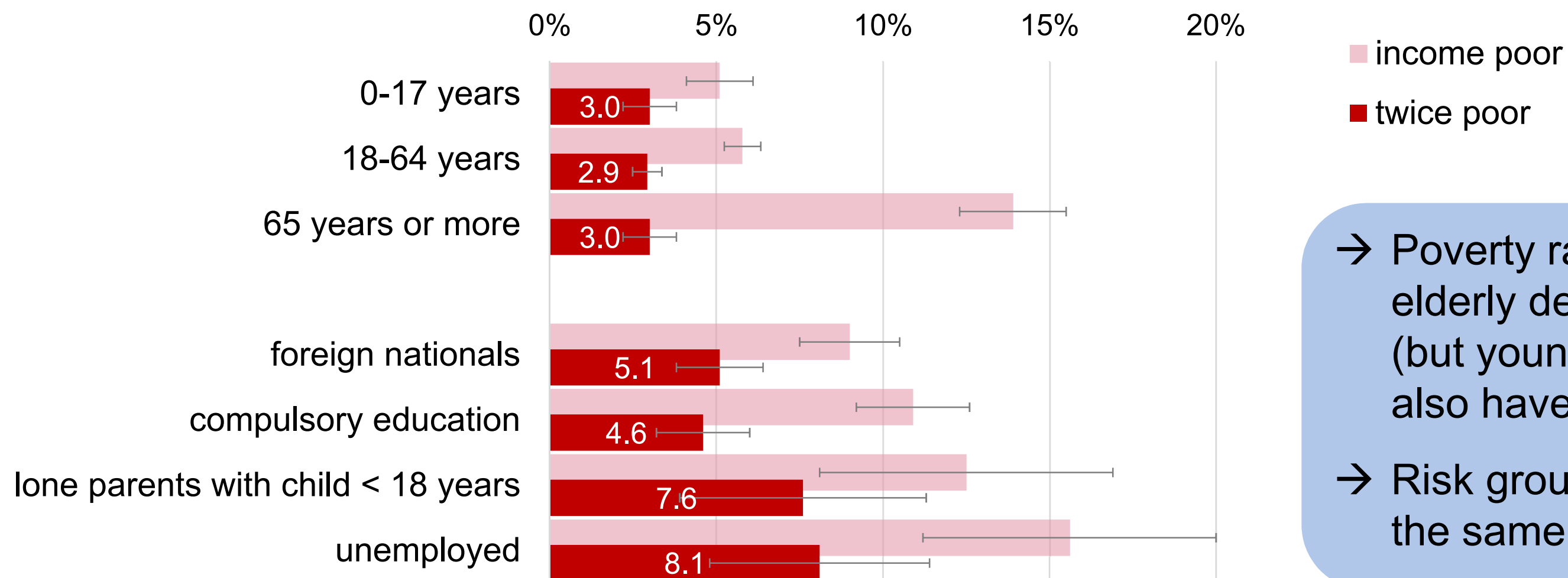
- 31% cannot draw on any liquid assets
- 26% still have certain assets, but they are often not very large and only last for 1 to 12 months
- 43% can sustain themselves for > 12 months

Source: FSO, SILC 2015 (provisional data on wealth, version 07.06.2018), based on liquid assets and the national poverty line



## Who is both income and asset poor?

Income poverty rate and twice poor rate with a reference period of 3 months



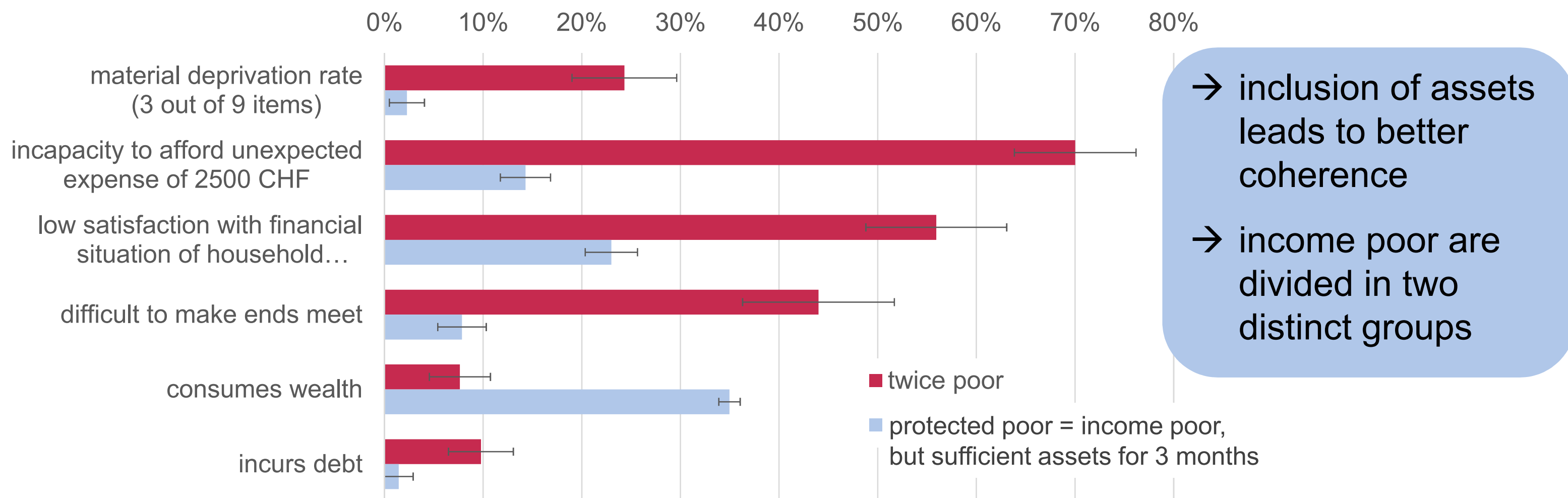
→ Poverty rates of the elderly decline the most (but younger people also have assets)

→ Risk groups stay largely the same

Source: FSO, SILC 2015 (provisional data on wealth, version 07.06.2018), based on liquid assets and the national poverty line



# Coherence with other indicators on the standard of living



Source: FSO, SILC 2015 (provisional data on wealth, version 07.06.2018), based on liquid assets and the national poverty line with a reference period of 3 months



## So wealth matters...

Information on assets enriches poverty measurement in Switzerland and improves the coherence of poverty rates with other indicators on the standard of living.

### ...but:

- operational choices influence the results
- how can we communicate these results to the broad public?



## Communication objectives

We want to integrate wealth into poverty measurement, without...

- ...confusing our users  
(«yet another poverty rate?»)
- ...jeopardising the legitimacy of the income poverty rate  
(«a better poverty rate?»)
- ...unnecessarily heating up the debate on the welfare state  
(«the poor are actually rich?»)



## Measures we could take

- be transparent on what we are doing
- avoid the terms «asset poor» or «wealthy» when addressing the general public
- name the new indicator(s) rather descriptively, but accurately:
  - «share of persons without sufficient liquid assets for x months»
  - «share of persons that are income poor and do not have sufficient liquid assets for x months»
- enable a dialogue before definitive launch: «experimental statistics»





## What we communicated so far

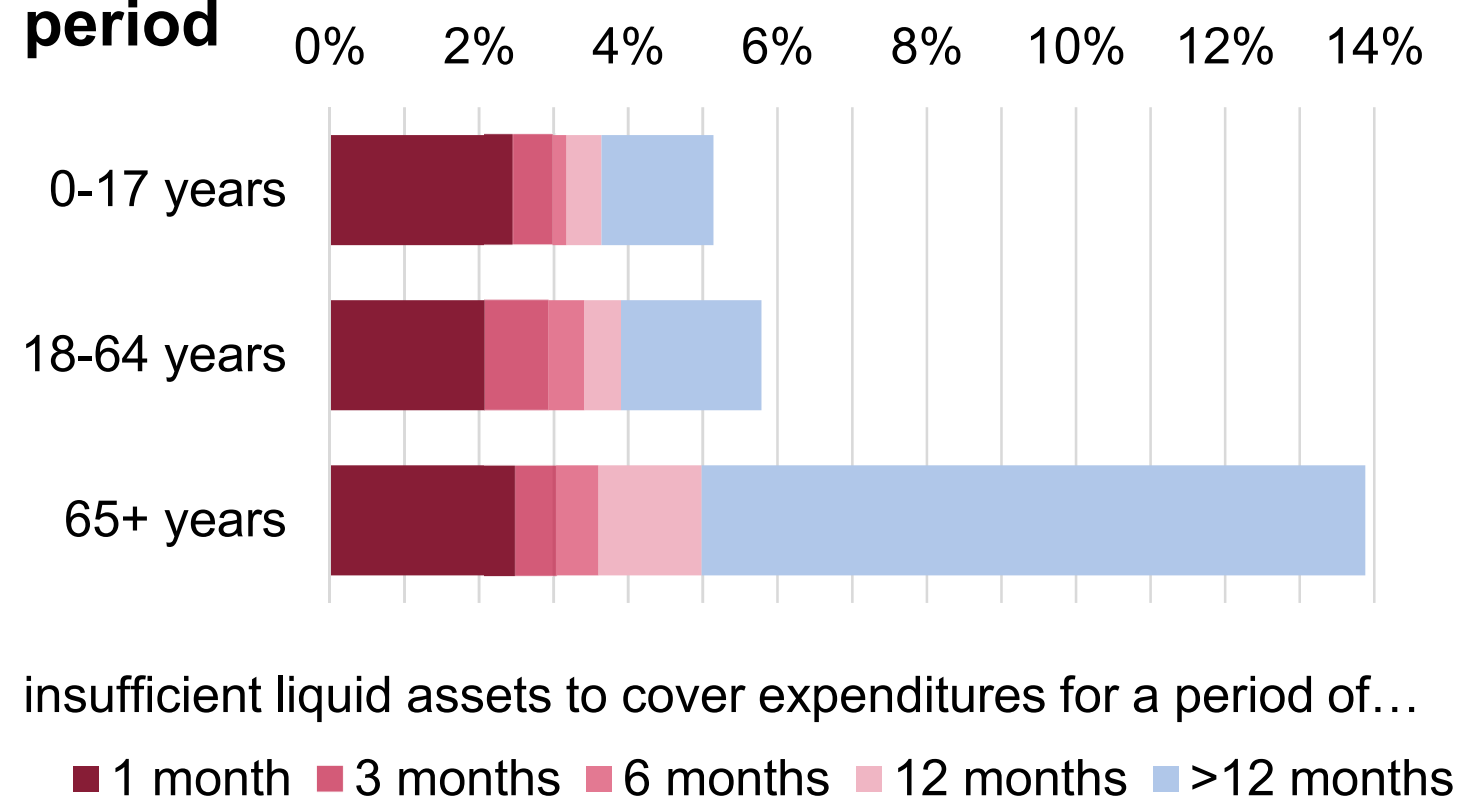
“People aged 65 or over [...] show a higher than average poverty rate. However, it should be noted here that **only income poverty is considered without any possible assets** and that it is precisely people aged 65 and over who resort to their financial assets in order to cover everyday expenditure. [...] **The poverty rate among people of retirement age should therefore only be interpreted with caution.**” (FSO 2016)

- Poverty rates of the elderly were already to be interpreted with caution
- What we didn't expect: also half of younger income poor can resort to liquid assets
  - poverty rates change for all age groups



## Option 1: show shares in relation to total population

**Share of persons that are income poor but are still able to draw on liquid assets, by reference period**



“People aged 65 or over have a much higher income poverty rate than people aged 18-64 (13.9% vs. 5.8%). However, most of the elderly can resort to assets to supplement their low income for a certain time.

2.5% of people aged 65 or over are at the same time income poor and do not have sufficient liquid assets to cover everyday expenditure for a period of 1 month, and 3.0% for 3 months. These proportions are similar in all age groups.”

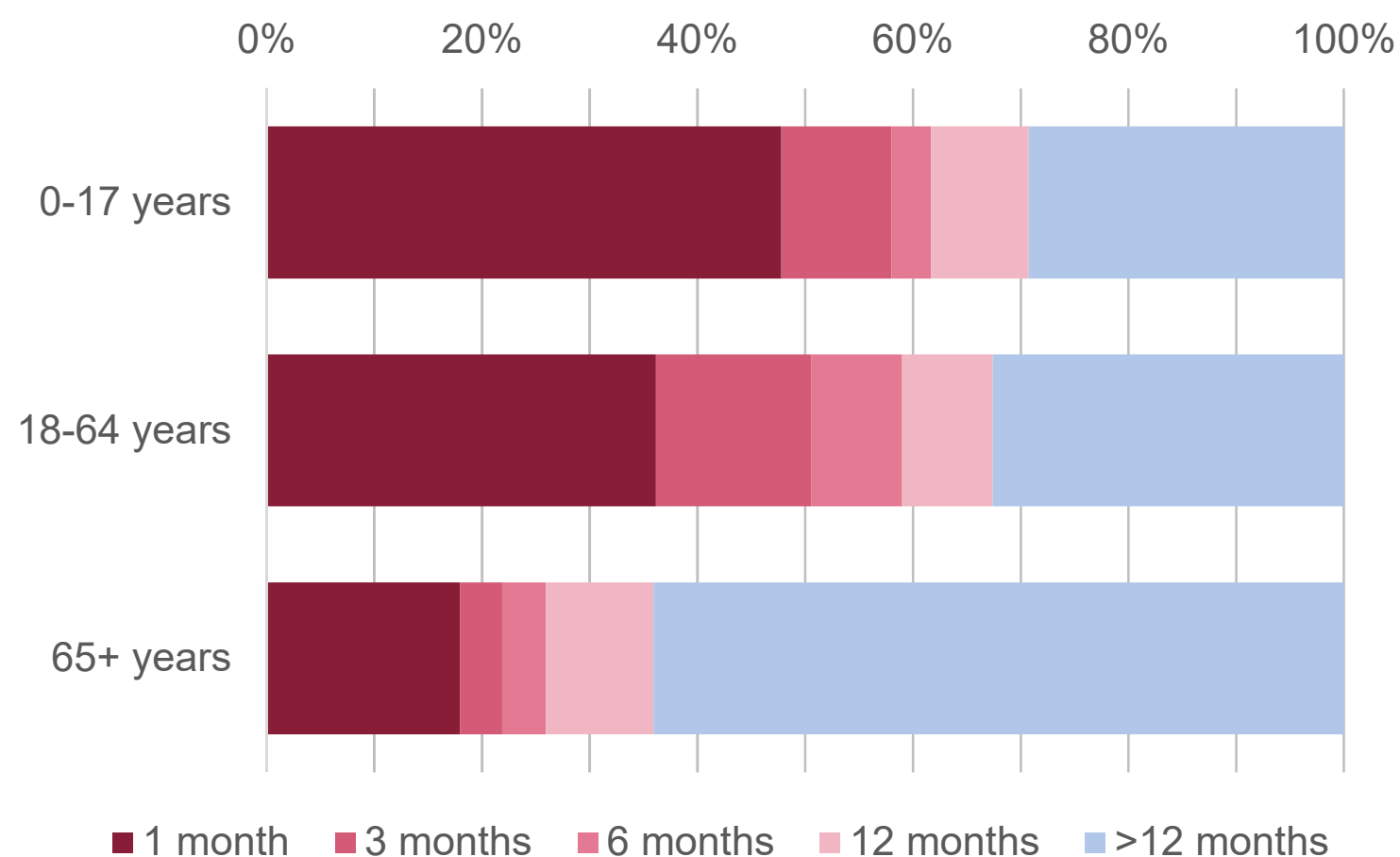
Note: the total length of the bars corresponds to the income poverty rate.

Debts are not taken into account. Source: FSO, SILC 2015 (provisional data on wealth, version 07.06.2018), based on the national poverty line



## Option 2: show shares in relation to income poor

### Share of income poor without sufficient liquid assets, by reference period



“Almost 1/2 of income poor children do not have sufficient liquid assets to finance their current expenditure over a period of 1 month without income.

Of income poor people aged 18-64, 1/3 do not have sufficient liquid assets for 1 month and 1/2 for 3 months.

Of income poor persons aged 65 or over, only 20% do not have sufficient liquid assets for 1 month, but almost 2/3 can sustain themselves for more than one year without income.”

Source: FSO, SILC 2015 (provisional data on wealth, version 07.06.2018), based on the national poverty line. Debts are not taken into account.



## Thank you for your attention!

- Further information on asset-based poverty will follow here:  
<https://www.experimental.bfs.admin.ch/en/>
- Current Swiss poverty statistics:  
[www.statistics.admin.ch](http://www.statistics.admin.ch) → Look for statistics → 20 - Economic and social situation of the population → Social situation, well-being and poverty → Poverty and material deprivation
- FSO contact information:  
[info.sozan@bfs.admin.ch](mailto:info.sozan@bfs.admin.ch)