ECONOMIC WELLBEING:
CHANGES IN AGE-SPECIFIC INCOME DURING THE LAST DECADE

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Literature

E.g. Chen et al. (2018) show that poverty rates of younger Europeans increased since 2008, while they declined for elderly persons.

Our goal:

Develop and calculate a set of indicators that describe the allocation of income across age-groups and its changes over time

Research questions:

a) How did age-specific incomes change between 2007 and 2016?

b) How did changes in income affect young adults compared to older working age adults and retirees?

c) Can these changes be attributed to changes in employment, in working hours, in wages or social benefits?
Disposable income of household sector


Countries with growing/stagnating income

Countries with declining income

Source: Eurostat. ESA 2010, non-financial sector accounts
Age-specific individual income
Individual net income

**Data source:** EU-SILC micro-data

**Individual income in EU-SILC:**
- Income from employment and self-employment
- Pensions, unemployment benefits

**Income at household level is allocated to individuals:**
- Asset income => assigned to adults
- Imputed rent => persons responsible for the dwelling
- Family benefits => parent who is responsible for childcare (inverse to share of labour income)
Individual income: overview

Individual income and its components by age, 2008 and 2016, IT

Source: EU-SILC
Challenge: describing the distribution of income with few indicators

We look for indicators that describe

- the allocation of income among age groups
- changes over time
- differences across countries

- Reduction to three age groups: 20-39, 40-59, 60+
- Focus on age-specific median income and its change
Relative median income by age:

Age-specific median income (e.g. $M_{20-39}$) in relation to median income ($M$):

$$\bar{M}_{20-39} = \frac{M_{20-39}}{M}$$

<table>
<thead>
<tr>
<th>Country</th>
<th>$M$</th>
<th>$\bar{M}_{20-39}$</th>
<th>$\bar{M}_{40-59}$</th>
<th>$\bar{M}_{60+}$</th>
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<tr>
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<tr>
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<td>7,244</td>
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Potential explanations for cross-country differences:

- Youth unemployment (EL, ES, IT)
- Labour force participation/part time work of women (SE)
- Size and type of taxes
- Generosity of pension systems
## Absolute change in median income, 2008 - 2016

<table>
<thead>
<tr>
<th>Country</th>
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Summary and outlook

Outlook:
- Analysis of household equivalence income: parents share their income with their children
- Decomposition of changes in income

Summary:
- Remarkable differences in income development across countries
- Reallocation of income towards older age groups in most countries
  - Strong decline in relative income of the working age population in Greece, Italy and Spain
  - Stagnating income of younger working age population in Austria and France, increase for population 60+
  - Stronger increase for older age groups in Sweden