

Does Age Matter? The Effect of The Age of The Household Head on Household Income Inequality*

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Abstract

In the paper we analyse how the earners age affects the level of households income inequality in West-EU countries. Therefore, in the study we focus on various subgroups of household distinguished on the age of the household head.

The main research objective of the article is to examine the role of age differences in explaining the level of income inequality in fourteen West-EU countries. Therefore, our analysis has two empirical aims: to assess the divergence in the mean incomes of the recognised subgroups of households and to measure how much of the overall inequality can be attributed to the distance between these subgroups rather than to inequalities within them.

The study is carried out on micro-data obtained from EU-SILC that cover information about incomes achieved by individual members of the household in 2017. In the analysis we use the Theil index and its property of being additively decomposable.

Our results indicate that the age of the household head has a limited effect on the extent of overall inequality in income distribution. The impact of the age of the household head on income inequality was the most prevalent in the Nordic countries. By contrast, the effect was the least notable in Luxemburg and the Mediterranean region. Our study also revealed that other factors, such as household composition and living arrangement patterns for the young adults and the elderly, may also have an impact on their economic situation.

Keywords: Income Inequality, Age, Theil Index, Decomposition, EU-SILC