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Recent Trends in Minimum Income Protection for Europe's Elderly

Tim Goedemé

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GROWING INEQUALITIES' IMPACTS

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General contact: gini@uva.nl

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Tim Goedemé

University of Antwerp

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Abstract

In Europe, the elderly stand out for their heavy reliance on welfare state arrangements for securing their living standard. In spite of relatively high elderly at-risk-of-poverty rates in many EU member states, the past two decades have witnessed a tendency to re-strengthen the link between past contributions and pension benefits, and to rely more strongly on private pensions. At the same time, public pension replacement rates are projected to decrease in a large number of European countries. In this context, minimum income protection for Europe's elderly is likely to become even more important for alleviating elderly poverty than is the case today. Yet, minimum income protection schemes targeted at the elderly have remained largely undocumented in the international literature. Therefore, this chapter reviews existing minimum income policies for the elderly in Europe and develops a typology based on entitlement and eligibility criteria. Building on data from a project involving national experts from 25 EU member states, it is shown that in the 2000s welfare erosion of elderly persons' non-contributory minimum income guarantees has been limited. Moreover, a substantial number of countries has pursued a deliberate policy of increases in minimum income benefits for the elderly. Nonetheless, only in a few countries benefits are adequate for lifting elderly persons above the poverty line. At the same time, differences between EU member states in terms of mode of access and benefit levels remain large.

1. Introduction[1]

In most European welfare states the introduction of a guaranteed minimum income scheme has meant an important step in welfare state development. In many countries, categorical minimum income guarantees have been developed for various specific groups. Among others, this is often the case for persons that have reached the legal retirement age. Much research has focused on minimum income protection for able-bodied persons at working age (e.g. Immervoll, 2009; Rat, 2009; Nelson, 2010; Van Mechelen, 2010). In contrast, minimum income guarantees targeted at the elderly have received much less attention in the international literature, with few exceptions (e.g. Pearson and Whitehouse, 2009). Therefore, the first objective of this paper is to provide an introductory overview of the different types of minimum income protection targeted at Europe's elderly and to document how these schemes have recently been reformed.

One of the core objectives of pension policy is to ensure that elderly people do not face a risk of falling into poverty (cf. Eckardt, 2005, p. 253-254; Augusztinovics and Köllő, 2009; European Commission, 2010b). Recently, this has been re-confirmed by the European Commission (2010d) in its Green paper on the future of pension reforms to ensure adequate, sustainable and safe pensions. Minimum income guarantees are a crucial part of old-age income provision in terms of alleviating poverty in old age, especially for persons with 'incomplete' careers or low earnings throughout their working lives (e.g. European Commission, 2006, p. 56). In a substantial number of EU countries, minimum income guarantees for the elderly are even likely to become more important in the future. A number of factors are responsible for this trend: a tendency in recent pension reforms to re-strengthen the link between contributions and benefits, a growing reliance on defined-contribution pensions (with inherently more uncertainty about future benefit levels), a projected fall in public pension replacement rates and/or benefit ratios in a good deal of EU member states as well as a growing emphasis on price indexation (e.g. European Commission, 2005; Social Protection Committee, 2006; Zaidi et al., 2006; Meyer et al., 2007; European Commission, 2009, p. 27-28; OECD, 2009; Whitehouse et al., 2009; European Commission, 2010b, p. 36). Therefore, the second objective of this paper is to document whether minimum income benefit levels are sufficient for avoiding poverty in old-age, and how adequacy has evolved in the recent past. In addition, it will be explored whether some types of minimum income protection systematically provide more adequate benefits. The focus is on the principal formal

1 This paper could not have been written without the input of the national experts involved in the CSB-MIPI project. Earlier versions of this paper have been presented at a MIPI workshop (supported by Equalsoc) in June 2010 in Stockholm, at the 8th ESPAnet Conference, September 2010, a CSB Lunch seminar, a meeting with the European Commission in Brussels in December 2010 and at a Gini Workshop in Antwerp, November 2011. Comments and suggestions received from participants are much appreciated. In particular, I am grateful to Kenneth Nelson, Ive Marx, Natascha Van Mechelen, Sarah Marchal and Sarah Carpentier for valuable comments and suggestions on previous versions of this paper. All remaining errors are mine. Funding from the Research Foundation – Flanders is gratefully acknowledged.

safety net of last resort for elderly persons, that is, the main scheme which guarantees a minimum income irrespective of past contributions.

The paper is structured as follows. In section two I develop a typology of minimum income schemes targeted at the elderly. This typology serves as the basis for a discussion of the cross-European variation in the availability of minimum income protection schemes for elderly persons. Subsequently, in section three I elaborate on trends and levels of non-contributory minimum income benefits. The paper ends with a concluding discussion and suggestions for further research.

2. Minimum income guarantees for Europe's elderly

In spite of very large differences in the overall set up of European pension systems (e.g. Fultz, 2004; Immergut et al., 2007), in every EU member state at least some regulation can be found which guarantees a minimum income to the elderly. However, the diversity in minimum income schemes is very large. In order to create some terminological clarity, Table 1 presents a schematic overview of six different types of minimum income guarantees targeted at Europe's elderly. The distinction between different minimum income guarantees is based on two important entitlement criteria which co-define the mode of access to a scheme: (1) whether access is dependent on past contributions or not, and (2) the type of means testing which is applied[2]. In addition to the income guarantees targeted at the elderly, in some countries the general social assistance scheme remains relevant for guaranteeing a minimum income to the elderly.

Table 1: A schematic overview of 6 different types of minimum income guarantees targeted at Europe's elderly (mid-2000s)

	Contributory	Non-Contributory
No means or income test	Flat-rate pension IE, UK; CZ, EE, LT, LU, PL (persons born before 1949)	Basic pension DK, NL, SE (until 2003)
Pension test	Minimum pension BE, BG, CY, EE, FR, GR, HU, LU, LV, MT, PL, PT, RO (since April 2009), SI, SK (until 2003)	Conditional basic pension CY, EE, FI, SE (since 2003), UK (persons aged 80 and over)
Means or income test	Pension supplement AT, CY (since 2009), ES, GR, IT (persons insured before 1996), SI	Social pension BE, BG, DE (since 2003), ES, FI (since 2002), FR, GR, HU, IE, IT, LT, LV, MT, PT, SE (since 2003), SI, UK

Source: see Table A.1 in the annex.

More precisely, in the European Union the following contributory minimum income guarantees are available to the elderly:

1) **Flat-rate pensions** are flat benefits paid to all pensioners with a sufficient contribution record. In Ireland and the United Kingdom they exist as separate pension schemes with the level of the pension depending on the (average) number of weeks (years) one has contributed to the scheme. In several other countries, flat pension

2 For an alternative terminology, see Social Protection Committee (2006), OECD (2009) and Pearson and Whitehouse (2009)

amounts are an integral part of the pension formula of contributory earnings-related schemes and put a 'floor' beneath the earnings-related part. Whereas in Lithuania, Luxembourg and Estonia (contribution years before 1999) the level of the flat-rate pension also depends on the contribution record, the flat pension amount is equal for all pensioners in the Czech Republic, Poland (persons born before 1949) and Estonia (years after 1999), irrespective of the number of years one has contributed to the scheme.

2) **Minimum pensions** top up pension income from an earnings-related scheme to a pre-defined level. They are an integral part of the earnings-related scheme and, similar to flat-rate pensions, entitlement depends on a minimum contribution record. Minimum pensions are not affected by other than public pension income. In Belgium, France, Luxembourg, Latvia and Portugal not only eligibility, but also the level of the minimum pension depends on the contribution record. Conditions and availability of a minimum pension may not be the same for all pensioners within the same country if the pension system comprises separate schemes for different socio-economic groups (for example in Belgium Greece and Portugal). Remarkably, as part of a broader pension reform, in 2004 Slovakia abolished its minimum pension in the earnings-related pension scheme (Human Development Unit, 2004).

3) **Pension supplements** top up pension income either by a fixed amount or to a pre-defined level. In contrast to minimum pensions, entitlement does not only depend on the contribution record in a contributory pension scheme and the level of the pension drawn from this scheme. Eligibility also depends on passing a broader means or income test which takes also other household resources into account. In some countries (for instance Slovenia), the level of the pension supplement depends on the contribution record. A pension supplement is available in Austria, Cyprus (since December 2009), Greece (except for farmers), Italy (persons insured before 1996), Spain, and Slovenia.

Contributory minimum income guarantees do not offer a guaranteed minimum income to all residents of a country. A minimum contribution record (or number of qualifying years) is necessary to benefit from the scheme. Furthermore, also the level of the benefit may be determined by the number of qualifying years. Nevertheless, it should be noted that in a large number of countries many periods out of work also count as qualifying years. Generally, this is the case of periods during which one received an unemployment benefit or an allowance for maternity (paternity) or parental leave. In some countries also other periods are taken into account (for example for higher education, childcare, or care for a disabled person) (cf. European Commission, 2010c). Especially if employment is relatively widespread, this may result in an effective guaranteed minimum for the great majority of the population (for instance, this seems to be the case in the Czech Republic and Luxembourg).

In the majority of EU member states the elderly are (also) protected by non-contributory minimum income guarantees which can be granted from a certain age, usually the legal retirement age. These minimum income guarantees are not dependent on a minimum contribution record. Three different types of non-contributory minimum income schemes can be discerned:

1) In Denmark and the Netherlands a **basic pension** is provided to all elderly persons, regardless of previous contributions or current income. Since 2005, in both countries the age at which the basic pension can be received is 65. For all persons born before July 1939, the retirement age was 67 years in Denmark. In both countries, the benefit level depends on the number of years one has resided in the country. In contrast to all other minimum income guarantees discussed in this section, the basic pension schemes in Denmark and the Netherlands form the cornerstone of the overall public pension system (e.g. Overbye, 1997). The basic pension in Denmark is less 'pure' than the Dutch basic pension scheme. The Danish basic pension consists of a basic component which is only tested against high earnings and a supplementary component which is subject to a broader means test. Whereas the high-earnings test excludes around 1 per cent of pensioners, the supplement is received in full by only 64 per cent and at a reduced rate by another 26 per cent of pensioners (figures for 2002 as quoted in Green-Pedersen, 2007, p. 469). Similar basic pension schemes were available in Finland (transitory period ended in 2001) and Sweden (transition started in 2003). However, they have been converted into conditional basic pensions.
2) In five EU member states a **conditional basic pension** is available for the elderly. This is the case in Cyprus, Estonia, Finland, Sweden (since 2003) and – for persons aged 80 and over – the United Kingdom. Apart from residence conditions, eligibility is also 'pension-tested'. In other words, it serves as a top up to other (contributory) pensions. In addition, it should be noted that in Finland and Sweden the level of the benefit also depends on the number of years one has resided in the country. The amount does not vary by other sources of income. The relation between conditional basic pensions and basic pensions is similar to the relation between minimum pensions and flat-rate pensions: whereas flat-rate and basic pensions put a floor beneath earnings-related pensions, minimum pensions and conditional basic pensions guarantee a minimum by topping up earnings-related pensions.

3) Almost all other EU member states provide a categorical and means-tested **social pension** targeted at the elderly. In some countries residence history conditions apply (Slovenia, Spain). With some exceptions, the received benefit is equal to the difference between the threshold of the means test and the part of the household's income that is taken into account. There are very large differences between means tests, both with regard to the income base (for example earnings, pensions, assets) and the unit of assessment (for example the claimant, the household or the extend family).

Finally, in all countries which do not provide a non-contributory minimum income targeted at the elderly, a general social assistance scheme is available which is not targeted at a specific age group. This is the case for the Czech Republic, Luxemburg, Poland, Romania and Slovakia. As Romania introduced in April 2009 a minimum pension, by the end of the 2000s Slovakia was the only EU member state left with no minimum income guarantee targeted at the elderly. A detailed overview by country of the available minimum income guarantees is provided in Table A.1 in the annex.

In many countries, the schemes listed in this section are not the only source of protection against poverty in old-age. Some earnings-related pension schemes include additional redistributive elements. For instance, in Belgium (employees' earnings-related pension) and the United Kingdom (State Second Pension), years with low earnings are under some conditions treated as if contributions are paid on a higher earnings level. Other sources of a guaranteed minimum living standard include favourable taxation; the availability of subsidised goods and services to all inhabitants, the elderly in general or just the category of benefit recipients; benefits offered by related schemes such as disability and survivors' pensions; as well as housing benefits (in cash or in kind) (cf. Verbist, 2006; Dewilde and Raeymaeckers, 2008; Verbist and Matsaganis, forthcoming).

3. Benefit levels: a look at the past 10 years

As mentioned earlier, one of the principle objectives of pension policy is to ensure that elderly people do not face a risk of falling into poverty (cf. Eckardt, 2005, p. 253-254; Augusztinovics and Köllő, 2009; European Commission, 2010b). For this reason, in this section I will document trends and levels of the main non-contributory minimum income scheme which constitutes for the vast majority of the elderly the formal safety net of last resort (cf. the cells shaded in grey in Table 1). In addition, the question is asked whether some types of non-contributory minimum income schemes systematically provide more adequate benefits and whether legislated indexation mechanisms are a good predictor of trends in gross benefit levels.

This section consists of three parts. In the first part, I elaborate on data and measurement issues related to the evaluation of levels and trends in of minimum income benefits. Subsequently, I will discuss trends in gross benefit levels in the 2000s and the main reforms to the minimum income schemes during the 2000s. In the third part of this section, trends in the adequacy of net minimum income packages are assessed by means of the so-called model family approach.

3.1. data and measurement

As part of a project on the evolution of minimum income protection in Europe, the Herman Deleeck Centre for Social Policy (CSB) has compiled a dataset on the evolution of guaranteed minimum incomes for older people without sufficient resources. This dataset, the CSB Minimum Income Protection Indicators dataset (CSB-MIPI) contains information on all EU member states, except Cyprus and Malta, as well as three US states (Nebraska, New Jersey and Texas). A broad network of national experts has provided the necessary input for the data. A detailed description of assumptions, procedures, strengths, weaknesses and an overview of the national experts involved in the project can be found in Van Mechelen et al. (2011).

National experts had some freedom to choose which scheme is the typical 'guaranteed minimum income for older people without sufficient resources'. The underlined schemes listed in Table A.1 in the annex correspond to those included in the CSB-MIPI database. Except for Bulgaria and Poland, these are the main non-contributory minimum income schemes targeted at the elderly (in terms of coverage and number of beneficiaries). In countries where both social pensions and (conditional) basic pensions are available, the latter have been included due to a more limited role of the fully means-tested benefits. In all countries, except for Austria, a national scheme has been included. In the case of Austria, results refer to the region of Vienna. In half of the countries a social pension is included in the database. This is not the case for Denmark and the Netherlands (basic pension) as well as Estonia, Finland and Sweden (conditional basic pension). Furthermore, in some countries the general social assistance scheme has been included because there was no specific non-contributory guaranteed minimum income for the elderly (Czech Republic, Luxembourg, Romania and Slovakia), because minimum guaranteed income levels were lower than those of the general social assistance scheme (Slovenia), or because eligibility criteria of the social pension were too strict (Lithuania before 2006). Unfortunately, CSB-MIPI does not contain information on the Bulgarian 'social pension for old age' or the Polish 'Permanent allowance', but includes information on the Bulgarian and Polish minimum pension instead.

In other words, the role of the various minimum income schemes included in the analysis differs from country to country and is not fully comparable. This is also reflected in the number of beneficiaries (around 2009): whereas in Denmark and the Netherlands close to 100 per cent of the elderly population benefits from the basic pension scheme, in Sweden and Finland conditional basic pensions are received by about 50 per cent of the elderly. In contrast, social pensions are received by around 20 per cent of the elderly population in Ireland and the United Kingdom. In most other countries less than 5 per cent of the elderly receive a social pension, even though there are some exceptions (particularly Portugal with 11.5 per cent of the elderly receiving a social pension) (Van Mechelen et al., 2011, p. 12-13)[3].

Net minimum income benefits are simulated for elderly singles and elderly couples. If applicable, account is taken of non-discretionary housing benefits, income taxes, social contributions as well as local non-income taxes. As far as housing benefits are concerned, it is assumed that the model families are renting an apartment with one bedroom at two-thirds of the national median rent. In some countries alternative datasets and assumptions are used (France, Italy and Latvia), if these are more reliable. Given that assumptions with regard to rent do affect in some countries the level of housing benefits, it should be kept in mind that conclusions could differ if other housing costs would be assumed (Van Mechelen et al., 2011, p. 24-29). Importantly, the simulated model families are more representative for Western European countries than for Southern and Eastern European countries: in the latter countries elderly people do more often own their dwelling and live more often together with their children (cf. Van Mechelen et al., 2011, p. 31-35). Furthermore, benefit levels refer to *maximum benefit levels* assuming that there are no other sources of income in the household. This means that we are not able to perceive changes in income or means tests, as long as they do not affect the maximum benefit people without other resources can receive. Benefit amounts refer to the situation on 30 June in 2001 and 2009.

3 Bahle et al. (2011, p. 176-179) provide a long-term view on the number of beneficiaries.

3.2. Trends in gross benefit levels

Changes in gross benefit levels of non-contributory minimum income schemes can be influenced by several factors. First of all, in many countries official updating mechanisms are in place (cf. Table 2). Second, on top of these, in some countries (for example Belgium and Portugal) governments have pursued a deliberate policy of increases in minimum income benefits for elderly persons, beyond legislative obligations. Third, changes may occur due to policy reform either because the scheme has been changed (for example the Czech Republic and Lithuania) or replaced (for example Slovakia). Fourth, gross benefit levels of couples can also change when the implicit equivalence scale changes. In that case trends in gross benefit levels for couples do not exactly correspond to trends in benefit levels for singles or other household types.

Table 2: Legislated mechanism to adjust minimum income guarantees for the elderly, 2000s

		INDEXATION MECHANISM				
COUNTRY	BENEFIT TYPE	PRICES	WAGES / INCOME	PRICES + WAGES	OTHER	AD HOC
AT	social pension (Vienna)				pensions (prices)	
BE	social pension	x				
BG	minimum pension	x			Social insurance income growth	x
CZ	social assistance	x				since 2007
DE	social pension				price, wage, sustainability factor, budget survey	
DK	basic pension		x			
EE	conditional basic pension	x			social tax revenue	
ES	social pension	x				
FI	conditional basic pension	x				
FR	social pension	x				
GR	social pension					x
HU	social pension					x
IE	social pension					x
IT	social pension	x				
LT	Social assistance / social pension					x
LU	social assistance			x		
LV	social pension					x
NL	basic pension		x			
PL	minimum pension	x	x			
PT	social pension	x			GDP (partially)	
RO	social assistance	x				
SE	conditional basic pension	x				
SI	social assistance	x				
SK	social assistance					x
UK	social pension		x			

Notes: If sources contradict each other, preference has been given to European Commission (2009).
Source: Social Protection Committee (2006); European Commission (2009, p. 192-200; 2010c; 2010a, p. 6-7); Kusá and Gerbery (2009, p. 13), OECD (2009).

European countries can be divided into three broad groups with regard to the real evolution of maximum gross benefit amounts[4]: countries in which gross benefit levels have roughly remained constant during the 2000s; another group of countries in which serious increases in gross benefit levels have taken place and a small group of countries in which gross benefits have declined in real terms over the past decade.

The first group consists of countries where gross benefits have not changed very much in real terms between 2000 and 2009, with increases ranging between -2 and 15 per cent (see Figure 1). All types of non-contributory minimum income schemes are represented in this group: basic pension countries (Denmark and the Netherlands), conditional basic pension countries (Finland), social pension countries (Austria, Germany, Hungary, Italy, Spain and France), and countries relying on general social assistance (Luxembourg). In addition, changes in the Polish minimum pension are included in Figure 1. At the same time, also many different types of indexation mechanisms are represented in this group: indexation to prices (Spain, Finland, France, Italy), wage indexation (Denmark[5] and the Netherlands), purely ad hoc indexation (Hungary) and various other indexation mechanisms (Austria, Germany, Luxembourg and Poland) (see Table 2).

In two countries within this group, entirely new social pension schemes have been introduced during the 2000s. In 2003, Germany has introduced a social pension targeted at the elderly and people with a permanently reduced earnings capacity (Bahle et al., 2011, p. 91-92). Until then, the safety net of last resort consisted of the general social assistance scheme. Benefit levels of the new social pension remain the same as for the general social assistance scheme, but the new means test of the social pension is more generous. Two years after the introduction of the new scheme, gross benefit levels have been increased with nearly 15 per cent (in line with increases in the general social assistance scheme). In contrast, in France gross benefit levels remained nearly constant over the past 10 years. Nonetheless, in January 2007 the old *minimum vieillesse* (which consisted of a number of schemes) has been replaced with a much simpler, unified scheme, at least for new beneficiaries. In contrast to the old scheme, non-married partners are treated the same as a married couple (cf. Augris and Bac, 2009, p. 25-26).

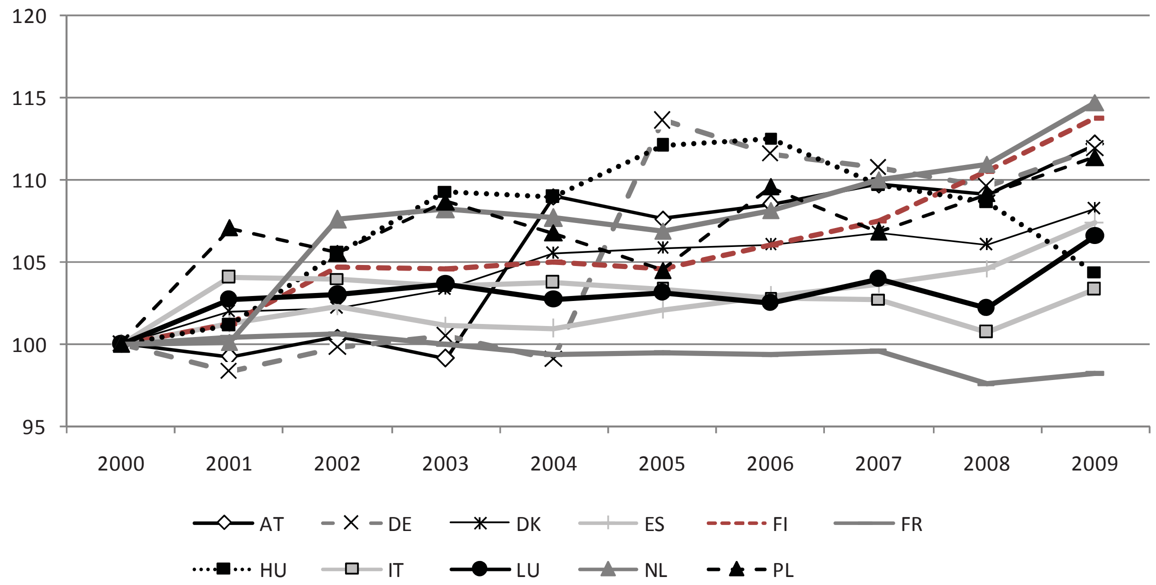
In three other countries, new supplements (which are not included in Figure 1) have been introduced to existing guaranteed minimum incomes. Italy introduced in 2002 a new supplement (maggiorazione sociale) for social pension recipients aged 70 and over and increased the supplement for those below 70. Initially, the latter led to a combined increase of the social pension and the supplement for persons below 70 of about 17 per cent. However, the supplement eroded again due to inflation (cf. Monacelli, 2007). Denmark implemented in 2004 a new means-

4 In the case of Italy amounts reflect the assegno sociale without the maggiorazione sociale. Due to data limitations, gross amounts include in the case of Slovakia (before 2004) the heating allowance and in the case of Luxembourg the housing allowance. For all other countries, only the amount referring to the minimum income scheme is included.

5 The basic pension is annually indexed in line with wage increases of the two preceding years. If nominal wage growth exceeds 2 per cent, part of the excess increase is allocated to a social spending reserve (OECD, 2009, p. 185).

tested supplementary pension benefit targeted at basic pension beneficiaries with little cash savings. The new supplement amounts to about 5 per cent of the full basic pension benefit, and is also indexed to wages (OECD, 2009, p. 185). Quite similar to Italy, Hungary introduced a supplement for persons aged 75 and over in 2006 (Social Protection Committee, 2006, p. 4). Excluding these new supplements, gross benefit levels followed very different patterns in the 2000s: they remained nearly constant in Italy, followed an inverted U-curve in Hungary and gradually increased in Denmark. In the remaining countries various patterns can be observed. In Finland minimum benefits have been increased on an ad hoc basis, on top of price indexation. The increases in the Finnish conditional basic pension are quite remarkable, as until 2000 its level was in real terms still the same as that of the basic pension in the mid-1960s (Kangas, 2007: 283). In contrast, in Austria, Luxembourg, the Netherlands and Poland real increases in benefit levels are the result of the legislated indexation mechanism (which in Poland was interrupted between 2005 and 2008 (Chlon-Dominczak and Strzelecki, 2010)).

Figure 1: Trends in gross benefits for couples, in constant prices. Countries with relatively little change (2000=100)



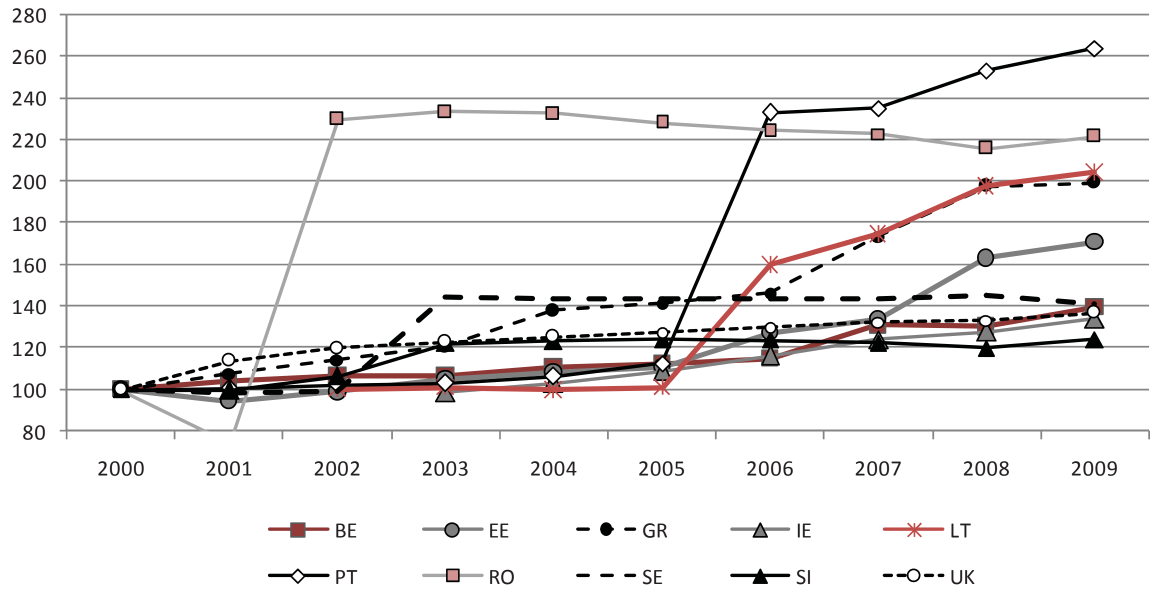
Source: Evolution of gross benefit levels: CSB-MIPI version 2/2011 (Van Mechelen et al., 2011); Harmonised indices of consumer prices (HICP) and exchange rates from Eurostat online database (extracted in June 2010); own calculations.

The second group of countries displays considerable real increases in gross benefit levels (see Figure 2). All except basic pension countries are represented in this group: a conditional basic pension is provided in Sweden and Estonia, social pensions in Belgium, Greece, Ireland, Lithuania, Latvia, Portugal, Slovenia and the United Kingdom, and the general social assistance scheme in Romania and Slovenia. Similar to the previous group, many different indexation mechanisms are applied: price indexation (Belgium, Romania, Slovenia, Sweden); earnings indexation (United Kingdom), purely ad hoc indexation (Greece, Ireland and Lithuania), and various other indexation mechanisms in Estonia and Portugal. In nearly all these countries, the minimum income scheme has been substantially reformed during the 2000s.

The largest real increases in gross benefit levels occurred in Romania, Lithuania, Portugal and Greece. In three of these countries (Lithuania, Portugal and Romania), the exceptional increases are rooted in substantial reforms. Dedicated to radically crack down on old-age poverty, the Portuguese government introduced a new social pension in 2006 which provided the elderly with a minimum income guarantee twice as high as the Old-Age Social Pension introduced thirty years earlier (Chuliá and Asensio, 2007). Starting with persons aged 80 and over in 2006, accessibility rapidly broadened to persons aged 65 and over in 2009. At the same time, gross benefit levels further increased. Whereas the old social pension provided benefits at a fixed rate, the new social pension pays the difference between the threshold and the available resources in the household (Bahle et al., 2011, p. 126), as is the case in most countries. In Romania, general social assistance benefits first decreased by 35 percent in 2001, a continuation of the yearly erosion of social assistance benefits since their introduction in 1995. In 2002 a modernised social assistance scheme was implemented and benefits tripled in comparison with the year before (cf. Ilie and Radutiu, 2003)[6]. In addition, the government decided to index social assistance levels in line with the consumer price index (Paşa and Paşa, 2003, p. 59-60). However, since 2005 social assistance benefits have again been subject to erosion. Similar to Portugal, also in Lithuania the elderly could benefit from considerably higher gross benefit levels as the result of social pension reform. Until 2006, eligibility conditions for the Lithuanian social pension were very narrowly defined (such as taking care of someone or have given birth to at least 5 children). Therefore, most elderly had to fall back on general social assistance, which since 2004 provided lower benefits than the social pension (cf. Lazutka and Poviliunas, 2009, p. 22). In 2006 eligibility conditions of the social pension have been broadened to all persons at retirement age who have no right to receive a State social insurance or other pension (cf. European Committee of Social Rights, 2007, p. 42-43). If this change from social assistance to the social pension is taken into account, gross benefit levels were in 2009 twice their level of 2002. In Greece, the social pension has not been reformed over the past 20 years. Nevertheless, gross benefit levels have doubled in 10 years' time. Currently, as part of austerity measures in return for a rescue package easing the sovereign debt crisis, Greece is implementing radical reforms in pensions, including the introduction of a new guaranteed minimum income scheme for the elderly (cf. Matsaganis and Leventi, 2011).

6 Even after the sharp increase in gross benefit levels in 2002, their real value remained 30 per cent lower than at the time they were first introduced in 1995

Figure 2: Trends in gross benefits for couples, in constant prices. Countries with high increases in benefit levels (2000=100)



Note: Due to a lack of data, the base year is 2001 for Ireland and 2002 for Lithuania.
Source: Evolution of gross benefit levels: CSB-MIPI version 2/2011 (Van Mechelen et al., 2011); Harmonised indices of consumer prices (HICP) and exchange rates from Eurostat online database (extracted in June 2010); own calculations.

In the other countries within these group gross benefit levels increased somewhat less spectacularly, but nonetheless considerably. In Estonia (+70 per cent), benefit increases occurred without any major reform to the non-contributory scheme[7]. In contrast, benefit increases between 24 and 41 per cent have gone accompanied by reforms in Belgium, Ireland, Slovenia, Sweden and the United Kingdom. Belgium was the first to introduce a new social pension in 2001, which – among others – was associated with a less strict means test, as well as with increased benefit levels. Until then, the elderly had to rely on the general social assistance scheme, without age-related top ups. From 2006 onwards, a 2-yearly evaluation of supplementary indexation on top of inflation became legally binding and led to further benefit increases, enhancing the difference with the general social assistance scheme (cf. Goedemé et al., 2012). Slovenia reformed its social assistance scheme in the opposite direction. Whereas until September 2001 persons aged more than 60 years or persons permanently incapable of work were entitled to higher social assistance benefits, the reform introduced a uniform amount regardless of age. At the same time, benefit levels were increased (Stropnik and Stanovnik, 2002, p. 93-94). In 2003, Sweden replaced the *Folkpension* (a basic pension with a conditional supplement) with a single conditional basic pension *(the Garantipension).* In contrast to the previous basic pension, the new conditional basic pension is subject to income taxation, which largely offsets the strong increase in gross benefit levels. With the introduction of the Pension Credit, also the United Kingdom

7 According to the indexation mechanism, a higher increase should have been implemented in 2009. However, in response to the crisis, legislation was changed such that a lower indexation could be applied if projected GDP growth is negative, resulting in a lower indexation in 2009 (Võrk et al., 2010, p. 8).

implemented a new minimum income scheme targeted at the elderly in 2003. The Pension Credit consists of two means-tested schemes. The Guarantee Credit, is available to all persons aged 60 and over and replaces the previous Minimum Income Guarantee. In order to remove disincentives to saving, persons aged 65 and over can now – possibly on top of the Guarantee Credit – also apply for the Savings Credit if they have some modest savings (cf. Glennerster, 2007, p. 258-259; Evans and Williams, 2009, p. 99-101; 172-175). As, strictly speaking, the Savings Credit is only available for persons with some savings, Figure 2 shows the gross benefit level of the Minimum Income Guarantee and the Guarantee Credit. In Ireland, both contributory and non-contributory pension levels were strongly increased as part of the first National Anti-Poverty Strategy (1997-2007) (Russell et al., 2010, p. 5-6). This was further reinforced in 2006 with the introduction of the *State pension (Non-Contributory)*, the new social pension. Even though the benefit structure is largely the same, the means test was reformed and benefit levels further increased.

In only three countries benefit levels decreased significantly during the 2000s: the Czech Republic, Latvia and Slovakia (see Figure 3). The Czech Republic and Slovakia have substantially reformed their social assistance schemes in the mid-2000s, whereas benefit changes in Latvia are the result of the lack of adequate indexation, only partially compensated by some ad hoc increases in 2003 and 2006. The 2004 reform in the Slovak Republic created a uniform basic amount for all social assistance recipients, which was 60 per cent below the level of the maximum social assistance benefit 'for objective needs' in the old scheme. However, at the same time many different supplements were introduced for specific groups (Kusá and Gerbery, 2009). This was also the case for the elderly. If it is assumed that both partners of an elderly couple receive this supplement, total gross benefits would by the end of the 2000s still be 10 per cent below their value in 2002. In addition, housing supplements have been introduced which – if received in full – have contributed to an *increase* in maximum benefit levels of about 18 per cent by 2009. However, it is not clear to what extent these supplements can be accumulated and are granted without reduction to elderly persons without other income sources. In the Czech Republic social assistance has been reformed in 2006. As the result of the reform, gross benefit amounts have decreased considerably. Similar to what has happened in Slovakia, housing benefits have largely compensated for the decline in the living minimum. In spite of legislated price indexation since 1996, governments have delayed revaluations of gross benefit amounts, leading to an erosion of benefits already before 2006. Rather than reinforcing the commitment of the government in the mid-1990s to index benefit levels, the Czech government decided in 2007 to abolish legislated price indexation (Sirovátka, 2011). This resulted in a further decline of gross social assistance levels in 2008.

Figure 3: Trends in gross benefits for couples, in constant prices. Countries with decreasing benefit levels (2000=100)

Notes: Slovak 2004 value refers to May 2004, all other values to January of each year. For Slovakia 2002 is the base year. BA: Basic amount, PA: Protection Allowance, HS: Housing Supplement.
Source: Evolution of gross benefit levels: CSB-MIPI version 2/2011 (Van Mechelen et al., 2011); Harmonised indices of consumer prices (HICP) and exchange rates from Eurostat online database (extracted in June 2010); own calculations.

It can be concluded that in all countries except for the Czech Republic, Latvia and Slovakia gross benefit levels were in real terms at the same or even a higher level in 2009 than at the start of the decade. This does not necessarily mean that gross benefit levels kept up with the evolution of the average living standard in society. If compared to growth in the average gross wage, in most countries with very strong growth of gross benefits in real terms, benefit levels have increased (much) faster than the average gross wage. However, there are important exceptions such as Estonia where increases in gross benefit levels were just sufficient to keep pace with very strong growth in the average wage. The other way around, in countries with relatively limited increases in real benefit levels (cf. Figure 1), average wages grew more strongly than gross minimum income benefits, except for those countries in which average wages were marked by periods of no or only modest growth in real terms. Examples include Austria, Germany, the Netherlands, Spain and Italy (CSB-MIPI, own calculations).

In a large number of countries, the observed evolution of benefit levels in real terms is not the result of major reforms to the minimum income guarantees, but rather due to the available indexation mechanisms on the one hand and substantial ad-hoc increases on the other. In the Czech Republic, Lithuania, Portugal, Slovakia, Slovenia, Sweden, as well as Romania major reforms have taken place and affected gross benefit levels. In Belgium, France, Germany and the United Kingdom, increasing benefit levels did not directly result from important reforms, but rather resulted from the indexation mechanism and separate ad hoc benefit increases. Furthermore, as has been observed in the case of social assistance for the 1990s (Cantillon and Van Mechelen, 2003; Cantillon et al., 2004) and for public pensions in the second half of the 20th century (Whitehouse, 2009), the official indexation mechanism is only loosely linked to real changes in gross benefit levels. In several countries where indexation is based on increases in consumer prices, gross benefit levels have grown faster than inflation (for example Belgium, Finland, Spain). Furthermore, in Denmark, Hungary, Italy and Slovakia, the implementation and increase of special supplements have contributed to benefit increases. In contrast, in the Czech Republic and Romania, in spite of indexation on the basis of prices, benefit levels have eroded from time to time during the 2000s. Similarly, there does not seem to be a strong relation between the type of minimum income guarantee and the evolution in gross benefit levels: with the exception of basic pension schemes, both large and small real increases have been realised in the case of conditional basic pensions, social pensions and general social assistance schemes.

3.3. The adequacy of net minimum income packages

If gross benefit levels have substantially increased in real terms in many EU member states, the question arises whether, concomitantly, the adequacy of net minimum incomes has been improved during the 2000s. Two different kinds of factors mediate the relation between the observed trends in gross benefit levels and the adequacy of benefits: (1) changes in related schemes; and (2) changes in what could be considered an adequate minimum income. As far as the former set of factors is concerned, net minimum income packages are not only determined by the gross benefit level of the minimum income guarantee, but also by related schemes. Therefore, in this section model family situations are used to estimate net minimum income packages which take account of (changes in) taxation, social contributions and non-discretionary housing benefits. Another factor affecting the adequacy of minimum incomes, consists of potential changes in what is considered an adequate minimum income. In order to estimate what could be considered an adequate minimum income in the EU member states, I compare benefit levels with the so-called at-risk-of-poverty thresholds which are often used in European poverty research and the EU Open Method of Coordination with regard to social inclusion. Of course, there could be a legitimate discussion about this yardstick (see Atkinson et al., 2002; Goedemé and Rottiers, 2011), especially in times of economic crisis or fast economic growth, when this threshold may change rather quickly[8]. Nevertheless, it functions as an important poverty threshold at the European as well as the national level in many countries and has been put forward by the European Parliament as a benchmark for setting minimum income levels (European Parliament, 2009). At least, the ratio of minimum benefit levels and the at-risk-of-poverty threshold shows the potential redistributive capacity

8 In fact, as a result of the economic crisis, at-risk-of-poverty thresholds of EU-SILC 2010 were in nominal terms in six countries lower than those of EU-SILC 2009. This was especially so in Latvia (-17 per cent), Lithuania (-16 per cent) and Estonia (-8 per cent). In other words, in these countries net minimum income packages would look (much) less generous if they would be compared to the pre-crisis median equivalent net disposable household income (own calculations on the basis of Eurostat on line database).

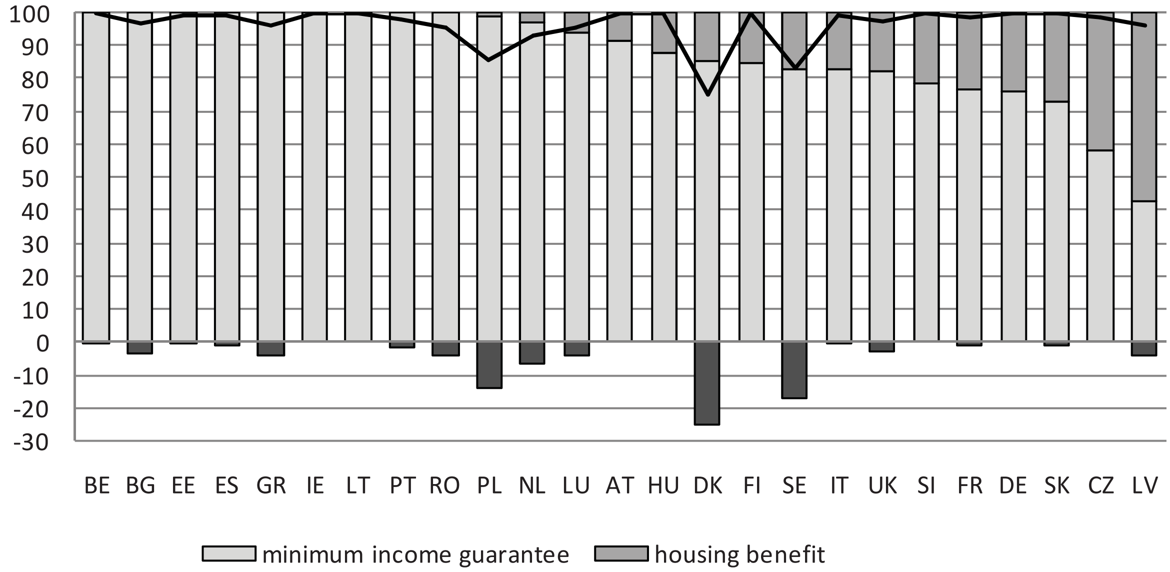
of the minimum income packages for elderly persons. The at-risk-of-poverty threshold is equal to 60 per cent of the median equivalised net disposable household income in each country. In order to compute the median income, household incomes have been divided by the equivalent household size (using the modified OECD-scale) for making income levels comparable across households size and composition (cf. Goedemé, 2011).

In order to illustrate the potential effect of related schemes on changes in net minimum income packages, Figure 4 depicts the weight of the various income components in the total income package for an elderly couple in June 2009[9]. In nine countries, the income package consists only of the minimum income guarantee. Surprisingly, in two countries (Latvia and the Czech Republic) the housing benefit comprises about half of the total income package, which means that it is at least as important for guaranteeing a minimum living standard to people without other resources as the income from social assistance (Czech Republic), respectively the social pension (Latvia). Also in several other countries housing benefits account for a substantial share of the total income package. Please note that in a number of countries (for example Germany and Sweden), the level of housing benefits is strongly dependent on assumptions regarding housing costs. As a result, both the total net minimum income and the share of the housing benefit in the income package may be higher if higher housing costs would be assumed. Furthermore, the relative weight of housing benefits may be different for other household types. Except for Denmark, the share of housing benefits in the total net disposable income is higher for elderly singles than for elderly couples.

In addition to housing benefits, the level of net minimum incomes is also determined by taxes and social contributions. In half of the EU member states covered by CSB-MIPI, elderly persons on a minimum income guarantee have to pay local or other non-income taxes. In Denmark, Greece, Luxembourg, the Netherlands, Poland and Sweden income taxes and/or social contributions have to be paid, which are particularly high in Denmark and Sweden. In contrast, in Austria, Finland, Germany, Hungary, Ireland, Lithuania, Slovakia and Slovenia, no taxes or social contributions are levied on gross benefits. Luxembourg recently introduced a negative income tax for social assistance recipients, but it is lower than the social security contributions and local taxes which have to be paid. Taxes and social contributions reach a substantial level especially in countries with a minimum pension, a basic pension or a conditional basic pension (at least in Sweden).

9 Unfortunately, not for all countries a similar exercise is possible with CSB-MIPI data for 2001.

Figure 4: Income components as a percentage of total gross income, elderly couple, June 2009



Source: CSB-MIPI version 2/2011 (Van Mechelen et al., 2011), own calculations

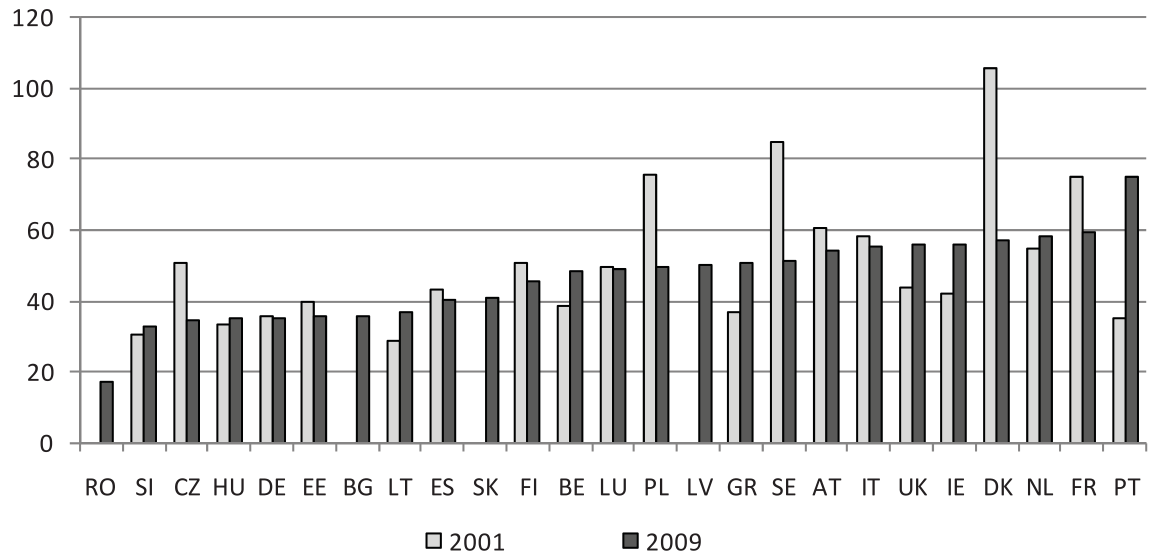
How has the adequacy of non-contributory net minimum income guarantees evolved between 2000 and 2010? Figure 5 depicts equivalent net minimum income packages for an elderly couple as a percentage of the national median equivalent net disposable household income, both for 2001 and 2009. At the end of the 2000s, with the exception of Portugal and France, net non-contributory minimum income benefits for elderly couples were below the poverty line (60 per cent of the median), albeit in one third of countries net minimum income packages were not very far below this threshold. There are marked differences across countries, with benefit levels ranging from 17 percent of median income in Romania to 75 per cent in Portugal. Over the past 10 years, in over one third of the countries net minimum income packages have declined in comparison with the median net disposable household income. In the case of Denmark, France, Sweden as well as the Polish minimum pension, the relative decline in benefit levels has brought net disposable incomes on or below the poverty line. During the same period, in Portugal, Greece, Belgium, the United Kingdom and Ireland the adequacy of net minimum income seems to have been substantially increased, even though – except for Portugal – not sufficiently to lift them above the at-risk-of-poverty threshold[10].

Due to changing implicit equivalence scales, in some countries the trend for elderly singles is not exactly the same as for couples. In fact, between 2001 and 2009 the minimum net income package of singles grew faster than that of couples in Czech Republic, Latvia, Italy, Germany, Sweden and the United Kingdom. In contrast, in Austria, Ireland, Romania, Slovakia and particularly Estonia, net minimum incomes of couples grew faster than those

10 For most countries, observed trends are similar if net minimum income packages would be compared to the net income of a couple at active age living on average male and average female earnings. Exceptions are Estonia, Italy and Spain (stronger growth than net average wages but weaker growth than the median equivalent net disposable household income), the Netherlands (stronger growth than median equivalent net disposable household income, but weaker growth than net average wages. For Denmark, the drop in adequacy is much less pronounced if net minimum income packages would be compared to net average wages.

of singles. In other words, in these countries the adequacy of minimum income benefits for elderly persons living alone has developed (even) less favourably than for couples. Similarly, cross-national differences in implicit equivalence scales also mean that the ranking of countries is not entirely the same in the case of minimum income guarantees for single persons. For instance, the net minimum income package for elderly singles is only about 56 per cent of the median income in Portugal and 59 per cent or more of median incomes in Latvia, the United Kingdom and the Netherlands. Especially in the case of Estonia, Greece, Lithuania and Portugal do the minimum income packages for elderly singles compare unfavourably to those for couples (as a percentage of the median equivalent net disposable household income). In contrast, in Latvia, Belgium, the Czech Republic and the Netherlands it is the other way around. Furthermore, it should be noted that in the case of Sweden and Germany, the observed decrease respectively stability, may be the result of housing assumptions. For these countries, national experts indicated that assumed rent levels were relatively low. If higher rent levels would be assumed (more in line with assumptions for 2001), adequacy may have been improved over the past ten years in Germany, and may have dropped to slightly less than 60 per cent of the median equivalent net disposable household income in Sweden.

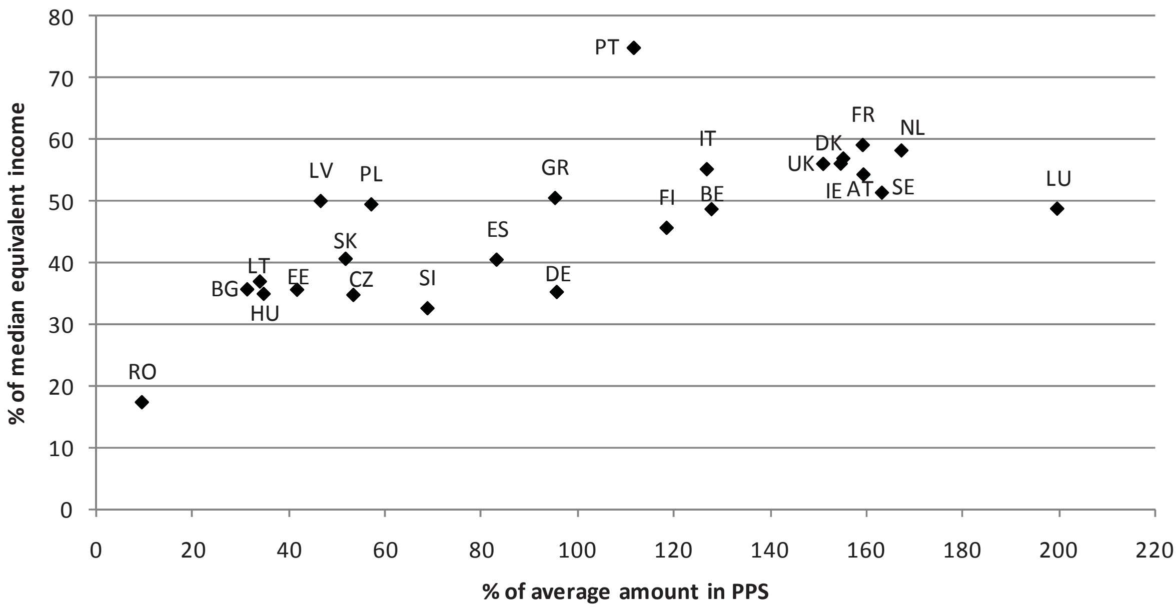
Figure 5: Equivalent net minimum income of an elderly couple as a percentage of the median equivalent household income, 2001-2009



Note: Values of median income from Eurostat, EU-SILC 2010 (except for Ireland and United Kingdom EU-SILC 2009). Median incomes refer to 2009 (2008-2009 in the case of Ireland). Please note that the underlying data on median disposable incomes is not fully comparable across time and across countries (for 2001). In addition, a small margin of statistical error should be taken into account (see Van Mechelen et al., 2011). As a result, small cross-national differences and changes over time should be interpreted with caution.
Source: MIPI-CSB version 2/2011 (Van Mechelen et al., 2011); Eurostat (extracted in December 2011), own calculations.

Do these relative differences also hold from a more absolute perspective? As Figure 6 shows, at least for 2009 there was a relatively strong positive correlation between net minimum income levels as a percentage of median income and expressed in purchasing power standards (Pearson correlation coefficient of 0.71)[11]. In other words, in countries where benefit levels are low from a European perspective (i.e. in purchasing power standards), they tend to be low also from a national perspective (i.e. as a percentage of median incomes). Nonetheless, there are important exceptions, such as Portugal and Luxembourg. In addition, it should be noted that the cross-national differences in purchasing power of minimum income packages are even larger than the cross-national differences in relative benefit levels. For example, in 2009, an elderly couple living on social assistance in Luxembourg is estimated to have had 10 times more purchasing power than a similar couple living on social assistance in Romania. In contrast, an elderly couple in Romania received around 17 per cent of the median net disposable household income, whereas in Luxembourg this amounted to about 49 per cent, 'only' about 2.8 times more than in Romania.

Figure 6: Net minimum income of an elderly couple in purchasing power standards (PPS) and as a percentage of the national median equivalent net disposable household income, 2009



Source: MIPI-CSB version 2/2011 (Van Mechelen et al., 2011); Eurostat (extracted in December 2011), own calculations.

11 Similar results are obtained for 2001. Purchasing power standards are an artificial currency which can be used to directly compare differences in purchasing power across countries. In principle, with a benefit of 200 PPS twice as much can be purchased as with a benefit of 100 PPS. As the absolute amounts in PPS are meaningless (the currency is nowhere used to buy goods and services), benefit levels in PPS in Figure 6 are expressed as the unweighted average benefit level in the EU (100 on the X-axis).

Similar to trends in gross benefit levels, there is no close relation between the type of minimum income benefit and the level of income protection it offers. Nevertheless, it is remarkable that especially in 2001 basic pension countries (Denmark, Sweden and the Netherlands) tended to provide relatively generous minimum benefits. Furthermore, the level of general social assistance schemes included in this study was nowhere above 50 per cent of the national median equivalent net disposable household income in 2009. In contrast, the level of social pensions was in some countries very low (below 40 per cent of median incomes in Estonia, Germany, Hungary and Lithuania), but in others relatively high (59 per cent or more of median incomes in France and Portugal).

4. Conclusion

Minimum income protection for the elderly is largely uncharted territory in the international literature. Nonetheless, it can be expected that in a substantial number of EU countries minimum income schemes targeted at the elderly will become more important in the future. Therefore, the objectives of this paper are to provide more insight into the different types of minimum income protection targeted at Europe's elderly, to document how these schemes have evolved during the 2000s and to explore whether benefit levels are sufficient for avoiding poverty in old-age.

In all EU member states elderly persons can rely on at least one type of minimum income guarantee. In many countries the main formal safety net of last resort is a specific scheme targeted at the elderly. However, the kind of minimum income guarantees available to the elderly differ widely across countries. On the basis of entitlement conditions, a useful distinction can be made between six different types of minimum income schemes: three types of contributory schemes (flat-rate pensions, minimum pensions and pension supplements); and three types of non-contributory schemes (basic pensions, conditional basic pensions and social pensions). These schemes vary in the extent to which they are means tested. In a number of countries the general social assistance scheme remains the principal safety net of last resort for the elderly.

In order to gain more insight into the trends and levels of the formal safety net of last resort for the elderly, the new CSB-MIPI data have been analysed. These data contain information on the principal *non-contributory* minimum income scheme targeted at the elderly. The analysis shows that – except for Latvia, Slovakia and the Czech Republic – gross benefit levels have remained constant, or have grown in real terms over the past 10 years. In fact, in a non-negligible number of countries increases have been larger than what could be expected of legislated indexation mechanisms (for example Belgium, Finland and Portugal), and even doubled in Romania, Lithuania, Greece and Portugal. In some cases the observed trends are a result of substantial reforms. However in many other countries, increases have been ad hoc and were not directly driven by reforms. It remains to be seen how minimum income schemes have evolved during the crisis, especially in countries where benefit levels have strongly been increased in the past and which are particularly hard hit by the crisis (for example Greece, Portugal, Ireland).

In addition, the analysis shows that the level of net minimum income packages for the elderly varies considerably across Europe, both in absolute and in relative terms. Several countries (Portugal, Greece, the United Kingdom, Ireland and Belgium) substantially improved benefit adequacy over the past 10 years. At the same time, in one third of the countries included in this study, the potential to lift the elderly above the at-risk-of-poverty threshold has probably decreased – in some countries quite severely so (Denmark, Sweden, France, the Czech Republic). In about half of the EU member states, net minimum income packages are well below the at-risk-of-poverty threshold in 2009. Only Portugal (for couples) and the Netherlands (for singles) offer minimum income protection above this poverty line. In other words, many governments still have a long way to go for ensuring a decent living standard to all members of their elderly population. Important in this respect, is that the type of minimum income scheme does not seem to be strongly related to the level of net minimum income packages and that in a number of countries, housing benefits substantially contribute to guaranteeing a minimum level of resources.

Finally, several challenges for future research can be identified. First of all, it would be useful to extend the range of available model family simulations to gain more insight into minimum income situations in which elderly people have limited savings, are confronted with high medical costs, own their dwelling or live together with other family members, a situation quite common in Southern and Eastern European countries. Second, little is known about the key drivers of reforms and benefit levels of minimum income guarantees for the elderly. For obvious reasons, it would be useful to better understand the factors which facilitate the introduction of more adequate minimum income guarantees and the conditions under which net minimum income packages are likely to become less adequate. Third, model family simulations help to gain more insight into the interaction between various policies which determine net minimum income packages and into the level of protection they offer. However, they are much less helpful for measuring their overall impact on reducing old-age poverty. Some exercises using micro-simulation techniques have been done in the past (e.g. Figari et al., 2011). It would be useful to expand these studies to a broader range of countries and a wider time period. Such studies could make an important contribution to better understand how old-age poverty can most efficiently and effectively be reduced in the European Union, especially among the most vulnerable.

Table A.1: European minimum income guarantees targeted at the elderly, mid-2000s

Country	Minimum / Flat-rate pension	Pension supplement	Basic pension	Conditional basic pension	Social pension
Mode of access	Contributions	Contributions, means test	Residence history	Residence history, pension test	Income / means test
AT	only notaries	Ausgleichszulage			Dauerleistung (Vienna) [a]
BE	Group-dependent				IGO/GRPA (since June 2001)
BG	all pensioners				social pension for old age (Социална пенсия за старост)
CY [b]	all pensioners	Grants to pensioners' households with low income (since December 2009)		Social pension (Κοινωνική Σύνταξη) / Special Allowance (Ειδική Χορηγία) (2002- 2009)	
CZ	all pensioners				(general social assistance)
DE					Guarantee of sufficient resources during old age (Grundsicherung im Alter und bei Erwerbsminderung, since 2003)
DK			Folkepension		Means-tested part of Folkepension
EE	all pensioners			National pension (Rahvapension)	
ES		complementos de mínimos de pensiones de la seguridad social			Non-contributory old-age pension (Pensión de jubilación no contributiva)
FI				National pension (Kansaneläke)	Special Assistance for Immigrants (Maahanmuuttajan erityistuki)
FR	employees				Minimum vieillesse (until 2006) Allocation de solidarité aux personnes âgées (since 2006/2007)
GR	Group-dependent	EKAS			OGA
HU	all pensioners				Old-age Allowance (időskorúak járadéka)
IE	all pensioners				Old Age (Non-Contributory) Pension / State Pension (Non-Contributory) (since 2006)
IT		Integrazione al trattamento minimo (65+, old system) / Maggiorazione sociale			Assegno sociale / Maggiorazione sociale (70 and over)
LT	all pensioners				social pension (šalpos pensija)
LU	all pensioners				(general social assistance)
LV	all pensioners				State Social Security Benefit (Valsts sociālā nodrošinājuma pabalsts)
MT	all pensioners				Age pension (Penzjoni ta' l-Eta)
NL			Algemene Ouderdomswet		Aanvullende inkomensvoorziening ouderen (since 2010)
PL	employees and self-employed				Social assistance (Permanent Allowance)
PT	Group-dependent				Old-Age Social Pension (pensão social de velhice) / Solidarity Supplement for Old Persons (complemento solidário para idosos, since 2006))
RO	employees and self-employed (since 2009)				(general social assistance)
SE				Garantipension	Maintenance Support for the Elderly (äldreförsörjningsstöd)

Country	Minimum / Flat-rate pension	Pension supplement	Basic pension	Conditional basic pension	Social pension
Mode of access	Contributions	Contributions, means test	Residence history	Residence history, pension test	Income / means test
SI	employees and self-employed	pension support for old-age pensioners (varstveni dodatek)			State Pension (državna pokojnina) / (general social assistance)
SK	until 2003				general social assistance, with special conditions for persons above retirement age
UK	all pensioners			Over 80 Pension	Pension Credit (Guarantee Credit and Savings Credit)

Notes: The underlined schemes are those included in section 4. In some cases a minimum pension is only provided to one or several socio-professional groups and not to all the insured, in that case the socio-professional groups covered by the minimum pension are indicated. In other cases all socio-professional groups can benefit from a minimum pension, but rules and/or benefit levels differ between groups ("Group-dependent"). For many countries, different sources regularly contradict each other. If necessary, the website of the relevant Ministry or responsible administration as well as national experts have been consulted. Specific notes: a In Austria social assistance is organised at the regional level, at least in Vienna there is a specific social assistance benefit for the elderly. b The access to (but not the level of) the new Grants to pensioners' households with low income is dependent on having at least some public or occupational pension. Therefore, it can be considered to be a pension supplement rather than a social pension.

Source: Matsaganis et al. (2003); Sachi and Bastagli (2005); European Commission (2006); Social Protection Committee (SPC) (2006); Asenova and McKinnon (2007); various contributions to Immergut et al. (2007); OECD (2007); Goedemé and Raeymaeckers (2008); Economic Policy Committee (AWG) and DG for Economic and Financial Affairs (2009) European Commission (2010c); International Social Security Association (ISSA) (2010); Matsaganis and Leventi (2011) and the questionnaires of the CSB-MIPI dataset (Van Mechelen et al., 2011). Various sources contradict each other. If necessary the website of the relevant Ministry has been consulted. I would also like to thank Daniel Gerbery, Nataša Kump and Costas Stavrakis for providing me with further information on the minimum income protection system in respectively Slovakia, Slovenia and Cyprus.

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Endnotes

2 For an alternative terminology, see Social Protection Committee (2006), OECD (2009) and Pearson and Whitehouse (2009).

3 Bahle et al. (2011, p. 176-179) provide a long-term view on the number of beneficiaries.

4 In the case of Italy amounts reflect the assegno sociale without the maggiorazione sociale. Due to data limitations, gross amounts include in the case of Slovakia (before 2004) the heating allowance and in the case of Luxembourg the housing allowance. For all other countries, only the amount referring to the minimum income scheme is included.

5 The basic pension is annually indexed in line with wage increases of the two preceding years. If nominal wage growth exceeds 2 per cent, part of the excess increase is allocated to a social spending reserve (OECD, 2009, p. 185).

6 Even after the sharp increase in gross benefit levels in 2002, their real value remained 30 per cent lower than at the time they were first introduced in 1995.

7 According to the indexation mechanism, a higher increase should have been implemented in 2009. However, in response to the crisis, legislation was changed such that a lower indexation could be applied if projected GDP growth is negative, resulting in a lower indexation in 2009 (Võrk et al., 2010, p. 8).

8 In fact, as a result of the economic crisis, at-risk-of-poverty thresholds of EU-SILC 2010 were in nominal terms in six countries lower than those of EU-SILC 2009. This was especially so in Latvia (-17 per cent), Lithuania (-16 per cent) and Estonia (-8 per cent). In other words, in these countries net minimum income packages would look (much) less generous if they would be compared to the pre-crisis median equivalent net disposable household income (own calculations on the basis of Eurostat on line database).

9 Unfortunately, not for all countries a similar exercise is possible with CSB-MIPI data for 2001.

10 For most countries, observed trends are similar if net minimum income packages would be compared to the net income of a couple at active age living on average male and average female earnings. Exceptions are Estonia, Italy and Spain (stronger growth than net average wages but weaker growth than the median equivalent net disposable household income), the Netherlands (stronger growth than median equivalent net disposable household income, but weaker growth than net average wages. For Denmark, the drop in adequacy is much less pronounced if net minimum income packages would be compared to net average wages.

11 Similar results are obtained for 2001. Purchasing power standards are an artificial currency which can be used to directly compare differences in purchasing power across countries. In principle, with a benefit of 200 PPS twice as much can be purchased as with a benefit of 100 PPS. As the absolute amounts in PPS are meaningless (the currency is nowhere used to buy goods and services), benefit levels in PPS in Figure 6 are expressed as the unweighted average benefit level in the EU (100 on the X-axis).

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Aims

The core objective of GINI is to deliver important new answers to questions of great interest to European societies: What are the social, cultural and political impacts that increasing inequalities in income, wealth and education may have? For the answers, GINI combines an interdisciplinary analysis that draws on economics, sociology, political science and health studies, with improved methodologies, uniform measurement, wide country coverage, a clear policy dimension and broad dissemination.

Methodologically, GINI aims to:

- exploit differences between and within 29 countries in inequality levels and trends for understanding the impacts and teasing out implications for policy and institutions,
- elaborate on the effects of both individual distributional positions and aggregate inequalities, and
- allow for feedback from impacts to inequality in a two-way causality approach.

The project operates in a framework of policy-oriented debate and international comparisons across all EU countries (except Cyprus and Malta), the USA, Japan, Canada and Australia.

Inequality Impacts and Analysis

Social impacts of inequality include educational access and achievement, individual employment opportunities and labour market behaviour, household joblessness, living standards and deprivation, family and household formation/breakdown, housing and intergenerational social mobility, individual health and life expectancy, and social cohesion versus polarisation. Underlying long-term trends, the economic cycle and the current financial and economic crisis will be incorporated. Politico-cultural impacts investigated are: Do increasing income/educational inequalities widen cultural and political 'distances', alienating people from politics, globalisation and European integration? Do they affect individuals' participation and general social trust? Is acceptance of inequality and policies of redistribution affected by inequality itself? What effects do political systems (coalitions/winner-takes-all) have? Finally, it focuses on costs and benefi ts of policies limiting income inequality and its effi ciency for mitigating other inequalities (health, housing, education and opportunity), and addresses the question what contributions policy making itself may have made to the growth of inequalities.

Support and Activities

The project receives EU research support to the amount of Euro 2.7 million. The work will result in four main reports and a final report, some 70 discussion papers and 29 country reports. The start of the project is 1 February 2010 for a three-year period. Detailed information can be found on the website.

www.gini-research.org

GINI GROWING INEQUALITIES' IMPACTS

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Amsterdam Institute for Advanced labour Studies

University of Amsterdam

Plantage Muidergracht 12 1018 TV Amsterdam The Netherlands

Tel +31 20 525 4199 Fax +31 20 525 4301

gini@uva.nl www.gini-research.org

SEVENTH FRAMEWORK PROGRAMME

Project funded under the Socio-Economic sciences and Humanities theme.