

# Life course socioeconomic inequalities in (financial) well-being: state of play of research plan

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# Theoretical background

- According to the life course theory, human development and aging are lifelong processes (Elder and Johnson, 2002);
- Older people are remarkably heterogeneous, perhaps more so than any age group (Bass; Torres-Gil and Gutza, 1990; Stone et al., 2017);
- The concept of cumulative advantage and disadvantage seeks to explain increasing heterogeneity in the process of aging (Dannefer, 1987);
- Well-being among older people is shaped by socioeconomic circumstances across the life course (Niedzwiedz et al., 2015);
- According to the life-cycle theoretical model (Modigliani, 1988) the relations among labor market income, consumption and savings vary over the life cycle. The relations between wealth and age are not linear, wealth tends to increase with age, peak around the time of retirement but to decline after retirement;

## Theoretical background 2

- Cumulative advantage processes produce divergent wealth accumulation trajectories and these processes are situated in important turning points in the life course (Benton & Keister, 2017);
- Although wealth is generated by income, Skopek et al. (2014) showed that wealth and income inequality are substantially different. Cumulative non-employment and lower occupations has significant disadvantages for wealth accumulation in old age (Ponomarenko 2017);
- Next to age, also household composition is related to ownership of assets (e.g the household size), the presence of multiple generations and intact family structures (Bover, 2010; Kolb et al. 2013);
- Home ownership is not only a major component of net worth but also an independent source of wealth built up (Semyonov & Lewin-Epstein, 2013);
- Wealth accumulation trajectories are established early in the life course as a result of human capital acquisition, family formation and other factors and these factors are themselves shaped by family background and intergenerational status transmission mechanisms that enable some households to establish positive wealth accumulation trajectories while others experience financial hardship (Benton & Keister, 2017).

# Research goal and questions

**Research goal:** to seek the causalities of the cumulative dis-/advantages on the (financial) well-being in later age in Estonia

**Research questions:**

- Q1: how socioeconomic dis-/advantage over the life-course impact the (financial) well-being in later age?
- Q2: how intergenerational differences explains the socioeconomic dis-/advantage of (financial) well-being?
- Q3: to what extent the household wealth explains the (financial) well-being in later age?

**Expected outcome:** Increased socioeconomic advantage over the life-course, younger generations and living in own home is expected to increase the (financial) well-being.

# Academic significance

- Wealth and wealth inequality has been little studied by sociologists and so far the primary focus has been on income (Savage et al. 2013, Erikson and Goldthorpe 2010, Goldthorpe 2012, Ponomarenko 2017);
- It is still open for debate whether the individual is more of an active agent or more of a passive object in the processes that shape the life course (Diewald, 1999; Nollmann, 2003), although it is believed more in selection than choice (Mayer, 2004);
- It has been studied how the socio-economic dis-/advantage impacts the well-being of elders in different welfare regimes and what is the role of the financial distress in this relationship (Niedzwiedz et al. 2015)
- This research is aimed to expand previous study by focusing on following:
  - socio-economic dis-/advantage impact on financial well-being and well-being as whole;
  - socio-economic dis-/advantage broken down by childhood and adulthood socioeconomic position;
  - in-depth focus on Estonian situation

# Social significance

- Whereas in the EU as a whole, an average of 15 percent of people over 65 years old were at risk of poverty, for Estonia this figure was in 2018 nearly four times that at 54 percent (Eurostat);
- Skopek et al. (2014) showed that wealth inequality is substantially different from income inequality (Ponomarenko 2017).
- According to the Household Finance and Consumption Survey conducted by Estonian Bank there are in Estonia a lot of real asset owners (mostly home), but modest proportion of the financial assets (Meriküll & Rõõm, 2019).
- This research helps to explain, to what extent the financial well-being among Estonian elderly people are explained by:
  - life course socio-economic dis-/advantage;
  - generational differences;
  - individual financial decisions and behaviour.

# Research design

- Data Source: SHARE (Survey of Health, Ageing and Retirement in Europe);
- Estonia is participant of SHARE since 4. wave (2011), 6863 respondents
- SHARE data includes the necessary variables to conduct the quantitative analysis;
- Data for research is planned to draw from SHARE wave 4, wave 5 and wave 7;
- Dependant variables: *financial distress* is used to measure the financial well-being. CASP-12 and life-satisfaction is used to measure the well-being in general
- Independant variables : 1) cohort, 2) index of socio-economic position and 3) net wealth of the households

## Research design 2

- Q1. Based on the SHARE characteristics, aggregate indices of the socio-economic situation of childhood and adulthood are compiled, followed by a quantitative (regression) analysis of the (financial) well-being of the respondents to the SHARE survey and the relationship between the socio-economic situation of childhood and adulthood
- Q2. The respondents of the SHARE questionnaire are grouped into birth cohorts after which a quantitative (regression) analysis is performed on the basis of SHARE data to determine the extent of different birth cohorts differ in terms of (financial) well-being
- Q3. The respondents of the SHARE questionnaire are grouped on the basis of their wealth, followed by a quantitative (regression) analysis to determine the extent to which the estimates of (financial) well-being differ in different financial groups



# Components of the socioeconomic position

Childhood	Wave	Module	Datafield(s)
Number of books at 10 yrs	5	MC	mc005
Number of rooms per capita at 10 yrs	5	MC	mc003 and mc004
Parents highest education *	5	DN	dn051_1/dn051_2; dn053_1 - dn0353_19
Family's financial position at 15 yrs *	5	MC	mc009
Adulthood	Wave	Module	Datafield
Respondent education	4	DN	dn010
Occupational skill level	4	EP	ep016
Current household income	4 (7)	GV_IMP	thinc2
Current household wealth	4 (7)	GV_IMP	hhnetw

- Father occupational skill level will be replaced with parents highest education
- Number of amenities will be replaced with family's financial position at 15 yrs

# Descriptive statistics

- Life-satisfaction: on the scale 0-10 how satisfied the respondent were with his/her life
- CASP-12 (control, autonomy, self-realization, pleasure): respondents was asked 12 questions to rate (from often to never) how often they experienced particular feelings and thoughts. Higher score (ranging from 12-48) reflects higher well-being
- Financial distress: respondents were asked to rate their household's monthly income and rate their ability to make ends meet (with great difficulty, with some difficulty, fairly easily or easily)

	mean	median
life satisfaction	6,4	7,0
CASP-12	35,2	36,0
financial distress	2,4	2,0
age at 2011	66,7	66,0

# CASP-12

## Control/autonomy

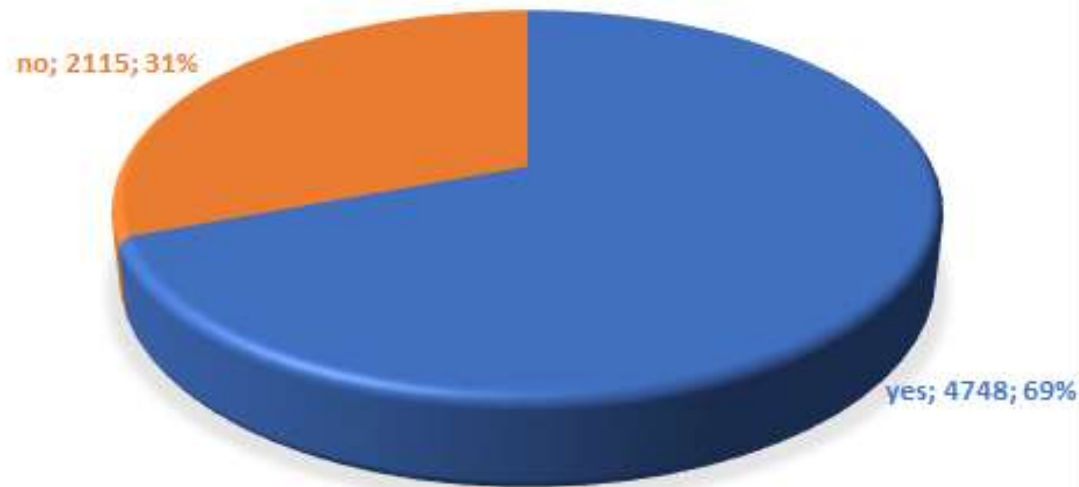
- My age prevents me from doing the things I would like to do
- I feel that what happens to me is out of control
- I feel left out of things
- I can do the things that I want to do
- Shortage of money stops me from doing the things I want to do

## Pleasure/Self-realization

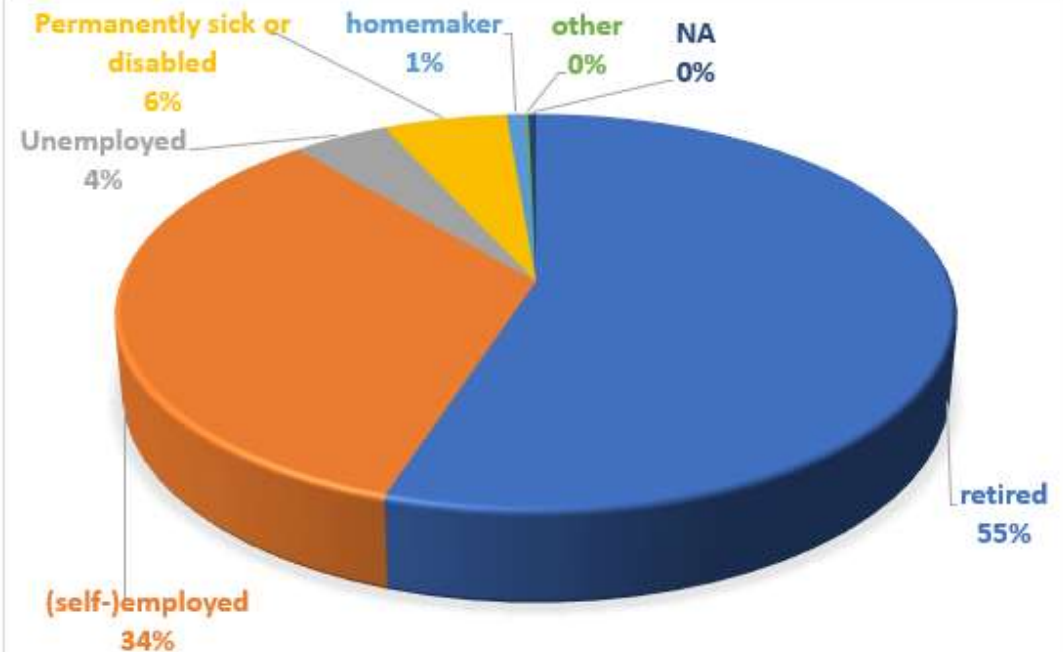
- I look forward to each day
- I feel that my life has meaning
- On balance I look back my life with a sense of happiness
- I feel full of energy these days
- I feel that life is full of opportunities
- I feel that the future looks good for me

# Descriptive statistics

**Partner in household, SHARE W4, 2011, (EE)**



**Current job situation, SHARE W4, 2011, (EE)**



Thank You!

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