

**OLDER WOMEN'S INCOME AND WEALTH
PACKAGES IN CROSS-NATIONAL PERSPECTIVE**

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Abstract

In this report, we assess the economic well-being of elderly women in cross-national perspective, comparing the United States to four other rich countries: the United Kingdom, Germany, Italy, and Sweden. These countries constitute an illuminating group, as they have diverse social policy systems, with respect to both social insurance and public assistance; and they have very different patterns of private wealth holding.

Using the *Luxembourg Wealth Study* (LWS) which contains harmonized wealth micro-datasets from a number of industrialized countries, we analyze the income and wealth packages of older women's households, across these five countries. Our primary focus is on wealth, including both financial and non-financial assets. The LWS findings that we report are supplemented by results on older women's employment rates from the longstanding LIS income datasets and by a new institutional database which we have developed for LWS users.

We invoke the metaphor of the four-legged stool, which is often used to refer to the multiple income streams on which elderly persons rely. In this paper, we conceptualize the income stool as having these four legs: (1) earnings, (2) capital income, (3) private transfers, and (4) public transfers (including food stamps and rental assistance). Since accumulated wealth is important for sustaining consumption in older ages, we extend this metaphor to conceptualize a fifth leg -- that is, wealth. We capture wealth mostly as a stock (in what we call "wealth packages"), and also flows (via imputed rent for owner occupiers)

We first assess the economic well-being of all older women and then narrow our focus to a second group that is especially vulnerable, i.e., single elderly women who live alone. We examine employment outcomes, and income and wealth packages, for all elderly women's households. We then turn our attention to poor elderly women, and, finally, to those who are extremely poor in terms of both income and wealth. In contrast to other nations, U.S. low income and low asset elderly women have not much in the way of imputed rent. We close with some comments about policy implications.

Introduction

During the last fifty years, across the high-income countries, great strides have been made in reducing poverty among older persons. Both women and men are increasingly likely to spend their older years free of poverty and material deprivation. But older women's income poverty has not been eradicated, especially in the English-speaking countries, and women's poverty status in old-age remains a concern in all rich countries. In fact, due to anticipated demographic shifts, combined with ongoing and expected policy changes, older women's income poverty may rise again in the coming decades (Smeeding 1999; Smeeding, Estes, and Glasse 1999).

In most rich countries, poverty among younger pensioners (under age 70) is no longer a major policy problem, but within this group older women remain the most vulnerable. Indeed, most elderly poverty is women's poverty, as women typically constitute two-thirds or more of the elderly poor in the rich countries. Previous studies suggest that poverty is especially a problem among women age 75 and older who live alone (Smeeding 2003). One major solution to older women's poverty is private wealth accumulation. But not all older women are able to save enough to ensure a good retirement (Munnell et al 2006). Another solution to the problem of elderly poverty may well lie in establishing a safety net that helps to keep the lowest-income and lowest-wealth elders out of poverty, through policy interventions that may have little negative impact on the younger and more affluent elderly – as is accomplished in Canada by means of an income-tested benefit (the Guaranteed Income Supplement) with a high take-up rate; see Smeeding and Sandstrom (2005). In order to most effectively design

economic security policies for the elderly, it is important to know more about older women's resources, including both income and wealth.

So far, what we know about older women's economic well-being in cross-national context has come mostly from the *Luxembourg Income Study* data, an archive of cross-sectional datasets from a large number of industrialized countries (for a review, see Gornick 2004; Smeeding 2003; Smeeding and Sandstrom 2005). Other studies have been based on the multi-national panel-data project known as the Cross-National Equivalent File.¹ Most of this research concerns older women's cash income with little information about wealth, except for the differentiation between homeowners and non-homeowners.

In this paper, we extend prior cross-national analyses of older women's economic well-being by assessing income and wealth together. We invoke the metaphor of the four-legged stool, which is often used to refer to the multiple income streams on which older persons rely. We conceptualize the income stool as having these legs: earnings, capital income (e.g., interests, dividends, rental income, and income from savings plans), private transfers (e.g., occupational pensions, alimony) and public transfers (e.g., social insurance and public assistance). We then extend this metaphor to conceptualize a fifth leg – that is, wealth. The fifth leg may add stability – in terms of savings in housing costs and liquid sources of emergency funds – or it may add wobble to the stool if the leg is unstable or inadequate. We measure wealth as a stock (in what we call wealth packages), although wealth clearly constitutes a potential income stream as well. At the end of the

¹ For a description of the Cross-National Equivalent File project, see http://www.human.cornell.edu/che/PAM/Research/Centers-Programs/German-Panel/Cross-National-Equivalent-File_CNEF.cfm. For studies, for example, see Burkhauser et al. (2005) on the dynamics of older widows' income support in cross-national context.

paper, we estimate the imputed rent from living rent-free or at below-market rent in an owned home, and we examine the impact of rental subsidies for low-income and low-asset elders as both are potentially valuable forms of income for this group.

We are able to consider older women's income and wealth packages together by drawing on the new *Luxembourg Wealth Study* (LWS) database. The analyses in this paper are in many ways original partly because the LWS data are new (the database has just been finalized in November 2007) and partly because there are relatively few methodological conventions available for measuring and comparing wealth and its effects on well-being measures such as poverty or insecurity, especially among those with few assets. While there is an enormous literature on measuring income poverty and income deprivation, there is not yet a substantial counterpart literature on wealth measurement, especially in the cross-national context. And given the relatively strong asset position of most elder households, and the importance of these assets in supporting consumption and well-being in old age, filling this lacuna in the research literature on deprivation and old age is our most significant contribution.

In the next section, we briefly review relevant literature on older women's poverty and the growing literature on gender and wealth holdings, by highlighting cross-national research. In Section III, we describe our data, variables, and methods. We present our empirical analyses in Section IV. Here we address a series of questions, in each case assessing older women in the United States in relation to five comparison countries, the United Kingdom, Finland, Germany, Italy, and Sweden. (1) How do older women's employment and retirement patterns vary across countries? (2) How do older women's income packages, and their wealth portfolios, vary across countries? (3) To

what extent is low-income paired with limited wealth, and how does that vary across countries? (4) What are the demographic characteristics of older women who are at risk of income and asset poverty? And, finally, (5) what are the possibilities that rental assistance or imputed rent reduce poverty for those most at risk? We close with comments on policy implications and on directions for future research.

I. Literature Review

Although several literatures cross-cut issues related to older women's economic well-being in comparative perspective, we focus our scan of the literature in two areas: the research on older women's poverty and the newer literature on gender and wealth. In both cases, we emphasize available cross-national.

Older Women's Poverty in Cross-National Perspective

Despite major progress in reducing poverty in recent decades, significant pockets of poverty remain among the elderly, especially among elderly women living alone. The relatively precarious economic position of the elderly in the United States as measured by their incomes is even more evident when we look at cross-national comparative results. For instance, see Reno (2007) for a recent update on this situation, including cross-national comparisons from LIS (see also Wu 2005).

A number of earlier researchers have used the *Luxembourg Income Study* (LIS) data to analyze the prevalence and causes of poverty among elderly women (Doring et al 1994; Hutton and Whiteford 1992; Siegenthaler 1996; Smeeding 1991; 2003; Smeeding and Saunders 1998; Smeeding, Torrey, and Rainwater 1993; Stapf 1994). In one of the first studies of elderly women's poverty, Smeeding (1991) found that across seven

countries during the mid-1980s, elderly persons in female-headed households were poorer than those in male-headed households, in nearly every age groups (55-59, 60-64, 65-74, and 75+). Smeeding's findings also revealed that elderly women were especially at risk for poverty in the United States, where 25 percent or more of elderly persons in female-headed households were poor. Poverty rates among elderly persons in female-headed households were far lower in other countries: for example, 15 percent or less in Australia, the Netherlands, Sweden, the United Kingdom, and West Germany.

Smeeding, Torrey, and Rainwater (1993), in an eight-country study, further underscored the extreme outcomes seen in the United States: more than one-fifth of single elderly women (defined as all women aged 65 and over who live alone) in the United States lived in homes with incomes below 40 percent of the national median (adjusted for household size), which is a common measure of poverty in cross-national studies. Comparing poverty among single elderly women with that of elderly couples and non-aged units, they also found that single elderly women in the United States are not only the poorest group across these eight countries, but also the only group in any of these countries with a significantly higher poverty rate than that of their non-aged counterparts (Smeeding 2003). In a more recent LIS study, Smeeding and Sandstrom (2005) compared poverty rates in the United States to those in the United Kingdom, Canada, Germany, Italy, Finland, and Sweden. Their results indicate that American older women have the highest poverty rates among these countries – with poverty defined at both 40 and 50 percent of the national median – in each group they studied: women aged 65 and over, women aged 65 and over living alone, and women aged 75 and over living alone. They find, in particular, that older women's poverty outcomes are markedly better

in Canada and in two Nordic countries, Finland and Sweden. Finally, Brady and Kall (2007) explore the feminization of poverty in comparative perspective, emphasizing old age poverty as well as single parenthood. They reaffirm the importance of gender to old age poverty in most rich societies.

An even newer body of literature assesses economic trajectories and transitions during women's older years, although not necessarily with a focus on poverty. For example, drawing on the Cross-National Equivalent File, Burkhauser et al (2005) compare the economic well-being of widows in the United States to those in the United Kingdom, Canada, and Germany. They conclude that, in all four countries, average household income among women (not adjusted for household size) falls following the death of a husband. For younger women, the main factor is the loss of his labor market earnings and, among older women, his lost Social Security or pension income. However, despite diverse social welfare systems, the net change in women's income following widowhood is remarkably similar across these countries.

In almost all cross-national research on older women's well-being, income is the main indicator. The literature on consumption across countries is more limited and less well-established (see Sierminska and Garner 2005). While recent studies suggest that consumption among older women is higher than income and more equally distributed in the United States, owing mainly to the flow of imputed rent on owned homes, we have no such estimates for other countries on a comparable basis (Johnson, Smeeding, and Torrey 2005). We conclude that almost all of the research on older women's deprivation to date has concentrated on income alone or on consumption (much of which may in fact come from sources other than income).

Women and Wealth

The comparative literature on women and wealth expanded greatly with the April 2006 publication of a special issue of *Feminist Economics* on “Women and Wealth,” guest edited by Carmen Deere and Cheryl Doss.² In their literature review on women and wealth, Deere and Doss (2006) state that “although extensive literature exists on women’s incomes and the gender wage gap, relatively little work has been done on the gender wealth or asset gap” (p.1). They identify three key reasons for the dearth of research on women and wealth: first, the limited availability of wealth data relative to income data; second, the near absence of wealth data at the individual level (which forces researchers to study households); and, third, conceptual difficulties in comparing property across household types, especially given the complexity and variation in laws regarding marital property. Deere and Doss, after reviewing a number of current studies, conclude that at least in the rich English-speaking countries, pensions are the major source of gender difference in the accumulation of assets. They also conclude that two institutional factors are particularly influential in shaping women’s asset accumulation – marital and inheritance regimes.

Schmidt and Sevak (2006) used the Panel Study of Income Dynamics (PSID) to study gender and asset accumulation in the United States. They find evidence of large differences in net wealth between single female-headed households (that is, households headed by individuals who are currently single) and married couples, differences that

² In our review of the gender and wealth literature, we draw heavily on the introductory essay in this issue (Deere and Doss 2006) and on the articles that focus on gender and wealth in high-income countries (that is, Schmidt and Sevak 2006; Yamokoski and Keister 2006; Warren 2006). We also draw on two other papers produced in association with this special issue, but not included in it (Mohanty 2004; Sedo and Kossoudji 2004).

exist throughout the wealth distribution. Although some of this gap is explained by differences in observed characteristics (including age, education, family earnings, and portfolio allocation), they conclude that a substantial portion remains unexplained. The wealth holdings of single females are also significantly lower than the wealth holdings of single males. A sub-sample of young households (with heads aged 25-39) provides no evidence of wealth gaps by gender and family type; Schmidt and Sevak interpret this to mean that the gender wealth gap is likely to emerge later in life.

Mohanty (2004), also using the PSID, finds that the receipt of child support payments in the United States has a positive effect on multiple measures of women's wealth after divorce. In addition, she finds that the wealth holdings of divorced single women are significantly lower than those of their male counterparts. Yamokoski and Keister (2006) studied the wealth of single (never married and divorced) adults in the United States, using data from the *National Longitudinal Survey of Youth*. They find that both single mothers and single fathers are disadvantaged in comparison to adults without children, and that the greatest gap in wealth accumulation exists between single mothers and single female households without children.

Using the *Family Resources Survey* to study gender wealth gaps in the United Kingdom, Warren (2006) found that men are much more likely to hold pension savings than are women, and that amounts held by men are substantially larger. She found that virtually all men (aged 18-59) possessed some pension assets. In contrast, only two-thirds of similarly aged women had any pension wealth, and those who did had built up only half as much pension value as their male counterparts. Warren concludes that women's fewer assets are linked to their

different ties to pension schemes: more of women's than men's assets are accumulated in state pensions and less in occupational pensions.

One interesting and cross-cutting theme in the gender and wealth literature concerns the *origins* of gender wealth gaps. Schmidt and Sevak (2006) observe that the well-documented gender gaps in earnings are likely to be reproduced as wealth gaps; even holding saving rates constant, women would be expected to accumulate lower levels of wealth. They also note that returns to savings might vary by gender. Some research suggests that women invest their portfolios more conservatively, which would result in lower returns to wealth (Bajtelsmit and VanDerhei 1997; Hinz, McCarthy, and Turner 1997; Jiankokopolos and Bernasek 1998). Papke (2004), however, finds no evidence that women are more conservative investors than men. According to Schmidt and Sevak, recent work by Brush et al (2002) suggests that a relative lack of social networks impedes women's access to venture capital, causing women to lag in this avenue of wealth creation. In addition, because total net worth includes equity in a household's main residence, any gender discrimination in mortgage lending markets could lead to gender differences in wealth.

There is a growing body of work focused on gender and homeownership. In their review of this literature, Sedo and Kossoudji (2004) conclude that homeownership is the main form of middle-class wealth accumulation in most rich countries. Still, these authors note, most studies of homeownership typically ignore gender. Some studies simply omit women from the discussion (Quercia, McCarthy, and Wachter 2003), while others skirt the question by analyzing

homeownership patterns only for married couples (Gyourko and Linneman 1996). Studies of homeownership often include gender through a variable that captures female headship, gender, or marital status as a control variable, but not as a point of discussion (Ioannides and Rosenthal 1994; Bostic, Calem and Wachter 2004). Sedo and Kossoudji also note that studies on this topic from countries other than the United States are very limited. In their own empirical study, based on the *Survey of Income and Program Participation* (SIPP) from the United States, Sedo and Kossoudji (2004) find that gender gaps are much more pronounced for the probability of homeownership than for home value or home equity. Among homeowners, differences in home value or equity by gender, race, and family type are substantially smaller and, in some cases, the subgroups usually considered to be disadvantaged sometimes own homes of higher value, possibly because the more disadvantaged “over-invest” in housing relative to their economic means.

Finally, the use of LIS and LWS for research on older women’s wealth is just beginning to take hold. Using LIS, Chiuri and Japelli (2000) and Japelli and Chiuri (2006) explore ownership status, housing tenure and, to a more limited extent, the value to the aged of owned homes; they find a mixed picture across countries. Recently, Smeeding et al (2006), Sierminska et al (2006b), and Gornick et al (2007) began to examine the incomes and assets of the aged, including both women and men in comparative perspective. This paper builds upon and expands that work in a much more complete way.

II. Data, Variables, Methods, and Measurement Issues.

Data

The empirical work for this paper is based on data associated with the *Luxembourg Income Study* (LIS). LIS is a cross-national archive of harmonized datasets from the industrialized countries, which include income data at the household- and person-level, as well as extensive demographic and labor market data.³

The data used in this paper are primarily from the Luxembourg Wealth Study (LWS) – a new project within the LIS. The LWS database contains harmonized wealth and income data from ten industrialized countries.⁴ The LWS datasets are the source for all of the empirical findings reported in this paper, with the exception of the employment results (Figures 1A and 1B) which come from the LIS income surveys.⁵

In this paper, we include six countries, each with a LWS and LIS dataset from the period of 1999-2001. These countries include two Anglophone countries, the United States (US) and the United Kingdom (UK); two continental European countries, Italy and Germany; and two Nordic countries, Finland and Sweden. We chose these six to include

³ See www.lisproject.org, for a detailed description of the Luxembourg Income Study (LIS), including both the original LIS datasets and the new LWS datasets. Currently, the LIS database includes over 160 datasets from approximately thirty countries, covering the period 1967 to 2004.

⁴ The research for this study was conducted while the LWS project was in its pilot phase. The LWS microdata were made available for public access at the end of 2007. The LWS data are accessed via LIS's remote-access system, the same as with the income datasets. See www.lisproject.org.

⁵ Preliminary analyses reveal that poverty rates based on these new LWS data are very similar to those produced in the LIS data; the cross-national rankings are nearly the same.

countries with diverse economic outcomes and widely varying social welfare systems.⁶ As we shall see, they also have very different asset features.

Income and Wealth Packages: The Aggregate Indicators and Their Components

Our main income variable is household disposable income (DPI), which is defined as the sum of total income from earnings, capital income, private transfers, public social insurance and public social assistance, net of taxes and social security contributions.⁷ (Throughout this study, DPI is adjusted for household size). In the LWS data, these income sources—the four legs of the income stool—are defined as follows. *Earnings* include wages and salaries, as well as income from self-employment activities. *Capital income* includes interests and dividends, rental income, income from other savings plans (including annuities from life insurance and individual private pensions), royalties, and other property income.⁸ *Private transfers* include occupational and other pensions (for example, pensions of unknown type or foreign pensions), alimony, regular transfers from other households/charity/private institutions, and other income not classifiable elsewhere. *Public transfers* include social insurance (public

⁶ The original datasets that the LWS project harmonized, and that are included in this study, are: for the United States, the 2001 Survey of Consumer Finances (SCF); for the United Kingdom, the 2000 British Household Panel Study (BHPS); for Italy, the 2002 *Survey of Household Income and Wealth* (SHIW); for Germany, the 2002 *Socio-Economic Panel Study* (German SOEP); and for Sweden, the 2002 Wealth Survey.

⁷ Imputed rents from owner-occupied housing and irregular incomes, such as lump sums and capital gains and losses, are not included in DPI.

⁸ Capital income does not include capital gains/losses which are excluded from the concept of DPI. See Niskanen (2006) on the exact definitions of disposable income in LIS and LWS.

pensions and some universal benefits such as demogrant pensions⁹ and family allowances) and public social assistance which includes means-tested cash and near-cash public income transfers.¹⁰

With respect to wealth, we use the concept of net worth which consists of financial assets and non-financial assets, net of total debt. Financial assets include deposit accounts, stocks, bonds, and mutual funds. Non-financial assets include (owned) principal residence and investment real estate. Finally, total debt refers to all outstanding loans, both home secured and non-home secured.

Analyzing the Economic Wellbeing of Older Women: The Unit of Analysis

Analyzing economic well-being among women, or differentials between women and men, is always a challenge because many sources of income and wealth cannot be disaggregated within households. Although wages and pensions are usually received by individuals, many public income transfers as well as key wealth components (especially housing) cannot easily be allocated within households to the person level.

In response to the difficulty, and often impossibility, of separating income and assets within households, scholars of women's economic well-being (or gender gaps) often conduct their analyses at the household level and compare household types. That is the approach we take in this study. To uphold our central focus on older women, we analyze two types of households. The first type is all households that include older

⁹ Demogranants are non-contributory, non-means-tested, benefits granted to all or most of the population; many family allowances, for example, are demogranants.

¹⁰ Our income measure does not include health care benefits in kind, even though we know that they are large (Garfinkel, Rainwater and Smeeding 2006), nor does it contain in kind housing benefits.

women (aged 65 and older) as either the head or the spouse; these households may or may not contain additional persons. The second type of household – a subset of the first – is composed of one older woman (aged 65 or older) who lives alone. So, when we refer to the income/wealth status of “older women” throughout this paper we always mean the income/wealth status of these two types of *households* that contain older women: either all older women or older women living alone.¹¹ The outcomes for these households, of course, pertain to all of the members in the household, including non-elderly members. For the population of older women who live alone, person-level and household-level outcomes are obviously the same.

Thus, our household-based analyses – like others in this tradition – reveal little about the individual financial well-being of women who do not live alone, relative to their own partners or others with whom they share their homes. Although multiple literatures on gender and economics emphasize the importance of understanding intra-household inequality, we cannot effectively study intra-household allocations of income and, especially wealth, with these data at this time.

Equivalizing Income and Wealth and Other Data Adjustments

As is common practice in research on income, we “equivalized” the income data: that is, we adjusted each household’s income to account for household size. Incomes are equivalized as follows: adjusted income equals unadjusted income divided by the square

¹¹ This scheme does not explicitly capture one group of older women – those who are part of extended households and who are neither the head nor the spouse of the head. In the LWS data, we cannot identify the age or sex of household members who are neither the head of household nor the spouse of the head. In Appendix Table A-1, we show that 4-5 percent of older persons (men and women) live in such households except for Italy where the fraction rises to 11 percent. Virtually all of these elders live in households which are not income poor.

root of household size.¹² Although there is a large literature on income equivalence scales, there is much less consensus about how to equalize wealth (Sierminska, Brandolini, and Smeeding 2006). For the analysis of wealth, we used the same method for adjusting for household size as we used for income. For the most part, these produce almost the same results as do non-equalized figures (Sierminska and Smeeding 2005).

To minimize the influence of outliers, incomes are bottom-coded at 1 percent of the mean equalized DPI and top-coded at 10 times the unequalized median.¹³ The wealth variables are not bottom-coded or top-coded; thus, the wealth indicators (net worth in particular) can contain negative and zero values. Because of that, we rely mainly on medians, not means, because the top ends of these wealth distributions may vary across countries, depending on the quality of the wealth survey and the sampling practices among the richest portions of the population. The few observations with missing or zero disposable income or missing net worth were dropped from the sample. Finally, when we report actual currency amounts, all amounts are expressed as US dollars, adjusted by purchasing power parities (PPPs), using the 2002 Organization for Economic Cooperation and Development (OECD) PPP exchange rates. Amounts referring to years prior to 2002 were inflated to 2002 US dollars using country-specific inflation factors.

¹² The use of the square root – meaning an equivalence elasticity of .5 – is the middle point between two theoretical possibilities: no economies of scale and perfect economies of scale.

¹³ This bottom- and top-coding method is often used in research using the LIS data. See, e.g., Atkinson, Rainwater and Smeeding 1995. It is also used to define the standardized “key figures” for income inequality and poverty on the LIS website.

Poverty Measurement: Income and Wealth

For purposes of international comparisons, poverty is usually captured in relative terms. (For a discussion of the merits of using relative versus absolute poverty in cross-national research, see Kenworthy 2004; Smeeding, Rainwater and Burtless 2001). When analyzing income, most cross-national studies define the poverty threshold as 50 percent of national median (equivalized) income. In this study, we follow that practice. These income poverty thresholds are higher than the current American thresholds, where the ratio of the official U.S. poverty line (which captures “absolute poverty”) to median American household cash income, was only about 30-35 percent in 2000 and 2002 (Smeeding 2006), though the U.S. poverty line corresponded to 50 percent of the US median when the thresholds were first instituted in 1963.

While there is considerable agreement on the appropriate measurement of income poverty in cross-national context, there is no such consensus on wealth poverty – either absolute or relative – because little work exists on this subject in any country, and even less in a cross-national context (but see Gornick et al 2006). For this paper, we have chosen one particular definition of relative wealth poverty: we classify households as wealth poor if they hold financial assets of less than 25 percent of median DPI (household disposable income), as defined above. Our construction of this measure was inspired in part by the work of Haveman and Wolff (2004), who defined “a household with insufficient assets to enable it to meet basic needs for a period of time (three months) to be asset poor.” They also used a second definition with a more restrictive definition of assets, namely, liquid assets alone. In our analysis, we restrict ourselves to liquid assets, as those the assets that would be accessible to older persons in times of

emergency. We define a household as being “asset poor” if its financial asset holdings, such as deposit accounts, stocks, bonds, and mutual funds, are equivalent to less than six months of income at the poverty threshold of 50 percent of median income.

III. Results

We begin by examining the employment status of older women. Employment and earnings will increasingly affect the economic status of women in retirement. We then turn to describing the economic characteristics of older women, vis-a-vis both income and wealth, with a focus on income and asset packages.¹⁴ We then identify the income and asset poor and probe both their wealth and demographic characteristics.

Retirement Ages and Employment Rates among Older Adults

In the OECD¹⁵ countries, women retire earlier than men do, on average one to two years earlier (Keese 2006); they also live longer, so their retirement income and assets must sustain them for longer periods of time. As Keese (2006) notes, across our study countries, women’s years in retirement are longer than men’s and by a substantial margin – typically, three to five years. While men, as of 2004, can expect to spend 17 to 21 years in retirement, women’s retirement will likely last for 21 to 24 years – longer than childhood. Also, the duration of women’s expected retirement has grown sharply, increasing since 1970 by six to ten years, because of longer expected life at older ages (see Cutler 2004 on the United States patterns). Thus assets must be spread over more

¹⁴ For more on the joint distribution of income and wealth for the entire population, see Jantti and Smeeding, 2007.

¹⁵ The OECD countries refer to the 30 member countries of the Organization of Economic Cooperation and Development, an organization of industrialized countries.

years, which especially affects those in extreme old age when other income sources, such as earnings, cannot be relied upon.

Interestingly, women's *official* retirement age – the earliest age at which workers are entitled to a full old-age public pension irrespective of contributions and work history – varies across the countries in our study, ranging from 61 in Italy to 66-67 in Sweden. In most countries, the official retirement age for women is earlier than is that for men.

Women's *effective* retirement age – the average age at which employed women aged 40 and older leave the labor force – is, however, more similar across these countries, ranging from 60 in Germany, to 62 in Italy and Sweden, to 63 in the United States and United Kingdom.

Although there is a high degree of commonality in the age at which women in these countries retire, cross-national variation in older persons' employment rates is substantial, especially among those in their late 60s (see Figures 1A and 1B). In most of our study countries, women's employment rates drop off sharply in the older age groups (65 and older), converging everywhere at three percent or less by age 75. One striking finding, evident in Figure 1A, is that American women 65 and older are substantially more likely to work for pay than are their counterparts elsewhere. In the United States, 19 percent of women aged 65-69 and 12 percent of women aged 70-74 are working for pay, well more than their counterparts in the other countries, including Sweden and Finland.

The results for men are parallel to those for women. Men's employment rates are generally higher than women's but inter-country variations are similar. American men aged 65 and older also have high employment rates in cross-national perspective and other countries' employment is lower at age 65 and drops faster than in the U.S. (Figure

1B). By age 75, about 9 percent of US men are still working while fewer than 3 percent do so in all other countries. Earnings, then, are likely to constitute a larger portion of older persons' income packages in the US than in these comparison countries. Whether these older persons work out of necessity or because of the pleasure and sense of purpose that work at older ages brings is left for another paper. We return to the general issue of work at older ages in the next section.

Older Women's Income and Wealth Holdings

We begin our analysis of women's economic well-being by considering both income and wealth holdings at the median. Using all households within a country as the base, we assess the economic status of households with older women who are heads or spouses, as well as the subset of households that contain only a single older woman who lives alone. To simplify, we refer to these populations as (1) "all older women" or "older women overall" and (2) "single older women"; again, the latter group is a subset of the former group. Single older women are those living alone and they may be never married, divorced, or widowed.

Median (equivalized) disposable income in our two groups of older women's households is reported in Table 1 along with the median (equivalized) income of all households. Clearly, national median household income itself varies substantially across these six countries, ranging from under \$16,000 in Italy to over \$21,000 in the United States (in 2002 US dollars). However, at the median, older women overall typically have substantially less income than do households overall. Older women's median income is 76 to 78 percent of that of all households in Finland, Sweden and the U.K.; 85 to 86

percent in Italy and Germany; and 90 percent in the US. Single older women fare even more poorly. In all of the countries, except for Germany, single older women's income – relative to overall income in their own countries – is remarkably similar, ranging from 60 to 63 percent of overall median income. German single older women are in somewhat better economic shape, attaining median income equivalent to nearly three-quarters of overall median income in Germany.

The net worth (or wealth) picture is starkly different and much more varied (see Table 1, panel B). As with income, median net worth of all households varies substantially across these countries, although the country rankings with respect to wealth are different from that vis-à-vis income. The highest net worth (among all households) is reported in Italy (nearly \$78,000) and the lowest in Sweden (about \$17,000); the US falls in the middle of the range among these countries (about \$23,000). While older women's income generally lags relative to all households within their countries, their *wealth holdings* at the median are, in a number of cases, *well above* their country's median. It is not surprising that older households have more assets than the median household, as assets often continue to accumulate up to and beyond retirement. Indeed, this finding underlies the main rationale for this paper: assets are of crucial importance to older women, yet little is known about how asset levels vary both across and within countries.

Older women's households (those in which older women are the head or spouse of the head) in the United States report the highest levels of net worth (about \$98,000) across these six countries. Older women's households in the United States stand out much more, with respect to their *relative* position within their own country's distribution. American older women's households report over four times as much net worth as the

median American household. Their British, German, and Swedish counterparts report about two to three times the net worth of their country's median household, while Finnish older women report net worth of about one-and-a-half median income. Italian older women, in contrast, report net worth equivalent to the median Italian household. The results for single older women are similar but even more varied across countries. Again, within this household type, American older women report the highest net worth – in absolute terms and, much more so, in relative terms – holding net worth just over three times the US national median. Older single women in Italy and especially in Germany have much less (relative) net worth, lagging their nation's median wealth holdings substantially.

Why do American older women report comparatively favorable net worth positions in cross-national perspective? Part of the explanation is their comparatively high rates of homeownership, a form of asset holding that is clearly valuable if not readily drawn upon (see Table 2). While American homeownership rates overall – about 71 percent – are fairly high, they are not especially high compared with other countries (74 percent in Italy, 73 percent in the U.K., 71 percent in Finland, 62 percent in Sweden, and 48 percent in Germany). However, in the United States, homeownership is comparatively frequent among older women; 82 percent of American older women's households overall are homeowners, compared with 51 to 78 percent in the other countries. The ratio of older women's home-ownership rates, to those of all households within the same country, is also highest in the US. Homeownership patterns apparently explain a portion of the single older women's results as well. For example, German single

older women report the least median net worth (about \$9,500) and the lowest rate of homeownership (33 percent).

Next, we move beyond simple rates of homeownership, to assess the components of older women's income and wealth packages across countries. Table 3, panel A and B reports older women's income packages, disaggregated into earnings, capital income, private transfers, and public transfers. One important finding is the stark contrast between the income package of older women in the United States and those of their counterparts in other countries. Among older women, the share of income coming from earnings is greatest in the United States: 32 percent for older women overall and 15 percent for singles. Earnings in the other countries constitute far less than that – with an especially marked difference among single women, where earnings are virtually negligible in all of the comparison countries. American older women's greater reliance on earnings is consistent with the comparatively high rates of employment among older Americans, both women and men (as shown in Figures 1A and B). In sharp contrast, the share of income that older women in the United States receive from public transfers (social insurance and public assistance) is dramatically less than in any of the comparison countries: 34 percent of income for all older women and 50 percent for single older women. This table underscores that the four-legged income stool – comprising earnings, capital income, private transfers, and public transfers – operates differently for older women across these countries. While the “earnings leg” is especially crucial in the United States, the “public transfers leg” plays a much larger role in the other countries, constituting about 50 to 80 percent of income for older women overall and from nearly 70 to over 90 percent for single older women.

Older women's wealth packages are presented in Table 4, panel A and B. Here, wealth holdings are reported as comprising financial assets, principal residence, and investment real estate. The most salient finding is that wealth packages vary greatly across countries, and three pairs of relatively similar countries emerge. Older women overall hold a relatively small share of their wealth as financial assets (i.e., deposit accounts, stocks, bonds, and mutual funds) – 10 to 12 percent – in Finland and Italy; a moderate share (25 to 26 percent) in the US and the UK; and a substantially larger share (44 to 54 percent) in Germany and Sweden. The cross-national results among single women are quite similar, although the share of wealth held as financial assets is systematically higher than among older women overall.

Wealth Distributions

While there is concern about inadequate wealth for older women, it is also important to consider the distribution of wealth among all older women. Figure 2 presents the quartile cutoff points (the 25th, 50th and 75th percentile points) in older women's wealth distributions compared to the general population. The reader should note that these are asset quartiles – not income quartiles.

The wealth status of older women in general and among single women show dramatic variation across countries. High-asset-holding older women do very well, with wealth levels above \$250,000 in the United States – and more than \$150,000 in Germany Italy and the UK. Single older women at the 75th percentile also have considerable wealth, about \$150,000 in the United States and the UK, and about \$125,000-130,000 in

Italy and Germany. Swedish and Finnish older women have less net worth at the higher percentiles, but higher amounts at the bottom cut off in Finland.

Older women in general are substantially less well off at the 25th percentile in all countries. They appear most well off in the United States where they have almost \$40,000 in net worth, followed by about \$25,000 in Finland and Italy, and less than \$15,000 in other countries. None of the groups of single older women living alone have assets above \$10,000 at the 25th percentile.

While the 75th percentiles of the overall wealth distributions are similar for older women and the general population, older women in general and even those living alone are in a better wealth position than is the population at large at almost every percentile, except in Italy. Here, given the heavy reliance on housing wealth, patterns of home ownership and property values dominate the outcomes across all generations.

Income and Asset Poverty among Older Women

We next look further down the economic distribution to assess the interplay between older women's income poverty and their asset holdings. Policy concerns related to older adults are, not surprisingly, concentrated on adequacy and security in retirement, and assets, in addition to income, constitute an important part of that security. In Figure 3 we report income poverty and asset poverty, for elderly women who are heads of households¹⁶. As noted earlier, income poverty is defined as disposable household

¹⁶ Note to Figure 3. The *income poverty* rate is defined as the percentage of households with adjusted disposable income less than 50 percent of the median disposable income (based on the income distribution of the entire population). The *asset poverty* rate is defined as the percentage of households with adjusted financial assets lower than 25

income of less than 50 percent of equalized median disposable income (among all households) and asset poverty as less than 25 percent of equalized median disposable income (again, among all households).

Again, one of the most striking findings in Figure 3 concerns the United States, where older women report very high rates of income poverty. Nearly 24 percent of older women's households (15.8 percent plus 7.8 percent) in the United States have disposable income below the poverty threshold, meaning that American older women are substantially poorer in terms of income – relative to their home country – than are their counterparts in the United Kingdom (16 percent), in Germany and Italy (10 to 11 percent), and especially in Finland and Sweden where only 7 percent are income poor. This finding is consistent with the earlier LIS literature cited above.

What about asset poverty? Figure 3 also indicates that an even larger share of American older women is asset poor. Just over 35 percent lack financial assets equivalent to half the income poverty threshold; that is, they do not hold enough financial assets to survive for six months, at the poverty level. Yet, in clear contrast to the income poverty results, the prevalence of asset poverty in the United States is not especially high in cross-national terms. Older women report somewhat higher asset poverty rates in the United Kingdom and in Italy (41-45 percent) and the rate is even higher in Germany (46 percent) and, even more remarkable, in Finland (54 percent). Older women in Sweden are considerably less likely to be asset poor than in any of the other countries studied here, although the rate is still substantial at nearly 30 percent. In all of these countries, of

percent of the median disposable income (based on the income distribution of the entire population), which can also be expressed as 50 percent of the poverty threshold.

course, there is an overlap between the income poor and the asset poor. When the two types of poverty are considered together, the share of older women's households that are either income poor, asset poor, or both, is fairly similar in the United States, the UK, Germany, Italy and Finland (about 44 to 56 percent). In Sweden, fewer older women – although still one-third – report one or both types of poverty.

Types of Older Women Who are at Risk: Marital Status and Age

We are able to identify the current or previous marital status of older women – using person-level data – in five countries (all but Finland). The results are presented in Appendix Table A-2. The vast majority of older women live alone as widows or with their married partner. Older never-married women are 7 percent or fewer in each of these countries. Divorced or separated older women constitute 11 percent in Sweden, 10 percent in Germany, 7 percent in the United States and fewer elsewhere. The United States has the largest share of older women who are married (56 percent, with Italy next at 46 percent) and the smallest share of older women living alone (32 percent), the other countries reporting 42 percent or more. The age status of older women is also shown in Appendix Table A.2. The Swedish age distribution is remarkably older than in other countries, with the UK reporting the second oldest population profile. But as expected in all cases, except in Sweden, the share of older women in each older age group declines with age.

Marital Status

Income and asset poverty rates vary substantially by marital status and in some case by age as well (see Table 5A). Income and asset poverty are least among married families in each of these study countries. Even in the United States, only 10 percent of older women living as married are income and asset poor; the fraction is 6 percent or lower in other countries. The fraction of single older women who are income and asset poor is larger than average within all countries. More than 20 percent of single women are so situated in the U.K. and in the United States; compared to 10 percent in Germany and 17 percent in Italy¹⁷. Poverty rates for never- married older women are generally at or above the overall rate everywhere, with the largest difference being in the United States and Italy. Among divorced or separated older women, there is a very large difference in the United States where 37 percent are income and asset poor – more than double the average rate. Indeed the subgroups of older women with the highest income and asset poverty rates are those in the United States and also in Germany. Across nearly every marital status types, the U.S. has the highest income and asset poverty rates.

Within the U.S. distribution of income and asset poor elders (Table 5B), the largest share of the poor are widows in everywhere – except in the U.S. In the U.K., especially, widows account for an exceptionally high share of older women facing income and asset poverty. In the U.S. married women make up almost half of female poor elders, much higher than in other countries.

Never married, divorced and separated older women make up only 18 percent of the U.S. income and asset poor today. However, the next generation of older women in

¹⁷ Note that 14 percent of Italian older persons live in intergenerational households; if they are not the head or spouse, they are not counted here.

the United States will contain a substantially larger share of divorced / separated older women, and also never- married women, both of whom are liable to also have above average income and asset poverty rates (Smeeding 1999).

Age

The age patterns of income and asset poverty are both typical and possibly encouraging in most countries (Table 5A, bottom). Poverty rises with age among older women in most countries, and so the poverty rates among the oldest groups (85 plus) exceed those among the younger (65-74 year old) groups. In Finland, Italy and Sweden, these rates are all at 10 percent or less. In Germany and in the UK, poverty rates at older ages are higher than average and substantially so in the UK – where they reach 24 percent. These countries at least offer the hope that younger cohorts will have higher income and wealth status and will have lower rates of poverty as they age, unless the aging process reduces both income and assets. Unfortunately we do not have the data to unpack the cohort versus age effects in these countries.

The composition of income and asset poor older women varies across countries as well (Table 5B, bottom) with Sweden and the UK having over 65 percent of their income and asset poor elders age 85 or older. In these countries, there seems to be a chance that one can outlive both their income and assets – with a smaller chance in Sweden because poverty rates are low, but a substantial chance in the UK where poverty rates at older ages are the highest recorded, exceeding even the US rates within this age group (bottom half, Table 5A). The fact that the US poverty composition is skewed mainly toward 65-74 year olds is not very good news. Indeed the most disturbing pattern is in the United

States, where 15-16 percent of *each* age group are income and asset poor (Table 5A, bottom). This suggests that there may be structural issues in older women's poverty in the United States that will not be eased by the next cohort of elder women.

Income and Assets among Poor Older Women

In this section, we turn our attention to the income and asset holdings of poor older women – where poverty is defined in relation to those who are both income and asset poor. One crucial aspect of the economic well-being of the poor is homeownership which, as we have noted, varies widely across countries. As shown in Table 6, homeownership among the poor varies dramatically across countries. Homeownership by all income and asset poor households ranges from only 23 percent in Sweden to a remarkably high 53 percent in Italy; about one third (34 percent) of American income and asset poor households own their homes. This table also reports that in three countries – the United States, the U.K., and Italy – the homeownership pattern among poor older women overall is quite similar: 60 to 64 percent poor older women in all of these countries are homeowners (or, more accurately, live in an owned home). Among poor older women, homeownership is substantially less common in Sweden and Germany (43 to 44 percent), and far more common in Finland (74 percent). High fractions of elder owners among the income and asset poor are without mortgages in most countries (percent owning outright), but this fraction is lowest in the US at 69 percent.

This outcome is reflected in Table 7 where the U.S. has the lowest ratio of home equity to home value among the income and asset poor – though it is still at 90 percent. More importantly, the value of home equity among the income and asset poor in the

United States is below average and second lowest in the table (behind Sweden)¹⁸. This low value is troublesome given the high rates of income and asset poverty among older US women. The low value of homes in Sweden, in contract, is less of an issue as only 2.5 percent of the older women in Sweden are income and asset poor.

The Effects Home Ownership and Housing Assistance on the Most Vulnerable Elders

The plight of the older women who are income and asset poor can be eased by two factors: one of which is not fully measured in our data – the flow value or imputed rent from home ownership. For the most part, rental assistance and social housing, which we also discuss has already been reflected in our data. We deal with each in turn.

First, as we have noted, more than half of all income and asset poor elders own their own homes (Table 6), with that fraction being 61 percent in the United States, and about the same in Italy and the U.K. In the United States only 69 percent of these homes are owned outright, compared to 84 and 99 percent in the U.K. and Italy. How does this housing asset help to reduce income and asset poverty? In order to determine this, we need to estimate the flow value of housing equity, that is, the “imputed rent”. Imputed rent is best estimated as the difference in housing costs between owning and renting a home. Ideally, this method of calculation would take into account utility costs, property taxes and other costs that do not disappear with the mortgages of older women. We do not have sufficient information to make such adjustments, so we follow a more conventional method. We take the home equity for renters and multiply it by 2.5 or 5.0

¹⁸ Due to small sample sizes we cannot separate the single elderly women from the rest of the income and asset poor women in three countries: the US, Germany and Finland.

percent to determine imputed rent as the opportunity cost of these assets were they to be invested in financial instruments.

As we have seen above (Table 7), the net home equity value of homes among income and asset poor owners is both relatively and absolutely small, except in Germany. Therefore when we estimate imputed rent at either the 2.5 or 5.0 percent rate, we expect small to modest effects on the income and asset poverty rates across countries. Table 8 presents these results.

Income and asset poverty in the United States falls only from 15.8 to 12.2 percent (Table 8, panels A to C); with the asset poor only increasing and the income poor only falling, each by about 3 percentage points (Panel D). Similar effects — a 2-3 point changes — are found in other countries. Even considering imputed rent, calculated at 5 percent, in the United States, income and asset poverty is at 12.2 percent — with the nearest country, the U.K., at 6.5 percent (Table 8A, panel C). Here the 5 percent imputed rent calculation reduces poverty by 3-4 percentage points at most (panel E).

Turning to renters, the picture is more mixed (see Tables 9 and 10). Rental assistance is typically given to elders in two forms: as social housing or as rental assistance. Social housing is akin to publicly owned housing (e.g., council housing in the U.K.) and may also be part of home based elder care programs in some countries. Housing allowances are popular in many countries and consist of subsidized rent (usually with a percent of income limit, such as in the Section 8 program in the United States) or housing vouchers that can be used to pay rent (as in Sweden) or rental caps (as in Finland or Germany). While these programs are often determined at the local level, their general characteristics are presented, by country in Table 10 (see Leach 2007).

The fraction of all elder households that rent is one third, overall, and 48 percent for single women living alone (Table 9, panel A). Indeed a larger fraction of elders, compared to non-elders, are served in each of these countries. Among the income and asset poor, about 47 percent are renters. Rental subsidies are not counted in the incomes of Italian elders, but they are counted in the “near cash” incomes of renters in all other countries (Table 10).¹⁹ Because only 5 percent of Italian housing is social housing, this omission is not likely to affect the results very much.

In summary, our analyses suggest that even after counting all forms of housing subsidy, a substantial fraction of US households, 12-16 percent – or 1/7 to 1/8 of older women – live in the precarious situation of being both income and asset poor, without sufficient financial assets or housing income in kind to supplement their cash incomes. Once imputed rent is counted at 2.5 percent – our preferred estimate – 14 percent of US elders are income and asset poor compared to 8 percent (in the UK) or less across our comparison countries.

IV. Summary and Policy Implications

This paper has provided the first in depth analysis of the joint asset and income position of older American women in cross-national perspective. While the *Luxembourg Income Study* datasets have long enabled cross-national research on older women’s

¹⁹ In Finland, United States, United Kingdom, Germany and Sweden housing allowances are included in near-cash income. They are separable from other types of near-cash income only in Germany, Sweden and the U.K., though they may be separable in the United States under assumptions about which types of households receive foster allowances and other near-cash incomes. If we use these secondary codes, about 30 percent of elder US renters are subsidized – a figure close to the administrative estimate in Table 10.

income poverty, there has been virtually no comparative research on older women's wealth holdings. And given the relatively high levels of asset holdings among the elderly this has been a notable omission. The new *Luxembourg Wealth Study* database allowed us to begin to investigate asset holdings, as well as income in cash and in kind, among older women in six high-income countries – the United States, United Kingdom, Germany, Italy, Finland, and Sweden.

Summary of Findings and Research Implications

In all six countries, including the United States, older women overall typically have less income (adjusted for household size) than do members of households at the national median. Older women's median income is 76 to 78 percent of that of all households in Finland, Sweden and the U.K.; 85 to 86 percent in Italy and Germany; and 90 percent in the U.S. Single older women fare more poorly. When we disaggregate older women's income packages, we find that American women stand out due to the exceptionally large contribution that comes from the earnings leg and the comparatively small share that comes from the public income transfers leg. At the same time, while older women's income lags median national income in all of these countries, their wealth holdings are typically much higher than their country's median wealth holdings. Older women's households in the United States report the highest level of median net worth (about \$98,000) across these six countries, with assets of over \$250,000 at the 75th percentile. That value at the median constitutes over four times the median national household net worth in the United States. Some of the explanation, cross-nationally, is that older American women have comparatively high rates of homeownership.

The U.S. case has always been most exceptional when we consider older women's income poverty. American older women, across household types, are substantially more likely to be income poor. When we consider wealth poverty, defined as holding financial (that is, relatively liquid) assets equivalent to less than 25 percent of median household income, we see a different picture. While American older women report high levels of asset poverty – 36 percent of older American women are asset poor – that result is not especially high in cross-national context. A partial exception is the Swedish case where the asset poverty rate is substantially lower than in the other four countries, although it is still nearly 30 percent.

But when we counted income and asset poverty together, the United States was even more negatively exceptional with about 1/6 to 1/7 of the population at risk, even after counting housing income in kind from rental assistance and imputed rent. This is a remarkably high level, suggesting that U.S. policymakers should be concerned in both the short- and long-term.

Much remains to be investigated. Future research using the LWS data ought to assess older persons' well-being more generally – even with the limitations on person-level data. Households could be further disaggregated according to educational level, ethnicity, and immigration status of the household head and/or spouse. Much more could be learned about the interplay between older persons' employment status (including their earnings, hours, occupation, and industry), and their education, total income, and asset levels, both within and across countries. Another important research question concerns the characteristics of those who work later in life. Are they relatively privileged (e.g., high human capital, high wealth holdings) or comparatively disadvantaged?

It is also crucial that we extend this cross-national picture of income and wealth outcomes to take into account variation in necessary expenditures. The most obvious questions concern the burden placed on the American elderly with respect to health care. It is well-known that U.S. elders face a large financial burden in terms of out-of-pocket payments for health insurance premiums, deductibles, co-payments and the like, as well as for both acute and long-term health care. As of 2002, women aged 65 and older spent nearly \$2,400 per year out-of-pocket on personal health care, including co-insurance amounts, co-payments, deductibles, balance billings, and charges for non-Medicare covered services not paid for by public or private insurance plans (US Department of Health and Human Services 2006). While the lack of data does not allow us to accurately compare older women's out-of-pocket expenditures on health care across our study countries at this time, we do know that American households, across the age spectrum, pay substantially more out-of-pocket than do their counterparts in these comparison countries (Smeeding, 2003). The average US household now pays more than \$800 per year out-of-pocket on health care, which is 1.7 times the amount reported in Italy, 2.5 times the amount in Germany, and 3.5 times the amount spent per household in the United Kingdom (OECD Health Care Database 2006). Clearly, American older women's alarmingly high rates of income poverty and their even higher rates of asset poverty (although not high in cross-national terms) must be considered in the context of the large burden they often assume vis-à-vis their health care. Additional comparisons of long term care and assistance and other aspects of elder wellbeing can be derived from Leach (2007), a new LIS/LWS institutional database which accompanies this report.

In future work, we hope to address the links between wealth and health status directly. New and emerging work in Europe links health status to wealth holdings among older populations more generally. A recent paper by Avendano et al (2006) finds that, in the EU countries and in the US, older persons with poorer health status have lower wealth holdings (financial and non-financial), independent of income and education. The gender aspects of this relationship have not yet been explored.

Policy Implications

The portrait that we have sketched holds important policy implications for the United States. First, American older women's exceptionally high income poverty rates highlight the weakness of the public income transfers leg of the stool, including both the social insurance and the public assistance components. While private income sources – earnings and to some extent financial assets – are more prevalent in the United States, especially among middle-income elders, and while this self-reliance may be commendable, it is also risky and does little to ensure the economic security of those lower down in the wealth distribution. Although we recognize the fiscal concerns associated with pay-as-you-go public retirement programs, this public leg is so far more reliable and more effective at protecting elders in all demographic groups from the economic uncertainties that characterize all market-based income sources.

It is well known that low rates of participation are found in the main U.S. income maintenance program aimed at the poor elderly, the Supplemental Security Income (SSI) program, because of the low liquid asset limits – now \$2,000 for singles and \$3,000 for

couples (Clark et al 2004; Smeeding 2003). In the US, social assistance for the elderly stands out for its strict financial asset test; several of our comparison countries have social assistance rules that place no limits on low-income elders' liquid assets (Leach 2007). Increasing allowable assets and providing more adequate benefits would go a long way toward bringing economic security to older women near the bottom of the income distribution. Governments in other rich countries provide more effective public income safety nets for the elderly, with adequate and well-maintained minimum benefits at low fiscal cost (for example, as are provided in Canada) to ameliorate income and asset vulnerability. Indeed, the country in our study with the strongest public income leg, Sweden, seems to perform better both in fighting income poverty *and* in shoring up private assets than does the institutional arrangement now operating in the United States.

Finally, while American older women's high rates of asset poverty are not exceptionally high in cross-national perspective, they are worrisome nonetheless. As we have reported, 40 percent of American older women overall, and nearly half of older single women, do not possess financial assets equivalent to even six months of income at the poverty line. Many income-poor older women do own their homes – two-thirds of older income-poor women live in home-owning households and half of income-poor single older women own their homes – but the value of those homes is not great and may be difficult to access in time of hardship, and of course home-owning itself is not costless. This suggests that policymakers ought to identify better and more reliable methods to strengthen assets among older women, beyond reverse-annuity mortgages or borrowing against the value of their own homes, as the income and asset poor will receive little benefit from such programs.

The self-protection route out of elder poverty is a longer term strategy that could be achieved by higher retirement income savings — either via “auto- IRA’s” or other types of contributory and matched pension funds (Kling 2007; Purcell 2007), but only in the longer run. The most at-risk elders in the United States are the divorced and never-married, and their numbers will rise in coming decades (Smeeding 1999). The best and most assured way to avoid elder poverty is to provide a floor under elder incomes via a topping-up of Social Security under a program like the Canadian Guaranteed Income Supplement, or via a higher minimum Social Security benefit. As our results suggest, the self-protection route alone is not sufficient.

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TABLE 1.
Median Income and Net Worth in Households Containing Elderly Persons (2002 USD).

Panel A. Income Well-Being Across Countries

Country	Median Equivalized DPI as a Percentage of Median DPI of All Households		Median Equivalized DPI					
	All Households with an Elderly Woman as H/S	Single Elderly Women	All Households with an Elderly Woman as H/S		Single Elderly Women		All Households	
United States	90	60	19,341	(126)	12,935	(108)	21,510	(115)
Finland	78	63	13,209	(86)	10,587	(89)	16,908	(90)
Germany	86	73	16,044	(105)	13,619	(114)	18,623	(100)
Italy	84	63	13,163	(86)	10,002	(84)	15,753	(84)
Sweden	76	61	14,325	(93)	11,524	(97)	18,935	(101)
United Kingdom	78	63	15,970	(104)	12,974	(109)	20,459	(109)
Average	82	64	15,342	(100)	11,940	(100)	18,698	(100)

Panel B. Net Worth Well-Being Across Countries

Country	Median Equivalized Net Worth as a Percentage of Median Net Worth of All Households		Median Equivalized Net Worth					
	All Households with an Elderly Woman as H/S	Single Elderly Women	All Households with an Elderly Woman as H/S		Single Elderly Women		All Households	
United States	426	309	98,107	(138)	71,099	(160)	23,026	(62)
Finland	156	133	55,900	(79)	47,734	(107)	35,903	(96)
Germany	250	43	55,020	(77)	9,520	(21)	22,008	(59)
Italy	100	80	77,753	(109)	62,135	(140)	77,767	(208)
Sweden	285	126	47,660	(67)	21,061	(47)	16,718	(45)
United Kingdom	190	113	92,457	(130)	55,248	(124)	48,723	(130)
Average	234	134	71,150	(100)	44,466	(100)	37,358	(100)

Source: Authors' calculations from the Luxembourg Wealth Study.

Notes:

1. DPI is the sum of total revenues from earnings, capital income, private transfers, public social insurance and public social assistance -- net of taxes and social security contributions. Incomes were bottom-coded at 1% of the mean equivalized DPI and top-coded at 10 times the median unequivalized.
2. Net worth consists of financial assets and non-financial assets -- net of total debt. No bottom- or top-coding was applied.
3. Both income and wealth are equivalized; adjusted = unadjusted / square root of household size.
4. All observations with missing or zero disposable income or missing net worth were dropped from the sample.

TABLE 2.
Homeownership among Households Containing Elderly Persons and for All Households.

Country	All Households with an Elderly Woman as H/S		Single Elderly Women		Households of All Ages	
	Percent Homeowners	Percent Owning Outright	Percent Homeowners	Percent Owning Outright	Percent Homeowners	Percent Owning Outright
United States	82.2	75	63.8	89.2	70.8	26.8
Finland	78.1	93	65.8	91.7	71.3	49.5
Germany	50.8	87	33.4	91.9	47.7	44
Italy	70.8	97	64.0	97.9	74.0	84
Sweden	57.0	na	38.7	na	62.4	na
United Kingdom	68.0	91	49.4	95.8	72.9	34
Average	67.8	88.4	52.5	93.3	66.5	47.9

TABLE 3.
Older Persons' Income Packages (ratio of means):
All Households with Elderly Women as Head/Spouse and Single Elderly Women

Panel A. All Households

	United States SCF	Finland	Germany	Italy²	Sweden	United Kingdom
Earnings ¹	32	5	10	20	5	14
Capital Income	17	15	9	7	10	11
Private Transfers	18	3	5	9	14	25
Public Transfers	34	78	76	63	70	49
TOTAL	100	100	100	100	100	100

Panel B. Single Elderly Women

	United States SCF	Finland	Germany	Italy²	Sweden	United Kingdom
Earnings ¹	15	0	2	2	2	2
Capital Income	21	4	8	5	8	9
Private Transfers	13	3	4	9	11	21
Public Transfers	50	92	86	84	79	68
TOTAL	100	100	100	100	100	100

Source: Authors' calculations from the Luxembourg Wealth Study.

Notes:

1. Earnings include both wages and salaries and income from self-employment activities. Capital income includes interests and dividends, rental income, income from savings plans (including annuities from life insurance and private pensions), royalties and other property income. Private transfers include occupational and other pensions (e.g., pensions of unknown type or foreign pensions), alimony, regular transfers from other households/charity/private institutions, and other incomes not elsewhere classifiable. Public transfers include social insurance (including some universal benefits such as demo-grant pensions and family allowances) as well as public social assistance, which includes means-tested cash and near-cash public income transfers.

2. Italy is net of taxes.

TABLE 4.
Older Persons' Wealth Packages for Median Household :
All Households with Elderly Women as Head/Spouse and Single Elderly Women.

Panel A. All Households with Elderly Person as Head/Spouse

	Net worth						Net worth including Business Assets			
	United States	Finland	Germany	Italy	Sweden	United Kingdom	United States	Germany	Italy	Sweden
Financial Assets	25	12	44	10	54	26	22	44	10	50
Principal Residence	69	83	52	86	38	74	62	52	85	35
Investment Real Estate	5	5	3	4	8	1	5	3	4	7
Total Assets	100	100	100	100	100	100				
Business Assets							11	0	1	7
Total Assets w/ Business' (Debt)	12	2	5	1	9	5	100	100	100	100
(Net Worth)	88	98	95	99	91	95	10	5	1	8
(Net Worth inc. Business')							90	95	99	92
Sample Size	212	122	704	647	1232	338	212	704	647	1232

Panel B. Single Elderly Women

	Net worth						Net worth including Business Assets			
	United States	Finland	Germany	Italy	Sweden	United Kingdom	United States	Germany	Italy	Sweden
Financial Assets	28	13	63	12	60	29	28	63	12	57
Principal Residence	70	81	35	86	36	69	70	35	86	35
Investment Real Estate	2	6	2	2	4	3	2	2	2	4
Total Assets	100	100	100	100	100	100				
Business Assets							0	0	0	4
Total Assets w/ Business' (Debt)	8	2	2	0	5	3	100	100	100	100
(Net Worth)	92	98	98	100	95	97	8	2	0	5
(Net Worth inc. Business')							92	98	100	95
Sample Size	84	46	288	228	566	128	84	288	228	566

Source: Authors' calculations from the Luxembourg Wealth Study.

Notes:

1. Median household is defined as having equalized total assets between 40 to 60 percent of the distribution of all households.
2. Financial assets include deposit accounts, stocks, bonds, and mutual funds. Non-financial assets include (owned) principal residence and investment real estate. Finally, total debt refers to all outstanding loans, both home-secured and non-home secured

TABLE 5A.
Income and Asset Poverty by Marital Status and Age
(based on Disposable Income)

Marital Status	United States (SCF)		Finland	Germany	Italy	Sweden	United Kingdom
Never Married	22.4	(a)	na	8.7	13.6	6.3	9.6
Married	10.3		na	6.1	4.2	0.7	6.3
Widowed	28.2		na	10.3	16.7	4.9	20.1
Divorced/Separated	36.9		na	22.1	(a)	3.5	0.0
Overall	15.8		4.8	8.8	9.0	2.5	10.8

Age	United States (SCF)		Finland	Germany	Italy	Sweden	United Kingdom
65-74	16.2		2.0	7.9	8.5	1.8	7.3
75-84	15.0		10.0	9.7	9.7	2.8	12.7
85+	16.1		(a)	12.1	9.9	4.8	23.7
Overall	15.8		4.8	8.8	9.0	2.5	10.8

Source: Authors' calculations from the Luxembourg Wealth Study.

Note: (a) indicates based on less than 30 observations.
For US SCF 28 observations--never married.

TABLE 5B.
Marital Status and Age Composition of Income and Asset Poor Elderly Women
(based on Disposable Income).

Marital Status	United States (SCF)	Germany	Italy	Sweden	United Kingdom
Never Married	5.0	4.0	6.1	13.2	4.4
Married	46.2	38.7	28.1	16.4	32.3
Widowed	35.5	39.3	64.1	58.6	62.7
Divorced/Separated	13.3	18.0	1.8	11.9	0.6
Overall	100.0	100.0	100.0	100.0	100.0

Age	United States (SCF)	Germany	Italy	Sweden	United Kingdom
65-74	42.8	39.2	30.5	16.3	7.5
75-84	16.7	16.0	29.1	19.6	27.3
85+	40.6	44.8	40.4	64.1	65.2
Overall	100.0	100.0	100.0	100.0	100.0

Source: Authors' calculations from the Luxembourg Wealth Study.

TABLE 6.
Homeownership Among Income and Asset Poor Households.

Country	All Households with an Elderly Woman as H/S		Single Elderly Women		Households of All Ages	
	Percent Homeowners	Percent Owning Outright	Percent Homeowners	Percent Owning Outright	Percent Homeowners	Percent Owning Outright
United States	60.9	68.5	a	a	34.1	37.9
Finland	a	a	a	a	38.9	76.3
Germany	43.7	82.4	30.1	95.7	25.3	51.7
Italy	64.0	99.4	63.4	a	52.5	90.1
Sweden	42.5	na	46.6	na	22.8	na
United Kingdom	61.0	83.7	54.8	96.6	49.4	46.0
Average	54.4	83.5	48.7	96.1	37.1	60.4

Source: Authors' calculations from the Luxembourg Wealth Study.

Notes:

a. less than 30 observations

na. not available

TABLE 7.
Home Equity and Home Values among Income and Asset Poor Households.

Country	All Households with an Elderly Woman as H/S		Single Elderly Women		Households of All Ages	
	Home Equity	Percent Owned ¹	Home Equity	Percent Owned ¹	Home Equity	Percent Owned ¹
United States	54,848	90	a	a	27,424	45
Finland	a	a	a	a	41,508	88
Germany	132,048	100	a	a	132,048	80
Italy	62,197	100	62,135	100	86,989	100
Sweden	31,460	92	33,263	99	27,661	56
United Kingdom	97,605	96	99,446	100	88,397	74
Average	75,631.5	97	64,948.1	99.6	67,337.8	76

Source: Authors' calculations from the Luxembourg Wealth Study

Notes:

1 Ratio of Home Equity/Home Value

a. less than 30 observations

All observations with missing or zero disposable income or missing net worth were dropped from the sample.
Home equity and home values are not equalized

TABLE 8.
Income and Asset Poverty Rates for Elderly Women.

Panel A. Income and Asset Poverty based on Disposable Income

	United States	Finland	Germany	Italy	Sweden	United Kingdom
Income and Asset Poor	15.8	4.8	8.8	9.0	2.5	10.8
Income Poor Only	7.8	1.7	2.6	2.1	5.0	5.0
Asset Poor Only	19.8	49.3	38.3	35.8	25.8	30.4
Neither	56.6	44.2	50.3	53.2	66.7	53.8

Panel B. Income and Asset Poverty based on Disposable Income augmented with Imputed Rent (2.5%)

	United States	Finland	Germany	Italy	Sweden	United Kingdom
Income and Asset Poor	13.7	2.5	6.1	6.4	2.1	8.2
Income Poor Only	5.5	0.9	1.7	1.3	3.8	2.4
Asset Poor Only	21.8	51.6	41.0	38.4	26.2	33.4
Neither	58.9	45.0	51.2	53.9	67.9	56.0

Panel C. Housed Income is based on Household Disposable Income augmented with Imputed Rent (5%)

	United States	Finland	Germany	Italy	Sweden	United Kingdom
Income and Asset Poor	12.2	2.1	5.6	5.2	1.9	6.5
Income Poor Only	4.2	0.0	1.5	0.7	3.3	1.5
Asset Poor Only	23.4	52.0	41.5	39.6	26.4	35.1
Neither	60.3	45.9	51.4	54.5	68.4	56.9

Panel D. Change in Income and Asset Poverty due to Imputed Rent (2.5%)

	United States	Finland	Germany	Italy	Sweden	United Kingdom
Income and Asset Poor	-2.0	-2.2	-2.6	-2.6	-0.4	-2.6
Income Poor Only	-2.3	-0.8	-0.9	-0.8	-1.1	-2.6
Asset Poor Only	2.0	2.2	2.6	2.6	0.4	3.1
Neither	2.3	0.8	0.9	0.8	1.2	2.2

Panel E. Change in Income and Asset Poverty due to Imputed Rent (5%)

	United States	Finland	Germany	Italy	Sweden	United Kingdom
Income and Asset Poor	-3.6	-2.7	-3.2	-3.8	-0.7	-4.3
Income Poor Only	-3.7	-1.7	-1.1	-1.4	-1.7	-3.5
Asset Poor Only	3.6	2.7	3.2	3.8	0.6	4.7
Neither	3.7	1.7	1.1	1.4	1.7	3.1

Source: Authors' calculations from the Luxembourg Wealth Study.

TABLE 9.
Renters for Households Containing Elderly Persons and for All Households.

Panel A.
Households Containing Elderly Persons as Head/Spouse and for Households of All Ages

Country	All Households with an Elderly Woman as H/S		Single Elderly Women		Households of All Ages	
	Percent Renters	Percent Subsidized	Percent Renters	Percent Subsidized	Percent Renters	Percent Subsidized
United States	17.8	na	36.2	na	29.2	na
Finland	21.9	na	34.2	na	28.7	na
Germany	49.2	6.6	66.6	9.7	52.3	12
Italy	29.2	na	36.0	na	26.0	na
Sweden	43.0	41	61.3	59.8	37.7	29
United Kingdom	32.0	47	50.6	58.0	27.2	41
Average	32.2	31.8	47.5	42.5	33.5	27.3

Panel B.
Income and Asset Poor Households Containing Elderly Persons as Head/Spouse and for Households of All Ages

Country	All Households with an Elderly Woman as H/S		Single Elderly Women		Households of All Ages	
	Percent Renters	Percent Subsidized	Percent Renters	Percent Subsidized	Percent Renters	Percent Subsidized
United States	39.1	na	a	na	34.1	na
Finland	a	na	a	na	38.9	na
Germany	56.3	22.7	30.1	28.6	25.3	33.8
Italy	36.0	na	63.4	na	52.5	na
Sweden	57.5	56.9	46.6	57.4	22.8	38.5
United Kingdom	39.0	17.8	54.8	14.6	49.4	41.3
Average	45.6	32.5	48.7	33.5	37.1	37.9

Source: Authors' calculations from the Luxembourg Wealth Study.

a. less than 30 observations

na. not available

Notes:

Subsidy information based on the following variables: Germany: Derived from original variables HOUSE02 =housing benefit.

Sweden: housing allowance (means-tested allowance for pensioners)

UK: housing benefit for renters

TABLE 10.
Social Housing and Rental Assistance for Low-Income Elders
in Luxembourg Wealth Study Countries

	Percent Elders Served	Typical Benefit	Counted as LWS Near-Cash Income?
United States	34-36	rent set at 30 percent net incomes up to a limit	yes
Finland	16	cap on rent as percent of income	yes
Germany	15-18	na	yes
Italy	5	na	na
Sweden	22-34	housing allowance covers 1/3 to 1/2 rent	yes
United Kingdom	22-33	1/3 to 1/2 rent up to a ceiling	yes

Source: LWS Institutional Database (Leach 2007), see attached document and reference list.

FIGURE 1A.
Employment Rates -- Women
age 65+, about 2000
source: Luxembourg Income Study (income datasets)

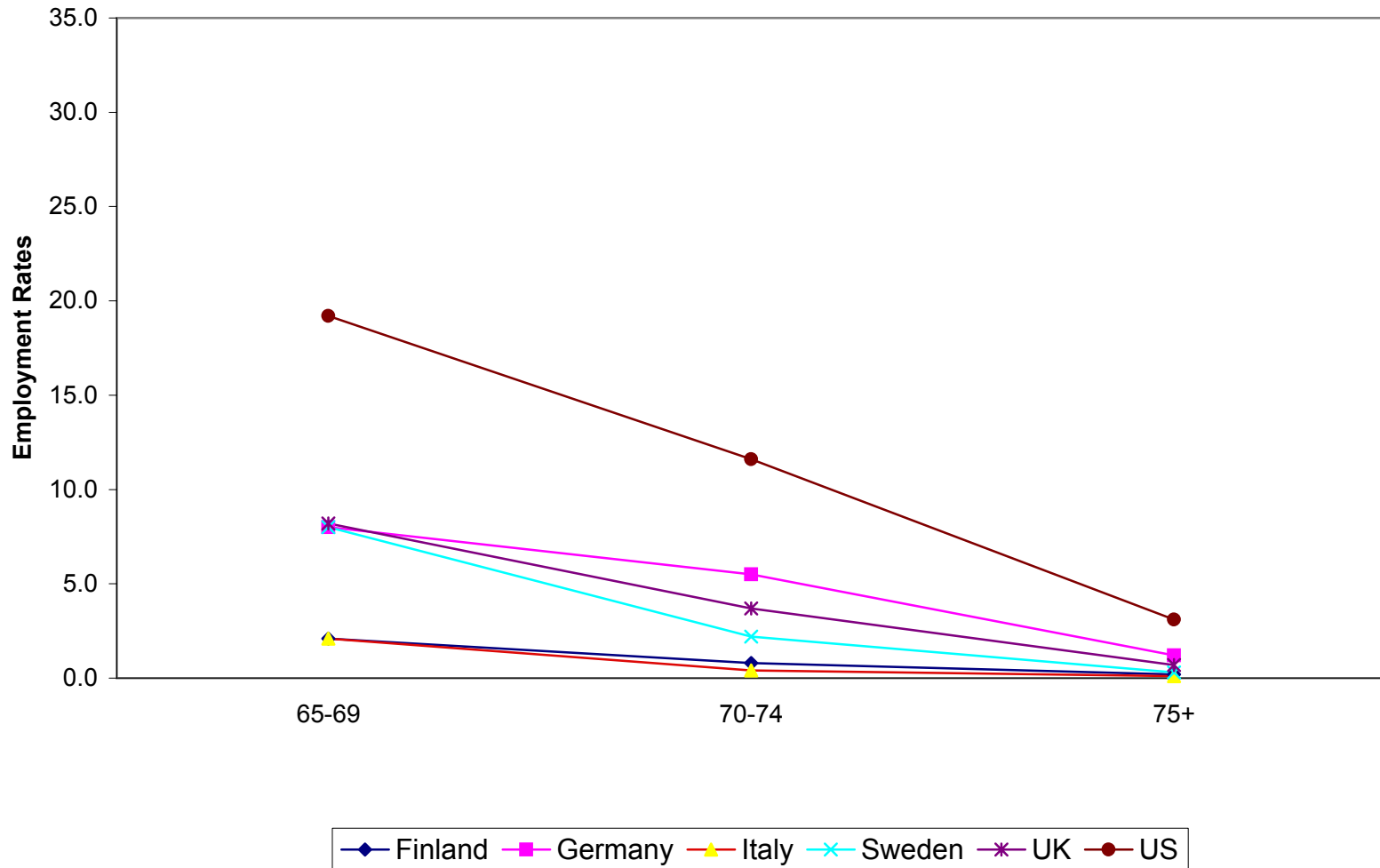


FIGURE 1B.
Employment Rates -- Men
age 65+, about 2000
source: Luxembourg Income Study (income datasets)

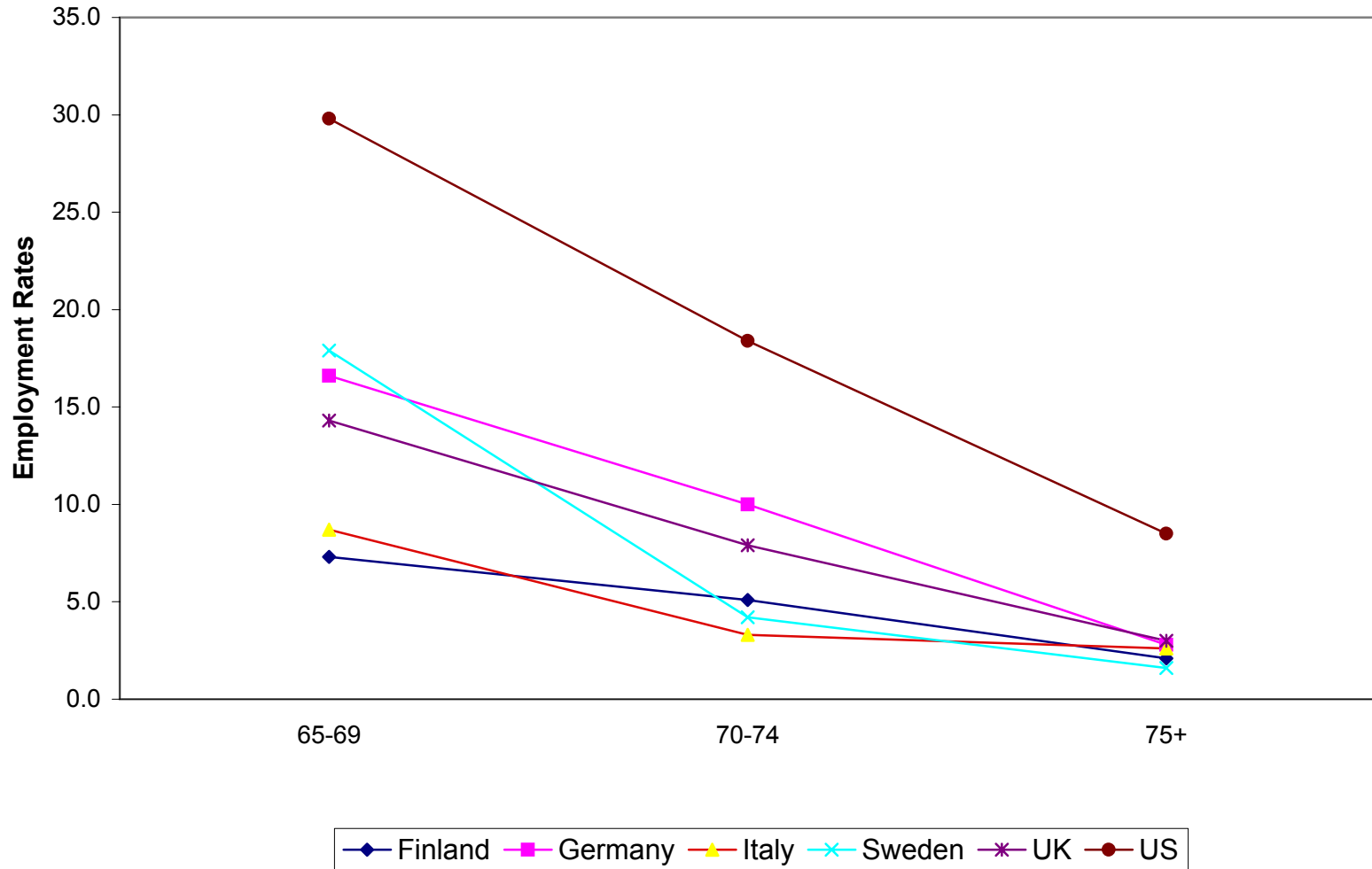
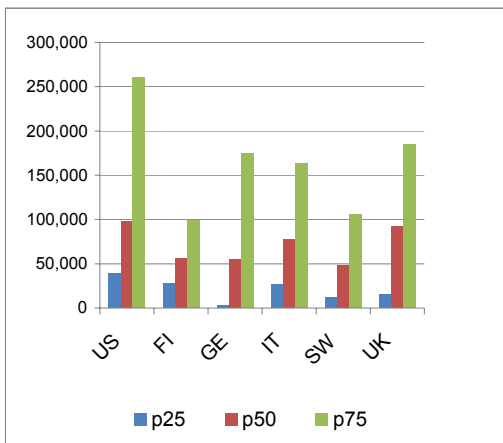


FIGURE 2.
Quartiles of Equivalized Net Worth for Elderly Women
in 2002 USD

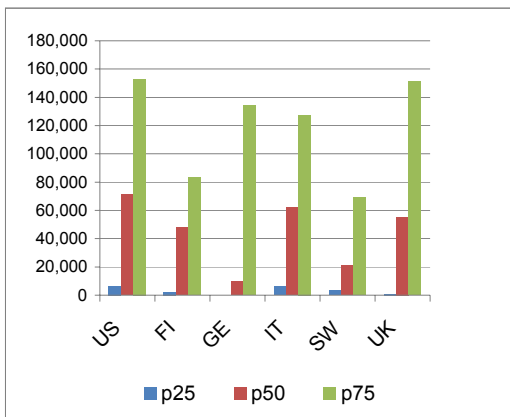
All Elderly Women



Elderly Women in HHL D

	p25	p50	p75
US	38,853	98,107	260,101
FI	27,788	55,900	99,460
GE	2,751	55,020	175,073
IT	26,362	77,753	163,340
SW	11,618	47,660	105,324
UK	14,733	92,457	184,160

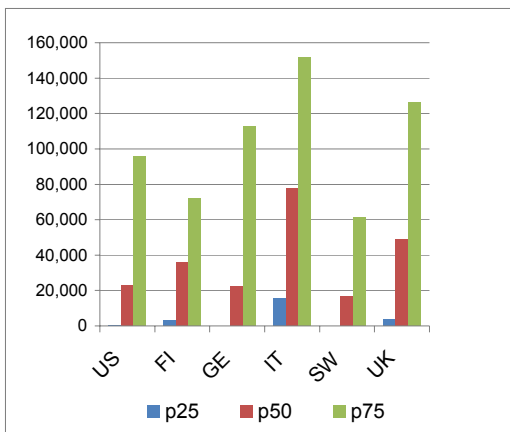
Single Elderly Women



Single Elderly Women in HHL D

	p25	p50	p75
US	6,602	71,099	153,117
FI	2,264	47,734	83,112
GE	0	9,520	134,016
IT	6,214	62,135	127,377
SW	3,334	21,061	69,116
UK	921	55,248	151,011

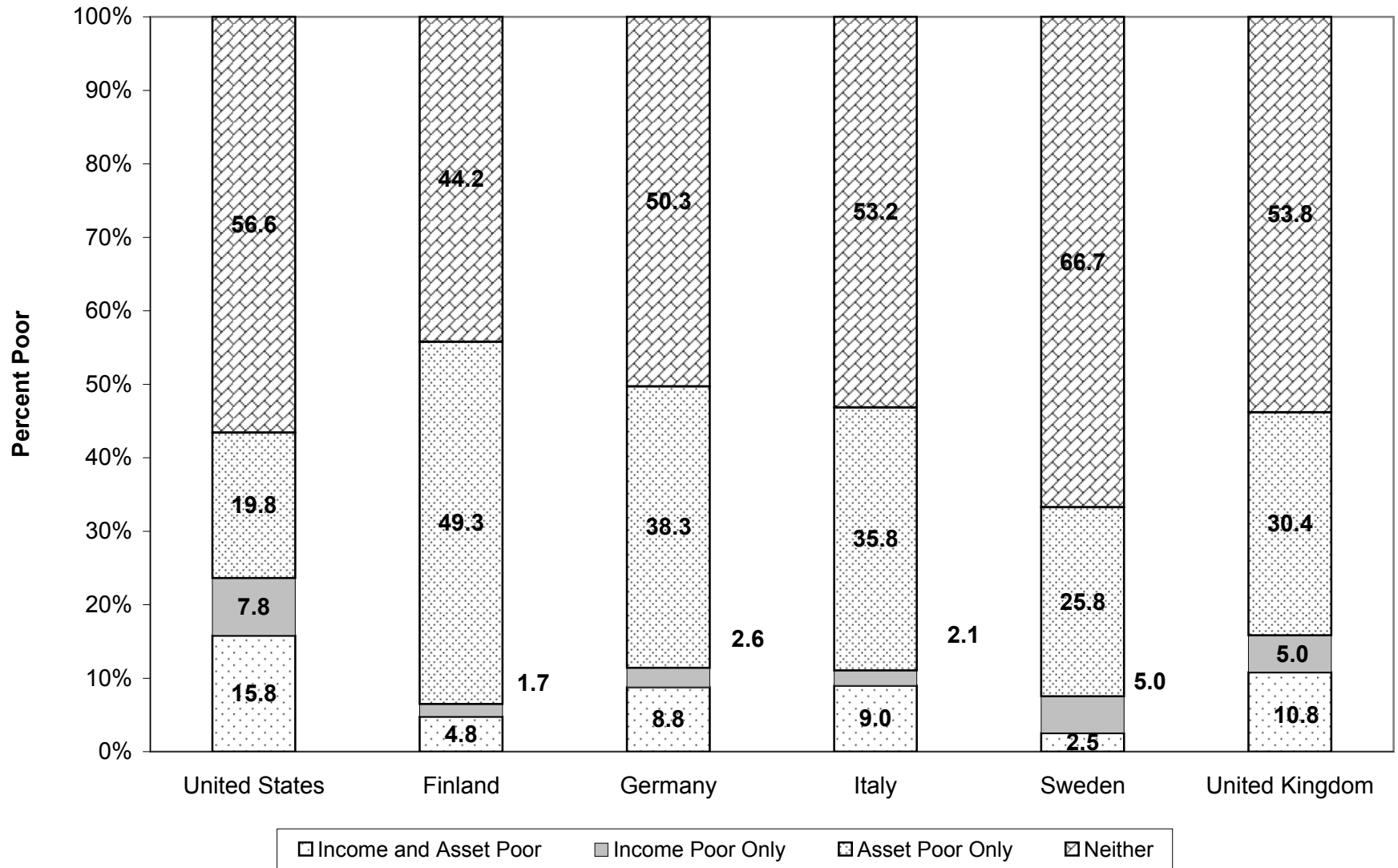
All Households



All households

	p25	p50	p75
US	132	23026	95594
FI	3207	35903	71977
GE	0	22008	112825
IT	15735	77767	151746
SW	-679	16718	61392
UK	3459	48723	126265

FIGURE 3.
Older Women's Income and Asset Poverty



APPENDIX TABLE A1.
Household Composition -- By Family Type.

Panel A

Household composition (percentage of households)	United States (SCF)	Finland	Germany	Italy	Sweden	United Kingdom
Households with no Elderly	78	84	76	60	74	75
All Households with Elderly	22	16	24	40	26	25
<i>of which:</i>						
1 Single Elderly Women Age 65+ only	5	4	7	11	9	9
2 Couple with Elderly Woman Head or Spouse only	10	5	8	10	10	7
3 Other Households with Woman Age 65+ Head/Spouse	1	1	2	5	1	2
4 Single Elderly Men Age 65+ only	3	1	2	3	3	3
5 Other Households with Men Age 65+ Head/Spouse and Woman It 65	0	0	0	0	0	0
6 Other Households with Person Age 65+ not Head/Spouse	4	5	5	11	4	4
Household Units with Elderly Women as Head/Spouse (examined here 1,2,3)	15	10	17	26	20	18
Other Household Units with Elderly Person (4,5,6)	7	6	7	14	7	7
Total	100	100	100	100	100	100

Panel B

Household composition (sample size)	United States (SCF)	Finland	Germany	Italy	Sweden	United Kingdom
Households with no Elderly	3,446	3,251	9,373	4,740	13,196	6,024
All Households with Elderly						
<i>of which:</i>						
Single Elderly Women Age 65+ only	218	155	876	883	1,581	704
Couple with Elderly Woman Head or Spouse only	438	213	1,020	755	1,869	574
Other Households with Woman Age 65+ Head/Spouse	28	38	196	417	118	138
Single Elderly Men Age 65+ only	112	37	223	228	545	244
Other Households with Men Age 65+ Head/Spouse and Woman It 65	12		11	16	1	
Other Households with Person Age 65+ not Head/Spouse	176	199	603	896	643	318
Household Units with Elderly Women as Head/Spouse (examined here 1, 2, 3)	684	406	2,092	2,055	3,568	1,416
Total	4,429	3,893	12,302	7,935	17,953	8,002

Source: Authors' calculations from the Luxembourg Wealth Study.

APPENDIX TABLE A2.
Household Composition -- by Marital Status and Age.

Marital Status	United States (SCF)	Finland	Germany	Italy	Sweden	United Kingdom
Never Married	4.9	na	5.8	5.8	7.2	7.0
Married	56.0	na	39.7	46.1	39.5	41.8
Widowed	31.7	na	45.0	46.9	42.2	45.9
Divorced/Separated	7.4	na	9.5	1.3	11.2	5.3
Total	100	0	100	100	100	100

Age	United States (SCF)	Finland	Germany	Italy	Sweden	United Kingdom
65-74	56.3	na	61.6	58.7	38.0	50.3
75-84	34.9	na	32.5	34.7	46.0	40.0
85+	8.2	na	6.0	6.5	15.3	8.7
Total	100	na	100	100	100	100

Source: Authors' calculations from the Luxembourg Wealth Study.

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