



AGE Platform Europe Policy Statement

Poverty Watch 2018

Older persons' poverty and social exclusion – a reality

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Executive summary

AGE Platform Europe is a European network of older peoples' organisations, bringing together about 120 organisations from across Europe. We are member of the European Anti-Poverty Network (EAPN) as a European organisation that seeks to highlight the living conditions and the specificities of poverty and social exclusion of older people. This Poverty Watch report is part of our work as a member of EAPN's Poverty Watch exercise.

This report highlights the developments and the relevance of poverty and social exclusion regarding older persons. It argues that while it is often said that older people were largely protected during the crisis, this assessment does not take into account the important differences and risks related to different groups of older people, such as older women living alone or the oldest old. It discusses also the relevance of current measures regarding poverty and social exclusion generally, applied to older persons. A key driver of social exclusion, namely social isolation, is not mirrored in the current indicators. A couple of promising practices by AGE member organisations are presented, and key recommendations for the EU level to address poverty and social exclusion in old-age are summarised in the end.

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Poverty and social exclusion of older people – what is measured?

The At-Risk of Poverty and Social Exclusion rate as defined by the Europe 2020 Strategy is a composite indicator bringing together three different domains:

- The at-risk of poverty rate, defined as the proportion of people having an income of less than 60% of the national equivalised median income. Sometimes, this is referred to monetary or relative poverty
- The material deprivation rate, reflection the proportion of people who cannot afford at least three items out of a list of nine items¹. This is sometimes referred to as absolute or material poverty rate (nb.: in international context, absolute poverty is sometimes defined as a person living with less than 1.25 dollar per day, calculated at power purchasing parity based on the 1995 dollar)
- The rate of persons living in jobless households, defined as households where members of working age work less than 20% of their potential during the last 12 months.

Concerning older people, a number of caveats should be recognised in this definition. Most importantly, the **rate of persons living in jobless households is less relevant to them**, as a majority of persons over 65 years are no longer in paid employment (although this is the case for some, including out of financial necessity).

Second, **'social exclusion' does not contain any reference to social isolation**, which is an important factor for older people, indirectly also influencing their health status. Globally it should be said that the **needs evolve with age and family situation**, and certain items (for example, access to high-quality public transport services or the ability to pay health insurance, medicines and medical expenses) are more important for older people than for other age groups.

Furthermore, EU statistics on poverty and social exclusion take households as a basic unit – however, many **older people living in nursing homes are not integrated** into the statistic, as they are not considered to be living in a household. The effectively excludes the oldest old from the statistics, and the most vulnerable who have to face very high costs for long-term care provision. The same is true for **older homeless persons**.

On EU level, the at-risk of poverty and social exclusion rate of people 65+ has been slightly falling over a four-year period, from 21.5% (women) and 16.2 % (men) in 2012 to 15% (men) and 20.6%

¹ The items being: ability to pay the rent, mortgage or utility bills, keep the home adequately warm, face unexpected expenses, eat meat or proteins regularly, go on holiday once per year, have a television or internet, own a washing machine, have access to a car or similar mode of transport, have a telephone

(female) in 2016. This small reduction can almost be seen as a stagnation. However, **the composition of poverty has changed**, with the material deprivation rate dropping more strongly for older women (from 8.6% for women and 4.8% for men in 2012 to 6.6% for women and 4.7% for men in 2016) – while the at-risk of poverty rate slightly increasing at the same time.

In a relative perspective, at-risk of poverty and social exclusion rates for the overall population have been higher in the EU, and it is often argued that older people have been safeguarded from the worst effects of the crisis. The increase of at-risk of poverty rates counterdicts this assertion, and the lower averages hide very different situation according to member state, sex and age. Therefore, one should not underestimate the specificity of old-age poverty: a combination of factors such as low income, poor health, age and/or gender-based discrimination, reduced physical or mental capacity, unemployment, isolation, abuse, and limited access to services can all play a part in increasing the risk of poverty and social exclusion as people age.

It should be mentioned that a larger number of older people is income-poor, but does possess some amounts of wealth, most of the time the property in which they live. This is especially true for (former) self-employed, who have usually lower pensions, but more wealth. This effect should be looked at carefully: real estate property is difficult to evaluate. While it means that older persons might not have to pay rents, they do need to finance repairs and maintenance. Their buildings being older, they might be less insulated, not accessible or too large for a two- or on-person household, requiring higher energy costs. It is often not possible to convert the property in which one lives into income (via reverse mortgages, for example) if income is too low. Finally, most people with very small pension rights have not have sufficient incomes as well to acquire a house, meaning that it is the least-affluent people who have additional expenses for rent.

Which groups of older people are most affected by poverty and social exclusion?

The diversity of poverty and social exclusion for older people is often disregarded. Different effects have to be highlighted:

- **Poverty rates of older women tend to be higher than those of older men.** The Gender Pension Gap of 37% (in 2017) is an important reason for this – gender discrimination experienced throughout working life, in terms of differences in pay, segregation of women in less remunerated types of employment, stronger reliance on part-time employment (and concentration in less-paid sectors where part-time work is more possible) of women, and periods spend outside of the labour market due to care for children and relatives in need for care and assistance are the main reasons underlying this difference. In 2016, the gender gap

in material deprivation for 65+ was almost 2 pp., and 5.6 pp for at-risk of poverty. Older women also tend to report higher rates of self-reported unmet needs for medical examination for financial reasons. –Furthermore, when looking at the healthy life years indicator, we can affirm that women spend a longer proportion of their life in ill-health. Recent reforms in health care systems have increased the necessity for out-of-pocket payments and reduced reimbursements for certain medicines. This puts a higher financial strain on women than on men. Health is an important component of the budgets of households with older persons. With increasing health costs, older persons are proportionally more affected than younger ones, and among older persons, women are spending more years in ill health. Therefore, these recent changes put an additional strain to the situation of older women, which are already more vulnerable to the risk of poverty and social exclusion than men.

- **Poverty rates tend to increase with age.** The main reason here is the insufficient indexation of pensions over a longer period, causing the real value of pensions to decline with increasingly high age. In recent pension reforms, a reduction of pension expenditure (or the containment of its increase) has often been achieved by reducing indexation rules, so austerity has reinforced this phenomenon. Another phenomenon is that with the difference in life expectancy between women and men, especially older women are likely to live alone at the end of their lives – causing them to have to face similar housing expenses with only one income. The importance of housing and energy costs for older people should be noted as well, as they are more likely to have been living in their homes for very long, postponing repairs and insulation works. This is reinforced by age discrimination in the access to credit for home improvements in old age.
- **Survivor's pensions** are often presented as being a disincentive for women to work, as they will be able to rely on part of their husbands' pension after his passing away, compensating for lower pensions for women. It should be highlighted that for many older women, survivors' pensions are the main mechanism safeguarding them from old-age poverty. Also, it is more probable that the situation in terms of possibilities to combine employment and family responsibilities, the taxation of second earners in younger ages, as well as the available offer of childcare facilities has a stronger impact on employment equality than pension systems.

What do older people experiencing poverty and social exclusion think?

'I am 67 years old and have been retired since the age of 60. I have been a widow for 14 years. My life has changed. My total monthly resources amount to 600 euros [...] My resources do not allow me to do what I want, but thanks to the volunteers [...] of 'Les petits frères des pauvres' I am able to partake in many activities. [...] Living in the city provides me with access to free transportation [...]. Nevertheless, my social life is limited because of inadequate financial

resources. I have three children who do not live nearby. [...] I desire to leave only when my family will be strong enough to do without me. I know that my youngest son and his wife will make arrangements for my autistic son. [...] I want to live my old age feeling useful.' – Testimony of Ms. Martin from Lille, France in AGE Platform Europe (2012): Older people also suffer because of the crisis

This testimony highlights a number of priorities of older people experiencing poverty:

- The willingness to stay socially included, and the challenge constituted by the lack of financial resources to go out and meet people
- Social isolation, due to expensive transportation
- The importance of volunteering and of taking care for one's family to maintain health and self-esteem

Other issues older people experiencing poverty face are:

- Problems with sub-standard housing or rising housing costs, especially in the city centre
- Rising costs for health care because of an increase of insurance prices with age, a rise of out-of-pocket payments for medical examination and the reduction of reimbursements of medication as a result of austerity
- Social isolation in rural and urban settings: it does not take the same form in both settings, in rural settings geographical distance to neighbours and communities plays an important role, in urban settings rather the anonymization of social relationships
- Social isolation because of inaccessibility of public environments and private and public services, once older persons start losing autonomy

Promising practices

There are promising practices to combat poverty and social isolation of older people:

In France, the Observatory for Poverty and Social Exclusion has drawn up **typical baskets of goods and services** deemed necessary to live a life in dignity, using participatory methods involving people living below the poverty threshold and middle-class people. These have been set up for different places (medium towns, rural areas), age and household settings. When monetising these goods baskets in different settings, it becomes clearer which kinds of choices people living on social minimum incomes have to face. It should be noted that for the moment, there is no common methodology across EU member states to set up comparative reference budgets. This methodology is however useful to highlight the importance to make public services more accessible and fees for services more adequate.

In France again, the **‘Mona Lisa’ project** brings together hundreds of organisations to combat loneliness and social isolation. The good practice has led to an inclusion of the fight against social isolation into the 2014 law on the adaptation of society to ageing, and obliges districts to set up financing mechanisms for organisations that help preventing loss of autonomy. The initiative also consists of a citizens’ mobilisation on local level.

On a similar model, in the Netherlands, a **‘Older peoples’ Pact’** tries to tackle loneliness and brings together 80 organisations, including representatives of local municipalities. The initiative is supported by the Princess Maxima and a minister of social affairs. A lot of reflection evolves around the stigma of loneliness – few people would admit that they are feeling lonely when they are asked, but when they have a contact, they show that this is very precious to them. With support from private companies, municipalities are trying to activate older people on local level, for instance mobilising ‘younger’ older people as volunteers and reinforcing social neighbourhood teams.

The Dutch organisation **‘Gouden Dagen’** seeks to fight social isolation by local volunteers who organise social activities for people at risk of becoming socially isolated. For example, the organisation finances coffee tables for these people, and seeks to specifically address those who have little places to go to. It also focusses on older people in residential homes, to encourage them to get out of the residential environment.

Special Feature: In-Work Poverty and older persons

In-work Poverty also affects older people. In-work poverty is defined as the share of people in employment who declare to have incomes below the poverty threshold of 60% of the national equivalised median income. Across the EU28 in 2016, in-work poverty of older persons is slightly below the levels of the general population (8.6% between 55 and 64 years, 6.9% for 65+, compared to 9.5% for the total working-age population. However, for women over 65, it is higher than the EU average, at 9.9%. The general trend for persons over 65 is a reduction of in-work poverty since 2008, especially for women, while it slightly increased over the same timespan for 55-64 years-old.

Strong disparities exist. For example, in-work poverty is very high in Romania and Greece for 55-64 year-olds (with rates over 15%), followed by Greece, Luxemburg, Portugal, Poland and Italy with rates over 10%. The smallest rates are in Finland, Sweden, Belgium and Czech Republic

with under 4%. For people over 65, extremely high rates can be observed in Romania (43.6%) and Greece (20.5%), while Germany, Spain, Luxemburg, Malta, Austria have rates above 10%. Very low rates are present in the Czech Republic, Denmark, Estonia, Cyprus, Lithuania, Hungary, Poland. The low rates in member states with generally higher at-risk of poverty rates for older people might be linked to incompatibilities between employment and pension benefits.

Short conclusions on older workers' in-work poverty rates

Little specific analyses have been made on in-work poverty and older people. It can be assumed that it presents some specificities:

- From the figures, it can be deduced that in-work poverty is a problem in older age as well, and the higher at-risk of poverty rates of women in employment after 65 raises questions as to the adequacy of women's pensions.
- Many job types that characterise in-work poverty are strenuous or involve physical work, which some older workers may no longer be able to perform – this might be the reason for slightly lower in-work poverty rates of 55-64 year-olds compared to the general population.
- The strong disparities should be further investigated – low rates of in-work poverty in member states with overall higher at-risk of poverty rates might indicate an important share of the informal economy, not figuring in statistics, and the lack of conditions that would allow people to continue working beyond pension age, except for the most healthy and qualified.
- The high in-work poverty rates of people between 55-64 and the extremely high rates of people over 65 in Romania and Greece should be further investigated.

What are governmental and EU-level initiatives against poverty and social exclusion?

While pension adequacy is analysed for some countries in the European Semester reports (e.g. Baltic countries), the situation of groups of pensioners is not assessed in sufficient detail: the situation of very old pensioners and of female pensioners living alone, specifically, should be addressed. Some recommendations are also contradictory: In Malta, although the Country Report notes a higher and increasing risk of poverty and social exclusion for pensioners than for the total population, it concludes that pension levels are 'adequate' and that the main problems of the pension system are gender coverage and long-term financial sustainability. In some member states, the higher pension levels can also be seen inadequate because of lack of indexation for a number of years.

Some inequalities in the pension systems are not addressed. In several member states, it is not possible for public employees to work beyond pension age while accruing their pension rights, while this may be possible for private employees.

In most of the cases, pensions are seen only from the lens of financial sustainability, without mentioning of the decreasing pension levels and possible future risks to pension adequacy.

Overall, a situation needing more analysis is the situation of pensioners who are just above the minimum pension levels and the adequacy of their living conditions, as a number of social benefits are unavailable to them, leaving them sometimes in a worse situation than pensioners on minimum income. For this reason, AGE is calling for the introduction of reference budgets that adequately reflect the necessary expenses for a dignified life for persons in different geographical locations, ages, tenancy and health statuses. These could be used to compare minimum income schemes to the actual costs of goods and services.

The social dimension of poverty is not addressed. Isolation, invisibility and loneliness are important issues for many older people that hinder their integration into society and undermine the aim of active and healthy ageing. The accessibility of public and private services, while being a principle of the European Pillar of Social Rights (number 20), is not covered in Country Reports.

In some countries, the Country Report rightly identifies the erosion of the impact of public transfers as an issue. However, this issue seems to be much larger than the member states where this is mentioned

Key Recommendations

- The EU has a particular responsibility with regard to the promotion of an adequate income across the life span. Action is needed to address the specificity of older women and men's poverty when preparing an EU post-2020 social agenda. The EU post 2020 agenda should build on the European Pillar of Social Rights, which contains a reference to old-age income and pensions. The principle 15 states that everyone in old age has the right to resources that ensure living in dignity. Building on the latter and all other relevant policy processes (e.g. the Sustainable Development Goals Agenda 2030 with its objective 1 'no poverty' or the Charter of Fundamental Rights), the EU should focus on the respective needs of different age and population groups.
- Adequacy of lowest pensions should be assessed more systematically in the European Semester and the findings of the 2018 Pension Adequacy Report, including a more



longer-term perspective on the development of pension systems, should be integrated in Country Reports more systematically

- Inequalities in pension systems as well as the effects of pension erosion over time should be assessed as well, which is why a gender analysis and an assessment of the situation of the oldest pensioners should be part of the pensions assessment exercise
- Fight age discrimination in the work place and ensure protection against poverty among older workers: enhance equality in employment for all age groups; guarantee adequate wages; avoid economic exploitation, precarious employment and unacceptable working conditions
- An EU Framework Directive could define a methodology for assessing the adequacy of minimum income schemes including in old age, in line with the results of the 'European Minimum Income Network' pilot project. In particular reference budgets including baskets of goods and services for different age cohorts should be developed in this respect.
- The social and societal dimension of poverty, such as rural isolation and initiatives to break social isolation could be addressed
- The effect of eroding effectiveness of social transfers should be thoroughly analysed in the upcoming Semester cycle.