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**Older Women's Income and Wealth Packages:
The Five-Legged Stool in Cross-National Perspective**

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Abstract

In this chapter, we analyze the economic well-being of older women in cross-national perspective, comparing the United States with four other high-income countries: the United Kingdom, Germany, Italy and Sweden. These countries constitute an illuminating group; although all operate at similar levels of economic development, their employment, income, and wealth outcomes vary widely.

We report some of the first findings based on micro-data from a new source, the Luxembourg Wealth Study (LWS). LWS, a project within the larger Luxembourg Income Study (LIS), is a database containing harmonized wealth datasets from a number of industrialized countries. Using the LWS data, we analyze the income and wealth packages held by women, age 60 and older, across these five countries. The income and wealth results from the LWS data are supplemented by findings on older adults' employment patterns, using the longstanding LIS income micro-datasets.

Throughout this chapter, 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. In this chapter, we conceptualize the income stool as having these four legs: earnings, capital income, private transfers, and public transfers. 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), although wealth clearly constitutes potential and actual income flows. We also capture some wealth directly as flows, via the capital income component of the income package.

We begin by assessing employment, income, and wealth outcomes, first among all older women's households and, second, in one particularly vulnerable group: older women who live alone. We then turn our attention to poor older women and, finally, to those who are extremely poor. We close with brief comments about policy implications and further research.

Older Women's Economic Well-Being in Comparative Perspective

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. Indeed, today, more resource transfers between generations go from elders to children than the other way around, as was the case as of 1960 (Clark et al. 2004). 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 with a high take-up rate (see Smeeding and Sandstrom 2005). In any case, in order to most effectively design economic security policies for the elderly, we need 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 example, see Smeeding 2003; Smeeding and Sandstrom 2005; and Gornick 2004 for a review). 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 home-owners and non-home-owners.

In this chapter, we extend prior cross-national analyses of older women's economic well-being by, for the first time, 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, private transfers, and public transfers. We then 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), although wealth clearly constitutes a potential income stream. We also capture some wealth directly as flows, via the capital income component of the income package, but we do not estimate the imputed rent from living rent free or at below-market rent in an owned home.

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 chapter are largely exploratory, partly because the LWS data are new (the database is still under construction) and partly because there are relatively few methodological conventions available for measuring and comparing wealth, especially among those with few assets. While there is an enormous literature on measuring income poverty, there is not yet a substantial counterpart literature on wealth measurement – especially in the cross-national context.

In the next section, we briefly review relevant literatures on older women's poverty and the growing literature on gender and wealth holdings – in both cases, 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 five core questions, in each case assessing older women in the United States in relation to four comparison countries, the United Kingdom, 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 do we know about the income and wealth holdings of poor older women, including both home-owners and renters? (5) How widespread is extreme hardship among older women in these countries, vis-à-vis both income and wealth? We close with comments on policy implications and on directions for future research.

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 research.

Older Women and Poverty in Cross-National Perspective

Despite major progress 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 (Shaw and Lee 2005) is even more evident when we look at cross-national comparative results.

A number of researchers have used the Luxembourg Income Study (LIS) data to analyze the prevalence and causes of poverty among elderly women, comparing older women's poverty rates to those of women in other countries and/or to their male counterparts (Smeeding 1991; Doring, Hauser, Rolf and Tibitanzl 1994; Hutton and Whiteford 1992; Smeeding, Torrey, and Rainwater 1993; Stapf 1994; Siegenthaler 1996; Smeeding and Saunders 1998).

In one of the first studies of elderly women's poverty risk, Smeeding (1991) reported poverty rates among older persons living in male- versus female-headed households, as of the mid-1980s. He found that, across seven countries, in nearly every elderly age groups (55-59, 60-64, 65-74, and 75+), persons in female-headed households were poorer than those in male-headed households. In addition, Smeeding's findings revealed that elderly women were especially at risk for poverty in the United States, where, in all of these age groups, 25 percent or more 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 all age groups 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. They reported that more than one-fifth of single elderly women in the United States lived in homes with incomes below 40 percent of the national median (adjusted for household size). Comparing poverty among single elderly women with that of elderly couples and non-aged units, they 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.

In a more recent LIS study of seven countries, Smeeding and Sandstrom (2005) find that the United States still has comparatively high poverty rates among older women. They compared US outcomes 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 (that is, women age 65 and over, women age 65 and over living alone, and women age 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.

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) studied the economic well-being of widows, in the United States, compared to those in the United Kingdom, Canada, and Germany. They concluded that, despite diverse social welfare systems, the change in the average woman’s economic well-being following widowhood is actually remarkably similar across these countries.

In almost all extant 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 papers suggest that consumption among older women is both 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).

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. Although few of the articles focused specifically on older women, several are relevant here – as older women’s wealth clearly accumulates throughout their lives. 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).

In their literature review on women and wealth, Deere and Doss (2006) conclude 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” (2006,1). 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 encountered in comparing property across household types (especially given the complexity and variation in laws regarding marital property). Deere and Doss synthesize a number of current studies and 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 and married couples – differences that 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. Results from a subsample of young households (with heads aged 25-39) provide no evidence of wealth gaps by gender and family type. Schmidt and Sevak interpret these results to mean that these gender gaps emerge later in life.

In another US study using the PSID, Mohanty (2004) finds that child support receipt has positive effects on women's wealth after divorce. The receipt of child support payments in two consecutive years has a positive and significant effect on multiple measures of wealth. Furthermore, she finds that the wealth holdings of single females are significantly lower than those of single males.

Yamokoski and Keister (2006) studied the wealth of single females, also in the United States – using 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. They also find that single mothers suffer the most severe economic penalties in household wealth accumulation.

Warren (2006) used a British survey (the Family Resources Survey) for a study of the gender wealth gaps in the United Kingdom. She 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. In particular, 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 would be expected 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 be expected to 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. In addition, according to Schmidt and Sevak, recent work by Brush, Carter, Greene, Hart, and Gatewood (2002) further 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. Finally, because total net worth includes equity in a household's main residence, any discrimination in mortgage lending markets could lead to gender differences in wealth.

Finally, there is a growing body of work focused on gender and home-ownership. In their review of this literature, Sedo and Kossoudji (2004) conclude that home-ownership is the main form of middle-class wealth accumulation in most rich countries. Still, these authors note, most studies of home-ownership typically ignore gender. Some articles simply omit women from the discussion (Quercia, McCarthy, and Wachter 2003) while others skirt the question by analyzing home-ownership patterns only for married couples (Gyourko and Linneman 1996). Studies of home-ownership 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 of gender-related differences in home-ownership from countries other than the United States. are very limited.

In their own empirical study, Sedo and Kossoudji (2004) used the Survey of Income and Program Participation (SIPP) to study gender and home-ownership in the United States – with a focus on gender gaps. They find that gender gaps are much more pronounced for the probability of home-ownership than for home value or home equity. Once households have entered the housing market, differences across gender (and also race and family type) are substantially smaller, and sometimes favor those households usually considered to be disadvantaged.

Data, Variables, Methods, and Measurement Issues

Data

The empirical work for these analyses is based on data associated with the Luxembourg Income Study (LIS). LIS is a cross-national archive of harmonized cross-sectional micro-datasets from across the industrialized countries. For over twenty years, LIS has collected and harmonized datasets containing income data at the household- and person-level; these datasets also include extensive demographic and labor market data. Currently, the LIS database includes over 150 datasets, from thirty countries, covering the period 1967 to 2002.²

The data used in this chapter are primarily from the Luxembourg Wealth Study (LWS) – a new project that is under development in association with LIS. The LWS database contains harmonized wealth micro-datasets from nine industrialized countries. The LWS project is still in its pilot phase; the first release of the data will be finalized during 2006-2007, and then made available for public access. Access will be via LIS's remote-access system, as with the income datasets. The LWS datasets, which include data on both wealth and income, are the source for all of the empirical findings reported in this chapter, with the exception of the employment results in Figure 1, which come from the LIS income surveys.³

In this chapter, we include five countries, each with a LWS and LIS dataset from the period of 1999-2001. These countries include the United States (US) and the United Kingdom (UK); two continental European countries, Italy and Germany; and one Nordic country, Sweden. We chose these five to include countries with diverse economic outcomes and widely varying social welfare systems.

The original datasets that the LWS project harmonized include: 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.

Income and Wealth Packages – The Aggregate Indicators and Their Components

Our main income variable – reported in Figure 2A, and used in the income poverty analyses – 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.⁴ (Throughout this study, DPI is always adjusted for household size). In the LWS data, these income sources – the four legs of the income stool, as it were – are defined as follows. First, *earnings* include wages and salaries, as well as income from self-employment activities. Second, *capital income* includes interests and dividends, rental income, income from savings plans (including annuities from life insurance and individual private pensions), royalties and other property income.⁵ Third, *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 incomes not elsewhere classifiable. Fourth, *public transfers* include *social insurance* (including some universal benefits such as demogrant pensions and family allowances) as well as *public social assistance*, which includes means-tested cash and near-cash public income transfers.⁶

The counterpart of DPI, with respect to wealth, is the concept of net worth; this is the basis for the results in Figure 2B and the wealth poverty results. Net worth 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 Well-Being 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, indeed most, 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 that we take. To uphold our central focus on older women, we analyze two types of households. The first type is all households that include older women (that is, women age 60 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 (age 60 or older) who lives alone. So, while we often refer to the income/wealth status of “older women”, throughout this chapter 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.⁷ 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 single women who live alone, person-level and household-level outcomes are obviously the same.

Unfortunately, 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 standard in research on income, we “equivalized” the income data – meaning, 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 root of household size. (The use of the square root – meaning an equivalency elasticity of .5 – is the middle point between two theoretical possibilities: no economies of scale and perfect economies of scale.) Although there is a large literature on income equivalency scales, there is much less consensus about how to equivalize wealth (Sierminska, Brandolini, and Smeeding 2006). For these analyses, we used the same method for wealth as we did for income. This is a decision that we will re-visit in future work.

Incomes were bottom-coded at 1 percent of the mean equivalized DPI and top-coded at 10 times the unequivalized median. 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 end 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. All 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 Development and Cooperation (OECD) PPP exchange rates; amounts referring to years prior to 2002 were deflated using each country's CPI.

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 one-half of national median (equivalized) income. In this study, we mainly use 50 percent of median household income (of the whole population) to establish our national relative poverty lines. In our final analysis, we present income poverty rates relative to 40 and 30 percent of national median (equivalized) income (again, of the whole population) to capture the prevalence of extreme hardship. Using these lower income poverty thresholds is especially useful in the American context, as they are closer to the ratio of the official US poverty line (which captures “absolute poverty”) to median American household cash income, which is only about 30-35 percent in 2000 and 2002 (Smeeding 2006) .

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. For this chapter, 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.) The measure that we use here is intended to capture financial asset holdings (that is, deposit accounts, stocks, bonds, and mutual funds) equivalent to six months of income at the level of the 50-percent-of-median income poverty line.

Results⁸

Retirement Ages and Employment Rates among Older Adults

The economic well-being of older women is especially interesting because women spend more years in retirement than do their male counterparts. In the OECD⁹ countries, women retire earlier than men do – on average, one to two years earlier (Keese 2006) – and they live longer, so their retirement income and assets must sustain them for longer periods of time. 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 somewhat across our study countries, ranging from 61 in Italy to 66-67 in Sweden. However, women’s *effective* retirement age – the average age at which employed women aged 40 and over leave the labor force – is fairly similar across these countries. Women’s effective retirement ages range from 60 in Germany, to 62 in Italy and Sweden, to 63 in the United States. and United Kingdom.

Two crucial aspects of the economic status of older women are underscored in a recent OECD report on older workers (Keese 2006). First, 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 – well longer than childhood. Second, the duration of women's expected retirement has grown sharply, increasing since 1970 by six to ten years. Thus assets must be spread over more years, which especially affects those in extreme old age when other income sources, such as earnings, cannot be relied upon.

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 sixties (see Figure 1). Among the youngest older women, those aged 60-64, the variation is dramatic. Fully half of Swedish women aged 60-64 are employed, compared to 41-42 percent of American and German women, about one quarter in the United Kingdom, and as few as 7 percent in Italy. Note that these figures paint a somewhat different picture than that suggested by the retirement ages. While the retirement outcomes reported in Keese (2006) do not account for women with no labor market history, these employment rates do. For example, the very low employment rates among Italian women in their early sixties are driven more by low lifetime labor force participation in that cohort than by an early retirement age among those leaving employment (Gornick 1999). Older men's employment patterns are systematically higher, but fairly similar; among those aged 60-64, over half of Swedish and American men are employed, compared to 25 to 44 percent in the other countries.

[Figure 1 about here]

In our five 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 1, 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 age 70-74, are working for pay – well more than their counterparts in the other countries, including Sweden. (The results for men are parallel; American men age 65 and older consistently have high employment rates in cross-national perspective). Earnings, then, are likely to constitute a larger portion of older persons’ income packages in the U.S. than in these comparison countries. We return to this point in the next section.

Older Women’s Income and Wealth Holdings – At the Median

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 households that contain only a single older woman. To simplify, throughout this chapter, 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.

Median (equivalized) disposable income in our two groups of older women’s households is reported in Figure 2A.¹⁰ Clearly, median household income itself varies substantially across these five countries – ranging from \$15,000 in Italy to nearly \$22,000 in the United States. (in 2002 US dollars). However, the main finding here is that older women overall, typically have less income than do members of households at the national median – nearly 20 percent less in Sweden and in the United Kingdom, and about five to eleven percent less in the other countries.

Single older women fare especially 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 62 to 65 percent of median income. German single older women are in somewhat better economic shape, attaining median income equivalent to nearly three-quarters of median income in Germany.

[Figure 2A and 2B about here]

The net worth (or wealth) picture is starkly different and much more varied (see Figure 2B). Clearly, as with income, median net worth of all household varies substantially across these countries – although the country rankings with respect to wealth are completely different than they are vis-à-vis income. The highest net worth (among all households) is reported in Italy (nearly \$75,000) and the lowest in Sweden (about \$16,000); the United States holds the middle rank among these countries. The main finding is that, 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.

In the United States, older women's households report the highest levels of net worth (about \$92,000) across these five countries (Figure 2B). Older women's households in the United States stand out much more, however, with respect to their *relative* position within their

own country's distribution. American older women's households report nearly four times as much net worth as the median American household. Their British, German, and Swedish counterparts report two to three times the net worth of their country's median household. Italian older women, in contrast, report net worth only slightly higher than 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 at nearly three times the U.S. national average. 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 home-ownership, a form of asset-holding that is clearly valuable if not readily drawn upon. While American home-ownership rates overall (about 71 percent) are fairly high, they are not especially high compared to our other study countries (see Figure 3A). However, in the United States, home-owning is comparatively frequent among older women; fully 83 percent of American older women's households overall are home-owning, compared to 52 to 77 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 U.S. Home-ownership 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 \$10,000) and the lowest rate of home-ownership (33 percent).

[Figure 3A and 3B about here]

Next we move beyond simple rates of home-ownership, to assess the components of older women's income and wealth packages across our study countries. Figure 4A¹¹ reports older women's income packages, disaggregated into earnings, capital income, private transfers, and public transfers. One of the strongest findings here is the contrast between the income package of older women in the United States compared to those of their counterparts in these other countries. Among older women, both overall and single, the share of income coming from earnings is greatest in the United States – fully 44 percent for older women overall and 22 percent for singles – and by a sizable margin. Earnings in the other countries, as a share of total income, constitute approximately half that share or less. American older women's greater reliance on earnings is, of course, consistent with their comparatively high rates of employment, in cross-national perspective. 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 – 23 percent for all older women and 40 percent for single older women. Figure 4A 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 40 to 60 percent of income for older women overall and two-thirds to 80 percent for single older women.

[Figures 4A and 4B about here]

Older women's wealth packages are presented in Figure 4B. Here, wealth holdings are reported as comprising financial assets, principal residence, and investment real estate; net worth (total wealth net of debt) is also reported. Again, the United States case stands out as an unusual case, in that American older women hold *larger* portions of their wealth in the form of financial assets (deposit accounts, stocks, bonds, and mutual funds): fully 44 percent of all older women's wealth holdings and 37 percent among singles. Thus, of course, non-financial assets (principal residence and investment real estate) play relatively *smaller* roles in the United States than elsewhere; this is a somewhat surprising finding given the United States' relatively high rates of home-ownership. Yet, with the exception of Sweden, older women elsewhere report wealth packages in which non-financial assets comprise a substantially larger share of their total net worth.

Income and Asset Poverty among Older Women

One of our central goals is to move beyond the medians – that is, to 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. Next, we report the income poverty and asset poverty, for both women overall (Figure 5A)¹² and for single older women (Figure 5B). As noted earlier, income poverty is defined as disposable household income of less than 50 percent of median disposable income (among all households) and asset poverty as less than 25 percent of median disposable income (again, among all households).

[Figures 5A and 5B about here]

Again, one of the most striking findings in Figure 5A concerns the United States – where older women report very high rates of income poverty. Nearly 23 percent of older women’s households in the United States have disposable income below the poverty threshold, meaning that American older women are substantially poorer with respect to income – relative to their home country – than are their counterparts in the United Kingdom. (15 percent), in Germany and Italy (11 percent), and especially in Sweden where only 7 percent are income poor. This finding is fully consistent with the earlier LIS literature cited above.

What about asset poverty? Figure 5A also indicates that an even larger share of American older women are asset poor. Nearly 40 percent lack financial assets equivalent to half the income poverty threshold – meaning they do not hold enough financial assets to live on, 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 remarkable in cross-national terms. Older women report similar asset poverty rates in the United Kingdom and in Italy (40-43 percent) and the rate is even higher in Germany (46 percent). Older women in Sweden are considerably less likely to be asset poor, although the rate is still substantial at nearly 30 percent. In all of these countries, of 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 remarkably similar in the U.S., the U.K., Germany, and Italy (about 45-49 percent). In Sweden, fewer older women – although still one third – report one or both types of poverty.

The results for single older women are similar. Older single women in the United States report the highest rate of income poverty (over 35 percent), a rate that is substantially greater than in these comparison countries. And, in the United States, asset poverty is even higher;

nearly half (48 percent) of single older women are asset poor. Yet, as with older women overall, asset poverty among American single older women is not especially high in cross-national context; single older women are even more likely to be asset poor in the United Kingdom, Germany, and Italy. Clearly, single older women face economic insecurity in all of these countries; in all five, half or more of these women are income poor, asset poor, or both.

Income and Assets among Income-Poor Older Women

In this section, we turn our attention to the income and asset holdings of income-poor older women. One crucial aspect of the economic well-being of the poor is home-ownership, which, as we have noted, varies widely across countries. As reported in Figure 3B, home-ownership among the poor varies dramatically across countries. Home-owning by poor households ranges from only 21 percent in Germany to a remarkably high 82 percent in the United Kingdom; about 40 percent of American income-poor households own their homes. This figure also shows that in three countries – the United States., the United Kingdom, and Italy – the home-ownership pattern among poor older women is quite homogeneous: two-thirds of poor older women are home-owners (or, more accurately, live in a home-owning household). Among poor older women overall, home-ownership is less common in Sweden (47 percent) and even less so in Germany (39 percent). A similar pattern is seen among single, older women – except that home-ownerships rates in the United States (51 percent) are not as high in cross-national terms, but are instead squarely in the middle of the range.

Next we take a closer look at the income and assets of poor older women's households (see Figures 6A and 6B).¹³ In these two figures, we report – among income-poor households – median income, median net equity in the home (among home-owners), and median financial

assets (disaggregated by home-ownership status). When we consider Figure 6A, four findings stand out. First, even though income poverty was calculated using a relative measure, the median income of poor older women's households is quite similar (and very modest) across these countries – ranging from just over \$6,000 in Italy to less than \$8,000 in Sweden – with the United States falling near the middle of the range. Second, while a comparatively large share of poor older women in the United States are home-owners (that is, two-thirds), the net equity in their homes is fairly limited in cross-national perspective. Among poor older women in the United States, median net home equity is about \$53,000, about half that reported in the United Kingdom and in Germany.

[Figures 6A and 6B about here]

Third, poor older women's financial assets, that is, their largely liquid assets, are extraordinarily modest (less than \$2000), with two exceptions – home-owning older women in the U.K. and older women overall in Sweden (which is an outlier here). In the U.S., older women in owned homes hold median financial assets worth only about \$1800, while their poor counterparts who are renters report median financial assets of a mere \$230. Poor older women in Germany and in Italy hold even less in the way of financial assets; remarkably, the median in both countries, among both home-owners and renters, is zero. And, fourth, we see that among older women overall, in the three countries with non-zero median asset levels, poor home-owners hold many more financial assets than do poor renters. In other words, advantaged and disadvantaged wealth holdings among the poor are compounded; those who own their homes have much more

financial assets than those who do not. (Figure 6B indicates a similar cross-national portrait of income and asset holdings among poor single older women.)

The results reported in Figures 6A and 6B reveal that the comparatively high level of assets – high in cross-national terms – held by older American women near the center of the wealth distribution (recall Figure 2B) dissipates as we move down the income distribution.

Extreme Hardship

In our final empirical analysis, we turn our attention to the poorest older women. We first report the prevalence of extreme income poverty – defined as household income levels at below 40 percent, and below 30 percent, of median household income (see Figures 7A and 7B). As noted earlier, these lower income poverty thresholds are particularly illuminating in the American context, as they are closer to the ratio of the official U.S. poverty line to median American household income (that is, about 30-35 percent in 2000 and 2002). In parallel, we also report rates of what we call extreme asset poverty – which we define as financial asset holdings of less than 20 percent, and less than 15 percent, of median household income.

[Figures 7A and 7B about here]

Once again, we see that American older women face an exceptionally high risk of income poverty, and that result intensifies as we move further down the income distribution. At the 40 percent poverty threshold, fully 16 percent of American older women overall and 26 percent of single older women are poor. Income poverty rates (at 40 percent) in the second-ranked country – the United Kingdom – are less than half the levels reported in the United States. At the 30

percent poverty threshold, nearly 10 percent of American older women overall, and 11 percent of single older women, are income poor. Again, these rates of extreme income poverty are far higher than those seen in the comparison countries – and, in most cases, by a large margin.

The results in Figures 7A and 7B also extend the earlier results on older women’s asset poverty in comparative perspective. American older women report extreme asset poverty at levels that are clearly worrisome. Among older women’s households overall, 36 percent hold financial assets worth less than 20 percent of median income, and 33 percent report financial asset holding worth less than 15 of median income. For single, older women in the United States, the results are 44 and 42 percent, respectively. Yet, like our findings on asset poverty relative to 25 percent of median income, these levels are not especially high in cross-national terms. Extreme asset poverty among older women is even more prevalent in the United Kingdom, Germany, and Italy. And, even in Sweden, with the lowest levels of asset poverty – at all three thresholds – a substantial number of older women hold little in the way of liquid assets. Among all older women in Sweden, 24-38 percent report assets worth less than 20 of median income and 24-34 percent hold assets equivalent to less than 15 of median income. Substantial numbers of older women in all of these countries have remarkably limited liquid assets to draw upon in times of hardship.

Summary, Conclusions, and Policy Implications

This chapter has provided the first, albeit brief, look at the joint asset and income position of older American women in cross-national perspective. While the Luxembourg Income Study income datasets have long enabled cross-national research on older women’s income poverty, there has been virtually no comparative research on older women’s wealth holdings.

The new Luxembourg Wealth Study database allowed us to begin to investigate asset holdings, as well as income, among older women in five high-income countries.

Findings and Research Implications

To sum up, we highlight our findings as follows. In all five 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 – nearly 20 percent less in Sweden and in the United Kingdom, and about five to eleven percent less in the other countries. 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 – not surprising given their higher employment rates – and the comparatively small share that comes from the public income transfers leg. At the same time, while older women’s income lags median income in all of these countries, their wealth holdings are typically much higher than their country’s median wealth holdings. In the United States, older women’s households report the highest level of median net worth (about \$92,000) across these five countries. That constitutes nearly four times the median household net worth in the United States. Some of the explanation, cross-nationally, is that older American women have comparatively high rates of home-ownership. Yet, when we further disaggregate older women’s wealth packages, we find that American older women actually hold smaller shares of their wealth in the form of non-financial assets (including the principal residence and investment real estate) than is reported elsewhere.

The US case is clearly most exceptional when we consider older women’s income poverty. American older women, across household types, are substantially more likely to be poor at every poverty threshold, including 50-, 40-, and 30- percent of median income. 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 – fully 40 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 still 30 percent.

Much remains to be investigated. Future research ought to assess older persons' asset-holding more fully. Even with the limitations on person-level data, male- and female-headed households could be compared, and households could be further disaggregated according to the age, educational level, family structure, 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), their total income, and their asset levels – both across and within countries.

It is also crucial that we extend this cross-national picture of income and wealth outcomes to take account of variation in necessary expenditures. Perhaps the most obvious questions concern the burden placed on the American elderly with respect to health care. It is well-known that US elders face a large financial burden in terms of out-of-pocket payments – for health insurance premiums, deductibles, co-payments and the like – and 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 coinsurance 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 we cannot identify any data source that allows 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 our counterparts in these comparison countries. The average US household now pays over \$800 per year out-of-pocket on health care – which is 1.7 times the level 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 – if not high in cross-national terms – rates of asset poverty, must be considered in the context of the large burden they often assume vis-à-vis their health care.

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) suggests that wealth holdings (financial and non-financial) among older persons are negatively associated with poor health status outcomes in EU countries and in the U.S., independent of income and education. The gender aspects of this relationship have not yet been explored.

Policy Implications

Despite the limited scope of our empirical work, the portrait that we have sketched holds policy implications for the United States. First, American older women’s exceptionally high income poverty rates highlight the need to strengthen 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. Although we recognize the fiscal concerns associated with pay-as-you-go public social 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.

Our findings also underscore the need to strengthen the public assistance safety net that is so crucial for many older women in the United States. 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 \$2000 for singles and \$3000 for couples (Clark et al. 2004; Smeeding 2003) – and the far below even U.S. poverty-level benefits. Loosening asset limits 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 – vis-à-vis largely liquid assets – 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 poor women overall and half of poor single older women – but the value of those homes may be

difficult to access in time of hardship, and home owning itself is not costless. This suggests that policy-makers ought to identify better and more reliable methods, such as reverse-annuity mortgages or borrowing against the value of their own homes, so that income-poor older women can access these assets to meet their everyday needs – when public sources of protection fail to provide adequate support.

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Endnotes

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. See, for example, Burkhauser, et. al. 2005, on the dynamics of older widows' income support in cross-national context.

² 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.

³ 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.

⁴ Imputed rents, and irregular incomes, such as lump sums and capital gains and losses are not included in DPI.

⁵ 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.

⁶ Our income measure does not include health care benefits in-kind, even we know that they are large (Garfinkel, Rainwater and Smeeding 2006), nor does it contain in-kind housing benefits.

⁷ 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.

⁸ Tables corresponding to all of the graphs presented in this chapter will be available on a website to be established.

⁹ The OECD countries refer to the 30 member countries of the Organization of Economic Cooperation and Development, an organization of industrialized countries.

¹⁰ Notes to Figures 2A/2B. *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. *Net worth* consists of financial assets and non-financial assets, net of total debt. No bottom- or top-coding were applied. Both income and wealth are equivalized; adjusted = unadjusted / square root of household size. All observations with missing or zero disposable income or missing net worth were dropped from the sample.

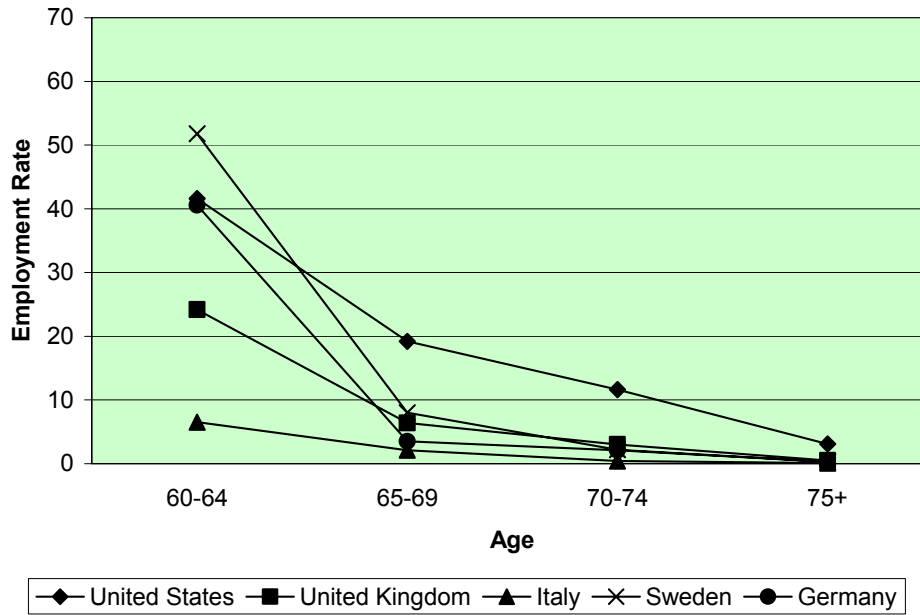
¹¹ Notes to Figures 4A/4B. *Earnings* include both wages and salaries and income from self-employment activities. *Capital income* includes interests and dividends, rental income, income from savings plans (including annuities from life insurance and private pensions), royalties and other property income. *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. *Financial assets* include deposit accounts, stocks, bonds, and mutual funds. Finally, *net worth* refers to total assets less total debt, where total debt refers to all outstanding loans, both home-secured and non-home secured.

¹² Notes to Figures 5A/5B. The *income poverty* rate is defined as the percentage of households with adjusted disposable income less than 50% of the median disposable income (based on the income distribution of the whole population). The *asset poverty* rate is defined as the percentage of households with adjusted financial assets lower than 25% of the median disposable income (based on the income distribution of the whole population).

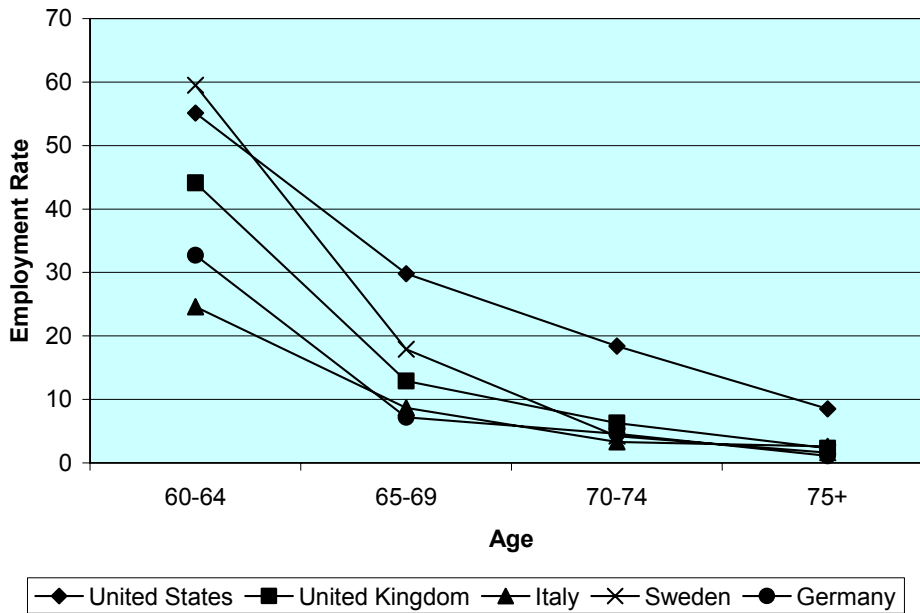
¹³ Notes to Figures 6A/6B. *Net equity in the home* includes the value of the principal residence minus the principal residence mortgage. Exceptions to this are Italy and United Kingdom, where home-secured debt (any debt that is home-secured) is used instead of mortgage; and Sweden, where all installment debt is used (home-secured debt is lumped with installment loans).

Figure 1.
Employment Rates for Older Persons
(age 60 and older)

A. Women



B. Men



Source: Authors' calculations from the Luxembourg Income Study.
 Note: Employment rates are calculated on the basis of the self-assessed labour force status.

FIGURE 2A
 Median Equivalized DPI (in 2002 US\$)
 All HHs, HHs with Older Women as Head/Spouse,
 and HHs of Single Older Women;
 and Older HHs as a Percentage of all HHs
 (older = age 60+)

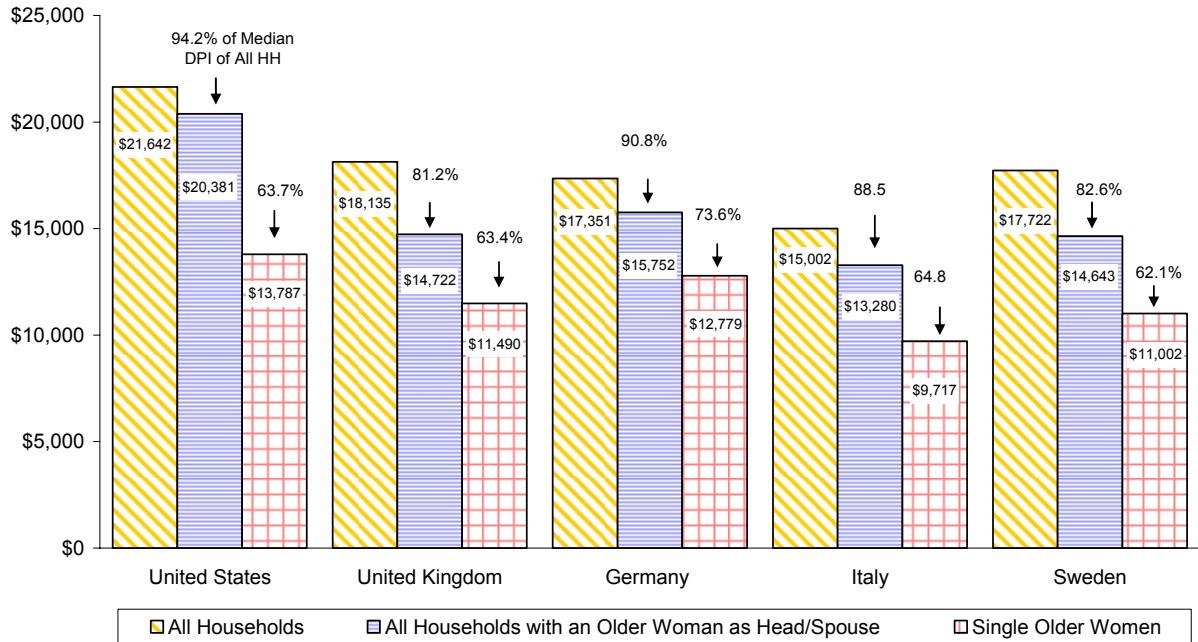


FIGURE 2B
 Median Equivalized Net Worth (in 2002 US\$)
 All HHs, HHs with Older Women as Head/Spouse,
 and HHs of Single Older Women;
 and Older HHs as a Percentage of all HHs
 (older = age 60+)

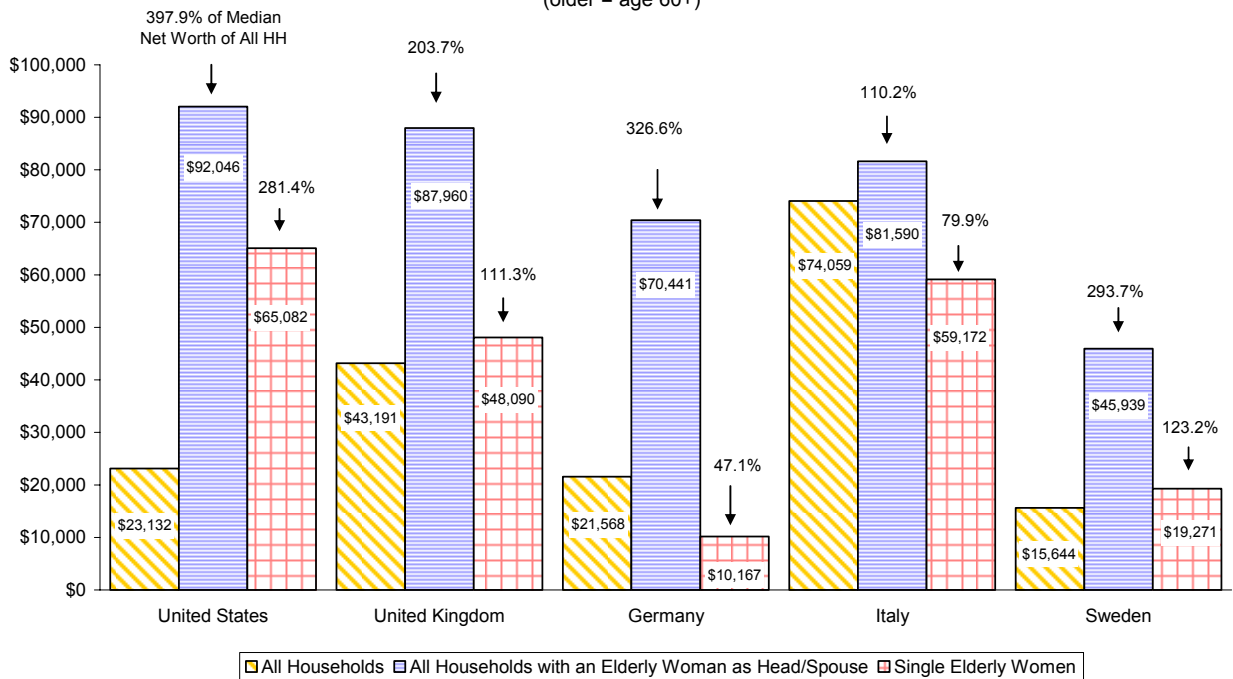


FIGURE 3A
Home Ownership Rates Among
All HHs, HHs with Older Women as Head/Spouse,
and HHs of Single Older Women
(older = age 60+)

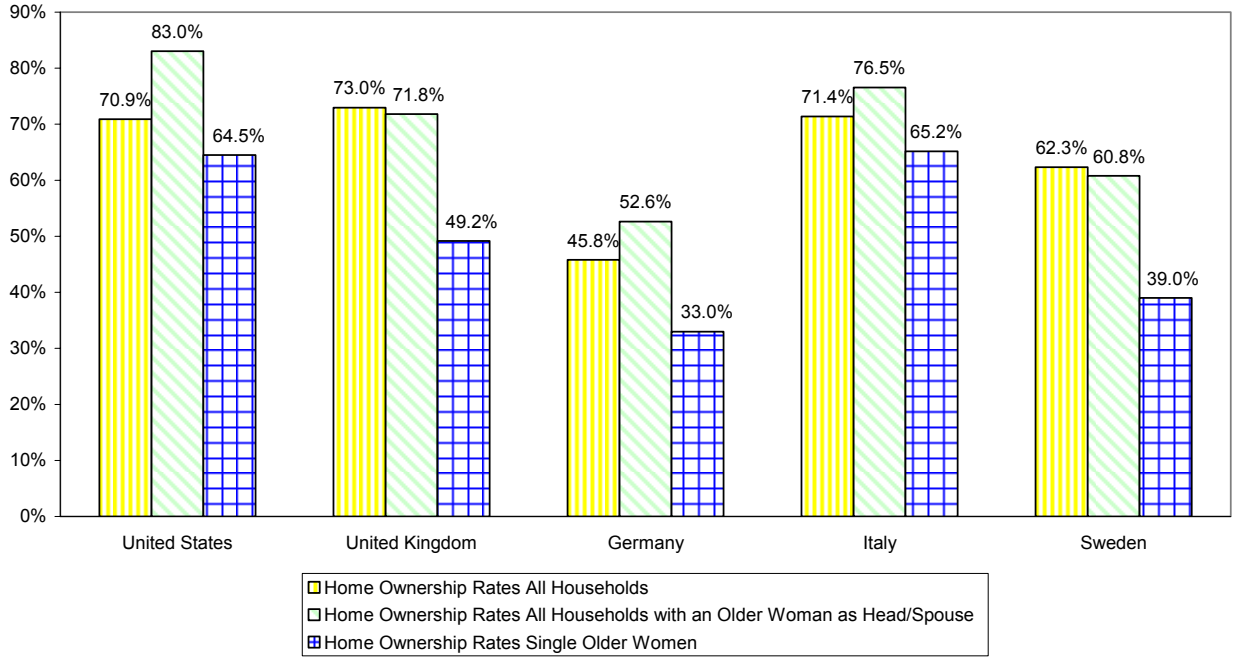


FIGURE 3B
Home Ownership Rates Among Income-Poor
All HHs, HHs with Older Women as Head/Spouse,
and HHs of Single Older Women
(older = age 60+)

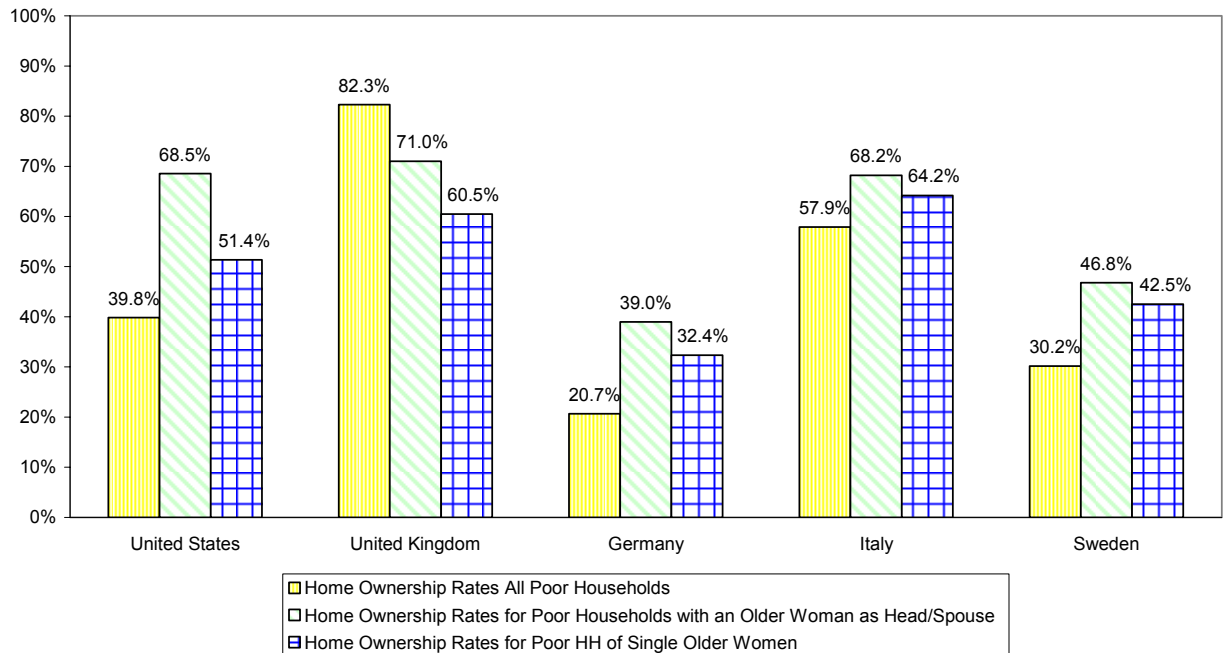


FIGURE 4A
 Income Packages (Ratio of Overall Means)
 All HHs, HHs with Older Women as Head/Spouse,
 and HHs of Single Older Women
 (older = age 60+)

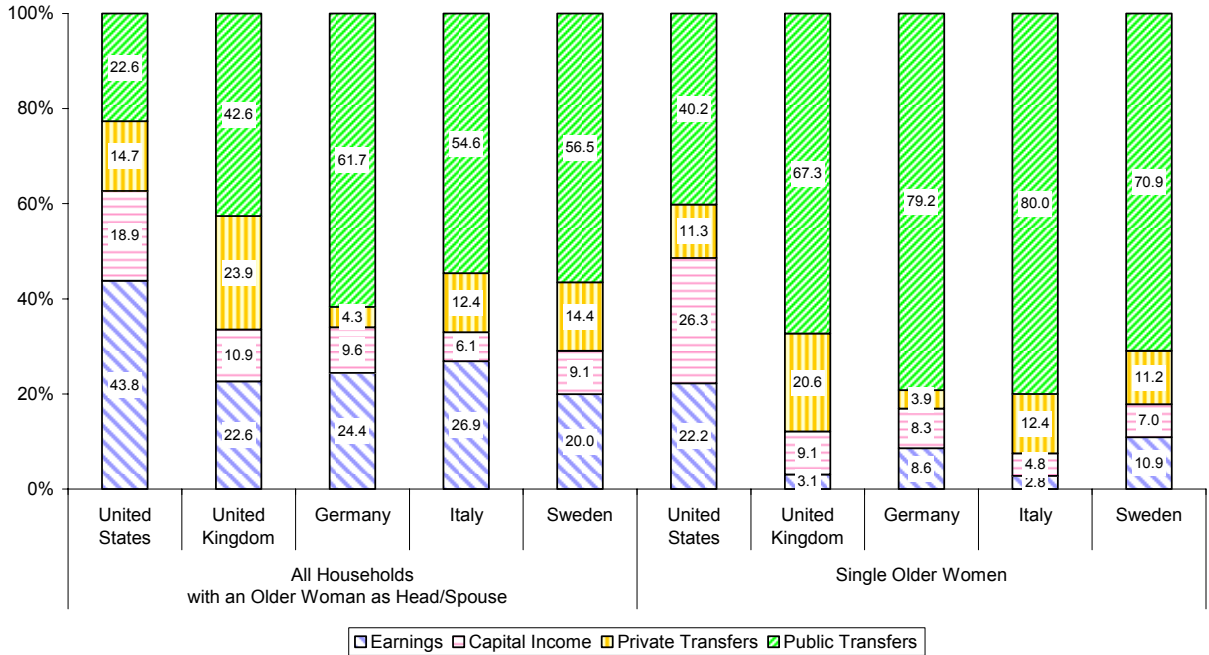


FIGURE 4B
 Wealth Packages (Ratio of Overall Means)
 All HHs, HHs with Older Women as Head/Spouse,
 and HHs of Single Older Women
 (older = age 60+)

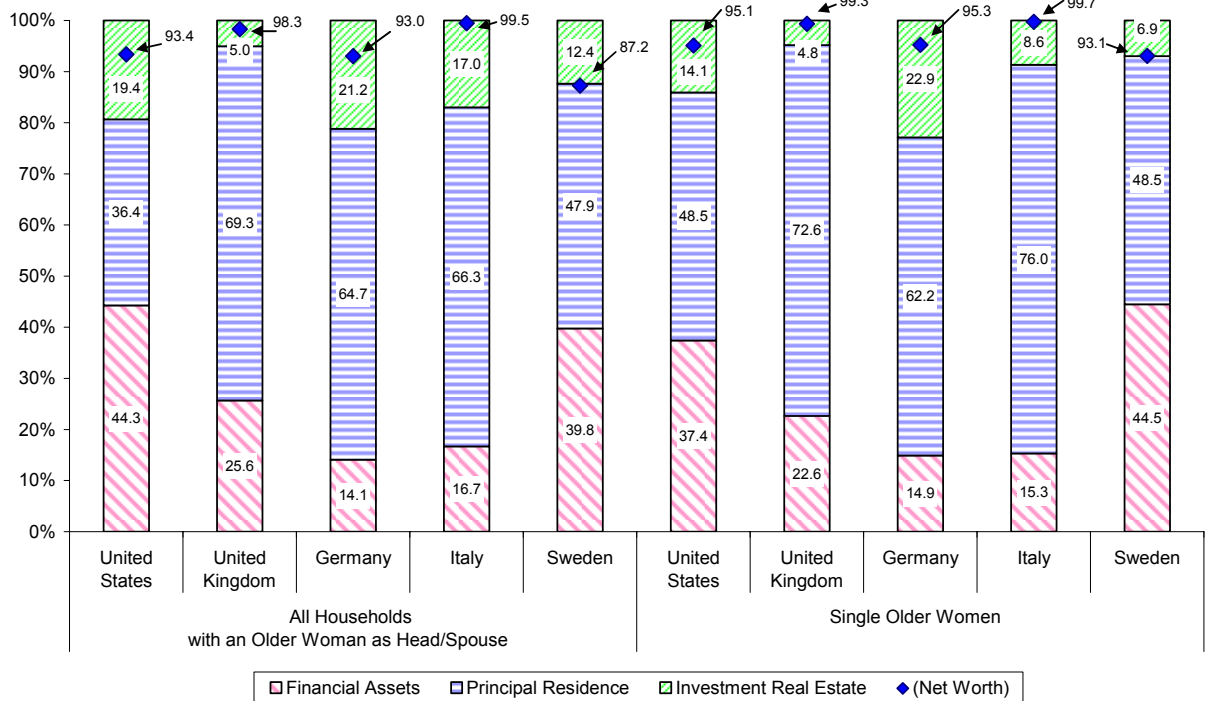


FIGURE 5A
 Income and Asset Poverty
 (Assets Less than 25% Median DPI)
 Among HHs with Older Women as Head/Spouse
 (older = age 60+)

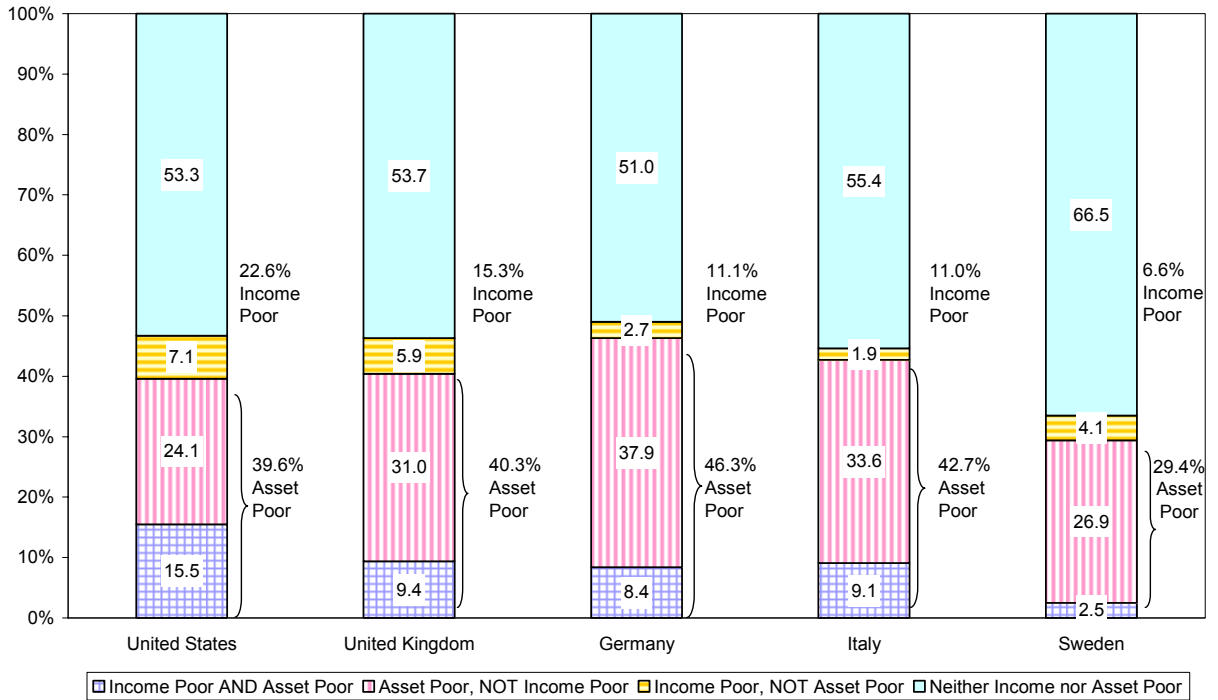


FIGURE 5B
 Income and Asset Poverty
 (Assets Less than 25% Median DPI)
 Among HHs of Single Older Women
 (older = age 60+)

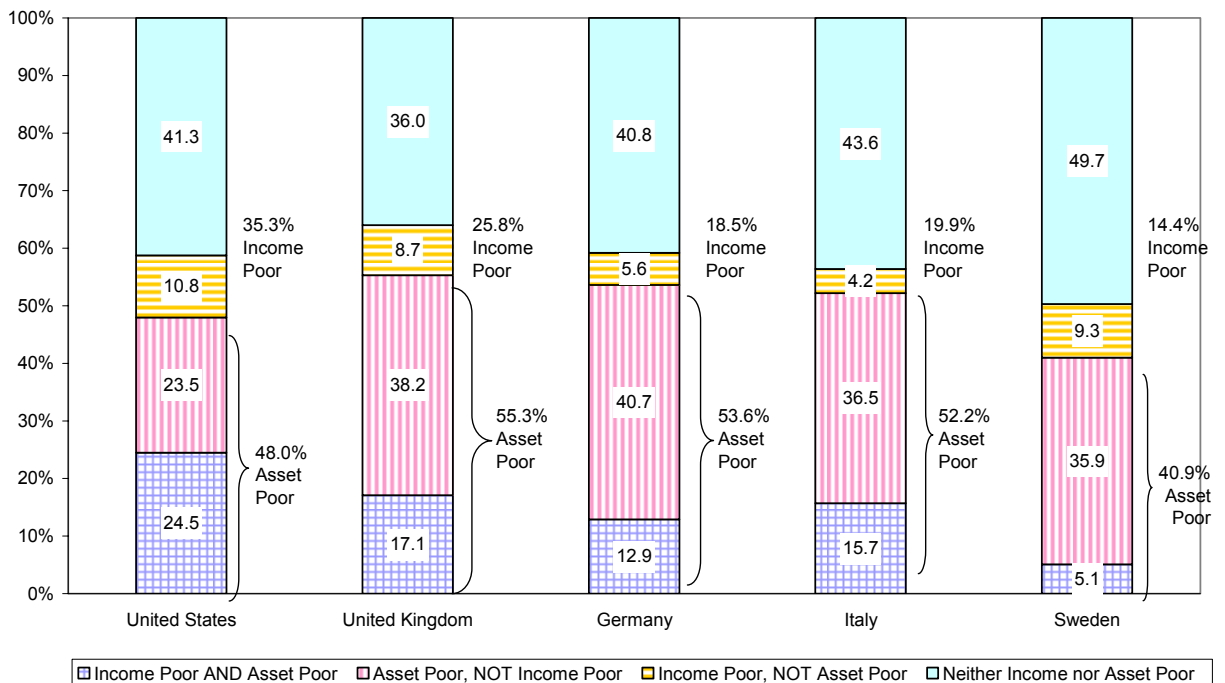


FIGURE 6A
 Summary Characteristics of Income-Poor
 HHs With Older Women as Head/Spouse
 (older = age 60+)

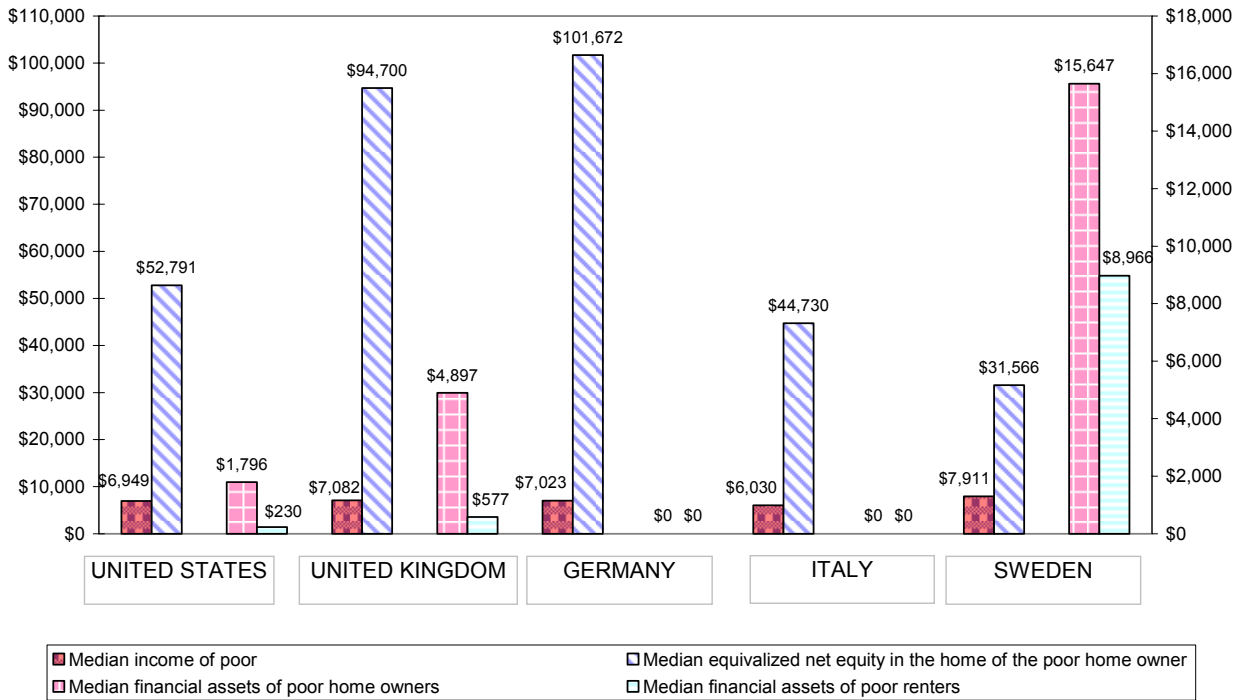


FIGURE 6B
 Summary Characteristics of Income-Poor
 HHs of Single Older Women
 (older = age 60+)

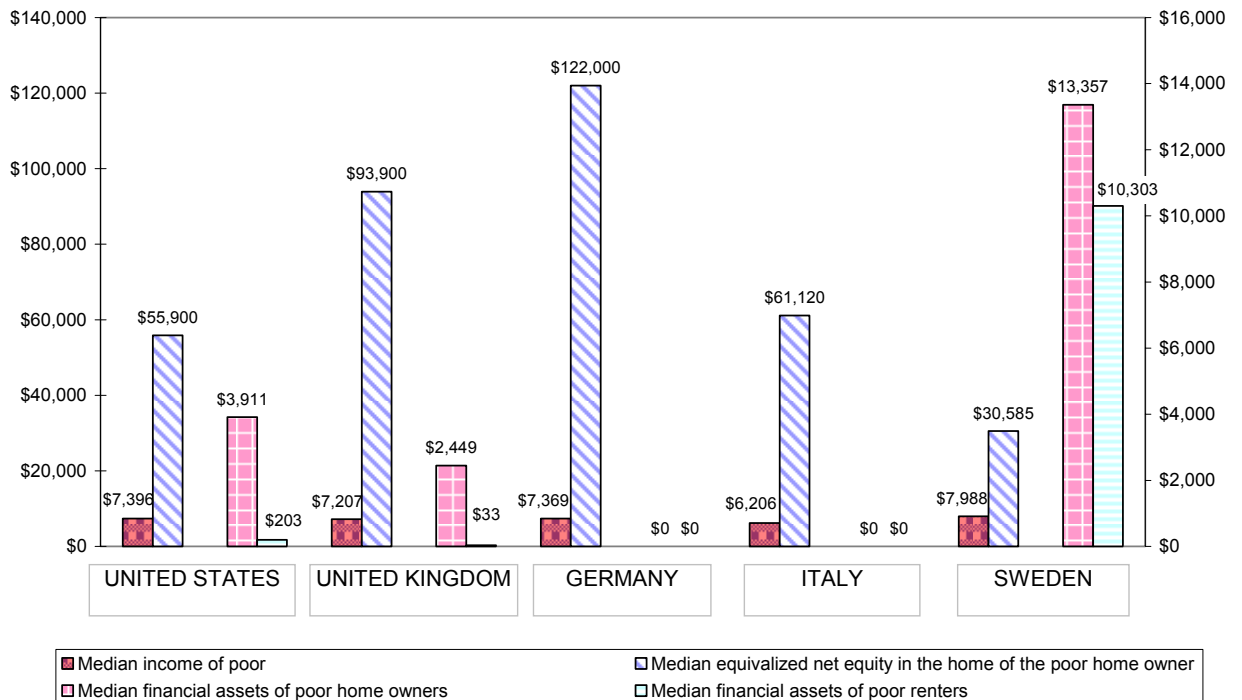


FIGURE 7A
Extreme Hardship:
Income Poverty and Asset Poverty Among HHs with Older Women as Head/Spouse
 (older = age 60+)

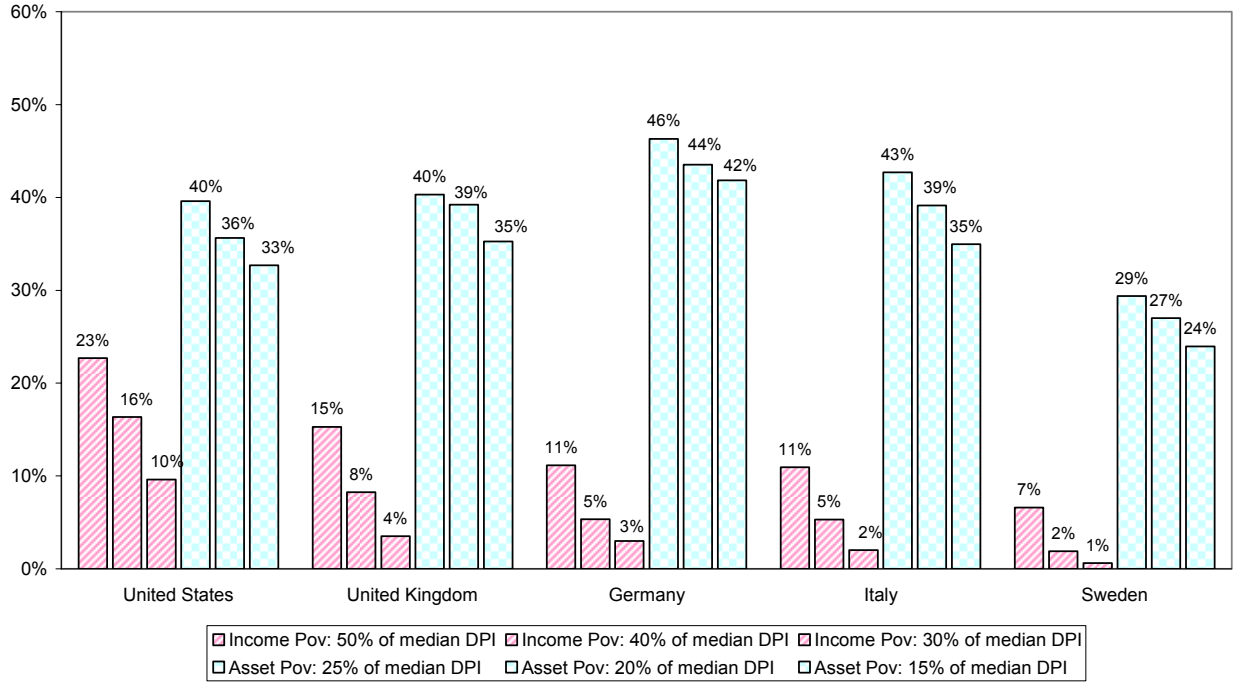


FIGURE 7B
Extreme Hardship:
Income Poverty and Asset Poverty Among HHs of Single Older Women
 (older = age 60+)

