JU0

The association between age and subjective economic hardship across the income distribution in Europe

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Folie 1

JU0 Huom! 20 min / esitys + 10 min keskustelu
Joonas Uotinen; 2023-03-03T12:28:28.157

JU0 0 Nyt 23 mins
Joonas Uotinen; 2023-03-10T13:44:50.813

JU0 1 Remind about the paradox form time to time
Joonas Uotinen; 2023-03-10T13:45:07.212

Context

- Poverty measures are important policy tools for guiding policymaking.
- However, controversy over which poverty measures ought to be used.
- In particular, not all who are poor feel poor and vice versa (Mahmood, 2019).
- Why is this?
- We focus on one aspect of this unclarity: people tend to feel less economic hardship in older age despite lower income (Mirowsky & Ross 1999; Berthoud, 2009).

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Research Questions

- Topic: The paradoxical observation that in particular the old tend to feel less economic hardship despite lower income.
- RQ1: Does the paradox differ between different income groups in Europe?
- RQ2: Can the paradox be explained by wealth (savings, home ownership, debt)?
- RQ3: How does this paradox differ between European countries?

Folie 3

JU0 Revise these; now add first question as they differ between countries or what differs?

Joonas Uotinen; 2023-03-03T12:29:15.962

Literature review

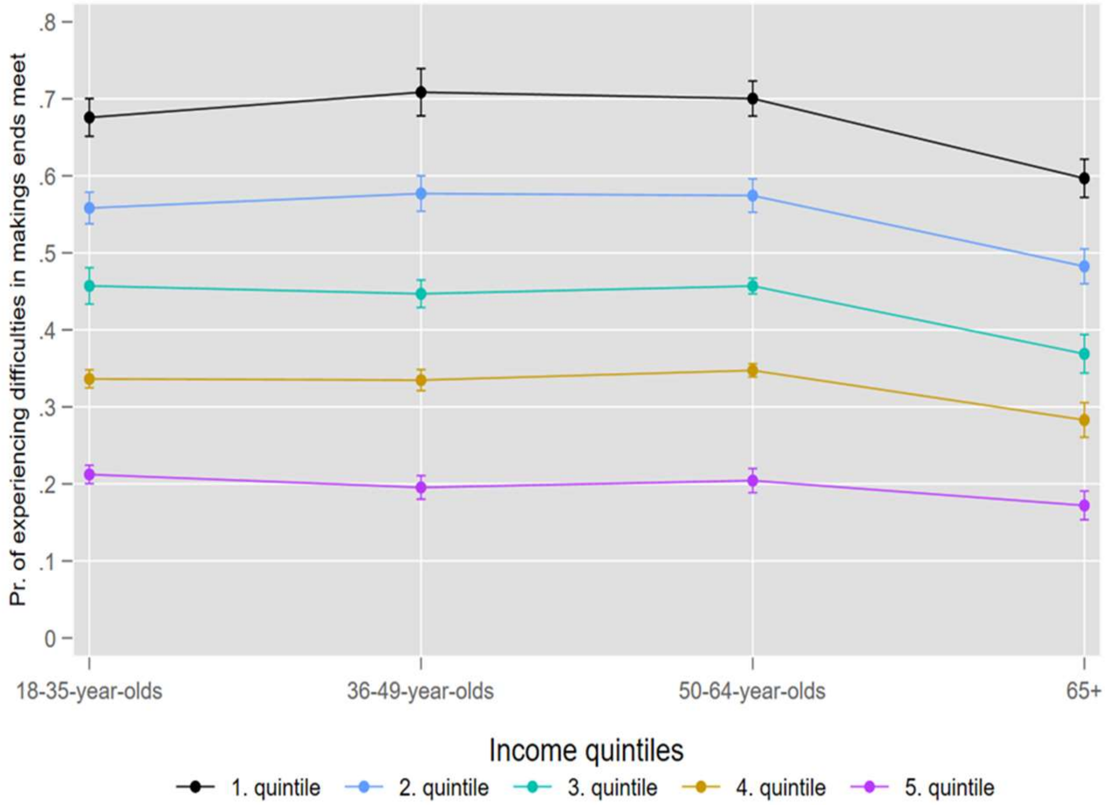
- Quite wide literature review on income-SWB relation and age-related development of personality. Some main points:
- Contemporary hypothesis: adequacy-gradient hypothesis: balance of resources with respect to needs gets better with age (Mirowsky & Ross, 1999).
- Either needs decrease (adaptation; Hansen et al. 2008) or resources increase (wealth, Hansen et al. 2008).
- The old theory may be insufficient
  - Blind to capabilities in turning resources into well-being such as maturation of personality and related shifts in values towards prosociality (e.g. Sheldon & Kasser, 2001); or state-subsidized health services.
  - Needs/resources constant; but well-being increases.
- We focus on resources: do savings and wealth explain the paradox (due data)? This would support the adequacy-gradient hypothesis.

Data

- EU-SILC 2020; ad-hoc module on over-indebtedness, consumption and wealth (cross-sectional).
- Subjective economic hardship: ”Thinking of your household’s total monthly or weekly income, is your household able to make ends meet, that is, pay your usual expenses?” with response scale: 1) With great difficulty, 2) With difficulty, 3) With some difficulty, 4) Fairly easily, 5) Easily, and 6) Very easily
- Dichotomization: 1=subjective economic hardship (1-3); 0 = no SEH (4-6).
- Savings: ability to maintain the standard of living using savings for: 1) no savings, 2) less than 3 months, 3) 3-6 months, 4) 6-12 months, and 5) over 12 months.
- Home ownership: 1) owner of the dwelling, no mortgage, or free accommodation 2) owner having mortgage, and 3) other.
- Debt: Number of loans excluding mortgage of main residence: 1) no loans, 2) one loan, and 3) two or more loans.
- Income = equivalized disposable household income. Income categorized into income quintiles throughout.
- Age categorized into 4 groups: 18-35, 36-49, 50-64, 65+.

Results: paradox by income group?

- Probability of experiencing economic hardship by age and income groups
- Logistic regression of SEH on country FEs, age, gender, income quintile and inc quint*age
- Paradox equally for all income groups
- No interaction inc*age -> drop the interaction in further analyses



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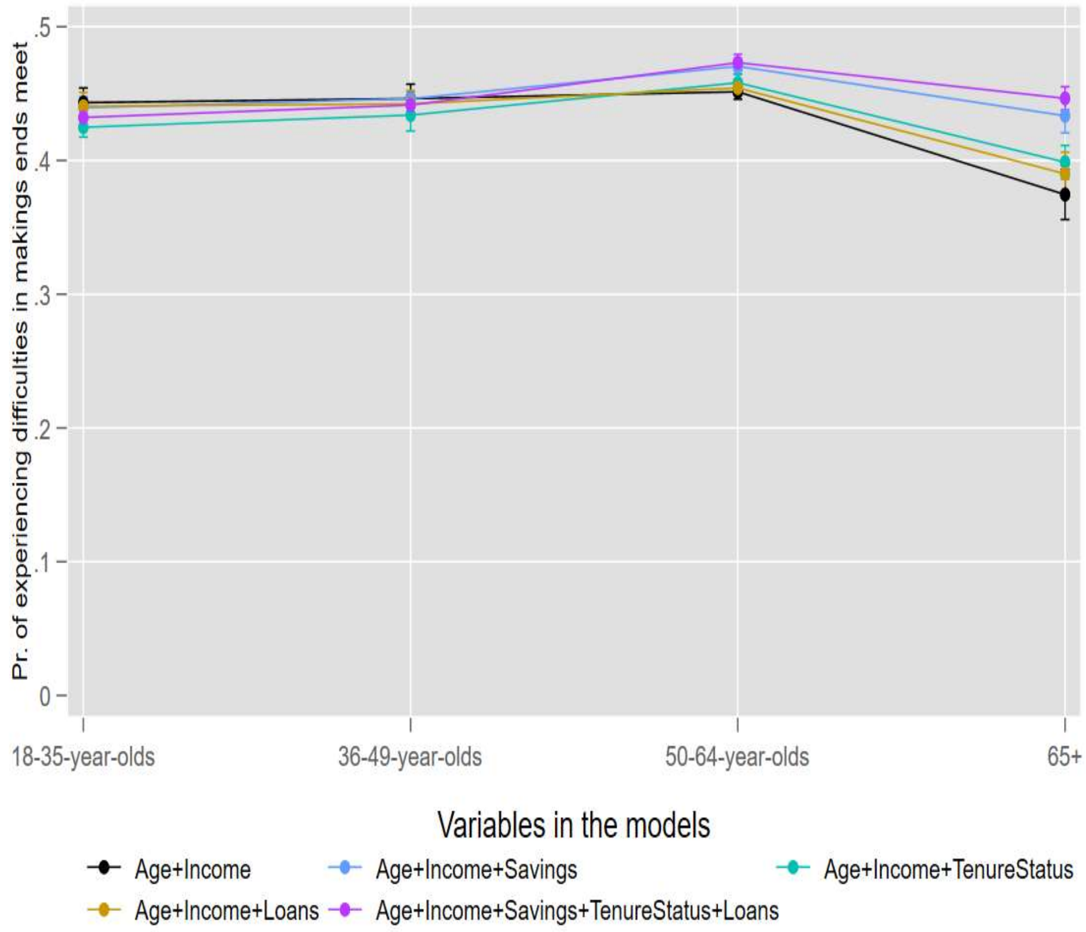
Results: wealth explains the paradox?

- The Age+income model is the same, without interaction.
  - (All models have gender, country FEs; and se's clustered by country.)
- The most is explained by adding savings;
  - tenure status and loans add a bit to lifting the economic hardships upwards among the elderly.
  - Paradox largely explained.
- Most hardship among 50-64 year-olds perhaps because wealth becomes more important as retirement approaches?
  - Across different wealth and income groups, on average the 50-64 year-olds experience most hardship; they need it the most?



Folie 7

JU0 What control vars did these models have? Country Fes, gender?
Joonas Uotinen; 2023-03-10T13:50:00.762

JU0 0 Country Fes at least according to methods
Joonas Uotinen; 2023-03-13T14:50:35.338

JU0 1 Standard errros are clustered by country
Joonas Uotinen; 2023-03-13T14:51:55.393

Recap & discussion

RQ1: Does the paradox differ between different income groups in Europe?

- The paradox was experienced equally in all income quintiles

RQ2: Can the paradox be explained by savings and housing wealth (ownership, mortgage, rent)?

- The paradox was largely explained by savings and not so much by housing wealth or debt. The old have accumulated savings resulting in lower amount of subjective poverty.

RQ3: How does this paradox differ between European countries?

- Not presented; but there was variation. Paradox seemed more pronounced in countries where people felt less SEH overall such as the Nordics.

The results

- call into question poverty measures focused solely on income;
- imply that poverty has a lot to do with whether one has resources to buffer against unexpected shocks instead of home ownership;
- Suggest that the adequacy-gradient hypothesis is sufficient in explaining the paradox to a large extent;
- and suggest that national policies aimed at poverty reduction ought to support the existence of personal savings.

Robustness checks

- Instead of categories 1-3 as experiencing hardship; only categories 1-2 experiencing hardship (‘great difficulties’ or ‘difficulties’ not ‘some difficulties’)
- The analyses were also conducted using linear probability models (LPM) instead of logistic regression models.
- Largely similar results.
- How about different method of equivalization as subjective equivalence scales tend to indicate greater returns to scale from bigger households and age covaries with household size?

Discussion

- Espanet: How do the results discuss with the recent proposal that because the elderly fare better with given income, they could have less from public policies?
- The results suggest it is not that they fare better with given income; but they have more (liquid) savings. Undermines the suggestion a bit. Question becomes: should they have less because they have more savings and therefore fare better? Perhaps they ought to be allowed to enjoy their savings gained over lifetime.
- Perhaps reorients policies towards those without savings at least.

- Thank you!