

The Role of Wealth in Measuring Poverty in Denmark

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Poverty lines and distributional statistics rely heavily – sometimes exclusively – on income in a particular year. A problem when using single-year poverty lines arises when otherwise wealthy individuals are classified as having low incomes, and individuals who are temporarily suffering low incomes or have low income due to their educational activity, show up in the groups otherwise designed to capture poverty for policy reasons. Using Danish income and wealth registers combined with SILC data, we explore the composition of the low income group. We present the Danish approach to defining a poverty line, describing the connection between income and wealth of persons below the poverty line. We also look at temporal fluctuations for persons crossing the poverty line and find that especially self-employed individuals are prone to experience single years under the poverty line. These results are highly relevant when discussing distributions of income, as failing to acknowledge the composition of the lower income groups may lead to policy measures that target an incorrect population.