

Age-Specific Income Trends in Europe and the Role of Government Redistribution

Bernhard Binder-Hammer, Sonja Spitzer, Alexia Fürnkranz-Prskawetz

European Population Conference, June 14, 2024

The research received funding from the Jubiläumsfonds of the Austrian National Bank under project no. 18465 and from the European Union's research and innovation programme under Grant agreement no 101095175 (www.ub.edu/sustainwell-eu-project)



Motivation

Challenges in ageing societies:

- providing opportunities and income for the young
- providing social protection of the the elderly

⇒ Informed decisions require indicators on income by age and on age-specific inequalities

We are particularly interested in:

- Age-specific income quartiles and their change
- Income components by age and income quartiles

Data

Data source: EUROMOD (based on EU-SILC) and aggregate data from the European Systems of Accounts

Research focus on individual disposable income (with sharing among partners):

+ income from employment (employees and self-employment)

- taxes on employment-income

+ net social benefits in cash

= disposable income

- Age-groups: 25-39; 40-64; 65+

Research gaps and contributions

- Most comparative research focuses on equivalised household income; opportunities of young household members require information on individual income
=> focus on net individual income
- Income trends differ between age groups and across countries; the focus on age-specific mean/median ignores differences by income level
=> combine information on age and inequality
- Differences in how well income components are captured in EU-SILC; estimates of age-specific trends influenced by data quality
=> adjust microdata to aggregates from the System of Accounts

Hammer, B., Christl, M. & De Poli, S. (2023). Public redistribution in Europe: Between generations or income groups? *The Journal of the Economics of Ageing*.

<https://doi.org/10.1016/j.jeoa.2022.100426>

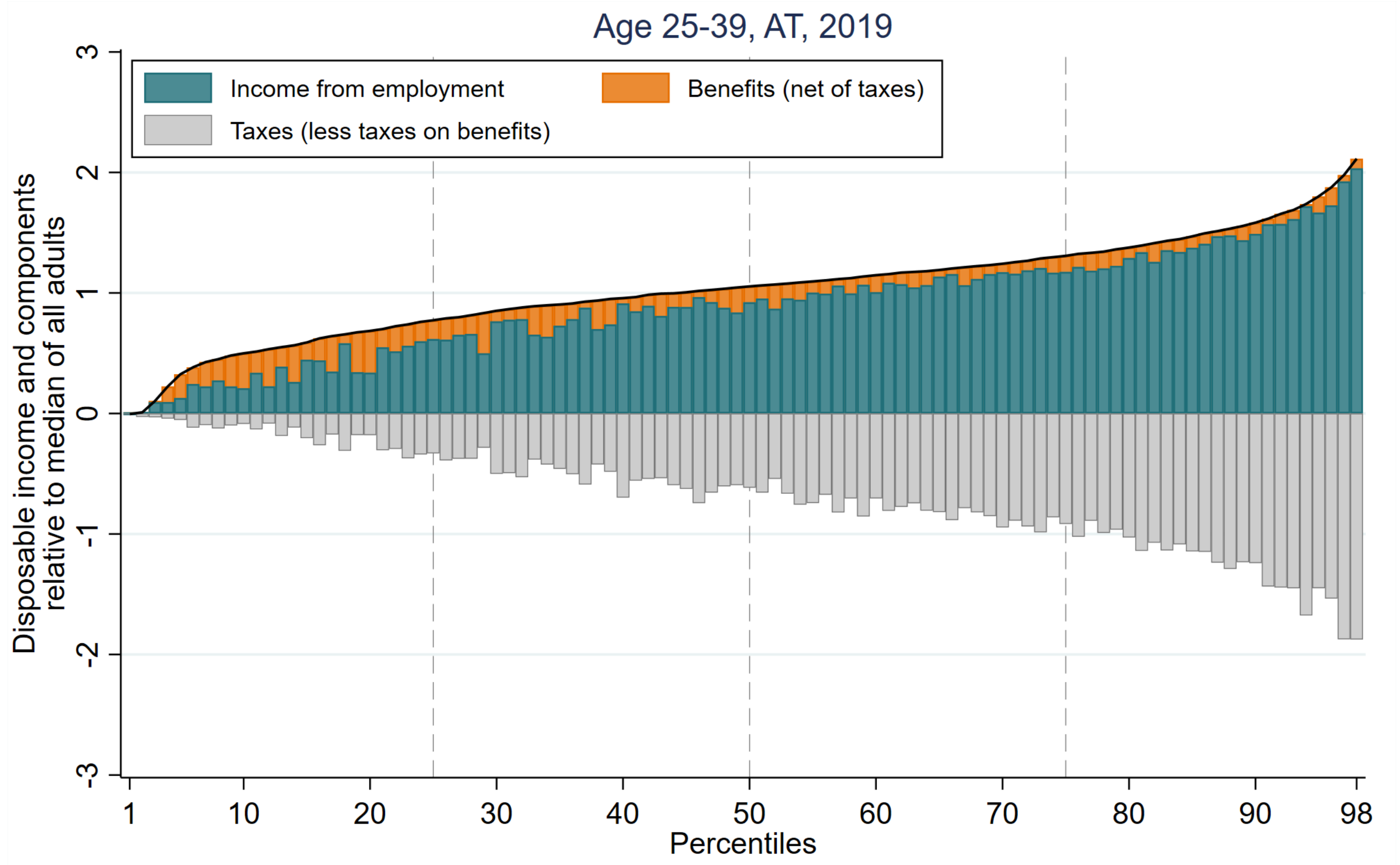
Hammer, B., Spitzer, S. & Prskawetz, A. (2021). Age-Specific Income Trends in Europe: The Role of Employment, Wages, and Social Transfers. *Social Indicators Research* (2021). <https://doi.org/10.1007/s11205-021-02838-w>

Spitzer, S., Binder-Hammer, B., & Reiter, C. (2023). Intergenerational income dynamics in Europe: Past trends and current challenges.

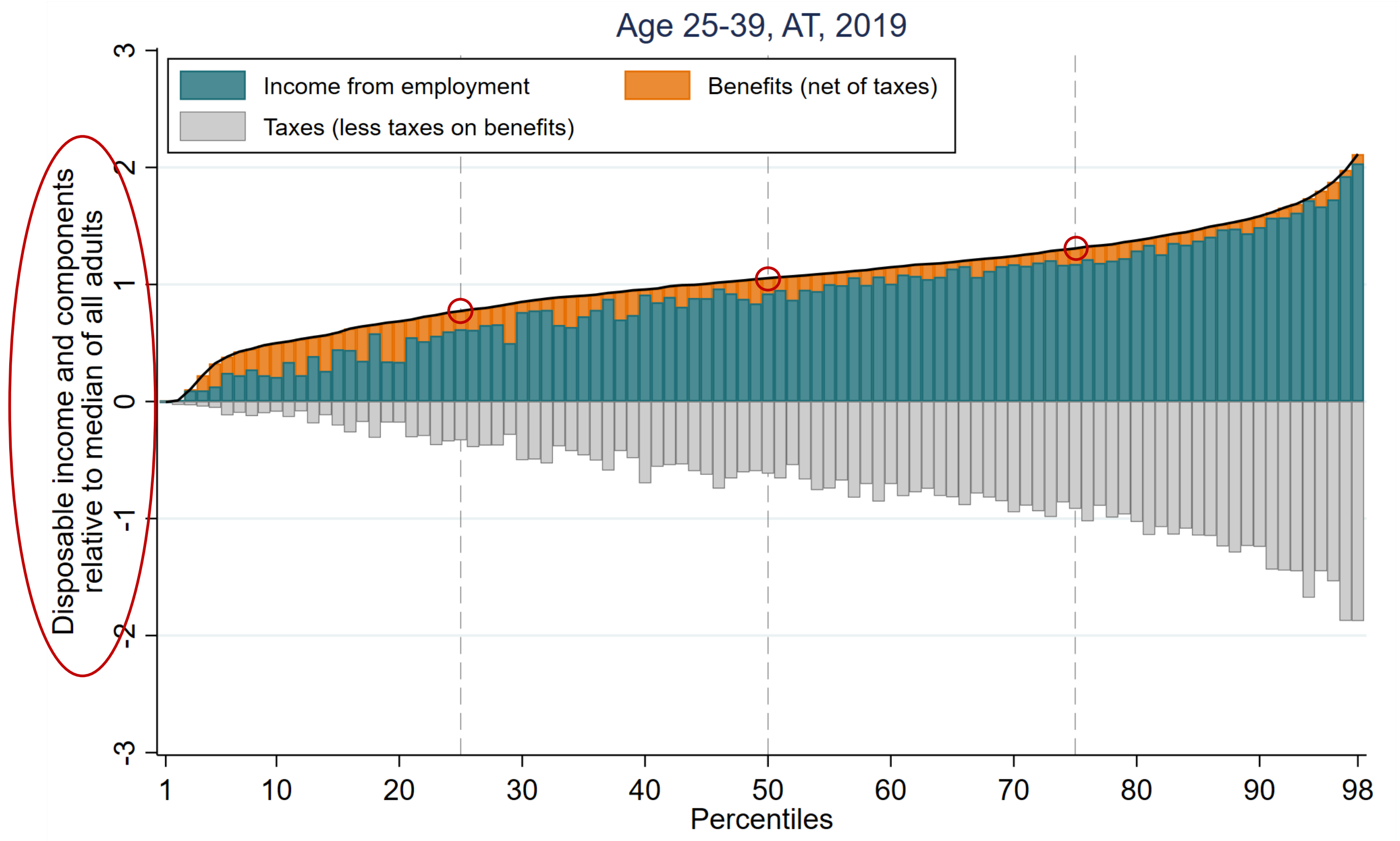
<https://www.eurofound.europa.eu/en/publications/eurofound-paper/2023/intergenerational-income-dynamics-europe-past-trends-and-current>

Young working age population (age 25-39)

Young working age: income quartiles



Young working age: income quartiles



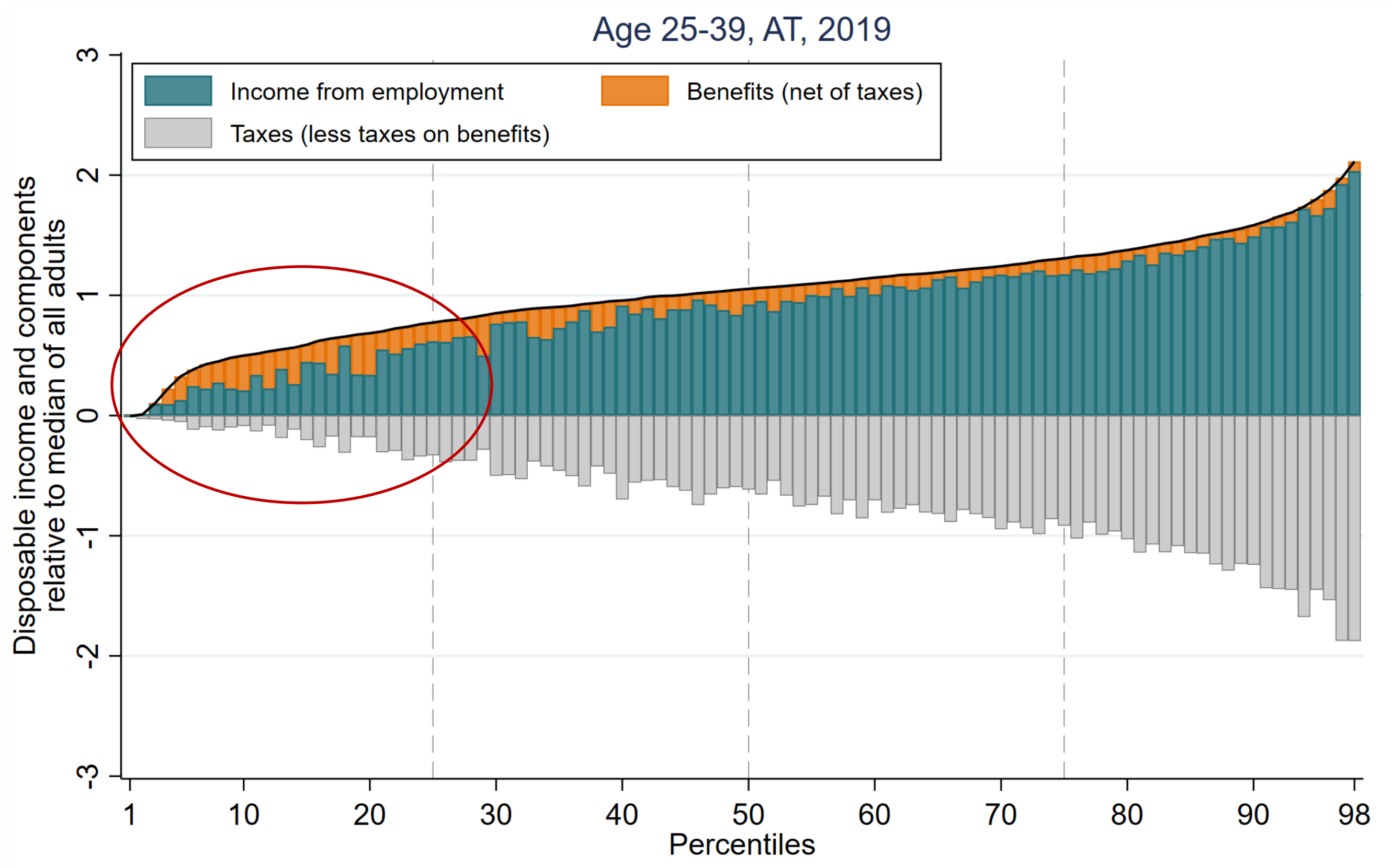
Income quartiles

Age-specific income quartiles (age 25-39) in percent of total median

	1st	2nd (median)	3rd
Austria (AT)	79	106	132
Italy (IT)	55	98	140
Poland (PL)	88	123	170
Sweden (SE)	73	110	141

- In Eastern Europe income of the 25-39-year-old is higher relative to older age groups
- High share of young adults with no/little income in Italy (and Spain and Greece)

Income components at QI



Income components at Q1 in % of adult median

	Disposable Income	Net employment income	Net social benefits
Country			
AT	51	32	18
IT	21	13	7
PL	50	38	12
SE	48	24	23

- Low income of the poorest quarter is a combined effect of little employment income and low social benefits

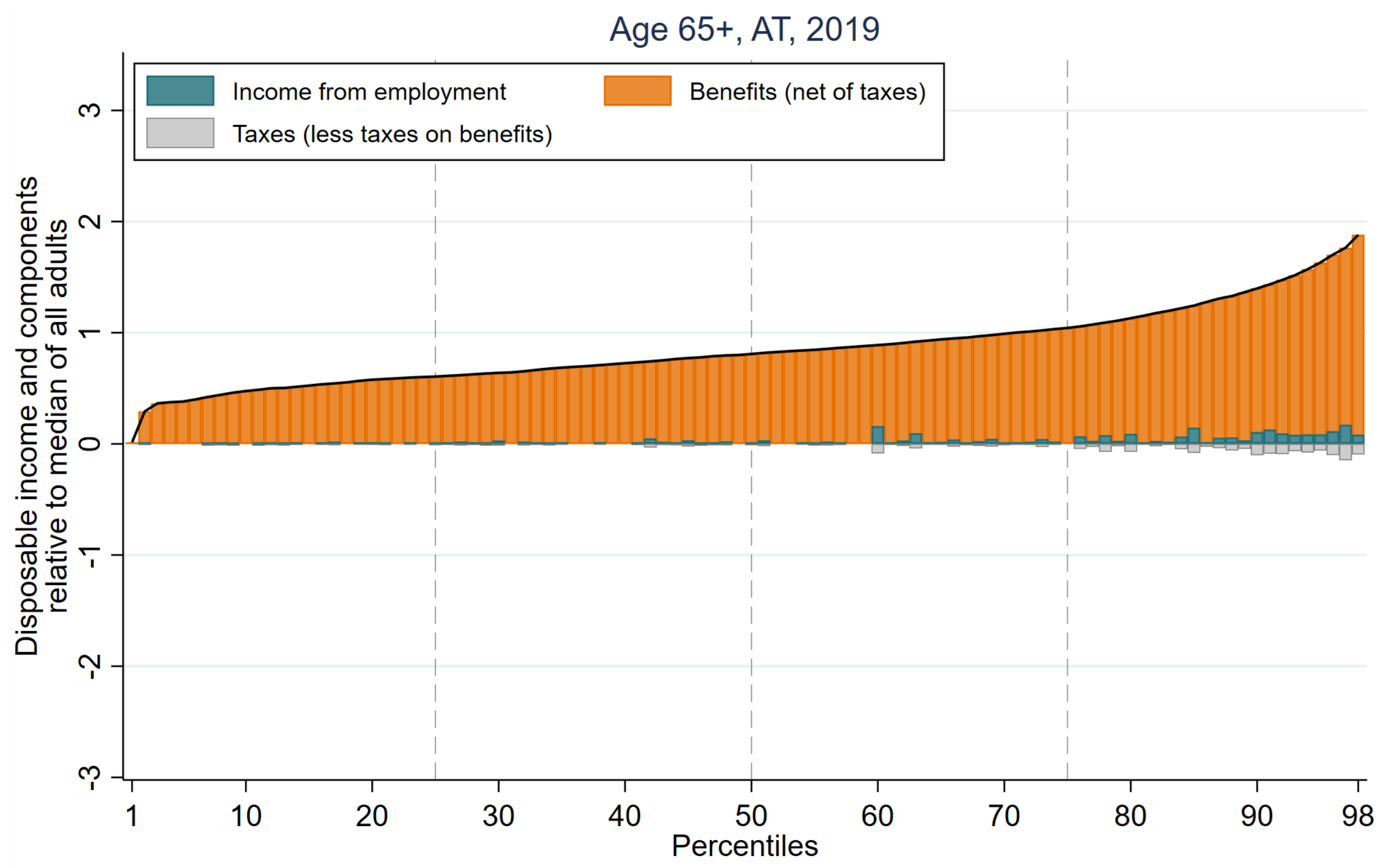
Income quartiles: Changes over time

	Change of income quartiles 2009 - 2019 in %		
Country	1st	2nd (median)	3rd
AT	0	8	5
IT	-9	-9	-9
PL	66	43	34
SE	1	13	20

- In most countries similar changes at all quartiles
- In Eastern Europe first quartile increased most
- In few Central/Northern European countries income increases concentrated at higher quartiles

Retirees (age 65+)

Old age: income by quartile



Old age: income components

	Age-specific income quartiles		
	in percent of adult median		
Country	1st	2nd (median)	3rd
AT	61	82	105
IT	61	88	129
PL	60	76	97
SE	41	48	62

- Public pension lowest in some Northern European countries (SE, DK, NL)
- Large share of „luxury pensioners“ in Central and Southern Europe

Old age: income components

	Age-specific income quartiles		
	in percent of adult median		
Country	1st	2nd (median)	3rd
AT	61	82	105
IT	61	88	129
PL	60	76	97
SE	41	48	62

Change 2009 - 2019 in %		
1st		3rd
quartile	Median	quartile
-2	0	-2
0	5	12
45	41	40
5	4	8

=> In Italy, increases in public pensions concentrated in the richest quarter of retiree

Summary

Income and income trends differ by demographic and socio-economic characteristics

- Large share of the young working age population with no/little disposable income in Southern Europe
- Stagnating incomes in the lower part of the distribution for the young, increasing incomes in upper part (e.g. Sweden)
- High share of „luxury pensioners“ in Central and Southern Europe