Minimum income protection for Europe's elderly. What and how much has been guaranteed during the first decade of the 21st century?

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Most research on minimum income protection focuses on the population at active age. Nonetheless, the elderly constitute an important – and growing – part of the population to which various forms of minimum incomes are guaranteed by European welfare states. Furthermore, in general they benefit from minimum income guarantees which are different from those for the population at active age. This paper aims to fill this gap. In order to do so, the first part of this paper develops a typology of minimum income guarantees that exist for the elderly in the European Union and gives an overview of the various types of minimum income protection in every EU member state. The second part looks at the evolution of gross and net benefit levels of those schemes that offer the minimum minimorum in each member state at the beginning and end of the first decade of the 21st century. In some countries benefits are provided as a part of the general social assistance scheme, but in others they are an integral part of the pension system. In order to gain insight into the real minimum income that is guaranteed to the elderly, original data were gathered in an international project organised by the Herman Deleeck Centre for Social Policy, involving national experts from a majority of EU member states. By using pre-defined templates for calculating benefit levels for several model families, the maximisation of cross-national and cross-temporary comparability has been pursued. As a result cross-national comparable data is presented of benefit levels and net incomes of the elderly in 2001 and 2009. By offering also some insight into the prevalence of these minimum income benefits, a first step is made to better understand not only the minimum income protection that is guaranteed to Europe's elderly, but also the potential poverty-reducing effect of these minimum income guarantees.

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1 Introduction[1]

In most of the European welfare states the introduction of a guaranteed minimum income scheme has meant an important step in welfare state development. However, the time period in which these last safety nets have been introduced as well as their shape and the level of protection they offer vary widely (e.g. Van Mechelen, 2009). Furthermore, in many countries specific minimum income guarantees exist for different 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). In contrast, minimum income guarantees aimed at the elderly have received much less attention in the international literature. Nonetheless, the elderly constitute a growing part of the population in all EU countries and its population share is projected to grow from around 17% in 2008 to 30% in 2060 (European Commission and Economic Policy Committee (AWG), 2009: 40-44). Moreover, minimum income guarantees for the elderly are likely to become more important in the future due to a tendency in recent pension reforms to re-strengthen the link between contributions and benefits, a growing reliance on defined-contribution private pensions (with inherently more uncertainty about benefit levels as the recent crises has shown) and a projected fall in public replacement rates in a good deal of EU member states (e.g. European Commission, 2005; Meyer et al., 2007; European Commission and Economic Policy Committee (AWG), 2009: 27-28). In fact, during the 1990s and the early 2000s many changes have been implemented in pension systems in the North, West, East and South of Europe (e.g. Hinrichs, 2001; Müller, 2003; Fultz, 2004; Immergut et al., 2007; Natali, 2008). At the same time in many countries, minimum income guarantees for the elderly have changed as well. Some countries have a long tradition of genuine minimum income protection of the elderly (e.g. the Netherlands and Denmark) whereas others have only recently introduced some minimum income guarantees targeted at the elderly (e.g. Romania). In most countries however, specific minima for the elderly exist and they have undergone important changes in the recent past. However, the results of these changes have been left undocumented in the international comparative literature. This paper aims at filling this gap by presenting an account of minimum income guarantees for the elderly living in the European Union during the 2000s as well as of the recent evolution of gross benefit levels and net disposable incomes of elderly living on minimum income guarantees.

Minimum income protection schemes can be classified and studied with regard to various aspects. I elaborate on two particular dimensions: mode of access and benefit structure. An overview of the schemes that provide a minimum income protection for the elderly is presented for each EU member state in section two. Focusing on the mid-2000s, on the basis of eligibility criteria we distinguish between minimum pensions, pension supplements, guaranteed minimum income schemes and the general social assistance scheme. The third and largest part of the paper is dedicated to benefit levels and net disposable incomes of elderly living on minimum income guarantees. In a recent project of the Herman Deleeck Centre for Social Policy we collected simulated net disposable incomes for two model family types: elderly living on their own and elderly persons living with another elderly partner. In this part of the paper we first set out the assumptions, strengths and weaknesses of the model family approach. In particular we discuss the representativeness of the simulated model families. Second, we present an overview of the evolution of gross benefit levels during the 2000s. Third, net disposable income levels of elderly living on minimum income guarantees are discussed for 2001 and 2009. In the last section we conclude.

[1] I am grateful to Natascha Van Mechelen, Ive Marx, Bea Cantillon and Jonas Vogels who offered me the opportunity to participate in the CSB project on the evolution of minimum income protection in the EU. Parts of the paper have been presented previously at a MIPI workshop meeting in June 2010 (part of the scientific network Equalsoc). Comments and suggestions of Jonathan Bradshaw, Kenneth Nelson, Thomas Bahle, Sarah Carpentier, Natascha Van Mechelen, Ive Marx, Michaela Pfeifer, Vanessa Hubl as well as Daniel Gerbery, Natasa Kump and Costas Stavrakis are gratefully acknowledged.

2 European minimum income guarantees in old-age

2.1 Aspects of minimum income protection schemes

The shape of minimum income protection schemes as well as the degree of protection they offer, is determined by many aspects which characterise social safety nets. As is apparent from the comparative social security literature, most characteristics can be grouped into four main dimensions: 'mode of access' (a), 'benefit structure' (b), 'financing' (c), and 'governance' (d) (cf. Titmuss, 1971; Reman, 1992; von Maydell, 1993; Ferrera, 1996; Schulte, 1998; Dixon, 1999; Clegg, 2008). In this paper, I limit the discussion to the dimensions which are most directly (but not exclusively) related to the poverty-reducing capacity of social protection schemes: the mode of access and the benefit structure. Issues related to the financing of the scheme as well as their governance and institutional implementation are left out of consideration (see, among others, Cantillon et al., 2008; Goedemé and Van Lancker, 2009)

First, the **mode of access** of a social protection scheme captures all eligibility criteria that are relevant for obtaining a benefit from the scheme. This dimension encompasses the degree of discretion that is present in the scheme, as well as the formal criteria which define eligibility. Clasen and Clegg (2007: 171-175) distinguish three categories of eligibility criteria[2]: conditions of category; conditions of circumstance and conditions of conduct. Conditions of category refer to broad criteria which determine membership of a defined category of support (e.g. citizenship status, age, employment status). In other words, conditions of category answer the question who, in theory, is protected by the social protection scheme. In contrast, conditions of circumstance refer to the precise criteria which determine under what specific conditions a protected person actually receives a benefit. More in particular, these criteria refer to factors such as having limited resources (evaluated by a means test or income test), work history or contribution record and others. Especially when it comes to minimum income protection attention must be paid to the potential presence of a means test. Means tests can differ in several important ways. They can take different kinds of income into account (e.g. income from work, pension income, wealth); they may apply different units of assessment (e.g. the individual, the family, the household) implying different requirements with regard to the extent to which relatives are supposed to support each other; they may differ not only with regard to the level of income which serves as a cut-off point for eligibility, but also with regard to the amount of resources which are disregarded for the test as well as 'benefit tapers' which determine the rate at which a benefit is withdrawn when earnings increase (e.g. Gough et al., 1997; Immervoll, 2009). Analytically, conditions of conduct come into play only when conditions of category and conditions of circumstance are fulfilled, regulating the ongoing benefit receipt. Conditions of conduct refer to requirements such as active job search and doing community work (in the area of unemployment benefits), good neighbourliness (in the area of housing benefits) as well as possible sanctions in relation to fraud, the failure of reporting changes in family circumstances, income, change of address and others.

Second, the **benefit structure** relates to what and how much eligible persons get from the scheme. Three sub-dimensions can be identified: kind of the benefit, level of the benefit and level of discretion. First, the benefit could be in-cash or in-kind and there could be associated rights which are more or less 'automatically' attached to the eligibility status (e.g. in relation to health services, housing or public transport). Second, the level (or amount) of the benefit is subject to a specific formula which could take the level of resources into account (which resources of whom and with which disregards?) as well as household composition and several needs while taking account of certain minima and maxima. The means test used for assessing eligibility could at the same time function as a mechanism for establishing the level of the benefit, but this is not necessarily the case. Furthermore, specific rules could exist for updating benefit levels to changes in consumer prices and/or average living standards in society. Last but not least, the treatment of the benefit by the tax system is of major importance. In two countries gross benefits could be at a similar level, but their net effect may differ a lot depending on whether benefits are subject to taxes and social contributions or

[2] I would like to thank Michaela Pfeifer for this reference.

not. Third, as is the case for the mode of access, the degree of discretion available to providing institutions varies across countries, but also within countries (Rat, 2009: 173).

In the next paragraph an overview of minimum income protection schemes in the EU will be presented taking account of the mode of access. In section three benefit structures of minimum income schemes will be compared.

2.2 Minimum income protection for the elderly: mode of access[3]

In every EU member state some regulation can be found to guarantee a minimum income to the elderly, be it as a part of the pension system or as a part of the general social assistance scheme, be it with, or without a means-test (see table 1 for an overview). On the basis of the conditions of category and conditions of circumstance, four different types of minimum income guarantees for Europe's elderly can be discerned in the mid-2000s[4]. Furthermore, within the type of the 'guaranteed minimum income', a further distinction must be made between a 'basic pension', a 'conditional basic pension' and a 'means-tested minimum income'.

1) A **minimum pension** in a contributory scheme for persons with enough pension entitlements, without a means-test. A minimum pension is an amount paid to pensioners who satisfy some conditions about a minimum contribution or insurance record. Either it is a flat-rate amount as part of the pension formula or it is an amount higher than what could be granted if the pension formula would be simply applied. The level of the minimum pension may be dependent on the number of years of insurance. This regulation can be organised as a separate scheme in the public pension system[5], or it can be part of a broader earnings-related or contribution-related public pension scheme[6]. In half of the cases the scheme is exclusively financed by contributions, in the other schemes it is financed by contributions and government subsidies. Only in Lithuania the minimum pension is exclusively financed by government resources. To the extent that the pension system comprises different schemes for different socio-economic groups, conditions and availability of a minimum pension may not be the same for all pensioners.

2) A **pension supplement** for persons with a low pension, with contributory conditions (i.e. being eligible for a contributory pension) and a means or income test (Austria, Denmark (income-tested part of the *Folkepension*, no contributory conditions), Greece, Italy and Slovenia).

Both minimum pensions and pension supplements do not offer a genuine guaranteed minimum income to all residents of a country. In both cases a minimum contribution record (or number of qualifying years) is necessary to benefit from the scheme. Furthermore, the amount of the benefit depends in many countries on the same condition (i.e. number of qualifying years or contribution record defined in another way). However, in many 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 as well as other types of benefits such as during maternity (paternity) or parental leave. In some countries even other periods are taken into account such as periods during which one undertook higher studies or one took care of children or a disabled person. Especially if employment is relatively widespread, this may result in an effective guaranteed minimum for the great majority of the population (this seems to be the case for instance in Luxembourg).

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[3] This section draws to some extent on Goedemé and Van Lancker (2009).

[4] On the basis of various sources: (European Commission, 2006; Social Protection Committee, 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, 2010; International Social Security Association (ISSA), 2010). Different sources regularly contradict each other. If necessary the website of the relevant Ministry has been consulted. I also would like to thank Daniel Gerbery, Natasa Kump and Costas Stavrakis for providing me with further information on the minimum income protection system in respectively Slovakia, Slovenia and Cyprus.

[5] Cyprus, Czech Republic, Estonia, France, Greece, Ireland, Luxemburg, Poland and United Kingdom.

[6] Austria, Belgium, Bulgaria, Hungary, Latvia, Lithuania, Malta, Portugal, Slovenia and Spain.

3) A **guaranteed minimum income** to which the elderly are entitled from a certain age. This is a scheme for which no minimal contribution record is necessary. There are three different kinds of guaranteed minimum income schemes in the European Union, some with a means test, others without a means test. In Denmark and the Netherlands a 'basic pension' is available to all persons aged 65 and over. In both countries, the benefit depends on the number of years one has resided in the country[7]. In other member states such as Cyprus, Estonia, Finland and Sweden a 'conditional basic pension' is available for the elderly. Apart from residence conditions, eligibility is also 'pension-tested'. In other words, it serves as a top-up to other (contributory) pensions. Usually, the amount does not vary by other sources of income. Almost all other member states provide a 'means-tested minimum income' to the elderly. In most cases eligibility and the amount of the benefit are not dependent on the number of years of residence. Rather, in these schemes the amount of the benefit is typically equal to the difference between the threshold of the means test and the part of the household's income that is taken into account[8]. There are very large differences between means tests. In some cases they only refer to income, in others to income and wealth; in some cases the means of all household members (or even other relatives) are taken into account whereas in others only the resources of the claimant are scrutinized. Sometimes with residence history conditions (Slovenia, Spain), in other countries not (e.g. Belgium). In most cases it concerns a scheme integrated into the general social assistance scheme, but with some specific conditions for the elderly. In others (Belgium, Cyprus, Finland, Greece, Ireland, Italy, Latvia and Malta) it is rather part of the public pension system. In almost all countries, guaranteed minimum incomes are exclusively financed by government subsidies. However, in Finland, Italy, the Netherlands and Slovenia, the minimum income is financed by both taxes and contributions.

4) In only a few member states there is no specific scheme for elderly persons without the necessary pension entitlements to draw a (minimum) pension. Nevertheless, in all of these member states a *general social assistance scheme* is available (Czech Republic, Luxemburg and Romania). In all three member states, this scheme is financed by taxes. Until April 2009, Romania was the only member state in which the general social assistance scheme was the only source to guarantee a minimum income to the elderly. In April 2009 Romania introduced a minimum pension. Of course, in almost all EU member states a social assistance scheme is present, but in member states where special arrangements for the elderly exist, this scheme is virtually irrelevant, except for very specific groups (e.g. in cases of residence requirements for a guaranteed minimum income).

Of course, on the basis of other criteria, one could come to a different classification of minimum income guarantees. Although the classification is relatively straightforward for the great majority of minimum income guarantees, some schemes are somewhat more difficult to fit in the present classification. This is especially the case for the following schemes: the *maggiorazione sociale* in Italy, the Cypriot special allowance for pensioners, the State Social Security Benefit in Latvia and social assistance with protection allowance in Slovakia. Furthermore, it should be stressed that from the point of view of pensioners – ceteris paribus – not a big difference will exist between the 'basic pension' schemes and the 'conditional basic pension' schemes: to everyone in the country a basic pension is guaranteed (conditional on residence history), the only difference being that in Denmark and the Netherlands the basic pension is given to everyone whereas in Cyprus, Estonia, Finland and Sweden the basic pension is guaranteed to everyone and only given to persons without sufficient pension entitlements to reach the level of the basic pension on the basis of pension income out of other pension schemes. Politically, however, this may make a big difference as the beneficiaries of both schemes are not a separate group in the case of the basic pension whereas this is much more so in the case of the conditional basic pension.

[7] It can be argued that in Estonia the minimum old-age pension and the national pension, taken together, form a basic income for everyone who has legally resided in Estonia for at least 5 years prior to the pensionable age. The benefit level of the minimum old-age pension and the national pension is the same. However, the minimum old-age pension is financed by contributions, whereas the national pension is financed by taxes.

[8] Not so in the case of Latvia. In Latvia the means test is simple: having no pension income and being unemployed (i.e. no income from earnings).

In addition to the minimum income guarantees targeted at the elderly, many other 'schemes' or policies may contribute to a minimum level of resources that is provided for the elderly.

- First, in many countries pension income (including the minimum pension) is not taxed or at least to some extent disregarded for taxation. The same applies for income form other minimum income guarantees in many countries. This is not always because these minimum income guarantees are exempt from taxation, but also because these incomes are in general below the general level of income disregards. In most countries, social insurance contributions must not be paid on pension income (except for health care).
- Second, in many countries there exist several reductions on the tariff of certain goods and services or they may be provided for free to all residents from a certain age. Most often this is the case for (local) public transport from the age of 60 or 65, but in some countries this is also the case of reduced tariffs of public health insurance or a reduced cost of medicaments.
- Third, especially in the case of guaranteed minimum income and general social assistance schemes some other rights may be associated to benefit receipt from these schemes such as free legal assistance (e.g. Slovenia, Slovakia) or exemption from radio and television tax (e.g. Austria, Slovenia).
- Fourth, although disability and survivors' pensions are not primarily targeted at the elderly, a substantial part of them may benefit from these schemes. In most countries invalidity pensions are paid until reaching the legal retirement age. However, in some countries there is no maximum age limit (e.g. Hungary, Ireland, Poland) whereas in others beneficiaries can choose to apply for an old-age pension, or the old-age pension is granted automatically if this results in a higher pension (e.g. Austria, Czech Republic, Greece, Malta, Slovenia). Furthermore, except for Malta, in these countries minimum invalidity benefits are at a comparable level of minimum pensions for old-age (although, with different contributory criteria)[9]. Furthermore, in some countries, specific insurances with regard to long term-care are of importance as well (e.g. Germany).
- Fifth, certain schemes may be in place available to all residents who live on low incomes such as housing benefits, heating allowances, social housing and, not to forget, the general social assistance scheme. In spite of specific minimum income guarantees targeted at the elderly, in some countries general social assistance remains important for specific groups on very low incomes as a result of an insufficient residence history (e.g. about 2 percent of people aged 65 and over were in social assistance in Finland in the mid-2000s (Social Protection Committee, 2006: 19)). In other countries social assistance is an essential part of minimum income protection because the means-tested minimum income targeted at the elderly provides benefits below the level of the general social assistance scheme (e.g. Slovenia). The extent to which these additional policies effectively function as a rights-based guaranteed minimum income largely depends on their specific shape and additional eligibility criteria. Obviously, free health insurance or reduced public transport fares for all persons aged 65 and over will much more easily contribute to the effective minimum income available to the elderly than a not well-known scheme which repays the cost of certain drugs and which must be claimed separately in order to perform a (supplementary) means test.

[9] All information extracted from MISSOC (situation on 1 January 2006) in August 2010.

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

		Minimum pension	Pension supplement	Basic pension	Conditional basic pension	Means-tested minimum income
AT	Austria	only notaries	Ausgleichszulage			Dauerleistung (Vienna)
BE	Belgium	Group-dependent				IGO/GRPA (since June 2001)
BG	Bulgaria	all pensioners				social pension for old age (Социална пенсия за старост)
CY	Cyprus	all pensioners			Social pension (Κοινωνική Σύνταξη) / Special Allowance (Ειδική Χορηγία)	
CZ	Czech Republic	all pensioners				
DK	Denmark		income-tested part of Folkepension	Folkepension		
EE	Estonia	all pensioners			National pension (Rahvapension)	
FI	Finland				National pension (Kansaneläke)	Special Assistance for Immigrants (Maahanmuuttajan erityistuki)
FR	France	employees				Minimum vieillesse (until 2006) Allocation de solidarité aux personnes âgées (since 2006/2007)
DE	Germany					Guarantee of sufficient resources during old age (Grundsicherung im Alter und bei Erwerbsminderung)
GR	Greece	Group-dependent	EKAS			OGA
HU	Hungary	all pensioners				Old-age Allowance (időskorúak járadéka)
IE	Ireland	all pensioners				Old Age (Non-Contributory) Pension / State Pension (Non-Contributory) (since 2006)
IT	Italy		Maggiorazione sociale			Assegno sociale / Maggiorazione sociale
LV	Latvia	all pensioners				State Social Security Benefit (Valsts sociālā nodrošinājuma pabalsts)
LT	Lithuania	all pensioners				social pension (šalpos pensija)
LU	Luxembourg	all pensioners				
MT	Malta	all pensioners				Age pension (Penzjoni ta' l-Eta)
NL	Netherlands			Algemene Ouderdomswet (AOW)		
PL	Poland	employees and self-employed				
PT	Portugal	Group-dependent				Old-Age Social Pension (pensão social de velhice) / Solidarity Supplement for Old Persons (complemento solidário para idosos)
RO	Romania	employees and self-employed (since 2009)				
SK	Slovakia					general social assistance, with special conditions for persons above retirement age
SI	Slovenia	employees and self-employed	pension support for old-age pensioners (varstveni dodatek)			State Pension (državna pokojnina)
ES	Spain	Group-dependent				Non-contributory old-age pension (Pensión de jubilación no contributiva)
SE	Sweden				Garantipension	Maintenance Support for the Elderly (äldreförsörjningsstöd)
UK	United Kingdom	all pensioners			Over 80 Pension	Pension Credit (Guarantee Credit and Savings Credit)

Notes: for a description of the different categories, see text. 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"). In Austria social assistance is organised at the regional level, at least in Vienna there is a specific social assistance benefit for the elderly (i.e. the Dauerleistung). It is not clear whether the elderly in other regions have to fall back on the general social assistance scheme. For many countries, different sources regularly contradict each other. If necessary the website of the relevant Ministry or responsible administration has been consulted.

Source: (European Commission, 2006; Social Protection Committee, 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, 2010; International Social Security Association (ISSA), 2010).

3 Benefit levels during the first decade of the new millennium

In the second part of this paper, the evolution of benefit levels in the 2000s will be analysed. However, not all minimum income guarantees will be included in the analysis. Specific schemes have been chosen by national experts, which will be presented in the next paragraph. The second paragraph of this section presents an analysis of the evolution of gross benefit levels. However, when it comes to effectively guaranteed minima, gross benefit levels do not tell the entire story. Therefore, in the last paragraph the evolution of net minimum income packages is scrutinised. The latter do not only take account of gross benefits, but also of taxes, social contributions and housing benefits.

3.1 Benefits under review

As part of a project on the evolution of minimum income protection in Europe, the Herman Deleeck Centre for Social Policy has gathered data from national experts on the evolution of guaranteed minimum incomes for older people without sufficient resources. Data has been gathered from all EU member states, except Cyprus and Malta[10]. National experts had some freedom to choose which scheme is the typical 'guaranteed minimum income for older people without sufficient resources'. Table 2 shows which schemes have been included in the project and how they are classified with regard to the overview above. In all countries, except Austria, a national scheme has been included. In half of the countries the means-tested minimum income for people of old age has been included. 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 minimum for the elderly (Czech Republic, Luxembourg, Romania, Slovakia) or because minimum guaranteed income levels were lower than those of the general social assistance scheme (Slovenia) or because eligibility criteria of the means-tested minimum income were too strict (Lithuania). In the case of three countries (Bulgaria, Poland, Romania) the minimum pension has been simulated, which is an important minimum income guarantee but cannot be regarded as a guaranteed minimum income for all elderly. 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.

[10] We are still waiting for the data from Greece and Portugal.

Table 2: Minimum income schemes included in the standard simulations

country	benefit type	Description	Included supplementary benefits
AT	permanent assistance (Dauerleistung) (Vienna)	means-tested min income	(housing and heating are included in permanent assistance benefit)
BE	Inkomensgarantie voor ouderen (IGO)	means-tested min income	
BG	Minimum pension (full contribution record)	minimum pension	Heating
CZ	social need (general social assistance)	social assistance	Housing
DE	Grundsicherung im Alter und bei Erwerbsminderung	means-tested min income	Housing
DK	Folkepension	basic income	
EE	National pension (rahvapension)	conditional basic pension	Housing
ES	Pensión de Jubilación no Contributiva	means-tested min income	
FI	Kansaneläke (National pension)	conditional basic pension	Housing
FR	Minimum Vieillesse / allocation de solidarité aux personnes âgées (ASPA)	means-tested min income	Housing
GR			
HU	Időskorúak járadéka. (Old-age allowance)	means-tested min income	Housing & heating
IE	State Pension (Non-Contributory)	means-tested min income	
IT	Assegno Sociale (Social Allowance); Maggiorazione Sociale (Increase for social purposes)	means-tested min income	Housing (Milano)
LT	Social assistance / šalpos pensija (social pension)	Social assistance / means-tested min income	
LU	Revenu Minimum Garanti (RMG)	social assistance	Housing & heating
LV	State Social Security Benefit (Valsts sociālā nodrošinājuma pabalsts)	means-tested min income	Housing
NL	Algemene ouderdomswet (AOW)	basic income	Housing
PL	Minimalna emerytura	minimum pension	Housing
PT			
RO	Venitul Minim Garantat (2001) / Minimum pension (Pensia socială minimă) (2009)	social assistance / minimum pension	
SE	Garantipension	conditional basic pension	Housing
SI	Social assistance (denarna socialna pomoč)	social assistance	Housing
SK	General social assistance	social assistance	Health care allowance, protection allowance, housing benefit
UK	Pension Credit (guarantee)	means-tested min income	Housing

Note: Greece and Portugal are included in the project, but data is not yet available. Malta and Cyprus are not included.

The different role of the simulated benefits can be further illustrated by tentative numbers of beneficiaries (table 3). Close to 100 percent of people aged 65 and over benefit from the Danish and Dutch basic pensions, whereas nearly 50 percent benefit from the conditional basic pensions in Sweden and Finland. The level of the conditional basic pension in Estonia seems relatively low in comparison to the contributory pensions, as the number of beneficiaries is very low in comparison to Sweden and Finland (less than 2 percent of pensioners). The number of beneficiaries from the means-tested minimum income schemes varies across countries, with relatively high levels of benefit receipt in the UK and Ireland (around 20 percent of the elderly) and low levels of benefit receipt in Lithuania and Hungary (1 percent or less). Also in the case of simulated minimum pensions (Bulgaria, Poland and Romania (2009)), benefit receipt varies widely. Overall, benefit receipt is lowest in the case of social assistance schemes (2.5 percent or less).

For the model family simulations non-discretionary housing benefits have been included where applicable. However, other non-discretionary cash or in-kind benefits have been left out of consideration. The same applies for associated rights and benefits available to all elderly (such as public transport). Table 2 shows in which countries housing allowances have been included in the calculation of net disposable minimum incomes.

Table 3: Percentage of persons aged 65 and over that receive a simulated minimum income guarantee (around 2009)

country	minimum income guarantee	kind	prevalence (%)	Remark
NL	Algemene Ouderdomswet	B	+/- 100	2009
DK	Folkepension	B	98	(1)
SE	Garantipension	C	47,3	2008
FI	Kansaneläke (National pension)	C	47	of old age retirement pension recipients, 2008
UK	Pension Credit (guarantee)	M	21	% of persons aged 60 and over, 2009
IE	State Pension (Non-Contributory)	M	20	2008
BG	Minimum pension	MP	12,5	% of pensioners, 2009
IT	Assegno Sociale (Social Allowance)	M	6,8	2009
FR	allocation de solidarité aux personnes âgées (ASPA)"	M	5,4	end 2007
BE	Inkomensgarantie voor ouderen	M	4,73	2009
PL	minimum old-age pension (Minimalna emerytura)	MP	4,7	% of old-age pensioners in employee system, 2007
AT	permanent assistance (Dauerleistung)	M	4,6	Vienna 2007
LV	State Social Securit Benfit	M	3	of persons aged 60 and over (1)
ES	Pensión de Jubilación no Contributiva	M	2,6	end 2009
LU	Revenu Minimum Garanti	S	2,5	% persons aged 60 and over; 2009
DE	Grundsicherung im Alter und bei Erwerbsminderung	B	2,5	end 2008
EE	National pension (rahvapension)	C	1,62	% of pensioners, 2009
SK	social assistance	S	1	mid-2000s (1)
LT	šalpos pensija (social pension)	M	1	2007
CZ	Social assistance	S	<1	mid-2000s (1)
SI	Social assistance (denarna socialna pomoč)	S	0,65	% of persons aged 60 and over, June 2009
HU	Időskorúak járadéka.	M	0,4	2009
RO	minimum social pension (Pensia socială minimă)	MP	0,032	% of pensioners, June 2009
PT				
GR				

Note: B: Basic pension; MP: Minimum pension; C: conditional basic pension; M: means-tested minimum income; S: general social assistance. Figures are not fully comparable.

Source: national experts, mostly administrative data. (1) Social Protection Committee (2006: 18-19).

3.2 The evolution of maximum gross benefit levels in the 2000s[11]

In this paragraph the evolution of maximum gross benefits for elderly couples is presented, i.e. the level of the minimum income guarantee without housing benefits, assuming there is no other income in the household (except for Slovakia in which case the heating allowance has been included and Luxembourg in which case the housing allowance has been included)[12]. The evolution of benefit levels can be measured in several ways. First, one could analyse the evolution of the purchasing power of the benefits, i.e. by asking the question to what extent benefits have kept up with prices. Second, one could analyse not only the extent to which benefits have kept up with prices, but also with the general evolution of the living standard in society. In both cases a difference can be made between gross benefit amounts and the net disposable income of the elderly that are living on these

[11] In the case of Bulgaria, Greece and Portugal time series are not yet available.

[12] In principle the figures are based on yearly amounts divided by 12. In the case of Belgium amounts reflect the situation on 1 January of each year. In the case of Italy amounts reflect the *assegno sociale* without the *maggiorazione sociale*.

benefits. As will become clear, the evolution of gross benefits does not tell the complete story: other incomes (such as housing benefits) as well as changes in taxation may play an important role as well.

Gross benefit levels can be influenced by several factors. First of all, in many countries official updating mechanisms are in place. As can be seen from table 3, many different mechanisms are applied. Indexation in line with increases in prices seems to be the most common rule. However, in several countries, indexation is primarily dependent upon ad-hoc government decisions (especially in Bulgaria and Lithuania). Second, on top of these, in some countries (e.g. Belgium, Austria (Vienna)) 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 (e.g. the Czech Republic) or replaced or because other schemes have been changed or introduced which are deemed more important by the national experts (e.g. Lithuania, Romania). Fourth, gross benefit levels of couples could also change when the implicit equivalence scale changes, in that case it could be that the development of gross benefit levels for couples does not fully correspond to the evolution of the benefit levels for individuals or other household types.

Table 4: General mechanism to adjust minimum income guarantees

		indexation mechanism				
country	benefit type	prices	wages	prices + wages	other	ad hoc
AT	means-tested min income				pensions	
BE	means-tested min income	x				
BG	minimum pension					x
CZ	social assistance	x				
DE	means-tested min income				price, wage, durability factor, budget survey	
DK	Basic pension		x			
EE	conditional basic pension				social tax revenu (50%) and prices (50%)	
ES	means-tested min income	x				
FI	conditional basic pension	x				
FR	means-tested min income	x				
GR						
HU	means-tested min income			x		
IE	means-tested min income					x
IT	means-tested min income	x				
LT	Social assistance / means-tested min income					x
LU	social assistance	x				
LV	means-tested min income			x		
NL	basic pension		net minimum wage			x
PL	minimum pension	x				
PT						
RO	social assistance / minimum pension	x				x
SE	conditional basic pension	x				
SI	social assistance	x				
SK	social assistance				increases in the net income (or in the costs of living of lower-income households)	x
UK	means-tested min income		x			x

Source: European Commission (2010); Social Protection Committee (2006)

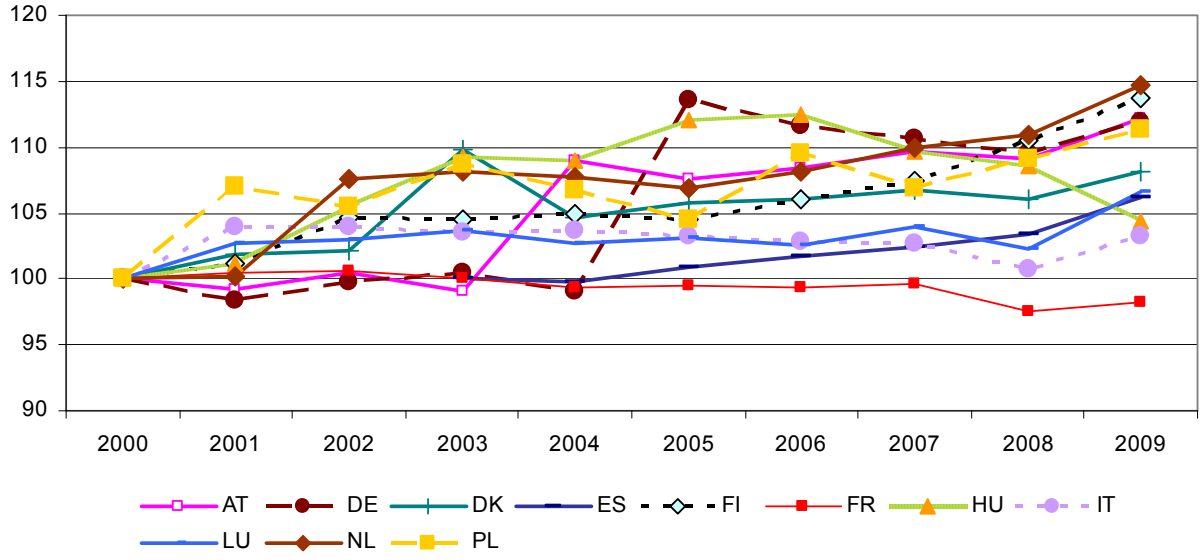
Ideally, the evolution of purchasing power offered by benefits is evaluated in relation to the evolution of the prices in a relevant basket of goods and services. More than once, it has been shown that the composition of consumption baskets varies strongly with income and rural-urban divisions and evolves over time [references, to be inserted. See appendix 3]. However, cross-national comparative price indices typically refer to an average consumption basket, which may be very different from the average consumption basket of elderly households living on low incomes. As a consequence, the evolution in prices of the average basket may also differ considerable from the relevant basket for

elderly persons on low incomes. With this limitation in mind, the evolution of gross maximum benefits will be presented in comparison with the evolution of the harmonised indices of consumer prices (HICP) available from Eurostat (extracted in June 2010).

Over the 2000s consumer prices have evolved very differently across countries, indicating that the uprating of benefits has taken place in very different economic contexts (See appendix 3). European countries can be divided into three broad groups with regard to the evolution of the purchasing power of gross maximum benefits: 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 eroded over the past decade.

The first group consists of countries in which gross benefits have not changed very much in constant prices. Nonetheless, there are some apparent differences. First, in France, gross benefit levels remained virtually constant over the past 10 years. The reform of the *minimum vieillesse* in 2006 has not changed much in this regard. The situation is very similar in Italy and Luxembourg, apart from a small increase at the beginning of the decade. In contrast, the evolution of gross benefit levels in Austria and Germany has been marked with a 'jump' of around 10 percent in the mid-2000s. In Austria (Vienna) this is entirely due to the indexation mechanism, which follows the indexation of pensions, which increased especially for couples and much less for singles. In Germany the means-tested minimum income for the elderly has been introduced in 2003. Nevertheless, the increase in benefit levels compared to the general social assistance scheme is not due to this reform, which essentially relaxed the means test for elderly persons, but not maximum gross benefit levels. Other patterns are observable in Finland, the Netherlands and Spain (gradual growth), Hungary (an inverted U-curve) as well as Denmark and Poland ('hesitant growth'). In Finland and Poland above-inflation increases have been introduced regularly in the 2000s to keep up with increases in earnings-related pensions, respectively increases in wages. However, in all countries no big changes took place over the past decade. Nonetheless, in most of them the purchasing power of gross minimum benefits increased between 5 and 15 percent.

Figure 1: The evolution of gross benefits for couples in constant prices in countries with relatively little change (2000=100)



Source: Evolution of gross benefit levels: based on report by national experts (ususally administrative data). Consumer price index: harmonised indices of consumer prices (HICP) from Eurostat online database (extracted in June 2010).

The second group of countries displays marked increases in gross benefit levels. This applies in particular to Romania and Lithuania. In Romania general social assistance benefits first decreased by

35 percent in 2001, after which they tripled in constant prices. The decrease in 2001 was the last in a continuous yearly erosion of social assistance benefits after their introduction in 1995[13]. However, since 2002 social assistance benefits have tended to erode again. If the introduction of the (contributory) minimum social pension in 2009 could be counted as a replacement for many pensioners of social assistance benefits, gross benefit levels tripled again in 2009, as can be observed from table 5. Until 2006, in Lithuania eligibility conditions for the social pension were very narrowly defined (such as taking care of someone or have given birth to 5 children), therefore we assume that most elderly without sufficient resources had to fall back on the general social assistance scheme. From then on, eligibility conditions have been relaxed substantially to all persons at retirement age who have no right to receive a State social insurance or other pension. If this change from social assistance to the social pension is taken into account, gross benefit levels were in 2009 nearly four times their level of 2000 (see table 5).

Table 5: Real evolution of the gross minimum income guarantee for an elderly couple in Romania in national prices of 2009

country	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
LT	100	97	98	102	106	121	278	321	368	380
RO	100	74	230	233	232	228	224	223	216	221 (678)

Note: figure between brackets in 2009 is the increase from social assistance to the minimum social pension.

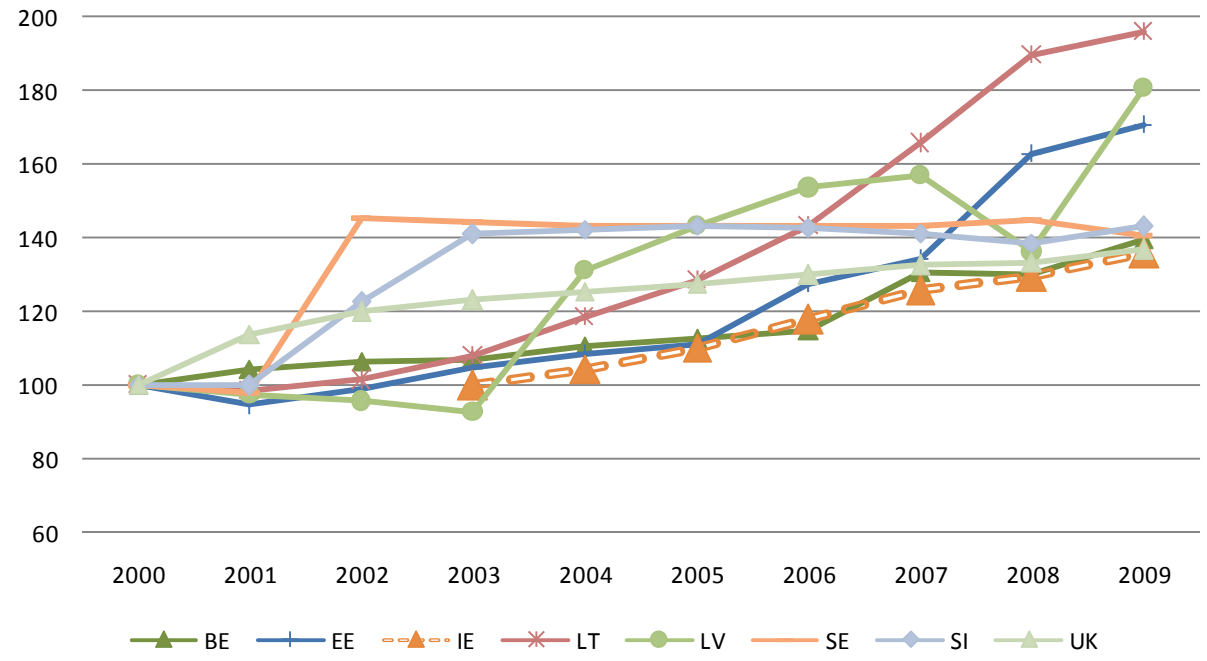
Source: Evolution of gross benefit levels: based on report by national experts (ususally administrative data). Consumer price index: harmonised indices of consumer prices (HICP) from Eurostat online database (extracted in June 2010).

Less spectacular increases, but nonetheless very large increases, can be found in the other Baltic countries Estonia and Latvia where gross benefit levels have increased between 70 respectively 80 percent compared to the beginning of the 2000s. In Estonia and Lithuania gross benefit levels increased year after year, whereas in Latvia benefit levels started to increase only in 2004. In Belgium, Slovenia, Sweden and the United Kingdom benefit levels have risen with around 40 percent during the 2000s. In Sweden and Slovenia benefit levels increased in the early 2000s after which they remained constant, whereas in Belgium and the UK benefit levels have increased gradually. In Estonia, Latvia and the United Kingdom increases are linked to the general indexation mechanism which takes to some extent account of wage growth, in Lithuania benefit levels have further increased on an ad-hoc basis. However, also the introduction of the Pension Credit (guarantee) in 2003 has contributed to the increase in the United Kingdom. Although minimum income guarantees for the elderly in Belgium and Slovenia are linked to prices and in Ireland are increased on a purely ad-hoc basis, exceptional increases have taken place that do not have their origins in substantial reforms[14]. In Sweden, however, gross benefit levels increased sharply in 2002 as the result of a major reform of the conditional *Garantipension.* From that time, the *Garantipension* has been subject to an income tax, which entirely offsets the steep increase in gross benefit levels in 2002.

[13] Even after the Sharp increase in gross benefit levels in 2002, their real value remained 30 percent lower than at the time they were first introduced in 1995.

[14] In Belgium the previous 'guaranteed minimum income for people in old age' has been replaced in June 2001 by the new 'minimum income guarantee for the elderly'. Nevertheless, this has not led to an immediate steep increase in benefit levels. Increases are rather due to the general commitment of the federal government to improve the income situation of the elderly living in the country.

Figure 2: The evolution of gross benefits for couples in constant prices in countries with high increases in benefit levels (2000=100)

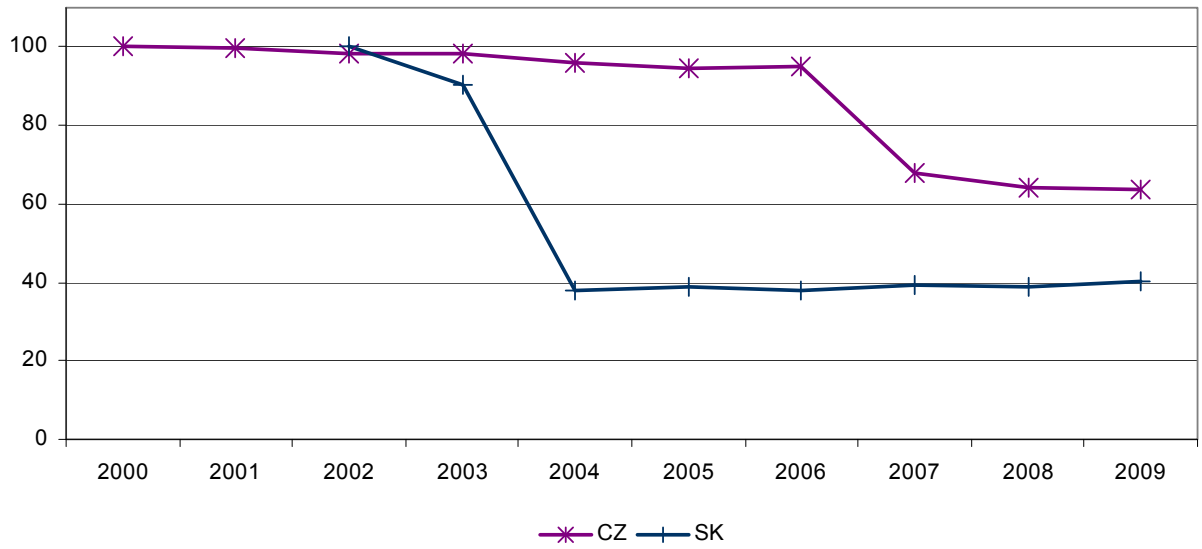


Note: In the case of Lithuania the increase in the social pension is shown.

Source: Evolution of gross benefit levels: based on report by national experts (ususally administrative data). Consumer price index: harmonised indices of consumer prices (HICP) from Eurostat online database (extracted in June 2010).

In only two countries benefit levels have decreased significantly during the 2000s. In the Czech Republic benefit levels eroded slowly during the first half of the 2000s, followed by a sharp decrease in 2007 and continued by slow erosion. In Slovakia an even sharper decrease took place in 2004, after which gross benefit levels remained constant at around 40 percent of their level in 2002 (in spite of the absence of a legal mechanism to keep up with inflation). In both countries, significant changes have been introduced in the general social assistance schemes. In Slovakia in 2004 social assistance has been fundamentally reformed. In the old scheme, a difference was made between assistance for objective (benefits included here) and assistance for subjective reasons (with lower benefit levels). The new scheme differs from previous programme by three important features: by changes in the structure of benefits, by lowering the value of benefits, and by introducing additional allowances which require the fulfilment of various conditions. As a result, the distinction between assistance for subjective and objective reasons has been removed. Furthermore, in order to obtain a 'full' benefit, additional requirements have to be fulfilled in order to get one or more of the specific social assistance allowances to complement the basic benefit. Assuming that the elderly would qualify for the so-called 'protection allowance', the social assistance benefit would in 2009 be at 64 percent of its level in 2002. In the Czech Republic social assistance has been reformed in 2007. As the result of the reform, gross benefit amounts have decreased considerably. However, at the same time housing benefits have been reformed. To a very large extent they have taken over the role played by social assistance (see below). Although benefit levels should follow in principle the evolution of consumer prices, benefit levels have eroded further even after the 2007 reform. In other words, the steep drop in benefit levels has largely been compensated by increases in the housing allowance in the Czech Republic whereas losses have been only partially compensated by additional categorical allowances in Slovakia.

Figure 3: The evolution of gross benefits for couples in constant prices in countries with decreases in benefit levels (2000=100)



In both countries no specific minimum for the elderly exists: benefit levels correspond to those of the general social assistance scheme. Since 2004 the Slovak gross benefit includes the healthcare allowance for a working age couple (€ 2 a month per person). Benefits for various types of household have been sometimes adjusted differently.

Source: Evolution of gross benefit levels: based on report by national experts (ususally administrative data). Consumer price index: harmonised indices of consumer prices (HICP) from Eurostat online database (extracted in June 2010).

It can be concluded that in all countries except the Czech Republic and Slovakia gross benefit levels were at the same or even a higher level in 2009 than at the start of the decade. In most countries, this evolution 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, Slovakia, Sweden, the United Kingdom as well as Romania major reforms have taken place and affected gross benefit levels. In France and Germany important reforms have not led to large increases in gross benefit levels. As has been observed in the case of social assistance for the 1990s, the official indexation mechanism is only loosely linked to real changes in gross benefit levels (Cantillon and Van Mechelen, 2003; Cantillon et al., 2004). In almost all countries where indexation is axed on increases in consumer prices, gross benefit levels have grown faster than inflation. However, 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;

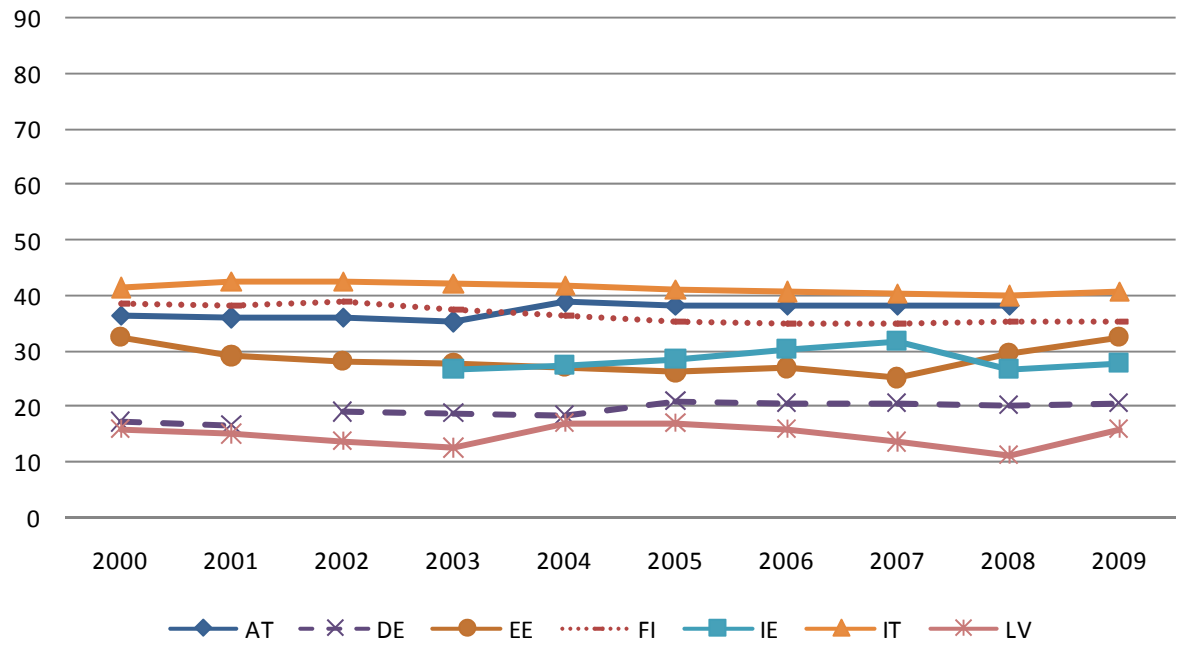
Although in the majority of countries gross benefit levels increased in real terms, this does not necessarily mean that they kept up with the evolution in the average living standard in society. In what follows gross benefit levels will be compared to average gross wages to get an idea of the extent to which benefit levels kept up with the general living standard in society[15]. The evolution of gross average wages during the 2000s varies greatly across Europe. In countries like Belgium and Germany wages first dropped at the beginning of the decade and from then on remained virtually constant in real terms. In contrast, the Baltic countries and Romania witnessed fast increases in gross average wages. By the end of the decade gross average wages were between 60 and 80 percent higher in the Baltic countries and almost tripled in real terms in the case of Romania.

In a first group of countries, the ratio of gross benefits and gross average wages remained constant. In some countries, such as Estonia, Latvia and Ireland, this was due to considerable increases in real

[15] Data from the Netherlands and Luxembourg are still being analysed and are not yet included in the paper.

terms of gross benefits. In others, such as Austria, Finland, Germany and Italy, this was rather due to the limited real increase in average wages.

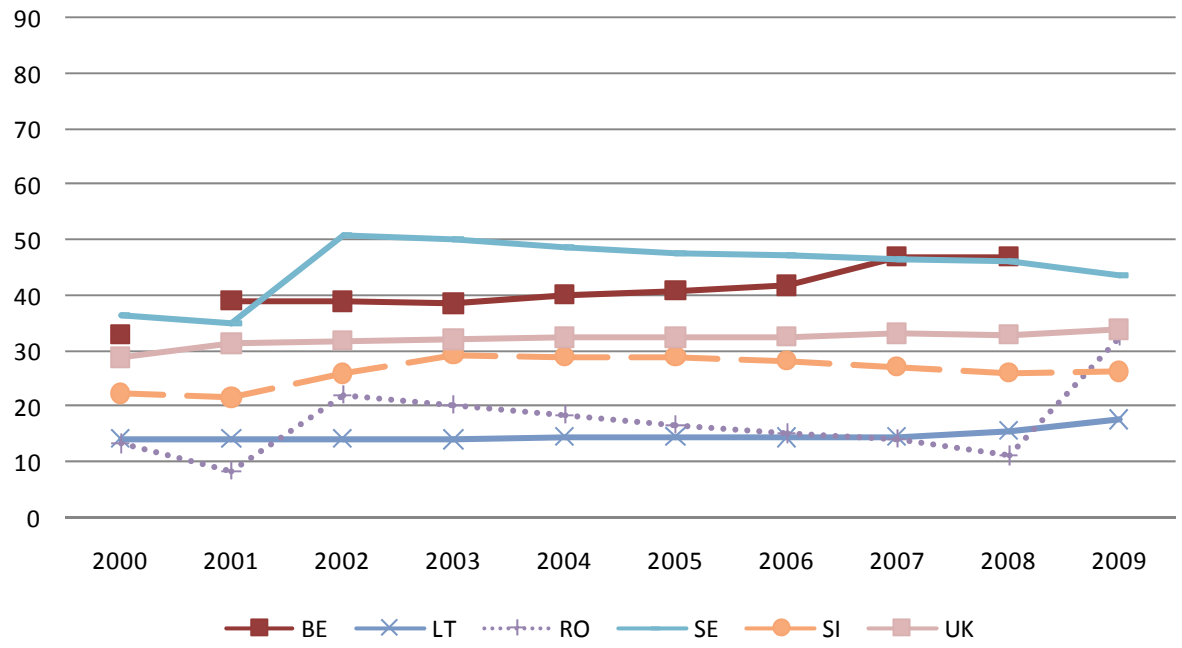
Figure 4: The evolution of gross benefits for couples as a percentage of the average gross wage: countries characterized by a 'constant flux', 2000s



Source: Evolution of gross benefit levels and average wages: based on report by national experts (ususally administrative data).

In six countries gross minimum benefit levels for elderly couples increased by more than four percentage points over the 2000s compared to average gross wages. Increases in benefit levels in Romania were most remarkable. In spite of the very strong growth of the average gross wage during the 2000s (by 175 percent in real terms), the change in social assistance benefits in the early 2000s and the introduction of the minimum income guarantee for the elderly in 2009 clearly had a large impact on gross benefit levels. At the start of the decade gross benefit levels in Romania were among the lowest compared to average gross wages in Europe, whereas by 2009 they were at a similar level as the average European country. However, as stated previously, social assistance has eroded since the exceptional increase in 2002 to end at the lowest level in Europe on 11 percent of average wages in 2009. Less spectacular but no less important increases are also found in Belgium and Sweden. In Sweden, however, the increase took place at the start of the decade followed by slow welfare erosion. In the UK, Slovenia and Lithuania increases were more limited.

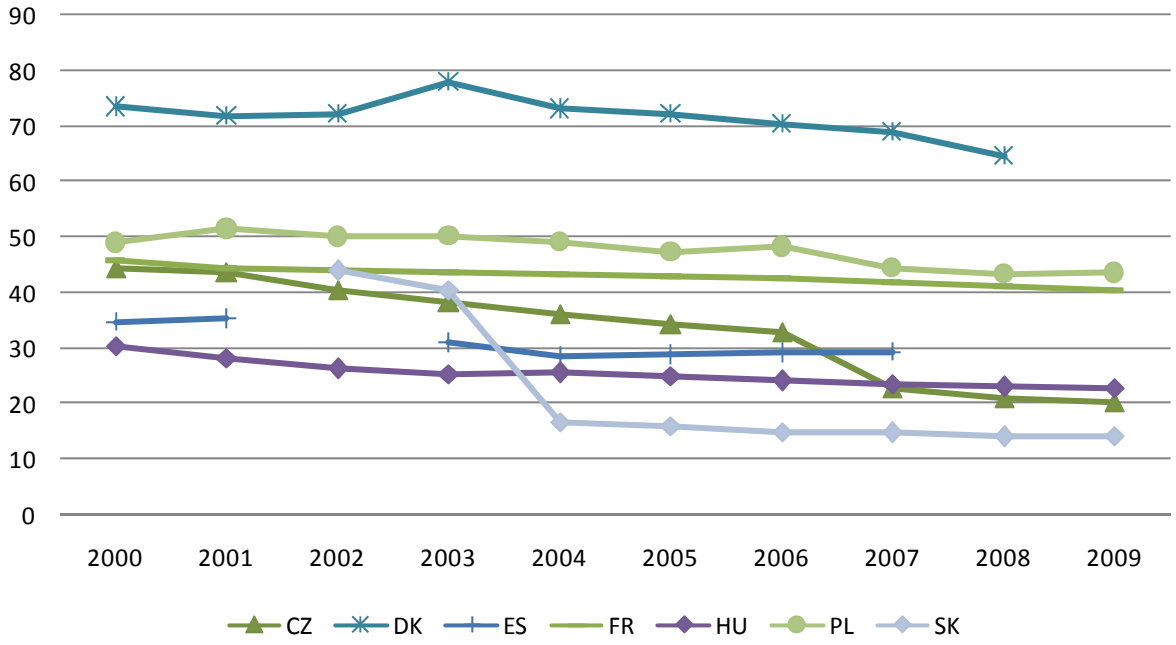
Figure 5: The evolution of gross benefits for couples as a percentage of the average gross wage: countries with increasing benefit levels, 2000s



Source: Evolution of gross benefit levels and average wages: based on report by national experts (ususally administrative data).

A third group of countries consists of those countries where gross benefit levels clearly decreased as a percentage of average wages. Not surprisingly, this was most markedly the case in the Czech Republic as well as Slovakia, where gross benefit levels even did not keep up with inflation. In contrast, real growth of gross benefit levels in Denmark, Finland, Hungary and Poland were not sufficient to compensate for even larger growth rates of average wages. In France increases in gross benefit levels merely followed increases in prices, whereas average wages have seen some real growth over the past decade.

Figure 6: The evolution of gross benefits for couples as a percentage of the average wage: countries with decreasing benefit levels, 2000s



Source: Evolution of gross benefit levels and average wages: based on report by national experts (usually administrative data).

It turns out that in most countries where wages have grown strongly, gross benefits have shared in the general increase in living standards. In some countries gross benefits grew even faster than the average gross wage. Overall, in most countries gross minimum benefit levels for elderly couples seem not to have been subject to welfare erosion during the 2000s. However, in some countries welfare erosion was rather severe. This is especially the case in the Czech Republic and Slovakia, where gross benefit levels not only lost compared to the average gross wage, but also decreased sharply in real terms. In other words, it can be concluded that in only in a minority of countries gross benefit levels have decreased significantly. In most countries benefit levels have grown during the 2000s in real terms. This resulted in limited welfare erosion or even increases when compared to the growth of average gross wages.

3.3 The evolution of net disposable incomes: model family simulations

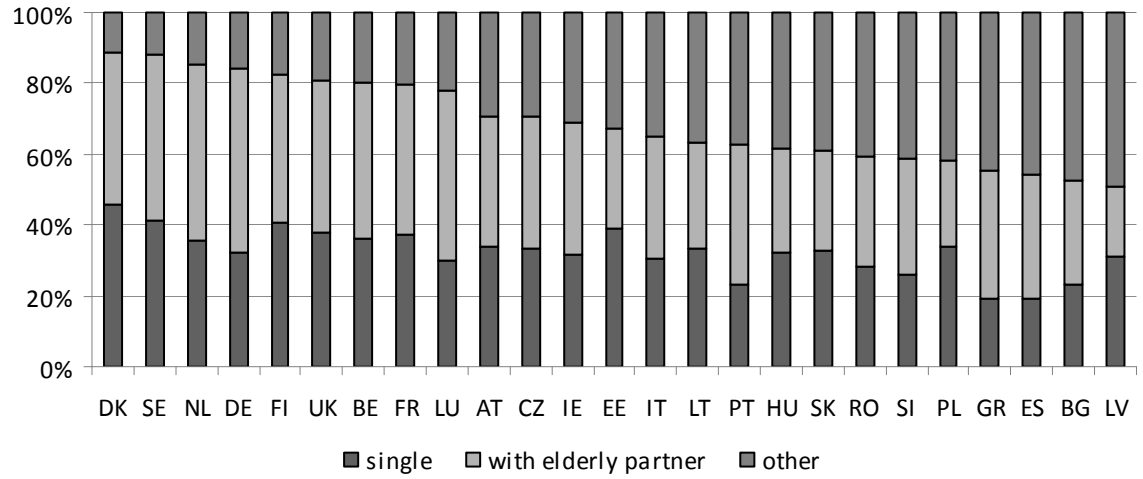
Gross benefit levels do not tell the complete story. Net incomes of elderly persons living on minimum income guarantees are subject to a whole range of factors, of which gross benefit levels are only one. In order to take these to some extent into account net disposable incomes have been calculated. These take into consideration the minimum income guarantee as well as – if applicable – social assistance and non-discretionary housing allowances, income taxes, social contributions as well as local taxes. It is assumed that there are no other sources of income[16]. However, other possible sources of income – as discussed in section two – as well as differences in means-tests are left out of consideration.

Net disposable incomes have been simulated for elderly singles and elderly couples. Additionally – with some exceptions – it has been assumed that they are renting and pay two thirds of the national median rent for the relevant size of the dwelling (figures from EU-SILC, 2007). Furthermore, it should be clear that in some cases the simulated minimum incomes have very different function in the

[16] In cases in which additional allowances such as a heating allowance are granted in cash as an associated right, these allowances are included as well.

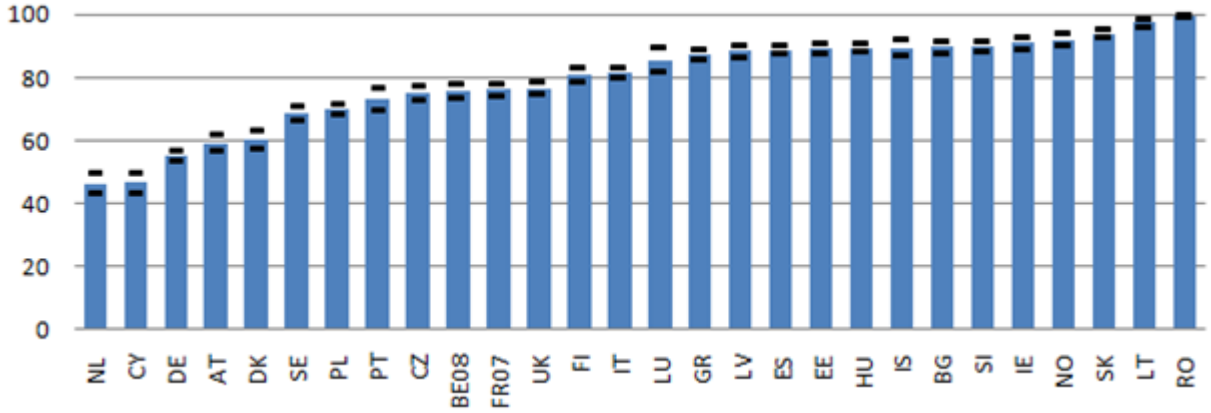
social protection system and are not fully comparable across countries (see section two). As a consequence of these assumptions, the simulated situations are in general more representative for Western than for Eastern European countries. This is illustrated in figure 7 which depicts the household composition of elderly persons in the EU and figure 8 which shows the percentage of households which live in the dwelling they own.

Figure 7: Share of elderly persons living as singles or with another elderly partner as a percentage of all persons aged 65 and over (EU, 2008)



Source: EU-SILC 2008 (France 2007), own calculations. Tables with 95% confidence intervals can be found in the appendix.

Figure 8: Share of owner-occupiers among elderly persons aged 65 and over (EU, 2008)



Note: horizontal bars depict 95% confidence intervals, taking as much as possible account of sample designs (see Goedemé, forthcoming).

Source: EU-SILC 2008 (France 2007), own calculations.

Net disposable incomes can be compared in many ways. First, I will present absolute income levels. In this case incomes have been converted into a common currency which takes account of price level differences between countries. To some extent, purchasing power parities (the conversion factors) face the same problems as average consumer price indices: they are based on average consumption baskets[17]. Second, the real evolution in income levels will be discussed. Third, net incomes are

[17] Purchasing power parities PPPs) for household final consumption expenditure. Figures from Eurostat on line database, extracted in June 2010. For 2009, PPPs of 2008 have been used as figures for 2009 were not yet

compared to the European 'at-risk-of-poverty threshold' (i.e. two thirds of the national median equivalent income) in order to evaluate their potential to lift incomes above the poverty line (for a discussion see Atkinson et al., 2002; Marlier et al., 2007). In addition, attention is paid to the composition of the income package as well as differences between net disposable minimum incomes of elderly singles and elderly couples.

In absolute terms, differences in net disposable incomes are very large and follow more or less differences in GDP per capita. Undoubtedly, the purchasing power of elderly singles or couples living purely on a minimum income guarantee in one of the Western European countries – in particular Denmark, Austria, France, the UK, Sweden or Belgium – is many times higher than those in one of the Eastern European member states. In that regard, the big picture has not changed much during the 2000s. Nevertheless, some countries have changed position, and overall, disparities between countries have decreased.

In most countries, gross and net incomes have kept up with inflation and even have grown considerably, especially in Ireland, Latvia and the UK with increases of about 50 percent and more. In Slovakia, Denmark and Spain, gross and net incomes have eroded in real terms. In France and Germany this was only the case for couples, whereas in Austria elderly singles have witnessed a slightly negative growth rate. In the previous paragraph it has been shown that in all these countries, except Slovakia gross benefit levels have grown in real terms. In other words, the decrease observed here, is due to changes in the level of the housing benefit[18]. In contrast, the real decrease in the Czech social assistance scheme has been fully recovered by an increase in the housing benefit for couples and even transformed into substantial real growth for elderly singles.

Both for elderly singles and elderly couples, the growth of net incomes has followed growth rates of gross incomes. Nevertheless, there are some important exceptions, most notably Sweden. As has been observed earlier, gross benefit levels have increased substantially to compensate for the introduction of an income tax on pensions. In fact, by 2009 net disposable incomes have even increased in real terms.

How have elderly couples fared in comparison with elderly singles? The extent to which net disposable incomes of couples are higher than those of singles varies greatly across Europe. At the same time, in many countries the balance has changed between 2001 and 2009. Most noteworthy this is the case in Estonia, which changed to net disposable income of couples to exactly twice the income of singles, as well as Italy in which net disposable incomes of couples and singles evolved in the opposite direction.

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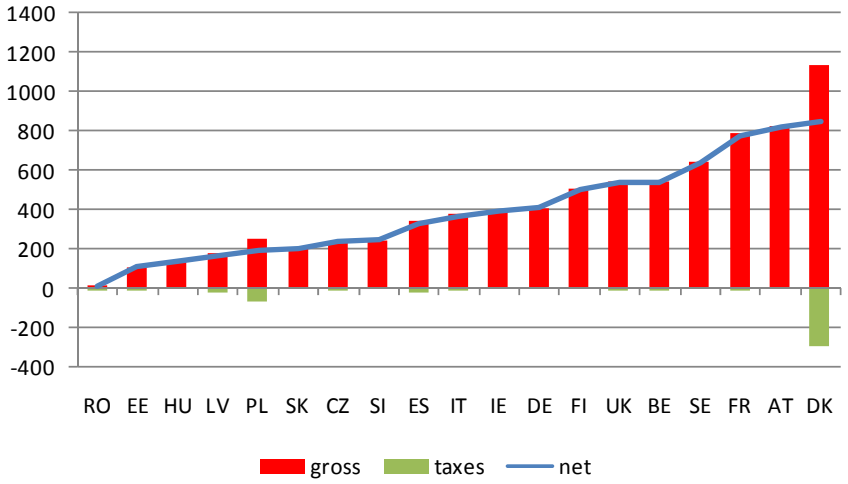
available. Purchasing power parities are subject to various limitations (e.g. The Canberra Group, 2001; Atkinson et al., 2002: 233-237; Milanovic, 2005).

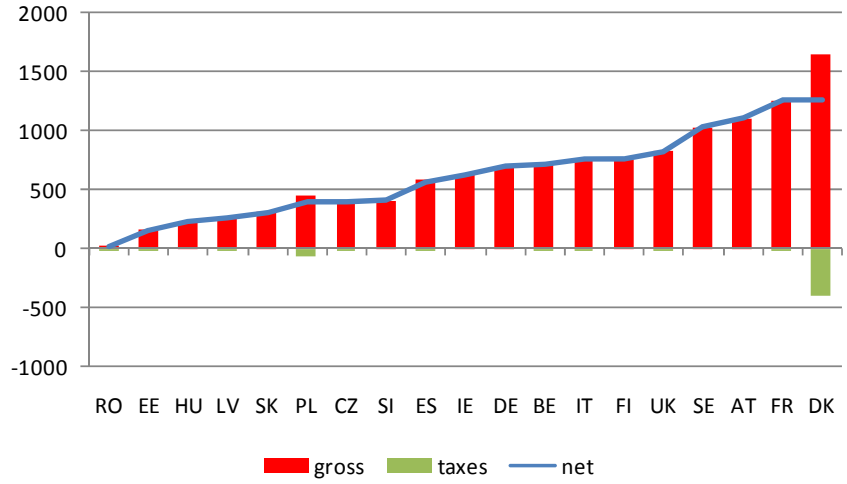
[18] Which in turn is also susceptible to changes in estmations of rent levels.

Figure 9: income package of elderly singles living on a minimum income guarantee, PPS 2001



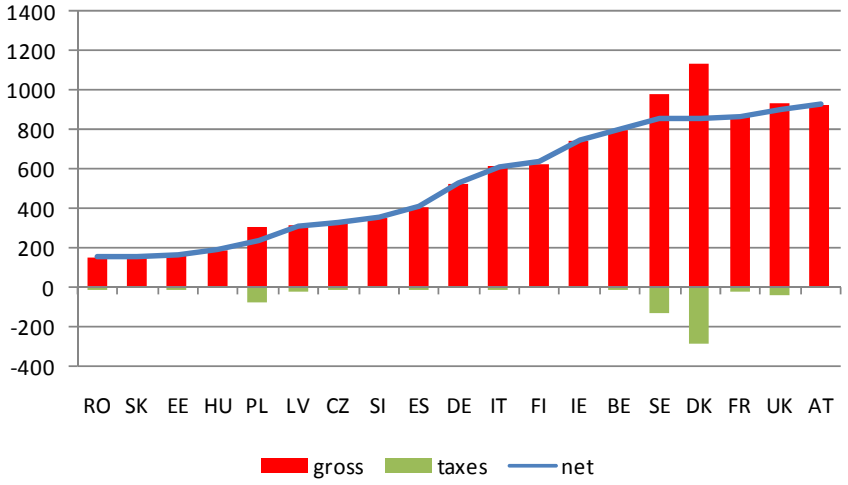
Source: national experts, own calculations

Figure 10: income package of elderly couple living on a minimum income guarantee, PPS 2001



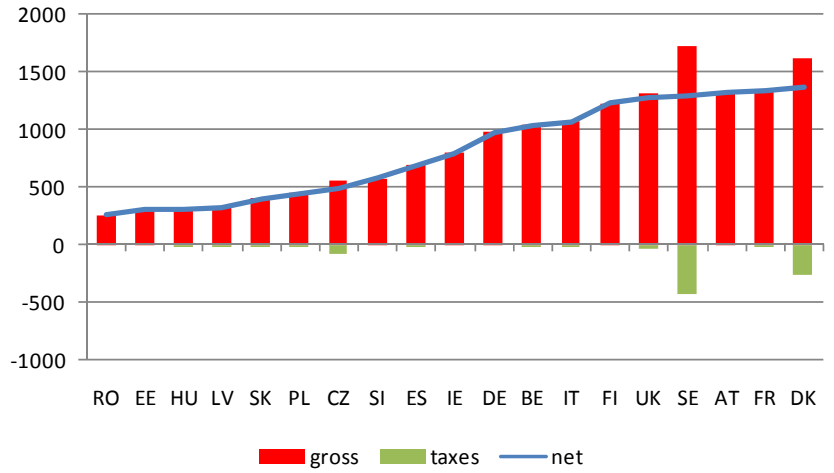
Source: national experts, own calculations

Figure 11: income package of elderly singles living on a minimum income guarantee, PPS 2009



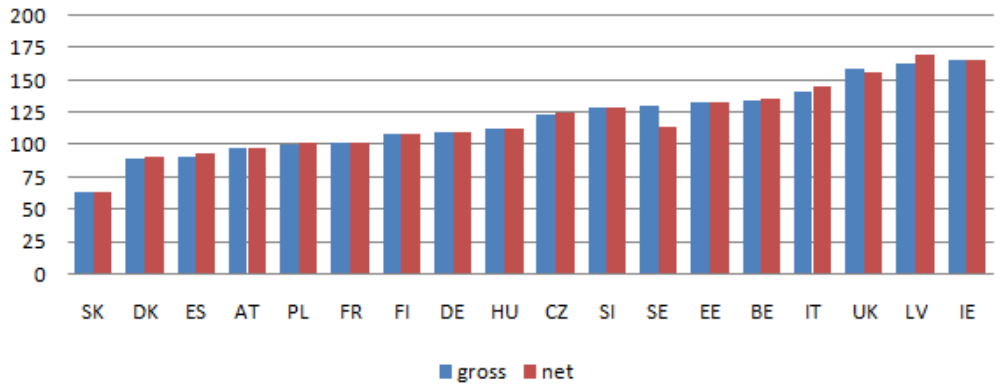
Source: national experts, own calculations

Figure 12: income package of elderly couple living on a minimum income guarantee, PPS 2009



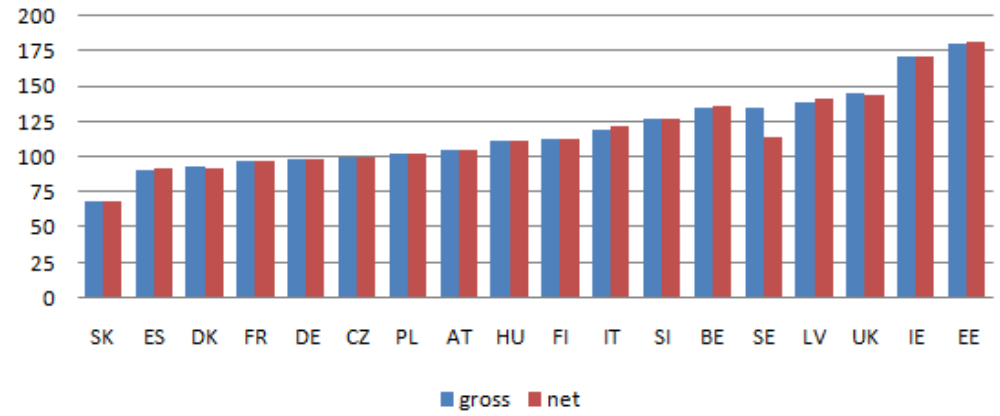
Source: national experts, own calculations

Figure 13: Real evolution of gross and net minimum incomes of elderly, singles 2001-2009 (no change=100)



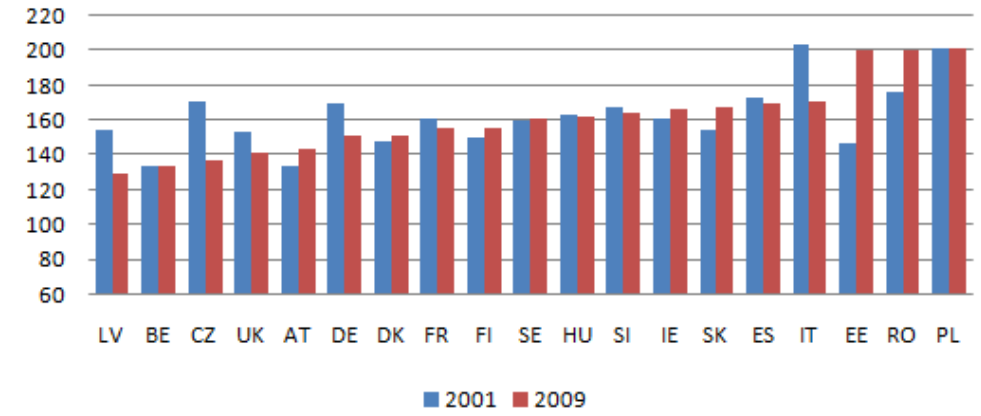
Source: national experts, own calculations

Figure 14: Real evolution of gross and net minimum incomes of elderly couples, 2001-2009 (no change=100)



Source: national experts, own calculations

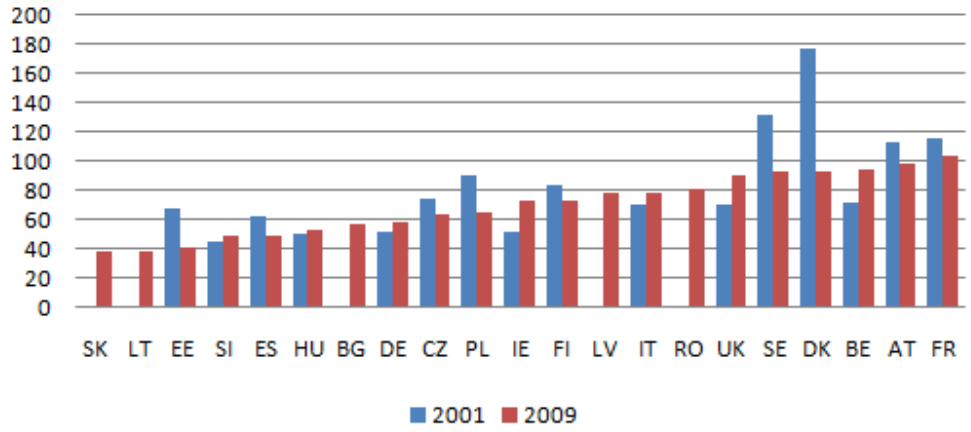
Figure 15: Net disposable income of couples as a percentage of the income of singles (2001-2009)



Source: national experts, own calculations

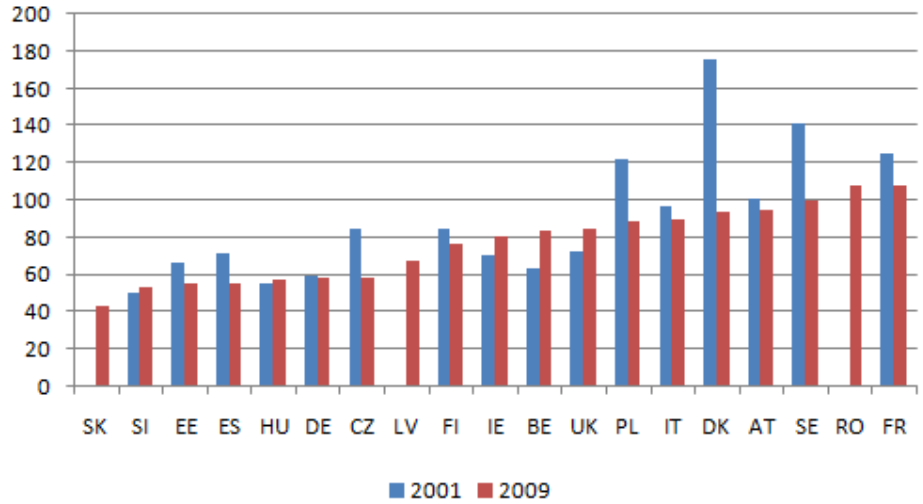
Do the minimum income guarantees have some potential to lift Europe's elderly above the poverty threshold? In order to answer this question, the at-risk-of-poverty thresholds have been taken as the yardstick. They are equal to 60 percent of the national median equivalised net disposable household income. As the estimation of the thresholds is based on survey data, they are subject to (among others) random error. However, until now, Eurostat has refrained from publishing standard errors together with the thresholds (an illustration can be found in Appendix 2). Therefore, the exact ratio of net disposable incomes of the elderly and the poverty threshold is also subject to some error. However, in most countries this error is limited[19].

Figure 16: Net disposable incomes of elderly singles as a percentage of the 60% at-risk-of-poverty threshold



Note: values of poverty thresholds downloaded from Eurostat and updated on the basis of the consumer price index to 2009.

Figure 17: Net disposable incomes of elderly couples as a percentage of the 60% at-risk-of-poverty threshold



Note: values of poverty thresholds downloaded from Eurostat and updated on the basis of the consumer price index to 2009.

[19] In the case of EU-SILC 2008, the size of 95 percent confidence intervals are between 2 and 10 per cent of the point estimate.

Taken at face value, the figures indicate that in most countries elderly persons living on minimum income guarantees will have net disposable incomes below the poverty line. Nevertheless, differences are very large, ranging from 40 percent of the poverty threshold to more than 100 percent. In more or less half of the countries the situation has worsened, with drops in Denmark and Sweden bringing net disposable incomes below the poverty line. In some other countries net disposable incomes have increased considerably in comparison with the poverty threshold. This is especially so in Belgium, the UK and Ireland.

4 Conclusion

At the close of the first decade of the new millennium, in all EU member states elderly persons can bow on at least one kind of minimum income guarantee. However, the kind of minimum income guarantees available to the elderly differ widely across countries. On the basis of the 'mode of access', one can make a distinction between contributory minimum pensions, contributory pension supplements, basic pensions, conditional basic pensions and means-tested minimum incomes targeted at the elderly. Not only does the type of minimum income guarantee differ across countries, but also the number of beneficiaries and the level of income protection they offer.

In order to gain some insight into the level of minimum income protection as well as their evolution during the 2000s, data from a project of the Herman Deleeck Centre for Social Policy have been analysed. In this project national experts have delivered information on the gross evolution of a selection of minimum income guarantees, model family type simulations to model net disposable incomes as well as background information on policy reforms. These data show that except for 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 good deal of countries increases have been larger than what could be expected of legislated indexation. In some cases this is due to substantial reforms. However in many other countries increases have been ad hoc without substantially changing the system. In most countries where wages have grown strongly, gross benefits have shared in the general increase in living standards. In some countries gross benefits grew even faster than the average gross wage. Overall, in most countries gross benefit levels for elderly couples seem not to have been subject to welfare erosion during the 2000s.

Net disposable incomes of elderly couples and singles living from minimum income guarantees varies greatly across Europe, both in absolute and in relative terms. Although in most countries net disposable incomes have kept up with inflation, in half of them the potential to lift the elderly above the threshold has decreased. In 2009, France was the only country in which elderly couples as well as elderly singles on net disposable minimum incomes received benefits above the poverty threshold.

Appendix 1: Background statistics

Table 6: Average composition of consumption basket by income quintile (EU27, 2005)

COICOP level	First quintile	Second quintile	Third quintile	Fourth quintile	Fifth quintile
Food and non-alcoholic beverages	22	20	18	17	13
Alcoholic beverages, tobacco and narcotics	3	3	3	2	2
Clothing and footwear	5	5	6	6	6
Housing, water, electricity, gas and other fuels	33	31	29	27	24
Furnishings, household equipment and routine maintenance of the house	4	5	5	5	7
Health	3	3	3	3	4
Transport	8	10	11	12	14
Communications	4	4	3	3	3
Recreation and culture	6	7	8	9	9
Education	1	1	1	1	1
Restaurants and hotels	4	5	5	6	6
Miscellaneous goods and services	7	8	8	9	10
Total	100	100	100	100	100

Source: Eurostat online database, "Structure of consumption expenditure by income quintile (COICOP level 2) (per thousands) (hbs_str_t223)"; accessed in August 2010.

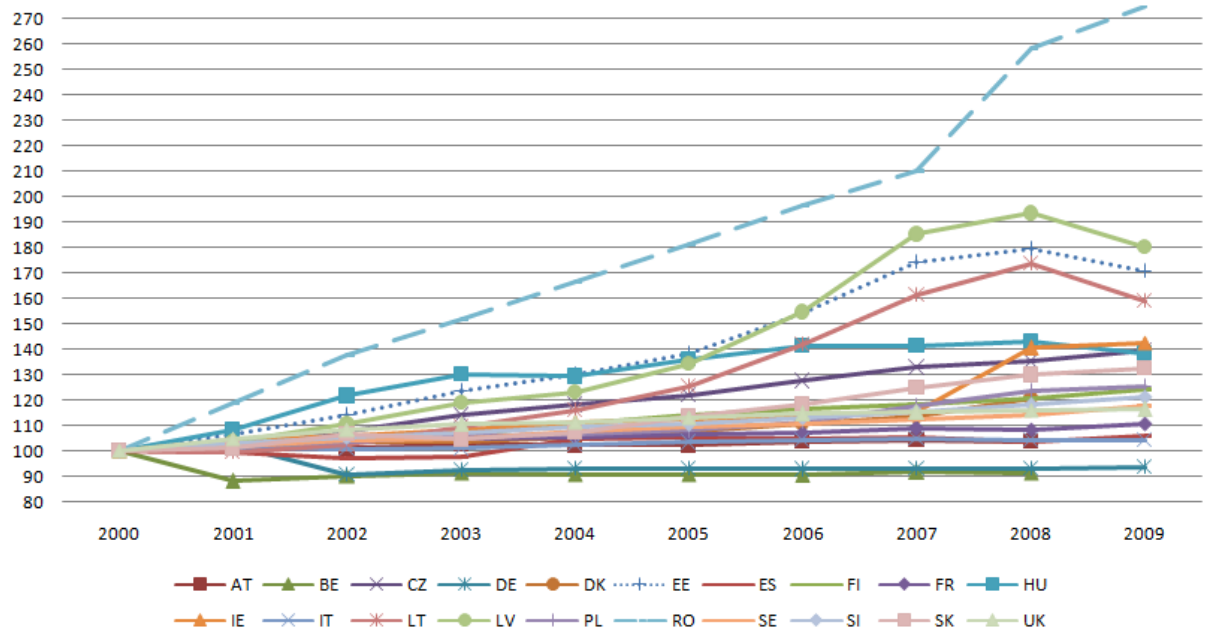
Table 7: Evolution of yearly average harmonized indices of consumer prices over the 2000s (2000=100)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
RO	100	134	165	190	212	232	247	259	280	295
BG	100	107	114	116	123	131	141	151	169	173
LV	100	103	105	108	114	122	130	143	165	171
HU	100	109	115	120	128	133	138	149	158	164
SI	100	109	117	123	128	131	134	139	147	148
SK	100	107	111	120	129	133	139	141	147	148
EE	100	106	109	111	114	119	124	133	147	147
GR	100	104	108	111	115	119	123	126	132	134
LT	100	102	102	101	102	105	109	115	128	133
ES	100	103	107	110	113	117	121	125	130	129
PL	100	105	107	108	112	114	116	119	124	129
IE	100	104	109	113	116	118	122	125	129	127
LU	100	102	104	107	111	115	118	121	126	126
PT	100	104	108	112	115	117	121	123	127	126
CZ	100	105	106	106	109	110	113	116	123	124
IT	100	102	105	108	110	113	115	118	122	123
NL	100	105	109	112	113	115	117	119	121	122
BE	100	102	104	106	108	110	113	115	120	120
DK	100	102	105	107	108	110	112	113	118	119
SE	100	103	105	107	108	109	111	113	116	119
UK	100	101	102	104	105	107	110	112	117	119
AT	100	102	104	105	107	110	112	114	118	118
FR	100	102	104	106	108	111	113	114	118	118
DE	100	102	103	104	106	108	110	113	116	116
FI	100	103	105	106	106	107	108	110	114	116

Note: sorted by cumulative inflation rate in 2009

Source: Consumer price index: harmonised indices of consumer prices (HICP) from Eurostat online database (extracted in June 2010)

Figure 18: The evolution of average gross wages in constant prices



Notes: Ireland: break in series in 2007. In the case of Austria and Sweden average gross wage of males. In the case of Estonia and France average gross wage of full-time employees. German data refer to average gross wages of full-time workers in manufacturing and services.

Source: national experts.

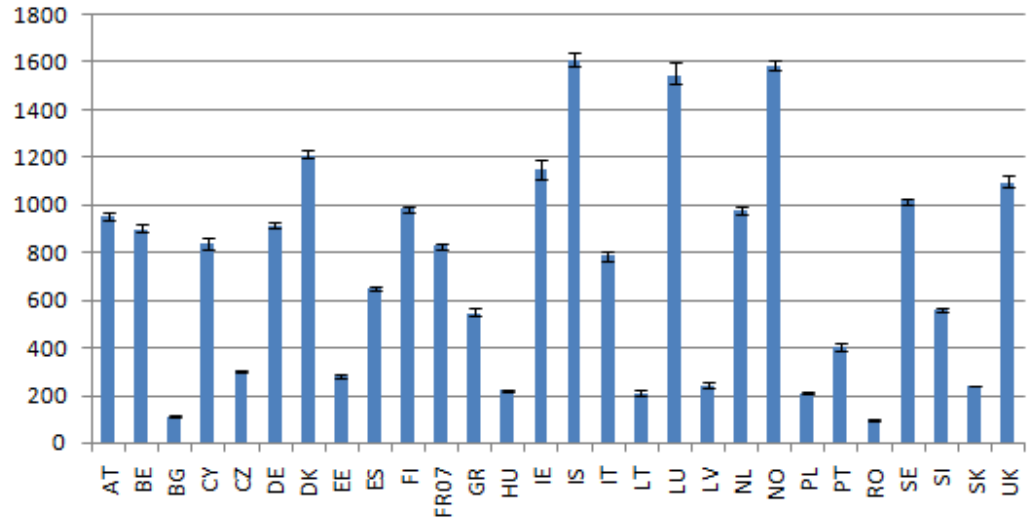
Table 8: Percentage of elderly (i.e. aged 65 and over) living as single person, with an elderly partner or in an other household arrangement (2008)

	single			with elderly partner			other		
	estimate	lower bound	upper bound	estimate	lower bound	upper bound	estimate	lower bound	upper bound
AT	34	32	36	37	34	40	29	27	32
BE	36	34	39	44	41	47	20	18	22
BG	23	21	25	29	27	32	47	45	50
CZ	33	31	35	37	35	39	30	28	31
DE	32	31	34	52	50	54	16	15	17
DK	46	42	49	43	40	46	11	10	13
EE	39	36	42	28	26	31	33	30	35
ES	19	18	21	35	33	37	46	44	48
FI	40	38	43	42	39	44	18	16	19
FR	37	35	40	43	40	45	20	19	22
GR	19	18	21	36	33	38	45	42	47
HU	32	31	34	29	27	31	38	36	40
IE	32	30	34	37	34	40	31	28	34
IT	31	29	32	35	33	36	35	33	36
LT	33	30	36	30	27	33	37	34	40
LU	30	26	35	48	42	53	22	18	26
LV	31	29	33	20	18	22	49	47	52
NL	36	33	38	49	46	53	15	13	16
PL	34	32	35	24	23	26	42	40	43
PT	23	21	25	40	37	42	37	34	40
RO	28	27	30	31	29	33	41	38	43
SE	41	38	43	47	45	50	12	11	13
SI	26	24	28	33	31	35	41	39	43

SK	33	30	35	29	26	31	39	36	41
UK	38	36	40	43	41	45	19	18	21

95% confidence intervals, accounting as much as possible for the sample design (see Goedemé, forthcoming).
Source: EU-SILC 2008 (France: EU-SILC 2007)

Figure 19: At-risk-of-poverty thresholds with bootstrapped 95% confidence intervals in euro, 2007



Note: sample design has been taken into account as much as possible (see Goedemé, forthcoming).
Source: EU-SILC 2008 (FR: 2007), own calculations.

Appendix 2: National experts

Austria	FUCHS	Michael	European Centre for Social Welfare Policy and Research, Wien
Belgium	VAN MECHELEN	Natascha	Herman Deleeck Centre for Social Policy (CSP), University of Antwerp
	VOGELS	Jonas	
Bulgaria	BOSHHNAKOV	Venelin	University of National and World Economy, Sofia
Czech Republic	MUNICH	Daniel	Center for Economic Research and Graduate Education - Economic Institute (CERGE-EI), Prague
	PAVEL	Jan	
Denmark	ABRAHAMSON	Peter	University of Copenhagen
Estonia	VÕRK	Andres	University of Tartu / Praxis Center for Policy Studies
Finland	KANGAS	Olli	Kela, Helsinki
France	MATH	Antoine	Institut de Recherches Economiques et Sociales (IRES), Paris
Germany	BAHLE	Thomas	Mannheimer Zentrum für Europäische Sozialforschung (MZES)
	HUBL	Vanessa	Mannheimer Zentrum für Europäische Sozialforschung (MZES)
Greece	PAPADOPOULOS	Theo	University of Bath / the European Research Institute (ERI)
	KAVOULAKOS	Karolos Iosif	Aristotle University of Thessaloniki
Hungary	SZIVÓS	Péter	Tárki, Budapest
Italy	KAZEPOV	Yuri	The University of Urbino
Ireland	MAITRE	Bertrand	The Economic and Social Research Institute (ESRI), Dublin
Latvia	VANAGS	Alf	Baltic International Center for Economic Policy Studies (BICEPS), Riga
Lithuania	SALANAUSKAITE	Lina	Maastricht University / Herman Deleeck Centre for Social Policy (CSP), University of Antwerp
	LAZUTKA	Romas	Vilnius University
Luxembourg	BORSENBERGER	Monique	Centre d'Etudes de Populations, de Pauvreté et de Politiques Socio-Economiques (CEPS), Differdange
Netherlands			
Norway	WEST PEDERSEN	Axel	NOVA, Oslo
	KOREN	Charlotte	NOVA, Oslo
Poland	PIETKA	Katarzyna	Center for Social and Economic Research (CASE), Warsaw
Portugal	CARDOSO	Ana	Centro de Estudos para a Intervenção Social (CESIS), Lisboa
Romania	RAT	Cristina	Research Centre on Interethnic Relations (CCRIT), Cluj-Napoca
Slovakia	GERBERY	Daniel	Institute for Labour and Familiy Research, Bratislava
Slovenia	KUMP	Natasa	Institute for Economic Research (IER), Ljubljana
Spain	AIGUABELLA	Joaquim	Gabinet d'Estudis Socials SCCL, Barcelona
Sweden	NELSON	Kenneth	Institute For Future Studies / Swedish Institute for Social Research (SOFI), Stockholm
UK	BRADSHAW	Jonathan	Social Policy Research Unit (SPRU) / University of York

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