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Minimum income across all ages: a focus on elderly people

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Outline of the Project

1: Poverty Risks across Europe;

2: Mapping Minimum Income Schemes (MIS) across all ages and their efficacy;

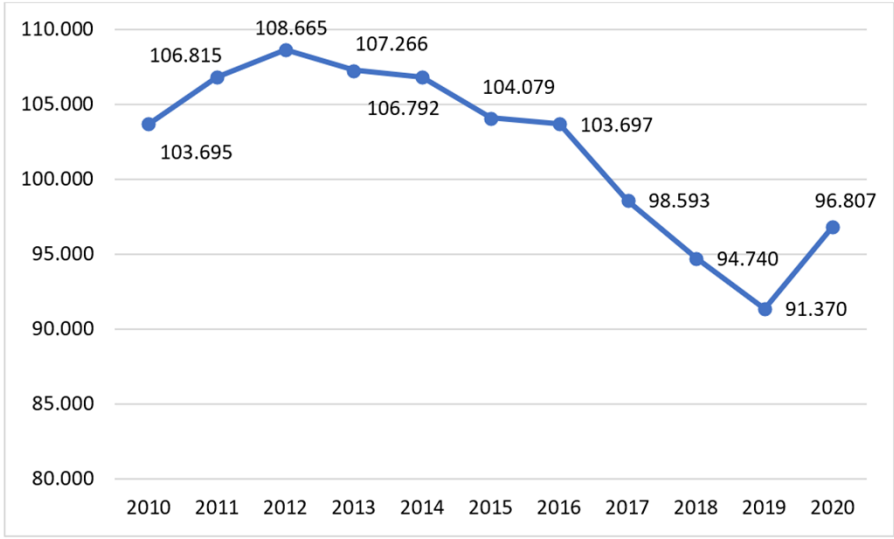
3: Proposals for an anti-poverty strategy on the EU level

PART I
Poverty Risks and MIS across Europe

POVERTY RISKS: the evidence so far…

- Up and down of poverty risk, AROPE (Sisyphus model)
  - Incremental improvements punctuated by rapid worsening of poverty or social exclusion
  - Big impact of majour economic recessions
  - Increased risks after the pandemic

Figure 1. People at risk of poverty or social exclusion, EU-27, 2010–2020, all age groups (Thousands persons)

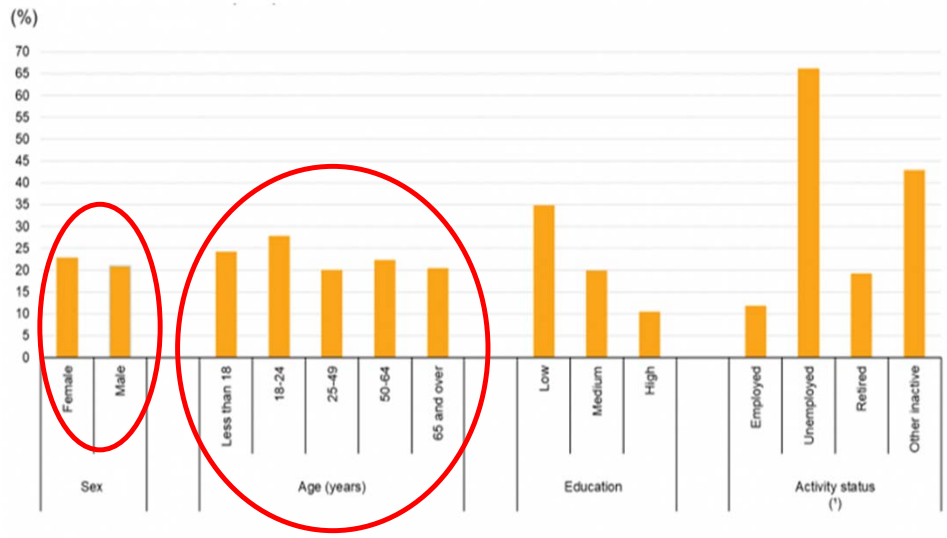


Source: Own elaboration on EU SILC data (2022).

POVERTY RISKS: the evidence so far…

- Increased risks after the pandemic with some nuances (AROPE)
  - Poverty risks are affected by gender
  - Different age groups with different risks (e.g. 25-49 vs 0-24/65 and over)

AROPE after the pandemic. Share of people at risk of poverty or social exclusion, by socio-economic characteristics in the EU, 2020.



Note: estimates.
(1) Population aged 16 years and over.
(2) Population aged 18 years and over.
Source: Eurostat (online data codes: ilc_peps01n, ilc_peps02n, ilc_peps04)

eurostat

AROP across age groups (EU-SILC, 2022)

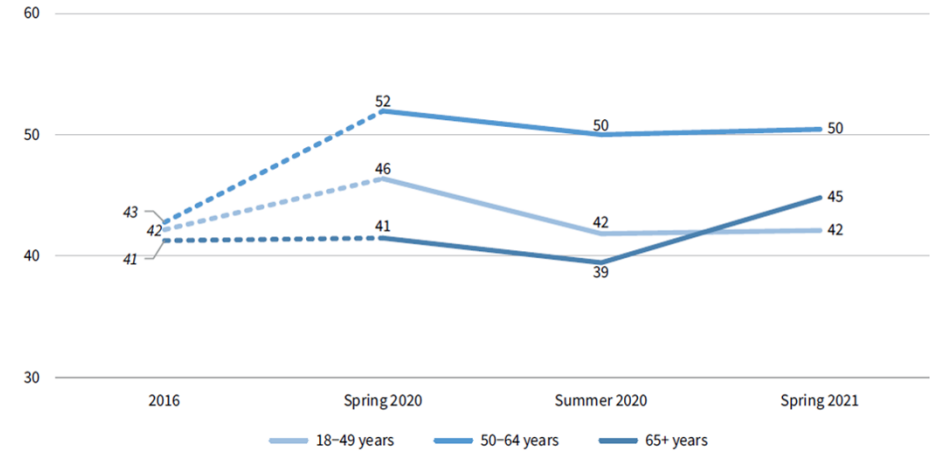
- People aged 75+ are more likely to have incomes below 60% of the median income in their country than age groups between 25 and 74, and this gap increased from 2019 to 2020
- Pensioners affected by lower income from work; lower financial help from their children

Age groups / People in poverty (below 60% of median income)	16-24	25-49	50-64	65-74	75+
2019	23.0	15.1	15.6	15.2	**17.2**
2020	22.2	14.8	15.7	15.9	**19.0**
2020-2019	**-0.8**	**-0.3**	**0.1**	**0.7**	**1.8**

Preliminary evidence

- Elderly have problems in making ends meet;

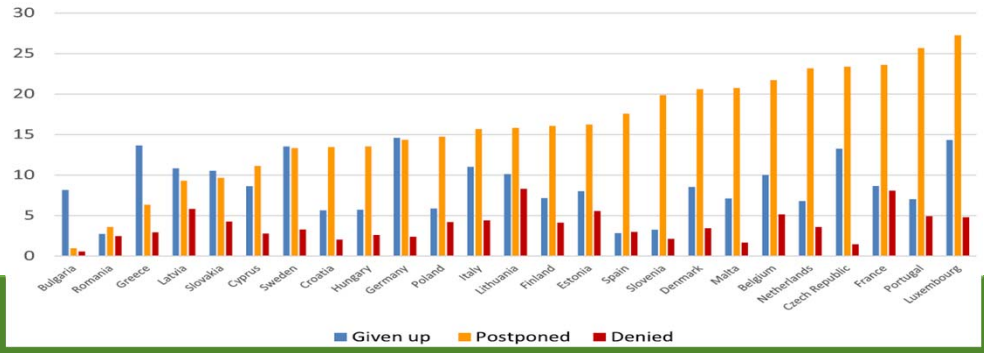
Figure 17. Difficulty making ends meet, by age group, EU (%)



Source: Eurofound (2022: 34)

- Problems of access to socio-assistance and health services

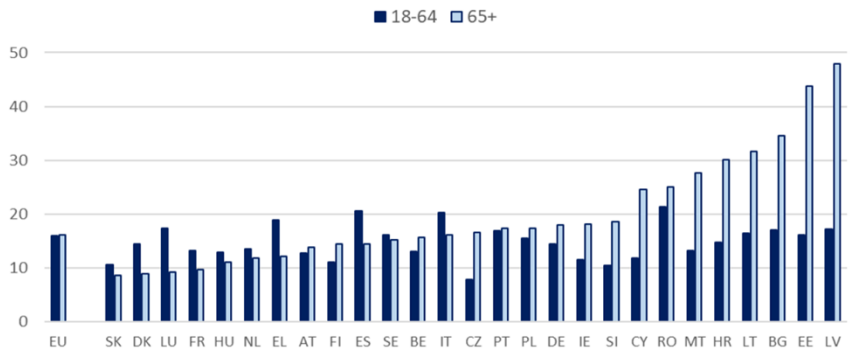
Percentage of people, aged 50+, reporting different forms of unmet health care during first wave of the pandemic



Older people vs working age

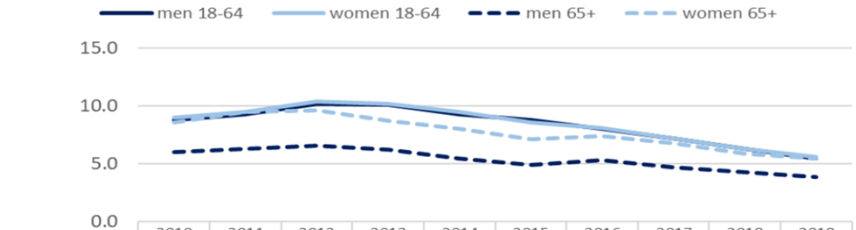
- At first glance older population in better conditions (SMD)
- But Different country clusters
  - Those with o>y (Baltic countries; South-East)
  - Those with o<y (Scandinavian; Southern Europe)
- And difference by gender
  - Only older men are better off

Figure 5. People at risk of poverty in old age (65+) and working age (18-64), 2019, %



Source: European Commission (2021b: 30)

Figure 7. People in severe material deprivation, by age group and sex in the EU-27, 2008-2019, %



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
men 18-64	8.8	9.3	10.2	10.1	9.3	8.8	8.0	7.2	6.3	5.5
women 18-64	9.0	9.5	10.4	10.2	9.5	8.6	8.1	7.2	6.3	5.6
men 65+	6.0	6.3	6.6	6.2	5.5	4.9	5.3	4.7	4.3	3.9
women 65+	8.6	9.5	9.6	8.7	8.0	7.1	7.4	6.8	5.9	5.5

Source: European Commission (2021b: 33)

Mapping Minimum Income Schemes (MIS) across all ages and their efficacy

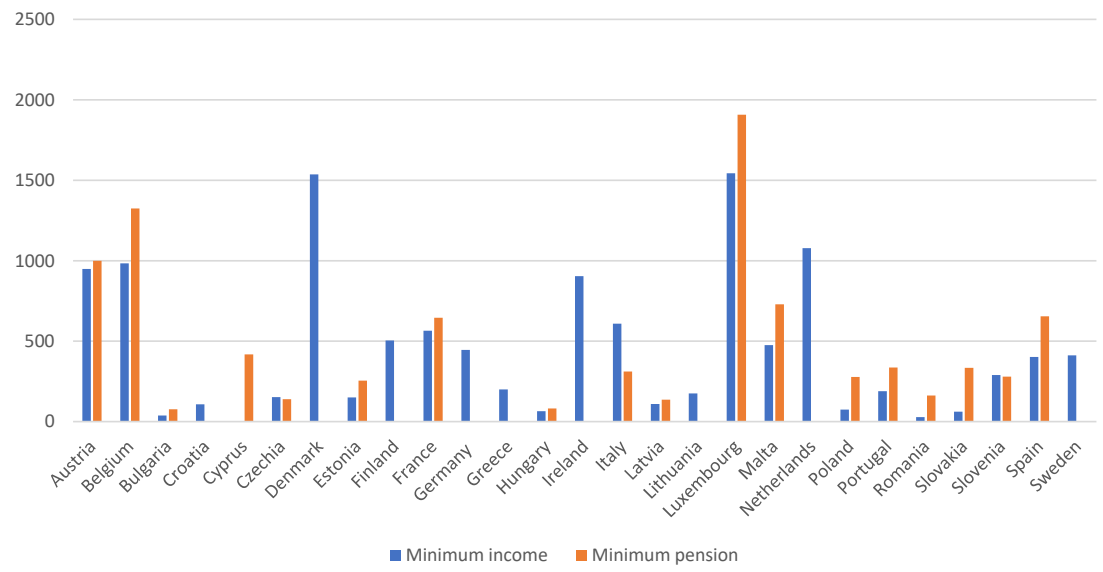
Map of minimum income guarantee for the elderly (Benz, 2021)

	Non contributory pensions		Contributory minimum schemes
Member State	Universal flat-rate pensions	Social assistance cash benefits for older people	Contributory minimum pensions
DK	X	X	
FI	X	X (Housing allowance for pensioners)	
NL	X		
BG		X, from age 70	X
EL			X
ES		X, with 10 years residence/insurance period	
IT		X, 10 years resident period	X
PL			X
CZ		X	
DE		X	

Taxonomy, minimum income guarantee for the elderly (Goedemé and Marshal, 2016), Non-contributory schemes

	Type of means-test	Countries
Basic pension (BP)	None	DK (partial), NL, FI (until 1996), SE (until 2003)
Conditional basic pension (CBP)	Pension income	SE (since 2003), FI (since 1996)
Social pension (SP)	Broader income/assets concept	BE, DE (since 2003), ES, FI (since 2002), FR, GR, IE, IT, PT, SE (since 2003), UK

Map of minimum income guarantee and minimum pension (MISSOC, 2021)

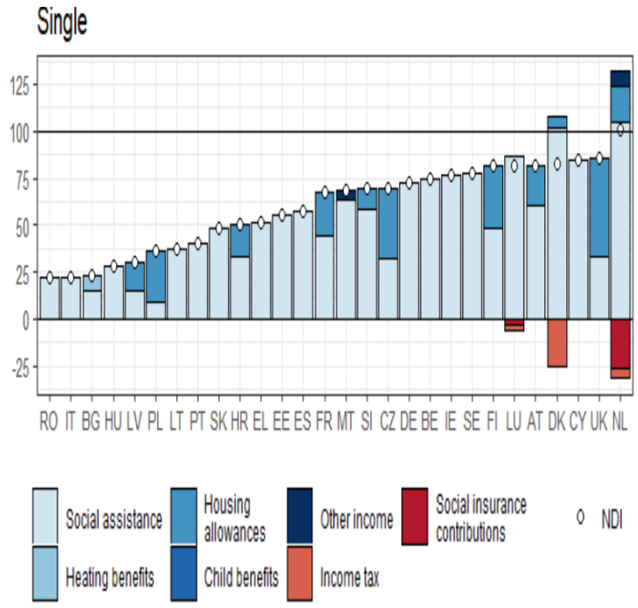


Apparently, minimum pensions outperform minimum income for working age population

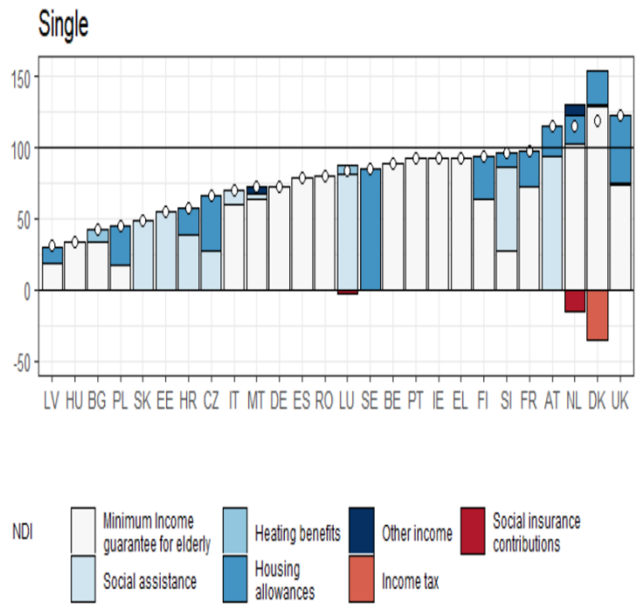
(but many problems of comparability)

Efficacy of the schemes for different age groups (Marshal and Sioland, 2019)

Income components of non working households in active age expressed as percentage of 60% of median income poverty threshold, 2018.



Income components of old-age households without access to contributory pensions or benefits, expressed as percentage of 60% of median income poverty threshold, 2018.



In most part of the EU member states, both minimum income and minimum pensions are below the poverty line

Efficacy of the schemes for different groups

	Minimum income benefits	Protection level (coverage rate x benefit level as a % of average wage)	Expenditure on pensions (% GDP, 2018)	AROPE (2019)	AROP (2019)	SMD (2019)
Denmark	Residence-based pension Social assistance cash benefits for older people	Basic (17%), target (88×18%)	12.3%	10.0%	9%	1.3%
Italy	Contributory minimum pension Social assistance cash benefits for older people	Min. (32×19%), target (22%)	15.8%	19.8%	16.2%	6.7%
Slovenia	Contributory minimum pension Social assistance cash benefits for older people	Target (17×31%), min. (2×13%)	9.8%	20.5%	18.6%	3.9%
United Kingdom	Residence-based pension Social assistance cash benefits for older people	Basic (16%), target (27×20%), min. (10%)	11.0%	18.0%	17.1%	1.2%

Source: (European Commission, 2018, 2021a, 2021b); Eurostat.

Basic pensions perform fairly well in Beneridgean systems

Social pensions in Bismarckian systems more uneven

Recap of the first findings

- After the pandemic, poverty risks in Europe are on the rise
- At first glance, the elderly group seems more protected; however, in the aftermath of Covid-19, older people suffer severe financial problems and difficult access to health services
- Among the elderly, the 75+ group is at particular risk of poverty
- The capacity to protect the elderly against poverty risks varies a lot among the EU Member States, but in major part of EU countries, minimum income guarantees are below the poverty line;
- To reduce severe poverty among the retired population, a minimum income guarantee is crucial;
- What matters the most is the mix of monetary transfers and the provision of services to address the many dimensions of poverty risks.

PART II
EU debate on MIP

Historical evolution of the EU strategy for minimum income guarantees

- 1980s. The fight against poverty and social exclusion is first mentioned in a 1989 Resolution of the Council and Ministers of Social Affairs
- Early 1990s. In 1992,a Council Recommendation advocates the adoption of minimum income schemes in all member states
- Late 1990s. With the approval of the Treaty of Amsterdam, the Protocol on Social Policy annexed to the 1992 Maastricht Treaty is integrated into the text of TFEU
- Early 2000s. The need to implement measures to combat poverty and social exclusion is reaffirmed in the 2000 Charter of Fundamental Rights of the EU
- 2000s onwards. The Open Method of Coordination functions as a soft law instrument to promote learning and good practices
- 2010s. In a 2010 Resolution, the EP emphasizes that minimum incomes should be set at a level equivalent to at least 60 % of median income. A 2013 EP and Council Regulation states that the ESF should fight social exclusion and poverty. Since 2010, the European Semester has a thematic focus on minimum income. Finally, the 2017 EPSR provides a principle on minimum income provision

EU debate (2020-21)

THE POLITICAL MOMENTUM

ROOM FOR A NEW SOCIAL COMPACT

'higher minimum wages (…) more progressive tax systems and an overall rethink of the balance between what is provided by the state and what is mainly left to 'market forces' (BUTI AND PAPACONSTANTINOU, 2021)

PUBLIC OPIONION'S SENSITIVITY

European social survey (2016), about 2/3 of respondents supporting EU MIG;

Eurobarometer (2020), 48% of respondents think EU Parliament priority should be EU-wide MIG

ACTORS

EU-level support from stakeholders (ETUC; Social Platform, EAPN, EMIN);

EU Institutions (e.g. Council conclusions on strengthening MIP 2020; Commission Action Plan EPSR, 2021; EU Parliament Resolution 2020);

and Member States (German Presidency 2020)

Political debate

- EU Council after German Presidency; EU Commission (EPSR Action Plan 2021); EU Parliament (Resolution 2020); EESC (initiative opinions)
- and political contingencies

- Trade Unions active role (ETUC Resolution; Position; Discussion Paper 2020)

- Social NGOs (EAPN; Social Platform, Caritas,…)

- Missing actors (Business Europe?)

Key issues in the EU debate

LEGAL BASE FOR A EU FRAMEWORK DIRECTIVE /Reccomendation

- **Art. 153(1)(h) of the TFEU** on 'social integration of those excluded from the labour market';

and/or

- **Art. 175 of the TFEU** to strengthen the economic, social and territorial cohesion of the EU; minimum income instrument to reduce socio-economic disparities across the EU (Aranguiz; Verschueren; Van Lancker, 2020)

A Directive represents a stronger commitment towards the right to a minimum income and give meaning to the well-embedded Union objective to combat social exclusion (Article 3 TEU) while respecting the values of human dignity, equality and solidarity (Article 2 TEU) but also substantiate the horizontal social clause (Article 9 TFEU) and the social objective of the Union (Article 151 TFEU).

A Council recommendation would not be enforceable by law but the content could remain the same

Key issues in the EU debate

MORE EFFECTIVE MONITORING

- Council conclusion of 2020, ‘to collect and harmonise administrative data at national level ‘
- Inconsistency between different indicators and sources (MISSOC; EU-SLIC)
- Commission/SPC benchmarking framework on the field of minimum income
- Proposal for a new indicator: Extended Headcount Ratio (EHC), T. GOEDEMÉ; B. DECERF; K. VANDENBOSCH (2022)

Commission proposal for Recommendation

- To review both the eligibility criteria for MIS to avoid the exclusion of certain groups such as migrants or homeless people (ETUC asks for adequate, accessible and enabling policies)
- To revise the indicator portfolio measuring the effectiveness of MIS
  - On access to benefits
  - On take up
  - On access to enabling services (e.g. healthcare)
  - Different dimensions of poverty
- Make national strategies **more uniform and better integrated** into the mainstream of policy making in the European Semester (EP, 2021)

Recap of the EU debate

- Overall emphasis on the need for more effective monitoring (lack of coherent indicators)

- The window of opportunity for a more evident EU strategy on MIS is there (?) but some key actors have pushed for mere recommendations….

- Integration is the magic word both at national (transfers plus services) and EU level (regulation plus MFF and NGEU), with a focus on the elderly and their demands