Individual Wealth Inequality: Measurement and Evidence from Low- and Middle-Income Countries

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The accumulation of wealth—stemming from ownership and control of land, durables, and other assets—has critical roles in improving economic opportunities. Over time, however, wealth across different asset classes has been increasingly concentrated among smaller shares of the population (Zucman, 2019). Targeting wealth inequality is hampered by a fuzzy perspective on the share of individuals that own assets across different sub-populations — including by gender, age, and sector of employment. Improved data in this area that allows for a disaggregated profile of asset owners and wealth is instrumental in constructing accurate estimates of wealth inequality, and in turn, shaping effective, distributionally-sensitive policies around asset ownership and rights — whether in such areas as land reform, expanding access to finance, or taxation.

Multi-topic household surveys are an ideal source of information on these different dimensions, and to better highlight the socioeconomic and demographic profiles of asset owners for accurate policy targeting. In developing country contexts, however, survey variables on wealth (as well as other welfare aggregates such as consumption, on which national measures of inequality are based), are often collected at the household level (De Vryer and Lambert, 2021; OECD, 2013), or by a single member reporting for others that can lead to biases in statistics on men's and women's asset ownership (Hasanbasri et al., 2021; Kilic, Moylan and Koolwal, 2021). These household-level measures of inequality can inherently mask unequal resource allocation and welfare outcomes among individuals (Chiappori and Meghir, 2015; Haddad and Kanbur, 1990). Little is also understood as to which assets drive wealth inequality within countries, given data gaps on individual ownership of different asset classes, particularly in national surveys that could allow for a deeper understanding of inequality within populations.

Using nationally-representative, self-reported survey data elicited from low- and middle income countries, our paper highlights how intra-household, individual-disaggregated survey data collection on ownership and valuation of physical and financial assets can shed greater light on economic inequality among men and women. We use survey data from Cambodia, Ethiopia, Malawi and Tanzania over the period of 2016-2020 with support from the World Bank Living Standards and Measurement Study-Plus (LSMS+) program and that conducted intra-household, private interviews with adult household members regarding asset ownership. The LSMS+ supported surveys included cross-country comparable questionnaire modules that were designed based on the international guidelines for collecting individual disaggregated survey data on asset ownership and rights (UNSD, 2019) and that asked adult women and men to self-report regarding their personal ownership, control and valuation of a comprehensive set of physical and financial assets. The self-reported information on asset ownership and values allow us to create individual-level wealth aggregates, whose analysis reveals a number of findings that have important implications for both survey design and understanding of wealth inequalities within populations.

There are several headline findings from our research. First, across countries and different asset classes, there are substantial gender differences in incidence of asset ownership and values of asset holdings, underscoring the importance of disaggregated data collection (i.e. elicited from individuals, and at the asset-level) for characterizing gender inequities in wealth in low- and middle-income countries. Second, inequality as measured by household per capita wealth far outpaces more standard measures based on household per capita consumption expenditure, and individual-level variation in wealth leads to even higher measures of inequality across countries, similar to recent findings on intra-household consumption poverty (Brown et al., 2018; Bose-Duker et al., 2021). Intra-household wealth inequality has a substantial role in explaining overall wealth inequality, and land, in particular, is an important driver of inequality, although there is variation by country as to whether residential or non-residential land plays a greater role. Third, self-reporting on asset valuation matters and leads to higher measures of inequality compared to more traditional survey practices of interviewing a proxy respondent to identify asset owners and values within the household.

Overall, a key contribution of this paper is highlighting the importance of disaggregated data collection —across individuals and asset classes — as well as carefully considering respondent selection in understanding and targeting economic inequalities. Data on asset values are also not without their own measurement issues, including missing responses and variation in reported values among joint owners. In the analysis, we construct different specifications of individual-level wealth to account for these sources of measurement error and continue to find that our results are robust to these sensitivity checks. The consistency and significance of our findings across countries point to the need to broaden the scope of surveys and methodological research to better understand longer-run inequalities among men and women stemming from differences in personal asset ownership and wealth.

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