

Living Standard, Living Level and Economic Wellbeing of Older Persons:

Similarity and Differences in Measuring These Concepts

STANDARD DE VIE, NIVEAU DE VIE ET BIEN-ÊTRE ÉCONOMIQUE DES PERSONNES ÂGÉES:

SIMILITUDES ET DIFFÉRENCES DANS LA MESURE DE CES CONCEPTS

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Abstract: The number of older persons is increasing throughout the world and the consequences of ageing population; specifically in economics of aging was deserved to be being attention. The main issue in economics of aging is the way in indentifying the economically vulnerable group and how the allocate government's limited resources to the needed group. However, various methods, either using objective approach (income, consumption, net flow, net worth) or subjective approach (self-rated income adequacy, perceived financial satisfaction) were employed to identify the vulnerable group. This paper aims to link concept of economic status, economic well being with living level and living standard. It recommended that those who want to study the concept of economic well being should start from the understanding of living level and living standard.

Key words: Older person; living level and living standard

Résumé: Le nombre de personnes âgées est en augmentation partout dans le monde et les conséquences du vieillissement de la population, en particulier dans l'économie du vieillissement, méritaient d'être suivies de près. La question principale dans l'économie du vieillissement est la façon d'identifier le groupe économiquement vulnérable et comment allouer les ressources limitées du gouvernement au groupe de besoin. Or, des méthodes diverses, soit en utilisant l'approche objective (le revenu, la consommation, le flux net, la valeur nette) ou l'approche subjective (l'adéquation du revenu auto-évalué, la satisfaction financière perçue) ont été utilisées pour identifier les groupes vulnérables. Ce document vise à relier la notion de statut économique, du bien-être économique avec le niveau de vie et le standard vie. Il a recommandé que ceux qui voulaient étudier la notion de bien-être économique devraient commencer par la compréhension du niveau de vie et du standard de vie.

Mots-clés: personnes âgées, standard de vie et niveau de vie

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*Received 30 July 2010; accepted 28 September 2010

1. LIVING STANDARD, LIVING LEVEL AND ITS MEASUREMENT

Living standard is a combination of wealth and services desired with a set of habitual evaluation towards their wealth and services. It refers to the sum of all satisfaction considered essential to living. The term, living standard is commonly used in speaking of economic achievement and goals in the public interest. In this connection, it usually refers to the quantities and qualities of goods available and its main purpose is to satisfy “wants” rather than “needs”. According to Fitzisimmons & Williams (1973) living standard usually changes slowly and it is based upon the goals, attitudes, and satisfaction already experienced. Since everyone have a different wants across their life-span development, standard of living can be expected to vary in some respects from individual to individual, locality to locality. Looking into the macroeconomic aspects of measurement on living standard, GDP per capita is a commonly used measure of the living standard but not necessarily an accurate one because, among other reasons, it does not distinguish between consumer and capital goods where it does not take account of differences in the economic goods and services that are not measured in GDP. It means that GDP is subject to the vagaries of translating income measures into a common currency but it fails to take into account differences of tastes among nations. If we look into a smaller context, that we like to measure the standard of an elderly, perceived income adequacy in old age and their life satisfaction level should be proper indicators than the others. For example, a poor elderly with no regular income and assets, staying with his family but his family members cover his expenses. For this case, the elderly is poor in level of living but not standard of living.

Living level is concerned with the consumption or use of economic goods. But if we apply the level of living into a family, the level (or some paper refers to content, consumption) will be referred as the total of food, fuel, and other nondurable goods used up, the services of houses, automobiles, clothing, and other goods varying durability, and the services of human being enjoyed by an individual, or group in a given period of time. In speaking of level of living, consideration of attitudes and feeling about the level of living is omitted. For measurement, probably the first attempt to construct a measuring scale for living level was by Kirkpatrick in the early of 1920's. He has developed a series of cost-consumption unit scales for farm families, including separate scales for food, clothing, rental, healthcare, personal goods and furnishing. Later Mayo, Halmiton and Pettus used US census of agriculture data to measure the rural famers' level living. It was different compared with Kirkpatrick as they used seven living items, (possession of telephone, electricity, Television, piped running water, freezers, automobiles, and tractors). These two studies have proved one hypothesis that living level was not explained by income but various demographic and cultural factors. John & Kelly (1973) in their study tried to strengthen the previous two findings that improvement level of living must first come from increasing incomes. But once up to a certain levels of economic development are attained, further increases in level of living are primarily due to the variations in life styles of the community members. Report on International Definitions and Measurement of Standards and levels of living (United States, New York, 95pp, Mar 1954) did emphasize a number of indicators that would provide quantifiable components of the level of living. The major headings are namely: health, food, education, conditions of work, employment situation, aggregate consumption and savings, transportation, housing, clothing, recreation, social security and human freedoms. The report also suggested whenever researchers would like to conduct a comparisons study between two nations, indicators namely life expectancy, infant mortality, proportion of children 5-14 years enrolled in school and literacy rate should be set as priority indicators.

2. ECONOMIC WELLBEING AND ITS MEASUREMENT

The concept of standard and level of level by Davis (1945) has been extended in discussing topics on economic wellbeing among the older persons since 1960. One of the first efforts at a model of the elderly well-being was proposed by Bohland and Davis in year 1979. They developed a model to explain how (1) safety, (2) neighborliness, (3) physical condition and, (4) convenience contribute to neighborhood satisfaction. They were also interested for the relationship between the four attributes across different age groups. According to their findings, neighborliness and physical conditions were key dimensions of neighborhood satisfaction for all age groups but were most important for the elderly. The study found that there were more similarities than differences between the elderly and younger age groups, and in fact, the most important age differential was between the elderly and the 55-65 age groups. This findings supported the idea elderly might adjust their lifestyle upon retirement. In the early 1980s, Barresi et al (1983-1984)

proposed a model of environmental satisfaction and sociability. These authors included housing satisfaction, perceived neighborhood safety, neighborhood sociability and neighborhood interaction, race, age, marital status, income, education, health status, homeownership and length of residence for the model. They were also applied their model to elderly women and men separately because of the salient nature of the gender variable in the understanding of well-being among the elderly. They found that non-white, married and age were positively related to well-being only for elderly women. Safety and sociability played a major role in the determination of well-being

At about the same time, Carp and Carp (1984) had proposed a conceptual model of well-being among the elderly that focused only on independently dwelling elderly. These authors did applied Maslow's needs hierarchy that well-being was the result of the satisfaction of needs by available environmental resources. Hence, they identified two levels of need namely lower-order or life-maintenance needs and higher-order needs. Carp and Carp (1984) believed that the satisfaction of both types of needs can be explained vary on each individual (based on competence, personality or life style) and the resources offered by the environment. Clarke et al (2000) used Ryff's (1989) work on positive psychological functioning to identify the main dimensions by which well-being should be measured. According to the authors, self-acceptance, positive relations with others, autonomy, environmental mastery, purpose in life and personal growth should be all considered in a model of well-being. They applied their approach to a representative sample of Canadians aged 65 years and older, and found that all dimensions declined with age except self-acceptance. Women scored higher than men for positive social relations and personal growth. It reaffirmed the above model (Carp and Carp, 1984) saying that the needs satisfaction (in Clarke study is more on the construct of well being) is different due to personal characteristic and environment factors.

The key terms when discussing wellbeing are "experience" and "aspirations" while the key terms in discussing the measurement of well being are "objective" and "subjective measurement". In general, economic wellbeing refers to an individual's capacity to consume, its capacity to accumulate wealth and the value of the wealth held by the household. Be specifically, consumption refers to an individual's capacity to consume. Income refers to its capacity to accumulate wealth, while wealth was the value of the wealth held by the household. According to economy theory, economic well-being (the utility concept) depends on consumption (Bradshaw, 2001). However, at the household level, total consumption is rarely observed because its collection requires a great deal of survey time. As a result, income has been widely used to assess well-being. However, an income-based measure of economic well-being could yield misleading results as households can use wealth to consume more than income or save to consume less than income. Hence, a number of studies support that consumption is therefore a better measure than income for assessing economic well-being (Cutler and Katz, 1991). Studies based on consumption-based measures of well-being can be found through Meyer and Sullivan (2003) and Garner et al. (2003). If the author tried to make a better clearance picture for these two different approaches, the author found that the income-based measures focus more on current income stocks while consumption more on capital and other changes in stocks. However, if the term 'economic well-being' represent the total economic resources held by a household, all three elements have to be brought together to derive a single index of economic resources.

The option is available of approaching the measure of economic well-being from the viewpoint of the household's receipts or from the viewpoint of the household's disbursements. For household's receipts, the calculation for EWB is:

Household income + transactional change in net worth + other changes in stocks – saving

This formula is rather clumsy in that it includes saving twice. To note, saving is a component of disposable income and is also included in the calculation of 'transactional change in net worth'. An alternative approach is to measure economic well-being from the disbursements position, where the calculation for EWB refers to:

Household consumption + transactional change in net worth + other changes in stocks

Both of these two calculations have its shortcomings as a measure of economic well-being. First, it is a measurement for a particular period. Secondly, it ignores the value of human capital (age, employment, education factor). This omission is particularly important given that the consumption and saving patterns of

the young may well be influenced by considerations of permanent income. For example, young, working and with high educated person might a better EWB caused of their better investment in human capital.

Andrew Sumner (2004) has made a literature review on economic wellbeing from Human Development Report, World Bank's World Development Report and World Development Indicators and she did summarize nine commonly used indicators with three further sub-groups. These are measures of (1) income per capita, (2) income poverty line, and (2) income inequality. The first includes GDP per capita, real wages per capita and the unemployment rate. Then there are three indicators based on an income poverty line For income inequality measures, Gini ratio will be used. It is noteworthy that all the reviews were more related to national dataset and thus, the indicators also skewed to macro indicators. However, there are some others researchers (Strumple, 1976; porter, 1999; Hsieh, Chang-Ming, 2004; Fergusson, Horwood & Beaurais (1981; Chan, Ostedal and Hermalin, 2002) used personal disposable income, household income, net worth as perceived income adequacy and perceived economic well being as indicator of economic wellbeing.

Measurement of Economic Well Being

Objective Measurement	1. Income Poverty Line 2. Income per capita 3. Income inequality 4. Personal Disposable Income 5. HH consumption 6. Wealth/ net worth 7. GDP
Subjective Measurement	1. Perceived Income Adequacy 2. Perceived Economic well being

What is the comparative advantage of measuring well-being in objective terms relative to subjective? Objective measures of well-being are popular (especially when using macro data) because they are useful when quick or aggregate inferences are required to make an assessment. They are more responsive, changing much faster than subjective measures that might need more time to determine the changes. Beside of the time factor, these are likely to be less complex to collect than subjective measure data in nationwide setting (World Bank 2001a; 2001b). Anyway, Aassve, Betti, Mazzuco & Mencarini (2007) in their paper strongly pointed out that the measurement of economic well-being should be discussed in a relative matter instead of objective income measurement, as below:

“.....Dividing the population into a simple dichotomy of “poor” and “non-poor” is clearly unsatisfactory..... Instead we propose a measure treating poverty as a matter of degree.....In principle all individuals are subject to poverty, but to varying levels (some much more than others). That level, say 1 for the poorest to 0 for the richest, is determined by the individual's rank in the income distribution, and the individual's share in the total income received by the population.....” Page 11

In further explanations, the use of objective measure might omit all the non-market activity, and informal sector work. Of course, the domestic housework contribution was totally ignored in the calculation.

3. CONCLUSION

At last, what is the link between standard of living, level of living, economic status and economic wellbeing? To start with, the author has employed a figure from Chapter four-Criteria for the family's economic position: Family economy by Fitzsimons & Williams (1973), as below. The figure emphasized that level as reflecting actual conditions and standards as reflecting aspirations or expectations. The student has added one more column after the standard of living (in bold). Hence, economic status reflects an individual's currently level of living condition at the particular period. Meanwhile, economic wellbeing covers both living level and standard as (1) it refers to a general satisfaction with one's economic situation to a complicated perception of both the material and nonmaterial aspects of an individual's economic situation

(Strumpel & Burkhard, 1976; Porter 1990), (2) It includes experiences and aspirations of the individual. This made a comparable difference of economic status when comparing to others.

Standard of Consumption	Desired now/future	Standard of living	Economic Wellbeing
Excludes attitudes and evaluation		Includes attitudes and evaluation	Includes experience and aspirations
Level of Consumption Level	Attained now	Level of living	Economic Status

Taken from figure 4.1 In the family economy, standards and levels are defined from the family's position.

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