

Asset-based poverty in Finland

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Motivation

Due to the complexity of measurement of wealth in Finland*, we compare asset poverty based on a single survey question with objective asset poverty indicators.

This is possible because the following information is available for the same sample of 9,474 households:

1. A six-year EU-SILC module question on ability to maintain current standard of living with savings
2. Measured wealth in Finnish wealth statistics (FI-HFCS), including net wealth and its subcomponents

The reference year is 2019 and the data set was used both for EU-SILC survey year 2020 and ECB Household Finance and Consumption Survey (HFCS), wave 4.

Asset-poverty is defined separately from income poverty and added as a new dimension to existing poverty measures (such as at risk of poverty AROP or at risk of poverty or social exclusion AROPE).

*In Finland, income and debt from registers can be used for inequality and income poverty statistics (national full population statistics and surveys such as EU-SILC, HBS...). In contrast, measuring assets requires a multi-source, sample-based approach (administrative data, estimation, household interviews). There is no wealth tax and administrative data are scarce and scattered.



The definitions of asset based poverty which were compared

EU-SILC 2020 ad hoc module (HV080)

- Household respondent answers a question on how many months household would be able to maintain its current standard of living using savings without receiving any income:
- Less than 3 months, 3-6 months, 6 to 12 months, more than 12 months
- Standard of living: "current" as self-assessed by the respondent
- Wealth concept: "Savings" defined as deposits and cash (explicitly in the question wording)

Definition based on measured wealth

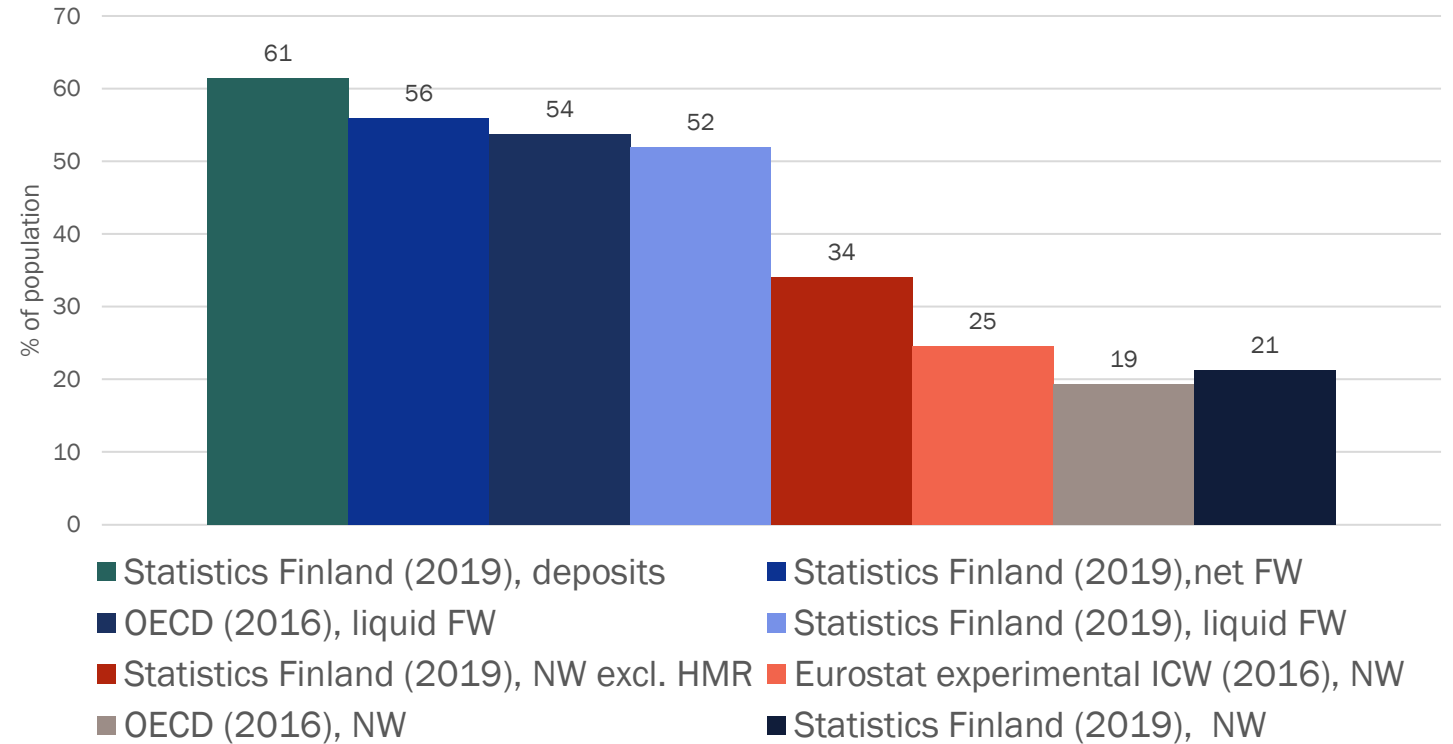
- Measured wealth falls below a predefined threshold required to maintain a certain standard of living for a specified period
- Period defined in months (often 3, 6 or 12)
- Standard of living: defined based on relative income poverty line (1,290 EUR per month in 2019, 60 % of median)
- Wealth concepts: various, incl. deposits, liquid financial wealth, net wealth excluding net value of household's main residence, net wealth.



Asset poverty rates based on measured wealth

- Statistics Finland does not officially publish asset poverty rates: however, estimates for 2019 based on different wealth concepts are shown in the graph
- OECD wealth distribution database and Eurostat's experimental ICW statistics include asset poverty rates for Finland

Estimates of asset poverty rates for Finland (period: less than 6 months)



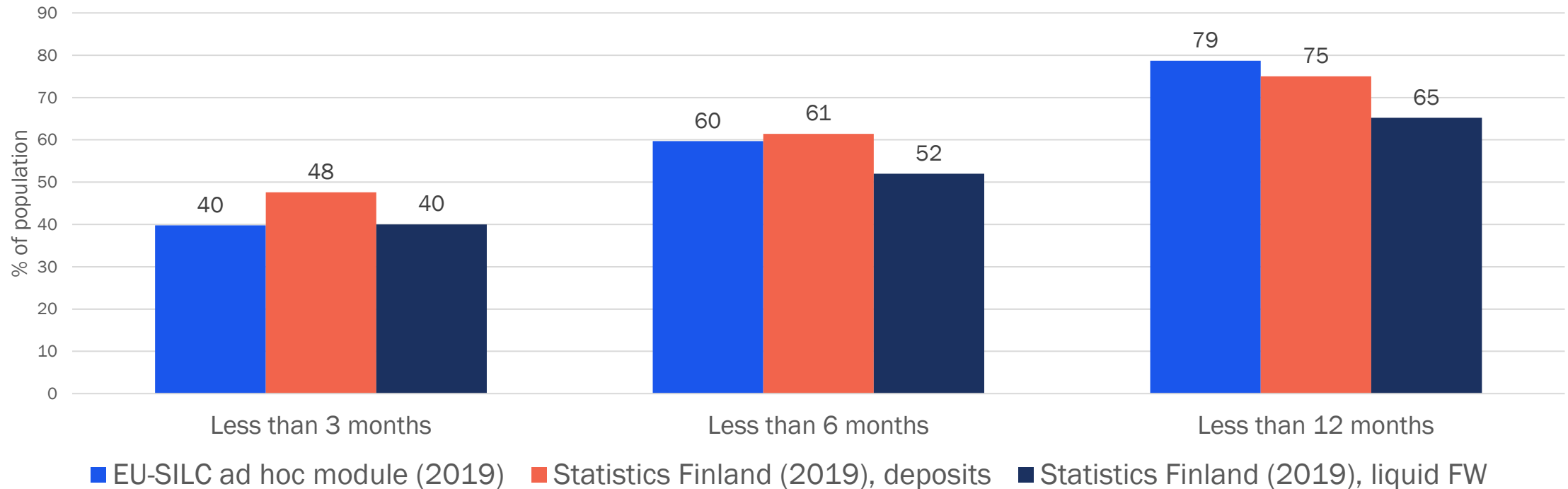
The OECD estimates are derived from HFCS wave 3 (2016).

Eurostat experimental ICW: statistical matching of SILC and HFCS.

- FW=financial wealth, NW=net wealth, HMR=household's main residence
- OECD wealth threshold relative to 50 % and Eurostat and Statistics Finland 60 % of median income.



Asset-poverty rates derived from EU-SILC question look reasonably coherent with measured asset-poverty



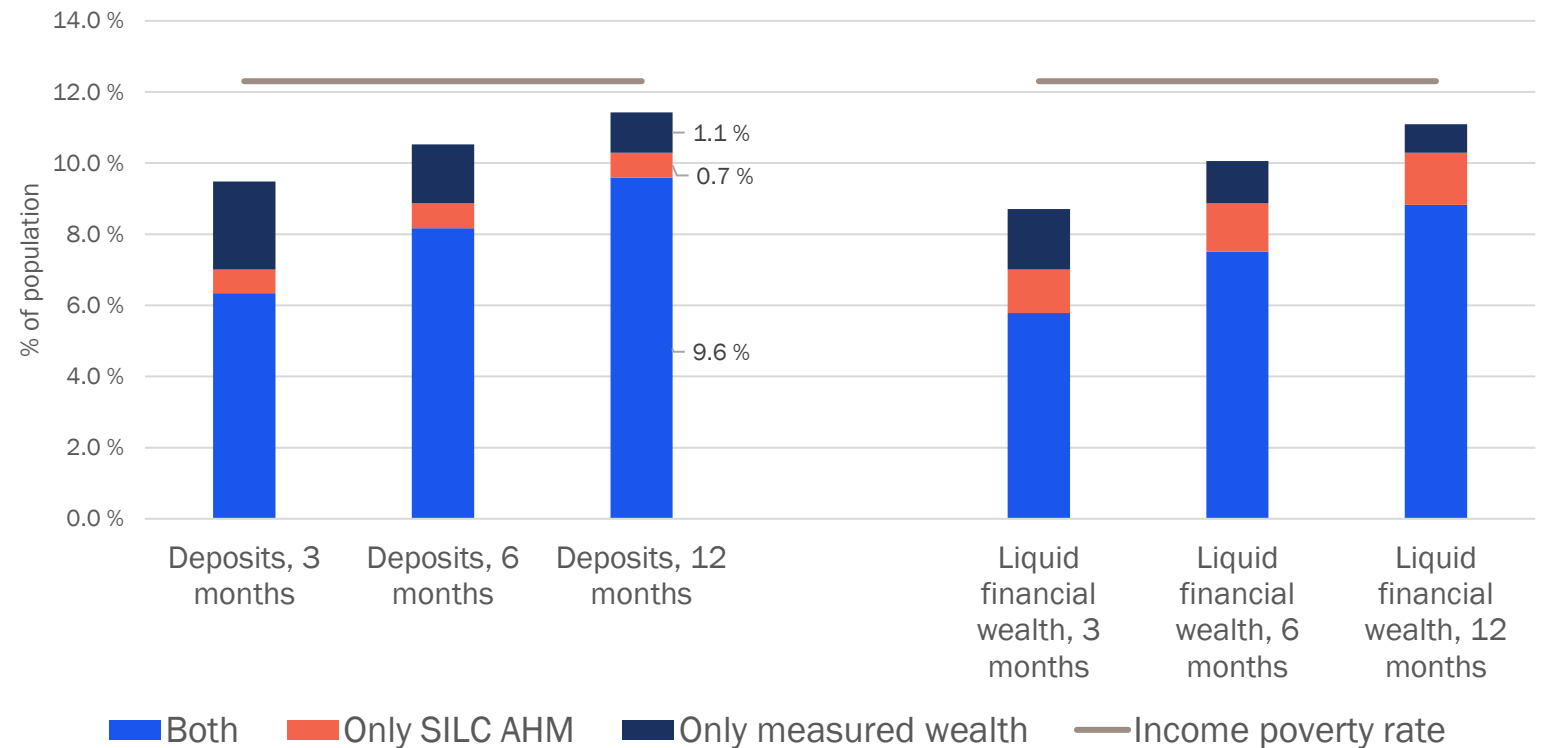
- The EU-SILC question covers deposits and cash. Measured deposits are based on survey data. Liquid financial wealth (FW) adds listed shares and mutual funds from register data.
- Liquid financial wealth poverty is around 10 pp lower than measured deposit-based asset poverty.



Income and asset poverty

- EU-SILC AHM income and asset poverty rates range from 7 % to 10.3 % (blue+red in the graph)
- Measured income and asset poverty rates range from 8.8 % to 10.7 % (blue+black in the graph)
- Income poverty rate was 12.3 % in 2019 (60 % of median)

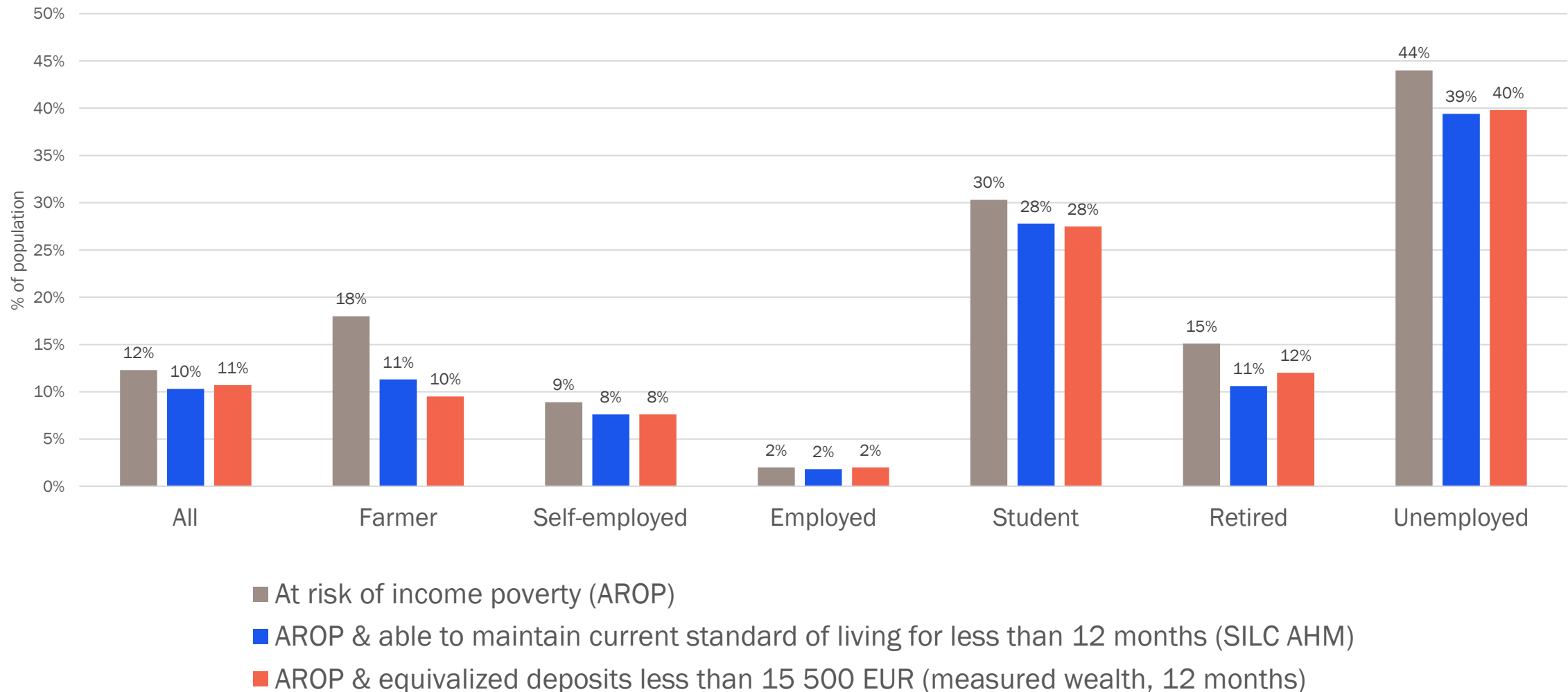
% of population both at risk of income poverty (60 % of median) and asset poor



- EU-SILC AHM does not capture ownership of other liquid financial assets and therefore over-estimates income and asset poverty rates
- Consistency (overlap) between SILC AHM and measured wealth increases with longer time periods and is best with deposits and 12 month threshold (84 % overlap)



Income and asset poverty rates by socioeconomic status, EU-SILC question vs. measured wealth



Concluding remarks

Preliminary findings suggest that EU-SILC AHM question may be a useful tool for cross-national comparisons of asset poverty in the absence of observed wealth

- In Finland, combining income poverty with 12-month asset-based poverty worked to reduce income poverty rate in a similar manner in the two approaches (both overall and in socioeconomic groups)

However, it is less useful for national measurement of asset-based poverty because it does not include other liquid financial assets, and does not account for debt or homeownership

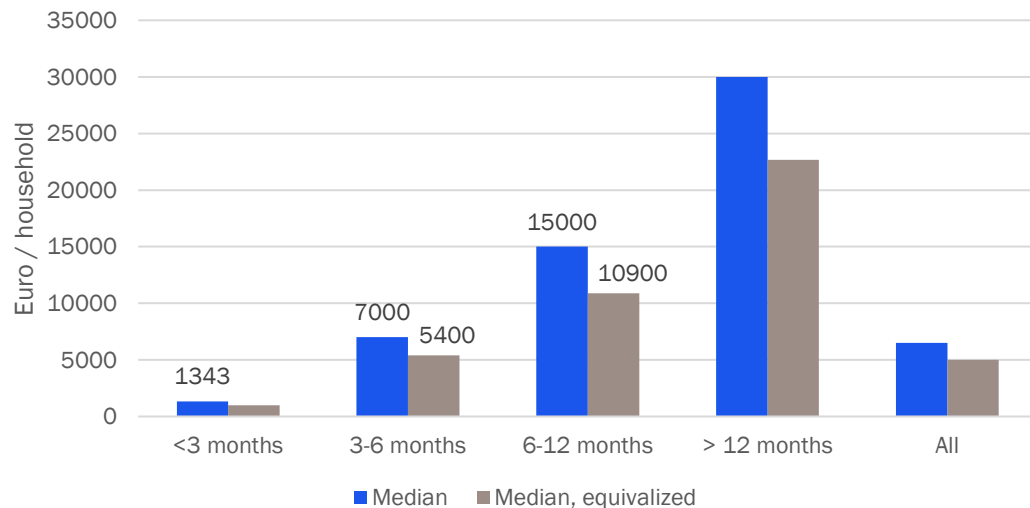
- EU-SILC AHM question only refers to deposits and cash, but the share of households owning other liquid assets (such as mutual funds and listed shares) is comparatively high in Finland
- Income concept can be adjusted to measure benefits from owner-occupied housing, e.g., by adding net imputed rents to income (see [Törmälehto, Kannas and Säylä, 2013](#))



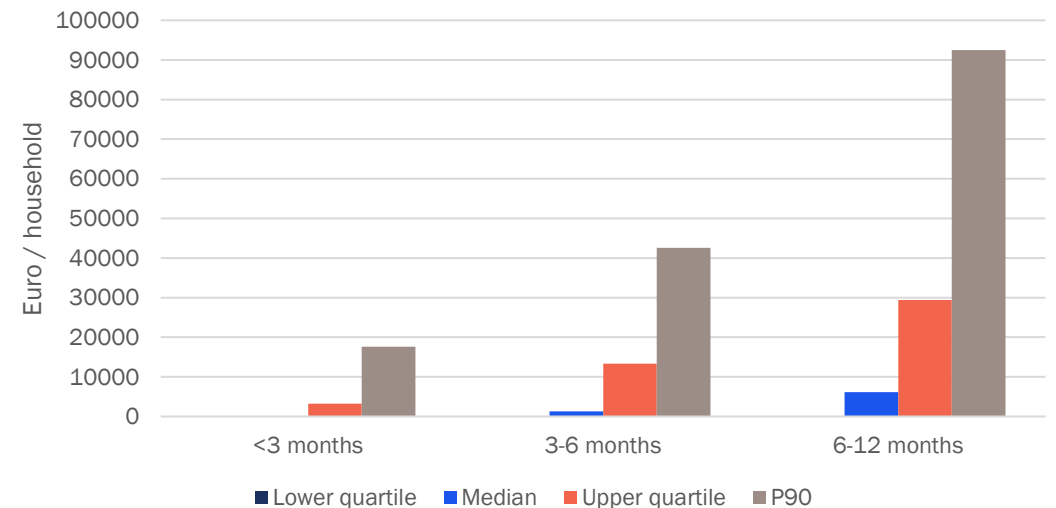
Thank you for your attention!

Annex slide: Measured assets by self-reported ability to maintain current standard of living

Median deposits by ability to maintain current standard of living with savings (HV080)



Other financial assets by ability to maintain current standard of living with savings (HV080)



- The EU-SILC question covers deposits and cash
- Measured deposits are based on survey data and contain measurement error (under-reporting).

- Households who report not having enough savings for 3 months also have little other financial assets (which are mostly register data)
- Ownership of other financial assets increases with the period length (i.e., with the level of deposits and cash)

