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Net Government Expenditures and the Economic Well-Being of the Elderly in the United States, 1989-2001*

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Introduction

The sustainability of, and tradeoffs involved in government expenditures for the elderly has become increasingly topical in recent years. An adequate examination of policy options has to be based on a sound assessment of the economic well-being of the elderly. The most widely used measure of economic well-being in considering the gaps between elderly and non-elderly households is money income. However, as several studies have pointed out, money income does not reflect elements that are crucial for the economic well-being of the elderly such as noncash transfers (which are completely excluded from money income) and wealth (e.g. Radner 1996; Rendall and Speare 1993).

For instance, the economic advantage from wealth ownership reckoned in the money income measure is limited to actual property income (dividends, rent and interest). However, a more comprehensive measure would take into account the advantage of home ownership (either in the form of imputed rental cost or annuity on home equity) and the long-run benefits from the ownership of nonhome wealth (e.g. in the form of an imputed annuity) makes up the large share of economic well-being, especially, of the elderly. Government expenditure and taxes are another example. They are known to have an equalizing effect on the economic well-being between the elderly and non-elderly. The extent of the gap between the two groups, however, is sensitive to the types of expenditures and taxes that are taken into account as well as the income concept used to reckon economic well-being.

The recently developed Levy Institute Measure of Economic Well-being (LIMEW) and its associated micro-datasets offer a comprehensive view of the level and distribution of economic well-being in the U.S. during the period 1989-2001. By means of such a comprehensive measure, it allows policymakers to gain better insights into the relative importance of different resources in sustaining or improving the economic well-being of the elderly and forces shaping inequality among the elderly.

We first describe the methodology and data sources for the LIMEW (Section 2). Next, we turn to estimates of the measure for both non-elderly and elderly households and for some key demographic subgroups among the elderly household population. The relative importance of different sources of income in sustaining the well-being of the elderly will be discussed. In Section 4, we discuss economic inequality among the elderly

and the non-elderly. We also compare our findings based on the LIMEW with those based on the official measures in Sections 3 and 4. The final section contains our concluding observations.

Components of the LIMEW

The LIMEW is constructed as the sum of the following components (Table 1): base income; income from wealth; net government expenditures (government expenditures *minus* taxes); and household production. Our basic data is drawn from the public-use files from the Census Bureau. The calculation of base income (see below) uses values reported in the Census files for the relevant variables, without any adjustment. Additional information from Federal Reserve surveys on household wealth and surveys on time-use are incorporated into the Census files via statistical matching to estimate income from wealth and value of household production. Information from a variety of other sources, including the National Income and Product Accounts and several government agencies is utilized to arrive at the final set of estimates.[1]

We begin with money income and subtract the sum of property-type income and government cash transfers. We then add employer contributions to health insurance to obtain base income. Labor income (earnings plus value of employer-provided health insurance) makes up the overwhelming portion of base income and the remainder consists of pensions and other small items (e.g. interpersonal transfers).

Our next step is to add imputed income from wealth. The actual, annual property income as in money income by Census Bureau is a very limited measure of the economic well-being derived from the ownership of assets. Houses last for several years and yield services to their owners, thereby freeing up resources otherwise spent on housing. Financial assets such as bank balances, stocks and bonds, can be, under normal conditions, sources of economic security in addition to property-type income.

Our approach to the valuation of income from wealth is different from the methods suggested in the literature (e.g. Weisbrod and Hansen 1968) in two significant ways. First, we distinguish between home and nonhome wealth. Housing is a universal

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[1] For details regarding the sources and methods used to estimate these components, see Wolff, Zacharias and Caner (2004).

need and home ownership frees the owner from the obligation of paying rent, leaving an equivalent amount of resources for consumption and asset accumulation. Hence, benefits from owner-occupied housing are regarded in terms of the replacement cost of the services derived from it (i.e., a rental equivalent).[2] Second, we estimate the benefits from nonhome wealth using a variant of the standard lifetime annuity method.[3] We calculate an annuity based on a given amount of wealth, an interest rate, and life expectancy. The annuity is the same for the remaining life of the wealth holder and the terminal wealth is zero. (For households with multiple adults, we use the maximum of the life expectancy of the head of household and spouse in the annuity formula.) We modify the standard procedure by accounting for differences in portfolio composition across households. Instead of using a single interest rate for all assets, we use a weighted average of asset-specific and historic real rates of return,[4] where the weights are the proportions of the different assets in a household's total wealth.

In the next step we add net government expenditures—the difference between government expenditures incurred on behalf of households and taxes paid by households (Wolff and Zacharias 2006). Our approach to determine expenditures and taxes may be called the social accounting approach (Hicks 1946, Lakin 2002, pp. 43–46). Government expenditures included in the LIMEW consist of cash transfers, noncash transfers, and public consumption. These expenditures, in general, are derived from the National Income and Product Accounts (NIPA Tables 3.12 and 3.15.5.). Government cash transfers are considered to be part of the money income of recipients. We value noncash transfers at the average cost incurred by the government (e.g., in the case of medical benefits, the average cost for the elderly, reckoned as an insurance value, differs from that for children) rather than the fungible or cash-equivalent value (U.S. Census Bureau 1993: Appendix B). The other type of government expenditure that we designate as "public consumption" and include in our measure of well-being is some public expenditures on services (e.g. education). When allocating these expenditures to the

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[2] This is consistent with the approach adopted in most national income accounts.
[3] Our rationale for employing this method is that it is a better indicator of the resources available to the wealth holder on a sustainable basis over the expected lifetime compared to the bond-coupon method (that is, assigning a fixed rate of return such as 3 percent to all assets).
[4] The rate of return that we use is real total return (the sum of the change in capital value and income from the asset, adjusted for inflation). For example, for stocks, total real return would be the inflation-adjusted sum of the change in stock prices plus dividend yields.

household sector, we attempt to follow, as much as possible, the general criterion that a particular expenditure must be incurred directly on behalf of that sector and expands its consumption possibilities. In distributing expenditures among households, we build on earlier studies that employ the government-cost approach (e.g., Ruggles and Higgins 1981).

The final step in constructing net government expenditures is concerned with taxes. Our objective is to determine the distribution of actual tax payments by households in different income and demographic groups in an accounting sense rather than incidence in a theoretical sense. We align the aggregate taxes in the Census file (imputed by the Census Bureau) with their NIPA counterparts, as for expenditures. The bulk of the taxes paid by households falls in this group—federal and state personal income taxes, property taxes on owner-occupied housing, and payroll taxes (employee portion). Our estimated total tax burden on households also includes state consumption taxes, which were not aligned with a NIPA counterpart because an appropriate NIPA benchmark was not available. Taxes on corporate profits, on business-owned property, and on other businesses, were not allocated to the household sector because we assumed that they were paid out of business sector incomes.

Ultimately, to arrive at the LIMEW, we add the imputed value of household production. We include three broad categories of unpaid activities in the definition of household production: core production (e.g. cooking), procurement, (e.g. shopping for groceries), and care (e.g. reading to children). These activities are considered as "production", since they can be assigned, generally, to third parties apart from the person who performs them, although third parties are *not* always a substitute of the person, especially for the third activity.

Our strategy for imputing the value of household production is to value the amount of time spent by individuals on household production using the replacement cost based on average earnings of private household employees (Kuznets, et al 1941, pp. 432–433; Landefeld and McCulla 2000). We recognize that the efficiency and quality of household production are likely to vary across households. Therefore, we modify the replacement-cost procedure and apply to the average replacement cost a discount or premium that depends on how the individual (whose time is being valued) ranks in terms

of a performance index. The index seeks to capture certain key factors (household income, educational attainment, and time availability) that affect efficiency and quality differentials.

Level and Composition of Well-being among the Elderly and Non-Elderly

Our unit of analysis is the household. We define an "elderly household" as one in which the "householder" is aged 65 or over and a "non-elderly" household are those in which the householder is under the age of 65. The overwhelming majority of elderly individuals live in elderly households (90.3 percent in 2001) so that our choice of unit of analysis does not lead to a biased view of the distinctions between the elderly and the non-elderly groups.

We begin by looking at the relative well-being of elderly households according to the Census Bureau's measure of gross money income. The mean and median money income of elderly households was quite low relative to non-elderly ones (see Panel A, Table 2). In 2001, the ratio of mean income was 0.55 and that of median income was only 0.47. There was also a decline in the mean income of elderly households relative to non-elderly ones, from 0.59 in 1989 to 0.55 in 2001. On the other hand, the ratio of median income was relatively stable over the 1990s, remaining at about 0.47.

Elderly and non-elderly households differ substantially in terms of size and composition. Such differences are taken into account in comparisons of economic well-being usually by applying some equivalence scale.[5] The adjustment results in a smaller gap between the elderly and the non-elderly households: in 2001, the ratio of elderly mean income to non-elderly was 0.68 and that of median income was 0.62 (Panel B, Table 2). However, the trend in the disparity was not affected by the equivalence scale adjustment.

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[5] There is no agreement among economists as to which equivalence scale is the "best", so we use the three-parameter scale employed by the Census Bureau in constructing their experimental measures of poverty (Short 1991, Short et al. 2001). For single-parent households, the scale is given by: $(A + 0.8 + 0.5 (K - 1))^{0.7}$; for all other households, the scale is: $(A + 0.5 K)^{0.7}$, where A is the number of adults and K is the number of children. The reference household (i.e., the household for which the scale is set equal to 1) in this instance is a household with two adults and two children.

There are also some notable differences in the level and growth in mean money income within the elderly group (Figure 1).[6] The income of the older elderly (75+ group) averaged about 80 percent of all elderly in 2001. Asians (Asian or other race) had the highest income in 2001, 17 percent above the overall average among elderly households, followed by non-Hispanic whites ("whites") at 3 percent above average, Hispanics at 76 percent of average, and African Americans ("blacks") at 74 percent of average. There was a notable improvement in the relative position of blacks between 1989 and 2001; in contrast, the relative position of Asians and Hispanics slipped significantly.[7] In 2001, elderly married couple households had the highest income among the elderly (42 percent above the overall elderly average), followed by single-male households (87 percent of average), and single females (only 63 percent of average). The relative well-being of single-male households and married couples improved, while it declined somewhat among single-female households.

The apparent advantage of Asians diminishes dramatically when an equivalence scale adjustment is made and their equivalent income is now comparable to that of whites (Figure 2). It is also noteworthy that the relative disadvantage of blacks and Hispanics was larger when equivalent income is used. Disparities based on sex and marital status are lower with this adjustment, but the rank order remains the same as before. Thus, the equivalence scale adjustment does have an effect on the measurement of the relative well-being of subgroups.

Base Income

We now turn to the constituent components of LIMEW. The first of these, base income, excludes both transfers and property income (Table 3). Not surprisingly, the ratio of base income between elderly and non-elderly households was only 0.27 in 2001, much lower than that of gross money income. There was virtually no change in this ratio between 1989 and 2001.

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[6] Due to reasons of space we discuss the differences among subgroups using only mean values, instead of using mean and median values.

[7] Asians and Hispanics actually experienced declines in their mean income.

Among the elderly households, the relative base income of the older elderly (75+ group) was much lower than that of their relative money income (0.62 versus 0.81 in 2001, *see* Figure 3). The rank order by racial/ethnic group in base income was the same as for money income. The base income of the Asians was much greater than average than money income in 2001 (a ratio of 1.39 versus 1.17), indicating that this is the main reason behind their higher money income. As with money income, positive gains in base income over the 1989-2001 period were found for blacks and losses for Asians as well as Hispanics. Married couples again ranked highest in base money income, followed by single males and then single females.

Income from Home and Nonhome Wealth

The second component is income from home wealth, defined as the difference between imputed rent and the annuitized value of mortgage debt (Table 4). Differences in income from home wealth, therefore, reflect differences in the homeownership rate and home equity. In 2001, income from home wealth was much higher for the elderly than the non-elderly, largely reflecting the higher homeownership rate of the elderly (81 versus 65 percent). The ratio of mean income from home wealth climbed very sharply over the 1989-2001 period, from 1.43 to 1.81. Indeed, income from home wealth actually declined by 7.6 percent among then non-elderly over the period.

Among the elderly, income from home wealth was 20 percent greater than average among the 65-64 age group, while among those 75 and over it was 20 percent lower (Figure 4), again reflecting the higher homeownership rate of the former group, 83 versus 78 percent. Racial disparity was rather high in 2001, with nonwhites receiving only 47 percent of the average, a sharp drop from the 1989 value of 66 percent.[8] Income from home wealth was highest among married couples, and the extent of their advantage over single females and single males appeared to be roughly similar.

The disparity in income from nonhome wealth between elderly and non-elderly households is even greater than that in income from home wealth (Table 5). In 2001, the

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[8] Because income from home wealth and the remaining components of LIMEW are imputed on the basis of a statistical matching algorithm, we show results only for the non-white group as a whole.

ratio was 3.37 between elderly and non-elderly households, about the same as in 1989. The ratio in wealth itself between elderly and non-elderly households is actually smaller—a ratio of 1.68 in 2001.The reason why the annuity ratio is higher than the ratio of actual nonhome wealth is due to the fact that elderly persons have a shorter (conditional) life expectancy than non-elderly individuals.[9] Income from nonhome wealth for the elderly climbed by an incredible 77 percent over the 1990s, a reflection largely of the surging stock market of the late 1990s.[10]

The gap between the younger and older elderly in income from nonhome wealth was somewhat smaller than that in income from home wealth (Figure 5). Nonwhites have only half of overall elderly average income from nonhome wealth, almost similar to their relative income from home wealth. Income from nonhome wealth was somewhat greater among married couples than among single males in 2001 and both were much greater than that among single females. One notable finding is that there was dramatic growth in income from nonhome wealth for single males, from 56 percent of average in 1989 to 128 percent in 2001.

Government Expenditures and Taxes

Disparities in cash transfers between the elderly and non-elderly dwarf even the differences in income from nonhome wealth (Table 6). In 2001, the ratio of cash transfers between the two groups was 5.6, slightly lower than in 1989. Differences among elderly subgroups are influenced by household size (Figure 6). The below-average cash transfers received by single males and females on the one hand, and the above-average cash transfers of married couples are largely reflections of this factor. Cash transfers received by nonwhites were about 80 percent of that the average elderly household received, even though the average, nonwhite elderly household has a larger number of adults. The racial gap is probably reflection of lower Social Security benefits.

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[9] The annual annuity flow is distributed over the remaining lifetime of an individual so that the full value of nonhome wealth is exhausted at time of death.

[10] Actually, the increase between 1989 and 2000 was even greater, followed by a 14 percent decline from 2000 to 2001, a reflection of sagging stock prices over this year.

Disparities in noncash transfers between the elderly and non-elderly are smaller than those in cash transfers (a ratio of 3.6 versus 5.6 between the former and latter in 2001). However, the ratio of noncash transfers between the elderly and non-elderly declined from 4.5 in 1989 to 3.6 in 2001 (Table 7). Still, noncash transfers among the elderly increased by 50 percent between 1989 and 2001. There is virtually no difference in noncash transfers between the older and younger elderly, but noticeable difference between non-whites and whites, reflecting the higher values of means-tested benefits (primarily Medicaid and Food Stamps) for non-whites, (Figure 7). Mean noncash transfers are greater for married couples than for single males or females, mainly due to the difference in the number of the elderly in the household.

Public consumption is much higher among the non-elderly than the elderly (a ratio of 2.9 in 2001), and has grown faster for the former, a 17.3 percent increase from 1989 to 2001 compared to a 7.1 percent increase (Table 8). These disparities largely reflect the huge role that educational expenditures play in public consumption. Public consumption was greater for the younger than the older elderly in 2001, and the gap widened over the 1989-2001 period (Figure 8). However, the most pronounced advantage in public consumption is that of nonwhites, with an average that was 40 percent more than that of the average elderly household. This is a reflection of the larger household size and the higher number of children in a typical nonwhite, elderly household. A substantial portion of public consumption (e.g. public health) is distributed equally among persons and educational expenditures are distributed among school-age children. Differences in household size are also the main factor behind the below-average public consumption of single females and single males.

Taxes are much greater for the non-elderly (Table 9). In 2001, the ratio of mean taxes paid by the elderly to the non-elderly was only 0.38. In fact, this ratio dipped from 0.42 in 1989 to 0.38 in 2001. The average tax paid by the older elderly was only 66 percent of the overall average, while for the younger elderly, it was 133 percent (Figure 9). White elderly families paid, on average, 4 percent more taxes than the average elderly household and non-whites paid 21 percent less. In 1989, the relative tax burden of the nonwhites was still lower, as they then paid 28 percent less than the average. Elderly married couples paid 50 percent more in taxes than the average elderly household, while

single males and single females paid lower than average taxes. Single females had the lowest tax burden (54 percent of average) among all the subgroups considered here. These differences stem primarily from differences in taxable income.

As a result of differences in transfers received, public consumption, and taxes paid, the elderly was a net *beneficiary* of the fiscal system (see Table 10). In 2001, their average net benefit (government expenditures) amounted to $22,200. In contrast, the non-elderly was a net *payer*. Their net government expenditures averaged -$4,500 in 2001. The difference between the elderly and non-elderly was $26,600 in 2001. Average net government spending increased by 24 percent between 1989 and 2001 for the elderly, and the net government *loss* rose by 32 percent for the non-elderly. As a result, the difference between the two groups widened over the 1990s, from $21,400 to $26,600.

As shown in Figure 10, among the elderly, the older elderly enjoyed above-average net government expenditures (8 percent more in 2001) than the younger elderly (8 percent less). Elderly non-white households also enjoyed above-average net government expenditures (11 percent more in 2001), while elderly whites had a slightly below-average amount (2 percent less). Similarly, married couples received above-average net government expenditures (17 percent more in 2001), while single elderly received less-than-average amounts (11 percent less for females and 18 percent less for males).

Table 11 shows the composition of net government expenditures for both non-elderly and elderly households. We first consider all households and then discuss the differences between the elderly and non-elderly. The value of total government transfers (cash and noncash) and that of total public consumption were very close—the latter was 4 percent higher in 1989 and 5 percent lower in 2001 than the former. Social security comprised 47 percent of total (cash and noncash) transfers in 1989 but only 41 percent in 2001. This was offset by a rise in the share of Medicare from 20 to 23 percent over this period and an even larger increase in the share of Medicaid from 10 to 17 percent. Cash transfers as a group fell from 65 to 55 percent of total transfers, while noncash transfers rose from 35 to 45 percent. Education is by far the largest component of public consumption, comprising 54 percent in 2001—up from 51 percent in 1989. The next

largest items in 2001 were public health and hospitals (10 percent), highways (9 percent) and police and fire departments (6 percent). While total public consumption rose by 17 percent between 1989 and 2001, expenditures for police and fire departments grew by a notable 40 percent and education increased by a more modest 23 percent. The remaining components of public consumption rose at below average rates: a paltry growth of 5 percent for public health and hospitals and 15 percent for highways. If we consider both transfers and public consumption jointly, then education still ranks first in 2001, at 26 percent of government spending, followed by health spending (including Medicare, Medicaid, and public health and hospitals) at 25 percent (up from 21 percent in 1989), and then Social Security, at 21 percent (down from 23 percent in 1989).

Among the elderly, total transfers were six times as great as public consumption in 1989 and seven times as great in 2001. Cash transfers made up 67 percent of total transfers in 1989 but fell to 60 percent in 2001.Social security accounted for almost all of the cash transfers among the elderly but its share of total transfers declined from 62 to 52 percent between 1989 and 2001. Medicaid and Medicare made up almost all of the noncash transfers among the elderly. The former increased by 114 percent and the latter by 42 percent between 1989 and 2001. By 2001, Medicaid accounted for 6 percent of total transfers to the elderly, up from 4 percent in 1989, and Medicare for 33 percent, up from 29 percent. It is of interest that among the non-elderly, the biggest component of total transfers in 2001 was Medicaid (30 percent), followed by Social security (22 percent) and Medicare (11 percent). These three programs account for the bulk of government transfers for both age groups.

Public consumption was almost three times as great for non-elderly households as for elderly ones. This is due to the major role played by education in public consumption. Among the elderly, the largest component of public consumption was the residual category "other." The share of education in the public consumption of the elderly is naturally quite low as compared to the non-elderly. Other components such as highways, and public health and hospitals, account for a much larger share in their public consumption than in the public consumption of the non-elderly.

The largest component of the taxes paid by households is federal income taxes. They comprised 54 percent of total taxes in 2001, up from 51 percent in 1989. The

second largest component is payroll taxes (employee portion only), which fell from 22 percent to 20 percent in 2001. State income taxes accounted for another 11 percent in both years, state consumption taxes another 9 to 10 percent, and property taxes between 5 and 7 percent. Among the elderly, the largest tax was also the federal income tax, which accounted for about half of total taxes in 1989 and 2001, followed by consumption taxes (16 percent in both years), and property taxes (16 percent in 1989 and 13 percent in 2001).

Household Production

The last component of LIMEW is the value of household production (Table 12). Disparities in household production between the elderly and non-elderly are quite small, compared to the disparities we have observed for the other components of the LIMEW. The ratio of mean household production between the elderly and non-elderly was 0.90 in 2001, down from 0.95 in 1989. However, there are some differences among the elderly subgroups in household production, especially among households differentiated by marital status and sex (Figure 11). The below-average values of household production of single elderly households are primarily a reflection of their smaller household size.

LIMEW

We now put together all the components of LIMEW to obtain the overall measure. It is first of note that mean LIMEW for all households in 2001 was $107,000, 66 percent higher than mean money income, and median LIMEW was $79,000, 71 percent higher than median money income. The LIMEW measure thus indicates a much higher level of well-being than money income. Indeed, among the elderly, mean and median LIMEW were almost three times as great as mean and median income, respectively.

It is also apparent that the relative well-being of the elderly is much higher according to this broader measure of economic well-being. In 2001, the ratio in mean LIMEW between the elderly and non-elderly was 1.09, in comparison to a ratio of 0.55 in

terms of money income. The ratio of median values in 2001 was 0.85, still much higher than the 0.47 of median money income (Panel A, Table 13).

When the equivalence-scale adjustment is made, the relative well-being of the elderly again seems higher (Panel B, Table 13). In 2001, the ratio of mean equivalent LIMEW between the elderly and non-elderly was 1.41, which is substantially higher than the corresponding ratio (0.68) of equivalent money income. The ratio of median equivalent LIMEW of the elderly to non-elderly was 1.13, compared to 0.62 for equivalent money income. However, the relative well-being of the elderly was higher in 2001 than 1989 by both adjusted and unadjusted measures, which suggests that the adjustment does not affect the trend in well-being.

The higher relative well-being of the elderly was due to a combination of higher income from wealth and higher net government expenditures for the elderly than the non-elderly. The disadvantage of the elderly in base income and, to a lesser extent, in household production, was ameliorated by these two components. As shown in Table 14, in 2001, base income was much lower for the elderly than the non-elderly (a ratio 0.27). However, income from wealth was much higher for the elderly (a ratio of 3.1). In fact, 46.2 percent of the value of LIMEW for the elderly came from income from wealth (41 percent from nonhome wealth and 5 percent from home wealth), compared to 16.4 percent for the non-elderly. Net government expenditures were positive for the elderly ($22,100) and made up 19.4 percent of the value of LIMEW, whereas they were negative (-$4,500) for the non-elderly. The biggest difference was in taxes paid. The mean tax burden of the non-elderly was 2.6 times as great as that of the elderly. Elderly households received 5.6 times as much in the form of cash transfers and 3.6 times as much in the form of noncash transfers as the non-elderly. On the other hand, public consumption was 2.9 times as high for the non-elderly as the non-elderly. Household production was also slightly higher for the non-elderly than the elderly (a ratio of 1.11) and made up 22 percent of LIMEW for the former and only 18 percent for the latter.

LIMEW also grew much faster for the elderly than the non-elderly over the 1989-2001 period. Mean LIMEW increased by 35 percent for the elderly, compared to 20 percent for the non-elderly, while median LIMEW advanced by 22 percent for the former

and 10 percent for the latter. In contrast, growth rates of money income were actually greater for the non-elderly than the elderly over this period (14.9 versus 6.0 percent for mean values and 4.3 versus 3.3 percent for median values). As a result, the ratio of mean LIMEW between elderly and non-elderly households *increased* from 0.96 in 1989 to 1.09 in 2001 and the ratio of median LIMEW from 0.77 to 0.85, while the ratio of mean money income *declined* from 0.59 to 0.55 and the ratio of median money income remained steady at 0.47. The main reason for the positive growth in the ratio of LIMEW (in comparison to the negative change in the ratio of money income) is the phenomenal increase in income from nonhome wealth of 77 percent over the period. Income from wealth also climbed as a share of total LIMEW for the elderly from 31 percent in 1989 to 41 percent in 2001. A secondary reason is the widening gap in net government expenditures between the elderly and the non-elderly, from $21,400 to $26,700.

We next turn to a comparison of the relative well-being of elderly subgroups using the LIMEW and money income (MI). The rank order of the various subgroups considered here are identical for the LIMEW and MI (Figures 12A and 12B). Differences exist, however, between the two measures regarding the relative disadvantage or advantage faced by the groups. The relative LIMEW of the older elderly was higher than their relative MI: in 2001, the ratio of mean LIMEW between the older and younger groups was 0.79 while the ratio of mean MI was 0.69. On the other hand, the opposite pattern could be observed for the relative well-being of single-female elderly: their relative LIMEW was lower than their relative MI. In 2001, the ratio of mean LIMEW between the single-female and married-couple elderly was 0.37 while the ratio of mean MI was 0.45. The smaller gap in LIMEW between the younger and older elderly is due to similar amounts of income from wealth and net government expenditures (base income was lower for the older elderly). Single females face a greater disadvantage in terms of the LIMEW because of their much lower income from wealth.

The ratio of mean LIMEW between non-whites and whites was 0.72 in 2001, compared to a ratio of MI of 0.79, while in 1989 the ratios were, respectively, 0.78 and 0.74. Thus, the relative LIMEW of the non-whites *fell* between 1989 and 2001, while the relative MI *rose* during the same period. The decline in the relative LIMEW of nonwhites was, in turn, due to a combination of their losing ground in income from home wealth,

net government expenditures and value of household production (see Figures 4, 10 and 11). On the other hand, the increase in the relative MI of nonwhites appears to be not due to any improvement of their relative base income (the ratio of base income between nonwhites and whites was 0.94 in 1989 and 2001). Since the relative cash transfers of nonwhites actually dropped between 1989 and 2001 (see Figure 6), the explanation for the increase in their relative MI must lie with improvement in property income or pensions.

The ratio of mean LIMEW between single-males and married-couples was 0.87 in 2001, compared to a ratio of MI of 0.84, while in 1989 the ratios were, respectively, 0.57 and 0.81. Thus, the relative LIMEW of the single-males *rose* between 1989 and 2001, while the relative MI *fell* during the same period. The increase in their relative LIMEW appears to be mainly driven by the very dramatic increase in income from wealth, especially nonhome wealth that was noted above (see Figure 5). On the other hand, the decline in their relative MI appears to have occurred in spite of the improvement in their relative base income (see Figure 3), leaving the deterioration in the property income or cash transfers as the only factors responsible.[11]

Inequality among the Elderly and Non-Elderly

The results discussed in the previous section raise interesting questions regarding inequality among the elderly and the non-elderly. Do the striking differences in the magnitude of the individual components of the LIMEW between the elderly and the non-elderly result in substantially different levels of inequality between the groups? The distinctions between the LIMEW and conventional measures raise the question about whether the measured gap in inequality between the groups is sensitive to the measure of well-being used. In what follows, we address these questions using decomposition analysis with the full acknowledgement that this is not a substitute for a causal analysis, but only a preliminary, yet essential step.

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[11] We have already discussed the effects of the equivalence-scale adjustment on subgroup disparities based on money income (see Figures 1 and 2). Subgroup disparities based on the LIMEW show similar results and are hence not reported here for reasons of space. The difference in the pattern of disparities between the LIMEW and MI is not affected by adjusting the measures by the same equivalence scale.

We compare the results based on LIMEW and the most comprehensive measure of income published by the Census Bureau, which we call "extended income" (See Table 1 for a list of the major components of LIMEW and extended income). There are three major features of extended income (EI) that distinguishes it from money income and makes it more suitable for purposes of comparisons in this section. First, unlike money income, both LIMEW and EI are after-tax measures of well-being. Second, EI incorporates a measure of income from home wealth in the form of an imputed return on home equity and an expanded definition of income from nonhome wealth by including, in addition to property income, the realized amount of capital gains. This makes EI particularly suitable for comparison with LIMEW as different measures of income from wealth can be compared and contrasted. Third, EI and LIMEW include the value of noncash transfers, although the method of valuation is different for medical benefits in the two measures (fungible value in EI and government cost in LIMEW).

The mean values of the two measures and their respective components for 1989 and 2001 are shown in Table 14. It is first of note that the relative EI of the elderly is much higher than their relative money income; the elderly to non-elderly ratio of mean values was 0.71 for EI in 2001 as against 0.55 for money income. Taking taxes, and noncash transfers into account, and, including an expanded definition of income from wealth improves the measured relative well-being of the elderly. Of course, the extent of such improvement is still higher if LIMEW is used as the yardstick of well-being.

Comparing the EI and LIMEW shows two salient differences in terms of the disparities between the elderly and the non-elderly. First, income from nonhome wealth of the elderly relative to the non-elderly is much higher when that income is reckoned as lifetime annuity rather than as current income from assets. As discussed before, this is a reflection of the elderly's higher levels of net worth and shorter remaining years of life. The elderly to non-elderly ratio of income from nonhome wealth is 1.3 for EI in 2001 as against 3.4 for LIMEW.[12] Second, the net cost imposed by the fiscal system on the non-elderly appears to be considerably lower once public consumption is included in the equation. In both years, the net government *loss* of the non-elderly in the LIMEW is only

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[12] Interestingly, the ratio for EI was higher at 2.1 in 1989.

30 percent of its counterpart in EI. These differences in the make-up of the measures have significant impacts on the trends in inequality, as we shall now discuss.

The degree of inequality in LIMEW among the elderly is much higher than among the non-elderly (Figure 13). In 2001, the Gini ratio of the LIMEW for the elderly was 0.508 as against 0.402 for the non-elderly— a very high difference of 0.106 (Table 15). Estimates for 1989 and 1995 also show a similar gap in inequality. The gap in inequality (as well as the degree of inequality) was the highest in 2000, when the Gini ratio for the elderly was 0.130 higher than that of the non-elderly.

The amount of inequality (measured in Gini points) contributed by each component of the LIMEW for each group in 2001 is shown in Figure 14.[13] Base income is the major contributor to inequality among the non-elderly while income from nonhome wealth is the dominant contributor among the elderly. However, the difference in the contribution made by base income to the Gini ratios of the two groups (15.3 Gini points higher in the non-elderly) is overwhelmed by the difference in the contribution made by income from nonhome wealth (22.8 Gini points higher in the elderly). The larger contribution made by income from nonhome wealth to inequality among the elderly is *not* due to its more unequal distribution across the LIMEW distribution within this group as compared to the non-elderly.[14] Instead, it is the much bigger share of income from nonhome wealth in LIMEW among the elderly than among the non-elderly (41 versus13.2 percent in 2001) that is responsible for the bigger amount of inequality generated by this component.

In contrast, inequality in EI is virtually identical among the elderly and non-elderly for all the years, except 1989. For example, in 2001, both had a Gini ratio of 0.399 (Table 15). Decomposing the Gini ratio of extended income by each major component shows that base income is the biggest contributor for both groups (Figure 15). However, the amount contributed by base income is about 22 Gini points higher for the non-elderly than for the elderly. But, this "excess" of Gini points is offset by taxes and

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[13] The contribution of each component is calculated as the product of that component's concentration coefficient and its share in the LIMEW.

[14] The concentration coefficient for income from nonhome wealth with respect to the LIMEW was approximately 0.81 for both groups in 2001.

transfers, and to lesser extent by income from nonhome wealth. Net government expenditures (i.e., taxes and transfers taken together) reduce the inequality among the non-elderly by 15.3 Gini points while it makes no contribution to the inequality among the elderly because the contributions made by transfers and taxes cancel each other out. Income from nonhome wealth contributes almost twice as much Gini points toward the inequality among the elderly as compared to the non-elderly (12.1 versus 6.4) and the difference of 5.7 points further eliminates the "excess" of Gini points.

The results from the decomposition analysis also help to account for the fact that while inequality in LIMEW and EI is the roughly the same among the non-elderly (0.402 versus 0.399), inequality among the elderly in LIMEW is much higher than in EI (0.508 versus 0.399, *see* Table 15). Considering the elderly first, it can be calculated from the numbers reported in Figures 14 and 15 that the sum of Gini points contributed by base income and income from wealth in LIMEW is higher than the sum of their contributions in EI (44.1 versus 39.9) because of the much higher contribution of income from wealth in LIMEW. Household production, a component that is unique to the LIMEW, contributed an additional 6.2 points thus resulting in a total gap of 10.9 Gini points between the two measures. Similar calculations for the non-elderly show that the sum of Gini points contributed by base income and income from wealth in LIMEW is lower than the sum of their contributions in EI (36.1 versus 55.2) because of the much higher contribution of base income in EI. However, the large negative contribution from net government expenditures in EI (-15.3) and the significant positive contribution from household production in LIMEW (8.5) help close the wedge between the two measures in the degree of inequality among the non-elderly.

Comparing time trends, we find that there is an increase of inequality among the non-elderly according to both EI and MI but little change in inequality among the elderly (Table 15). In contrast, according to LIMEW, inequality increased among both groups. From 1989 to 2001, the increase in the Gini points contributed by income from nonhome wealth exceeded the overall increase in the Gini of the LIMEW for the elderly (8.7 versus 5.5, *see* Figure 16). The higher contribution of income from nonhome wealth was partially offset by declines in the contributions of base income and household production (–1.3 and –1.6 points, respectively). These changes were due to the sharp growth in

income from nonhome wealth relative to the other two components of the LIMEW (calculated from Table 14).[15] Income from nonhome wealth in EI, consisting of property income and realized capital gains, shows the opposite pattern: its growth was significantly lower than that of EI and therefore its contribution to the Gini of EI declined by 2.2 Gini points. Additionally, income from home wealth, calculated as the return to home equity in EI, also lost some of its share of EI (to a higher degree as compared to income from nonhome wealth) resulting in a fall of 2.6 points in its contribution to the Gini of EI. The decline in the contribution made by income from wealth almost completely compensated for the increase in the contributions made by base income and transfers, thus leaving the Gini of EI in 2001 at roughly the same level as it was in 1989.

The inequality among the non-elderly rose between 1989 and 2001 according to all measures, but the contribution by the components differ markedly between LIMEW and EI (Figure 17).[16] In the LIMEW, the increase in the Gini points contributed by income from nonhome wealth was twice as much the increase in the Gini points contributed by base income (3.5 versus 1.7 points). However, the increase in the Gini points contributed by base income alone exceeded the overall increase in the Gini ratio of EI (5.8 versus 4.3 points) and the contribution toward the increase in Gini from income from nonhome wealth was only 0.9 points. Taxes contributed toward lowering the change in the Gini of EI by 1.4 points, reflecting their growth in tandem with base income. Of equal importance in lowering the change in the Gini of EI was income from home wealth. This component of EI, consisting of return on home equity, fell by a remarkable 22 percent from 1989 to 2001 (calculated from Table 14). Although not shown here, the impact of this component on overall inequality was further reinforced by a decline in its

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[15] In principle, the change in the contribution of a component is a combination of the change in its share in LIMEW and the change in its concentration coefficient. The concentration coefficients for income from nonhome wealth, base income and household production were, however, largely unchanged over the period, thus leaving changes in income shares as the only factor behind the change in the Gini for the elderly.

[16] An unknown amount of the change in official measures is due to the change in survey methods introduced from 1994—raising the threshold for reported earnings from $300,000 to $1 million and computer-assisted personal interviewing. One estimate is that these changes accounted for half of the increase in the inequality in household money income between 1992 and 1993 or about 1 Gini point (Ryscavage 1995). The change in the Gini of the non-elderly between 1989 and 2001 for EI and MI are, respectively, 4.3 and 5.4 Gini points. It should also be noted that the growth in the inequality of LIMEW is dominated by income from nonhome wealth, a component that was unaffected by the change in survey methods.

concentration ratio (from 0.437 in 1989 to 0.319 in 2001) indicating that income from home wealth became more equally distributed across the EI distribution.

Conclusion

The picture of economic well-being is crucially dependent on the yardstick used to measure it. Although gross money income, the most widely used official measure, may be suitable for certain purposes, it is an incomplete measure in several important ways. The elevation of more comprehensive measures to a status that is on par with money income in the official scorecard of the economic well-being of U.S. households (DeNavas-Watt et al. 2003) is a sure indication that academic discussion and policy making will be increasingly informed by such measures.

The picture regarding economic well-being is substantially altered according to the LIMEW as compared to the official measures. Perhaps, our most striking result is that the elderly are much better off relative to the non-elderly in terms of our broader measure of economic well-being, LIMEW, than according to conventional income measures. The main reason for the higher relative LIMEW of the elderly is the much higher values of income from wealth and net government expenditures for the elderly than the non-elderly. The well-being measures adjusted by equivalence scale also shows the same pattern, with the relative well-being of the elderly now appearing even better.

Both mean and median LIMEW also grew much faster for the elderly than the non-elderly over the 1989-2001 period. In contrast, growth rates of standard money income were actually greater for the non-elderly than the elderly over this period. As a result, the relative LIMEW of the elderly *increased* over the period while their relative mean money income *declined* and relative median money income remained steady. The main reason for the positive growth in the LIMEW ratio (in comparison to the negative or zero change in the ratio of money income) is the phenomenal increase in income from nonhome wealth over the period. A secondary reason is the widening gap in net government expenditures between the elderly and the non-elderly.

There are pronounced differences in well-being among the population subgroups within the elderly. The older elderly are worse-off relative to the younger elderly,

nonwhites are worse-off relative to whites, and singles are worse-off relative to married couples. The disparities based on race/ethnicity and, sex and marital status, are common to the non-elderly group too, thus suggesting their salience across the elderly to non-elderly divide. These disparities are evident in both the LIMEW and money income measures. However, the extent of the disparities and their change during 1989-2001 are sensitive to the measure of well-being. In 2001, the relative LIMEW of nonwhites and single-females were lower than their relative money income. The difference between the two measures can be traced primarily to the relatively lower income from wealth of these groups. From 1989 to 2001, the relative LIMEW of nonwhites fell while their relative money income actually rose. On the other hand, the gap between the older and younger elderly is smaller in the LIMEW than MI due to the fact that the two groups have similar amounts of income from wealth and net government expenditures (base income is lower for the older group)..

The degree of inequality in the LIMEW is substantially higher among the elderly than among the non-elderly. In contrast, inequality in the most comprehensive measure of income published by the Census Bureau, "extended income" (EI), is virtually identical among the elderly and non-elderly. Thus, the measured gap in inequality among the groups is sensitive to the measure of well-being used. The main factor behind this, as the decomposition analysis reveals, is the greater size and concentration of income from nonhome wealth in the LIMEW compared to EI. Further, the change in inequality between 1989 and 2001 is also different for the alternative well-being measures. Inequality in the LIMEW grew for both the elderly and the non-elderly while the inequality in EI (as well as in standard money income) grew only for the latter group. In sharp distinction to the trends in the LIMEW for the elderly where the share of income from wealth rose significantly, the share of such income fell considerably in the overall EI for the elderly. The divergent trends in the income from nonhome wealth were the main reason behind the growing inequality in LIMEW in comparison to the stable level of inequality in EI among the elderly.

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Table 1: A Comparison of the LIMEW and Extended Income (EI)

LIMEW	EI
Money income (MI)	Money income (MI)
Less: Property income and Government cash transfers	*Less*: Property income and Government cash transfers
Plus: Employer contributions for health insurance	*Plus*: Employer contributions for health insurance
Equals: Base income	*Equals:* Base income
Plus: Income from wealth	*Plus*: Income from wealth
Annuity from nonhome wealth	Property income and realized capital gains (losses)
Imputed rent on owner-occupied housing	Imputed return on home equity
Less: Taxes	*Less*: Taxes
Income taxes [1]	Income taxes
Payroll taxes [1]	Payroll taxes
Property taxes [1]	Property taxes
Consumption taxes	
Plus: Cash transfers [1]	*Plus*: Cash transfers
Plus: Noncash transfers [1,2]	*Plus*: Noncash transfers
Plus: Public consumption	
Plus: Household production	
Equals: LIMEW	*Equals*: EI

Note: (1) The amounts estimated by the Census Bureau and used in EI are modified to make the aggregates consistent with the NIPA estimates. (2) The government-cost approach is used: the Census Bureau uses the fungible value method for valuing Medicare and Medicaid in EI.

Table 2. Household Money Income (2005 dollars)

Characteristic of the householder	Mean					Median				
	1989	1995	2000	2001	%Chg, 89-01	1989	1995	2000	2001	%Chg, 89-01
	A. Unadjusted									
All households	56,220	57,589	64,805	64,195	14.2	45,555	43,571	47,634	46,535	2.1
Non-elderly	61,617	63,398	71,491	70,767	14.8	51,975	50,078	55,091	54,234	4.3
Elderly	36,621	36,463	39,293	38,811	6.0	24,666	24,348	26,231	25,492	3.3
Ratio: Elderly to Non-Elderly	0.59	0.58	0.55	0.55		0.47	0.49	0.48	0.47	
	B. Equivalence-scale adjusted[1]									
All households	73,894	75,754	85,877	85,348	15.5	60,299	58,046	64,215	63,294	5.0
Non-elderly	78,269	80,612	91,942	91,404	16.8	66,008	64,061	71,052	70,192	6.3
Elderly	58,006	58,090	62,736	61,955	6.8	41,844	41,769	44,174	43,181	3.2
Ratio: Elderly to Non-Elderly	0.74	0.72	0.68	0.68		0.63	0.65	0.62	0.62	

Table 3. Household Base Income[1] (2005 dollars)

Characteristic of the householder	Mean				
	1989	1995	2000	2001	%Chg, 89-01
All households	49,979	52,141	58,797	58,644	17.3
Non-elderly	59,394	61,843	69,378	69,055	16.3
Elderly	15,791	16,855	18,423	18,429	16.7
Ratio: Elderly to Non-Elderly	0.27	0.27	0.27	0.27	

Notes:

1. Base income equals money income minus all cash transfers included in it minus property income plus employer contributions for health insurance.

Table 4. Income from Home Wealth[1] (2005 dollars)

Characteristic of the householder	Mean				
	1989	1995	2000	2001	%Chg, 89-01
All households	3,932	3,786	3,627	3,877	-1.4
Non-elderly	3,600	3,328	3,083	3,326	-7.6
Elderly	5,139	5,453	5,702	6,006	16.9
Ratio: Elderly to Non-Elderly	1.43	1.64	1.85	1.81	
Memo: Homeownership Rates					
Non-elderly	61.0%	61.6%	64.4%	64.8%	
Elderly	75.5%	79.1%	80.4%	80.8%	

Notes:

1. Income from home wealth is imputed rent minus the annutized value of mortgage debt.

Table 5. Income from Nonhome Wealth[1] (2005 dollars)

Characteristic of the householder	Mean				
	1989	1995	2000	2001	%Chg, 89-01
All households	11,943	13,503	22,951	20,628	72.7
Non-elderly	7,963	8,227	14,738	13,862	74.1
Elderly	26,395	32,691	54,292	46,768	77.2
Ratio: Elderly to Non-Elderly	3.31	3.97	3.68	3.37	
Memo: Mean Nonhome Wealth					
Non-elderly	172,572	171,541	312,711	290,789	68.5
Elderly	267,101	317,152	547,340	489,514	83.3
Ratio: Elderly to Non-Elderly	1.55	1.85	1.75	1.68	

Notes:

1. Income from nonhome wealth is the annutized value of nonhome wealth minus the annutized value of all debt other than mortgage.

Table 6. Government Cash Transfers[1] (2005 dollars)

Characteristic of the householder	Mean				
	1989	**1995**	**2000**	**2001**	**%Chg, 89-01**
All households	5,058	5,695	5,430	5,546	9.7
Non-elderly	2,516	3,053	2,733	2,858	13.6
Elderly	14,286	15,306	15,722	15,933	11.5
Ratio: Elderly to Non-Elderly	5.68	5.01	5.75	5.58	

Notes:

1. Transfers received by the recipient as a cash payment (e.g. Social Security).

Table 7. Government Noncash Transfers[1] (2005 dollars)

Characteristic of the householder	Mean				
	1989	**1995**	**2000**	**2001**	**%Chg, 89-01**
All households	2,781	3,969	4,037	4,551	63.6
Non-elderly	1,581	2,486	2,488	2,966	87.6
Elderly	7,140	9,362	9,951	10,674	49.5
Ratio: Elderly to Non-Elderly	4.52	3.77	4.00	3.60	

Notes:

1. Transfers received by the recipient as a noncash benefit (e.g. Medicare).

Table 8. Public Consumption[1] (2005 dollars)

Characteristic of the householder	Mean				
	1989	**1995**	**2000**	**2001**	**%Chg, 89-01**
All households	8,178	8,504	9,347	9,591	17.3
Non-elderly	9,453	9,899	10,811	11,089	17.3
Elderly	3,550	3,430	3,764	3,803	7.1
Ratio: Elderly to Non-Elderly	0.38	0.35	0.35	0.34	

Notes:

1. Government consumption and gross investment expenditures allocated to households (e.g. schools).

Table 9. Taxes[1] (2005 dollars)

Characteristic of the householder	Mean				
	1989	**1995**	**2000**	**2001**	**%Chg, 89-01**
All households	14,844	15,078	19,144	18,731	26.2
Non-elderly	16,989	17,359	21,944	21,453	26.3
Elderly	7,053	6,782	8,461	8,217	16.5
Ratio: Elderly to Non-Elderly	0.42	0.39	0.39	0.38	

Notes:

1. Includes income taxes (federal, state and local), property taxes, consumption taxes and payroll taxes (employee portion only).

Table 10. Net Government Expenditures[1] (2005 dollars)

Characteristic of the householder	Mean				
	1989	**1995**	**2000**	**2001**	**%Chg, 89-01**
All households	1,173	3,090	-329	958	-18.3
Non-elderly	-3,440	-1,922	-5,913	-4,539	32.0
Elderly	17,923	21,316	20,977	22,192	23.8
Difference: Elderly minus Non-Elderly	21,362	23,238	26,890	26,732	

Notes:

1. Transfers *plus* public consumption *minus* taxes

Table 11. Government Expenditures and Taxes: Non-elderly and Elderly Households (Mean Values, 2005 dollars)

	1989			2001			Percentage Change, 89-01		
	Non elderly	**Elderly**	**All**	**Non elderly**	**Elderly**	**All**	**Non elderly**	**Elderly**	**All**
Cash transfers	2,516	14,286	5,058	2,858	15,933	5,546	13.6	11.5	9.7
Social Security	1,026	13,334	3,684	1,264	15,025	4,094	23.2	12.7	11.1
Public assistance	477	67	389	194	47	164	-59.4	-28.8	-57.8
EITC	83	10	67	329	31	268	294.5	220.5	296.8
SSI	184	348	219	293	293	293	59.5	-15.8	33.7
Unemployment	275	47	226	380	69	316	38.3	45.8	40.1
Others	471	479	473	397	467	411	-15.7	-2.5	-13.0
Noncash transfers	1,581	7,140	2,781	2,966	10,674	4,551	87.6	49.5	63.6
Medicaid	825	775	814	1,738	1,661	1,722	110.7	114.2	111.5
Medicare	318	6,149	1,577	643	8,749	2,310	102.2	42.3	46.5
Food Stamps	245	71	208	186	63	161	-23.9	-10.7	-22.4
Energy assistance	21	33	24	24	30	25	13.6	-8.2	6.8
Others	193	145	183	399	201	358	106.7	38.6	96.2
Public consumption	9,453	3,550	8,178	11,089	3,803	9,591	17.3	7.1	17.3
Police and Fire	448	268	409	625	383	575	39.7	42.6	40.7
Education	5,208	511	4,194	6,321	633	5,151	21.4	23.8	22.8
Health and hospitals	985	593	900	1,026	624	943	4.2	5.3	4.8
Highways	769	626	738	882	703	845	14.7	12.2	14.5
Others	2,043	1,550	1,937	2,236	1,460	2,076	9.4	-5.8	7.2
Taxes	16,989	7,053	14,844	21,453	8,217	18,731	26.3	16.5	26.2
Federal income taxes	8,748	3,455	7,605	11,627	4,148	10,089	32.9	20.1	32.7
State income taxes	1,816	664	1,568	2,407	809	2,079	32.5	21.8	32.6
Property taxes	972	1,120	1,004	1,014	1,082	1,028	4.4	-3.4	2.4
Payroll taxes	3,923	706	3,229	4,527	842	3,769	15.4	19.1	16.7
Consumption taxes	1,530	1,107	1,439	1,877	1,336	1,766	22.7	20.7	22.7
Net government expenditures	-3,440	17,923	1,173	-4,539	22,192	958	32.0	23.8	-18.3

Table 12. Household Production[1] (2005 dollars)

Characteristic of the householder	Mean				
	1989	**1995**	**2000**	**2001**	**%Chg, 89-01**
All households	19,852	18,824	22,255	22,558	13.6
Non-elderly	20,053	19,223	22,614	23,036	14.9
Elderly	19,122	17,371	20,886	20,711	8.3
Ratio: Elderly to Non-Elderly	0.95	0.90	0.92	0.90	

Notes:

1. Value of time spent on housework (e.g. cooking) and care (e.g. caring for an adult).

Table 13. LIMEW[1] (2005 dollars)

Characteristic of the householder	Mean					Median				
	1989	**1995**	**2000**	**2001**	**%Chg, 89-01**	**1989**	**1995**	**2000**	**2001**	**%Chg, 89-01**
	A. Unadjusted									
All households	86,879	91,344	107,385	106,666	22.8	70,742	71,288	78,121	79,403	12.2
Non-elderly	87,570	90,700	104,000	104,740	19.6	74,226	73,899	80,087	81,741	10.1
Elderly	84,370	93,687	120,301	114,107	35.2	57,253	60,496	69,719	69,732	21.8
Ratio: Elderly to Non-Elderly	0.96	1.03	1.16	1.09		0.77	0.82	0.87	0.85	
	B. Equivalence-scale adjusted									
All households	111,798	118,051	140,581	139,546	24.8	92,179	93,705	102,595	105,138	14.1
Non-elderly	106,202	110,003	127,678	128,760	21.2	91,320	91,496	100,132	102,778	12.5
Elderly	132,118	147,319	189,817	181,211	37.2	95,410	102,414	114,698	116,441	22.0
Ratio: Elderly to Non-Elderly	1.24	1.34	1.49	1.41		1.04	1.12	1.15	1.13	

Notes:

1. The LIMEW is the sum of base income, income from wealth, net government expenditures and the value of household production.

Table 14. Composition of LIMEW and Extended Income: Non-elderly and the Elderly

Mean values (2005 dollars)

	LIMEW				Extended income			
	1989		**2001**		**1989**		**2001**	
	Non-elderly	**Elderly**	**Non-elderly**	**Elderly**	**Non-elderly**	**Elderly**	**Non-elderly**	**Elderly**
Base income	59,394	15,791	69,055	18,429	59,394	15,791	69,055	18,429
Income from wealth	11,563	31,534	17,188	52,774	8,013	15,222	8,644	12,576
Home wealth	3,600	5,139	3,326	6,006	3,577	5,754	2,772	4,756
Nonhome wealth	7,963	26,395	13,862	46,768	4,436	9,469	5,872	7,820
Net government expenditures	-3,440	17,923	-4,539	22,192	-12,427	11,621	-15,539	14,506
Transfers	4,097	21,426	5,824	26,606	2,781	17,522	3,615	21,391
Public consumption	9,453	3,550	11,089	3,803				
Taxes	16,989	7,053	21,453	8,217	15,208	5,901	19,154	6,886
Household production	20,053	19,122	23,036	20,711				
Total	87,570	84,370	104,740	114,107	54,981	42,634	62,159	45,511

Percent of total

	LIMEW				Extended income			
	1989		**1995**		**1989**		**2001**	
	Non-elderly	**Elderly**	**Non-elderly**	**Elderly**	**Non-elderly**	**Elderly**	**Non-elderly**	**Elderly**
Base income	67.8	18.7	65.9	16.2	108.0	37.0	111.1	40.5
Income from wealth	13.2	37.4	16.4	46.2	14.6	35.7	13.9	27.6
Home wealth	4.1	6.1	3.2	5.3	6.5	13.5	4.5	10.5
Nonhome wealth	9.1	31.3	13.2	41.0	8.1	22.2	9.4	17.2
Net government expenditures	-3.9	21.2	-4.3	19.4	-22.6	27.3	-25.0	31.9
Transfers	4.7	25.4	5.6	23.3	5.1	41.1	5.8	47.0
Public consumption	10.8	4.2	10.6	3.3				
Taxes	19.4	8.4	20.5	7.2	27.7	13.8	30.8	15.1
Household production	22.9	22.7	22.0	18.2				
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Table 15. Inequality among the elderly and non-elderly by measure of well-being (Gini ratios)

	1989	1995	2000	2001
LIMEW				
Non-elderly	0.351	0.372	0.406	0.402
Elderly	0.454	0.479	0.535	0.508
Extended income				
Non-elderly	0.356	0.387	0.403	0.399
Elderly	0.401	0.391	0.401	0.399
Money income				
Non-elderly	0.391	0.429	0.439	0.445
Elderly	0.463	0.465	0.474	0.475

Figure 1. Relative Well-Being of Elderly Subgroups: Money Income (Ratio of Subgroup to Overall Elderly Mean Values)
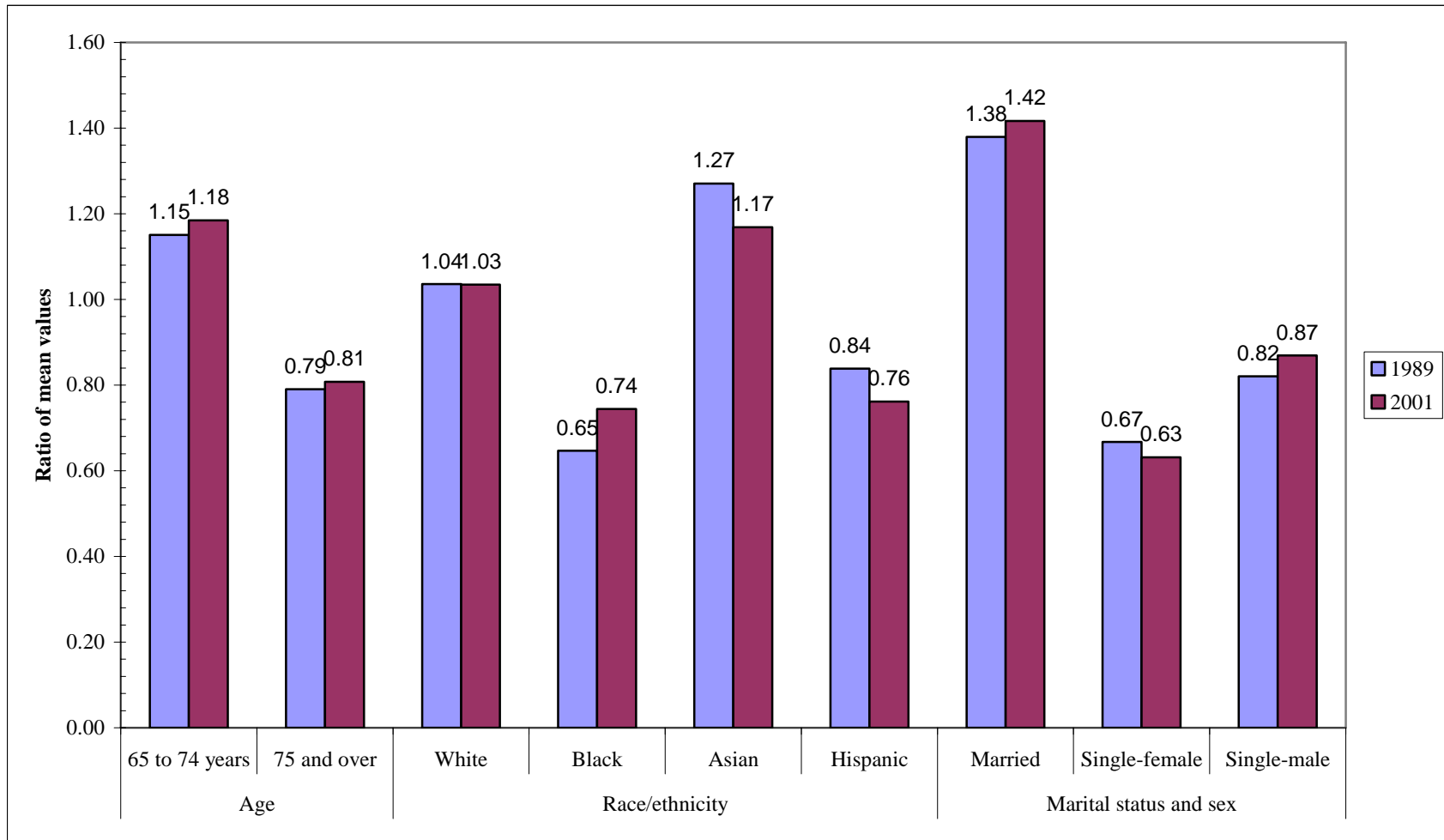
Figure 2. Relative Well-Being of Elderly Subgroups: Equivalent Money Income (Ratio of Subgroup to Overall Elderly Mean Values)
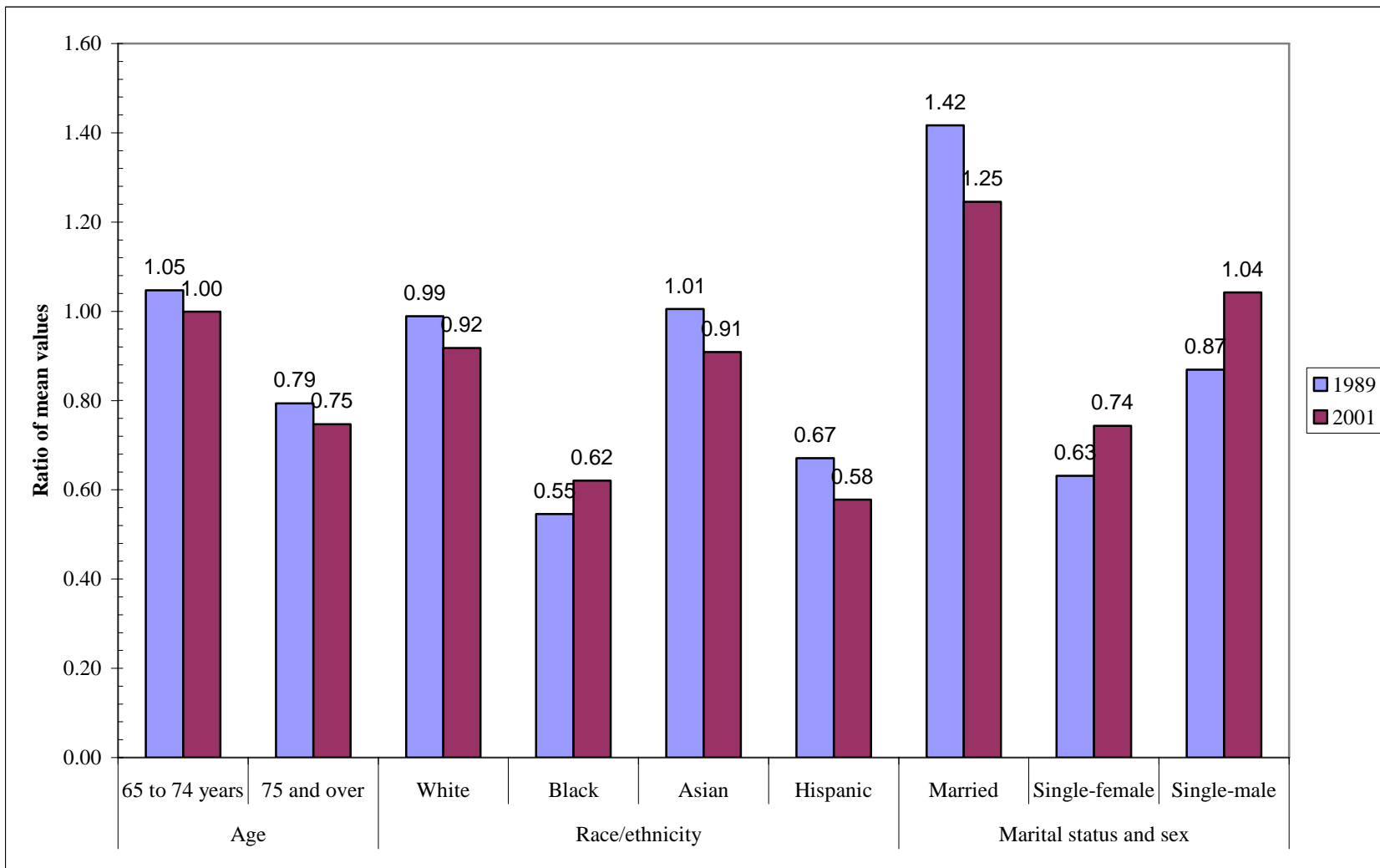
Figure 3. Differentials in Base Income Among Elderly Subgroups (Ratio of Subgroup to Overall Elderly Mean Values)
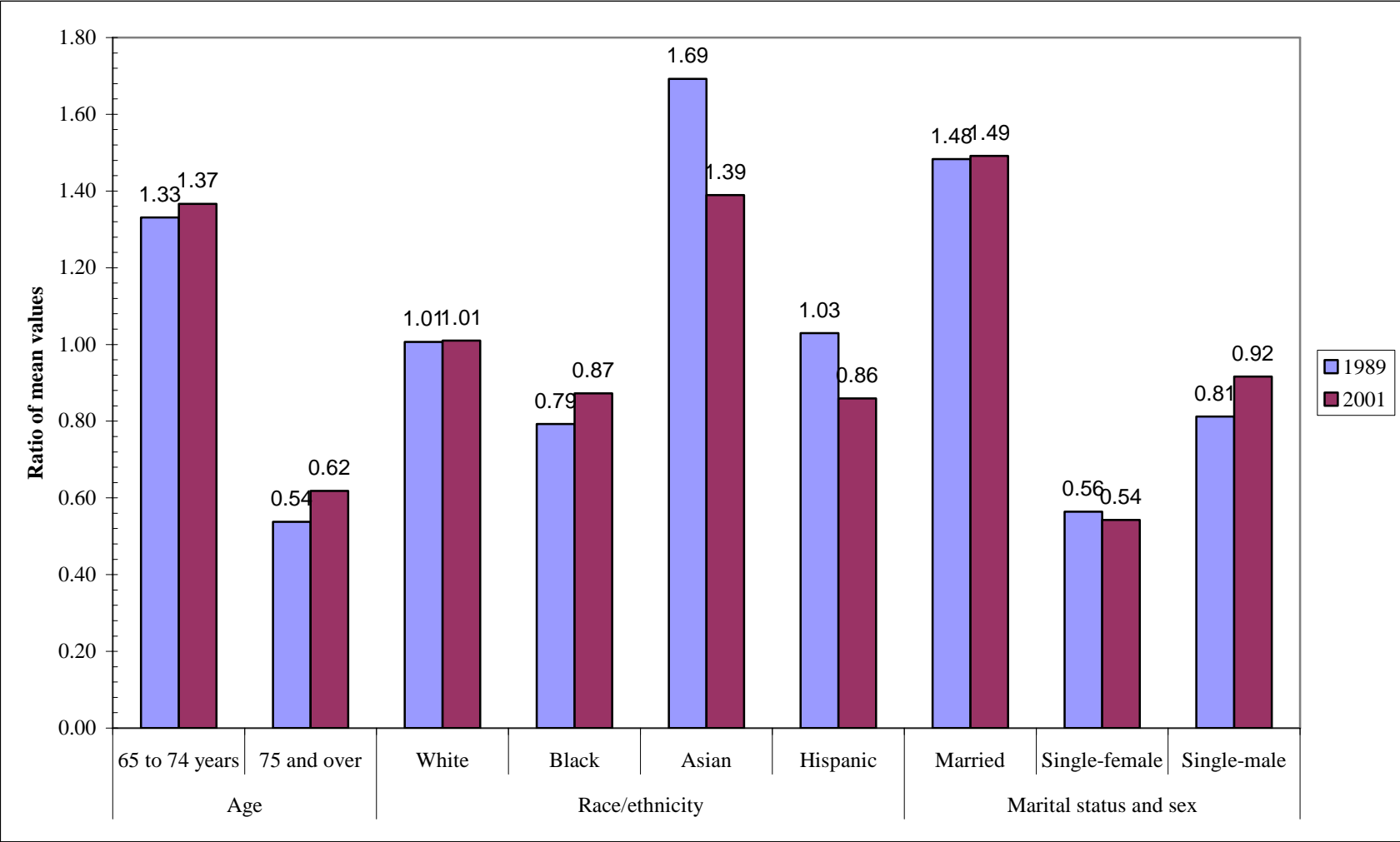
**Figure 4. Differentials in Income from Home Wealth Among Elderly Subgroups (Ratio of Subgroup to Overall Elderly Mean Values)**
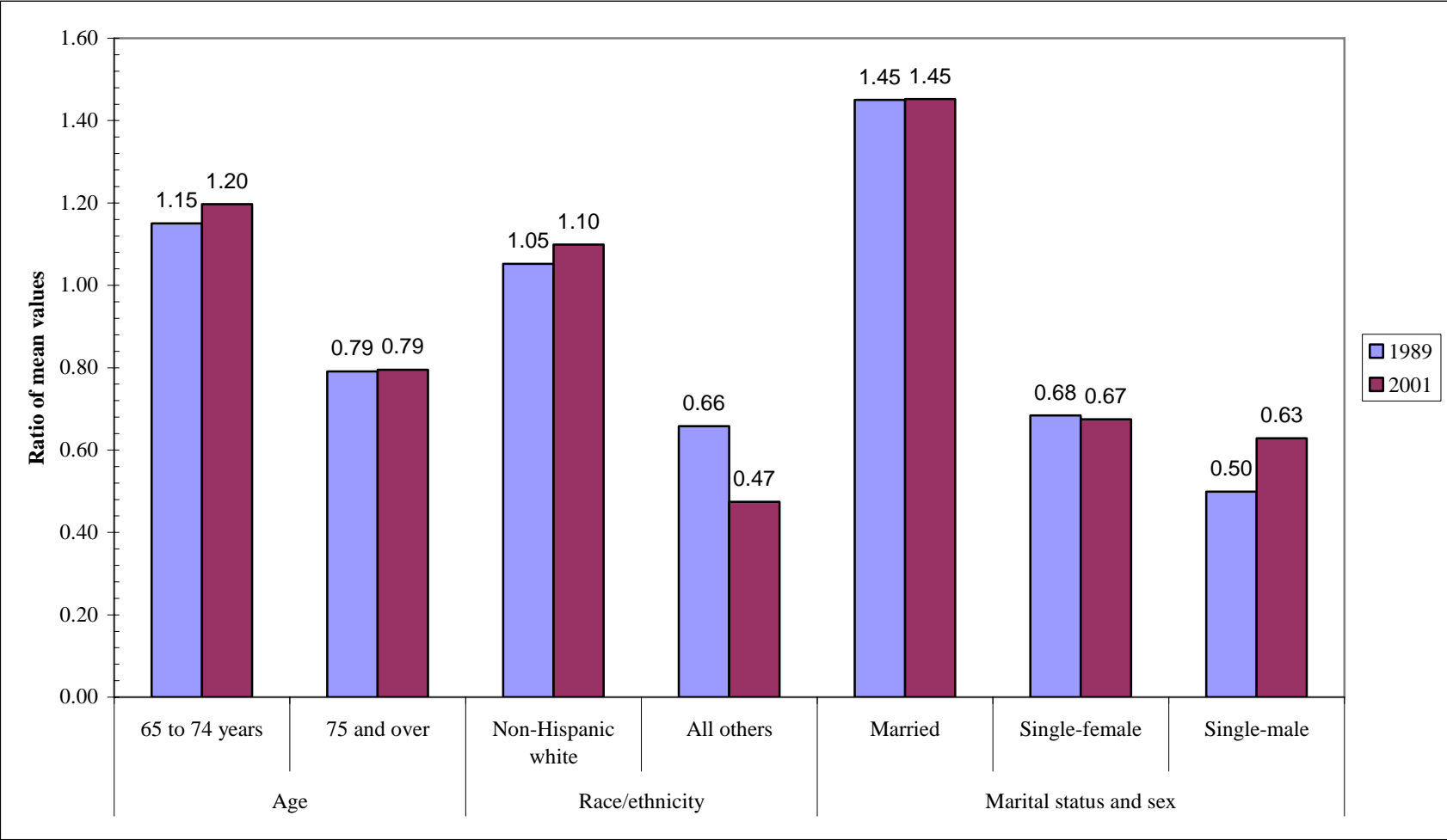
Figure 5. Differentials in Income from Nonhome Wealth Among Elderly Subgroups (Ratio of Subgroup to Overall Elderly Mean Values)
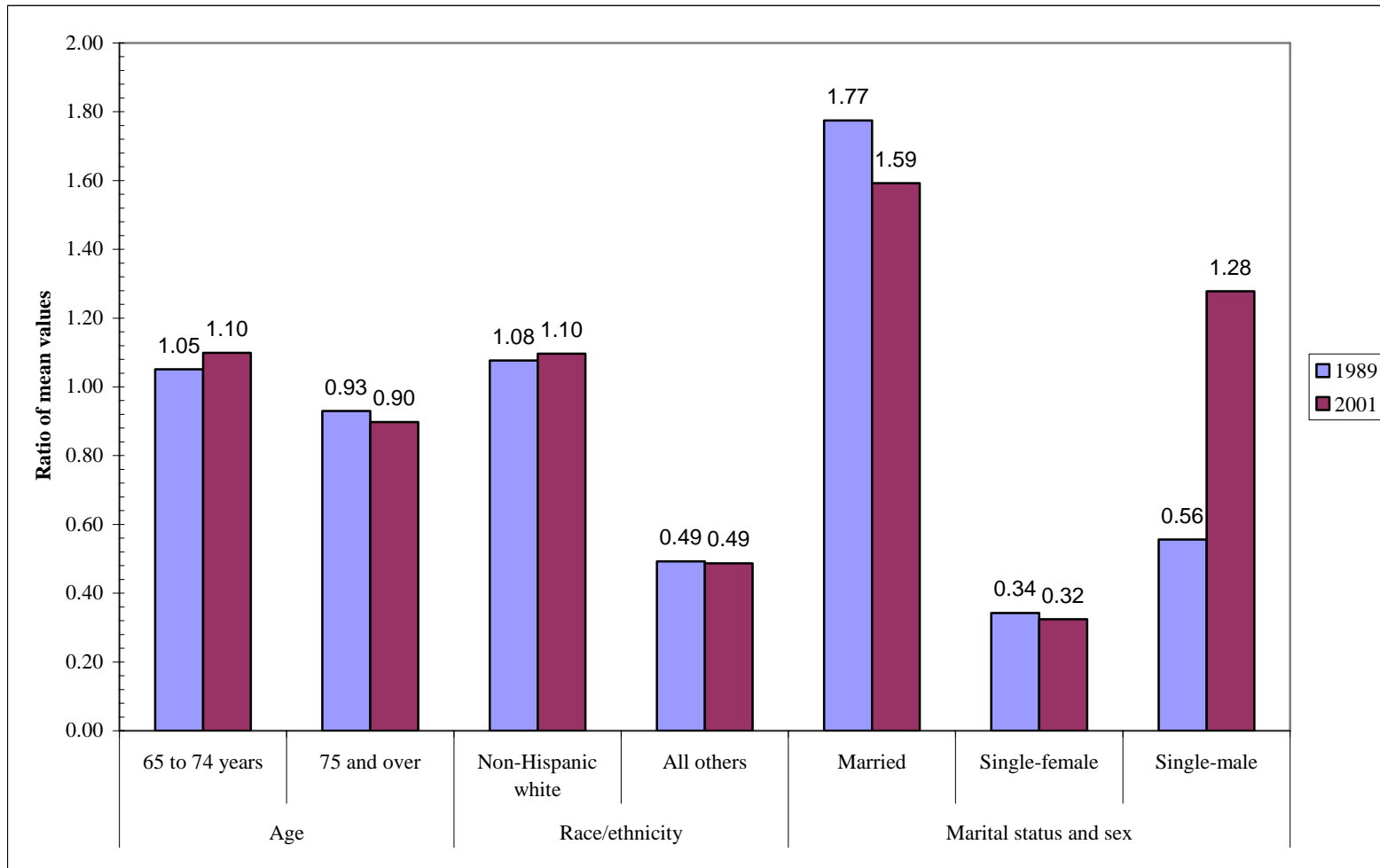
Figure 6. Differentials in Cash Transfers Among Elderly Subgroups (Ratio of Subgroup to Overall Elderly Mean Values)
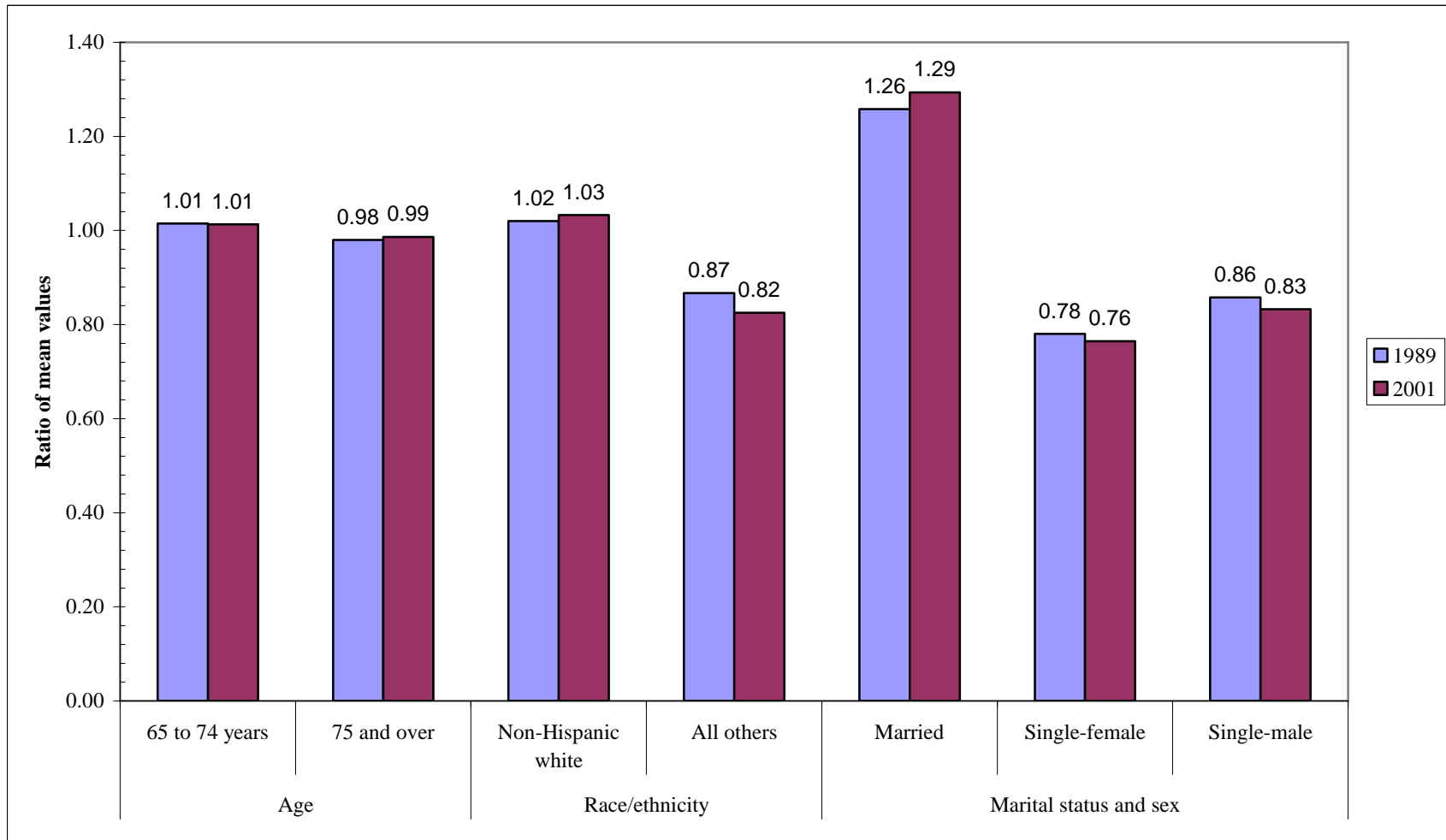
Figure 7. Differentials in Noncash Transfers Among Elderly Subgroups (Ratio of Subgroup to Overall Elderly Mean Values)
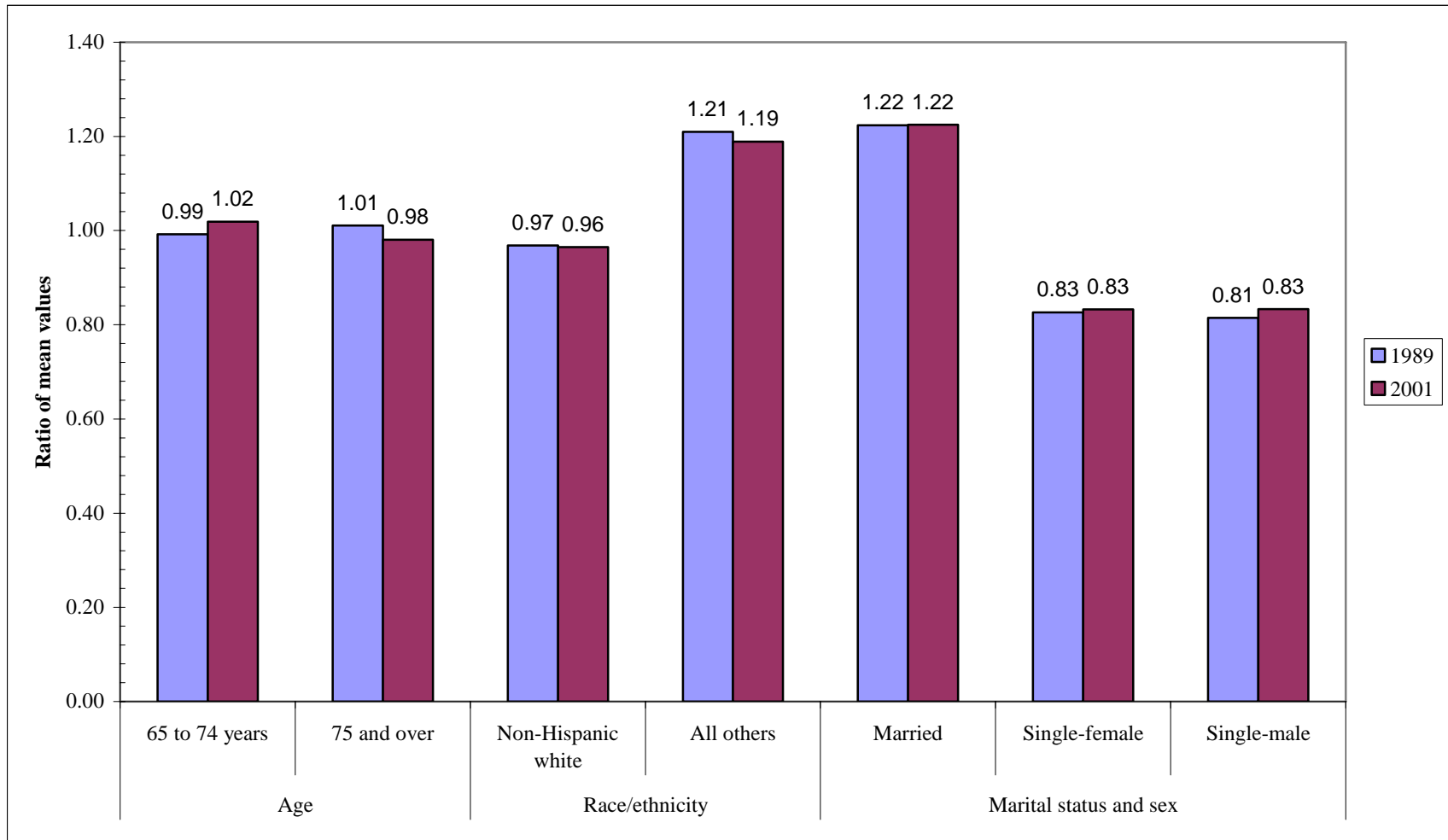
Figure 8. Differentials in Public Consumption Among Elderly Subgroups (Ratio of Subgroup to Overall Elderly Mean Values)
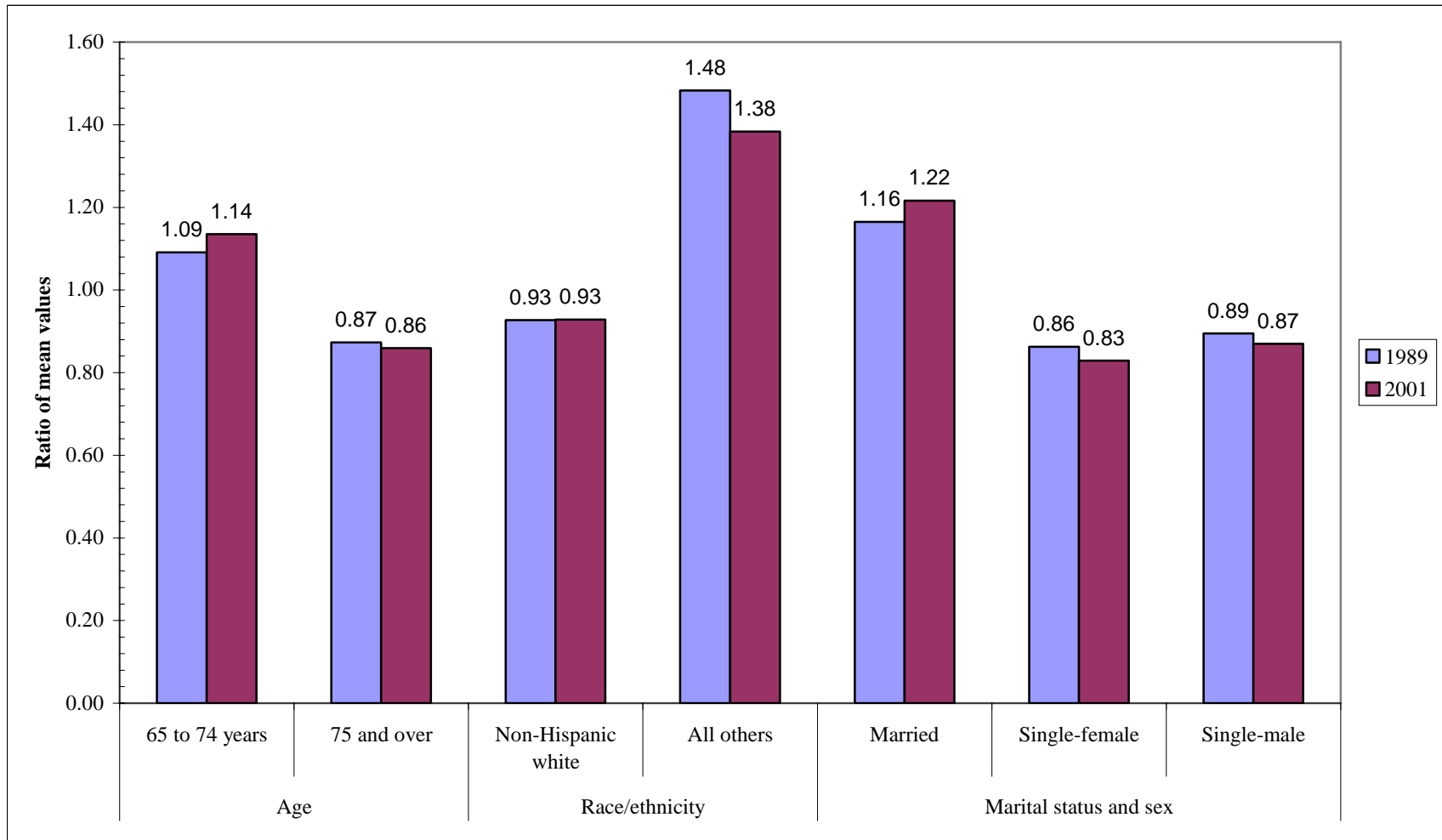
Figure 9. Differentials in Taxes Among Elderly Subgroups (Ratio of Subgroup to Overall Elderly Mean Values)
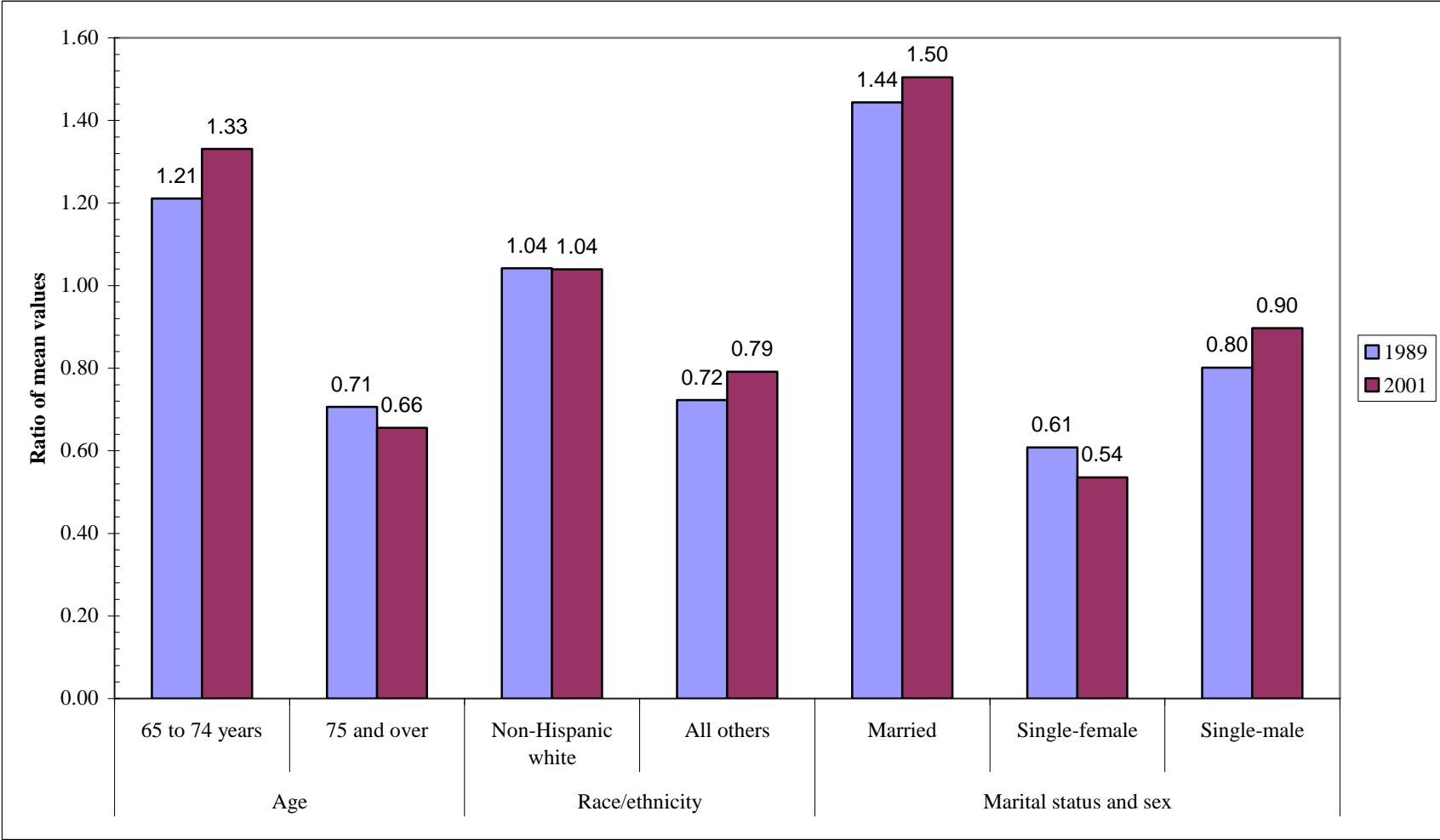
Figure 10. Differentials in Net Government Expenditures Among Elderly Subgroups (Ratio of Subgroup to Overall Elderly Mean Values)
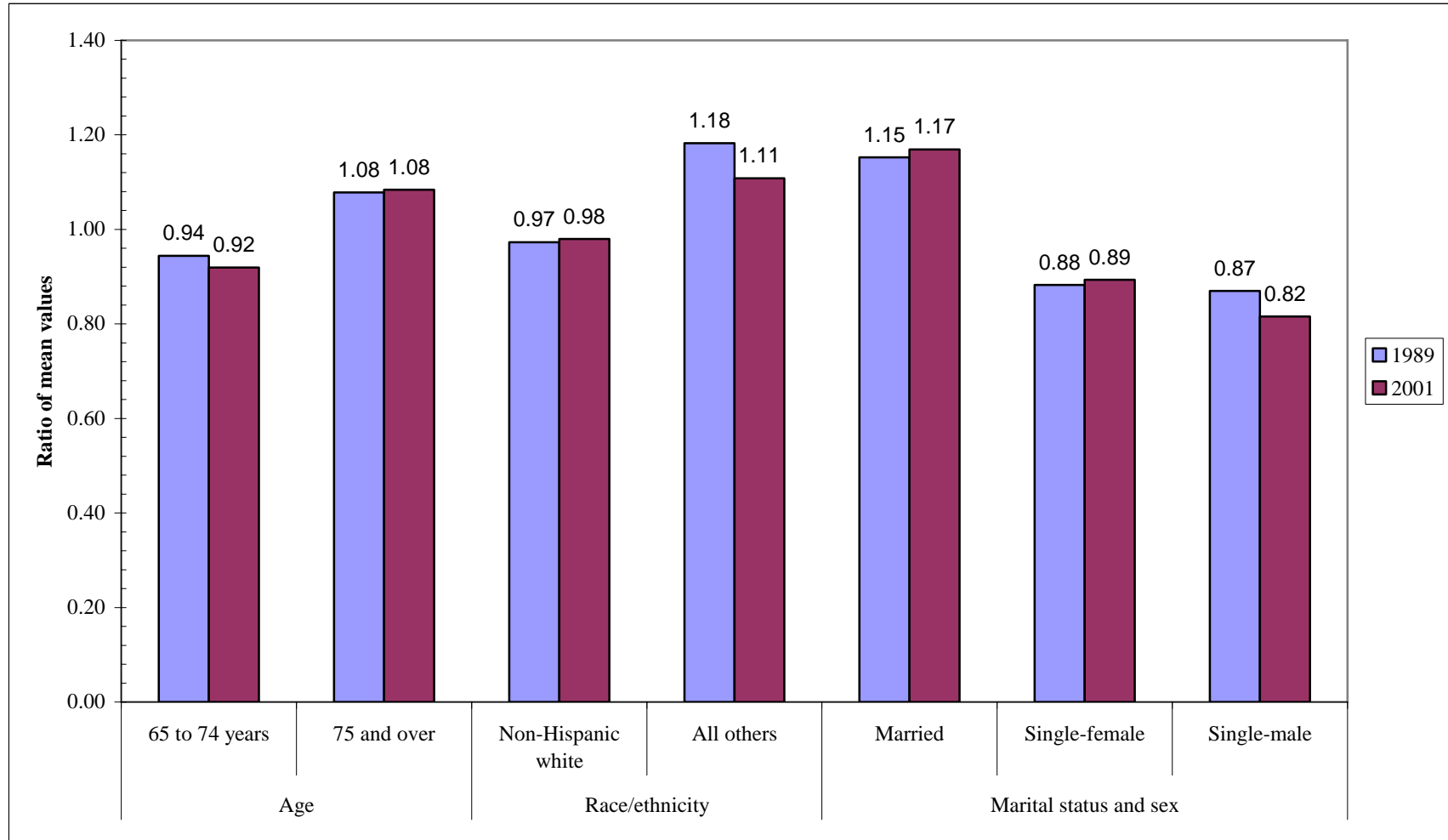
Figure 11. Differentials in Household Production Among Elderly Subgroups (Ratio of Subgroup to Overall Elderly Mean Values)
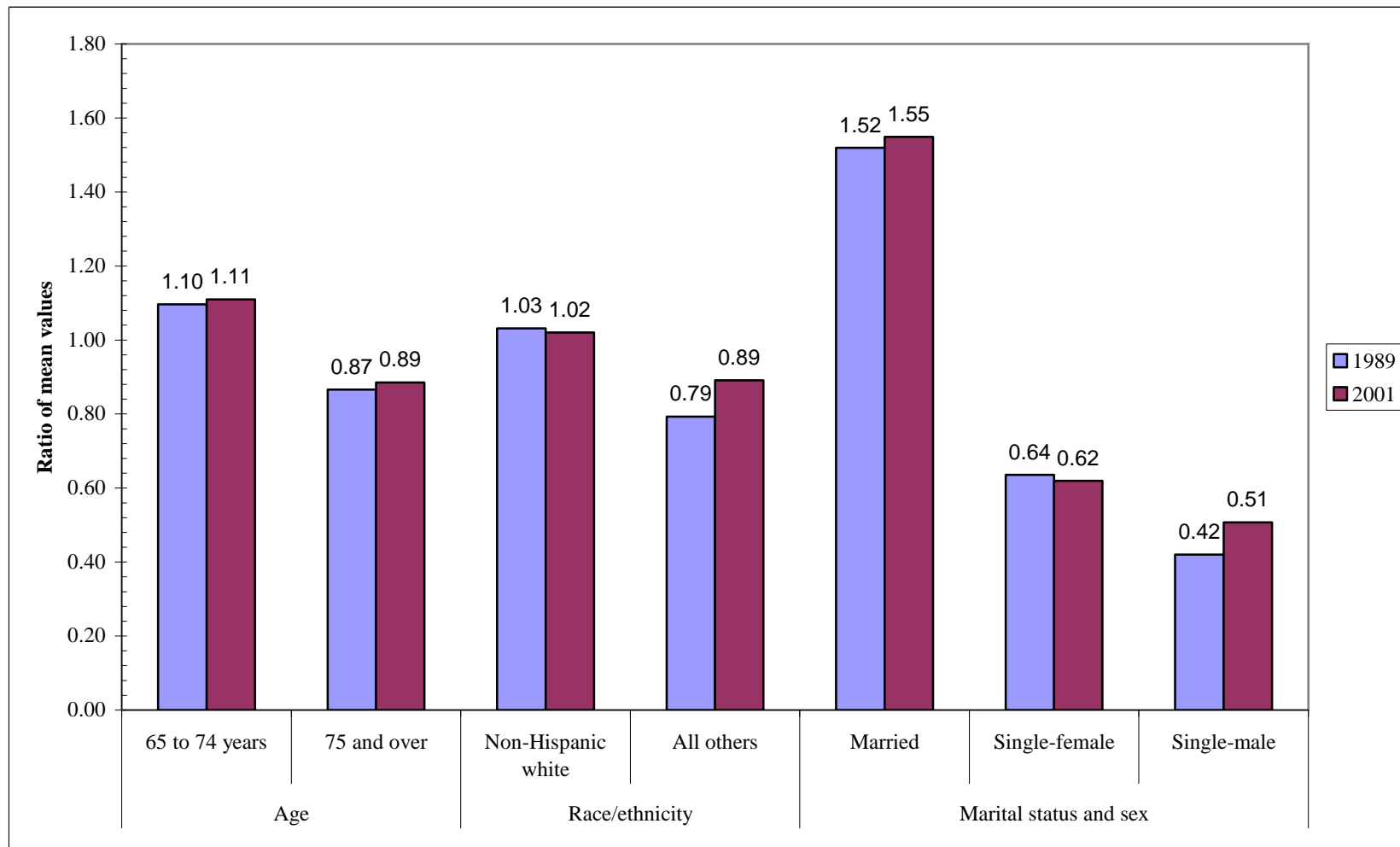
Figure 12A. Relative Well-Being of Elderly Groups by Money Income and LIMEW, 1989 (Ratio of Subgroup to Overall Elderly Mean Values)
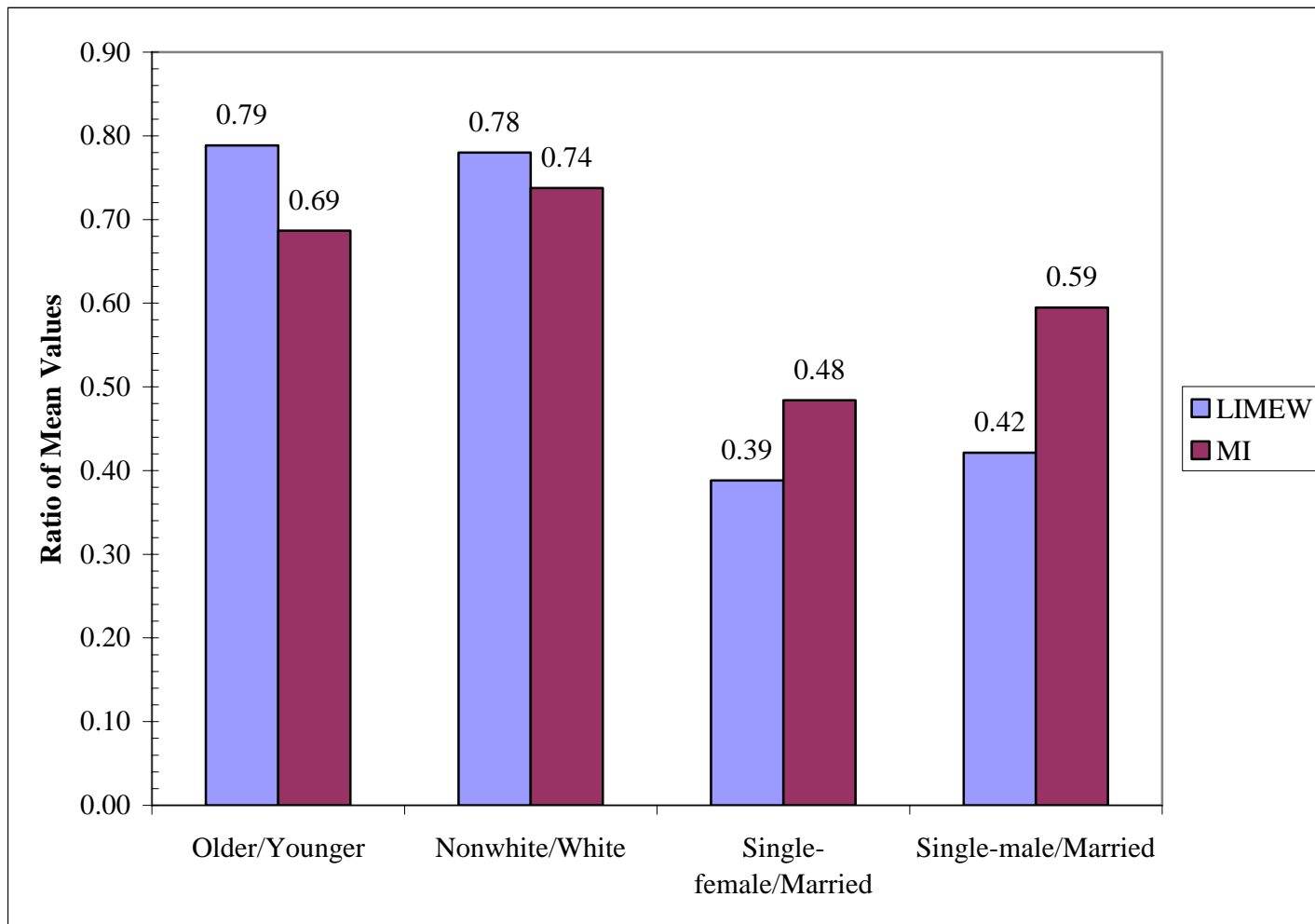
Figure 12B. Relative Well-Being of Elderly Groups by Money Income and LIMEW, 1989 (Ratio of Subgroup to Overall Elderly Mean Values)
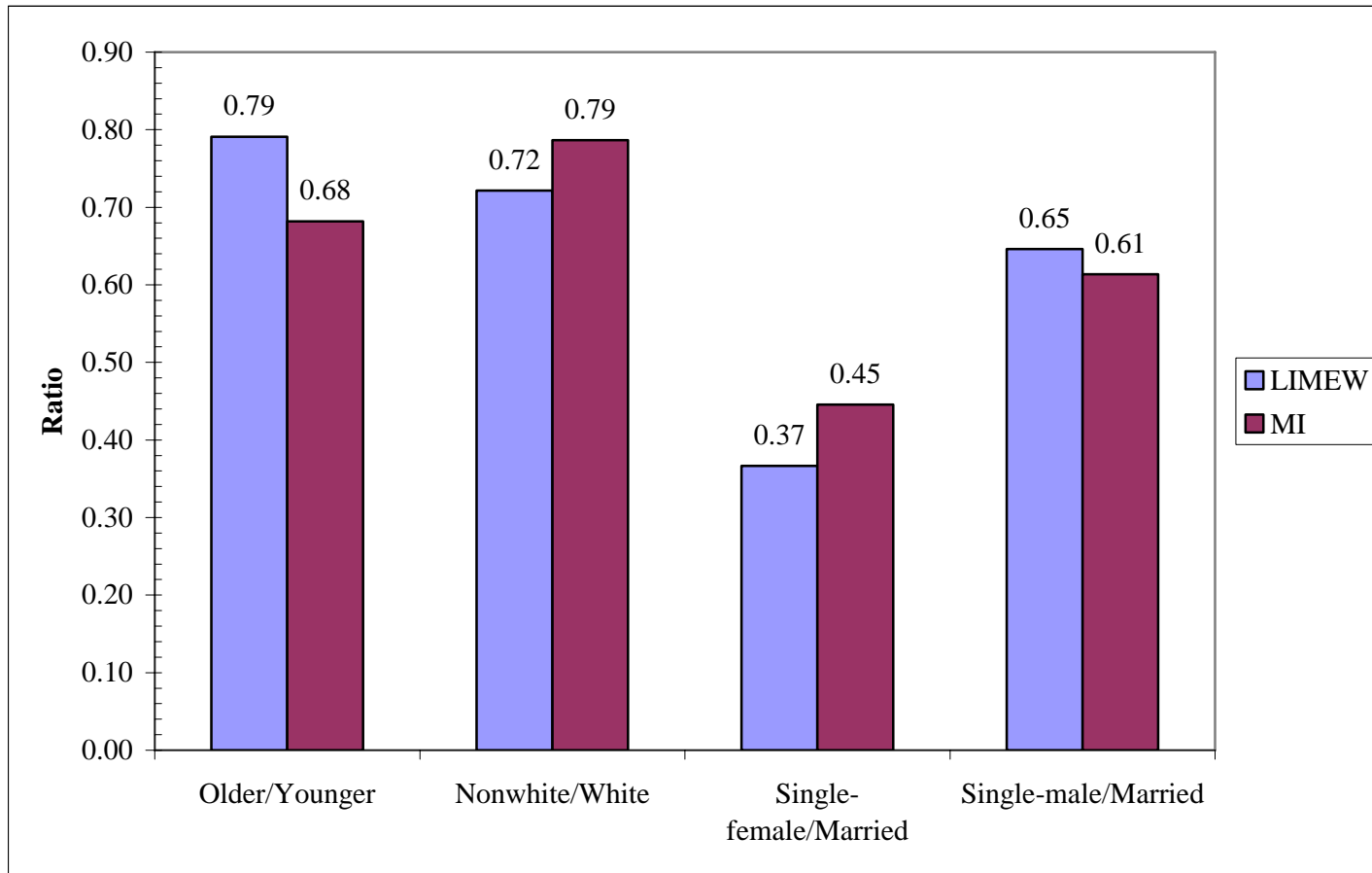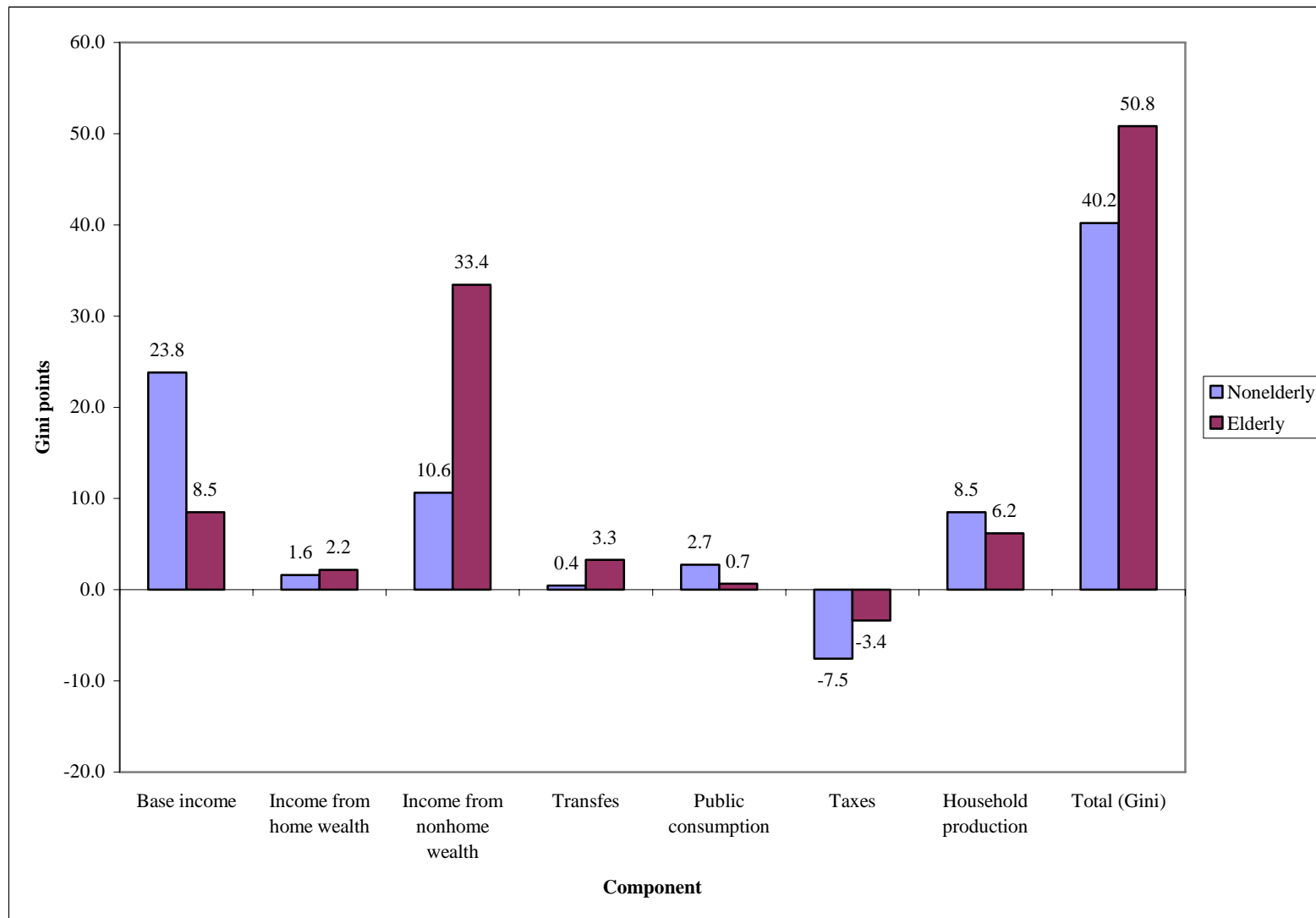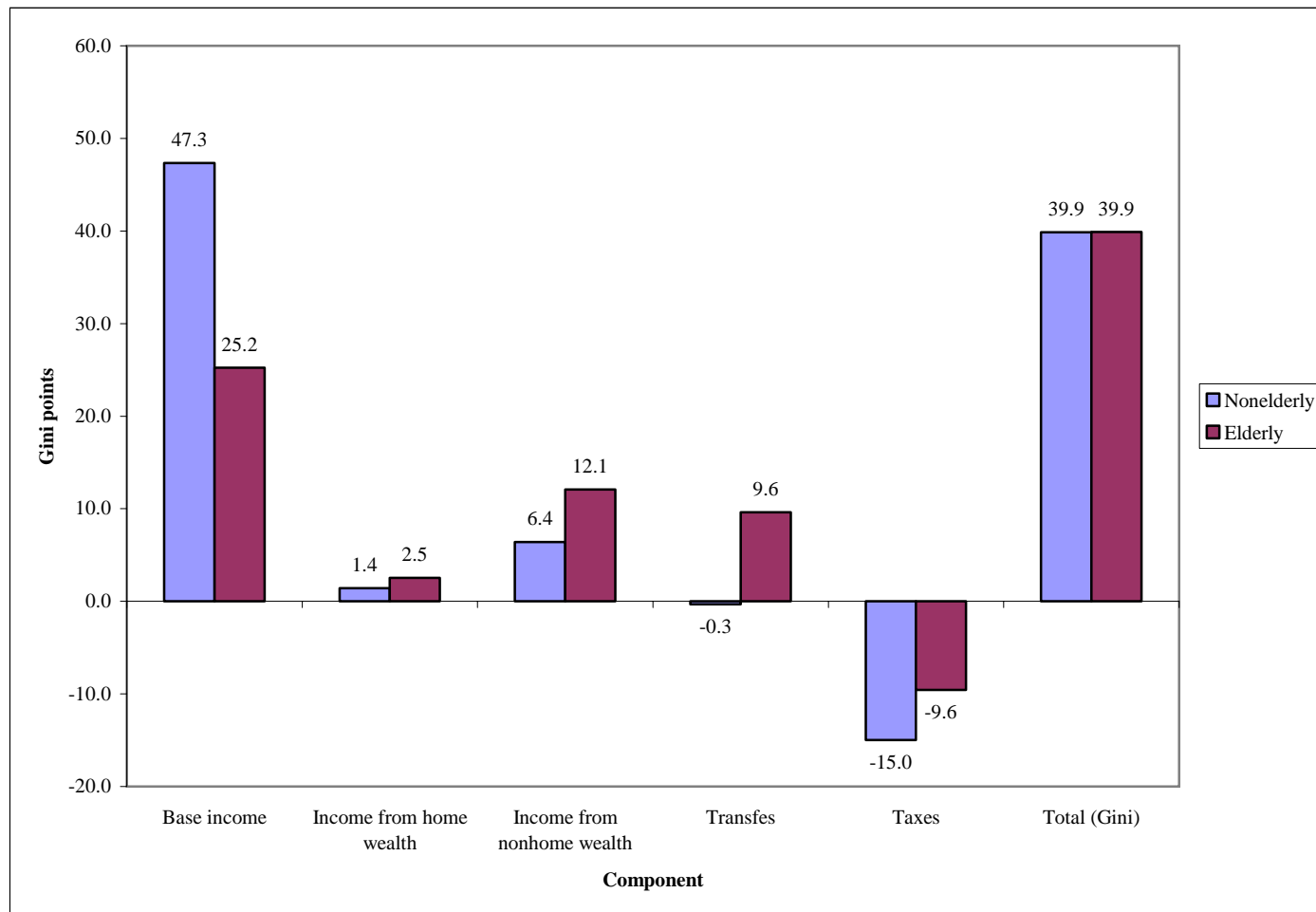
Figure 13. Lorenz Curve for Extended Income and LIMEW: 1989,2001
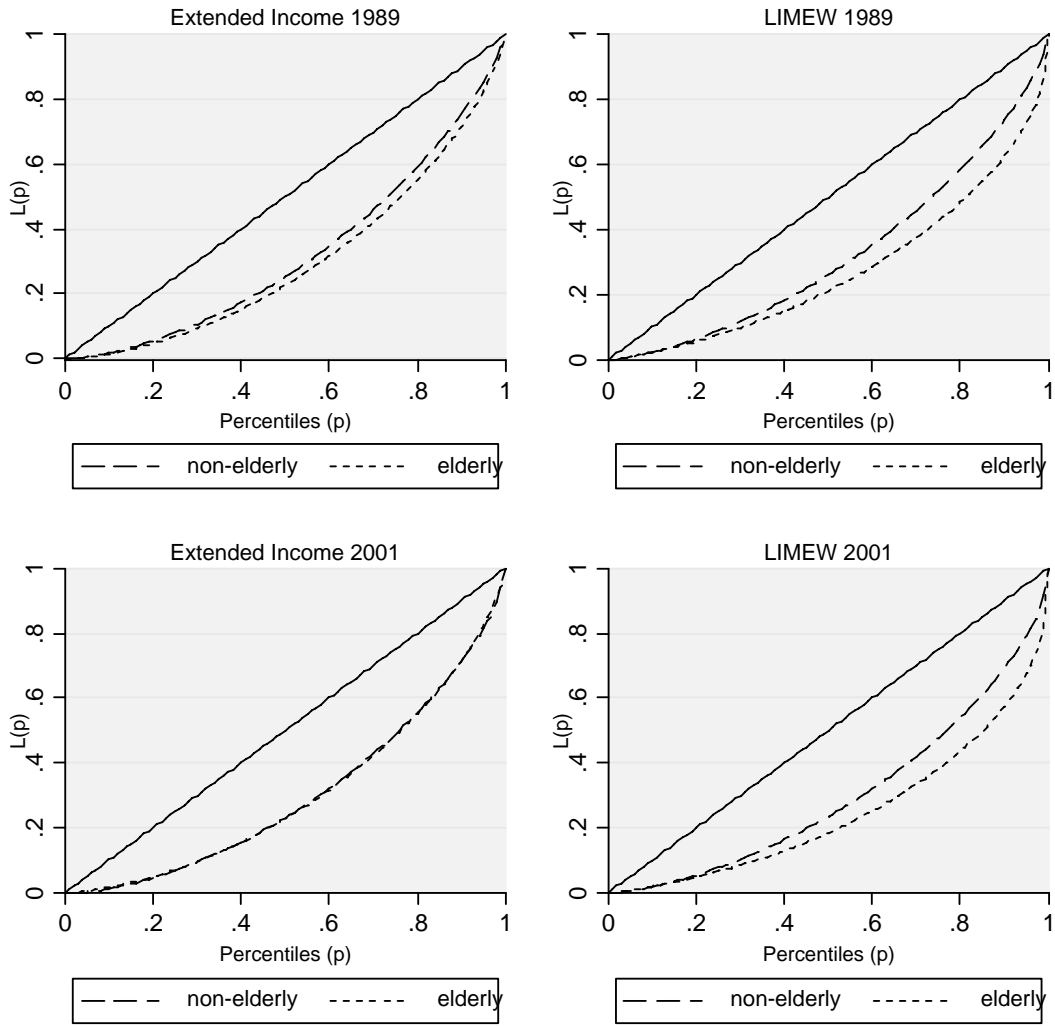
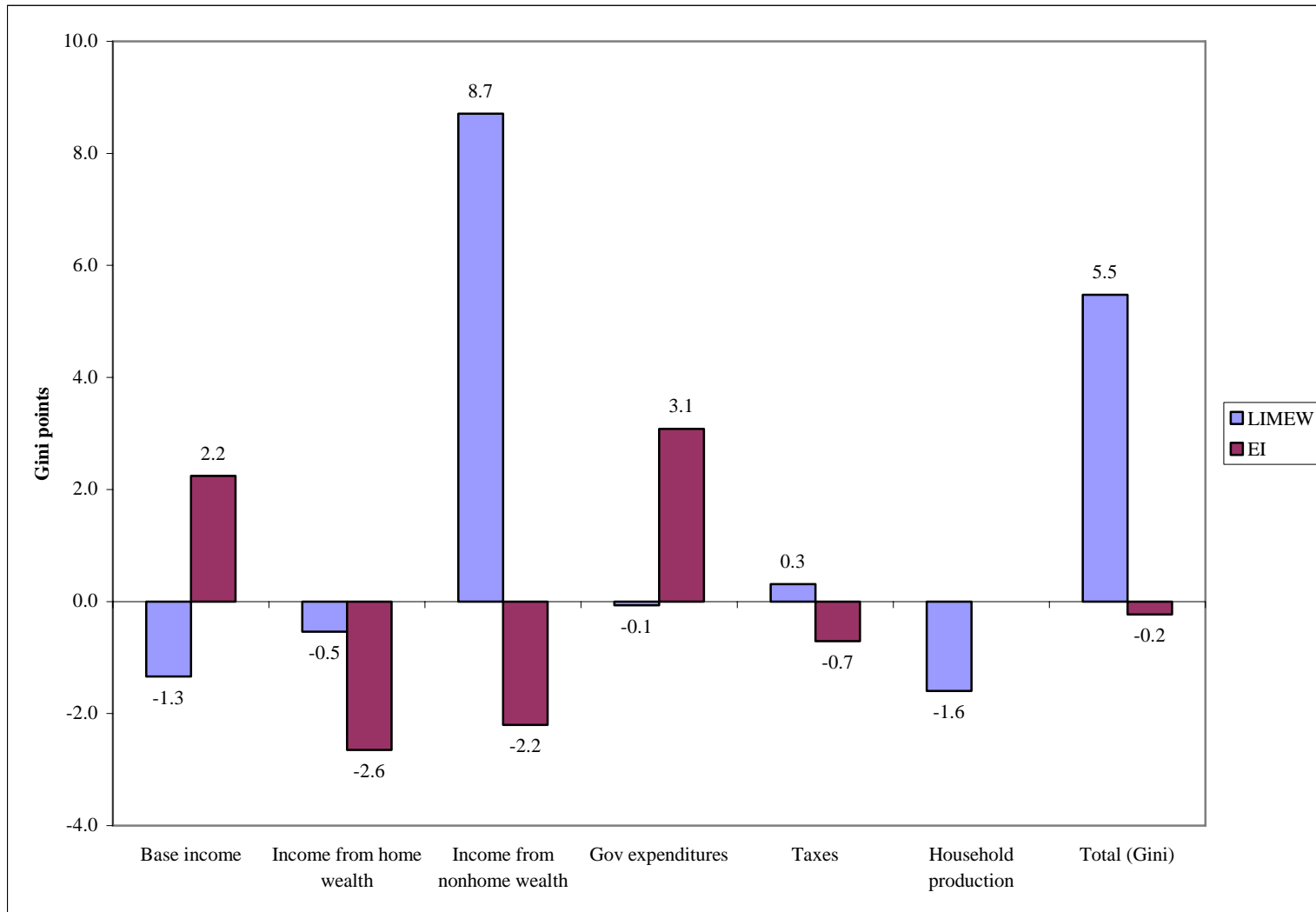**Figure 14. Decomposition of Inequality in LIMEW, 2001**

Figure 15. Decomposition of EI, 2001

Figure 16. Contribution to the Change in the Gini ratio of the Elderly, 1989 to 2001

Figure 17. Contribution to the Change in Gini ratio of the Non-elderly, 1989 to 2001