

Future trends in the economic well being of the older population in Europe

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We try to assess the adequacy of the economic resources of the older population and we identify the most vulnerable profiles, now and in the next thirty years, in selected European countries, and notably Belgium, Germany, Finland, France, Italy, The Netherlands, Portugal, and the United-Kingdom. These are the countries that, together with the Czech Republic (not considered here, for lack of comparable data), participate in the FELICIE project (<http://www.felicie.org/>).

Our study incorporates, albeit briefly, two levels of analysis. At the macro level, we consider social expenditure - in particular the part of it devoted to the protection of old age. At the micro level, i.e. detailing for sex, age and marital status, we explore a plurality of dimensions: income level (both at personal and household level), income composition, various indexes of poverty and home tenure. Micro-analysis relies extensively on own elaborations of the European Community Household Panel Survey.

There are two basic questions that underlie our research: How does the economic situation of older people compare with that of the rest of the population in each country? And what changes are in sight for the future?

From the micro perspective, in terms of *personal* income, not surprisingly, the age profile appears as an inverted *U*, which means that the young and the old have few scarce own resources. Besides, men earn much more than women do, almost twice as much, on average. However, in terms of *equivalent* income, the age and gender profile picture is much flatter. In short: keeping into account the dimension of the households, their global incomes, and the economies of scale that co-residence makes possible, the standards of living are too not seriously differentiated by gender or age. Besides, relatively few differences emerge if one breaks these data down by marital status, except that divorced men are (economically) better off at all ages. The basic impression that one can derive from these pictures is that households are very effective channels of income redistribution among genders and ages, and that, on average, no gender or age class is in conditions of particular economic hardship.

In old age, the risk of poverty is slightly higher than in the general population in most European countries, although home-ownership is more prevalent at this age. This risk of poverty increases with age and is higher for women; for the separated, the divorced and the never married, as compared to the married; for those with poor health, with scarce social relations and low education. Inter-country differences are not trivial: poverty is higher in UK, Portugal and Belgium, and lower in Germany, in the Netherlands and in Finland.

What will the next 30 years be like? Assuming constant proportions of poverty within each "cell" (sex, age, and marital status), the overall relative prevalence of the poor should barely change, due to contrasting forces: ageing tends to inflate the proportions poor, but an increasing prevalence of people still married until late in life will counterbalance this trend.

Although prospects for the future are not particularly bad, there are also important elements of potential fragility. For instance, household dimension, which is one of the elements that alleviate the risk of poverty, tends to shrink as time passes, and especially at older ages. But the greatest element of uncertainty for the future regards the capability of European social protection systems to maintain their level of social protection, and possibly even to increase it, in line with the mounting proportion of the old. Unfortunately, this does not seem to be likely, because most European countries currently tight face [budget constraints: public debt is high \(about 67% of GDP\); net borrowing or lending is basically in equilibrium, on average, but the most populous countries are currently in deficit; and fiscal pressure is already very high, over 47% on average, which reduces the prospects for further tax increases.](#)

The protection of the older population is channelled through three main functions of social protection: "Old age", "Survivors" and "Health". These three, combined, amount to about 70% of total social protection expenditure in Europe, and also in the eight countries considered here, with a minimum in Finland (58%), and a maximum in Italy (88%). In short: social expenditure is mainly targeted towards the elderly who, on the one hand, derive most of their incomes from pensions (especially public, *PAYG* pensions), and, on the other, receive for free, or at subsidised prices, a considerable amount of resources in the form of medical assistance.

We speculate on the role of macro factors, and discuss a few possible scenarios.