

Job loss and financial struggle among the older age groups in 2021: Lessons from the European Union

Demetrio Panarello, Giorgio Tassinari

1. Introduction

The COVID-19 pandemic caused intense disruptions in the global economy. As regards Europe, the Winter 2022 European Economic Forecast projects that, following an annual gross domestic product growth rate of 5.3% in 2021, the EU economy will expand by 4.0% in 2022 and 2.8% in 2023. Ireland was the fastest-growing European economy in 2021 in comparison to the preceding year, with a growth of 13.7%, while Germany – the largest economy in the continent – was the slowest-growing one, with a 2.8% annual GDP growth. No EU countries experienced a negative growth rate compared to 2020 (European Commission, 2022).

Adults around retirement age are more likely to experience disturbances to their employment patterns (Davis et al., 2020). Indeed, older adults are in general more affected by COVID-19 than the younger ones and less comfortable with working remotely, particularly as this often implies the possession of specific technological skills. In 2021, in the EU, the unemployment rate was 7.0%, down from 7.2% in 2020, but above the rate of 6.8% in 2019 (Eurostat, 2022). Across the EU, the 2021 rates ranged from 2.8% in the Czech Republic to 14.8% in Spain. If we restrict the analysis to the older age class (55-74 years old), we can notice that unemployment rates remained unchanged between 2019 and 2020 (4.9%) but rose to 5.2% in 2021.

Here, we examine the different impacts of the pandemic crisis on the various socio-demographic groups, particularly focusing on non-retired individuals aged 50 and above who experienced an involuntary job loss in the first year of the pandemic. This is especially important in times of crisis and in the context of an increasingly ageing population (Cristea et al., 2020). We make use of the second Corona round of the Survey of Health, Ageing and Retirement in Europe (SHARE), with data collected in all continental EU countries plus Switzerland and Israel during the summer of 2021 (Börsch-Supan, 2022).

Our research focuses on European households' economic conditions, by analysing SHARE respondents' statements on the possibility of satisfying their needs through their current income. We try to identify the contextual factors that may make it particularly difficult to achieve this goal, making a distinction between retired and non-retired individuals, in a period during which a significant number of people in the sample experienced retirement or involuntary loss of employment, which translates into rising inequalities (for an analysis of the effects at the end of the first wave, see, among others, Panarello and Tassinari, 2022).

Our results rely on self-reported measures of economic well-being, measuring respondents' perceived economic vulnerability: survey respondents were hence able to portray their subjective well-being without any outside interference. Individuals' own reports of their economic circumstances allow us to capture the real distress they are forced to face in order to maintain their accustomed standard of living in times of crisis.

A relevant element in determining households' ability to cope with adverse economic situations is given by social networks (family and friends), as will be seen later, but we cannot exclude that there is an inverse relationship, for which households facing financial hardship tend to attenuate their social contacts (Gilligan et al., 2020). Moreover, we expect a direct relationship between frequency of social contacts and stated health level (Assari, 2017; Minkler et al., 1983).

The remainder of the manuscript is structured as follows. Section 2 introduces the employed data and procedures; Section 3 presents the results; finally, Section 4 offers some closing remarks.

2. Data and methods

For our analyses, we make use of microdata from the second Corona round of the Survey of Health, Ageing and Retirement in Europe (SHARE), with information collected in all continental EU countries plus Switzerland and Israel during the summer of 2021 (Börsch-Supan, 2022). Since 2004, SHARE regularly collects evidence on Europeans' health, socio-economic status, and social and family networks, interviewing representative samples of individuals with an age of 50 years or over, as well as their eventual cohabiting partners, even if under 50 years old. In the SHARE Corona Survey, respondents are surveyed through computer-assisted telephone interviewing (CATI), using a shortened questionnaire that was specifically developed for use in the pandemic period (Scherpenzeel et al., 2020).

To answer our research questions, we proceed with the estimation of two ordinal logistic regressions of households' ability to make ends meet during the pandemic (specifically, with regard to the approximately twelve months going from July 2020 to July 2021). We use retirement status to generate the subsamples that are used in the two estimated models.

The ordinal dependent variable in our models measures respondents' own reports of their household's ability to make ends meet, with the possible answers being: with great difficulty; with some difficulty; fairly easily; or easily.

The regressors refer to contact frequency with neighbours, friends or colleagues; eventual job loss; financial support received due to the pandemic; eventual variations in household monthly income; gender; age; rating of subjective health (excellent, very good, good, fair, or poor); household size; eventual presence of a cohabiting partner; and a country group dummy based on the United Nations Regional Groups classification (United Nations, 2021), capturing the East-West dichotomy (1: Eastern European Group; 2: Western European and Others Group).

Table 1 shows the descriptive statistics (observations, minimum value, median, maximum value, mean, and standard deviation) of the variables included in the models, based on the subsample that is not missing for any of the variables (estimation sample).

Table 1 Descriptive statistics of the variables included in the models

Variable	Obs.	Min	Median	Max	Mean	SD
Household's ability to make ends meet since July 2020	32665	1	3	4		
Retirement	32665	0	1	1		
Contact frequency with neighbours/friends/colleagues during last 3 months: At least weekly	32665	0	1	1		
Unemployed, laid off or business closed since July 2020	32665	0	0	1		
Received financial support due to outbreak since July 2020	32665	0	0	1		
No variations in household monthly income since July 2020	32665	0	1	1		
Male	32665	0	0	1		
Age in 2021	32665	34	71	105	71.696	9.103
Rating of subjective health	32665	1	3	5		
Household size	32665	1	2	11	1.893	0.939
Partner in household	32665	0	1	1		
Country group	32665	1	2	2		

3. Main results

As mentioned in the previous Section, we estimate two ordinal logistic regression models of households' ability to make ends meet, based on individuals' own reports of their economic situation with reference to the approximately twelve months going from July 2020 to July 2021 (Table 2). The first model is estimated on the sample of non-retired individuals, while the second one refers to the retired respondents.

Table 2 Estimation results – Household’s ability to make ends meet since July 2020, estimated separately for non-retired and retired individuals

Variable	Non-retired	Retired
	Coef.	Coef.
Contact frequency with neighbours/friends/colleagues during last 3 months: At least weekly	0.323*** (0.0420)	0.141*** (0.0244)
Unemployed, laid off or business closed since July 2020	-0.211*** (0.0783)	
Received financial support due to outbreak since July 2020	0.098* (0.0571)	-0.061 (0.0377)
No variations in household monthly income since July 2020	0.498*** (0.0583)	0.018 (0.0433)
Male	0.240*** (0.0435)	0.010 (0.0261)
Age in 2021	0.000 (0.0028)	0.024*** (0.0017)
Rating of subjective health (Reference: Excellent)		
2. Very good	-0.443*** (0.0930)	-0.373*** (0.0754)
3. Good	-0.867*** (0.0874)	-0.850*** (0.0706)
4. Fair	-1.289*** (0.0916)	-1.359*** (0.0719)
5. Poor	-2.096*** (0.1153)	-2.025*** (0.0795)
Household size	-0.216*** (0.0218)	-0.160*** (0.0163)
Partner in household	0.563*** (0.0495)	0.548*** (0.0303)
Country group: Western European and Others Group (WEOG)	0.326*** (0.0432)	0.722*** (0.0265)
Cutpoint 1	-2.022*** (0.2146)	-0.912*** (0.1534)
Cutpoint 2	-0.333 (0.2135)	1.066*** (0.1527)
Cutpoint 3	1.389*** (0.2140)	2.862*** (0.1539)
Observations	8683	23982
Pseudo-R2	0.046	0.059
Log-likelihood	-10867	-28315

Note: * and *** stand for $p < 0.10$ and $p < 0.01$. Standard errors in brackets.

Respondents stating that they have been engaging with neighbours, friends or colleagues at least weekly during the last three months, compared to those who met their acquaintances less often, are more likely to satisfactorily meet their living costs during the COVID-19 crisis.

Straightforwardly, the non-retired individuals who suffered a job loss since July 2020 are shown to be less able to make ends meet.

Having received financial support due to the outbreak since July 2020 makes non-retired people more likely to make ends meet on average, while this is not associated with significant differences when considering the retired population, maybe due to a higher monetary wealth they might be able to tap into and to a more stable economic condition.

Similarly, non-retired people who did not experience significant variations in their monthly income are more likely to get through the end of the month, while this is not significantly associated with the likelihood of meeting living costs for the retired ones.

Non-retired males are more likely than non-retired females to make their ends meet, while this association is no longer different from zero at conventional significance thresholds for the retired subsample. This result suggests that pension income provisions play a role in reducing the gender

gap in well-being during retirement.

While age does not play a relevant role for non-retired individuals, the oldest retired individuals appear to be more likely to be able to adequately make their ends meet.

For both subsamples, the lower the perceived health level, the lower the likelihood of comfortably getting to the end of the month.

A larger number of members in the household is associated with a lower likelihood of being able to make ends meet, while the presence of a partner makes it more likely to be able to adequately cover expenditure. This result suggests that intra-household sharing of resources plays a role in smoothing consumption in favour of weaker and older members.

Finally, respondents from countries belonging to the Western European and Others Group are more likely to be able to meet their expenses compared to those living in an Eastern European Group country.

4. Conclusions

In this paper, we examine the economic consequences of COVID-19 on the older European population, focusing on their ability to make ends meet since July 2020, considering retired and non-retired individuals separately.

We show the ability to adequately cover households' expenses to be associated with several factors. In particular, we reveal social networks, medical condition and family composition to be key aspects explaining the likelihood of comfortably getting to the end of the month. These features are of exceptional significance for older adults, who are commonly characterised by poorer physical health, weaker social networks and higher loneliness than younger people (Jaspal and Breakwell, 2022).

We also demonstrate the existence of remarkable differences between the eastern and western portions of the European Union.

The analysis conducted on the retired subsample shows that the ability to make ends meet is not explained by gender, income changes and provided financial assistance, highlighting a lower vulnerability – or, maybe, a higher adaptability and stability – of individuals after retirement. This fact is further bolstered by the result indicating that older retired individuals are more likely to make ends meet compared to respondents who had recently retired (of course, keeping their health status constant). These results suggest that pension income provisions are effective policies to alleviate poverty during retirement.

In essence, in light of the presented findings, we must ensure that older people feel economically safe in the face of growing social costs. Mainly, it is crucial to ensure that people continue to feel healthy and well connected to others, paying special attention to those nearing retirement.

This work does not come without limitations. First, the study does not control for individuals' place of residence, which could highlight interesting differences between capital cities and peripheral areas, or between large cities and small towns. Second, the study does not take educational level into account. Possible future waves of the SHARE Corona Survey shall allow us to assess whether the presented associations persist over time.

References

- Assari, S. (2017). Whites but not blacks gain life expectancy from social contacts. *Behavioral Sciences*, 7(4), pp. 68-89.
- Börsch-Supan, A. (2022). Survey of Health, Ageing and Retirement in Europe (SHARE) Wave 9. COVID-19 Survey 2. Release version: 8.0.0. SHARE-ERIC. Data set. DOI: 10.6103/SHARE.w9ca.800.

- Cristea, M., Georgiana Noja, G., Dănăciță, D.E., Ștefea, P. (2020). Population ageing, labour productivity and economic welfare in the European Union. *Economic Research-Ekonomska Istraživanja*, **33**(1), pp. 1354-1376.
- Davis, O., Fisher, B., Ghilarducci, T., Radpour, S. (2020). A first in nearly 50 years, older workers face higher unemployment than mid-career workers (No. **2020-05**). Schwartz Center for Economic Policy Analysis (SCEPA), The New School.
- European Commission (2022). European Economic Forecast: Winter 2022 (Interim). <https://data.europa.eu/doi/10.2765/333044>
- Eurostat (2022). Unemployment by sex and age – annual data. https://ec.europa.eu/eurostat/databrowser/view/UNE_RT_A_custom_2553687/
- Gilligan, M., Sutor, J.J., Rurka, M., Silverstein, M. (2020). Multigenerational social support in the face of the COVID-19 pandemic. *Journal of Family Theory & Review*, **12**(4), pp. 431-447.
- Jaspal, R., Breakwell, G.M. (2022). Socio-economic inequalities in social network, loneliness and mental health during the COVID-19 pandemic. *International Journal of Social Psychiatry*, **68**(1), pp. 155-165.
- Minkler, M.A., Satariano, W.A., Langhauser, C. (1983). Supportive exchange: An exploration of the relationship between social contacts and perceived health status in the elderly. *Archives of Gerontology and Geriatrics*, **2**(3), pp. 211-220.
- Panarello, D., Tassinari, G. (2022). The consequences of COVID-19 on older adults: evidence from the SHARE Corona Survey. *National Accounting Review*, **4**(1), pp. 56-73.
- Scherpenzeel, A., Axt, K., Bergmann, M., Douhou, S., Oepen, A., Sand, G., ..., Börsch-Supan, A. (2020). Collecting survey data among the 50+ population during the COVID-19 outbreak: The Survey of Health, Ageing and Retirement in Europe (SHARE). *Survey Research Methods*, **14**, pp. 217-221.
- United Nations (2021). Regional groups of Member States. <https://www.un.org/dgacm/en/content/regional-groups>