Minimum income across all ages: a focus on elderly people

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Introduction

The risk of poverty is a key issue for European countries. Irrespective of the uneven evolution of that risk – a sharp increase in the aftermath of the Great Recession of 2008 followed by an overall decrease in the past few years – people at risk of poverty represent a key target of social protection and social assistance schemes across the EU Member States and a persistent challenge for policymakers.

In response to the Call for Tender proposed by the European Trade Union Institute (ETUI) and the European Trade Union Confederation (ETUC), this paper explores some of the many dimensions of old-age poverty and considers the possibility of addressing at least some of these dimensions by means of a guaranteed minimum income for retired persons, including one that could be introduced or coordinated at European level.

The paper is organised in three parts. Chapter 1 collects information on poverty risks across Europe and age groups (e.g. between working-age and elderly populations) to assess how people of both working and retirement age are affected by poverty. Some preliminary data shed light on the impact of the pandemic. Chapter 2 assesses minimum pension schemes across Europe (comparing these schemes for the elderly with minimum income schemes for those of working age), with some insights about their efficacy. We also identify the standards that should be kept in account for designing adequate minimum income policies after retirement. Chapter 3 summarises the recent debate at the EU level and suggests policy strategies to provide effective minimum income protection for elderly people to lead a life in dignity. The paper ends with some preliminary conclusions and remarks.

1. Poverty risks in Europe

The first step in assessing poverty risks across Europe is to refer to the many dimensions of poverty. Poverty is a very complex and multifaceted phenomenon that affects part of the population. There are different sources of risks: lack of proper income; lack of access to goods and services; lack of job opportunities; and social exclusion in a broader sense. Each source of risk needs to be addressed with ad hoc (but also interacting) strategies.

As stressed elsewhere (Frazer and Marlier 2016), scholars and policymakers have recognised the many dimensions of poverty. From an academic point of view, the question of how to measure poverty has been central to the debate on minimum income protection and social inclusion strategies since the 1970s (Rein 1970). The debate has grown through the decades with reference to some policy dimensions of poverty and exclusion, and the indicators to assess such risks (Atkinson et al. 2002; Bradshaw and Mayhew 2011; Frazer et al. 2010).

In parallel, European policymakers have debated on how to frame poverty and effective strategies to fight it. In 2008, the European Commission Recommendation on active inclusion set out common principles and practical guidelines for an anti-poverty strategy based on three integrated pillars: adequate income support, inclusive labour markets and access to quality services. The 2013 European Commission's Social Investment Package reinforced the message and stressed the importance of adequate minimum income support. It acknowledged that 'most Member States have some sort of minimum income scheme' but stressed that 'the adequacy of these schemes can, however, often be improved. The level should be high enough for a decent life'. More recently, the Action Plan of the European Pillar of Social Rights (EPSR) recalls that 'an integrated approach is essential to address needs at all stages of life and target the root causes of poverty and social exclusion' (European Commission 2021a). The same document outlines the need to invest in education and minimum income protection, and to foster the access to housing, energy and essential services of sufficient quality with a particular emphasis on health and long-term care.

In line with this debate, this paper adopts a multidimensional understanding of poverty risks. Following comparative analyses and reconstructions of the past (EMIN 2014; 2018), we first address the broad issue of the risk of poverty or social exclusion (AROPE) across Europe. We then focus on the more specific dimensions of poverty, referring first to monetary poverty as defined by the at-risk-of-poverty indicator (AROP), and then presenting data on material deprivation. While comparative studies usually refer to the three main dimensions included in the AROP or AROPE as proposed by the EU, we keep to monetary poverty and material deprivation. We then aim to broaden the picture by looking at indicators pertaining to access to goods and (public) services. We refer to energy poverty and healthcare and social assistance poverty. For each indicator we aim to clarify the condition of different social groups. We use territories (cross-country comparative analysis), age and gender to find evidence of inequalities in the distribution of poverty risks.

Section 1 of this chapter provides information and data about the evolution of poverty risks, the differences among age groups, and the countries that are most affected by these risks. While social assistance and pension systems are well developed in Europe (with a high level of public spending), poverty risks are still present. Data show that changes in the labour market and cost-containment measures introduced in the past few decades in the context of ageing could see poverty re-emerge in the future. The pandemic is also contributing to the resurgence of poverty risks. As outlined above, we use well-established indicators to shed light on some of the key dimensions of poverty risks (monetary poverty, material deprivation, energy poverty, etc.). The indicators include: at risk of poverty or social exclusion (AROPE); at risk of poverty rate/monetary poverty (AROP); severe material deprivation (SMD); material and social deprivation (MSD); share of population aged 65 and over estimated to have long-term care needs; share of population 65 and over receiving care in an institution; and share of population 65 and over receiving care at home. Both policy output and outcomes are thus analysed.

Section 2 emphasises the challenges posed by the Covid-19 pandemic, which has affected (old-age) poverty risks in many ways. While data are still incomplete, poverty and inequality are in fact expected to increase to 2008 crisis levels, with a 4.8% (125-130 million people) increase in the risk of poverty and exclusion (European Commission 2021a). People who are already poor and vulnerable obviously face the greatest risk. The longer-term effect of the Covid-19 pandemic exacerbates the health and social conditions of people already experiencing poverty, including increased isolation, depression, and social exclusion. The pandemic therefore represents a huge exogenous shock that risks increasing the pressure on the conditions of the elderly in the European Union Member States.

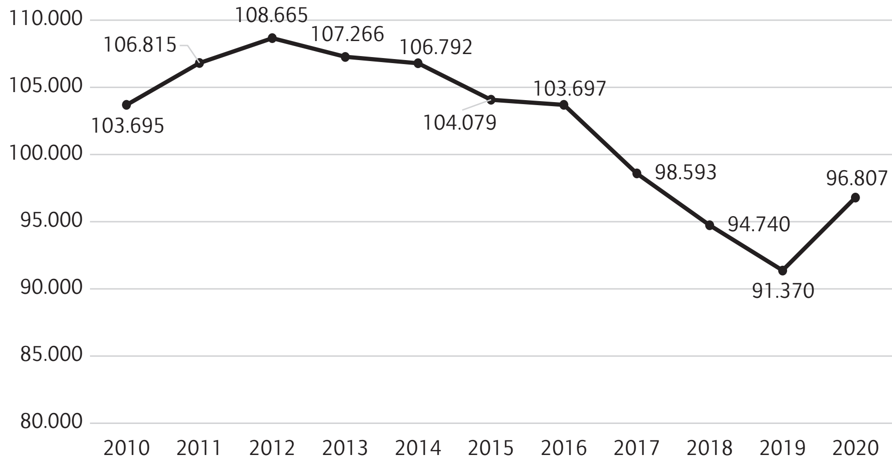
The chapter concludes with some preliminary findings about broad trends in the evolution of poverty risks across Europe (e.g. an increased absolute number of elderly people at risk of poverty over the past few years). We will also show important variations across countries (in some countries the poverty risk in old age is much higher than for the rest of the population, while in others it is the reverse), and across age and social groups (e.g. women being more at risk of poverty and social exclusion).

1.1 The evolution of poverty risks across Europe

In line with the data proposed by the Action Plan of the European Pillar of Social Rights of 2021, poverty and social exclusion have declined in the EU in the past decade. 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, nearly 12 million less than in 2008, and around 17 million less than at the peak in 2012. However, the ambitious Europe 2020 social target of a 20 million reduction was not met (European Commission 2021a).

What is more, the most recent data for 2020 show that the figure has increased to 96.8 million people in the aftermath of the Great Lockdown and the Covid-19 pandemic (Figure 1).

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).

Data from the European Union Statistics on Income and Living Conditions (EU-SILC) provide a picture of the incidence of poverty or social exclusion risks in the EU Member States in 2020 (Table 1). Bulgaria and Romania show the highest scores, while Czechia has the lowest. While we can see some broad tendencies in the distribution of poverty risks across countries – for example, low level of risks in Scandinavia, higher level in southern Europe and central and eastern European (CEE) countries – we also detach variations within the groups of northern, southern and eastern countries. As noted above, CEE countries have both the highest (Bulgaria) and the lowest (Czechia) scores of the EU. In southern Europe we see a high level of poverty or social exclusion risks in Spain and Greece but a much lower level in Portugal. In continental Europe, France and Belgium have low rates but Germany has a much higher score.

Table 1 **People at risk of poverty or social exclusion 2020 (% of total population).**

Country	2020	Country	2020
Bulgaria	32.1	Portugal	19.8
Romania	30.4	Malta	19.0
Greece	28.9	Belgium	18.9
Spain	26.4	France	18.2
Latvia	26.0	Sweden	17.9
Italy	25.3	Hungary	17.8
Lithuania	24.8	Austria	17.5
Germany	24.0	Poland	17.3
Estonia	23.3	Netherlands	16.1
Croatia	23.2	Finland	16.0
EU27	22.0	Denmark	15.9
Cyprus	21.3	Slovenia	15.0
Ireland	20.9	Slovakia	14.8
Luxembourg	20.9	Czechia	11.9

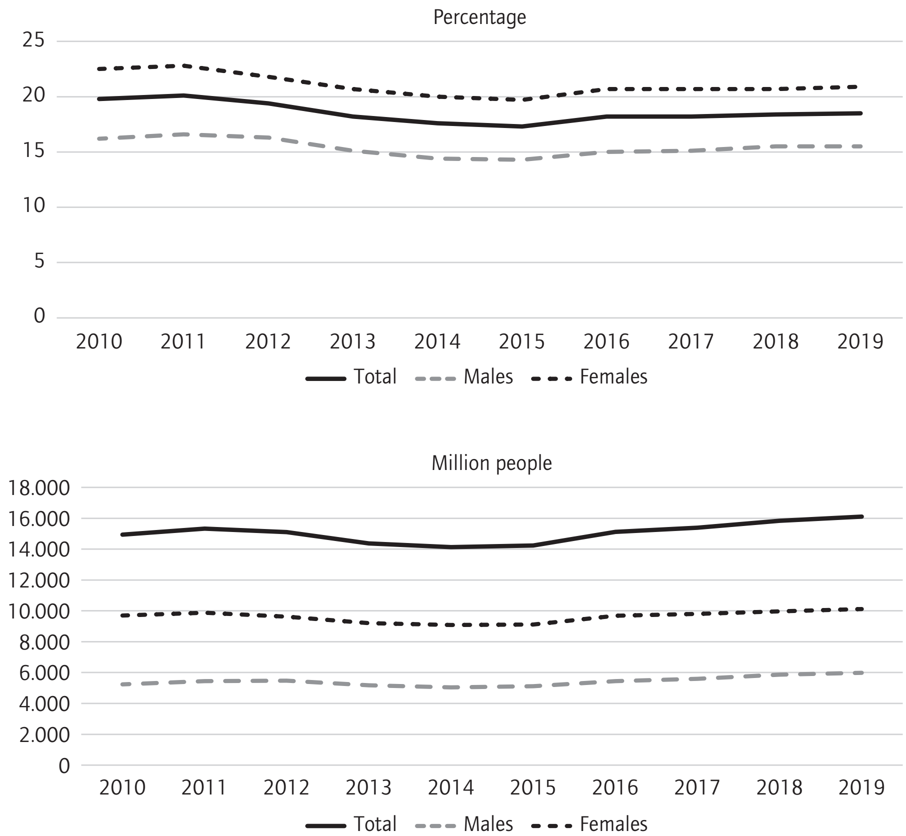
Source: EU-SILC (2022).

Section 1.2 provides further evidence of the situation in the aftermath of the pandemic, but first we look back at what has happened in the past decade. Beyond the territorial distribution of risks, we have evidence that poverty or social exclusion risks vary across age groups.

From a diachronic perspective, although old-age poverty rates have decreased since 2010, we see that, due to the increasing number of older persons, the actual number of older people at risk of poverty or social exclusion[1] has remained stable (Figure 2). In 2010, the number of older persons at risk of poverty or social exclusion was 14.9 million. This number increased to 16.1 million in 2019. This rise is largely due to an increase in the older population from around 77 million to 90.5 million between 2010 and 2019. Large differences remain across countries. In 2019, the AROPE rate for older persons ranged from 10% in Denmark and Luxembourg to almost 50% in Latvia (Figure 3).

1. The rate of people at risk of poverty or social exclusion combines measures of relative income, severe material deprivation, as well as work intensity in the household. However, the latter applies to the working-age population only. Therefore, AROPE rates for the older population and the working-age population are not comparable.

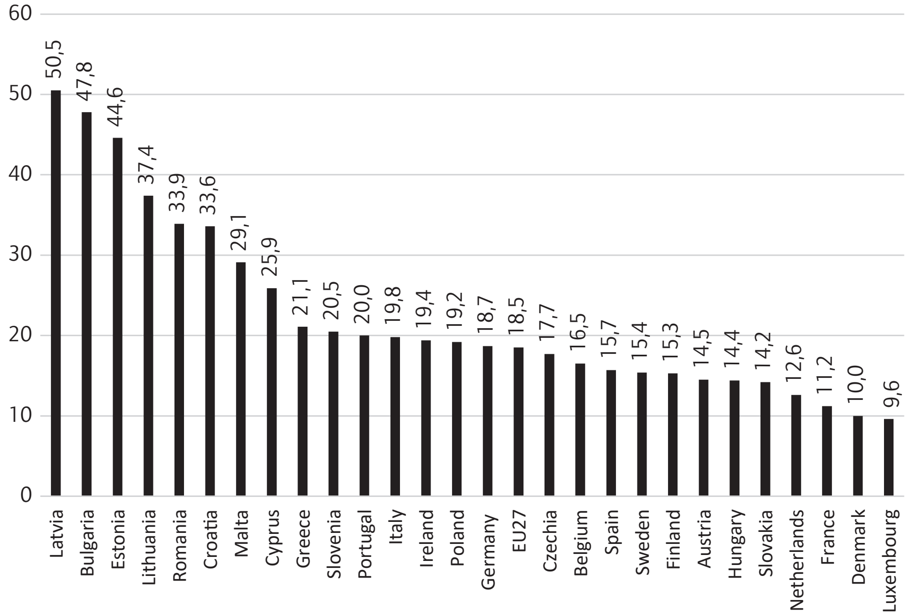
Figure 2 **People at risk of poverty and social exclusion (AROPE), older persons (65+), EU-27, 2010-2019, by sex, % and million people**



Source: Own elaboration on Eurostat data (ilc_peps01)

Here again, differences cut across European territories (see the case of Spain in southern Europe). In general, Baltic countries show a high gender gap, as do southern and CEE countries. Women aged 65 and over are at greater risk of poverty or social exclusion than older men, and the gap widens among those aged 75 and over (European Commission 2021b).

Figure 3 **People at risk of poverty or social exclusion (AROPE) in old age (65+), 2019, total, %**



Source: Own elaboration on Eurostat data (ilc_peps01)

1.1.1 The different dimensions of poverty and social exclusion

AROPE combines measures of relative income and severe material deprivation, together with work intensity.[2] If we look at these components separately, we find that old-age income poverty (AROP) decreased for both men and women during 2010-2016 and then started to rise again (European Commission 2018b). In the EU, in 2019, relative poverty among older persons was slightly higher than working-age poverty.

However, there are significant differences across countries (European Commission 2018b). While many EU countries see higher risks of monetary poverty for people over 65, in other countries the AROP is concentrated in younger age groups. This is the case in southern Europe (with the exception of Portugal) and for northern countries (with the exception of Finland).

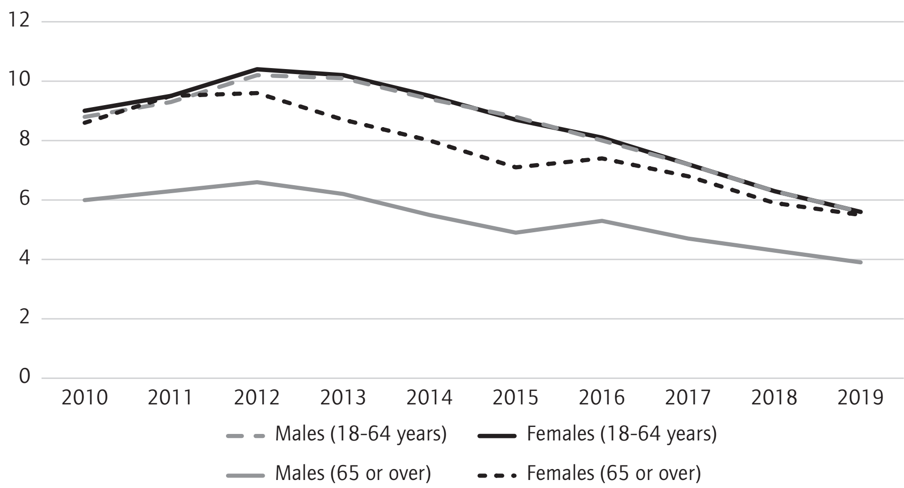
2. Material deprivation is defined in relation to at least four of the following nine items: (1) cannot afford to pay rent/mortgage or utility bills on time; (2) cannot afford to keep home adequately warm; (3) cannot meet unexpected expenses; (4) cannot afford to eat meat, fish or a protein equivalent every second day; (5) cannot afford a one-week holiday away from home; (6) cannot afford a car; (7) cannot afford a washing machine; (8) cannot afford a colour TV; and (9) cannot afford a telephone (including mobile phone) (European Commission 2021a: 32). For Eurostat, severe material deprivation rate consists of the enforced inability to pay for at least four of the above-mentioned items (https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Material_deprivation).

The distribution of risks in CEE countries is more mixed: in Slovakia and Hungary older people are less at risk of poverty, whereas in Romania, Bulgaria and Poland their risk is higher. The comparatively low prevalence of older people being at risk of poverty in some countries is mostly due to pension levels and the capacity of pension systems for redistribution. Obviously, the lowest poverty rates are found in countries that provide sufficient and well-distributed incomes to older persons (European Commission 2018a).

The gender gap for people over 65 is striking: older women have an extremely high level of risk of monetary poverty. In almost all EU countries, women in old age face a higher poverty risk than men. This is particularly the case for the Baltic countries and Bulgaria and Romania.

Although the SMD component has been declining over the past decade (Figure 4), there are significant differences between EU countries. The risk of material deprivation for the elderly is most evident in Baltic and CEE countries. At the opposite end of the scale, northern countries and some continental European countries (e.g. Austria and the Netherlands) show a low level of material deprivation among the elderly.

Figure 4 **People in severe material deprivation, by age group and sex in the EU-27, 2010-2019, %**



Source: Own elaboration on Eurostat data (ilc_mddd11)

1.1.2 Energy poverty and unmet health and social care needs

As we have mentioned, we conceive poverty as pertaining not only to relative income, but also to access to goods and services, so we first present data on energy poverty.[3] While data in this field are incomplete, we think it is important to shed light on this dimension of the broader poverty issue. Our data overlap with the EU indicators mentioned above, and we add more indicators for evidence to analyse.

As stressed by the European Commission (2020a: 1), energy poverty is 'a situation in which households are unable to access essential energy services'.[4] This is a widespread problem across Europe, as between 50 and 125 million people are unable to afford proper indoor thermal comfort. A common European definition does not exist, but many Member States acknowledge the scale of this socioeconomic situation and its negative impact of severe health issues and social isolation. In particular, the poorest households in the EU (those in the lowest 10% income bracket) still allocate around 8.3% of their total income to energy services. This percentage is higher in some CEE countries, such as Czechia and Slovakia, where it stands at around 20% (Massera 2020).

Table 2 shows the percentage of people aged 65 and over declaring that they were unable to keep their home adequately warm. This indicator is in fact included in the definition of SMD and severe MSD. But it is important to outline it here. Cross-country variation is huge, with evidence of a significant problem in some southern, CEE and Baltic countries. In the same field, high energy costs and/or low household income often mean people affected by energy poverty fall behind on the payments of their utility bills (Table 3).

Table 2 **Inability to keep home adequately warm - EU-SILC survey, Type of household: One adult 65 years or over (%)**

Country	2020	Country	2020
Bulgaria	46,5	France	7,8
Lithuania	38,5	Slovenia	6,9
Portugal	32,1	Estonia	5,8
Greece	27,5	Ireland	5,3
Cyprus	19,2	Hungary	5
Latvia	16,3	Luxembourg	4,6
Croatia	15,8	Belgium	4,3
Romania	14,1	Czechia	4,3
Malta	12,6	Denmark	3,6
Slovakia	11,6	Sweden	3,5
Spain	9,8	Netherlands	3,3
Germany	8,6	Austria	2,5
Poland	8,2	Finland	2,4

Source: EU SILC (2022)
Note: No data available for Italy

3. It should be noted that energy poverty as well is a multi-dimensional concept that is difficult to capture by a single indicator.
4. This is also part of the EPSR. Principle 20 on the 'Access to essential services' ('Everyone has the right to access essential services of good quality, including water, sanitation, energy, transport, financial services and digital communications. Support for access to such services shall be available for those in need') also refers to energy.

Table 3 **Arrears in utility bills - EU-SILC survey, Type of household: One adult 65 years or over (%)**

Country	2020
Bulgaria	23,7
Greece	21
Romania	15,2
Croatia	7,2
Slovakia	5,3
Slovenia	4,9
Hungary	4,5
Latvia	4,4
Malta	4,4
Poland	4,4
Cyprus	4,1
Ireland	3
France	3

Country	2020
Germany	2,2
Lithuania	2,2
Estonia	2
Spain	2
Finland	1,7
Denmark	1,5
Sweden	1,4
Portugal	1
Czechia	0,9
Austria	0,8
Belgium	0,7
Luxembourg	0,7
Netherlands	0,4

Source: EU SILC (2022)
Note: No data available for Italy

Access to key public services, such as long-term care and healthcare, is a further dimension of poverty risk, especially for the elderly. The share of older people reporting unmet healthcare needs decreased from 2.5% in 2016 to 1.4% in 2019 (European Commission 2021a). Despite these improvements, differences remain between men and women, with women being more affected than men, especially in the lowest income quintile (2.9%). Although access to healthcare services among the poorest women is improving overall, the situation remains serious in countries like Greece and Romania.

When it comes to long-term care, many older people cannot access the necessary services. In this regard, there are large differences between men and women. Overall, 33% of women aged 65 and over need long-term care, whereas the percentage for men is 19% (European Commission 2021a). Unmet needs are higher among single-person households, which very often consist of single women. The share of people reporting a need for professional homecare among single older people is very high in Cyprus and Romania. Moreover, on average, almost 40% of people aged 65 or over report a severe level of difficulty with personal care or household activities (European Commission 2021a).

Against this background, we can argue that adequate social protection has an impact on affordability of long-term care services in that ‘older people with any level of long-term care needs are 28-50% more likely to be at risk of poverty, even before incurring any out-of-pocket expenses for long-term care’ (European Commission 2021a: 54).

The information on material deprivation and in particular the risks of energy poverty and lack of access to health and social care proves that the elderly face risks that go beyond monetary poverty. What is more, data confirm the gender bias: older women form a vulnerable group that needs more effective policies.

1.2 The impact of the Covid-19 pandemic

As noted above, poverty and social exclusion risks have increased since the pandemic. In 2020, there were an estimated 96.5 million people (against 91.8 million in 2019) in the EU at risk of poverty or social exclusion, which was equivalent to 21.9% of the total population. Poverty and inequality are in fact expected to increase to 2008-crisis levels: a 4.8% (125-130 million people) increase of risk of poverty or exclusion is predicted (EAPN 2020).

People who are already poor and vulnerable obviously face the greatest risk. Such an increase has not altered the distribution of the risks across social groups. In line with the evidence from the past decade, the distribution of poverty or social exclusion risks across age groups seems at first glance to show a more favourable condition for the elderly than for younger age groups: the highest rate of AROPE is for young adults aged 18-24 years (27.8%), while the lowest risk is for people aged 25-49 years (20.0%). The risk of poverty or social exclusion for people aged 65 years and over (20.4%), for people aged 50-64 years (22.2%), and for those below 18 years (24.2%) are in between the two extremes mentioned above (Eurostat 2022).

Yet this broad picture needs some qualification. According to the European Commission (2021e), the AROP for the population aged 18-64 years at EU level in 2020 confirms the increase (+0.2%). For about half of the countries a moderate increase is estimated in the AROP 18-64 age range, which is significant in Portugal, Greece, Spain, Italy, Ireland, Slovenia, Bulgaria, Austria and Sweden. For the 65 and over age group, data show a consistent decrease in AROP (of over 2%). This is particularly evident in Bulgaria, Czechia, Estonia, Ireland, Cyprus and Sweden. This effect might be due to the relative stability, or even the growth, of pensions, which were protected against the labour shocks caused by the crisis. This confirms broad trends experienced after the Great Recession of 2008.

However, further indicators provide a different image of the condition of the elderly. Older people have been disproportionally hit by the Covid-19 pandemic (OECD and European Union 2020; Eurofound 2022; Tavares 2022). This is confirmed by data from EU-SILC about the recent evolution of risks with different trends for people aged 65-74 and people aged 75 and over (Table 4).

Table 4 **AROP across age groups**

	Age groups				
	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

Source: EU SILC (2022)

People aged 75 and over are more likely to have incomes below 60% of the median income in their country than those aged between 25 and 74, and this gap increased from 2019 to 2020. In line with the interpretation by Eurofound (2022), the gap between people 75 and over and people between 25 and 74 can be the result of the complex combination of the labour market, economic recession, and formal/informal redistribution in households. Older people that usually combine pensions with income from the labour market were clearly hit by the recession of 2020 and have suffered income losses along with the younger sections of the population. People over 74 years who usually receive transfers from younger relatives have also seen huge losses due to the economic problems of the latter.

According to the Eurofound study, whereas people aged 75 and over are more likely to have incomes below the poverty threshold than the 25-74 age group – a gap that has increased between 2019 and 2020 – the biggest increase of people having difficulties making ends meet during the pandemic was in the 50-64 age group (Table 5). While the indicator is not part of the AROPE used by the EU, it shows increased problems for the elderly in the access to services and the affordability of bills and other basic expenses.

Table 5 **Difficulty making ends meet, by age group, EU (%)**

	2016	Spring 2020	Simmer 2020	Spring 2021
18-49 years	42	46	42	42
50-64 years	43	52	50	50
65 or over	41	41	39	45

Source: Eurofound (2022: 34)

Further evidence confirms the negative consequences of the pandemic for the elderly. As highlighted by an OECD/European Union report (2020: 55), ‘among 22 European countries with data available by age group, reported COVID-19 deaths per million people aged 60/65 and over were on average 3.7 times higher than amongst the population as a whole’. Moreover, in many countries, about half of Covid-19 deaths were among residents in long-term care facilities.

If we focus on access to long-term services, the percentage of people aged 50 or over reporting unmet healthcare during the first wave of the pandemic varies from country to country. For example, a study by Tavares (2022) shows that in Luxembourg over 35% of people reported unmet health care, while in Romania the percentage is five times lower, at about 7%. Variation holds also for the reasons for unmet health needs. For example, while Bulgaria has the lowest percentage of people reporting unmet health care explained by postponment or denial, Luxembourg features the highest percentage for postponment. The highest percentage of people being denied access to health care is found in Lithuania. As for giving up medical care, an aspect which might be very much related to waiting times, the lowest figure is found in Spain and the highest in Germany.

Healthcare and long-term care and the reduction in social relations were of particular concern for the older population. Older people – among others – were affected by postponements and cancellations of medical appointments unrelated to Covid-19 because of the containment measures. In the hardest-hit countries, anxiety, loneliness and sleep problems were more frequently reported, in particular for people taking multiple medicines or those who were chronically ill. In other words, the long-term problems in the access to health and social care have been aggravated by the pandemic crisis[5].

A recent report by the European Commission (2021c) shows that the impact of the Covid-19 pandemic on people's mental health has been especially marked in vulnerable groups such as older people. Eurofound (2022) also finds that older people reported a deterioration in their mental well-being, with women aged 80 or more being most affected. In such a context, the Covid-19 crisis has thus affected poverty risks in many respects.

5. We must outline that we refer to self-perception collected through surveys. This means data have to be interpreted in the broad context of socioeconomic and institutional backgrounds that may have an influence on the same perceptions.

2. Mapping minimum income schemes and their efficacy

As outlined by Goedemé and Marchal (2016), minimum income protection schemes for the elderly are important policy instruments for at least two reasons. First, they constitute a crucial part of old-age income provision to alleviate poverty, especially for persons with low earnings throughout their working lives. Consequently, the analysis of minimum income protection is important to explain cross-national differences and trends in old-age poverty. Second, recent reform trends based on cost-containment means that minimum income protection for older adults is likely to become more important in the future. Cutbacks and the reinforced link between contributions and benefits are going to reduce the old-age benefits provided by public schemes, with a greater role for private pensions. On top of that, trends in the labour market are also going to put the adequacy of future pensions at risk. In fact, with the current growth in the number of persons with non-standard working careers, non-contributory pensions may well become even more important in the future (Hinrichs and Jessoula 2012).

In the past decade, European countries have implemented several pension reforms. As well as a general shift towards pension financing from the general budget, promoting longer working lives and later retirement, and improving the inclusiveness of pension systems, a common trend has been the introduction of measures to reduce poverty risks (Ebbinghaus 2021). This has been addressed mostly through basic or minimum pensions (European Commission 2021b). Minimum old-age benefits, which may depend on need and be income- or means-tested, are particularly important for those people with short working careers or low incomes.

In what follows we first provide a map of income guarantees for the elderly across Europe. Then we provide evidence of the recent trends in the same field. Institutions vary a lot across the EU countries and beyond. On the one hand, we see the completion of the long-term trend towards the extension of minimum protection against poverty risks in old age in southern European countries such as Greece and Italy that set up broad, means-tested, non-contributory schemes. On the other hand, we also show that many EU countries have further increased minimum income guarantees (MIGs) in the aftermath of the pandemic., Section 3 provides evidence of the largely insufficient protection against poverty risks in old age irrespective of these trends.

2.1 The broad map of minimum income schemes for the elderly in Europe

Countries across Europe have different sets of instruments aimed at reducing poverty risks in old age. These differences are related to the broad institutional architecture of pension systems, which can be distinguished as Bismarckian or Beveridgean types. Whereas the primary objective of the former is income maintenance for those with an employment, insurance or contributory history, the latter aim to ensure universal poverty alleviation (Table 6) (Bonoli 2003; Guardiancich 2016). Originally, European countries clustered around these two types (Table 7).

Table 6 **Bismarck vs Beveridge types of pension systems**

	Bismarck	Beveridge
Coverage	Occupational	Universal
Eligibility	Employment	Citizenship, residence, need
Financing	Social security contributions	General taxation
Benefits	Earnings-related	Flat-rate
Social partners	Involved	Uninvolved
Public sector	Full state provision	Limited state provision
Private sector	Pension funds developed late	Pension funds developed early

Source: Bonoli (2003)

Table 7 **Country clusters**

Bismarckian clusters	Beveridgean clusters
Continental	**Nordic**
Austria, Belgium, France, Germany, Netherlands (before ’56)	Denmark, Finland, Norway, Sweden
Southern	**Anglo-Celtic**
Greece, Italy, Portugal, Spain	UK, Ireland
Eastern	**Mixed**
Bulgaria, Czechoslovakia, Hungary, Poland, Romania, Yugoslavia	Switzerland, Netherlands (after ’56)

Source: Guardiancich (2016)

These original configurations paved the way for the further clustering of countries into single- and multi-pillar countries. In single-pillar systems the state provides the greatest share of pension income. A single public pillar pursues an ‘income maintenance’ goal with generous benefits and general coverage, reducing the room for supplementary provisions. Financing is usually pay-as-you-go (PAYG), so that current contributions and tax revenues are immediately disbursed to finance benefits. This is the case for the Bismarckian countries that remained committed to large, publicly administered PAYG systems. Finland, Norway and Sweden have created a public-private mix that is mandatory for all the employed, on top of the Beveridgean basic pensions. The other Beveridgean countries rely on a multi-pillar structure, where occupational and individual pensions are voluntary (in Ireland and the UK) or quasi-mandatory (in Denmark, the Netherlands and

Switzerland), leading to coverage problems in the Anglo-Celtic cluster. In these countries, the state chiefly focuses on poverty prevention and the provision of basic flat-rate or means-tested entitlements. Non-public schemes, occupational and/or individual, mostly fulfil the income replacement function. Financing is therefore mixed: PAYG for public programmes, and fully funded for supplementary funds (Natali and Terlizzi 2021).

In the context of these different institutional designs, pension schemes to alleviate poverty can be characterised as contributory or non-contributory provisions. The difference is whether or not eligibility to a minimum income in old age depends on the contributions someone has made during their working career (Table 8). With non-contributory schemes, we can distinguish between a non-means-tested basic pension, a pension-tested conditional basic pension, and a social pension test (Table 9).

Table 8 **Different forms of minimum pension schemes**

Contributory	Non-Contributory
1. flat-rate pension	3. universal non-means-tested pension (e.g. basic pension)
2. minimum pension guarantee	4. residence-based pension
	5. recovery-conditioned pension (ex-post means test)
	6. social assistance pension (ex-ante means test)

Source: Guardiancich (2016)

Table 9 **Types of non-contributory minimum income guarantees for the elderly**

	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

Source: Goedemé and Marchal (2016).

A basic pension is a non-means-tested universal benefit granted to all citizens above a certain age. Though it is 'unconditional', some conditions , for example residence, may still apply. In this case we talk of a residence-based basic pension. A conditional basic pension tops up pension income to a pre-defined level. As for social pensions – the most common type in western European countries – eligibility depends on a means test that includes public pension income as well as other income sources.

The EU provided a taxonomy of MIGs for the elderly in the Pension Adequacy Report of 2018 (European Commission 2018a). Table 10 provides a summary for some EU Member States.

Table 10 **Taxonomy of Minimum income guarantees in EU Member States**

	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	

Source: European Commission (2018b)

Basic pension schemes differ in terms of financing, administrative rules, and eligibility. These schemes are inspired by one of two principles: universalism or targeting. In the former, access is open to all, while in the latter it is conditional. While the two principles inspire different ideal types, in reality, pension systems tend to mix schemes with different degrees of coverage. Universal and targeted schemes have different implications in terms of budgetary costs, behavioural issues, political support, and efficacy.

In terms of costs, in principle, universal schemes imply higher fiscal costs than targeted schemes. If pensions are set at a high level, this leads to high levels of public spending, creating potential problems for long-term sustainability of the public budget and high opportunity costs. At the same time, if the benefit is too low and spread too thinly, the poverty alleviation function is compromised. Yet the same universal schemes usually imply low administrative costs: the system is simple. Targeted systems run the risk of higher administrative costs due to the monitoring of the population and its economic status, with potential risks of mismanagement and fraud.

In terms of behavioural issues, targeted schemes are deemed to be at the origin of the so-called poverty and inactivity traps and poor-quality benefits for a minority of people. Problems of stigma may reduce take-up ratios and the efficacy of the system.

The political support for universal schemes is usually high, precisely because they are based on a broad notion of solidarity across the whole population and – in principle – tend to benefit everybody (many groups and individuals). By contrast, targeted systems tend to be viewed negatively by the most affluent part of the population because they represent a direct and explicit form of redistribution towards the worse-off.

In terms of efficacy, there is no agreement on the potential and real effects of the different schemes mentioned above (see Guardiancich 2016 for a review). While Korpi and Palme (1998: 661), in a seminal article, wrote that 'the more we target benefits at the poor [...], the less likely we are to reduce poverty', later studies challenged this view. Marx et al. (2013) replicated Korpi and Palme's work and found that (ibid, 42): 'targeting tends to be associated with higher levels of redistributive impact, especially when overall effort in terms of spending is high.' (see also Madama and Natili 2016).

2.2 Recent reform trends

In terms of policy trends, comparative analysis shows the tendency of many EU countries to introduce means-testing while we see attempts to improve minimum protection, especially in the aftermath of the pandemic crisis (Konle-Seidl 2021).

This is consistent with the broader trends in minimum income schemes (MIS) across Europe (see Natili 2019). In the late 1980s, a new phase emerged, characterised by the diffusion of safety nets in all European countries. This diffusion of means-tested benefits, aiming to guarantee a minimum amount of resources to those who have insufficient means of subsistence, ended up only very recently in all EU countries, with the adoption of a broad MIS in 2017 in Greece and the Inclusion Income in Italy in 2018. Major transformations in labour market structures and policies and household composition have thus made social assistance a key social protection institution across Europe (Natili 2019). At the same time, the institutional design of the very last tier of social protection regimes remains largely differentiated across Europe (Frazer and Marlier 2016).

Southern European Member States have reformed their rather residual MIS in recent years.[6] In Italy, the 'Citizenship Income' (RdC) was introduced for the first time at national level in 2019. The MIS was paralleled by the 'Citizenship Pension', a means-tested benefit for all those who have been resident in Italy for at least 10 years, aged 67 and above, with an annual equivalised income below 9 360 euros. The monthly benefit amount for a single individual is set at 630 euros, plus 150 euros as housing benefit (Natili and Raitano 2020).

In other EU Member States minimum protection for the elderly has also been improved in the context of the Covid-19 crisis (OECD 2021). In Finland, full national pensions were increased by 34 euros and the guaranteed pension by 50 euros per month as of the beginning of 2020. In Latvia, the minimum old-age pension calculating base was set at 80 euros (122.69 euros for persons with disabilities since childhood). Previously, the minimum base was equal to the state social security benefit (64.03 euros, and 106.72 euros for persons with disabilities

6. In June 2020, Spain established a 'Minimum Vital Income' at national level in response to Covid-19. The scheme is expected to extend the coverage of the existing regional schemes, as well as to reduce regional disparities. Greece had already introduced a universal MIS in 2017 in response to the economic crisis in 2008/09. The design of the Greek 'Social Security Income' (SSI) followed the basic principles of the MIS.

since childhood). In Lithuania, recipients of statutory old-age pensions, whose pensions are less than 100% of the amount of the minimum consumption needs (260 euros per month for 2021) became eligible to receive a pension supplement from the state budget. Supplements for small social insurance pensions – topped up to the ceiling (100% of minimum consumption needs) – depend on service years (full amount with obligatory service years' requirement; minimum amount with 15 years' minimum requirement).

In Sweden, in 2021, the government introduced a new pension supplement to increase monthly pensions between 9 000 Swedish krona (SEK) and 17 000 SEK (between 23% and 44% of gross average wage respectively) by up to 6.7%. This benefit will be paid to people who receive none of, or a small amount of, the basic pension, which is fully withdrawn when the monthly earnings-related pension exceeds 12 529 SEK (in 2020). In 2020, the Italian government introduced an emergency income (*Reddito di emergenza*) to cover existing gaps in the RdC. All in all, recent reform trends in the aftermath of the pandemic confirms that many EU countries have progressively increased minimum protection for the elderly.

2.3 Efficacy of the schemes for different groups

This section provides some evidence of the efficacy of MIGs for the elderly. The first step in our analysis looks at some of the seminal contributions in the literature.

In his study on the variations in retirement income across Europe, Ebbinghaus (2021) confirms that European countries – and their welfare states – have different approaches to poverty reduction in old age (people aged 65 and over) than to the working-age population (below 65). These strategies are consistent with different levels of poverty risks. Ebbinghaus identifies three groups of countries. In about half of the European countries (Nordic, continental, and southern Europe), working-age poverty is higher than poverty in old age. In other countries, including the UK and Ireland, the overall level of poverty is similar in both age groups. Finally, the third group of countries (the Baltics and south-eastern countries) witness a higher level of old age poverty than that of the working age population.

Ebbinghaus (2021) also shows that considerable cross-national variation persists in the income situation of older people. The author identifies five different clusters of countries with low, low-medium, medium, medium-high, and high levels of poverty among older people (65 and over). Many factors seem to have caused these different performances. The first is about the coverage of MIG schemes. In fact, as also highlighted by Marchal and Siöland (2019), non-contributory MIG schemes for the elderly are particularly widespread in Nordic countries, whereas they cover only a small minority of elderly people in other countries (Table 11).

Table 11 **Coverage of non-contributory minimum income schemes for the elderly (selected EU countries), 2018**

Country	MIG for the elderly	Coverage (% of old age population)
BE	Income support for the elderly (Inkomensgarantie voor ouderen)	5.63
CY	Social pension (Κοινωνική σύνταξη)	12.07
DE	Grundsicherung im Alter	5.86
DK	Old-age pension (Folkepension)	100.00
EE	National pension (Rahvapension)	2.73
FI	Guarantee pension (Takuueläke) – 2011 onwards	100.00
IE	State pension (non-contributory)	15.95
IT	Social pension (Pensione/assegno sociale)	6.99
NL	State old-age pension (Ouderdomspensioen, AOW)	100.00
RO	Minimum social pension (Pensia minima garantata)	14.64
SE	Maintenance support for the elderly (Äldreförsörjningsstöd)	1.01

Source: Bonoli (2003)

Marchal and Siöland (2019) also reports that in most EU Member States, both minimum income package and non-contributory minimum pensions are below the poverty line and therefore are not sufficient to protect against poverty risks. Only the Netherlands provides sufficient protection. Most countries rely on social assistance only. As for non-contributory minimum pensions in particular, there are two countries (Denmark and the Netherlands) with basic pensions as the main component of the MIS. This provides a slightly better picture than the minimum income package for the non-working, active-age population, with about a third of countries reaching or exceeding the poverty line. In comparative terms, the Dutch, the Nordic universal multi-pillar systems (except Sweden) and the Visegrád countries (except Poland) show the best performance in reducing poverty (and inequality) (Marchal and Siöland 2019).

Overall, the efficacy of MIS for the elderly and their capacity to address poverty risks depends on several factors. The coverage of these schemes and the benefit levels are crucial aspects. A recent study by Natali and Terlizzi (forthcoming) focusing on Denmark, Italy, Slovenia and the UK shows that basic pensions perform fairly well in Beveridgean systems, and social pensions in Bismarckian systems less so. Denmark, for example, has a particularly good performance, whereas Italy has a mix of high spending and medium poverty rates (Table 12).

Table 12 **Pensions and old age poverty in four countries**

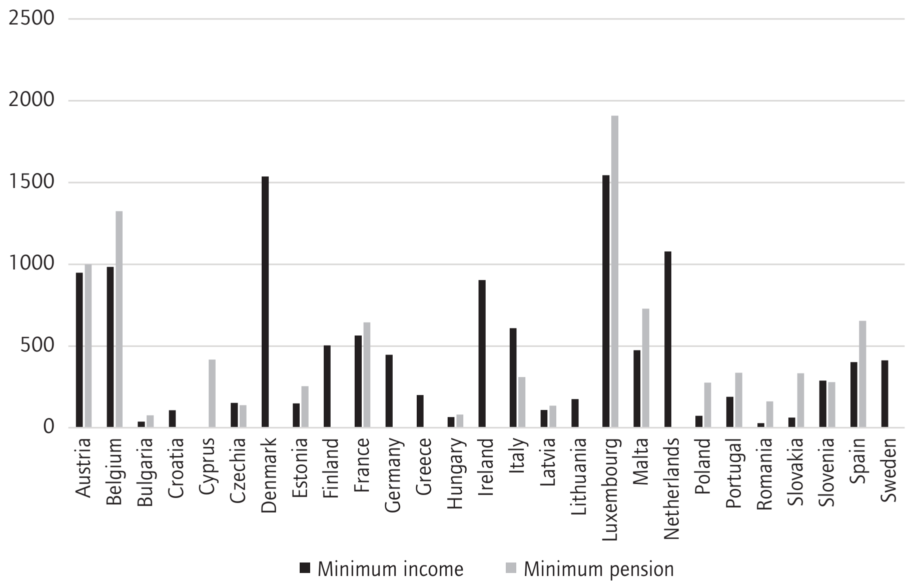
	Minimum income benefits	Protection level (coverage rate x benefit level as a % of average wage)	Expenditure on pensions (% GDP, 2018)	AROPE (2019)	AROP (2019)	SMD (2019)
Denmark	Residence-based pension Social assistance cash benefits for older people	Basic (17%), target (88×18%)	12.3%	10.0%	9.0%	1.3%
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.
Notes: AROP=At-risk-of-poverty rate, 65+ (%). SMD=Severe material deprivation, 65+ (%). AROPE, AROP and SMD for the United Kingdom refer to 2016. Expenditure on pensions include disability pension, early retirement due to reduced capacity to work, old-age pension, anticipated old-age pension, partial pension, survivors' pension and early retirement due for labour market reasons.

Broad and transversal issues that affect all countries irrespective of the type of MIS include: institutional complexity that tends to make the analysis and the administration of minimum income protection for the elderly difficult and ineffective; problems of take-up; and specific sources of poverty risks that tend to increase and need further protection (e.g. women, migrant workers, non-standard employment contracts, and the grey economy). Effective protection is therefore loosely correlated with the level of pension spending. Italy, for instance, is a big pension spender but both poverty rates and inequality are high (much higher than in Denmark, which spends much less than Italy on pensions).

We now add the analysis of poverty protection across age groups: the average level of MIG for the elderly and for the working-age population. Data from the Mutual Information System on Social Protection (MISSOC) provide some preliminary evidence. In many European countries, at first glance, the generosity of minimum pensions seems to outperform that of minimum income for the working-age population (Figure 5).

Figure 5 **Minimum income vs. minimum pension in European countries (EUR)**



Source: Own elaboration based on MISSOC Comparative Tables (2021)

However, MISSOC data are difficult to compare, given the many distinctions that must be made regarding the conditionalities in terms of, for example, income brackets, age groups, or compensation supplements.

In 2019, the Social Protection Committee (SPC) finalised a benchmarking exercise in which it developed a framework to compare the performance and design of MIS across Member States (Van Lancker et al. 2020; Social Protection Committee 2021). To assess the adequacy of minimum income protection, two policy lever indicators are used: first, the income of minimum-income beneficiaries as a share of the national poverty threshold (over three years) and second, the income of minimum-income beneficiaries as a share of a low wage (earnings at 50% of average wages). The framework also includes outcome indicators (e.g. relative AROP gap of the working-age population and the material and social deprivation rate of the working-age population) and performance indicators (e.g. impact of social transfers, persistent AROP rate of the working-age population, gap in self-reported unmet needs for medical examination). However, the benchmarking only focuses on the 16-64 age group.

3. Proposals for an anti-poverty strategy at the EU level

Strategies to fight against poverty risks are firmly in the hands of domestic policymakers. Yet the European Union is increasingly concerned with poverty as a major social risk that needs to be addressed, including at the supranational level. This chapter provides a summary of the state of the EU policymaking process. It also speculates on the prospects for a more direct intervention of the EU in the field. In Section 3.1, we summarise the key milestones in the long-term EU debate on poverty. Section 3.2 considers the state of the debate. Recently, the debate has focused on the legal foundations of a more direct EU role ¬– a framework directive and/or Council Recommendation in the field of minimum income – and improving monitoring activities. This is combined with the issue of the revision of the EU economic and social governance (effective implementation of the EPSR; full interaction of the EPSR and the European Semester; possible revision of the Stability and Growth Pact; and implementation of the 2021-27 Multiannual Financial Framework of the EU and the NextGenerationEU).

3.1 Historical evolution of the EU strategy for minimum income guarantees

European integration has long been centred on the coordination of economic and labour market policies. Though social policies remain essentially the responsibility of the Member States, in the past few decades the fight against poverty and social exclusion has gained priority at the EU level. The concept of social exclusion began to emerge in the 1980s as part of the debate on the social dimension of the EU. The fight against poverty and social exclusion is first mentioned in the 1989 Resolution 89/C 277/01 of the Council and Ministers of Social Affairs. Further steps were taken during the 1990s. In 1992, Council Recommendation 92/441/EC advocated the adoption of MIS in all Member States, to be fostered through a systematic exchange of information and experience and a continuous evaluation of adopted national schemes. The Recommendation reflected the willingness to achieve some degree of convergence of Members States' social protection schemes and aimed to define a common European social agenda (Ronchi and Terlizzi 2018b; 2018a).

In the late 1990s, with the approval of the Treaty of Amsterdam, the Protocol on Social Policy annexed to the 1992 Maastricht Treaty was integrated into the text of the Treaty on the Functioning of the European Union (TFEU). The Protocol, based on the 1989 Community Charter of the Fundamental Social Rights of Workers, proposed as objectives the promotion of employment, the improvement of living and working conditions, adequate social protection, social dialogue, the achievement of a high and sustainable level of employment and the fight against exclusion. In effect, it expands the intervention of EU institutions in the social policy domain, providing new legal foundations for the future. In this regard, Article 151 of the TFEU states that 'the Union and the Member States [...] shall have as their objectives the promotion of employment, improved living and working conditions, so as to make possible their harmonisation while the improvement is being maintained, proper social protection, dialogue between management and labour, the development of human resources with a view to lasting high employment and the combating of exclusion'.

Moreover, Article 153 of the TFEU specifies the objectives as formulated in Article 151 and states that the Union shall support the activities of the Member States in a number of fields including social security and social protection of workers, the integration of persons excluded from the labour market, equality between men and women with regard to labour market opportunities and treatment at work, and the combating of social exclusion.

Following the entry into force of the Treaty of Amsterdam in 1999, the need to implement measures to combat poverty and social exclusion was reaffirmed in the 2000 Charter of Fundamental Rights of the EU. The Charter recognises the right to human dignity (Article 1) and the right to social protection and social assistance, including the right to social and housing assistance to ensure a decent existence. The Charter gained legal value with the entry into force of the Treaty of Lisbon in 2009. The treaty, signed in 2007, ascribes the fight against poverty and social exclusion as among the most pressing social policy priorities. Since the 2000s, the Open Method of Coordination has functioned as a soft-law instrument to promote learning and good practices among Member States in a number of social policy areas, including social exclusion (Ronchi and Terlizzi 2018b, 2018a; Benz 2019).

In the wake of the 2007-2008 financial crisis, anti-poverty policies returned to the centre of the European debate. In a 2010 Resolution, the European Parliament emphasised that minimum incomes should be set at a level equivalent to at least 60% of median income and that MIS should be part of a strategic approach to social inclusion. In 2013, Regulation No. 1304 of European Parliament and Council on the European Social Fund (ESF) adds an important piece to the puzzle, stating that the ESF should fight social exclusion, poverty and discrimination by supporting the Member States in achieving the priorities and targets of the EU strategy for smart, sustainable and inclusive growth (the 'Europe 2020' strategy). In the context of this strategy, one of the five headline targets was to reduce the number of those at risk of poverty or social exclusion by at least 20 million people by 2020. These headline targets were then translated into national targets. Since 2010, the European Semester, with its thematic focus on minimum income, has been functioning as the key EU policy coordination instrument in this social policy field.

Lastly, references to minimum income are provided by the 2017 EPSR: 'Everyone lacking sufficient resources has the right to adequate minimum income benefits ensuring a life in dignity at all stages of life, and effective access to enabling goods and services. For those who can work, minimum income benefits should be combined with incentives to (re)integrate into the labour market' (Chapter III, Principle 14). The main point is to provide a link between a) the guarantee of a minimum income, b) access to goods and services and c) promoting integration into the labour market (Benz 2019). As highlighted by Van et al. (2020), Principle 14 plays an important role regardless of being a soft-law instrument. In fact, the EPSR identifies the right to minimum income for the very first time. As such, it contributes to its concreteness, which facilitates its use by different bodies, particularly the judiciary. Moreover, the EPSR also acts as an interinstitutional commitment for the EU and its Member States.

In December 2019, the European Commission committed to the effective implementation of the EPSR principles. The development of European frameworks for minimum wages and guaranteed minimum incomes was among the initiatives announced. In effect, in June 2022, the presidency of the Council and European Parliament negotiators reached a provisional agreement on a Directive on adequate minimum wages in the EU, with a view to promoting the adequacy of statutory minimum wages and thus helping to achieve decent working and living conditions. In September 2022, the European Parliament approved the Directive. Moreover, the Covid-19 outbreak put the establishment of European Support to mitigate Unemployment Risks in an Emergency (SURE) back on the agenda (Peña-Casas and Ghailani 2021). The SURE programme provides loans (up to 100 billion euros) to Member States to support systems of short-time work. The SURE instrument gave the signal that reduction in working hours was one of the most important measures to combat the effects of the Covid-19 crisis and reduce job losses (ETUC and ETUI 2020).

3.2 Key issues at the core of the EU debate

In the past few years, the debate on the EU role in the field of minimum income protection and guarantee has focused on the improvement of data gathering on the one hand, and the prospects for a reinforced EU legal framework on minimum income on the other. In what follows we summarise the more recent proposals in both fields, while presenting the position of the main stakeholders on the topic. Minimum income (including for the elderly) has been at the core of an intense debate where the interests of policymakers, analysts, and stakeholders converge.

Social scoreboard (indicators)

Measuring and comparing poverty is a difficult exercise, especially when living conditions differ widely across countries or change very quickly over time. The solution adopted by the EU is to use a dashboard of social indicators to monitor poverty (Atkinson et al. 2002), which usefully captures various perspectives. The dashboard of indicators includes the level of the AROP threshold corrected for price differences across countries, the AROP rate, the median relative AROP gap, and the AROP rate with the poverty threshold anchored at a point in time.

There is a large consensus among experts and stakeholders that the methodology currently used in the European Union faces some important limitations. Data availability at European level through EU-SILC or the MISSOC is seen as insufficient to meet the aim of better coordination between the Member States (Konle-Seidl 2021).

Academics have worked for new indicators that are able to capture and concentrate the different dimension of poverty risks across the EU. Goedemé et al. (2021) have proposed the 'extended headcount ratio'. This would integrate all these concerns into a coherent single poverty metric. Furthermore, our indicator responds to calls for including a pan-European benchmark for measuring poverty, as well as indicators of real income growth at the bottom of the income distribution.

In parallel, EU technical bodies (namely, the SPC) have worked to progress the strategy for data collection. To respond to the demand of the Council, the analytical work of the European Semester has been recently strengthened through a benchmarking framework on minimum income that was developed by the EU Commission in coordination with the SPC. The new framework complements existing monitoring tools through additional performance indicators such as the 'persistent-at-risk-of-poverty rate' or the benefit recipient rate for people at risk of poverty in (quasi)-jobless households (Konle-Seidl 2021).

This work is part of the broader strategy of implementing the EPSR through the dashboard of the 20 principles, and its interaction with the European Semester. The macroeconomic governance provides targets and indicators, and the same strategy is rightly followed by the monitoring of the social protection. This contributes to the EU flagship reports, such as the Ageing Report of DG ECFIN (this became publicly available at the beginning of May 2022) and the pension adequacy report and the report on LTC of DG EMPL and the SPC (Pacolet et al. 2021).

Pacolet et al. (2021) have reported the relevant progress achieved in parallel with the debate on improving the monitoring capacity in the field of minimum income protection. On 8 November 2019, the EPSCO Council, based on the EPSR, adopted the Council Recommendation on access to social protection for workers and the self-employed (hereafter the Recommendation), in which Member States are recommended to provide access to adequate social protection for all workers and self-employed. In October 2020, the EU Commission published the monitoring framework on 'Access to social protection for workers and the self-employed', prepared by the Indicators Sub-Group of EPSCO's Social Protection Committee. The EPSR outlines very clearly the rights of the elderly in its Principles 12 and 15. This seems a preliminary step towards an enlarged concept of guaranteeing 'ageing in dignity'. Ageing in dignity is built on two components: an adequate pension and adequate and sustainable health and long-term care (ibid, 22).

Notwithstanding the progresses mentioned above, when it comes to minimum income there is a large consensus among analysts that more data should be collected at national and EU level on the management and impact of different MIS. As stressed by Konle-Seidl (2021), more structured and developed information systems could also allow for evidence of savings at system level when introducing reforms intended to improve the system of allowances and contributions. There are areas where better information-gathering is crucial, one example being non-take-up levels and analysis of the reasons for this.

As pointed out by the ETUC (2022: 5), a reinforced social scoreboard and benchmarking should serve to drive the policy levers and eventually impact performance and outcomes in the Member States. Improvements in the definition of minimum dignifying standards at European level should also be a catalyst for fairer benefits and other kinds of pensions.

The debate so far: the legal base and monitoring capacities

As stressed by many analysts (see Benz 2019), the EU legal context is still centred on the Council Recommendation of 24 June 1992 (92/441/EEC) on common criteria concerning sufficient resources and social assistance in social protection systems, and the Recommendation of 27 July 1992 (92/442/EEC) on the convergence of social protection objectives and policies, adopted by the Council of Ministers for Employment and Social Affairs. The latter also formulates minimum standards, but more specifically refers to social protection during sickness, maternity, unemployment, incapacity to work, old age and family-related events. These Recommendations represent the base for further recognition but as they are legally non-binding they have had a varied impact (at best) on the Member States. The recent increase of poverty risks in the EU seems to push in the same direction: strengthening the EU commitment for a coordinated strategy. Beyond the functional rationale for the EU framework to address the growing problem of poverty risks, a more ambitious role of the EU in the field is justified by: a) the further completion of the internal market and the Monetary Union (both need the complement of social integration); and b) the legitimisation of the EU integration project through the promotion of social rights (Van Lancker et al. 2020).

The literature is largely coherent in asking for a common EU framework that sets core standards at the EU level that the Member States then specify and implement. A framework provides the necessary flexibility to develop MIS that are adapted to national circumstances in line with the principles of subsidiarity and proportionality (ibid). But there are different positions on the legal base of such an intervention. For some, the legal base should be Article 153 of the TFEU in the social policy title that refers to those policy areas (including the fight against social exclusion), where the EU may act to attain its social objective. In particular, the material scope of Article 153(1)(c) covers ‘social security and social protection’, which includes the traditional branches of social security as well as social assistance schemes or other types of supports (EMIN 2018; Benz 2019).

Yet the personal scope of Article 153 is seen as problematic by other analysts (Van Lancker et al. 2020). A legal instrument based on Article 153(1)(c) TFEU would cover only workers. It would thus contradict Principle 14 of the EPSR, which encompasses the right to a minimum income for all persons at all stages of life, regardless of whether they qualify or not as a worker. Article 153(1)(h) is deemed to provide room for a broader personal coverage, including all those who are excluded from the labour market. But problems would persist about the inclusion of the working poor and atypical workers in the target of the legal measure.

Some therefore propose a supplementary legal base represented by Article 175 of the TFEU. The latter refers to the EU competence to adopt measures to strengthen the economic, social and territorial cohesion of the EU. Under this article, a minimum income framework would prove to be consistent with the purpose of achieving economic, social and territorial progress (ibid). Much of the scientific and political debate has therefore referred to the instrument that better suits the aim of an EU legal framework for minimum income. Many analysts and stakeholders have supported the option of the directive, which is a binding instrument. In the words of Van Lanker et al. (2020), the Directive on Minimum Income would represent a stronger commitment towards the right to a minimum income while guiding the Member States in their attempts to introduce effective strategies to fight against poverty. It would also contribute to the objectives of human dignity (Article 2 of the TEU) and the 'social market economy' (Article 3 of the TEU) and the social objective of the Union (Article 151 of the TFEU).

The ETUC has been extremely active in promoting the adoption of a framework directive. The Resolution of the Extraordinary Executive Committee Meeting of 23 September 2020 set the tone: the European framework directive establishing common principles, definitions, minimum standards and methods was seen as consistent with Principle 14 of the EPSR. The same resolution provided a critical assessment of non-binding forms of coordination: 'the EU approach based on soft-law and the open method of coordination adopted so far proved to be inadequate and unfit for the purpose to ensure a life in dignity and the effective participation into the society – as witnessed by the poor and highly uneven results across member states, where schemes for minimum income protection result mostly ineffective' (ETUC and ETUI 2020: 1).

Other stakeholders joined that position. Caritas Europa (2022) states that: 'If Member States are not obliged to transpose into national legislation and implement certain measures, any emerging framework will only be taken into account by few Member States, if by any. An EU framework should therefore be legally binding and be implemented as an EU directive' (Caritas Europa 2022). In the same vein, AGE (2022), in the response to the Commission Call for the collection of evidence on minimum income, expresses the preference for the binding instruments: 'While AGE welcomes the ambition of the European Commission to adopt a framework for minimum income by ways of a Council Recommendation, AGE still favours a binding directive to set out standards in this field, as previous recommendations have proven insufficient to trigger notable change in fighting poverty and social exclusion' (ibid, 7).

Irrespective of the political momentum that the Germany Presidency of the Council in particular seemed to realise[7], the Commission opted for an EU Recommendation and not a Directive on minimum income. In the Action Plan of the EPSR set up in 2021, the Commission outlined the need for effective MIS that 'are essential to ensure that no one is left behind' (European Commission 2021e). It also recognised that MIS vary significantly in their adequacy, coverage, take-up and articulation with labour market activation measures and enabling goods and services, including social services. Even more important was the recognition that 'in many cases, the eligibility criteria and the levels of benefits would deserve to be modernised' (ibid). Yet the same Commission proposes a mere Council Recommendation on minimum income in 2022 to effectively support and complement the policies of Member States.

The alternative to a Council Recommendation could have the same content as the Directive, with the exemption of the provisions regarding the national transposition of the Directive, which is not necessary in the case of recommendations. For Van Lancker et al. (2020), the key challenge to make a non-binding instrument effective is the activation of a systematic monitoring system (see above).

7. The German Presidency officially planned the adoption of Council Conclusions to strengthen minimum income protection, to enhance the EU action against poverty and social exclusion.

Conclusions

This paper offers a brief review of the evidence of poverty across Europe and some preliminary conclusions about the historical evolution of the phenomenon and its incidence in different countries and social groups. It also more clearly identifies the condition of the elderly before and after the Covid-19 pandemic.

First, the general data provide evidence of the uneven evolution of poverty or social exclusion risks. We can call it a sort of Sisyphus-like trend. Overall improvement in the conditions of European citizens in the past decade has been interrupted by the huge economic crises that hit Europe in 2008 and again in 2020. As in the aftermath of the Great Recession, the post-pandemic context has been marked by the increase of the absolute number of people at risk of poverty or social exclusion.

This trend aligns with the persistent variation across countries. Such variation is confirmed by the most recent evidence and tends to be replicated in the different European regions: continental, central-eastern, northern and southern countries. Data show the huge difference between countries in southern Europe (Spain, Greece and Italy versus Portugal), continental Europe (France and Belgium versus Germany), and CEE countries (Bulgaria and Romania versus Czechia).

There are differences, too, in the social groups of gender and age. While older people have seen some improvement in their condition when compared with younger age groups, this evidence needs some qualification. Before the pandemic, the overall risk of monetary poverty was slightly higher for people aged 65 and over than for younger people. Trends show the progressive improvement of people of working age over the past decade. Data are still incomplete, but since the pandemic, the preliminary evidence shows that poverty risks for the elderly have decreased, where they have increased for younger age groups. On the basis of the literature, we know that times of economic recession tend to lead to the relative improvement of the condition of older people because they are more protected from the first consequences of the downturn.

Yet this broad trend does not hide the persistent and even growing problems for older people. EU-SILC data between 2019 and 2020 show the increased risks of monetary poverty for people over 75. On top of that, unmet medical needs in the broader context of problems in the access to health and social services further aggravate the conditions of the elderly. There is also a persistent gender gap in the effective protection against poverty or social exclusion risks, especially in old age. In all different dimensions of poverty, data confirm that elderly women are a vulnerable group at high risk of monetary poverty, material deprivation and problems of access to health and social care.

The first part of the paper thus provides a worrying picture. Since the pandemic, poverty risks are on the rise. At first glance, the elderly seem more protected, but some qualification is needed: in the aftermath of Covid-19, older people suffer financial problems and difficult access to health services; among the elderly the 75 and over age group is at particular risk of poverty. Poverty risks in old age are multidimensional, in that they include material deprivation and the lack of access to services as well as monetary poverty.

The second part of the paper has outlined that minimum income guarantees are crucial in the fight against poverty. This is especially the case for the elderly. EU Member States have set up different types of MIGs for elderly 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 a resource protection of last resort, subject to means testing.

Therefore, in all countries, the protection of poverty risks in old age is provided through a mix of schemes: contributory and non-contributory pensions; social assistance schemes; and cash transfers for specific needs (e.g. public transport, house heating). This complexity is often the source of administrative problems. Recent comparative analyses show reforms before and after the pandemic have aimed to improve minimum protection for the elderly. Yet in most of the EU Member States, both minimum income and minimum pensions are below the poverty line. This is particularly the case for non-contributory pension schemes.

The map of poverty risks across the EU shows three clusters of countries: Nordic and CEE countries with low risks (AROPE between 6% and 12%); southern and continental European countries with medium poverty risks (AROPE between 13% and 18%); and those with high poverty risks (AROPE over 20%) are the Baltic and south-eastern European countries.

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 the older population (65 and over), we can distinguish three different groups of countries:

- 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 Member States, the overall level of poverty is similar for both age groups (e.g. Ireland)
- in the third group, we see a higher level of old-age poverty than that of the working-age population (e.g. Baltic and south-eastern countries).

The evidence collected in this paper shows that the capacity to protect the elderly against poverty risks varies a lot between EU Member States, but in most EU countries minimum income guarantees are below the poverty line. There is thus the need to reduce severe poverty among the retired population, with more effective minimum income guarantees. What matters most is the mix of monetary transfers and the provision of services in addressing the many dimensions of poverty risks.

The third part of the paper has provided evidence of the general acknowledgment of the need for an EU strategy to support Member States' action to guarantee adequate minimum income for their citizens. The EU has committed to this, in the Charter of Fundamental Rights of the EU, the EPSR and several policy documents, in order to enhance the 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.

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. Moreover, many analysts have detected a shift in the EU priorities in the social agenda towards higher minimum wages, more effective minimum income schemes, 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 paper reveals persistent resistance to binding the EU framework.

This was evident in the 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 protection, others proposed Article 153(1)(h) on the integration of those excluded from the labour market, and Article 175 on social, economic and territorial 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 conflict over the instruments for the EU framework on minimum income protection, there is an overall consensus on the need for more effective monitoring. It is agreed that new indicators are needed to provide evidence of the multidimensional nature of poverty risks (especially for the elderly). This is expected to improve the social scoreboard, the effective coordination of Member States' strategies, and the upward convergence of working and living conditions in Europe (as requested by the ETUC). This paper has provided a summary of the proposals for more effective monitoring, including the idea of the new extended headcount ratio indicator.

Many practitioners, stakeholders and analysts think the EU Recommendation represents a useful preliminary step, but that further steps are needed to improve access to and adequacy of the minimum income guarantee in the EU. More effective monitoring and setting up of new indicators are crucial for the coordination of Member States' strategies.

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