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**A Taste of What's to Come:  
Changes in Individual Expectations on Ageing and Later Life in  
Times of Welfare State Reforms and Economic Crises**

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**Abstract:**

Resources, needs and evaluations are dimensions of quality of life and pre-conditions for autonomy and life planning. Projections of older people's future living standards in Europe predict declining levels and increasing inequality due to pension reforms and changing employment patterns. Effects of ongoing economic crises need also to be considered as well as changing needs, expenditures and values of older people.

Recent data from the German Ageing Survey (DEAS) demonstrate stable socio-economic resources and increasing inequalities among retirees. The most important trend is an increase in concerns about future living standards which is very significant from a social policy as well as from a gerontological perspective. Based on this data, the paper calls for the origins of the trend to be identified and conclusions drawn. It presents descriptive information and results from multi-level modelling. It heightens awareness of changes in later life due to reforms and crises and will contribute to a wider understanding of multi-level interactions between individual resources, evaluations and societal development.

The DEAS is a representative cross-sectional and longitudinal survey of those aged over 40 (n=8.200 in 2008) in Germany, funded by the Federal Ministry for Family Affairs, Senior Citizens, Women and Youth (BMFSFJ).

Three hypotheses – a) hypothesis of social structure effects, b) hypothesis of cohort change of later life, c) hypothesis of differentiation of inequality patterns – are tested and largely supported by the study. Analyses show that increasing concerns influence individuals' demands for welfare state intervention. Concerns interact with income and portfolio structures but are partly independent of education and gender. Moreover, differences between regions mirror context effects.

**Keywords:**

Standard of living, social security, evaluations, expectations, later life course, life planning, attitudes and beliefs, pensions, welfare state reform, economic crisis

**Outline:**

1. Introduction and observations on socio-economic situations, evaluations and future prospects within social contexts
2. Data
3. Trends in the economic situation of older people in Germany
4. The distribution of indicators at the administrative district level
5. A multi-level perspective: the impact of administrative districts on changes in individual's future prospects
6. Discussion and outlook

## **1. Introduction and observations on socio-economic situations, evaluations and future prospects within social contexts**

This paper will present work on the dynamics of later life and their embeddedness in the social context. It provides some (substantial) results as part of a more complex approach that focuses on an adequate understanding of quality of life in later phases of life as a dynamic multi-level phenomenon and its relevance for the assessment of welfare state and especially ageing policies in a society of long life. Policy oriented research, as it is conducted by the German Centre of Gerontology, is focussing on these current issues as well as on the future development of later life and social inequality. Developments and changes over time can be analysed in a twofold perspective of social change as well as individual dynamics. Effects of social change on later life may be based either on the shifts in generational patterns – one generation replaces another in later life – and hence on substantial changes that took place in the past which lead to generations being formed by the specific historic situation of certain birth cohorts in the sense of Karl Mannheim’s work (Mannheim 1964). Or they stem from current developments such as ongoing welfare reforms, (discourses on) demographic developments, economic transformations, shifts in cultural patterns and the current economic crises. Significant changes in anticipated development of living standards in later life in Germany during the past decade are linked to ongoing welfare state reforms, (discourses on) demographic developments as well as the recent economic crisis. The basic question to be asked is how changes in distributions and individual dynamics can be described and what drives these shifts.

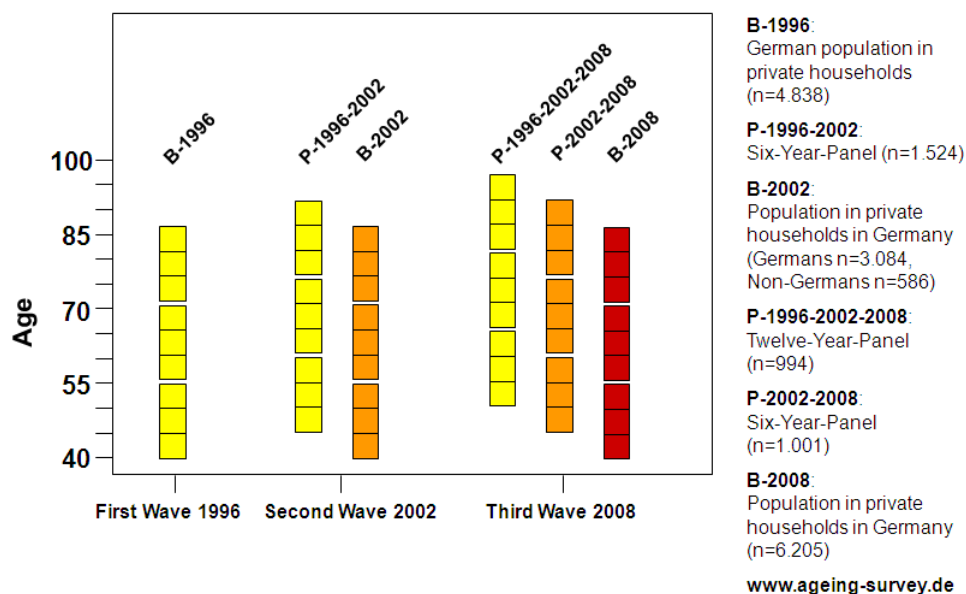
With respect to policy oriented ageing research, quality of life and inequality are basic conceptual frameworks. Socio-economic conditions and their anticipated changes in later life are core aspects of individual quality of life in later life. We basically highlight three different aspects of quality of life: the objective aspects, the current evaluative aspects and the prospective aspects. Hence, in this present paper we discuss income situations, evaluations of standard of living and the prospective development of standards of living as assumed by the individuals concerned. Resources, evaluations and future prospects interact with each other and are unequally distributed by age and birth cohort, gender, level of education, living situation, ethnic group, social class and other markers by social structure. Beyond the individual level, this inequality of distribution is essentially shaped by household structures, families and partnerships, by labour markets and welfare state institutions as the main protagonists in the production and distribution of welfare as well as by other local, regional, national or international economic structures and developments as basic domains for these processes. Production and distribution do not mainly occur at the overall society level as international comparisons of welfare regimes, cultures and countries suggest, but within their own social contexts which are themselves unequal frameworks for individual lives. Hence this paper will discuss the impact of the social context on relevant living conditions and their dynamics over time as well as its relevance for the ensuing inequality.

## 2. Data

### Micro-level data: The German Ageing Survey (DEAS)

On the micro-level of individuals, analyses apply data from the German Ageing Survey (DEAS). The DEAS is a cross-sectional and longitudinal survey study based on a disproportional stratified register sample of older community-dwelling people  $\geq 40$  years,  $n_{2008}=8.200$  (see Table 1). In the data collection conducted in 1996, 2002, and 2008, face-to-face interviews and self-administered questionnaires were used. This ongoing study is funded by the German Federal Ministry for Family Affairs, Senior Citizens, Women and Youth (BMFSFJ). The DEAS has a cross-sectional, panel and cohort sequence design. For more details see [www.german-ageing-survey.org](http://www.german-ageing-survey.org).

**Table 1: The German Ageing Survey (DEAS) – study design and data structure**



### Meso-level data: the INKAR data base

On the basis of this kind of national representative sample of older people, variation in social contexts can be described at the level of municipalities, districts and regions. The *INKAR data base* provides more than 450 indicators on regional and urban development in Germany. Most of them are at the level of administrative districts, some based on the European "Nomenclature of Statistical Territorial Units" (NUTS). Hence, it can also provide up to date information for international comparative analyses. The data base is made available by the Federal Institute for Research on Building, Urban Affairs and Spatial

Development (BBSR) within the Federal Office for Building and Regional Planning (BBR). More information can be found at [www.bbsr.bund.de](http://www.bbsr.bund.de).

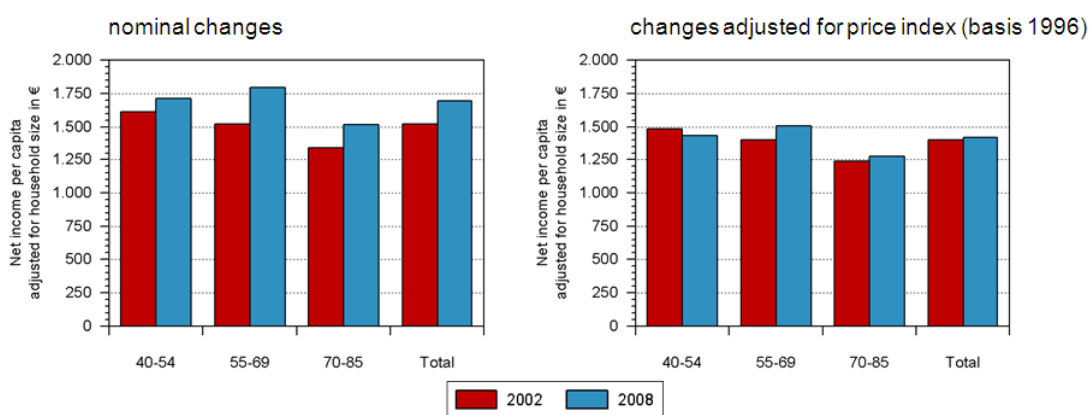
Germany currently has about 300 administrative districts (Landkreise) and more than 100 free cities (kreisfreie Städte) within 16 'Länder' (with three units – the cities of Berlin, Hamburg and Bremen – being simultaneously free city and 'Land'). Administrative districts and free cities are a main arena of local policies, labour markets and service provision.

### Indicators applied in the analyses

At the micro-level of individuals, the analyses applied the following information: the net household income per capita adjusted for household size and composition (equivalent income), the subjective evaluation of standard of living, and the expectations of future changes in the economic situation. The future prospects and their dynamics are our outcome variable. At the meso-level of administrative districts, the analyses use information on the unemployment rate within the district, the mean net income per capita and the tax revenue per capita which refers to taxes collected by districts only.

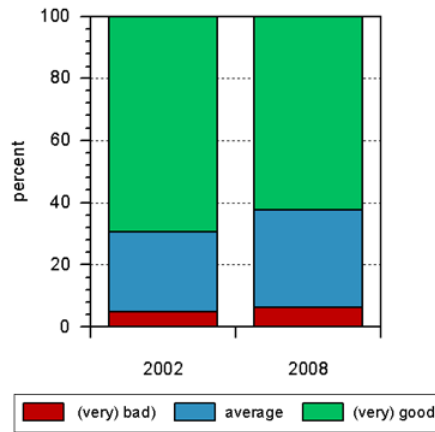
## 3. Some trends in the economic situation of older people in Germany

**Figure 1: Net income per capita adjusted for household size in € 2002-2008: stability over time**



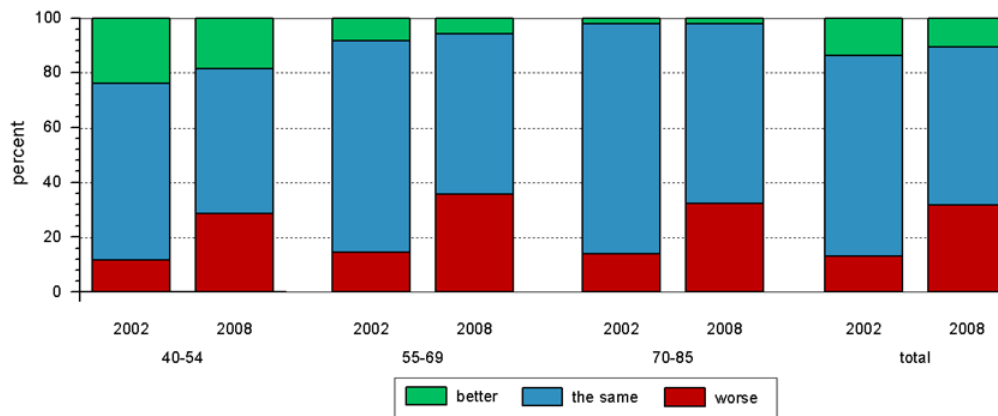
Source: German Ageing Survey (DEAS), 2002-2008, cross-sectional data.

**Figure 2: Individual evaluations of standard of living 2002-2008: decreases in evaluations**



Source: German Ageing Survey (DEAS), 2002-2008, cross-sectional data.

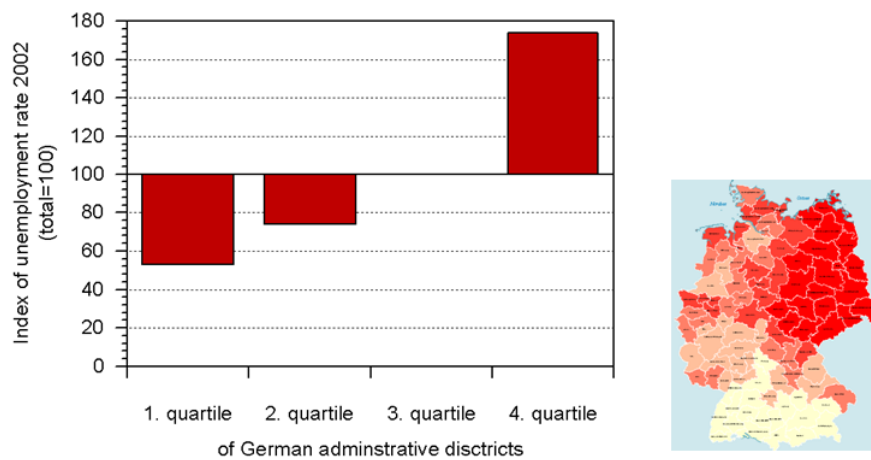
**Figure 3: Expectations of future changes in standard of living 2002-2008: dramatic drop in 2008**



Source: German Ageing Survey (DEAS), 2002-2008, cross-sectional data.

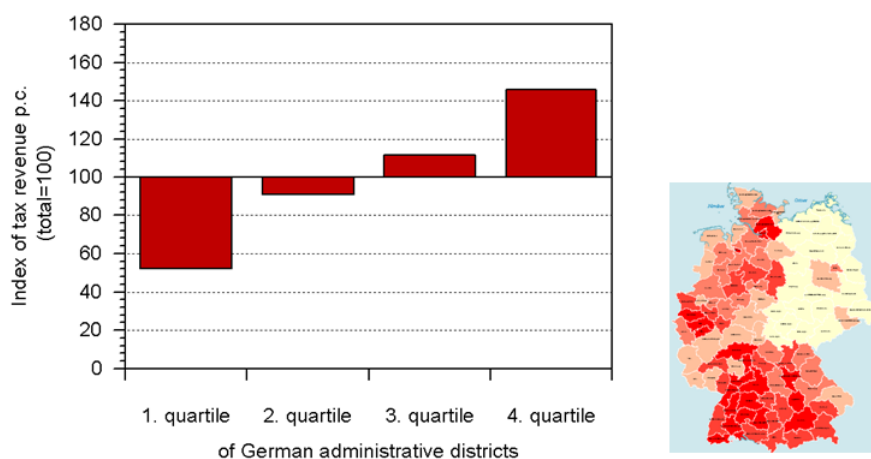
#### 4. The distribution of indicators at the administrative district level

**Figure 4: Unemployment rates 2002 (mean: 10.7%)**



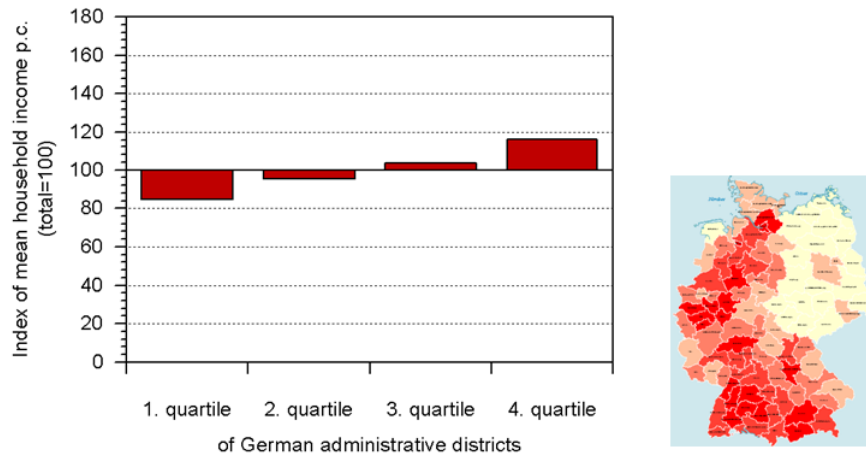
Source: INKAR 2009.

**Figure 5: Tax revenue 2002 – taxes collected by districts only (mean: 425 €)**



Source: INKAR 2009.

**Figure 6: Mean net household income per capita (mean: 1.365 €)**



Source: INKAR 2009.

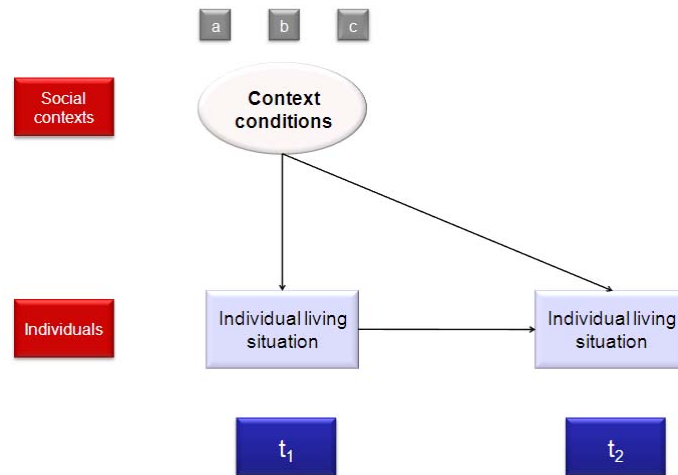
## 5. A multi-level perspective: the impact of administrative districts on changes in individual's future prospects

### Three hypotheses on the impact of administrative districts on changes in future prospects

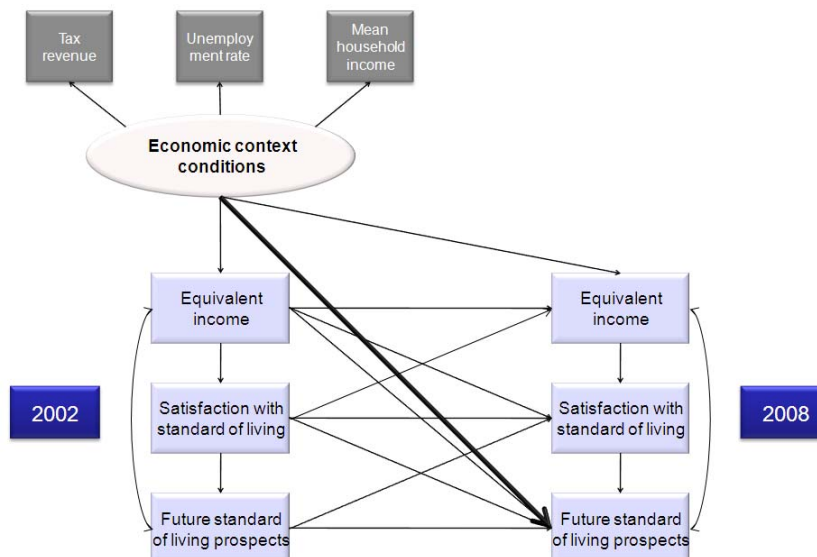
1. Impact of social contexts on changes in incomes and future prospects.
2. Effect of contexts should be strongest before retirement age due to dependence on labour markets and regional economic development.
3. After retirement, overall public pension schemes, old age policies at the federal level as well as economic and societal developments are the main drivers of the trend.

**A first approach to understand the impact of administrative districts on changes in future prospects**

**Figure 7: An overall heuristic model of individual living situations and social contexts**



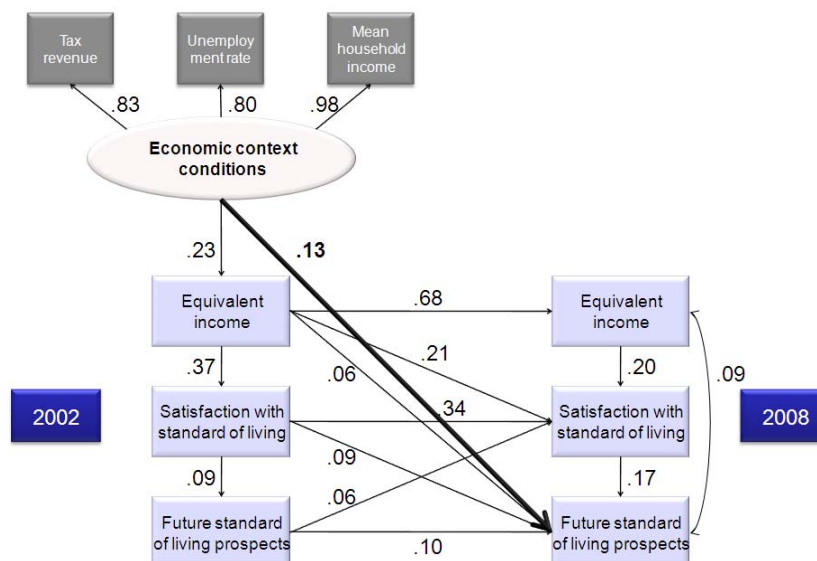
**Figure 8: A conceptual model of individual living situations and social contexts**



**Table 2: An overall model of individual living situations and social contexts: basic information**

- Structure Equation Modelling (SEM)
- Longitudinal (autoregressive) crosslagged models
- Individual panel data from the DEAS
- Missing estimations imputed with full information maximum likelihood
- Corrected for non-independence of observations (robust standard errors)
- Multiple group contrasts

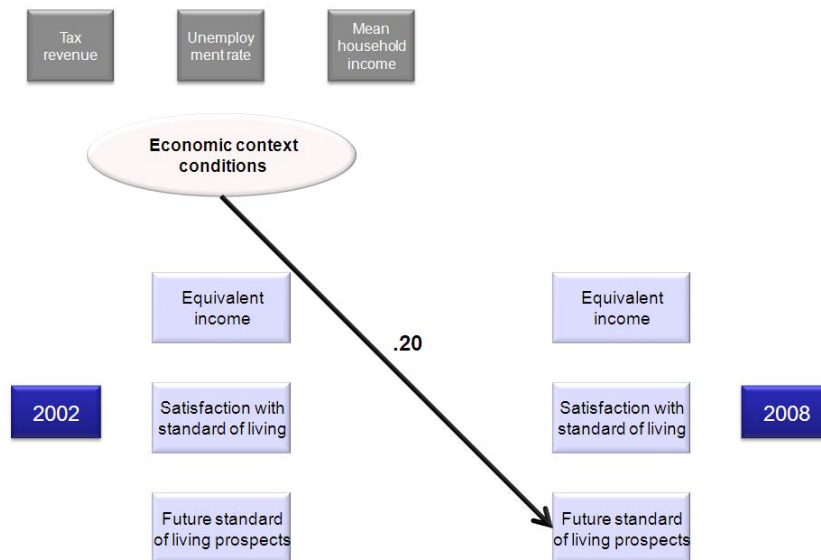
**Figure 9: An empirical model of individual living situations and social contexts**



Only significant coefficients ( $p < .05$ ) are indicated.

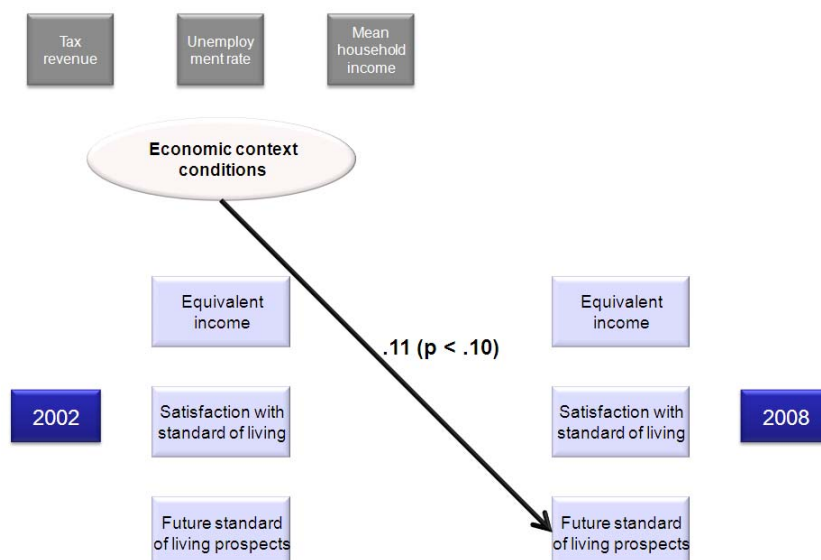
Source: German Ageing Survey (DEAS), 2002-2008, panel data, and INKAR 2009,  $n=3.084$ .

**Figure 10: An empirical model (WORKING AGE ONLY) of individual living situations and social contexts**



Other coefficients are calculated as in Figure 9 but not displayed for the reason of visualisation. Source: German Ageing Survey (DEAS), 2002-2008, panel data, and INKAR 2009, n=997.

**Figure 11: An empirical model (RETIREMENT AGE ONLY) on individual living situations and social contexts**

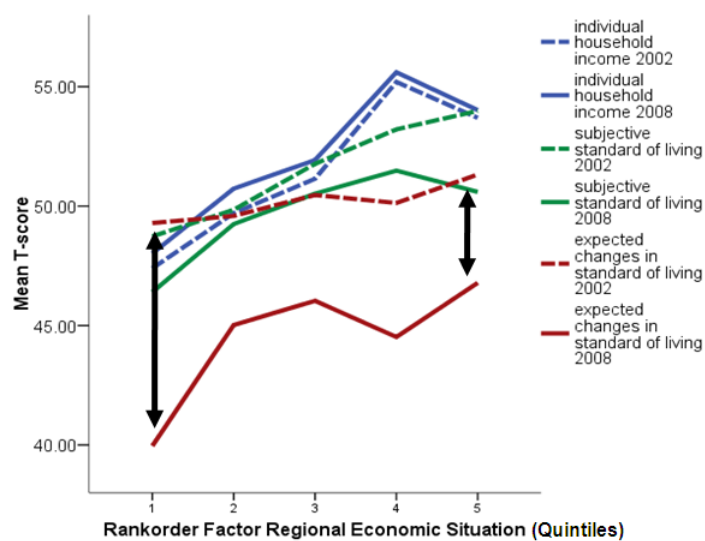


Other coefficients are calculated as in Figure 9 but not displayed for the reason of visualisation. Source: German Ageing Survey (DEAS), 2002-2008, panel data, and INKAR 2009, n=1.313.

**Table 3** *An overall model of individual living situations and social contexts: basis specifications*

- Full Model:  $X^2(15) = 81.38$ , CFI = 0.95, RMSEA = .04, SRMR = 0.02
- n=3084; age range (2002): 40 to 85
- Multiple Group Model:  $X^2(45) = 178.97$ , CFI = 0.93, RMSEA = .05, SRMR = 0.05
- Working age (age 40-53 in 2002): n=997; retirement age (age 65-85 in 2002): n=1313

**Figure 12:** *Economic contexts and individual situations: Changes in individual situations differ and association is non-linear; there is a substantial overall decline in expectations, but losses are most pronounced in economically weak districts*



Source: German Ageing Survey (DEAS), 2002-2008, panel data, and INKAR 2009, n=1.313.

## 6. Discussion and outlook

Empirical data shows stability of economic resources, some decline in evaluations of individual economic situations but considerable regression of older people's prospects of change in the future. Future outlooks are gloomy – especially among those with low education and small incomes. A significant variation of economic indicators was shown that must be taken into account to understand the processes behind this pattern.

A complex model was estimated based on individual panel data. Empirical analyses prove an impact of the economic situation within the social contexts (administrative districts) on changes in future prospects in the second half of life. This finding supports the first hypothesis. In line with the second hypothesis, effects differ between those of working age and those in retirement, and mainly have their roots in deprived districts

Hence, analyses suggest differentiating between two main effects on the local and the national level. The regional component in the overall trend of declining future prospects mainly affects the young old before retirement: It covers regional employment and income perspectives. Beyond this the national component effects changes especially after retirement.

As there seems to be a non-linear impact of contexts, the distribution of future living situations may be affected. While living standards in old age may be decreasing in absolute as well in relative terms, in the future it will probably be those in deprived areas that will experience the most dramatic effects. From the perspective of policy oriented social research the regional context is a major consideration for ageing research, for policy consulting and for future ageing policies in Germany.