The Many Dimensions of Economic Vulnerability. The cases of Older People in France, Italy, Portugal and Spain

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EXECUTIVE SUMMARY

Through **FINKIT[1],** a project funded by the European Commission through the Erasmus + program which started in November 2015 and will last three years, a network of European institutions located in France, Italy, Portugal and Spain[2] would like to set up a learning path and tools to improve financial literacy of elderly people. The project is aimed at fostering oldest people wellbeing – mainly in their *third* and *fourth* ages (as usually defined) – taking also into account the widespread expectations of longer life and the relevant changes in consumption and needs. Financial contents can / must be addressed to the weaker part of the old population by ad hoc trainees: accordingly Finkit will provide trainees with economic and financial competences, thus allowing to create a network of trusted organizations/experts that can be easily activated to assist target(ed) people and make them aware when financial decisions are needed.

Finkit target(ed) groups are **people over 65 years old** (65 +) and **women over 55 years old** (women 55 +) in the upmentioned four Mediterranean countries. Differences are deep between retirees and homemakers: the former are higher in France and Portugal; the latter in Italy and Spain, thus affecting, in these two countries, the future of women who will live in less rich households when married and will face major economic troubles when widow (given the female longer expected life: 85 years compared with male 81 years).

[1] http://www.finkit-cerp.carloalberto.org/

[2] The institutions involved include: CeRP-Collegio Carlo Alberto, (Italy, leading institution); the INSEAD OEE Data Services (France), the Spanish Confederation of Education Centres, the Polytechnic Institute of Setúbal (Portugal); the Ufficio Pio of the Compagnia di San Paolo (Italy).

These two groups are the most vulnerable from an economic point of view. Different patterns in family life and structure compared to the past, decades of economic and financial slowdown and crisis affecting the most industrialized/Western countries (with a negative peak in 2009 as for global worldwide growth); responsibilities, services and expenditures progressively translated from State to individuals because of scarsity of resources available for welfare massively contributed to put 65+ and women 55+ in a critical condition, for many of them close to/on the edge of vulnerability.

First, what do we mean with **vulnerability**? The report will go in depth with indexes and graphs: here it is pointed out that likely vulnerable elderly people – our target(ed) groups – are those: a) at poverty risk; b) suffering severe deprivation; c) incapable to make ends meet.

As for group a), measurable through indexes and thresholds, social transfers play a major role in reducing the number of people at risk (which remains high – from 18 to 22 % - and higher than Eu 28 and Eu 15). Group b), according to literature, cannot afford a list of commodities and facilities in its household: again where State transfers are more generous deprivation is weaker. Italy and Portugal, on the contrary, show a deprivation rate much higher than EU 28 and EU 15: a gap that sounds striking, while in all the four countries oldest women record the higher deprivation rate. Even in *grey* poverty gender is an issue. Group c) is quite difficult to measure and register: make ends meet is very often linked to individuals' perception and assessment and seems unlikely to change even if higher income would be provided.

Wrapping up, the target(ed) groups could be defined as **cash poor**, given the scarce amount of money they can count on for daily basic needs.

The same groups, however, are often defined **wealth rich** as they exhibit a wealth situation discordant with the monthly money flow available. Nevertheless, in most cases wealth is represented by illiquid assets, i.e homeownership, accounting for about 80% of the wealth in Italy and Spain, 70% in Portugal, 60% in France. Apparently well off, these people must face a heavy burden of (fiscal) obligations to be fulfilled. The remaining part of wealth is mainly concentrated in bank accounts: only in France – where a *top* 98,4% of bank accounts is registered – life insurances are quite popular (close to 40% of older people households has one).

The investigated groups have to face a **longer life**, as previously illustrated, and cope with related needs and *disabilities* (which is not necessarily being not – sufficient but may include help for services). This means a different kind of consumptions, out of pocket expenditures and/or long term care expenditures. What comes out is that, comparing expected healthy years with life expectancy, women are more at risk of spending longer time that men in a condition of disability in all European countries. As a consequence oldest women are likely to be exposed to wider vulnerability.

As for **long term care** (LTC), given to people with chronic conditions and serious disabilities needing care on an – going basis, State funding occurs in different ways depending on the country. In France and Portugal a significant share of LTC is funded from public source, while in Spain private and out-of-pocket expenditure plays a major role. No official statistics are available for Italy where, in the last few years, many elderly people previously admitted to nursing homes were compelled to come back home because of the crisis effects on their families' finances.

Out of pocket expenditures are an increasing phenomenon in all the countries analyzed. The average amount of these expense items – for medical care or care related to illness – is about 650 € for any individual aged 50 + in European countries: on the same level the amount of money spent in Italy for 65 + while Spanish and French are subject to very lower expenses (less than 300 euro).

A fraction of this people has to cope with "**catastrophic out of pocket expenditures**": it happens when pocket expenses overcome 15% of net annual household income.
This occurs more frequently in Italy where 8% of households 65+ while in France and Spain these private expenditures are trimmed by the support of national healthcare systems who provide a high protection for the older population.

A more generic "**help**" necessary due increasing age is almost totally private and mainly provided by **relatives** (**children** first) due to structures and traditions within Mediterranean countries.

Common denominator within these groups of people is the high risk of exposure to economic frauds. That can be **material** i.e. robberies, house breaks-in – mostly affecting the oldest ones – or even **informatic**. The latter are less widespread among older people compared to younger due to a scarce digital literacy. But if we look just at the 65 + cluster a high number of informatic frauds comes out, especially within **women using a pc**. In general computer skills are very low in the four countries, with people who never used a pc in 65+ accounting for more than 60% in Italy and Spain.

Economic frauds result also as the combination between (scarce/poor) financial literacy and vulnerability, the latter referring to cognitive capabilities which older people agree to self rate quite declining (with the exception of France).

To sum up, from all the analysis it comes out that in the European countries under examination income–poor/house-rich individuals may represent the ideal target for a FINKIT program. These people can take advantage from **FINKIT** for a couple of reasons. As they (still) have pretty good cognitive abilities they can (still) learn how to better manage their wealth or where to go/ask to do it. Moreover, aged people with some wealth can be identified as perfect victims for economic and market frauds: some basic economic and FL competencies can help them to avoid this kind of risks.

In order to quantify **FINKIT** final target population (people in the two lowest income deciles with a positive wealth), it represents about 1.8 million people in Fr (15% of older **people 65+**), 1.6 million in IT (12%), 1.4 million in SP (16%), and 250 thousand in PT (12%). On the other hand, It groups 1.4 million women in FR (13% of the **female** population **55+)**, 1.3 million in IT (11.5%), 900 thousand in SP (12%) and 226 thousand in PT (10.4%).