Estimating the absolute wealth of households

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Abstract

The estimation of the economic status of individuals and their households is central to much work in epidemiology and the social sciences. Wealth is a key determinant of health and social achievement and an indicator of well-being in its own right. For this reason, the development and testing of novel measures of economic status is of interest. There is lively debate over the relative merits of the competing methods used to assess and compare the relative or absolute wealth of individuals and households.

Social scientists have developed several approaches to assess the economic status of households, including consumption expenditures, income, assets and national gross domestic product (GDP) per capita. The widely used demographic and health surveys have provided detailed data on household assets in over 60 low- and middle-income countries. Estimates of relative household wealth based on asset data permit researchers to examine the effect of economic status on a wide range of health behaviours and outcomes, such as fertility, growth, malnutrition, disease risk and mortality. The commonly-used relative wealth indices derived from demographic and health survey data allow households to be ranked according to their relative wealth within a particular country in a particular survey year. However, methods of estimating relative wealth cannot be used to assess the effect of absolute economic resources on health behaviours and outcomes across countries and years. In contrast, estimates of absolute household wealth could be used to make meaningful comparisons across countries and years. They could also be used to compare wealth effects aggregated at multiple social scales – e.g. at country, province, city or household level – and to contribute to current debates about the importance of absolute and relative wealth in determining health outcomes.

Although several methods to estimate absolute household wealth have already been developed or proposed, each has its limitations, including sensitivity to the sample of countries as well as to the country selected as baseline. Most also rely on arbitrary wealth indicators, cut-offs to anchor comparisons and/or a common set of assets. Such approaches often exclude countries using different assets in surveys, ignore assets that may be important in a specific country setting and assume that an asset in one country provides the same measure of wealth as it does in another country.

In an attempt to address these limitations, we have developed a method for estimating the absolute household wealth per capita – called the absolute wealth estimate – in units that permit meaningful comparisons across countries and years. We used the method to evaluate the prevalence of poverty and indicators of nutritional status and compared these results to common benchmarks.

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