

### OVERVIEW

- While research has investigated minimum income protection (MIP) for those at active age, far less is known about MIP for the elderly, and especially in an internationally comparative framework. To understand how adequate these MIP schemes are, we assess to what extent these adhere to the prevailing living standards in society in the different EU Member States. We investigate whether there is a difference between three different target groups: the working, the non-working of active age and the elderly.
- Single minimum wage earners are in most EU MSs protected against the risk of poverty, while the number of EU MSs guaranteeing adequate incomes to minimum wage workers with other dependents is far lower. Still, the situation is worse for non-working families of active age relying on means-tested minimum income schemes. Elderly singles and couples relying on means-tested minimum income support enjoy at the least the same support as the non-working active-age, and often benefit from (slightly) higher benefits. Still, also for this group, minimum income protection is inadequate in large majority of countries.
- The analysis indicates that relative generous trends in MIP for the working population (through changes in minimum wages and additional benefits) only rarely went hand in hand with more generous MIP for the non-working active age population. For the elderly a similar trend of lagging behind MIP for active age workers was observed, be it often less pronounced.
- As access to both contributory-based pension schemes and unemployment benefit schemes is being tightened, means-tested minimum income support will likely become even more relevant in the future. In this regard, the general (and sometimes substantial) inadequacy of the last safety net should be cause for concern.

### Research findings

Over the past years, interest in minimum income protection (MIP) has surged. This research uses new data to track trends over the past decade in the MIP generosity for three target groups: the working, the non-working of active age and the elderly. We focus on the adequacy of MIP schemes, i.e. we assess to what extent these adhere to prevailing living standards in society in the EU. For the working population, a minimum income level is usually guaranteed through a minimum wage in combination with workings of the tax benefit system. The non-working, able-to-work population of active age in all EU countries has access to a form of social assistance. Also for the elderly different MIP provisions exist: in some countries the elderly may benefit from a (conditional) basic pension, whereas in others, they will have access to categorical social assistance for the elderly or the general social assistance scheme.

The analysis is based on hypothetical household simulations in order to comparatively assess the generosity of MIP. Hypothetical household simulations are detailed calculations of the legally guaranteed income of a hypothetical household in line with the applicable tax benefit rules. Thus, we can assess the generosity of actual policy rules in a comparable fashion over time and across countries, without confusing policies with the

underlying demography or economy. We used the newly developed MIPI-HHoT database, which has been developed within the EUROMOD microsimulation model. For 10 hypothetical households (4 working active age, 4 non-working active age, 2 elderly), we recorded the households' net disposable incomes and its specific income components. We focus here on the outcomes for the elderly.

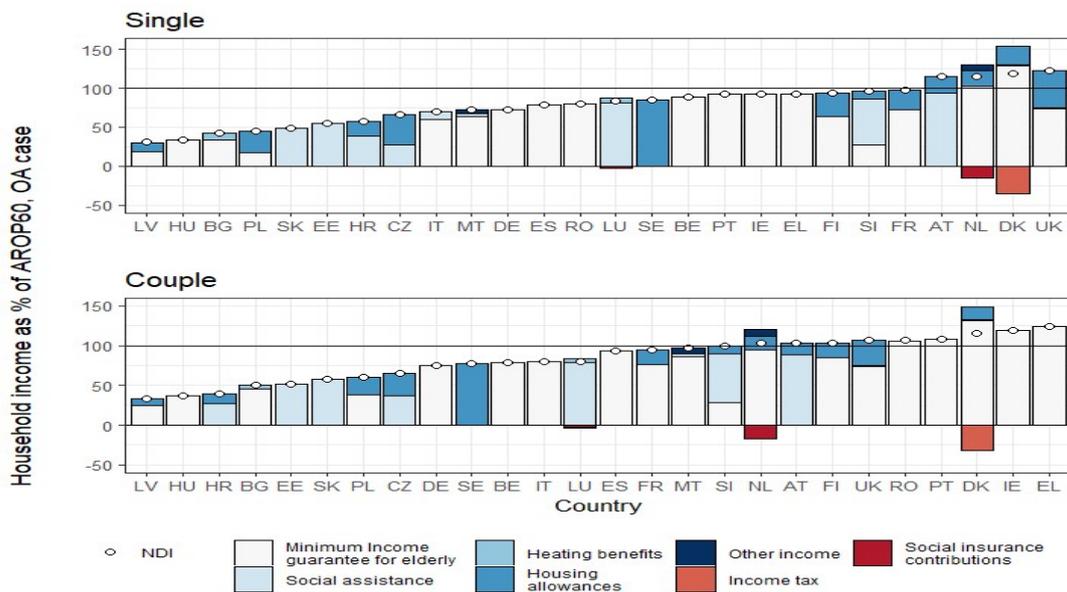
The Figure below shows the adequacy of the MIP for the elderly without contribution records to the social insurance pension scheme for a single and a couple at pensionable age. Most countries only have one income component, being either the minimum income guarantee for elderly (MIGE) or social assistance. In Austria, Denmark, the United Kingdom, the Netherlands, Slovenia and Spain, housing and heating allowances contribute to a comparatively high income. However, the same benefits are received by households in the Czech Republic, Poland, Bulgaria, Croatia and Latvia, but fail to prevent very low incomes. Households in Italy and Malta combine MIGE and social assistance.

In terms of evolution between 2009 and 2018, we found a decrease relative to the poverty threshold in most countries, and significant increases only for a few. Decreases have been either due to cuts or retrenchment of social programmes, or due to

lack of indexation increases in line with living standards. Over the latest decade, we observe that, contrary to MIP for the working population,

MIP for the elderly in a substantial majority of countries lagged behind median equivalent disposable income.

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



## Policy Implications

The EU has identified minimum income protection as one of the routes towards a more social Europe in its European Pillar of Social Rights, stressing the policy relevance of the last safety net. We observed substantial variation in design and adequacy of MIP for the elderly. While earlier research found relatively positive trends in terms of adequacy of MIP for the elderly throughout the 1990s and 2000s, this appears to be far less the case for the decade studied here. While MIP for active age working individuals

improved over the past decade, this has been far less the case for non-working individuals at active age and for the elderly. These results suggest a shift in policy orientation: the focus of countries appears to have been on increasing the gap between MIP for the non-working and the working of active age, thus increasing financial incentives to work. In terms of deservingness, it may be surprising that also for the elderly we find this lagging behind (be it less pronounced).

## Policy Recommendations

Means-tested MIP schemes are likely to grow in importance as access to insurance-based schemes is tightened. This is true for MIP schemes for the non-working of active age, as there are indications that access to unemployment insurance benefits is made more stringent. But also access to contributory pensions depends on minimum contribution periods.

In such a context policy makers do well to continuously assess the adequacy of the means-tested schemes. They should not solely take account of the means-tested minimum benefits themselves, but also assess the extent to which they can be combined with other benefits, such as housing and heating allowances.

### Further reading

“A safety net that holds? Tracking minimum income protection adequacy for the elderly, the working and the non-working of active age”, by Sarah Marchal and Linus Siöland, CIRCLE Working Paper, November 2019.