

## Executive summary

### Minimum income across all ages: a focus on elderly people ETUI/ETUC Project

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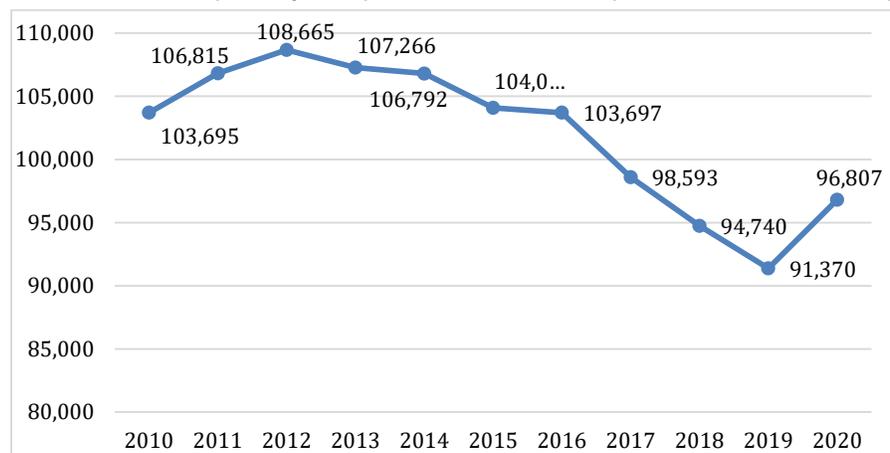
In response to the Call for Tender proposed by the European Trade Union Institute (ETUI) on 'Guaranteed Minimum Income across all ages', the research explores key dimensions of 'old-age poverty' through three steps: 1. the collection of information on poverty risks across Europe and age groups (e.g. between working age and elderly populations) to assess how people both in working age and in retirement age are affected by poverty; 2. the assessment of minimum pension schemes across Europe (comparing these schemes for the elderly with minimum income schemes for working-age people), with some insights about their efficacy; and 3. the definition of policy strategies at the EU level to provide effective minimum income protection to lead a life in dignity to elderly people. The present executive summary gives a synthesis of the main research findings.

#### 1. Poverty risks across Europe and age groups

Poverty is a complex and multi-dimensional phenomenon. In the study we first refer to synthetic indicators, like the risk of poverty or social exclusion (AROPE) indicator; the AROP indicator on monetary poverty; indicators on material deprivation (severe material deprivation and severe material and social deprivation) and specific indicators on access to goods (e.g. energy poverty). The project then refers to surveys to shed light on the perception of poverty risks: monetary poverty and the (lack of) access to social services (e.g. unmet medical needs). From such sources, the research team has extracted information across countries, age groups and genders.

**Figure 1. People at risk of poverty or social exclusion, EU-27, 2010–2020 (Thousands persons). Source: EU SILC data (2022)**

Data shows that poverty is a persistent and widespread risk across Europe, and Covid-19 has



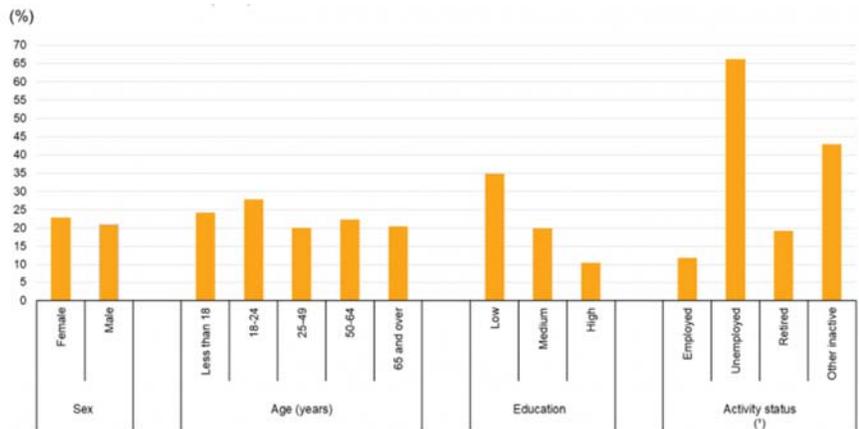
19 has further aggravated the problem. In 2019, around 91 million people (out of which 17.9 million were children aged 0—17) were at

risk of poverty or social exclusion in the EU, about 17 million less than the peak in 2012 (Figure 1). Still, the ambitious Europe 2020 social target of a 20 million reduction was

not met. The most recent data for 2020 shows an increase up to 96.8 million people in the aftermath of the Great Lockdown and the pandemic<sup>1</sup>.

The project also sheds light on the distribution of poverty risks: across countries (Baltic and South-Eastern countries show the highest risks, while in each group of countries – Northern, Continental, Eastern and Southern countries – there is evidence of marked differences), age groups (decline of poverty risks for the elderly), and gender (women of all ages are more at risk of poverty than men).

**Figure 2. Share of people at risk of poverty or social exclusion, by socio-economic characteristics in the EU, 2020. Source: Eurostat (2022)**



Young age groups (up to 25) are those most at risk of poverty or social exclusion, while people over 64 have much lower risks. Yet, older age groups are not exempted from that risk,

Note: estimates.  
 (\*) Population aged 16 years and over.  
 (\*\*) Population aged 18 years and over.  
 Source: Eurostat (online data codes: ilc\_peps01n, ilc\_peps02n, ilc\_peps04)

eurostat

and the situation is getting worse in the pandemic context (Figure 2). Recent data<sup>2</sup> confirms that during the pandemic: a) the proportion of people having difficulties making ends meet increased, especially for those over 65; b) among the elderly, people aged 75+ are more likely to have incomes below the poverty line; c) older people have increased problems in the access to health and social care (e.g. postponements and cancellations of COVID-19-unrelated medical appointments due to containment measures).

**PRELIMINARY CONCLUSIONS:**

After the pandemic, poverty risks are on the rise;

At first glance, the elderly seem more protected; however, in the aftermath of Covid-19, older people suffer financial problems and difficult access to health services; among the elderly, the 75+ group is at particular risk of poverty.

<sup>1</sup> EU-SILC (2022), [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Living\\_conditions\\_in\\_Europe\\_-\\_income\\_distribution\\_and\\_income\\_inequality](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Living_conditions_in_Europe_-_income_distribution_and_income_inequality)

<sup>2</sup> Eurofound (2022) *COVID-19 and older people: Impact on their lives, support and care*. Luxembourg: Publications Office of the European Union.

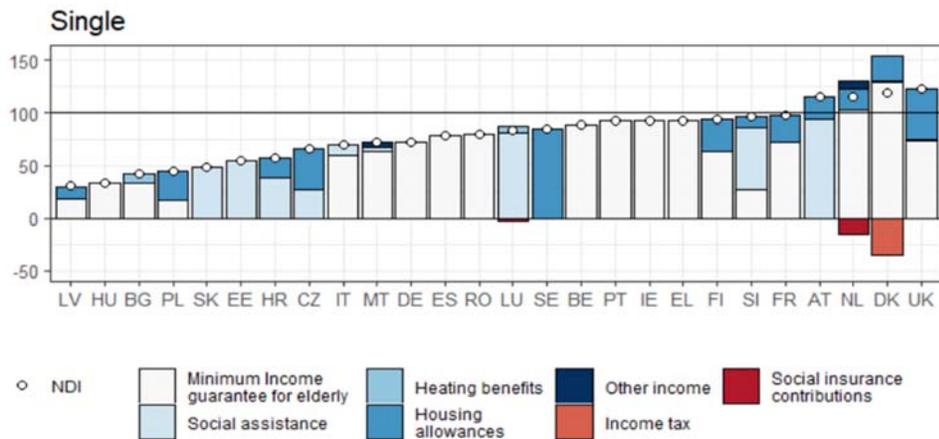
## 2. Minimum income guarantees in EU Member States

Minimum income guarantees are of crucial importance in fighting poverty. This is especially the case for the elderly. EU Member States have set up different types of minimum income guarantees for old age people: a (quasi-)universal flat-rate pension; and/or a contributory minimum pension, subject to qualifying conditions; and/or social assistance benefits for older people, in most cases as resource protection of last resort, subject to means-testing.

In all countries, thus, the protection of poverty risks in old age is provided through a mix of schemes: contributory, non-contributory pensions; social assistance schemes, and cash transfers for specific needs (e.g. public transport; house heating, etc.). This complexity is often the source of administrative problems.

Recent comparative analyses show reforms before and after the pandemic have improved minimum protection for the elderly. Yet, in most EU member states, both minimum income and minimum pensions are below the poverty line. Figure 3 shows the low efficacy of the minimum income guarantee for the elderly without access to contributory pensions (single households).

**Figure 3. Income components of old-age households without access to contributory pensions or benefits, expressed as percentage of 60% of median income poverty threshold, 2018. Source: Marchal and Siöland (2019)**



The map of poverty risks (AROP indicator) across the EU shows three clusters of countries: Nordic and Central Eastern European countries with low risks (AROE between 6 and 12%); Southern and Continental European countries with medium poverty risks (AROE between 13 and 18%); and those with high poverty risks (AROE over 20%), Baltic and South-Eastern Europe.

From an institutional perspective, Nordic and Dutch universal pension systems (of a Beveridgean imprint) provide higher-level protection against the risk of poverty; Bismarckian systems provide evidence of different performances: ranging from low poverty levels for the elderly (in Austria, France and Luxembourg) to medium levels in Southern Europe (Italy, Spain and Portugal) and Germany.

When we compare minimum income protection for working-age individuals (below 65) with that for old age population (65 and over), we can distinguish three different groups of countries<sup>3</sup>:

- in about half of the European countries, working-age poverty is higher than for the older population (Nordic, Continental and Southern Europe);
- in a few other MS, the overall level of poverty is similar between both age groups (Ireland);
- in the third group, we see a higher level of old-age poverty than that of the working-age population (e.g. Baltic; South-Eastern countries).

**PRELIMINARY CONCLUSIONS:**

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.

### **3. Prospects for an EU level Strategy for Minimum Income guarantees**

The project provides evidence of the general acknowledgement of the need for an EU strategy to support Member States' action to guarantee an adequate minimum income for their citizens. The EU has committed to this - in the Charter of Fundamental Rights of the EU, the European Pillar of Social Rights (EPSR) and several policy documents – to enhance social cohesion and contribute to improving the sustainability of the European project.

Both recent scientific and political debates have focused on three main issues: the (favourable) political context in the aftermath of Covid-19; the legal foundation and the possible form of the EU intervention in the field; and the need for more effective monitoring of poverty risks and the effectiveness of minimum income protection across the EU Member States.

For many analysts, the pandemic has provided a further push for an EU strategy to fight poverty. A vast coalition of policymakers and stakeholders have stressed the need for a coherent pan European strategy. In contrast, many analysts have detected a turn in the EU priorities in the social agenda towards 'higher minimum wages, more a universal basic right to effective minimum income schemes, income, 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'. Yet, the project shows persistent resistance to binding the EU framework.

This is was evident in the ongoing debate on the legal base of a possible EU framework directive. While many looked at article 153(1)(c) on workers' social security and social

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<sup>3</sup> Ebbinghaus, B. (2021), Inequalities and poverty risks in old age across Europe: The double-edged income effect of pension systems, *Social Policy and Administration*, 55, 440-455.

protection, others proposed Art. 153(1)(h), on the integration of those excluded from the labour market, and article 175 on social cohesion. Irrespective of this, the Commission opted for an EU Recommendation as outlined in the EPSR Action Plan agreed on in 2021 and the implementation of the Call for Evidence to design the same Recommendation.

While there is evidence of conflicts over the instruments for the EU framework on minimum income protection, there is an overall consensus on the need for more effective monitoring. This is the case for the need for new indicators to provide evidence of the multidimensional nature of poverty risks (especially for the elderly). This is expected to improve the social scoreboard, the more effective coordination of Member States, and the upward convergence of working and living conditions in Europe (as requested by ETUC<sup>4</sup>). The project has provided a summary of the proposals for more effective monitoring, including the idea of the new Extended Headcount Ratio (EHC)<sup>5</sup> indicator.

**PRELIMINARY CONCLUSIONS:**

Many practitioners, stakeholders and analysts think the EU Recommendation represents a helpful preliminary step, but further efforts are needed to improve access to and adequacy of minimum income guarantee in the EU;

More effective monitoring and set up of new indicators are crucial for the coordination of Member States' strategies.

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<sup>4</sup> "ETUC Input on the right to adequate, accessible and effective minimum income schemes (2020), Adopted at the virtual Extraordinary Executive Committee Meeting of 23 September 2020

<sup>5</sup> Goedemé, T.; Decerf, B.; Van der Bosh, K. (2022), A new poverty indicator for Europe: The extended headcount ratio, Journal of European Social Policy, 1.15.