

*Recent Research on Cross-
National Issues: Old Age and
Immigrant Poverty*

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Current and Future Research

Editor for OUP *Handbook of Economic Inequality*

Four books: *American Welfare State* (with Irv Garfinkel); *Mobility and Education* (with Bob Haveman and Kathy Wilson); *Drivers of Social Mobility* (with Markus Jantti); *American Inequality in Comparative Perspective*

Current and Future Research (cont'd)

- Also, papers on education and social mobility; cross-national indices of human poverty (based on the UN's HDI); joint income and wealth inequality; comparative wealth status
- In 2008, new long-term project: Extending LIS to middle-income countries, including India and China

Today at lunch...

- Older women's income and wealth poverty (using the new Luxembourg Wealth Study, LWS, data)
- Immigrants' social benefits (in preparation for APPAM next month)



Older Women's Poverty: Income and Wealth in Cross-National Perspective

Tim Smeeding, with Janet Gornick and Eva Sierminska

I. Introduction

A.U.S. poverty reports: 'Elders doing well'—
but maybe not older women alone?

B.U.S. poverty line (\$9669 per year for single
elders—30 percent median income) vs.
other poverty lines

C.Assets are as important as income for elder
women –how do they change the picture?

II. Research Questions

- To what extent is low income paired with limited wealth, and how does that vary across countries?
- What do we know about the income and wealth holdings of poor older women, including both home-owners and renters?
- How widespread is extreme hardship among older women in these countries, vis-à-vis both income and wealth?

III. Data

Luxembourg Wealth Study (LWS) surveys—5 countries of 10 used here
(see one-pager handout)

Country	LWS year	Name	Agency	Type
Germany	2002	Socio-Economic Panel (GSOEP)	Deutsches Institut Für Wirtschaftsforschung (DIW) Berlin	Interview survey (over-sampling of wealthy)
Italy	2002	Survey of Household Income and Wealth (SHIW)	Bank of Italy	Interview survey
Sweden	2002	Wealth Survey (HINK)	Statistics Sweden	Interview survey & administrative records
United Kingdom	2000	British Household Panel Survey (BHPS)	ESRC	Interview survey
United States	2001	Survey of Consumer Finances (SCF)	Federal Reserve Board and U.S. Department of Treasury	Interview survey (over-sampling of wealthy)

Source: LWS database.

IV. Methodological Decisions

- Compare U.S. Italy, Germany, Sweden, U.K.
- Our core **income measure** is:
DPI = earnings + capital income + private transfers (including occupational pensions) + public transfers (social insurance and public assistance), net of taxes/contributions
- Our core **wealth measure** is:
Net wealth = financial assets + non-financial assets (own and other housing) – debt
- **Unit of analysis = households**, including women age 65+ as head or spouse (excluding those living in other arrangements for now)

IV. Methodological decisions

- DPI and net wealth both **adjusted for household size**. Adjusted = unadjusted / (square root of household size)
- **Income poverty** = income < 50% national median income
- **Asset poverty** = liquid assets < 25% national median income (equivalent to six months at poverty level)
- **Extreme poverty** = income and asset poor
- **US Dollars** = 2002 US PPP-adjusted dollars

V. Results

- What are the asset holdings of older women?
- How about wealth holdings?

FIGURE 2B

Median Equivalized Net Worth (in 2002 US\$)
All HHs, HHs with Older Women as Head/Spouse,
and HHs of Single Older Women;
and Older HHs as a Percentage of all HHs
(older = age 65+)

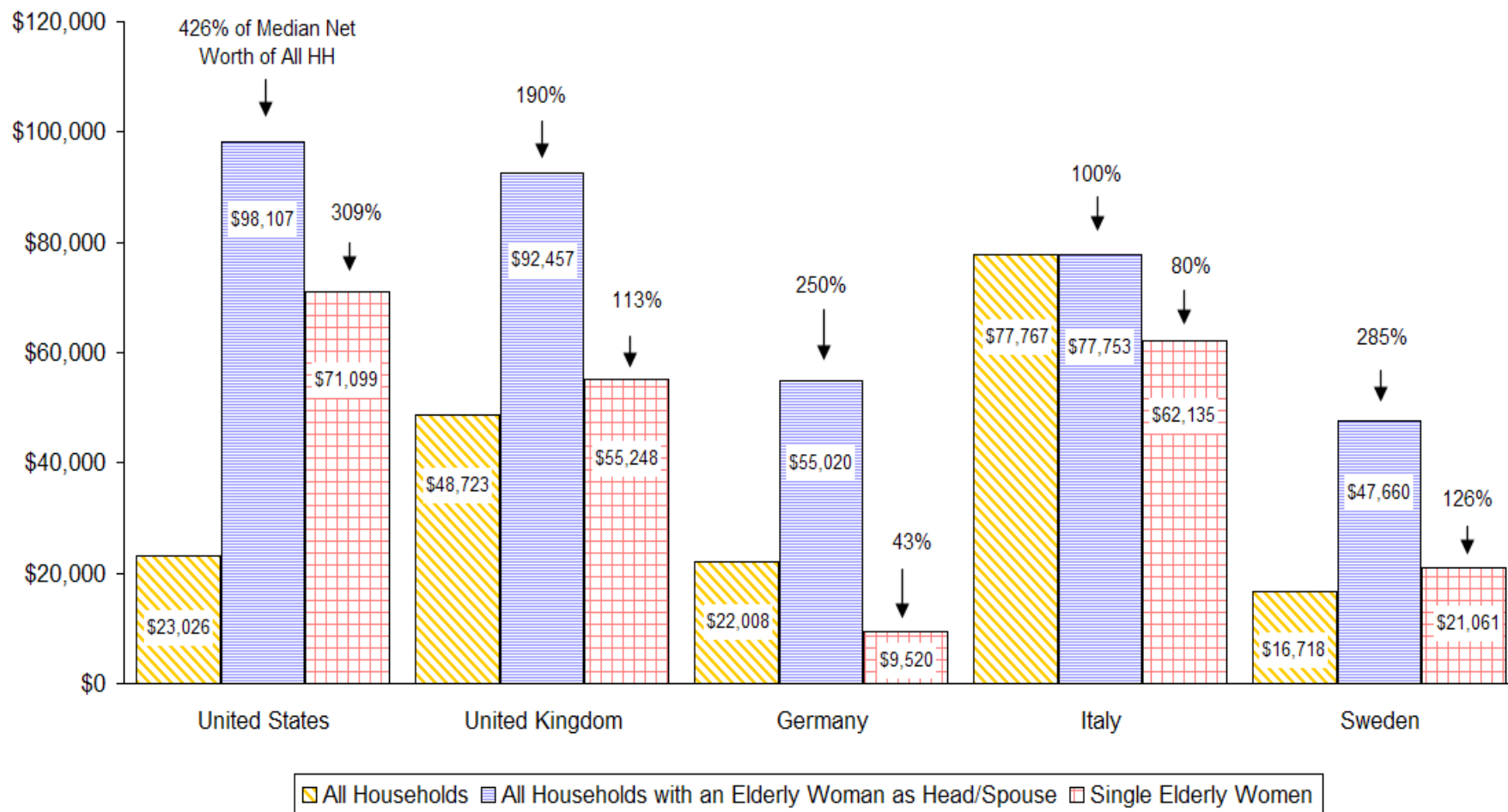
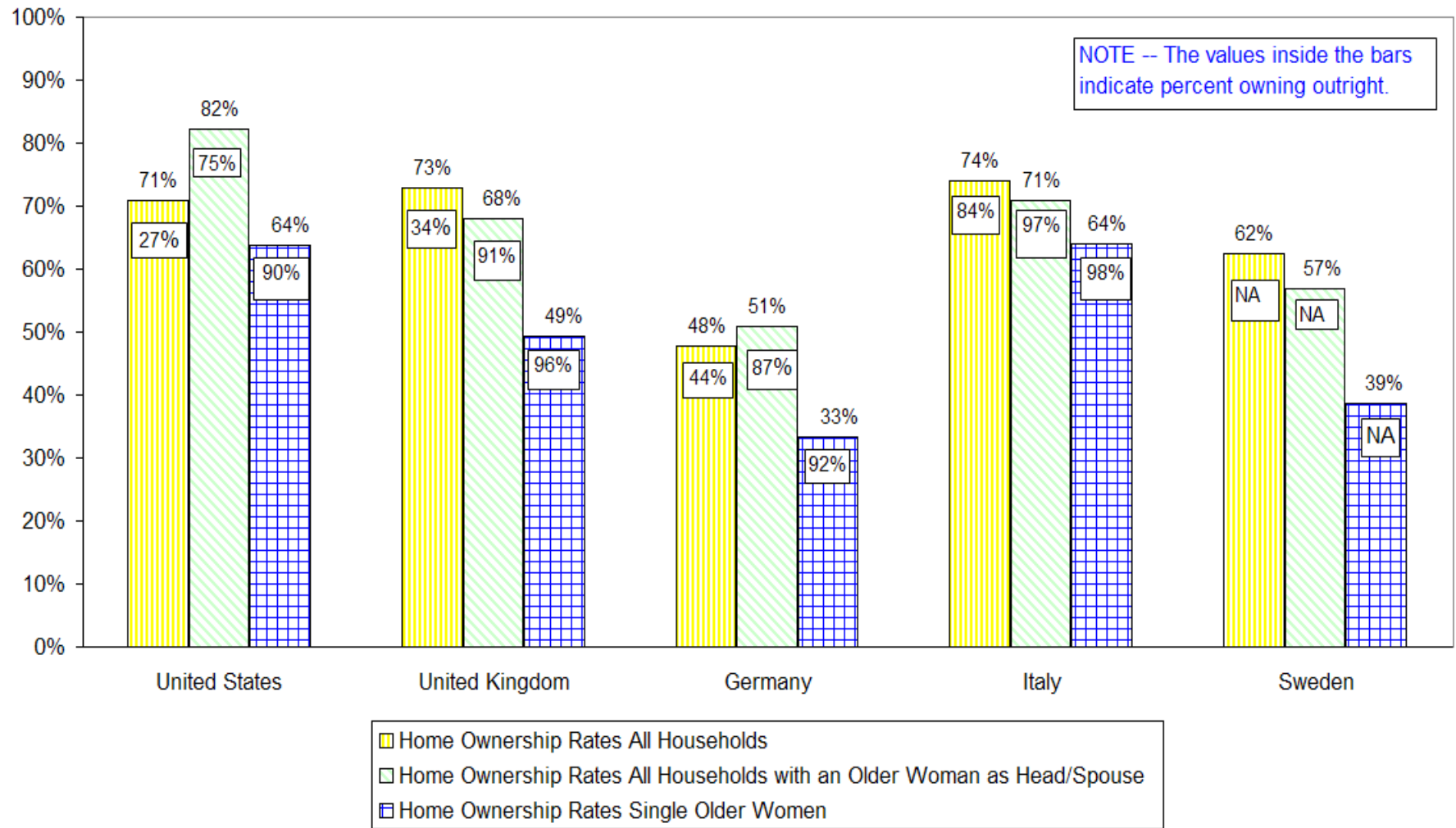


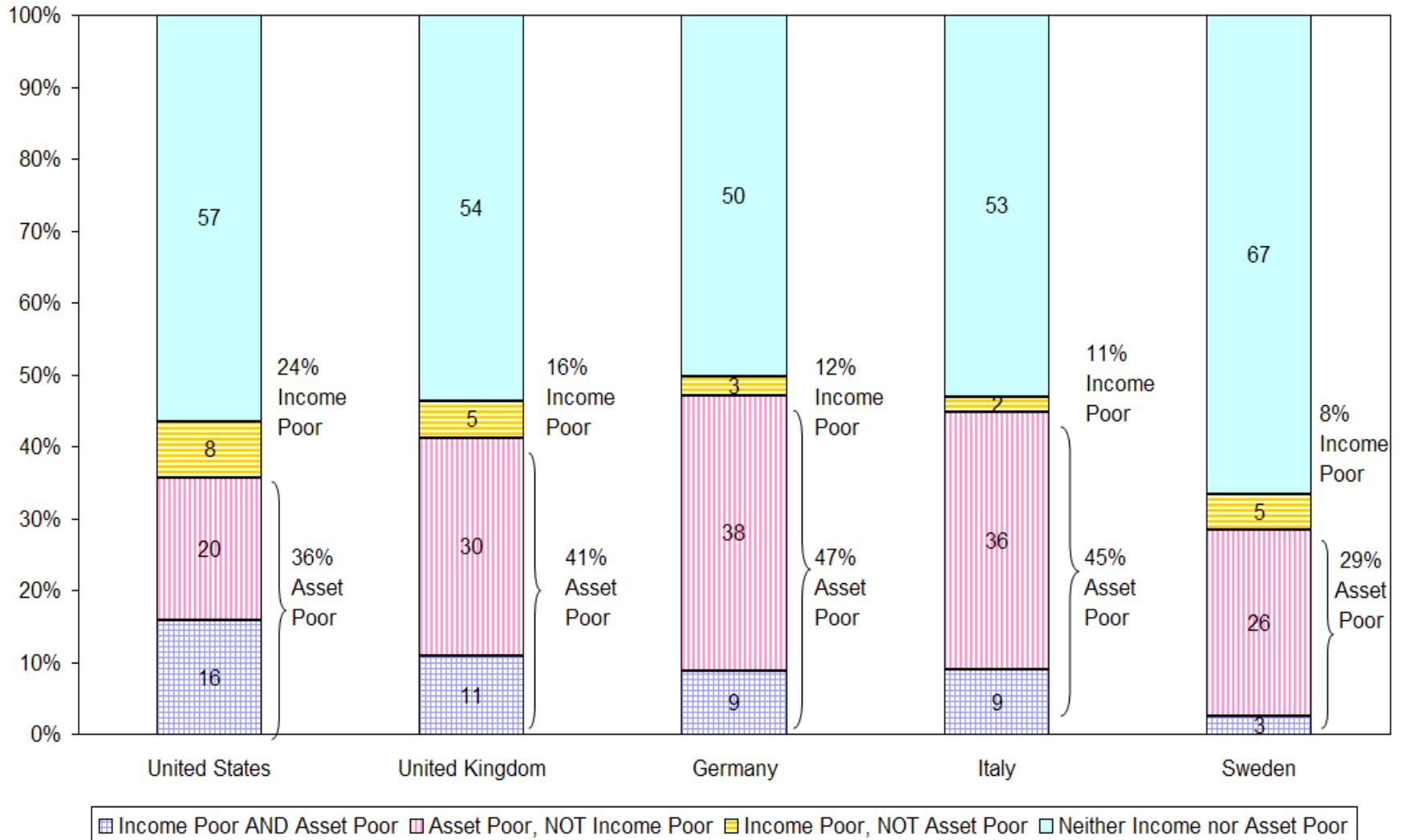
FIGURE 3
 Home Ownership Rates Among
 All HHs, HHs with Older Women as Head/Spouse,
 and HHs of Single Older Women
 (older = age 65+)



V. Results (cont'd)

- Elder poverty (5A)?
 - Income poverty
 - Financial asset poverty
 - 'Extreme poverty'—BOTH income AND asset poverty

FIGURE 5A
Income and Asset Poverty
 (Assets Less than 25% Median DPI)
 Among HHs with Older Women as Head/Spouse
 (older = age 65+)



V. Results (cont'd)

- Housing values?
 - Value of home (Table 5A)
 - Flow: “Income” value of own home as investment—adding in a ‘quick and dirty’ estimate of imputed rent (next table)

Table 5A

**Extremely (Income and Asset) Poor Households Containing
Elderly Persons as Head or Spouse**

<u>Country</u>	<u>All Households with an Elderly Woman as H/S</u>		<u>Single Elderly Women</u>	
	<u>Home Equity</u>	<u>Percent Owned(1)</u>	<u>Home Equity</u>	<u>Percent Owned(1)</u>
United States	54,848	90	a	a
Finland	a	a	a	a
Germany	132,048	100	a	a
Italy	62,197	100	62,135	100
Sweden	31,460	92	33,263	99
United Kingdom	97,605	96	99,446	100
<u>Average</u>	<u>75,631.5</u>	<u>97</u>	<u>64,948.1</u>	<u>99.6</u>

a: Less than 30 observations.

Income and Asset Poverty Based on Disposable Income

	United States	United Kingdom	Germany	Italy	Sweden
Income and Asset Poor	15.8	10.8	8.8	9.0	2.5
Income Poor Only	7.8	5.0	2.6	2.1	5.0
Asset Poor Only	19.8	30.4	38.3	35.8	25.8
Neither	56.6	53.8	50.3	53.2	66.7

Income and Asset Poverty Based on Disposable Income Augmented by Imputed Rent (2.5%)

	United States	United Kingdom	Germany	Italy	Sweden
Income and Asset Poor	13.4	8.2	6.1	6.4	2.1
Income Poor Only	5.4	2.4	1.7	1.3	3.8
Asset Poor Only	22.2	33.4	41.0	38.4	26.2
Neither	59.1	56.0	51.2	53.9	67.9

Difference in Income and Asset Poverty When Income Augmented by Imputed Rent (2.5%)

	United States	United Kingdom	Germany	Italy	Sweden
Income and Asset Poor	-2.4	-2.6	-2.7	-2.6	-0.5
Income Poor Only	-2.5	-2.6	-0.9	-0.8	-1.2
Asset Poor Only	2.4	3.1	2.7	2.6	0.4
Neither	2.5	2.2	0.9	0.8	1.2

VI. Discussion

- Assets for women are heavily dominated by housing in most nations and housing is—ON AVERAGE—very valuable in the US (“No Place Like Home”: *JGSS*, V62B, #2, *March*, 2006)
- BUT, there is also a wide variance in income and assets, especially in the US
- US has the most income poor (we knew that, e.g., see *Feminist Economics 2005*)—but also the most extremely ‘asset and income’ poor elders by a wide margin
- Amongst the most poor, the value of financial assets are low by definition, but so is housing wealth

VII. Policy Alternatives

- Public Policy to help the poorest :
 - RAMS wont do a lot for the poor
 - Social Security Guarantee will do more: 'minimum benefit' or 'Canadian add-on'?
- In longer run, home ownership credits and a 'second tier' defined contribution 'add-on' plan for Social Security will give the poorest more legs to stand on!

And now briefly, “Immigration”

- Hypothesis: The country where ‘immigrants’ (minorities) live is more important than their immigration status in determining net social benefits and poverty status

Meaning of 'Minority' or 'Immigrant' in LIS data

- Italy, US: **Born outside of country**
- Germany, Sweden: **Non-national**
- UK: **Non-white (many categories of ethnicity)**
- Spain, Ireland, Austria, Belgium, Greece: **Multiple nationality**
- Australia: **Not Australian**
- Finland: **Swedish speaking**

Results So Far

- Majority-minority poverty rates, where poverty is ADPI less than half national median (Table 8)
- Effects of tax-transfer policy on majority-minority poverty rates (Table 9)
- Percent reduction on majority-minority poverty (Figure 5)

Table 8
Poverty Rates¹ in Some Rich Countries for Immigrants or Minorities² versus the Rest of the Population, at the Turn of the Century

<u>Nation (year)</u>	<u>Overall Population</u>	<u>Overall Poverty Rate</u>		<u>Child Poverty rate</u>		<u>Elderly Poverty Rate</u>	
	<u>Percentage of</u> <u>Minority</u>	<u>Majority</u>	<u>Minority</u>	<u>Majority</u>	<u>Minority</u>	<u>Majority</u>	<u>Minority</u>
United States (00)	14.6	15.7	25.0	19.6	33.2	24.0	31.3
Ireland (00)	5.7	16.4	15.9	17.0	10.4	35.6	38.3
Italy (00)	2.3	12.7	11.4	16.6	17.5	13.8	6.6
United Kingdom (99)	7.0	11.4	21.4	14.3	26.7	17.2	21.4
Germany (00)	5.6	8.2	10.5	9.1	8.7	9.8	14.9
Belgium (00)	9.7	6.9	18.7	5.3	19.4	16.4	18.5
Austria (00)	9.2	7.9	6.8	8.4	3.8	13.0	22.3
Sweden (00)	4.9	6.1	14.1	3.6	13.2	7.2	30.8
Finland (00)	5.2	5.4	4.0	2.7	3.0	8.9	2.5
Spain (00)	0.6	14.2	26.5	15.9	na	23.5	na
Greece (00)	1.2	14.4	16.0	12.7	na	27.2	na
Australia (01)	29.7	12.2	15.0	13.3	19.7	23.8	21.3
Overall Average	8.0	11.0	15.4	11.5	15.6	18.4	20.8

Source: Author's calculations of LIS files.

Notes:

¹Poverty is measured at 50% median adjusted disposable income (ADPI) for individuals. Incomes are adjusted by $E=0.5$ where $ADPI = \text{unadjusted DPI} / s^E$.

²Minorities are defined differently in the various countries: born in country of residence versus born abroad (Germany, Belgium, Ireland, Austria, Italy), foreign-born versus native (US), white versus other ethnic group (UK), nationals versus foreigners (Sweden), Finnish speaking versus Swedish speaking (Finland), national versus non national (Spain and Greece). Native born American blacks are not defined as minorities in this table.

³In Canada, information on immigrant status is only available for one quarter of the sample. They were not counted in the table.

Table 9
**Effects of Policy on Non-elderly Poverty Rates¹ for Immigrants or Minorities² versus the Rest of the Population,
at the Turn of the Century**

Nation (year)	Majority			Minority		
	MI	DPI	Percent Reduction ³	MI	DPI	Percent Reduction ³
United States (00)	17.0	14.4	15.3	25.5	24.5	3.9
Ireland (00)	22.1	13.8	37.6	26.7	12.2	54.3
Italy (00)	21.1	12.4	41.2	14.9	12.0	19.5
United Kingdom (99)	22.5	10.2	54.7	46.6	21.4	54.1
Germany (00)	17.1	7.9	53.8	20.9	9.4	55.0
Belgium (00)	19.1	4.7	75.4	38.1	18.8	50.7
Austria (00)	22.7	6.9	69.6	25.2	4.1	83.7
Sweden (00)	16.8	5.9	64.9	40.9	12.9	68.5
Finland (00)	15.5	4.8	69.0	11.0	4.4	60.0
Spain (00)	21.3	12.0	43.7	39.7	29.2	26.4
Greece (00)	20.6	11.2	45.6	21.8	18.1	17.0
Australia (01)	20.8	10.7	48.6	26.1	14.2	45.6
Overall Average	19.7	9.6	51.6	28.1	15.1	44.9

Source: Author's calculations of LIS files.

Notes:

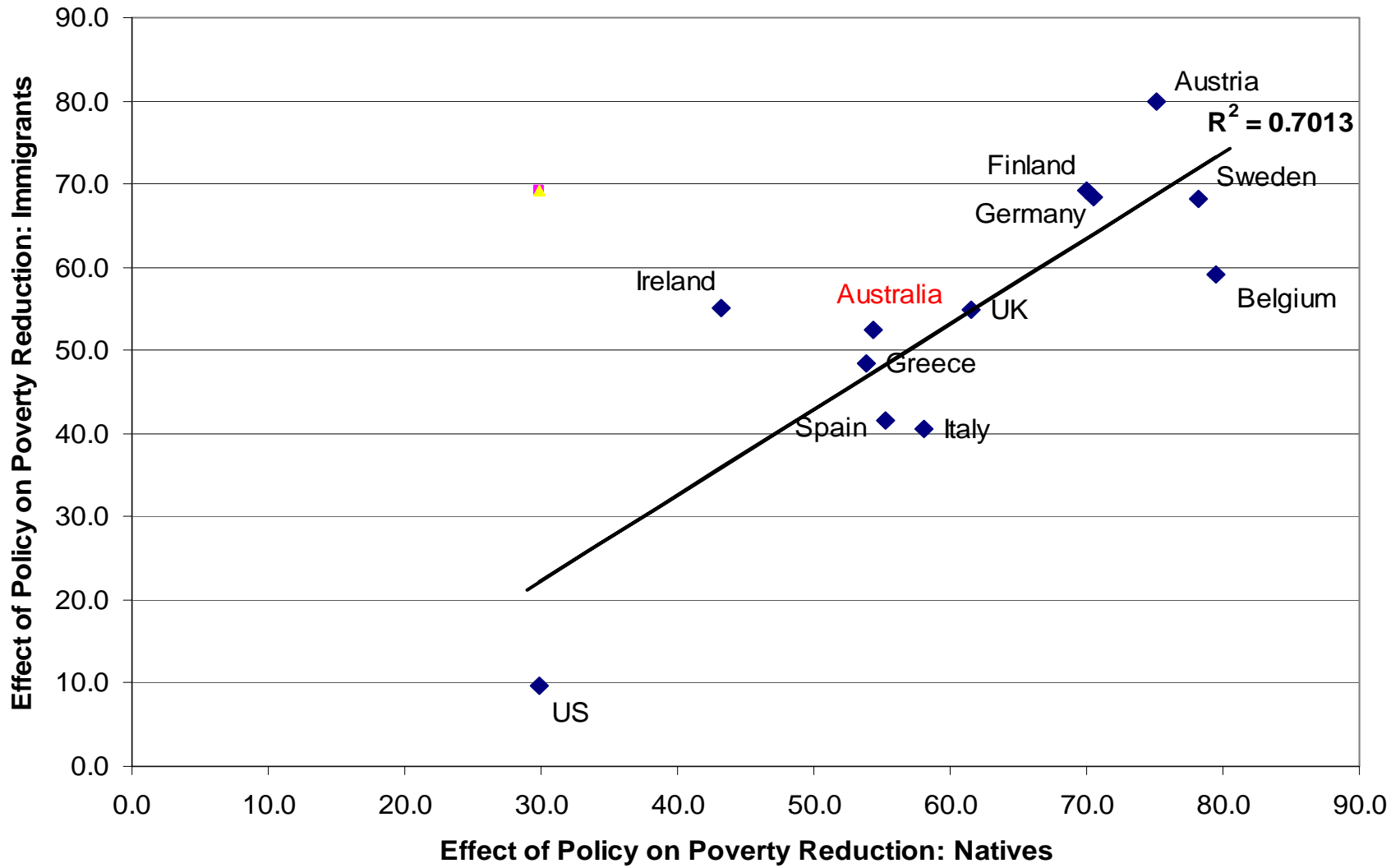
¹Percent of persons below 65 living in poor households. Poverty is measured at 50% median adjusted disposable income (ADPI) for individuals. Incomes are adjusted by $E=0.5$ where $ADPI = \text{unadjusted DPI} / \text{household size (s)}^E$: $ADPI = \text{DPI}/s^E$.

²Minorities are defined differently in the various countries: born in country of residence versus born abroad (Germany, Belgium, Ireland, Austria, Italy), foreign-born versus native (US), white versus other ethnic group (UK), nationals versus foreigners (Sweden), Finnish speaking versus Swedish speaking (Finland), national versus non national (Spain and Greece). Native born American blacks are not defined as minorities in this table.

³Percent reduction measured as $[(\text{MI Poverty} - \text{DPI Poverty}) / \text{MI Poverty}] * 100$.

⁴In Canada, information on immigrant status is only available for one quarter of the sample. They were not counted in the table.

Figure 5. Percent Reduction in Poverty: Immigrants vs. Natives



Quick Summary

- Definitions of immigrant inconsistent
- Support for hypothesis that destination country more important than minority-immigrant status in determining poverty status
- Next: Add Canada and explore other issues (time since arrival; types of benefits received, etc.)