

An asset-based approach to measuring vulnerability in OECD countries

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22nd November, 2011

IARIW Conference, Paris

Vulnerability

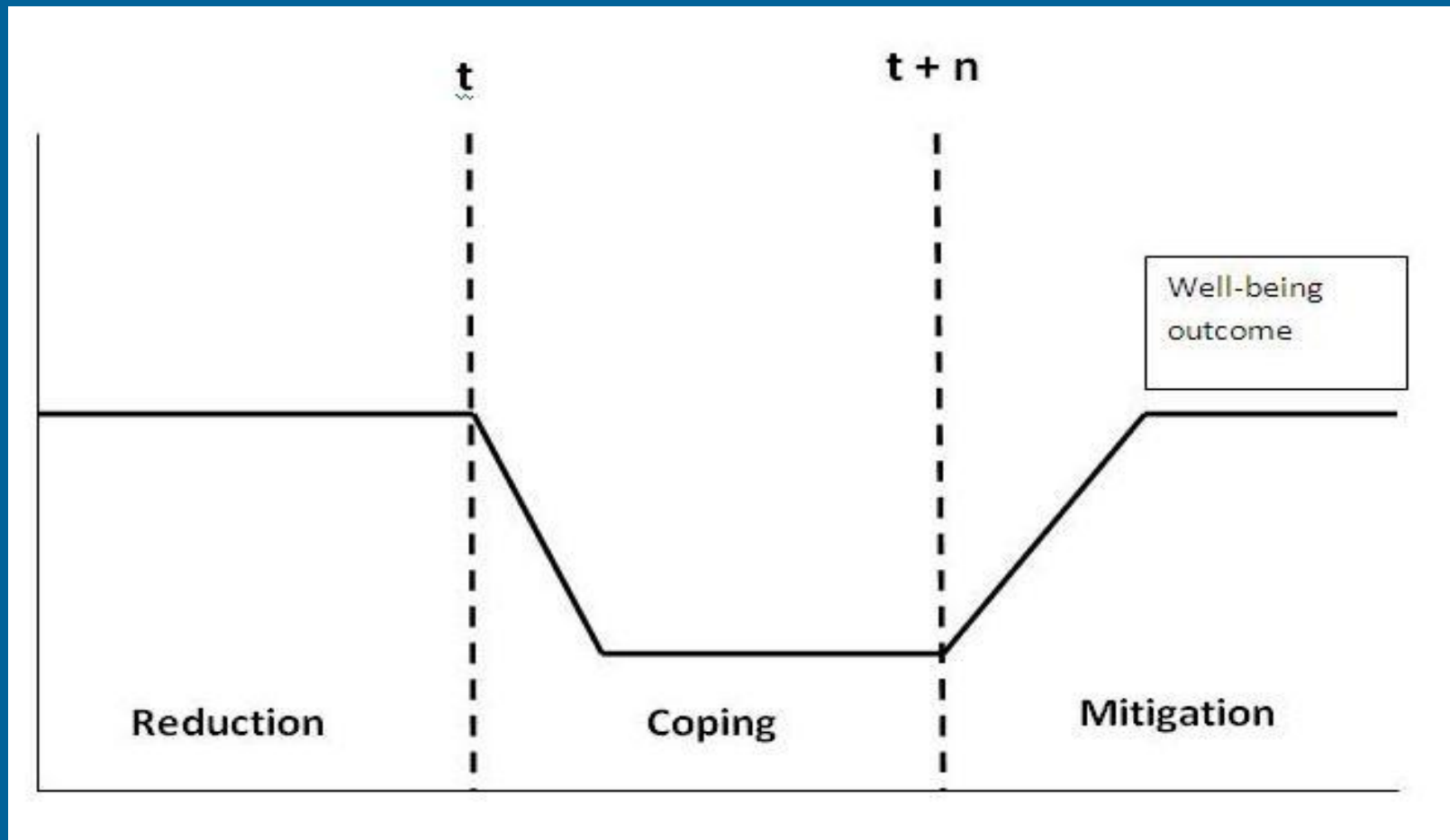
“A person (or household) is vulnerable to future loss of well-being below some socially-accepted norms if he or she lacks (or is strongly disadvantaged in the distribution of) assets which are crucial for resilience to risks.”

- Focuses on the resources people can draw on to manage diverse risks.
- Ability to minimise well-being losses after a crisis (e.g. job loss, ill health) depends on people's assets.

The asset-based approach

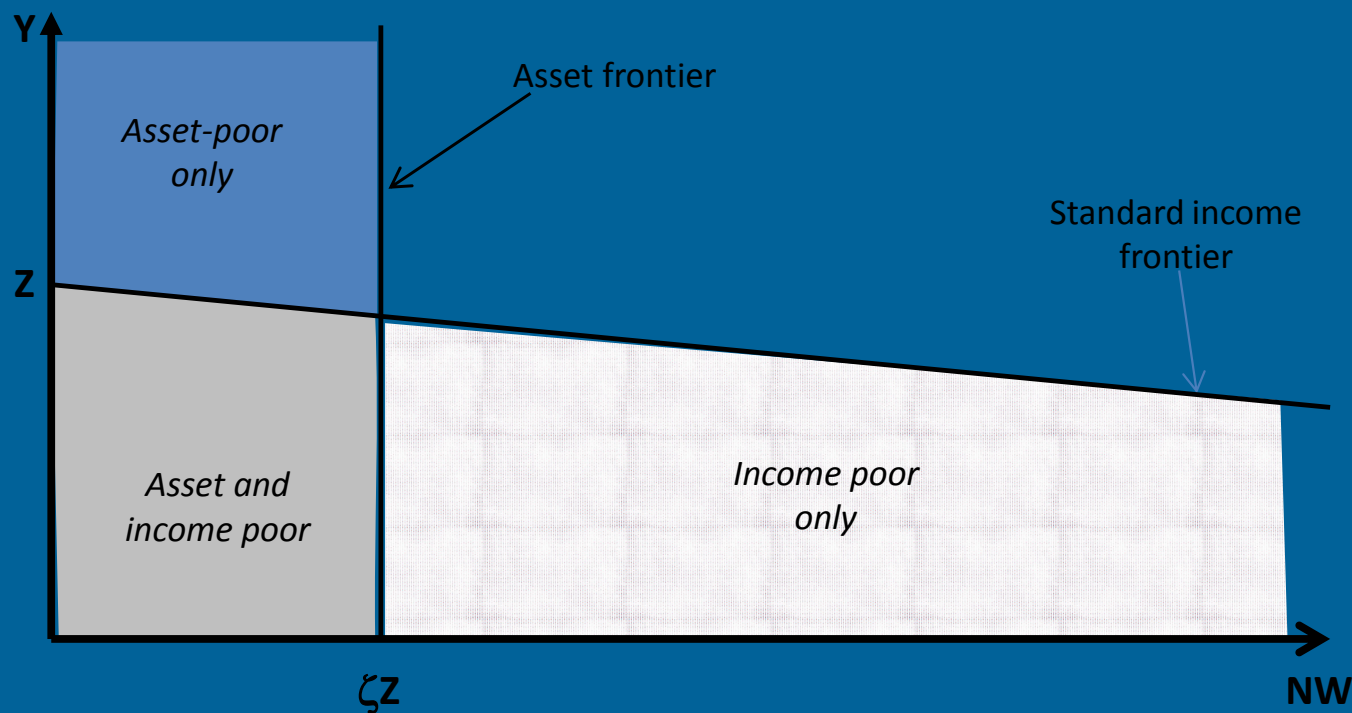
- Assets considered in a broad sense.
- Tangible and intangible **stocks** of wealth used by households/individuals to generate well-being:
 - Economic capital
 - Human capital
 - Social capital
 - Collective assets

The role of assets in reducing vulnerability

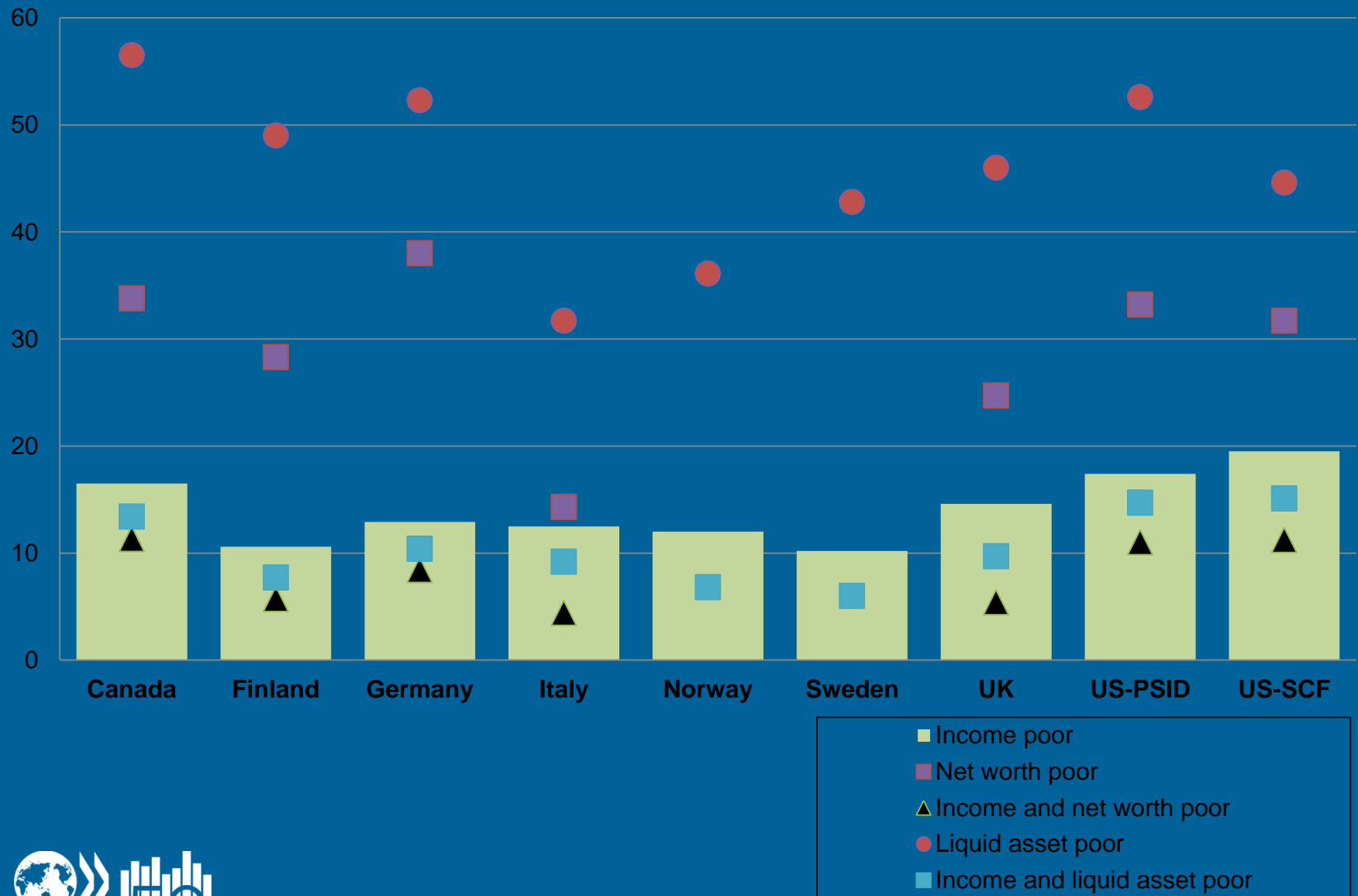


Economic capital

- Focusing on stocks, not flows, so looking at net worth and asset ownership rather than income measures



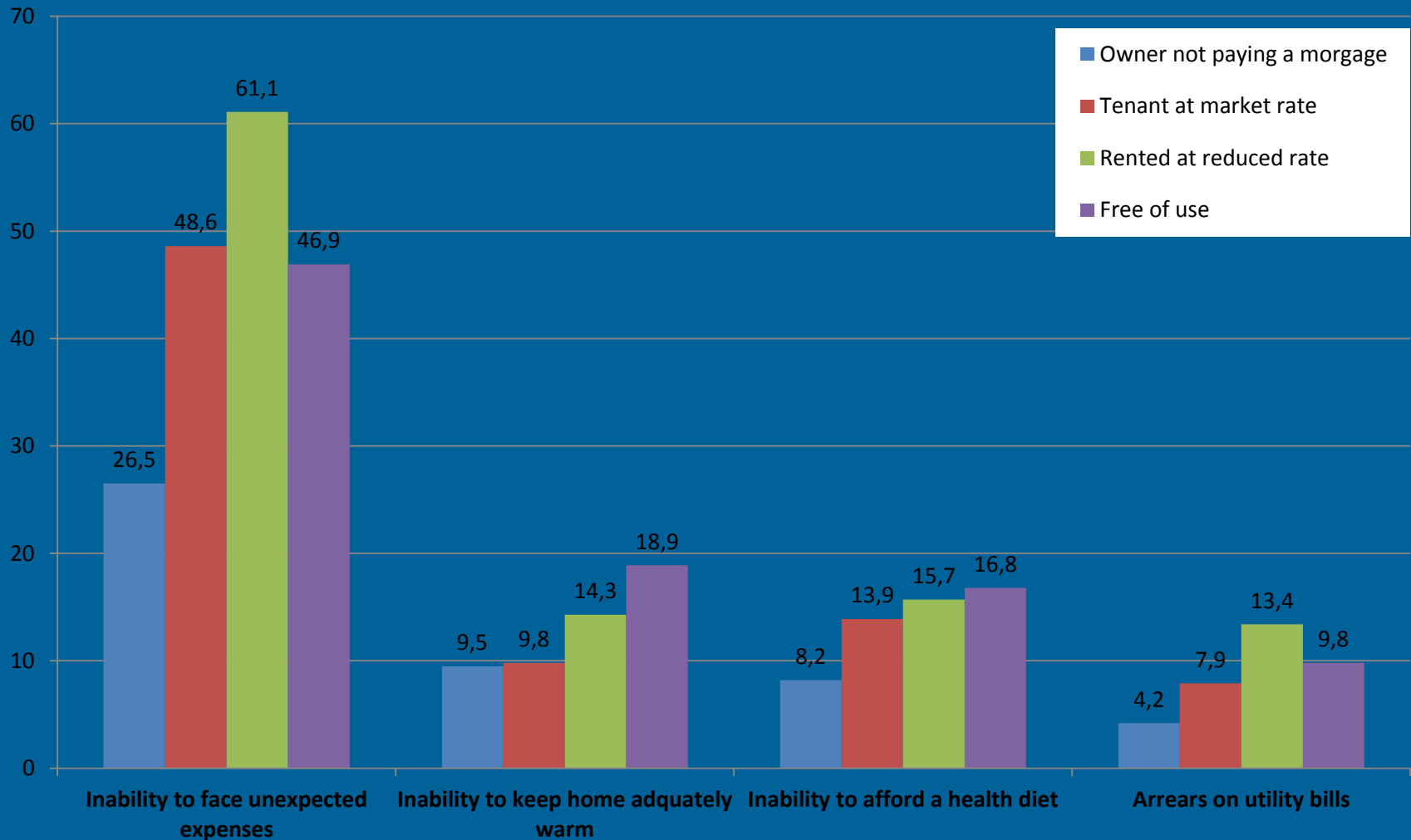
The “net-worth” poor and the “liquid asset” poor represent a larger share of the population than the income poor



Measuring economic capital stocks

- Ideal indicators: Net Worth and Liquid Assets, available from the LWS, however there are drawbacks to this approach.
- Next best: Subjective Illiquidity, Home Ownership from EU-SILC.

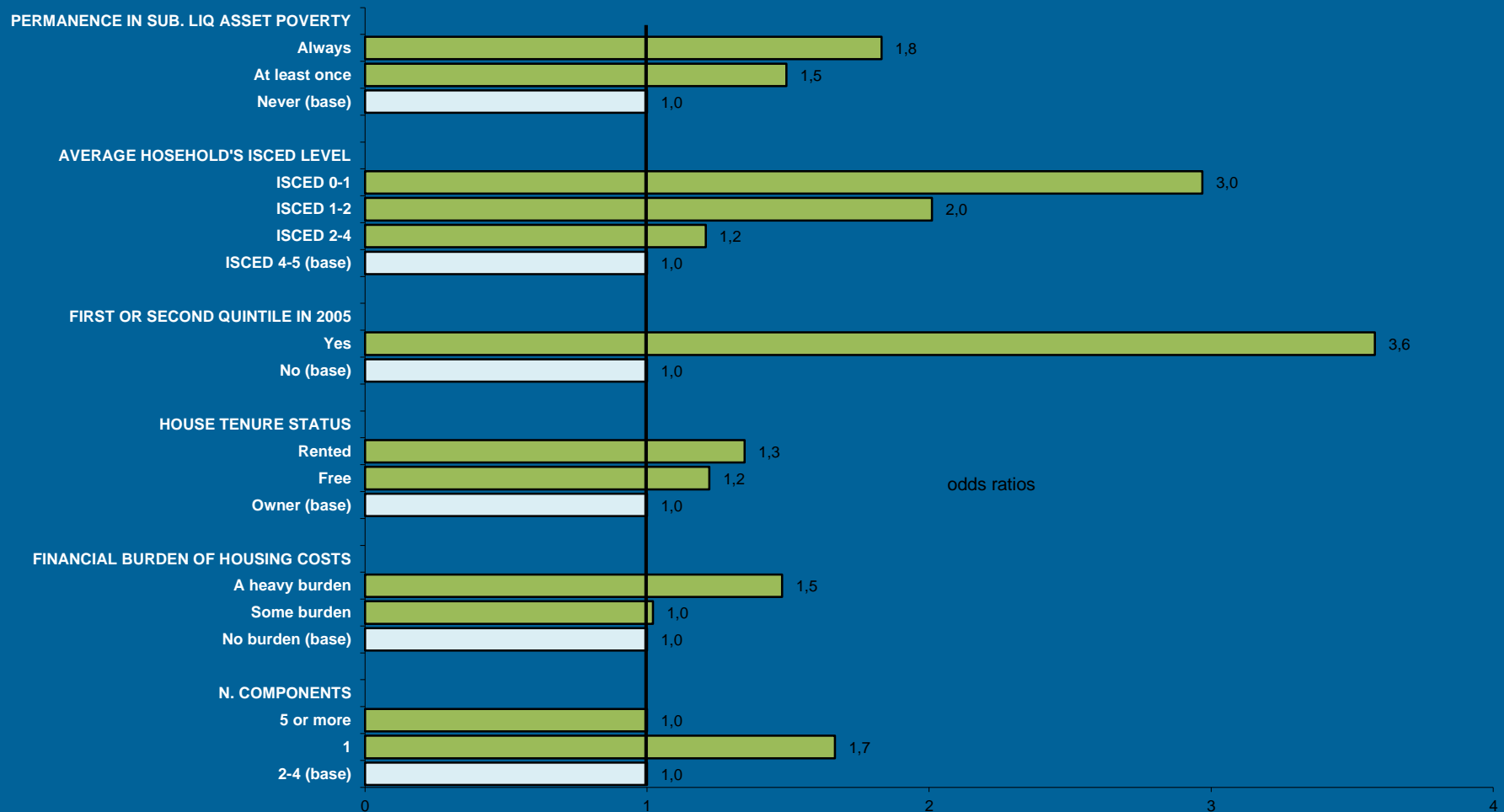
Home ownership reduces risk of material deprivation



Comparing subjective illiquidity and objective indicators of poverty in EU countries



Probability of moving into income poverty by selected characteristics



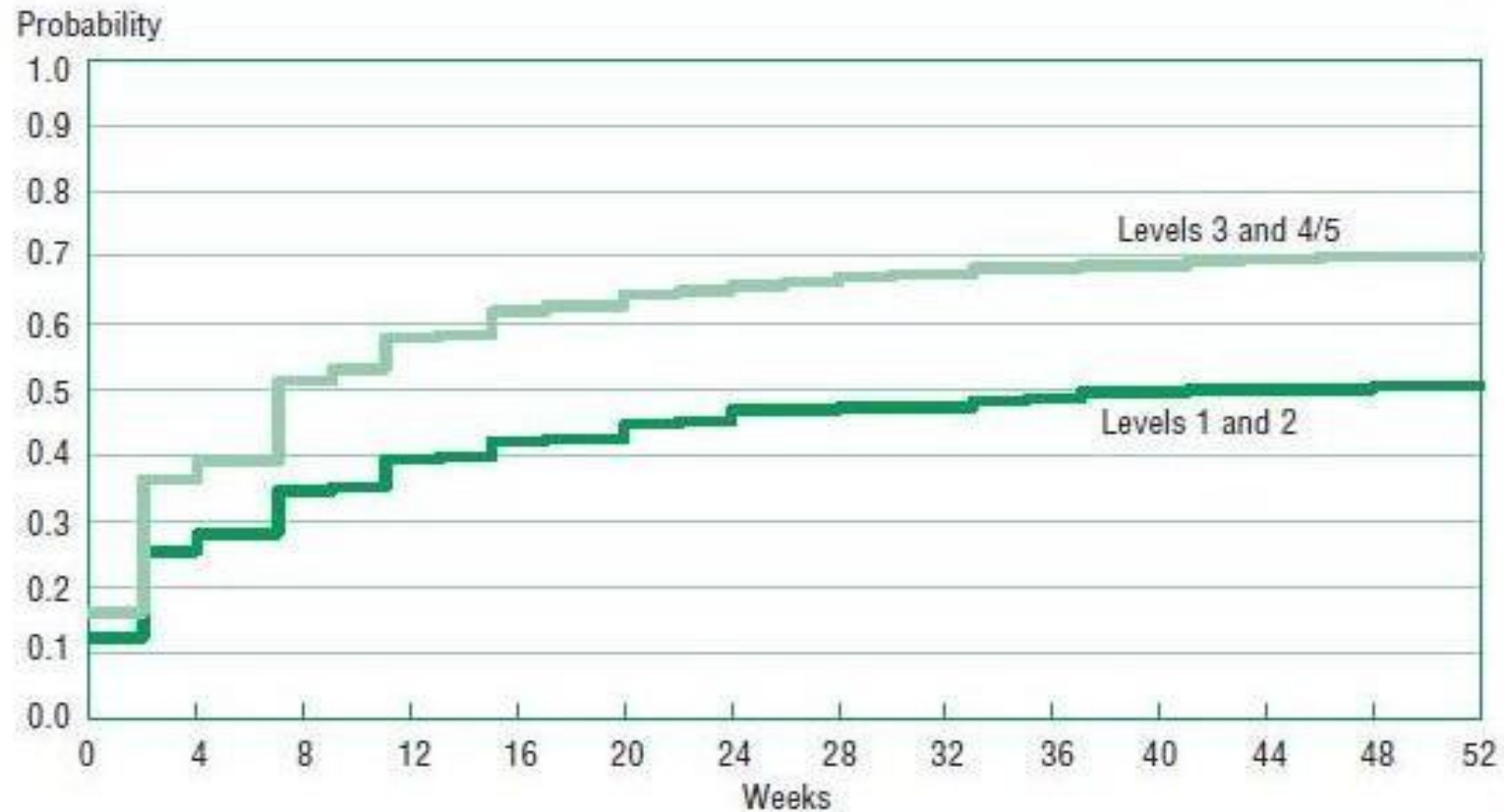
Human capital

OECD definition: “knowledge, skills, competencies and attributes embodied in individuals that facilitate the creation of personal, social and economic well-being”.

Encompasses:

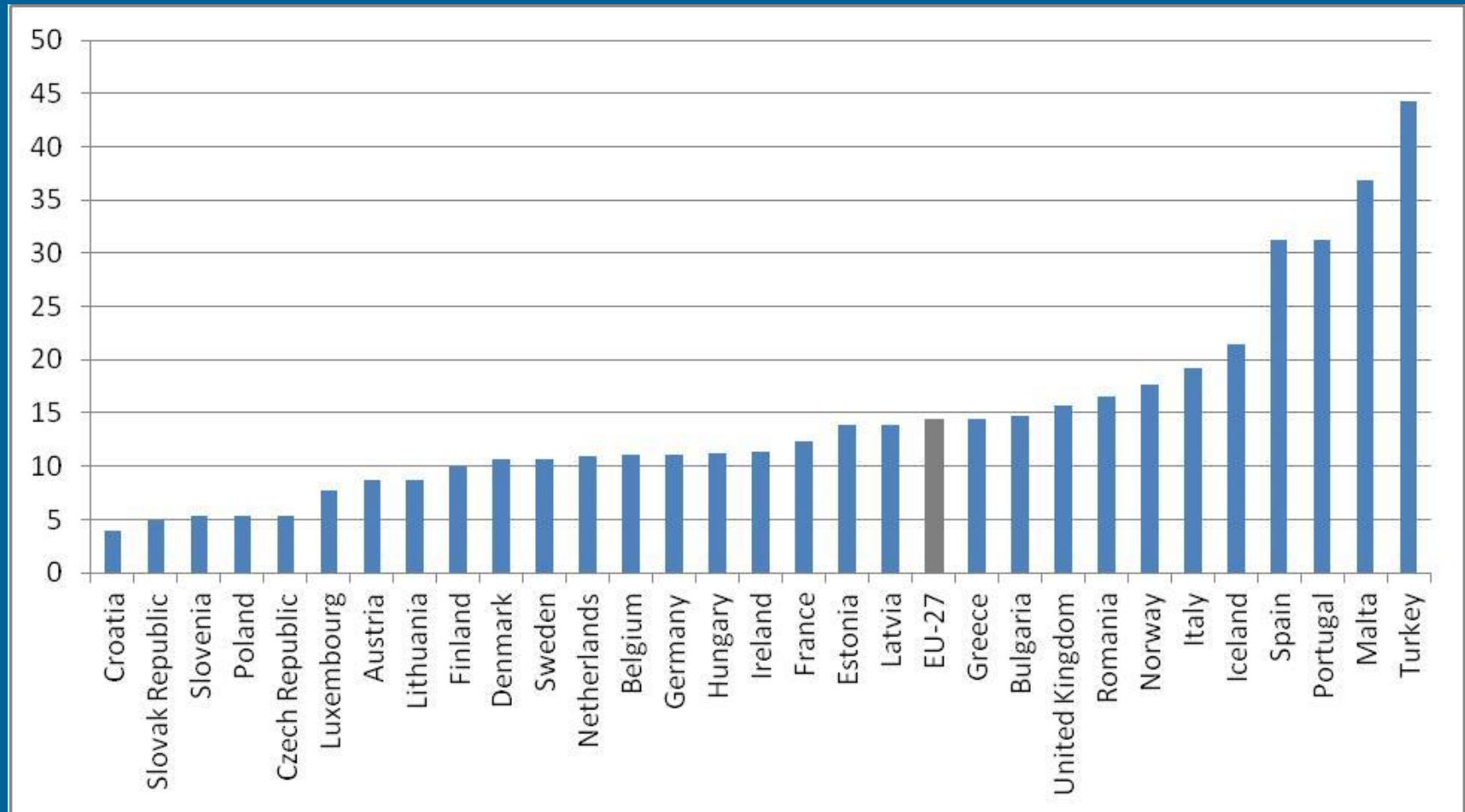
- Education
- Skills (cognitive and non-cognitive)
- Health (mental and physical)

The highly-skilled exit unemployment faster



Source: Adult Literacy and Life Skills Survey, 2003.

Measuring human capital – educational attainment



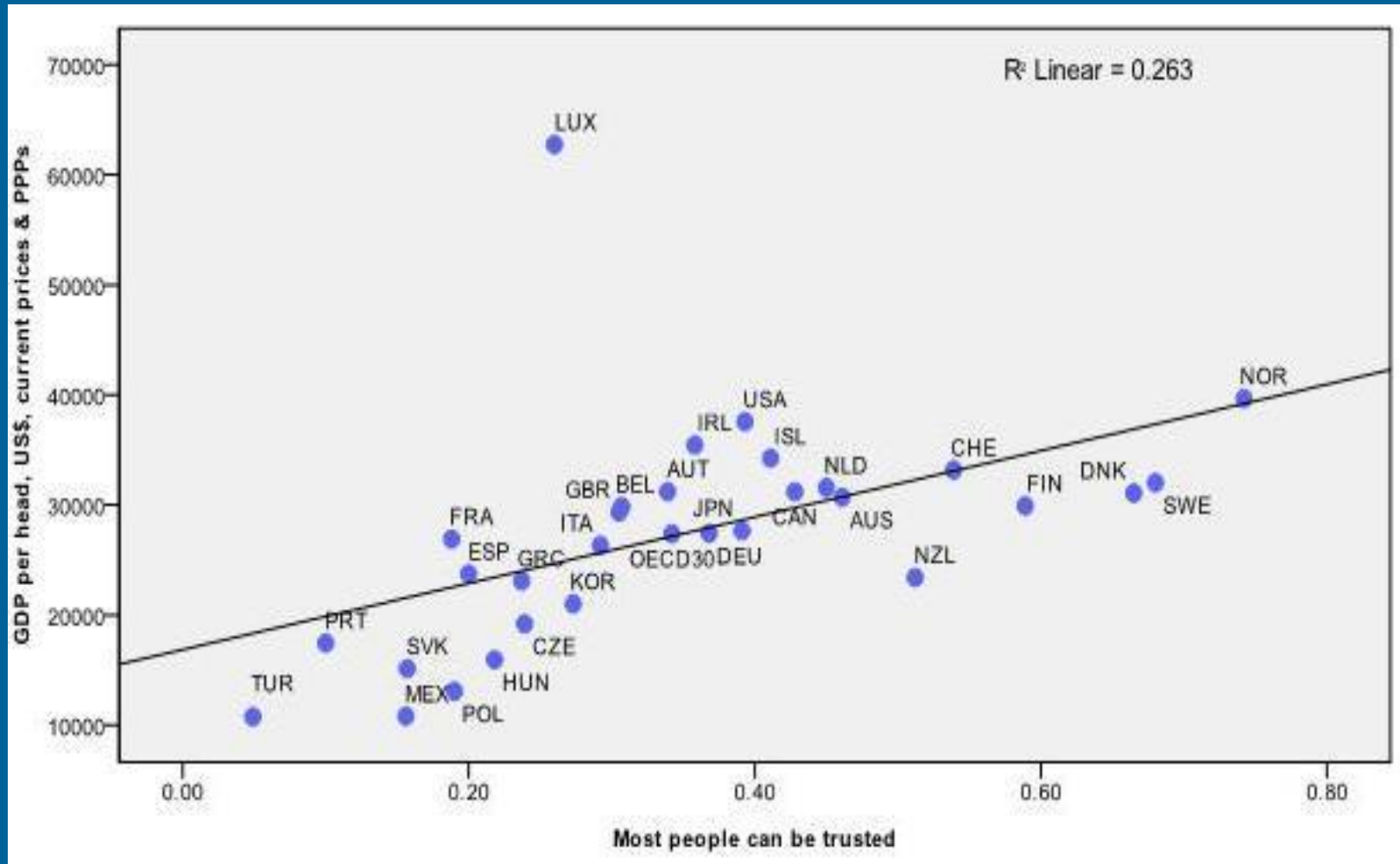
Broader measures of human capital – data sources

- Skills
 - Cognitive skills, schoolchildren (PISA)
 - Non-cognitive skills/personality traits
 - Adult skills (PIAAC, ALLS, IALS)
- Health
 - Physical health (EU-SILC)
 - Mental health

Social capital

- OECD definition: “networks together with shared norms, values and understandings that facilitate co-operation within or among groups” .
- Encompasses:
 - Networks (“strong” and “weak” ties)
 - Values/Norms (trust, reciprocity, tolerance, etc.)

Social capital is linked to economic productivity at the aggregate level

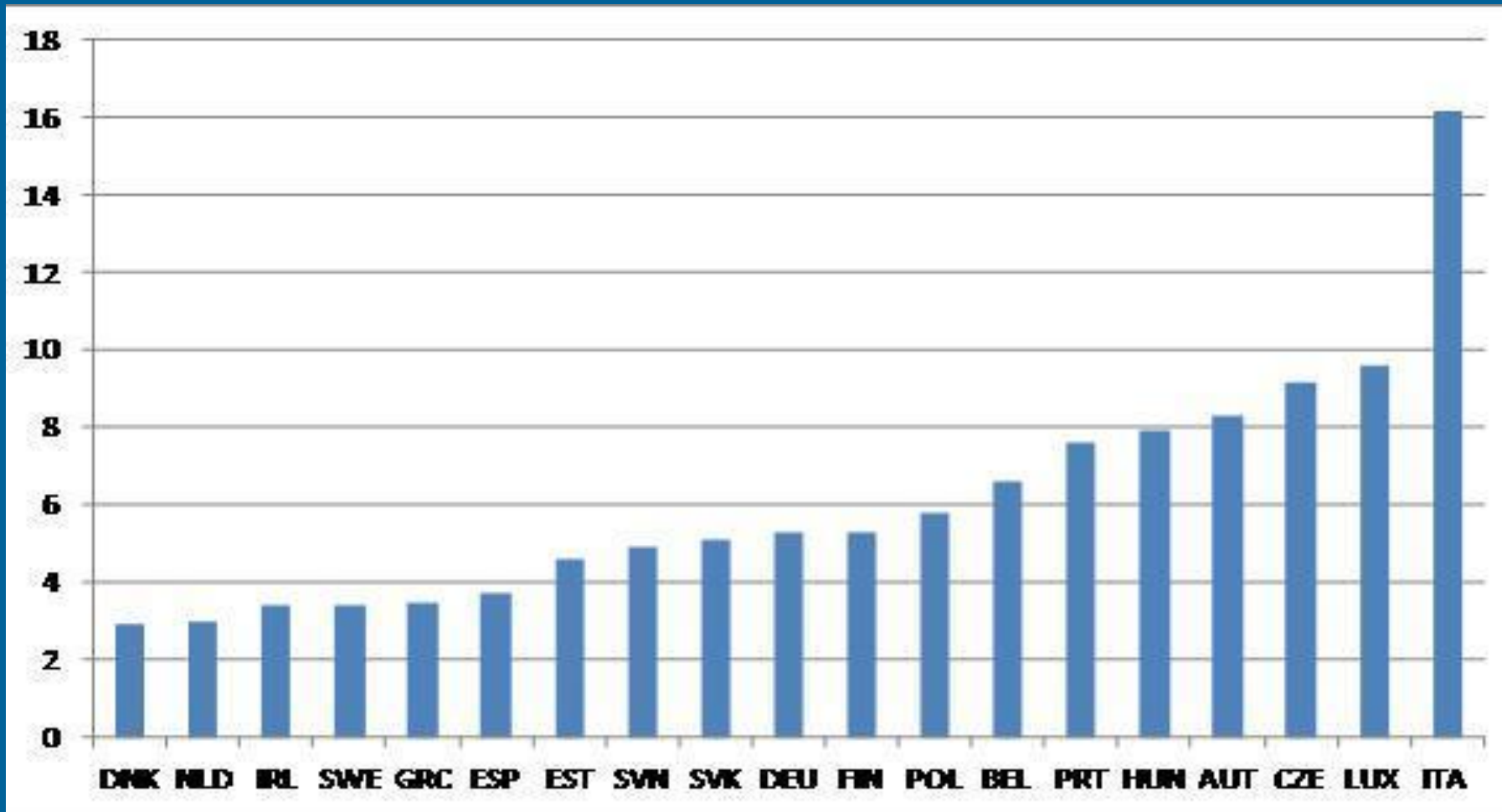


At the individual level, social engaged people are less likely to be materially deprived

	Unable to face unexpected expenses		Unable to keep home adequately warm		Unable to afford a healthy diet	
<i>Social engagement</i>	Low	High	Low	High	Low	High
1st quintile	64.6	46.7	25.4	6.9	24.5	9.6
2nd quintile	49.8	34.6	18.2	4.3	16.2	4.3
2rd quintile	38.7	23.2	14.8	2.9	12.2	2.5
4th quintile	26.4	14.2	10.2	2.0	8.3	1.4
5th quintile	14.9	6.5	5.6	1.6	4.4	0.7
All	43.3	21.8	16.5	3.1	14.8	3.0

Source: EU-SILC, 2006

Measuring social capital – perceived social network support



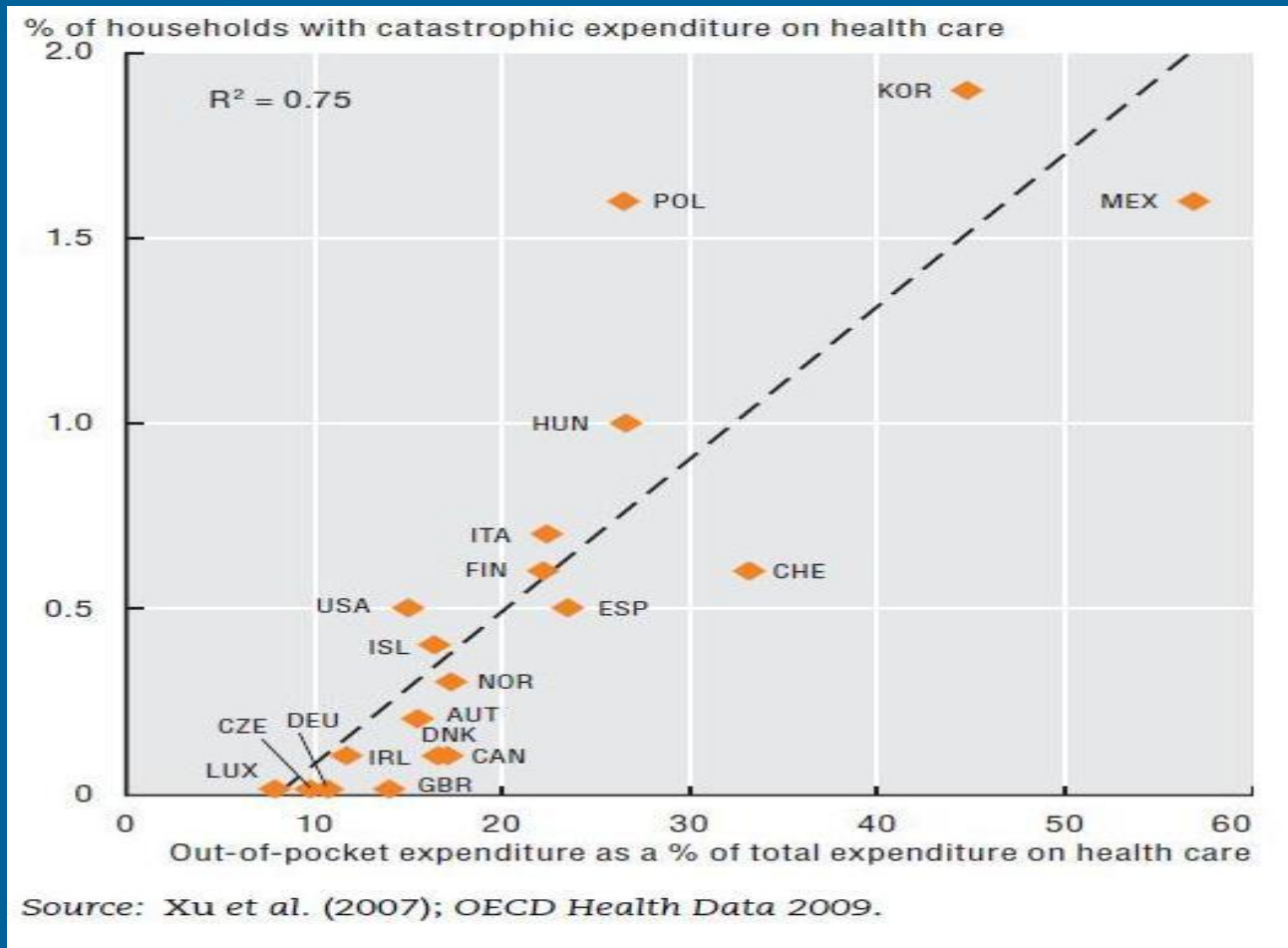
Measuring social capital - challenges

- Ongoing data collection needed.
- Geographic data, at municipal/community/neighbourhood level needed.
- More research needed on:
 - Direction of causality
 - Relationship between social contact and transitioning out of adverse situation.

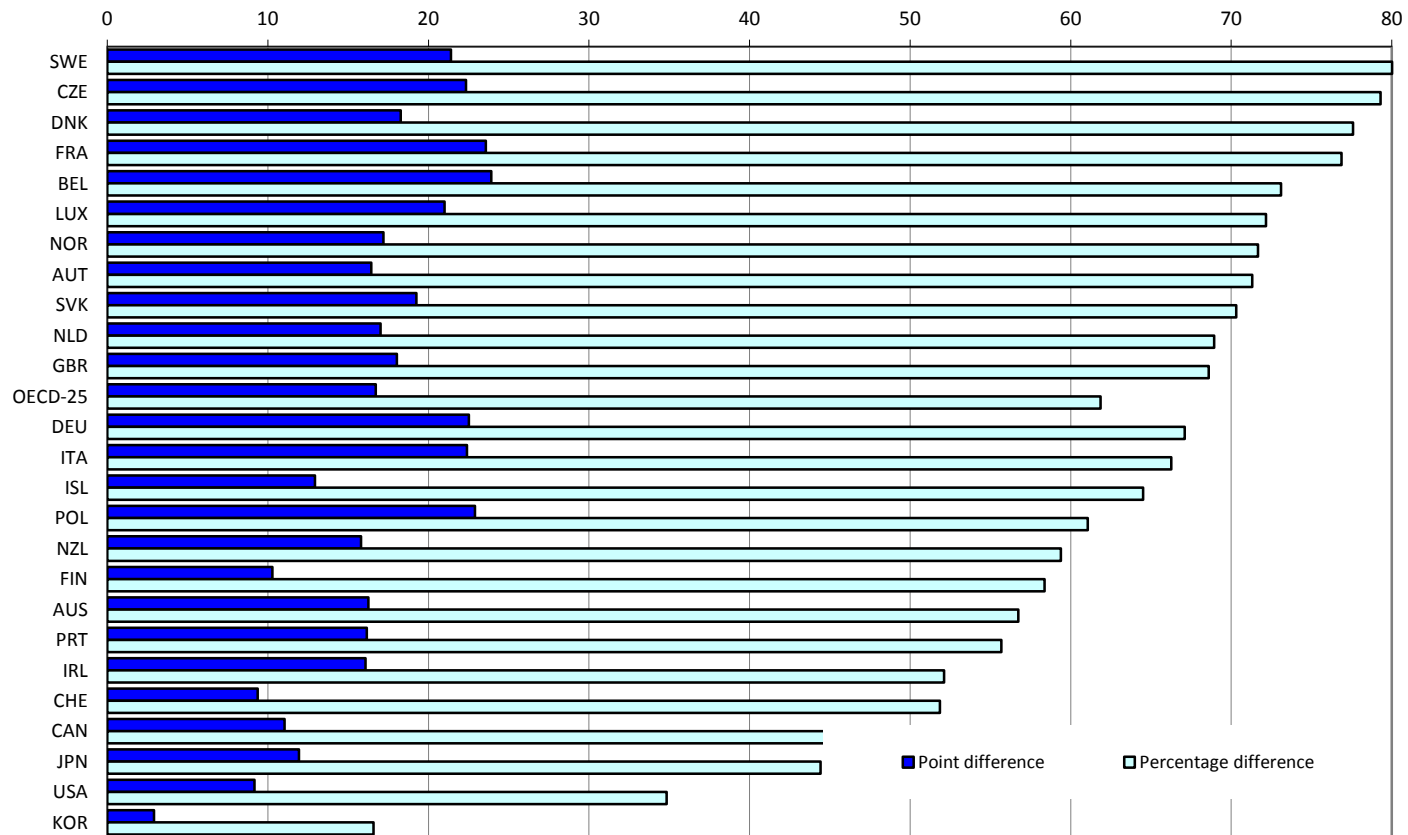
Collective assets

- Public goods available “to all”
 - Universal
 - Targeted
 - Local
- Report focuses on state-provided resources such as healthcare, education, and social assistance.

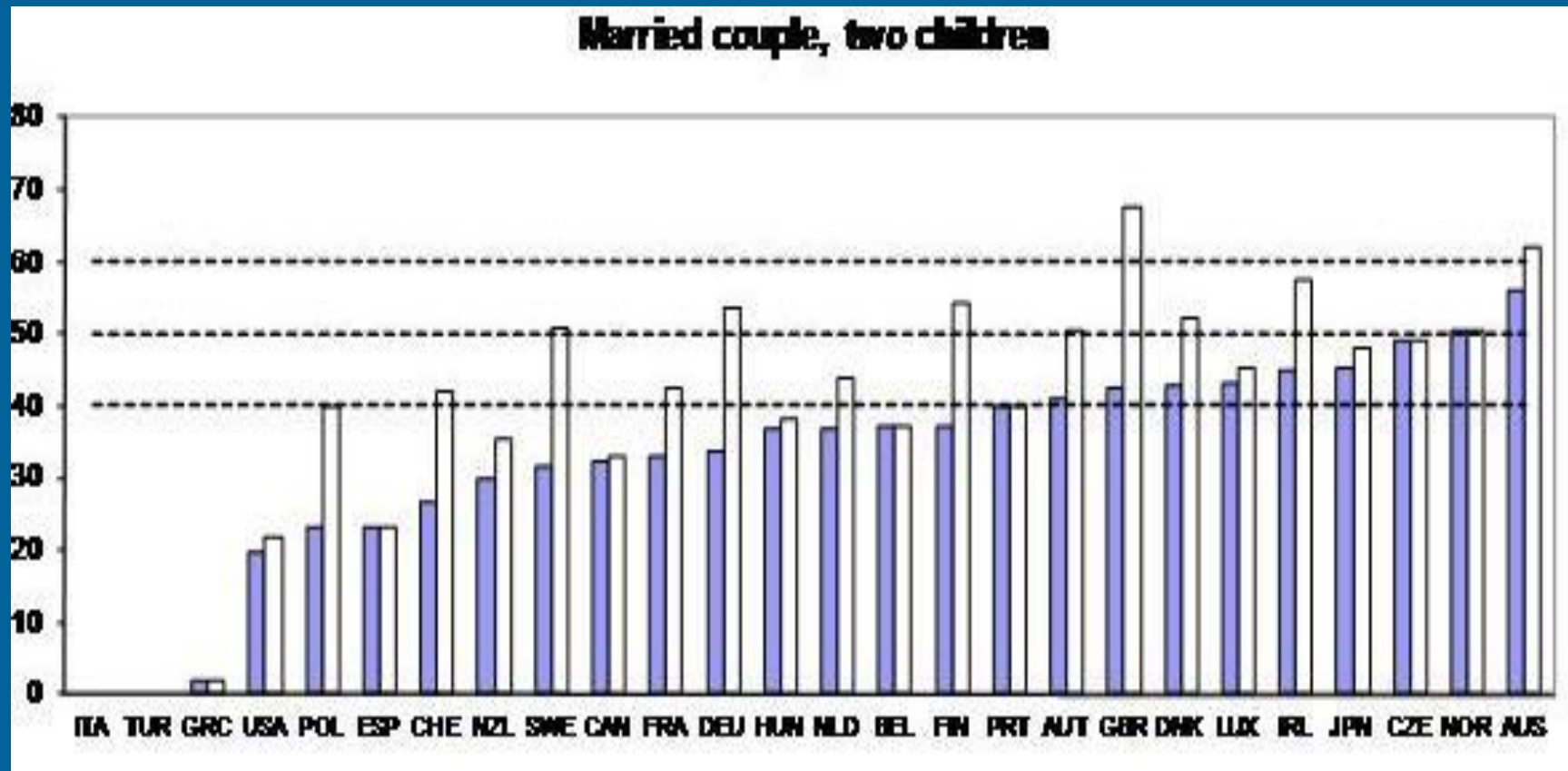
Where out-of-pocket payments for health care are high, so is the occurrence of “catastrophic expenditure”



Public transfers significantly reduce poverty

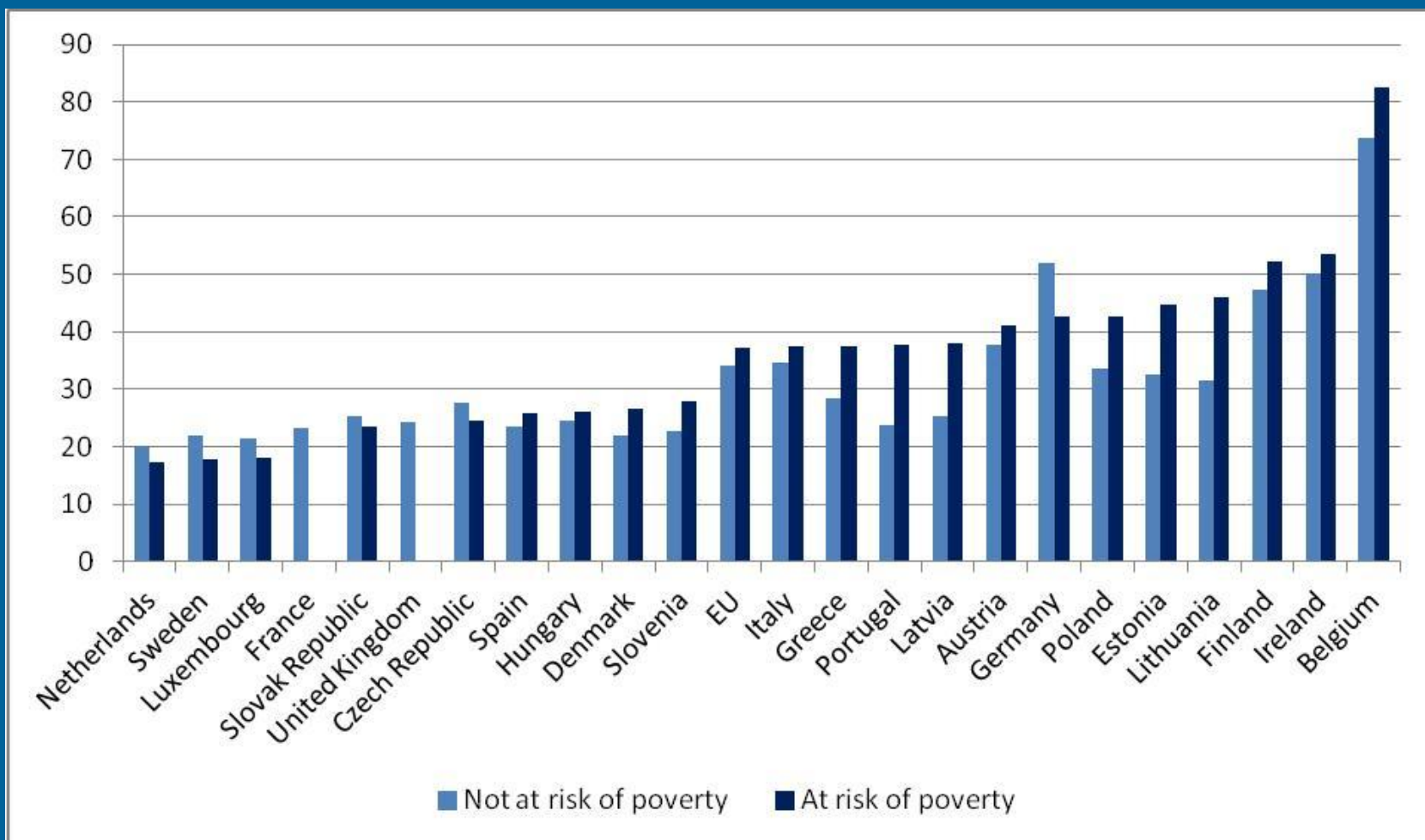


Measuring collective assets – adequacy and coverage



OECD Tax-Benefit Models, 2005.

Access to local services – difficulty accessing public transport



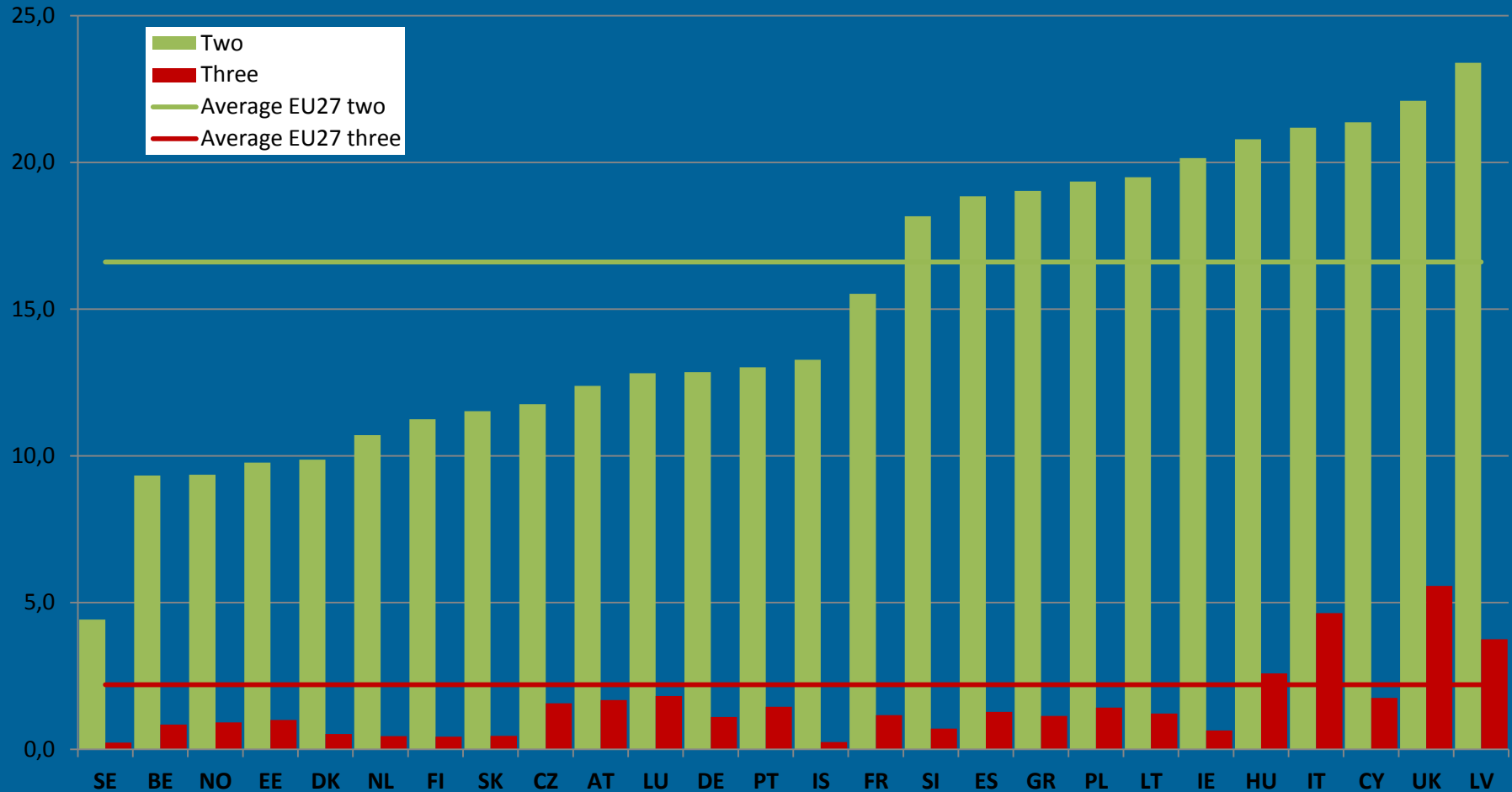
Measuring collective assets – the way ahead

- Measures of coverage are useful, but need better measures of effectiveness of public services and systems
- However, this lies at the very heart of social policy analysis – an ambitious goal.
- EU-SILC data on access to local services can provide a first step to identifying vulnerable populations.

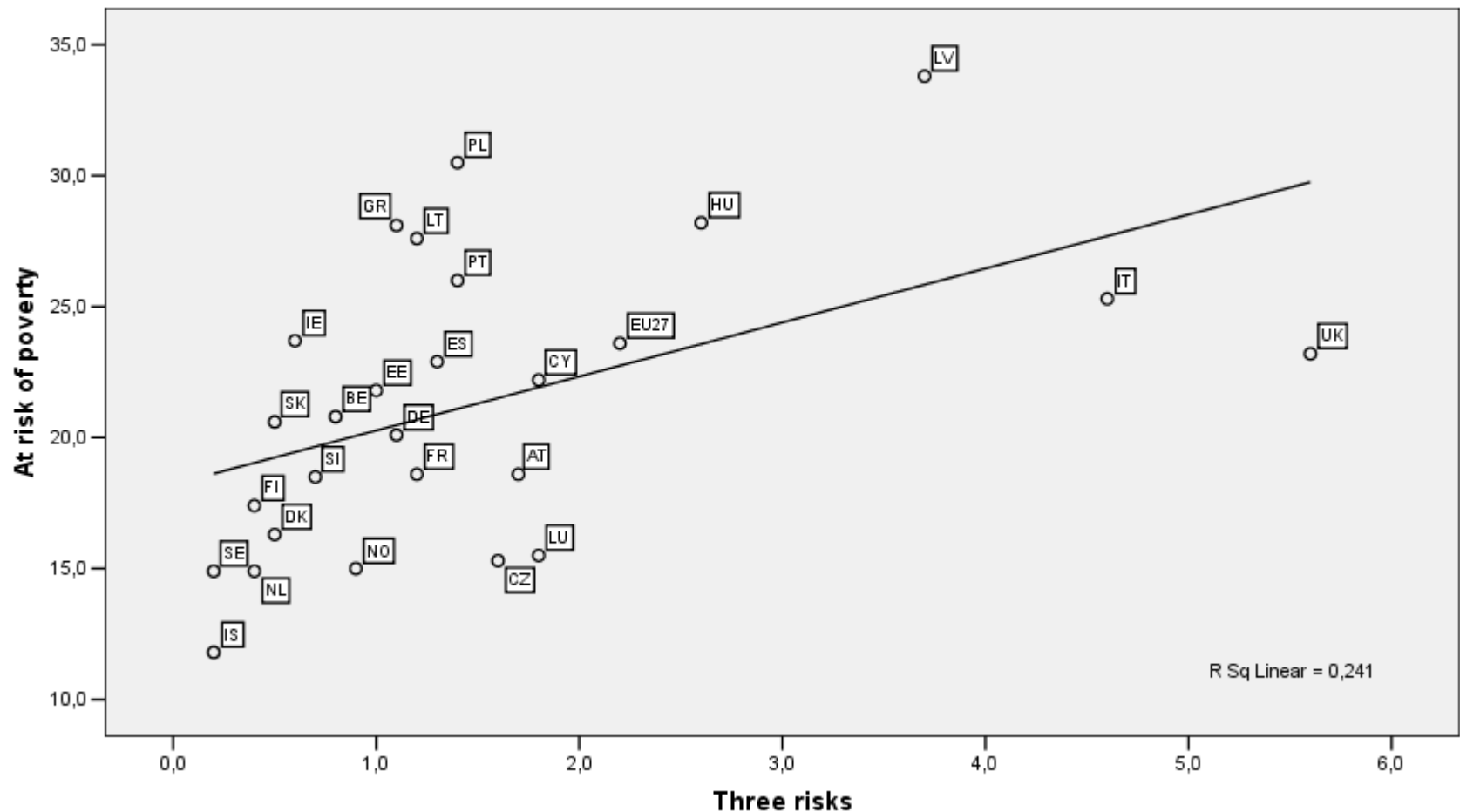
Measuring multi-dimensional vulnerability

- The most vulnerable are those who lack assets in more than one area.
- Need to identify/develop surveys collecting data on multiple asset types.
- EU-SILC provides a first step.

Share of people experiencing multiple vulnerabilities



Risk of poverty and conjoint vulnerabilities



The challenge ahead

- Vulnerability is a function of accessibility to all types of capital.
- It would be critical to look at the overlap between the populations with low economic capital, low human capital, low social capital, and poor access to collective assets.
- Information on ownership and access to each of the types of assets could be collected using EU-SILC or, in alternative, techniques to link micro records from different surveys
- Work needed to have a better understanding of appropriate thresholds. Here many choices could be seen as arbitrary, and vulnerability may be better understood as a continuum.