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Luxembourg Income Study Working Paper Series

Working Paper No. 105

Old Age Poverty in Selected Countries of the European
Community- Are Women Disproportionally Affected?

Heinz Stapf

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(scanned copy)



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**OLD-AGE POVERTY IN SELECTED COUNTRIES OF THE EUROPEAN
COMMUNITY - ARE WOMEN DISPROPORTIONALLY AFFECTED?**

Heinz Stapf

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Capital and Mobility Programme, Directorate
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Heinz Stapf is a graduated sociologist. As a member of the ASEG-project (research project on social security in old age in EC-countries) at the University of Frankfurt/Main, headed by Professor Richard Hauser and Professor Diether Döring, he is writing his PhD-thesis in economics on social security in old age in Spain.

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Heinz Stapf:

Old age poverty in selected countries of the European Community - Are women disproportionately affected?

Feminization of poverty in old age

The countries of the European Community are going through a process of ageing. Because women, in general, enjoy a longer life expectancy than men, the relative share of women has, along with longer life expectancy, increased. Due to interruptions in the working life of women as a result of familial responsibilities, women cannot, at least in contributory pension schemes, accumulate sufficient pension entitlements to cover the expenses they await in retirement. As a result, women tend to constitute a larger share of the elderly poor than men. The term "feminization of poverty" in old age¹ is used to discuss the genesis and institutionalisation of this problem.

The following consequences can be expected in countries which employ earnings based and/or contributory pensions:

- Disproportional levels of poverty among the elderly increases in comparison with similarly situated younger people with rising life expectancy and resulting increases in the size of the elderly population. Moreover this trend is reflected among different age groups commonly referred to under the term elderly. "Aged elderly" tend to find themselves in a worse economic position than their younger compatriots. One reason for this phenomenon could be insufficient indexing of pensions; another, perhaps more important reason, could include lack of compensation for both interruptions in working life and compensation of family work. Another important consideration is that steps taken to change potential discrepancies can inherently only effect people entering retirement. This means that retired people who are already receiving their entitlements must accept the potential discrepancies of older retirement benefit plans.
- The poverty rate of elderly women is higher than the poverty rate of elderly men.

In contrast to the expected results generated from pension schemes which only provide benefits as a substitution for earnings, pension schemes which seek to prevent poverty in general and, as a result, grant retirement entitlements based upon residence, do not produce gender inequalities.

In order to control these hypotheses, I take the following steps:

- First, I present the various forms of compensation available which allow for a) workers to receive the same social retirement benefits they would have received had the interruption not occurred and/or b) pension credit entitlements granted for work done in the context of the family.
- I present the various forms of minimum pensions which aim to prevent old age poverty.
- Finally, I examine the extent to which the above described provisions contribute to the prevention of poverty in old age.

¹ Kommission der Europäischen Gemeinschaften: Ältere Menschen in Europa: Wirtschafts- und Sozialpolitik. Bericht 1993 der europäischen Beobachtergruppe, p. 35; Reinhard, Hans-Joachim: Die Stellung der Frau in den Alterssicherungssystemen des Auslandes, Köln 1992, p. 29.

Compensation for interruptions of working life and family work²

Netherlands

Basic Pension financed by contributions

A flat-rate basic pension beginning from the age of 65 guarantees a minimum income during old age. The pension is financed through contributions that are adjusted depending upon the level of earned income. For the beneficiaries, the actual amount of the paid contributions are of no importance. To receive the full basic pension, one must live in the Netherlands for 50 years. 2% from the full amount is subtracted for each year in which a recipient did not live in the Netherlands. With regard to the basic pension, gender discrimination does not exist.

Additional income derived from pension plans which companies provide also represent an important contribution to income during old age. Company dependent pension schemes, however, penalise interruptions in the working life of employees and, therefore disproportionately have negative effects on the receipt of pension benefits by women, who more likely than men interrupt their work to meet familial obligations.

The level of the full amount of the basic pension coincides with the level of social assistance. In the case of need, old people depend on social assistance.

Voluntary insurance

A voluntary insurance is possible to

- continue insurance, in the case of moving abroad
- qualify for a pension if one began living in the Netherlands after the age of 15.

Italy

Child-rearing credits

During the first year of childhood, parents may take a six month child-rearing leave. As in principle the claim to a child-rearing leave belongs to the mother, men can only receive such a claim upon approval of the mother.

The obligatory post-natal maternity vacation is lasting three months.

Periods of child-rearing and post-natal maternity leave are free of contributions but nevertheless treated as if the person taking leave would have paid normal contributions.

Voluntary insurance

Since 1963, a voluntary insurance exists for housewives. The response to the idea of voluntary insurance has been limited as a non-contribution based social pension plan was introduced in 1969.

Social pension

This is a tax financed, non-contributory and means-tested basic pension which exists alongside of social assistance. It attempts to provide coverage to people who would not be entitled to benefits under a contributory system of social insurance pensions or who otherwise could not fulfil the qualifying conditions. The income of the claimant is not allowed to exceed a certain limit and parties who receive other benefit income from the social security system are not eligible. Each husband has an individual entitlement for this benefit.

Women are the overwhelmingly beneficiaries of the social pension. The amount of supplemental income is, however, below the level of the minimum pension in the contributory system.

Minimum pension

If the entitled pension, calculated from insurance periods and contributions, does not reach a minimum level it is supplemented with tax revenues. There is a minimum insurance period of

² For this subject see: Hohnerlein, Eva-Maria: Kompensatorische Regelungen der gesetzlichen Alterssicherungssysteme bei durchbrochenen Erwerbsbiographien - Ansätze zur Anerkennung unbezahlter Familienarbeit in den Ländern der Europäischen Gemeinschaft, in: Informationsdienst der Gesellschaft für Versicherungswissenschaft und -gestaltung, no. 231, august 1992, pp. 1-27; Reinhard, Hans-Joachim: Die Stellung der Frau in den Alterssicherungssystemen des Auslandes, *ibidem*, pp. 28-51; Zacher, Hans F. (ed.): Alterssicherungssysteme im Rechtsvergleich, Baden-Baden 1991.

15 years. The benefit is dependant upon the income, the calculation of the benefit depends only on the income of the individual.

Earnings component

The earnings component used for the calculation of a pension is only considered during the last five years of the working live.

France

Child-rearing credits

Insured women in the general system of social security receive a child-rearing credit worth of two years for each child which, before the age of 16, they have raised for at least 9 years.

If one of the parents has exhausted the voluntary child-rearing leave (3 years maximum), the insurance period is extended by the effective duration of the vacation. Women can only apply for such an extension if they do not apply for the above mentioned child-rearing credit.

Reduced contribution requirements

This is a special regulation which allows for early retirement with full pension benefits for: a) people who work in labour intensive fields and b) mothers who have at least acquired a 30 year period of contribution, who have raised at least 3 children and who have worked manually for at least 5 of the 15 years before the application for pension benefits. In practice women who fall into the latter category need only to prove 24 years of contribution.

Increasing of small pensions because of child-rearing

Retirement pension can be increased by up to 10% to account for the costs of raising of 3 or more children.

Compulsory insurance during the time of rearing and caring for disabled persons

This regulation serves to protect persons with low income who have family duties incurred through a tax-financed compulsory insurance.

Non-contributory minimum pension for certain persons

Allowance for family mothers (allocation aux mères de famille) for wives of insured employees beginning at the age of 65 for those who have raised at least 5 children for 9 years before the children reached the age of 16.

Voluntary insurance

A voluntary insurance is possible for women with familial responsibilities.

Earnings component

For the earnings component of the calculation of a pension only the ten years in which they earn, on average, the highest income are taken into account and not the whole insurance period.

Minimum pension

The maximum amount of the contributory minimum pension is achievable with 37,5 years of insurance. There exists a minimum level for people with low income.

Non-contributory Minimum pension (social pension)

There are 5 forms (among them the allowance for family mothers) which account for the income situation of the applicant.

Supplementary allowance (allocation supplémentaire)

It is granted in addition to contributory and/or non-contributory old age benefits. This tax-financed and means tested benefit has the additional attribute of reaching the old age minimum (minimum vieillesse).

Belgium

Periods of child-rearing and care

6 to 12 months of leave for personal or family reasons is granted 5 times during the working life of the employee. The employee is replaced by an unemployed person. The acceptance of these interruptions by retirement insurance as periods in which employees still receive claims depends upon the granting of a special allowance (allocation d'interruption).

Protection of divorced

Contributions of the divorced husband are taken into account in the calculation of the old age pension of divorced women. 60% of the pension expectancy of the former husband are awarded to the pension account of the woman without reducing the pension account of the former husband.

Minimum pension

The full amount of the contributory minimum pension is granted only after a complete insurance career (40 years for women and 45 years for men).

Guaranteed income for elderly

This is a minimum income beginning at 60 years of age for women and 65 for men. The personal income is not allowed to exceed a very low preset amount. It is a relatively small minimum income, too low to cover living expenses. More than half of the recipients of the guaranteed income for elderly are unmarried women. If one factors in widows, the proportion of women raises to 75%. Persons 75 years and older are more dependent upon guaranteed income for elderly.

Family pension

Husbands decide whether they want to receive 60% of each individual pension or 75% from the pension account of one individual pension as family pension.

United Kingdom

Reduced preconditions for benefits and credits (category A pension)

Full pension benefits require contributions during 90% of working life. The prerequisites for times of contributions are reduced to the benefit of people with familial responsibilities. Parties who receive other benefit income from the social security system are not eligible. The years of child-rearing or care of severely handicapped adults are subtracted from the number of years of contributions that are necessary to receive the full pension amount. The years of contribution, however, may neither be less than half of the obligatory insurance period nor 20 years of contribution.

If one receives the invalid care allowance for the care of another person, the contribution is credited.

The British basic pension is only equivalent to 1/3 of the mean earnings of male workers and does not reach the level of the income support (social assistance). The British basic pension cannot be considered as a manner in which to provide a sufficient minimum income. The public supplementary pension that can be contracted out in case of the existence of company pensions disproportionately benefits the male employment pattern.

Protection of divorced

Divorced women who are not remarried can use contributions of the former husband to improve their own contribution account. The contributions must have been paid during the marriage or - if it is more favourable for her - between her 16th birthday and the date of separation.

Non-contributory pension

There is the category D pension for people 80 years old and older, if they do not receive the basic pension or only a reduced one.

Protected years

In the public supplementary pension scheme (SERPS), years without income, or with very low income, are not taken into consideration for the calculation of the benefit.

Replacing the personal pension account with the pension account of the husband

The category B pension for married women without eligibility for an old age pension or with a low pension. The benefit consists of 60% of the basic pension. Consequently it does not provide a sufficient minimum income.

Germany

Pension according to minimum income (Rente nach Mindesteinkommen)

Insurance periods with low contributions until 1991 weight more heavily if one has 35 credited years of insurance. Low contributions are multiplied by 1.5 and may, at best, reach 75% of the value of the contributions for the average income of the insured person.

Child rearing credits

Periods of child-rearing are credited at the rate of 75% of the average earnings of all insured persons. Before 1992, the period was one year, after 1992, 3 years. At first, the mother receives the credit. If both parents sign a declaration, the father may receive the credit. A partition of the credit is also possible.

Statutory pensions equalisation upon dissolution of marriage

In the case of divorce, the pension claims that have been accumulated during the matrimony are divided. The acquired pension claims are compared. The parent with the higher level of pension claims must cede half of the difference. The person required to make the adjustment can later refill his pension rights with contributions.

Voluntary insurance

It exists from the age of 16 years on. Prerequisite is a qualifying period of 5 years.

Social assistance

In 1987, 20.2% of the social assistance benefits were granted to people 60 years of age and older. The share of women among this group amounted to 77.5%. Because of insufficient vested pension rights, women in particular are frequently in need of social assistance.

In the empirical section of this paper I want to show how the described forms of compensation for interruptions in working life and for family work help to prevent poverty among elderly women in comparison to similarly situated men in the selected countries. Because of differing forms of minimum pensions to prevent poverty, I want to systematise these forms.

Minimum Provisions

It is supposed to be the case that in countries with old age pension systems that grant a sufficient minimum pension, poverty among elderly women is not so pronounced. In the following table, the existing forms of minimum provisions are presented systematically.

In this context sufficient minimum conditions mean:

- The conditions are rather easily to fulfil.
- The benefit provides a necessary subsistence level to meet living expenses.

The following minimum provisions are possible³:

1. Residence oriented minimum provisions (basic pension).
2. Minimum provisions depending on periods of insurance within the framework of the general pension scheme (contributory minimum pension).
3. Means-tested minimum provisions granted categorically for the elderly (social pension).
4. Minimum provisions external to the old age pension schemes (social assistance).

³ See: Döring, Diether et. al.: Old-age Security of Women in Twelve EC-countries - To what extent are Beveridges Two Main Principles of Universality and Guaranteed Minimum Income Fulfilled, Luxembourg Income Study, Working Paper # 81, Walferdange 1992; Hauser, Richard: Mindestsicherung im Alter - ausgewählte ökonomische Aspekte unter Berücksichtigung von Wanderungen, in: Schmähl, Winfried (ed.): Mindestsicherung im Alter, Erfahrungen, Herausforderungen, Strategien, Frankfurt am Main/New York 1993, pp. 75-99; Schulte, Bernd: Praktizierte Formen der Mindestsicherung im Alter - ein rechtsvergleichender Überblick, ibidem, pp. 27-74.

Form of minimum provisions	NL	IT	FR	BE	UK	DE
1) residence based	time of residence of 50 years, flat-rate basic pension from 65 years on	-	-	-	-	-
2) within the general pension scheme, depending on periods of insurance	-	15 years minimum insurance period	after 37,5 years of insurance	only after a complete insurance career	90% of working life, basic pension below level of social assistance	-
3) means-tested, categorically for the elderly (social pension)	-	social pension	a) 5 different forms b) and ca) are supplemented to reach the „minimum vieillesse”	does not reach level of subsistence	for people 60 years and older	-
4) outside of old age pension schemes (social assistance)	-	-	-	of no relevance for the elderly, same grants like c)	„income support”	social assistance
Is level of subsistence granted?	yes	yes	yes	no	no	no

Consequently, the goal of preventing poverty in old age, especially of elderly women, should be better achieved in the Netherlands, Italy and France, than in Belgium, the United Kingdom and Germany.

Of course, other influences exist, such as the performance of the economy and incentives to work for women. These "other influences" that also effect the rates of poverty among elderly women are not taken into consideration in this work.

Old Age Poverty in selected EC-countries - Empirical results

The LIS-project

The calculations have been made on the basis of data sets from the Luxembourg Income Study (LIS). The LIS-project collects micro data from different countries and prepares these data sets in a manner that allows for relatively easy conception and comparison.

The used data sets

Unfortunately, data sets from all EC-countries are not yet available in the LIS-project⁴. Currently, data sets are only available for Belgium, France, Germany, Ireland, Italy, Luxembourg, the Netherlands and the United Kingdom. The data sets from Luxembourg and Ireland represent an insufficient number of cases in the considered household types. As a result, in the following examination only six EC-countries could be studied.

⁴ For further information on the LIS-project see: Smeeding, Timothy M./O'Higgins, Michael/Rainwater, Lee (eds.): Poverty, Inequality and Income Distribution in Comparative Perspective. The Luxembourg Income Study, New York et al. 1990.

The following national surveys form the basis of the LIS-data sets taken into consideration in this work:

Survey Name	
FR 84	The French Survey of Income from Income Tax 1984 (Revenus Fiscaux 1984)
GE 84	The German Socio-Economic Panel Study: Wave 1/Wave 2 (Das sozio-ökonomische Panel Welle 1/Welle 2) (1984/1985)
IT 86	The Bank of Italy Income Survey (Indagine Campionaria sui Bilanci Delle Famiglie 1986)
NL 87	Additional Enquiry on the Use of (Public) Services 87 (Aanvullend Voorzieningengebruik Onderzoek 1987)
UK 86	The Family Expenditure Survey 1986

Source: LIS-User package.

Various institutions were responsible for the surveys used here. These include:

Sponsorship of the Survey	
FR 84	Institut National de la Statistique et des Etudes Economiques (National Institute of Statistics and Economic Studies), (INSEE-DG)
GE 84	German Science Foundation (Deutsche Forschungsgemeinschaft), (DFG)
IT 86	Banca d'Italia (Bank of Italy)
NL 87	Sociaal en Cultureel Planbureau (Social and Cultural Planning Office), (SCP)
UK 86	Department of Employment

Source: LIS-User package.

Unfortunately, the objectives of the surveys differ, making comparisons of the result difficult.

Primary Objective of the Survey	
FR 84	Measurement of household income distribution
GE 84	Provide information on the dynamics of individual welfare, and evaluate the social impact of government social policy
IT 86	Provide information on the economic behaviour of families
NL 87	To measure income, household composition, and the use of public services
UK 86	Provide information on spending patterns for the United Kingdom Retail Prices Index

Source: LIS-User package.

In Italy, families are the primary collection unit; in other countries, however, the collection units are households.

Another problem is that the reference person differs in the surveys under consideration:

Reference Person	
FR 84	If there is one family, the head of household is the male adult. If there is more than one family, the head of household is the oldest working person, or, if no other household member works, the oldest person.
GE 84	A single person, usually the head of the household, responds to general questions regarding the household as a whole and the dwelling in particular.
IT 86	Head of household: Usually the husband or father, but if abroad, or in another region of Italy, household head is the person who is economically responsible for the family.
NL 87	The head of household is identified by the respondent. That respondent must be over 18 years. If the respondent refuses (or argues) the interviewer then asks who is the rent payer, home owner, the person with the highest income, or the oldest person.
UK 86	Household head

Source: LIS-User package.

The most troubling flaw is the differing definition of household used in each survey:

Household Definition	
FR 84	The household was formed by combining the tax returns of all household members.
GE 84	All persons living single or together form a single household.
IT 86	Related persons living together in one housing unit.
NL 87	Persons living and eating together form a single household.
UK 86	A person living alone, or a group of people living at the same address and sharing meals prepared together, and with common housekeeping.

Source: LIS-User package.

Another problem is that the time period spans the time between 1984 and 1988. As a result, no common reference year exists. Conscious of these imperfections, I have still endeavoured to interpret the data. Even accounting for problems inherent in such a comparison, the lack of better data makes the further study of this material worthwhile.

Headcount of persons in the considered household types

persons		NL 87	IT 86	FR 84	BE 88	UK 86	GE 84
male	-64	586	376	1312	140	433	2181
1 person	65-74	51	186	167	44	115	216
unit	75+	97	117	264	56	108	335
female	-64	616	702	1423	156	411	2259
1 person	65-74	208	757	817	107	331	1439
unit	75+	237	555	1150	151	344	1549
married	-64	1882	4010	6242	1252	2294	7692
couple	65-74	620	2266	1904	514	994	2988
	75+	292	1220	1254	250	412	1528
other	-64	8812	47844	37581	7603	12211	36769
units	65-74	171	3448	1104	401	460	1025
	75+	57	1236	599	86	217	989
total		13629	62717	53817	10760	18330	58970

persons (%)		NL 87	IT 86	FR 84	BE 88	UK 86	GE 84
male	-64	4.3	0.6	2.4	1.3	2.4	3.7
1 person	65-74	0.4	0.3	0.3	0.4	0.6	0.4
unit	75+	0.7	0.2	0.5	0.5	0.6	0.6
female	-64	4.5	1.1	2.6	1.4	2.2	3.8
1 person	65-74	1.5	1.2	1.5	1.0	1.8	2.4
unit	75+	1.7	0.9	2.1	1.4	1.9	2.6
married	-64	13.8	6.4	11.6	11.6	12.5	13.0
couple	65-74	4.5	3.6	3.5	4.8	5.4	5.1
	75+	2.1	1.9	2.3	2.3	2.2	2.6
other	-64	64.7	76.3	69.8	70.7	66.6	62.4
units	65-74	1.3	5.5	2.1	3.7	2.5	1.7
	75+	0.4	2.0	1.1	0.8	1.2	1.7
total		100	100	100	100	100	100

The persons in the household types that are taken into consideration represent only a small percentage of the total population. Because most elderly people either live together as married couples or as single persons, I have organised the categories of my data set to reflect this reality.

Poverty rates⁵

The following analysis is based on a relative concept of poverty that defines poverty as a inability to participate in the wealth of a society. Half of the average equivalent income (arithmetical mean) is considered as not sufficient and, therefore, represents the usual poverty threshold in the EC context.⁶

Because economies are the result of the common running of a household (economies of scale) and differing needs of the household members, the various incomes inside a single family have not simply been divided by the number of household members in order to calculate the disposable income per person. For this reason I used the OECD equivalency scale. This scale gives the head of the household a weight of 1, to each other adult a weight of 0.7 and to each child a weight of 0.5.⁷

The 50% poverty rate indicates the proportion of the so defined poor persons relative to the total number of persons living in the respective household type.

50% poverty ratio		NL 87	IT 86	FR 84	BE 88	UK 86	GE 84
male	-64	14.7	8.8	16.0	8.6	9.0	9.5
1 person	65-74	0.0	12.4	1.8	13.6	2.6	0.0
unit	75+	0.0	24.8	1.1	10.7	1.9	1.8
female	-64	15.4	11.7	14.8	9.0	9.0	13.5
1 person	65-74	0.0	14.8	3.1	8.4	6.9	8.8
unit	75+	0.0	22.2	1.2	8.6	5.2	15.9
married	-64	2.8	8.6	11.0	4.2	9.2	3.9
couple	65-74	0.3	7.5	2.7	8.2	7.4	8.5
	75+	0.0	13.0	0.8	12.0	13.6	17.9
other	-64	15.9	19.2	18.5	7.9	18.7	12.0
units	65-74	19.9	25.2	17.8	9.7	17.2	8.2
	75+	(15.8)	26.1	10.7	16.3	6.0	26.0
average		12.3	18.2	15.7	7.8	15.5	11.0

⁵ See: Atkinson, Anthony B.: On the Measurement of Poverty, in: *Econometrica*, vol. 55, no. 4 (July)/ 1987, pp. 749-764.

⁶ See: Kommission der Europäischen Gemeinschaften: *Ältere Menschen in Europa: Wirtschafts- und Sozialpolitik. Bericht 1993 der europäischen Beobachtergruppe*, p. 31; Hauser, Richard: Some Problems in Defining a Poverty Line for Comparative Studies, in: Sarpellon, G. (ed.): *Understanding Poverty*, Milan 1984, pp. 329-355.

⁷ See: Eurostat: *Armut in Zahlen: Europa zu Beginn der achtziger Jahre*, Luxembourg 1990, pp. 7-8.

Notes: () insignificant numbers.

In the following, I call persons under 65 "young", persons from 65 to 74 "elderly" and persons 75 years and older "aged".

Germany: Comparing single women with single men, the share of women who fall under the poverty line in all age groups is larger than the share of men. Contrary to the assumption that poverty rises with age, among those entering retirement, there is a decrease of the poverty rates.

The poverty rate of single women is higher than the poverty rate of persons living in couples. Only aged couples (75+) have a higher poverty rate.

No clear pattern can be found in **Belgium**. Also worthy of note is that the poverty rate of persons in aged couples is higher than the poverty rate of aged women.

Despite the outlined minimum income provisions, the findings in **Italy** are in accordance with the pattern predicted in the main hypothesis. In all age groups, the poverty rate of single women is higher than among persons who live in couples or men who live alone. Only aged single men have a higher poverty rate than aged single women.

France does not correspond to the expected pattern, as France's method of compensation for a) interruptions of the working life, b) compensation for work done in the family, and c) the minimum income provisions seem to function with equitable results. There are neither noticeable differences with regard to comparisons of single women with single men nor with regard to comparisons of single men with couples. For the three household types taken into consideration can be seen that: with increasing age, the poverty rate decreases. Because the data are collected from tax file documents, it can be presumed that poor households are underrepresented.

In the **United Kingdom**, the poverty rate among elderly and aged single women is higher than the poverty rate among the same age groups of single men. However, the poverty rate of couples in all three age groups tends to be the highest.

At first glance the problem of poverty among the elderly and aged in the **Netherlands** seems to be resolved and there seems to be no discrimination between the sexes. This conclusion, however, must be drawn with care. Co-workers of the LIS-project informed me that in the Dutch data it was assumed afterwards that each old person receives his basic pension. Whether this reflects the empirical reality remains to be proved.

60% poverty ratio		NL 87	IT 86	FR 84	BE 88	UK 86	GE 84
male	-64	18.3	9.8	19.7	11.4	14.3	17.3
1 person	65-74	0.0	22.0	11.4	18.2	12.2	11.6
unit	75+	0.0	41.9	14.4	21.4	24.1	7.5
female	-64	17.4	19.5	20.2	17.9	16.3	23.5
1 person	65-74	0.0	32.5	12.2	15.0	23.0	13.4
unit	75+	0.0	44.1	15.6	18.5	27.0	25.6
married	-64	4.5	16.0	17.4	9.1	14.8	7.2
couple	65-74	5.5	18.6	20.0	22.6	28.8	14.9
	75+	8.2	33.4	20.7	36.8	38.8	23.7
other	-64	30.0	29.7	30.5	17.2	27.8	24.0
units	65-74	26.3	34.9	28.6	21.4	22.4	10.9
	75+	(15.8)	36.1	26.5	31.4	18.4	30.0
average		22.4	28.8	27.0	17.2	25.5	20.6

Notes: () insignificant numbers

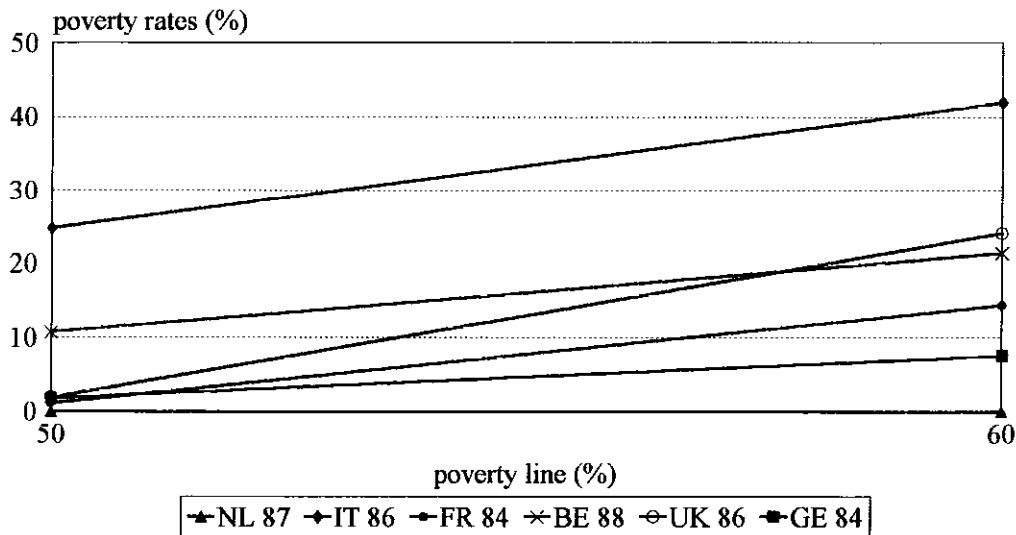
The 60% poverty ratios confirm the preceding findings. The hypothesis that poverty rises with age can only be confirmed if persons 75 and older are compared to persons between 65 and 74. It cannot be confirmed by comparing people between 65 and 74 with those in younger age groups. Upon reaching the age of retirement, a decrease in the poverty rate can be seen.

The hypothesis that the share of poor people among women is greater than among men can be, as a result, confirmed. However, often the elderly and aged couples represent a greater potential of risk than single women. The reason for this phenomenon could be probably that couples often must live from only one pension whereas single women have at least small personal or derived pension claims. This result is, of course, also influenced by the choice of the equivalence scale.⁸

In the Netherlands, the poverty rate of elderly and aged couples is also higher than the poverty rate of single women and single men. The reason is that single persons receive 70% of the net minimum wage as a basic pension, whereas couples together receive only 100%.

Poverty rates

male, 1 person unit (75+)

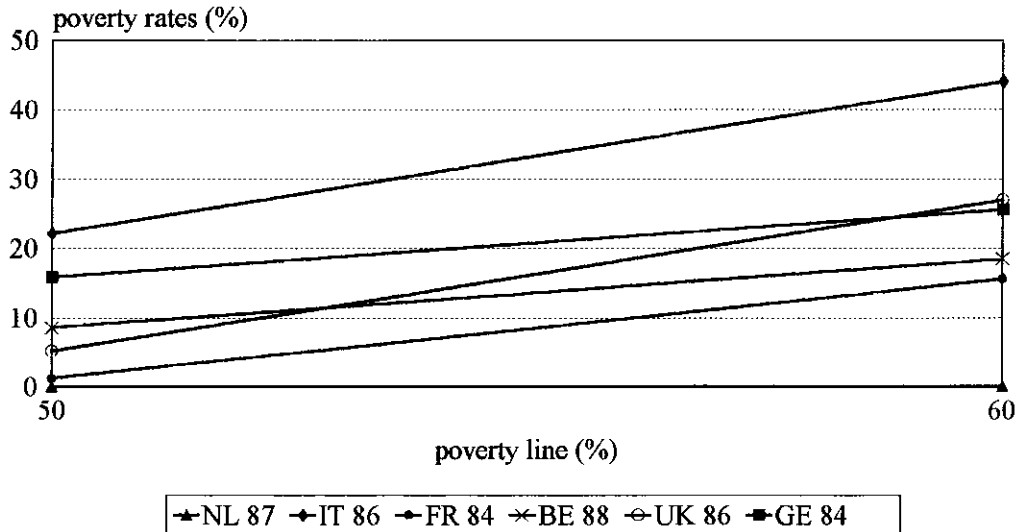


In the international comparison of the prevention of old age poverty, especially among the elderly, Italy, Belgium and the United Kingdom provide the least protection for their elderly single men.

⁸ On the problem of the effects of using different equivalence scales, see: Mercader, Magda: The Low Income Population in Spain and a Comparison with France and the UK: Evidence from the Household Expenditure Surveys, Discussion Paper of the Suntory-Toyota International Centre for Economics and Related Disciplines # WSP/95, London, September 1993.

Poverty rates

female, 1 person unit (75+)

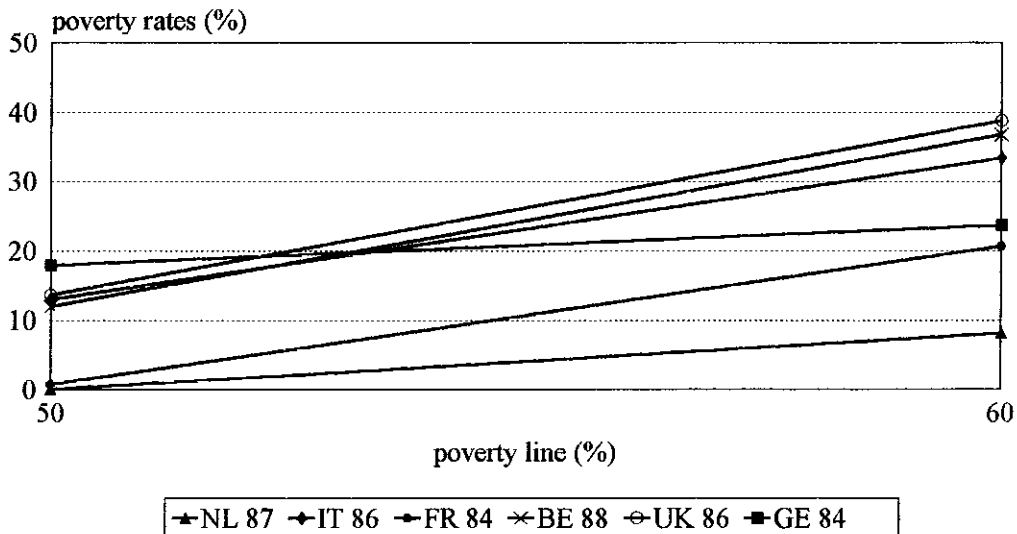


Conc

erning single women, Germany belongs to this group in the second position, i.e. the group which provides the least protection.

Poverty rates

married couple (75+)



With

regard to poverty rates of couples this group of countries is moving closer together when you look at the poverty rates of couples. At the 50% poverty ratio, Germany is in the worst position with regard to the prevention of poverty among its elderly couples in the international comparison.

Poverty gaps

In order to determine the relative economic position of poor people one needs to know more than the number of people which fall under the poverty line. The income of these people might be far below the poverty line or only slightly underneath. To express the depth of poverty, I use a indicator poverty gap. The poverty gap is a measure of the distance between the mean equivalent income of the poor and the poverty line as measured in proportion to the poverty line in general.

50% poverty gap		NL 87	IT 86	FR 84	BE 88	UK 86	GE 84
male	-64	84,2	33,1	68,4	28,5	61,6	23,5
1 person	65-74		35,0	15,7	14,8	21,4	
unit	75+		13,6	[502,8]	66,3	5,5	51,8
female	-64	88,4	15,2	48,6	52,9	52,1	21,5
1 person	65-74		12,2	34,3	43,1	11,9	14,2
unit	75+		12,2	4,5	56,1	8,4	17,9
married	-64	62,6	22,0	38,2	40,0	62,9	23,7
couple	65-74	17,7	18,7	25,1	38,4	33,6	17,9
	75+		22,0	8,3	24,0	8,5	22,5
other	-64	26,4	26,9	31,9	22,8	35,9	21,2
units	65-74	12,7	31,8	22,8	20,8	14,5	9,7
	75+	(8,6)	25,4	27,5	15,4	22,9	21,8
average		47,2	25,2	37,2	30,2	38,0	20,8

Notes: () insignificant numbers.

[] negative income

In **Germany**, the poverty gap of single poor women in the first and third age groups are not so deep as compared to the poverty gap of single poor men. The poverty gap of poor couples in all age groups is deeper than among poor single women.

In **Belgium**, the poverty of poor single women is more intensive than the poverty of poor single men in the two first age groups. Aged single men, however, live in deeper poverty than aged single women. In all the three age groups, single women are more affected by poverty than couples.

In **Italy**, poor single women are in a better position than poor single men and/or poor couples. This also applies to the **United Kingdom**.

In **France**, the poverty of poor single women is deeper than the poverty experienced by poor couples in both of the first age groups. Single young men that fall under the poverty line are on average poorer than young single women. With increasing age, this relation inverses itself.

Note that I have not interpreted the results for aged single men because a negative average equivalent income makes a comparison with the other cases cited here (that all have a positive average income) impossible.

In the **Netherlands**, little can be said about the intensity of poverty during old age of single women and men because, according to the data set, poverty does not exist. Despite the existence of a system of social assistance in the Netherlands, the intensity of poverty among single young men and women is frightfully high.

60% poverty gap		NL 87	IT 86	FR 84	BE 88	UK 86	GE 84
male	-64	71,2	39,7	60,9	33,5	46,1	23,5
1 person	65-74		28,7	9,6	22,6	15,4	9,7
unit	75+		19,8	37,1	39,6	9,5	24,2
female	-64	80,5	21,6	44,1	32,1	35,6	23,6
1 person	65-74		17,4	18,1	31,7	13,5	20,7
unit	75+		18,1	10,4	36,4	10,7	22,3
married	-64	46,2	22,6	33,8	26,0	45,9	22,6
couple	65-74	11,6	17,5	11,0	21,5	17,4	22,0
	75+	9,7	17,1	7,7	16,6	13,5	28,4
other	-64	23,5	27,5	29,8	19,7	33,6	21,1
units	65-74	22,5	32,3	25,2	23,2	22,5	21,5
	75+	(23,9)	27,7	19,7	17,9	17,6	30,8
average		35,9	25,7	30,3	22,8	29,9	22,3

Notes: () insignificant numbers

The preceding results of the interpretation of the 50% poverty gaps are essentially confirmed by the analysis of the 60% poverty gaps.

The following conclusions can be drawn:

In all countries, there is a decrease in the intensity of poverty when people reach the age of retirement.

Nevertheless, in some countries, namely Belgium, Italy, Germany and UK, the poverty gaps among the elderly and aged are very high. The old age security in this cases does not contribute satisfactorily to the prevention of poverty.

Here one can see a trend that the poverty of single women is not so deep as the poverty of single men or couples. A possible reason for this trend might be the frequent accumulation of personal and derived pensions in the case of widows.

Summary of the results

When individuals reach retirement, the moment when the systems of old age security start to work, a decrease of poverty rates and poverty gaps can be observed.

In general, poverty rates with regard to older people increase with rising age. However, this pattern cannot be found for the intensity of poverty (poverty gaps).

The poverty rate of single women is higher than the poverty rate of single men. Poor single women, however, do not live in so deep poverty.

Further investigation

Further investigation is necessary to see the influence of a) different income sources on the prevention of poverty and b) to better understand the influence of pensions on prevention of poverty among the elderly. Especially with regard to a comparison of males and females it would be desirable to have a data set that separately identifies personal and derived pensions. Unfortunately the LIS data set does not provide such information.

It would be ideal to have a data which collected its results using the same survey method within the EC.

Of course, a common and up-to-date reference year would also be desirable.