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Belgium 2006

Minimum Incomes and older Women's Poverty

Short Report



On behalf of
European Commission
DG Employment, Social Affairs and Equal Opportunities



The Peer Review was held in Brussels on 20 June 2006 and hosted by Belgium's Minister of Pensions, its Federal Public Service for Social Security and its National Pensions Office. In addition to the host country, six peer countries participated in the review: the Czech Republic, Germany, Ireland, Latvia, Portugal and the United Kingdom. Also taking part were stakeholder representatives from AGE – the European Older People's Platform, observers from EURAG, REIF, the European Centre for Social Welfare Policy and Research and the Higher Institute for Labour Studies (Leuven, Belgium), and representatives from the European Commission Directorate-General for Employment, Social Affairs and Equal Opportunities.

This review, rather than focussing on policies in one country, examined the issues of minimum incomes and women's poverty across Europe. It was the first time that the EU's peer review had been applied to the question of pensions. The review took place against the background of continuing EU-level research in this field. National strategy reports on pensions received by the European Commission in 2005 within the framework of the open method of coordination highlighted the issue of minimum incomes, and this was a theme that the EU's Social Protection Committee particularly wanted to examine in greater depth. The Commission and the Social Protection Committee are preparing a report on minimum incomes for elderly people. The results of this Peer Review will be fed into that report, which will draw on the expertise of different Member States.

As the Peer Review discussions showed, all Member States wish to ensure that pensioners do not fall into poverty, regardless of their contributions history. On the other hand, there are pressures on the social security system from changing career patterns – with more people taking career breaks - and from simple demographics.

Women are particularly subject to poverty in old age. A number of the reasons for this are common to most Member States, despite the wide variations in their pension systems:

- The **pay gap** between men and women, which is present to varying degrees in all the countries under review.
- **Occupational segregation:** women are concentrated in lower-end occupations, and even when they are engaged in higher-end occupations, they have difficulty in reaching the top of the career ladder. In fact, the pay gap is wider in the higher-end occupations.
- **Career gaps:** women are absent from the labour market to a higher degree than men and are also over represented in part-time positions. This is related to women's roles in child-bearing, childcare and caring for older, sick or disabled people. This factor varies between European countries, depending on the welfare systems in place. Where care depends mainly on the family, it tends to be the responsibility of women. Clearly, though, in systems where the level of pension is determined wholly or partly by the level of contributions, women's longer career gaps will result in lower pensions and greater poverty.

Issues raised

The Peer Review was divided into two sessions – the first on elderly women's poverty, the second on minimum pensions. From the national reports and the ensuing round table discussions, a number of points and questions emerged which can be taken into account in the Commission's study and its further reflections:

- **Labour market conditions and the final outcomes of pensions systems are clearly related.** Full, well-paid and well-qualified employment during people's working lives will usually mean less poverty in old age. The pension system cannot be expected to solve the problems of the labour market. Given the issues of gender segregation and of part-time working in the labour markets of various Member States, a high employment rate will not per se solve the problems relating to pensions and to poverty in old age.
- In some countries, there are **problems with access to pensions** – for example, a minimum pension is sometimes stigmatised by those who are unused to coming into contact with, or relying upon, State institutions.

- Especially in the case of women's poverty, the issue of **"care credits"** will become very important. Will periods of time spent caring for children, the sick, the elderly and the disabled be acknowledged within the pension systems – and if so, how? What portions of time spent outside the labour market should receive social recognition and should therefore be taken into account when calculating pensions?
- How will the pension system take account of **flexible working patterns** and of **part-time work** - an increasingly common option, particularly among women? For example, should the calculation of a person's pension entitlement be based on the total number of hours worked during a career, rather than on the number of years spent in full-time employment?
- In many countries, there is a clear **distinction between means-tested minimum assistance and earnings-linked pensions**. How far are these two systems coordinated and articulated?
- There appears to be a trend towards **providing less generous basic pensions, but covering a higher percentage of the population**. Will this lead to a decrease in the overall risk of poverty?
- **The effects of pension reforms in the Member States will not be felt immediately**. While there is a trend towards raising the lowest pensions, in order to combat poverty, this will take some time to have an impact.
- **Many other services in the various countries help to support people in their old age**. Benefits such as free healthcare and transport are usually not taken into account when calculating older people's incomes. Older people also tend either to own their homes or to have access to low-rent accommodation.
- **Income statistics are usually household-based**. They do not take account of older people, overwhelmingly women, living in care homes. More analysis is needed of the income situation of institutionalised older people and of factors that might push them into poverty.
- **Do minimum pensions take people out of work, and therefore put them at greater risk of poverty?** Here, different age tranches within the older population should be considered. The younger tranche of older people are perhaps still able to work. But how far do the pension systems allow them to do so? To what extent are they able to combine working with nevertheless receiving a pension?
- In some of the new Member States, the size of the **informal economy** results in a lack of contributions to the pensions system. To what degree will this affect poverty levels and the future sustainability of pensions?