Role of Services in Pensioner's Economic Well-being

Pension Adequacy in Europe

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My main arguments

- We need to account for public health and social care services when assessing the well-being of individuals
- Cross-country comparisons are utterly biased if this is not done
- Assessing time trends in well-being are biased if in-kind benefits are not taken into account
- Service systems are going through significant changes around Europe
- Availability, affordability, and equity need to be considered
- However, caution is needed when analysing services and their potential distributive consequences

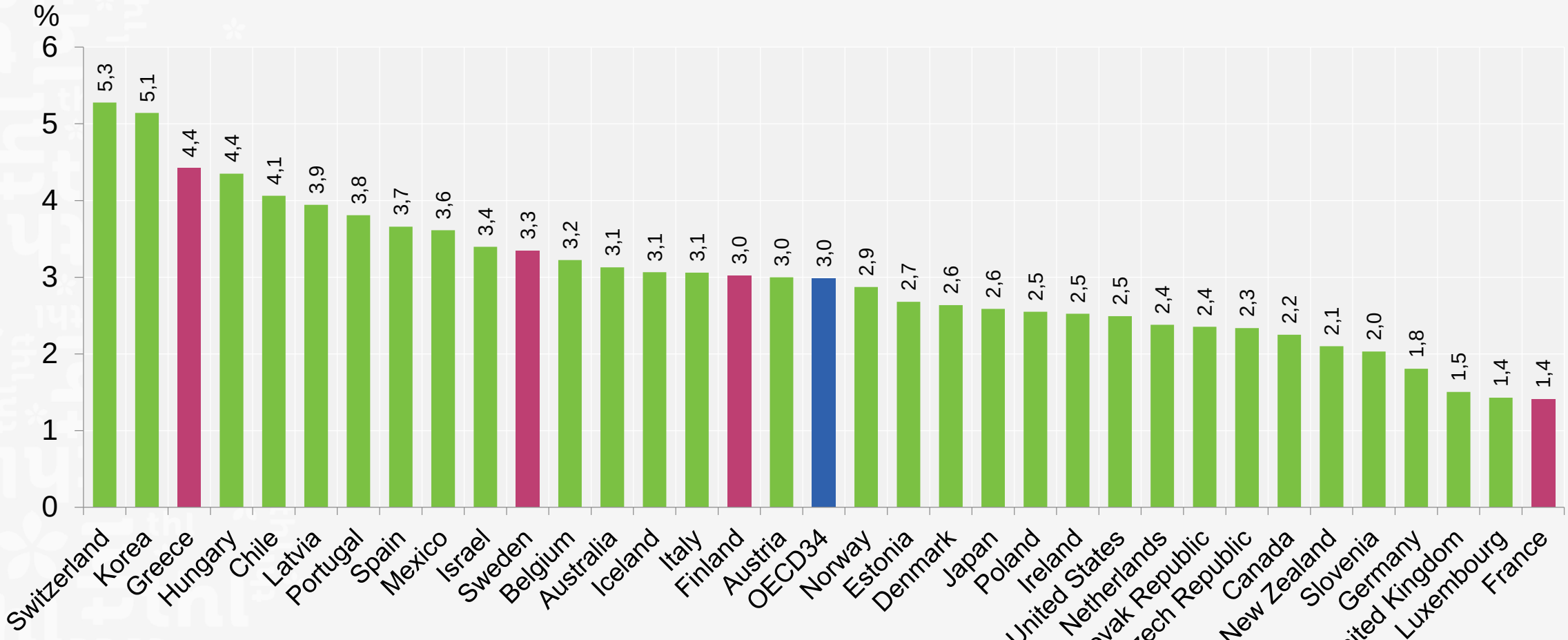
”Welfare package” for the pensioners

- One of the key functions of the welfare state is redistribution of economic resources
- Analyses usually only consider social transfers in cash
- But could publicly provided services play part in the redistributive strategy?
- Inclusion of in-kind benefits has been recommended by many
- Especially relevant for the elderly in greater need for care

Out-of-pocket payments for health and social services and medicine

- On the other hand, we could also study what individuals pay for the services they receive and medicine they use
- Financing type greatly affects the redistributive character of services
  - General taxes, social security contributions, private insurances and/or user fees all have different impact across the income distribution

Out-of-pocket medical spending as a share of final household consumption (OECD Health at a Glance 2017)



Big changes under way in the service sector

- Ageing population,
- Pressures for cost containment,
- Shifts towards marketization,
- Deinstitutionalization,
- Technological advances

  - Well-being consequences?
  - Distributional consequences?
  - For whom?

Who uses health and social care services?

- *Predisposing factors*: socio-demographic variables, predominantly age
- *Enabling factors*: income, educational level, information, beliefs
- *Need factors*: morbidity, limitations in daily activities, availability of informal help

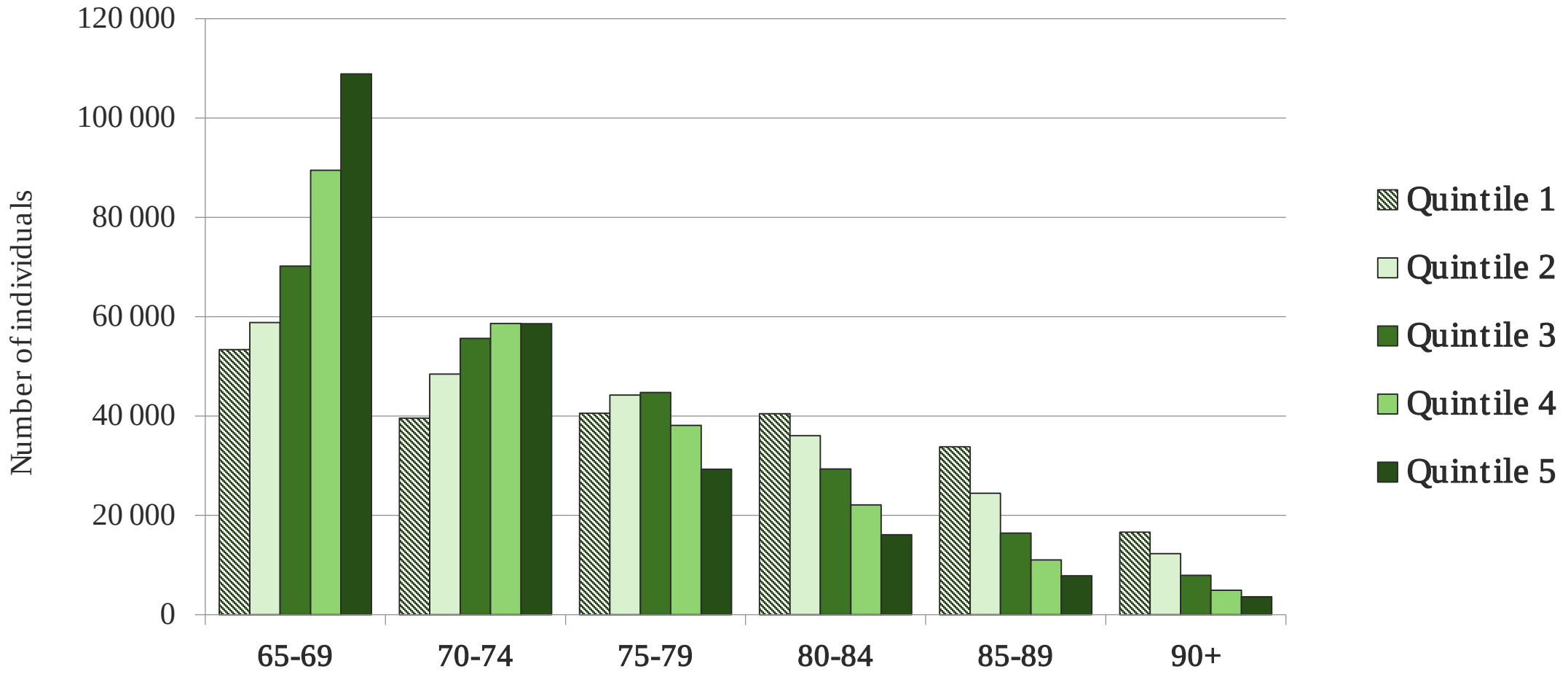
Health inequalities at old age

- Due to social gradient in health, low-income individuals are more likely to benefit from various health and social services *if equity in access and use is guaranteed*,
  - Consequently, they also pay higher user fees
- Socioeconomic inequalities in health have been shown to decrease with age, but a large part continues to persist at old age

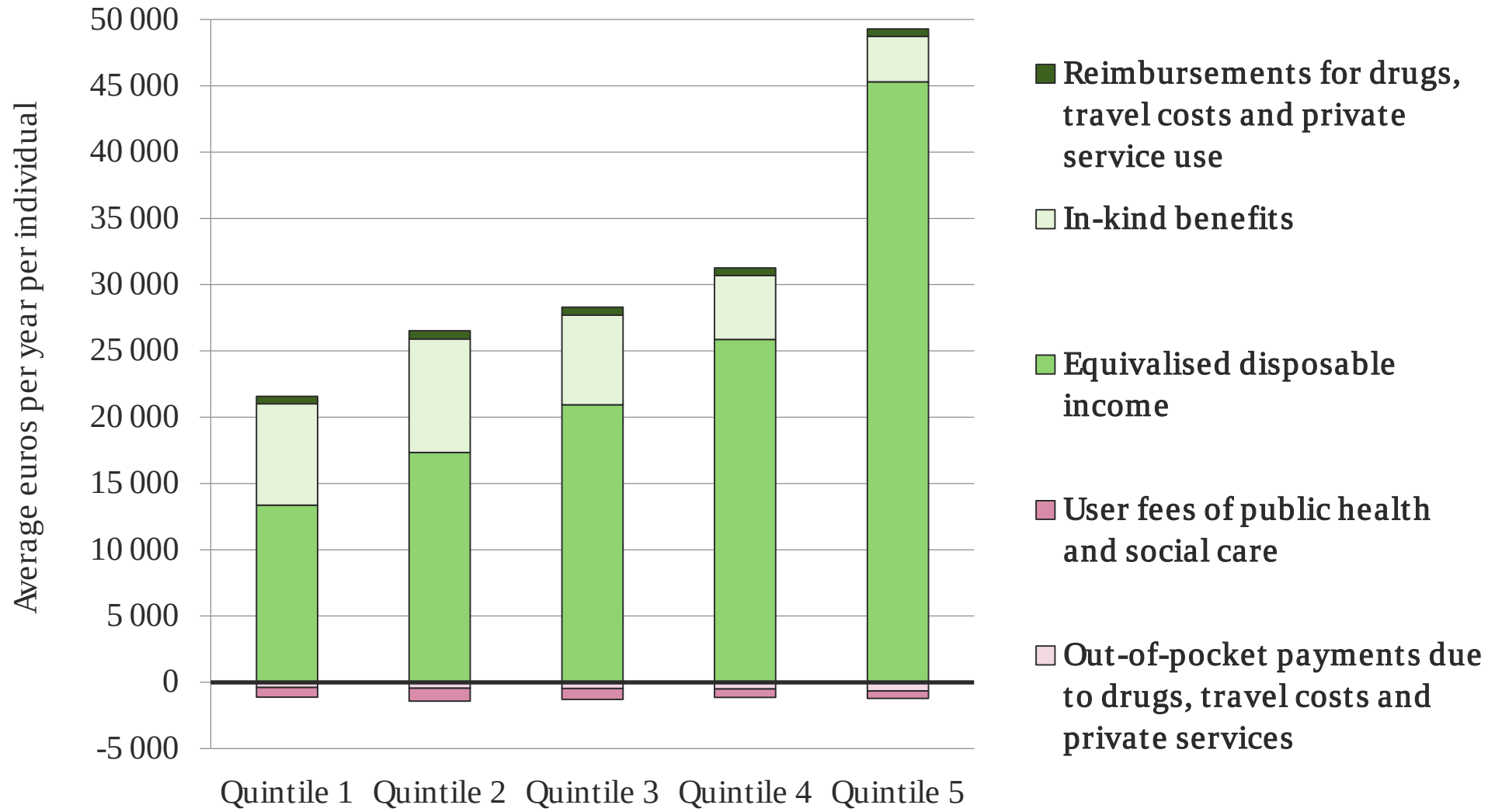
Evidence based on Finnish register data (2015)

(forthcoming in *Journal of European Social Policy*)

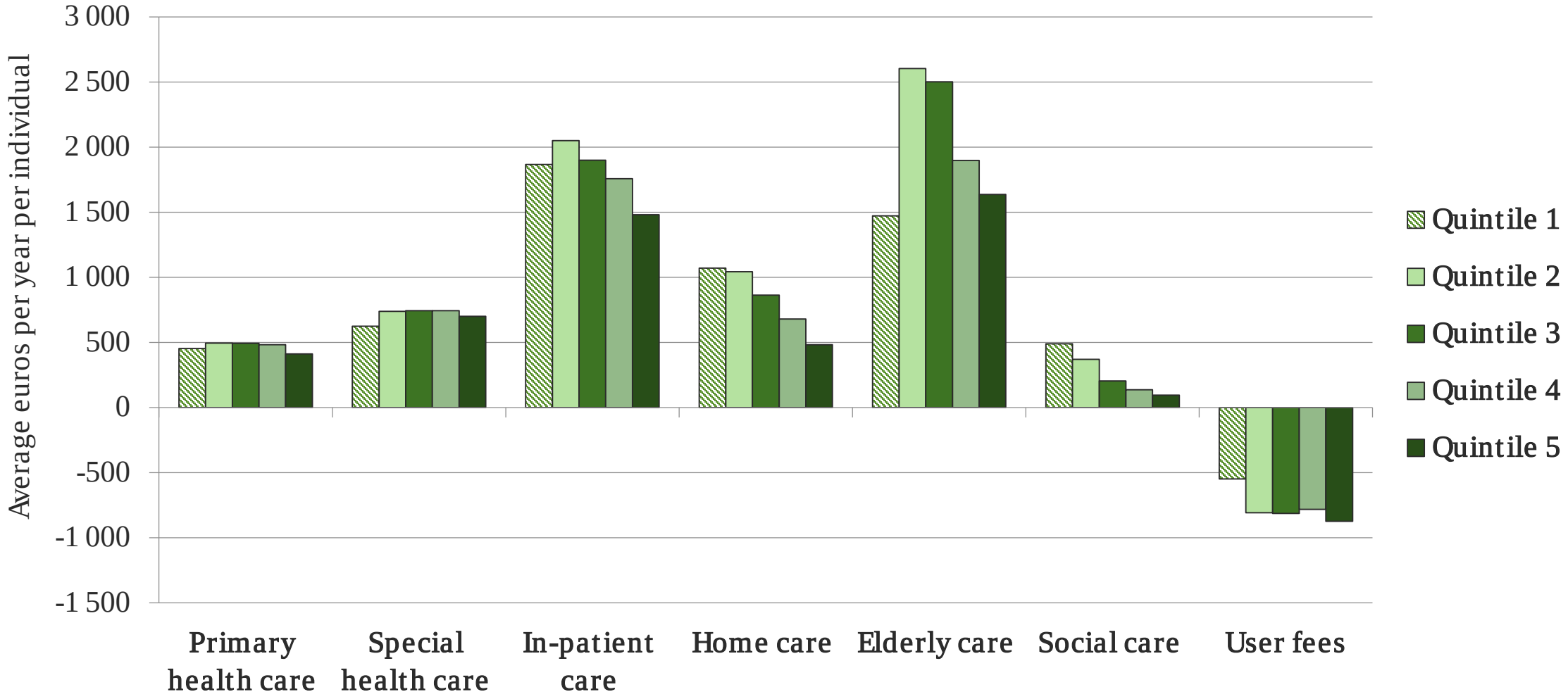
Distribution of age groups by income quintiles among 65+



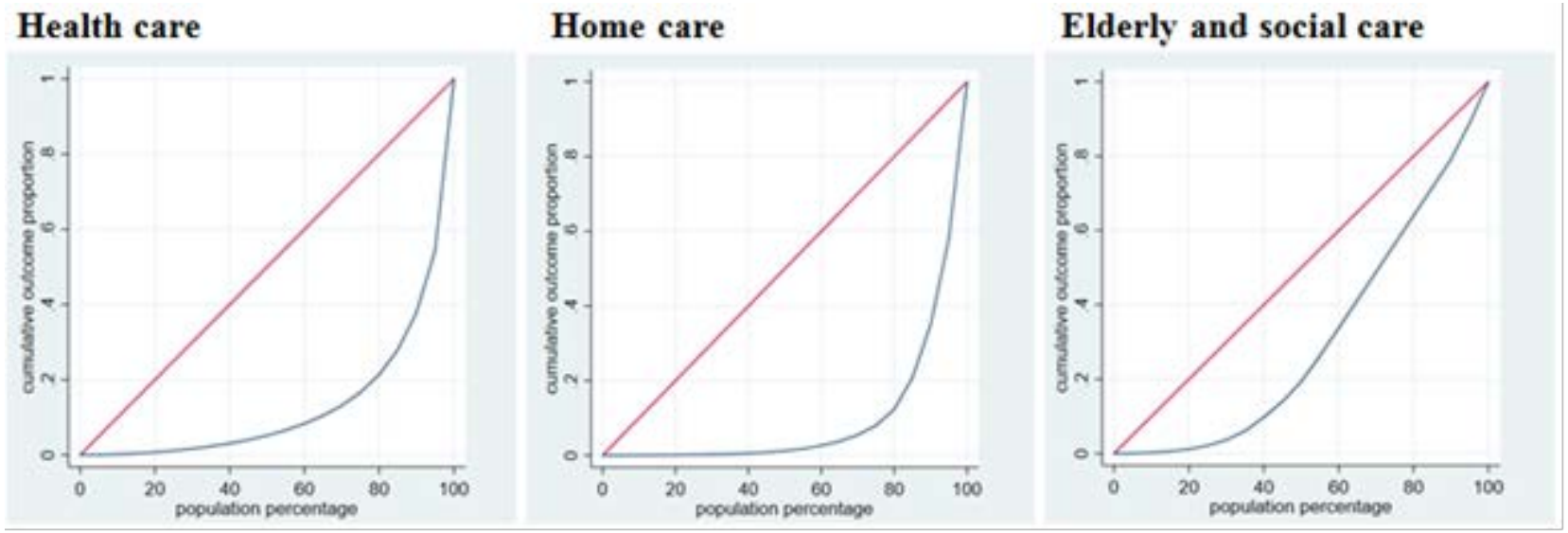
Average equivalised disposable income, in-kind benefits, out-of-pocket payments, user fees and reimbursements by income quintiles (€)



Average annual costs and user fees per individual, by the type of service (adjusted for age and gender)



Concentration curves for in-kind benefits among service-users, by type of service



Conclusions

- Public services shape the functioning of the welfare states, contribute to egalitarian ambitions, and promote well-being both directly and indirectly
- In Finland, elderly people in the bottom two income quintiles benefit the most from the services under study
  - Partly driven by the fact that the oldest pensioners belong to the bottom income quintile more often
  - Older age is connected to poorer health and greater need for care

- Alot of variation across services: e.g. spending on primary and special health care is the most equally distributed across income groups
- In-kind benefits are heavily concentrated on a minority of elderly people
  - They are mostly pro-poor, but their overall distribution is very unequal
- Longer time perspective would be necessary to assess redistribution through services over the life cycle
- User fees are a regressive instrument to finance services

- The increasing spending on care services can raise distributional concerns
  - The welfare state paradigm shifts to new forms of spending and new types of beneficiaries
- There are also many qualitative changes under way in the care sector
- These developments can have a distributive impact among the elderly, the total population, and also between generations
- Who benefits and who does not?
- What are the redistributive consequences of the changes in the service sector or increased reliance on user fees for example?