The impact of social security wealth on the distribution of household wealth in Poland

Abstract

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Securing consumption in old age is one of the most important reasons why households save. Private savings and the public pension system are the two most important tools used in advanced economies to finance consumption in old age. Entitlements in the public pension system are important determinants of household wellbeing. Therefore economists investigate the impact of social security wealth on household wealth distribution, especially on household wealth inequality.

In this dissertation, we measure the impact of social security wealth on wealth inequality in Poland. This topic has not been investigated in Central and Eastern European economies before. Firstly, the distribution of private household wealth has been estimated based on microdata from the Household Finance and Consumption Survey (HFCS). Then, we merge HFCS data with Eurostat’s demographic forecast to estimate the value of social security wealth. Our estimates take into account educational differentials in mortality. Finally, the distribution of augmented wealth (the sum of private wealth and social security wealth) has been estimated. To assess the impact of social security wealth on household wealth inequality we estimate inequality measures and apply inequality decomposition techniques.

Our findings confirm the equalizing impact of social security wealth in Poland. In the case of the majority of households included in our sample the value of social security, wealth is higher than the value of private wealth. Our results suggest that social security wealth shall be taken into account in studies on the distribution of household wealth.