

The impact of public pension systems on wealth inequality in the EU. The degree of the substitution between social security wealth and private wealth of households.

Economic inequalities are currently among most significant topics in economic research and public debate. Research on wealth inequality is developing particularly dynamically due to improving data availability and methodological progress.

Wealth is usually measured on the household level, because households pool their income and consumption. Most of the economic research on wealth inequalities is based on the concept of private marketable wealth in accordance with OECD Guidelines for guidelines for micro statistics on household wealth (2013). Therefore savings in public pension plans are not included in the household wealth. Savings in the public pension plans are known among researchers as “social security wealth”. Although this approach can be acceptable in some cases, the exclusion of social security wealth is an obvious limitation. Households belonging to the bottom half of wealth distribution have little or no private savings, but they save through compulsory public pension plans. The entitlements in public pension systems have an impact on household allocation decisions, reduce wealth inequality and partly explain the international differentiation in the value of household wealth.

The first scientific objective of the research project is the estimation the distribution of augmented wealth in the European Union and the measurement of the impact of the public pension system on wealth inequality. Estimation of the degree of the substitution between social security wealth and private wealth is the second scientific objective of the research project. Research conducted as part of a research project is also expected to contribute to the debate on the sources of international differences in the degree of the substitution and equalizing power of pension system.

The distribution of social security wealth will be estimate on the basis of data from the third wave of Household Finance and Consumption Survey. HFCS is an European wealth survey coordinated by the European Central Bank. The estimates will take into account not only the value of the account in public pension plans, but also the likelihood of partial inheritance of the pension from the deceased partner (so called survivor’s benefits). Thereafter, the distribution of social security wealth will be merged with the distribution of private wealth. The distribution of augmented wealth established in this way will describe the entirety of household wealth. In the first stage of the research project, the value of social security wealth and augmented wealth will be estimated for Poland and in the second stage they will be estimated for twenty other countries taking part in HFCS.

The project fills important gaps in the literature and fits into the dynamically developing research area. The usage of novel data sources is a clear advantage of the research project. The planned research is important not only for economists, but also for policy makers. Their results can be used to assess the distributional consequences of public policies and the adequacy of retirement savings.