Poverty and transitions in key areas of quality of life

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Poverty and quality of life

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- how to improve it is an essential policy question.

Most important areas of policy influencing quality of life of older people:
- labour market policy, health care, long-term care, transport, social and cultural infrastructure;
- material conditions and the relationship with the other policy areas.
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Material conditions likely to be important for quality of life:
  - what do we mean by „material conditions”?
  - how should we define the relevant measure from the point of view of the older population?
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- Policy discussion often focused on „old age poverty“ defined with respect to relative income measures:
  - a number of intuitive and theoretical reasons why current income would not represent a broad concept of „material conditions“;
  - problems with within-country relative measures.
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Source: SHARE data, Wave 2
Poverty and quality of life

Income poverty and difficulties in making ends meet:

Source: SHARE data, Wave 2

Important policy relevant questions:
- to what extent material conditions matter for quality of life?
- what measures of poverty reflect their relevance?
- what measures should be monitored and targeted by policy?
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- Measures of „quality of life“:
  - two measures of physical health:
    - symptoms of poor health – 3+SMT;
    - difficulties in activities of daily living – 3+ADLs;
  - symptoms of depression – 4+EURO-D;
  - lack of happiness with life – UNHAPPY.
Poverty and quality of life

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Measures of poverty:
- difficulties in making ends meet – SUB;
- no food expenditure outside of household – NFO;
- income based poverty (relative to 60% of median income) – INC;
- financial distress (financial wealth<3*monthly incomes) – FD;
- relative wealth poverty (lowest tertial in distribution) – WEALTH.
Poverty and quality of life

Income poverty and self-assessment of material conditions: low overlap even in countries with similar rates

Source: SHARE data, Wave 2

- **SUB** – difficulties in making ends meet
- **INC** – income based poverty

Source: SHARE data, Wave 2
Poverty and quality of life

- Analysis of the effect of poor material conditions on changes in different aspects of quality of life:
  - transitions in physical and mental health and in overall happiness with life;
  - changes from good to bad states between waves 2 and 4 conditional on being in good state in wave 2 (and vice versa).
Poverty and quality of life

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- Results presented as odds ratios:
  - logistic regression of probability of transition from good to bad state \((\text{and vice versa})\) conditional on different measures of poverty (and a number of controls).
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Results: transitions from “good” to “bad” states: odds ratios by poverty status

- **3+SMT** – symptoms of poor health
- **3+ADL** – limitations in ADL
- **4+EURO-D** – symptoms of depression
- **UNHAPPY** – not satisfied with life

- **INC** – income based poverty
- **FD** – financial distress
- **NFO** – no food outside of hh
- **SUB** – difficulties in making ends meet
- **WEALTH** – relative wealth poverty

Source: Authors’ calculations using SHARE data.

- Income based poverty has no effect on transitions in physical health and life satisfaction.
- Significant and substantial effects of subjective and wealth poverty on transitions in all measures.
Poverty and quality of life

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- Analysis from recent extensions (*forthcoming*):
  - results robust to various specification and attrition tests;
  - additionally: subjective poverty significantly affects mortality among men and respondents aged 50-64.
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Potentially important policy implications:
- material conditions clearly matter for broader outcomes;
- identifying poor material conditions with reference to income poverty may be inadequate – income is likely to be a poor measure of well being in old age.
Conclusions

Ageing at the time of crisis:

- SHARE Wave 4 data reflect the negative effect of the crisis on short and long term material conditions of older people;
- poor material conditions affect people’s quality of life;
- potential policy interventions:
  - monitoring and targeting of changes in material conditions;
  - direct policies in other areas (labour market, health, long-term care) targeted at individuals in difficult material conditions.
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Importance of high variation in the data for understanding and precise estimation of causal relationships.