

Monitoring pensioners'  
economic well-being in  
Europe – lessons learned so far  
Conference Pension Adequacy in Europe.  
Today and Tomorrow  
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# Outline

- Context: SPC-ISG-Indicators
- Evolution of overall (EU) living standards of elderly
- Differences between Member States
- Gaps in monitoring capacity

# SPC-ISG

- The Social Protection Committee (SPC) is an advisory policy committee to the Ministers in the Employment and Social Affairs Council (EPSCO). The SPC is established with a Council decision under article 160 of the [Treaty on the Functioning of the EU](#).
- Main tasks:
  - **monitoring** the social situation and the development of social protection policies in the Member States and in the EU,
  - promoting discussion and **coordination** of policy approaches among national governments and the Commission,
  - preparing **reports**, formulating **opinions** or undertaking other work within its fields of competence, at the request of either the Council, the Commission or on its own initiative,
  - **preparing Council discussions** on social protection and on the country-specific recommendations in the context of the European Semester.
- Supported by an Indicator Subgroup (ISG)

# EU-Social Indicators

- Commonly agreed indicators, based on agreed methodological framework
- Used in different aspects of social dimension of EU Governance:
  - monitoring the [Europe 2020](#) target on [poverty and social exclusion](#) and identifying key social trends to watch in the EU
  - preparing the [European semester](#) and providing evidence for assessing specific social challenges facing EU countries
  - as part of EU countries' reporting on social policies in the National Reform Programmes and country-specific/thematic surveys
  - for thematic reports on relevant topics such as [pensions adequacy in the EU](#), [child poverty and well-being](#) etc.
  - for EU-level analytical work in the field of social policy
- More info: <https://ec.europa.eu/social/main.jsp?catId=756&langId=en>

# Indicators used in this presentation

At-risk-of-poverty rate (AROP)	% below 60% of median equivalent household income
At-risk-of-poverty gap	Difference between the median equivalised income of persons aged 0+ below the at-risk-of poverty threshold and the threshold itself, expressed as a percentage of the at-risk-of poverty threshold.
Median income ratio	Median equivalised income of people aged 65+ as a ratio of income of people aged 0-64
Aggregate replacement rate	Median individual pension income of the 65-74 age group relative to median individual earnings of the 50- 59 age group, excluding other social benefits
Theoretical replacement rate (TRR) – modelled indicator	Level of pension income in the first year of retirement as % of earnings at moment of take

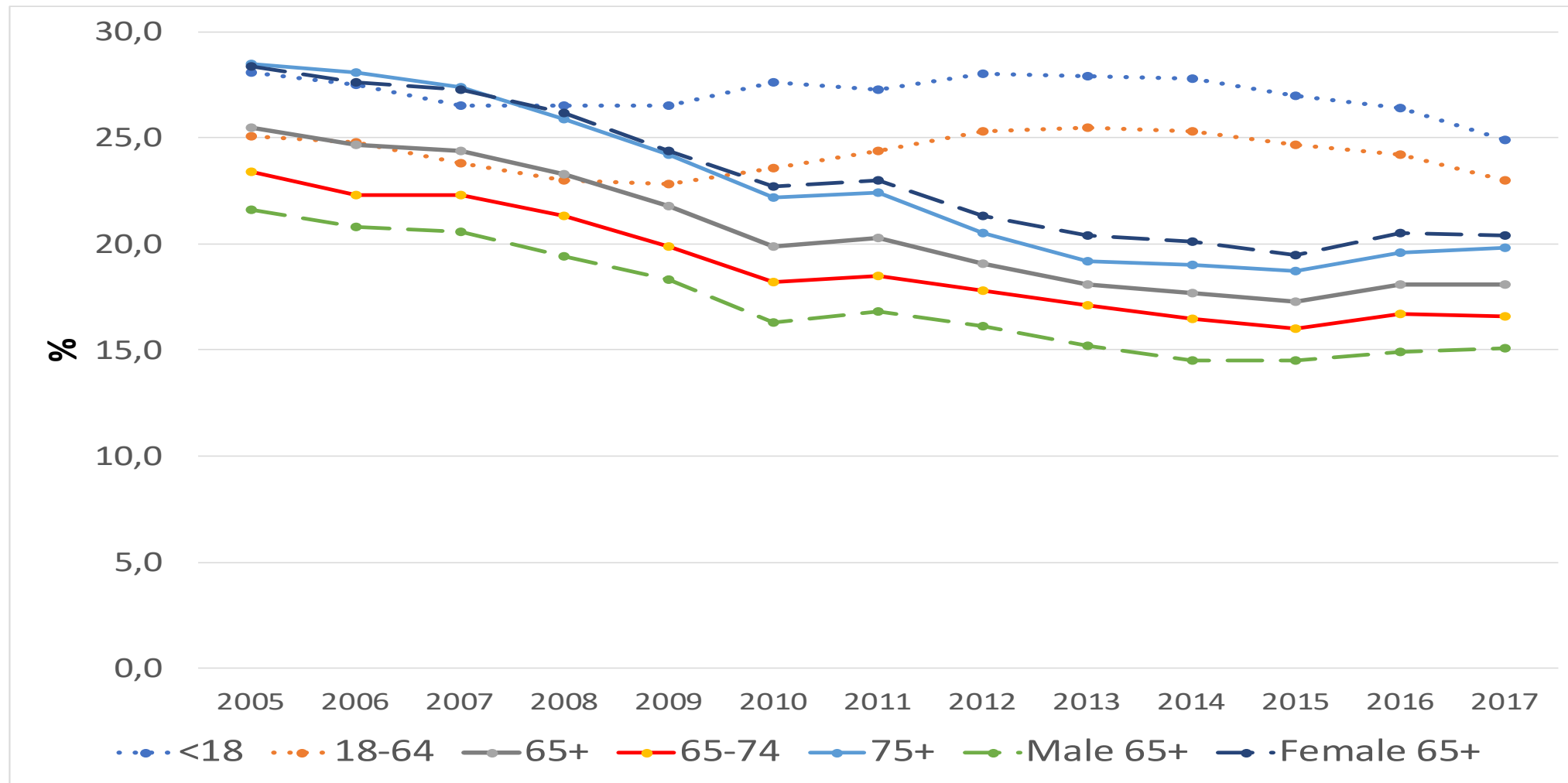
Severe material deprivation	Share of population living in households lacking at least 4 items out of the following 9 items: <b>i)</b> to pay rent or utility bills, <b>ii)</b> to keep home adequately warm, <b>iii)</b> to face unexpected expenses, <b>iv)</b> to eat meat, fish or a protein equivalent every second day, <b>v)</b> to have a week's holiday away from home, or could not afford (if wanted to) <b>vi)</b> a car, <b>vii)</b> a washing machine, <b>viii)</b> a colour TV, or <b>ix)</b> a telephone.
Disability rate	% reporting <u>some</u> or <u>severe</u> limitations in daily activities due to illness
Life expectancy (at 65)	the mean number of years that a new-born child (or a person of a specific age) can expect to live if subjected throughout life to the current mortality conditions (age specific probabilities of dying).
Healty life expectancy at 65	Life expectancy without limitations in daily activities / disability free life expectancy

Unmet need for medical care	Total self-reported unmet need for medical examination for the following three reasons: financial barriers + waiting times + too far to travel
Housing cost overburden rate	Percentage of the population living in a household where total housing costs (net of housing allowances) represent more than 40% of the total disposable household income (net of housing allowances)
Housing deprivation rate ( <u>no EU social indicator</u> )	% with leaking roof, damp walls/floor/foundation or rot in windows
At-risk-of-poverty or social exclusion (AROPE)	% at-risk-of-poverty or Severely materially deprived (or living in a quasi-jobless household)
S80/S20 – Income inequality	Total income share of top 20% incomes/share of bottom 20%

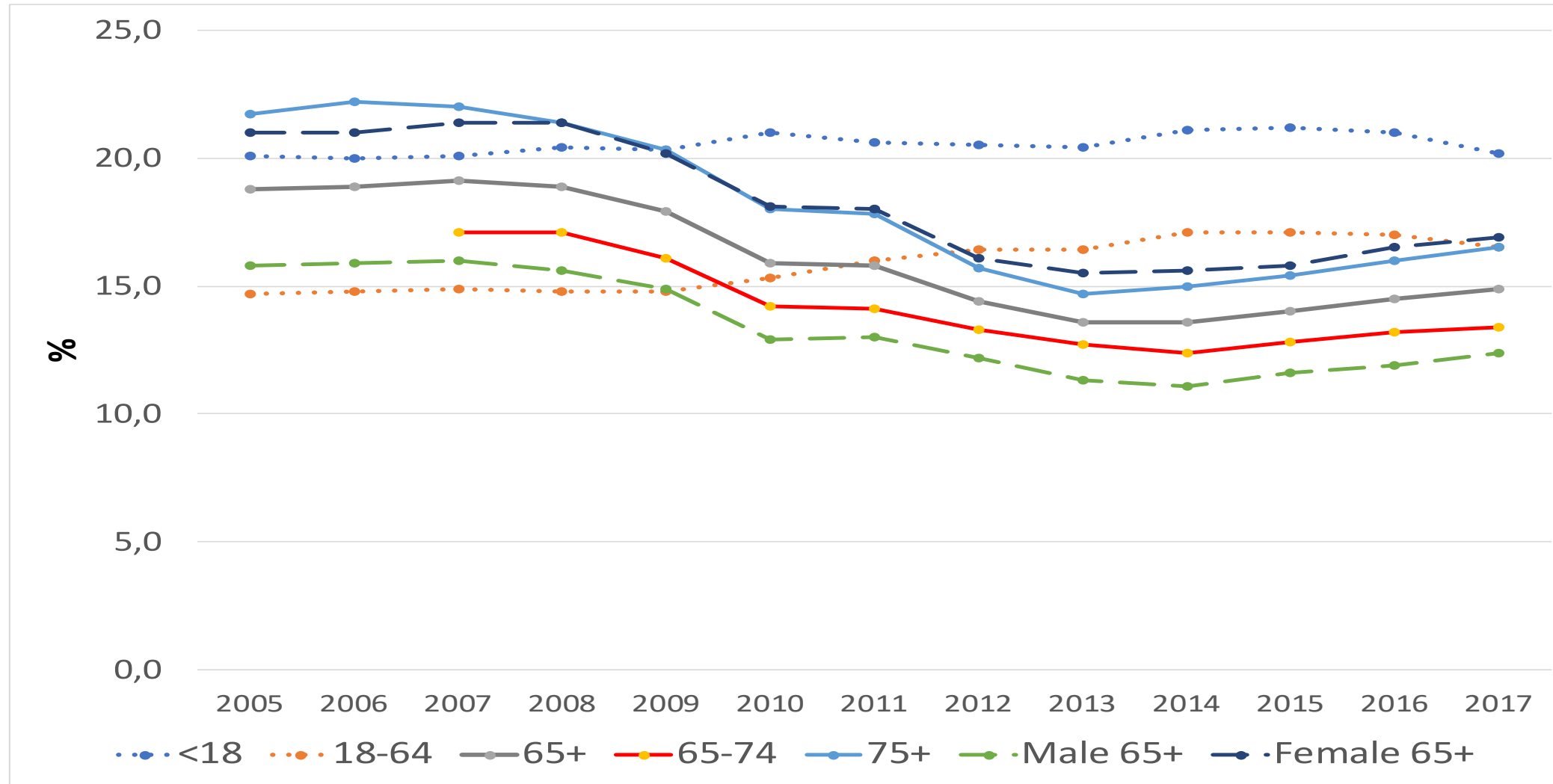
Overall evolution of living standards of elderly



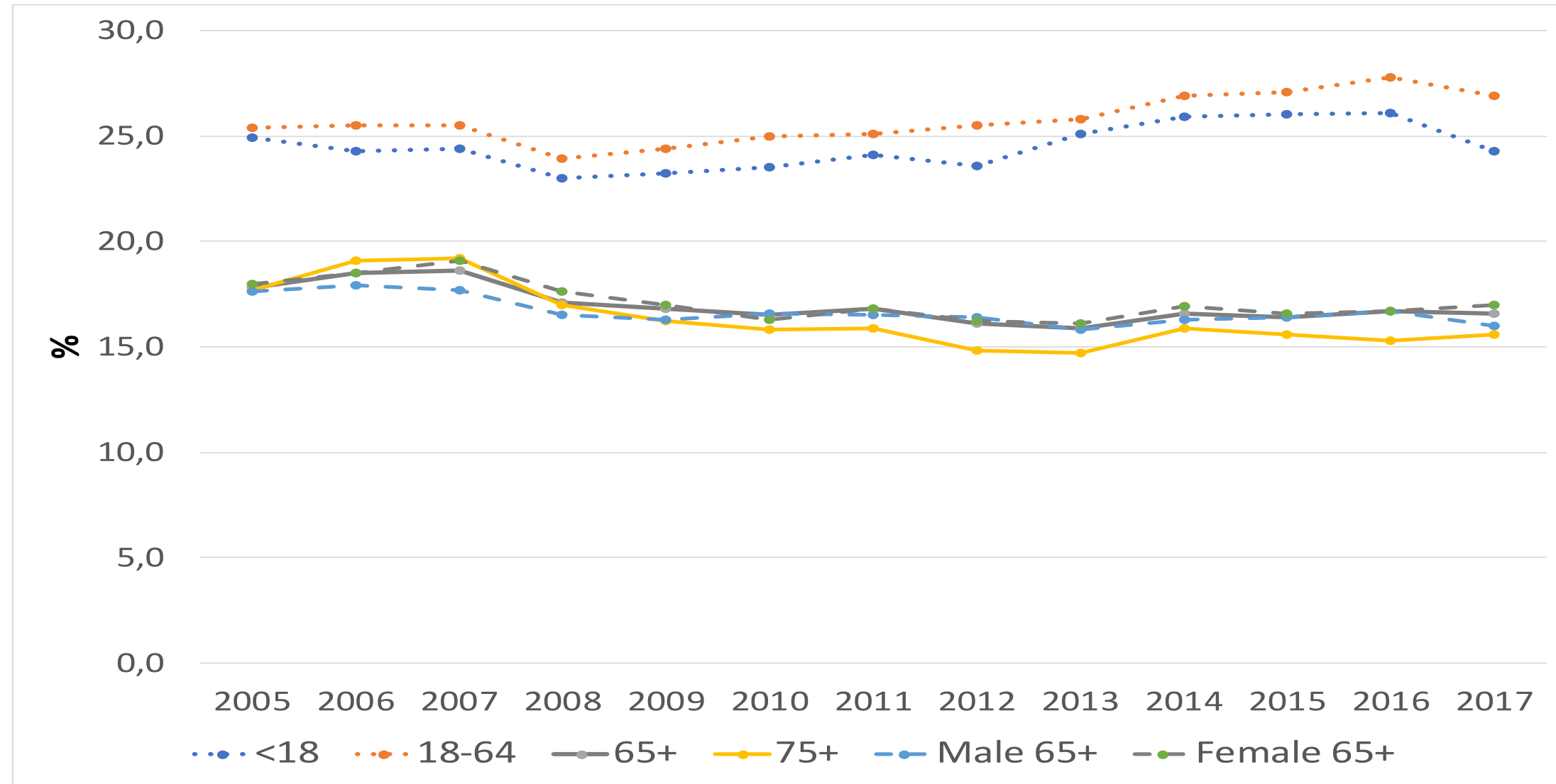
# At-risk-of-poverty or social exclusion (AROPE) rate



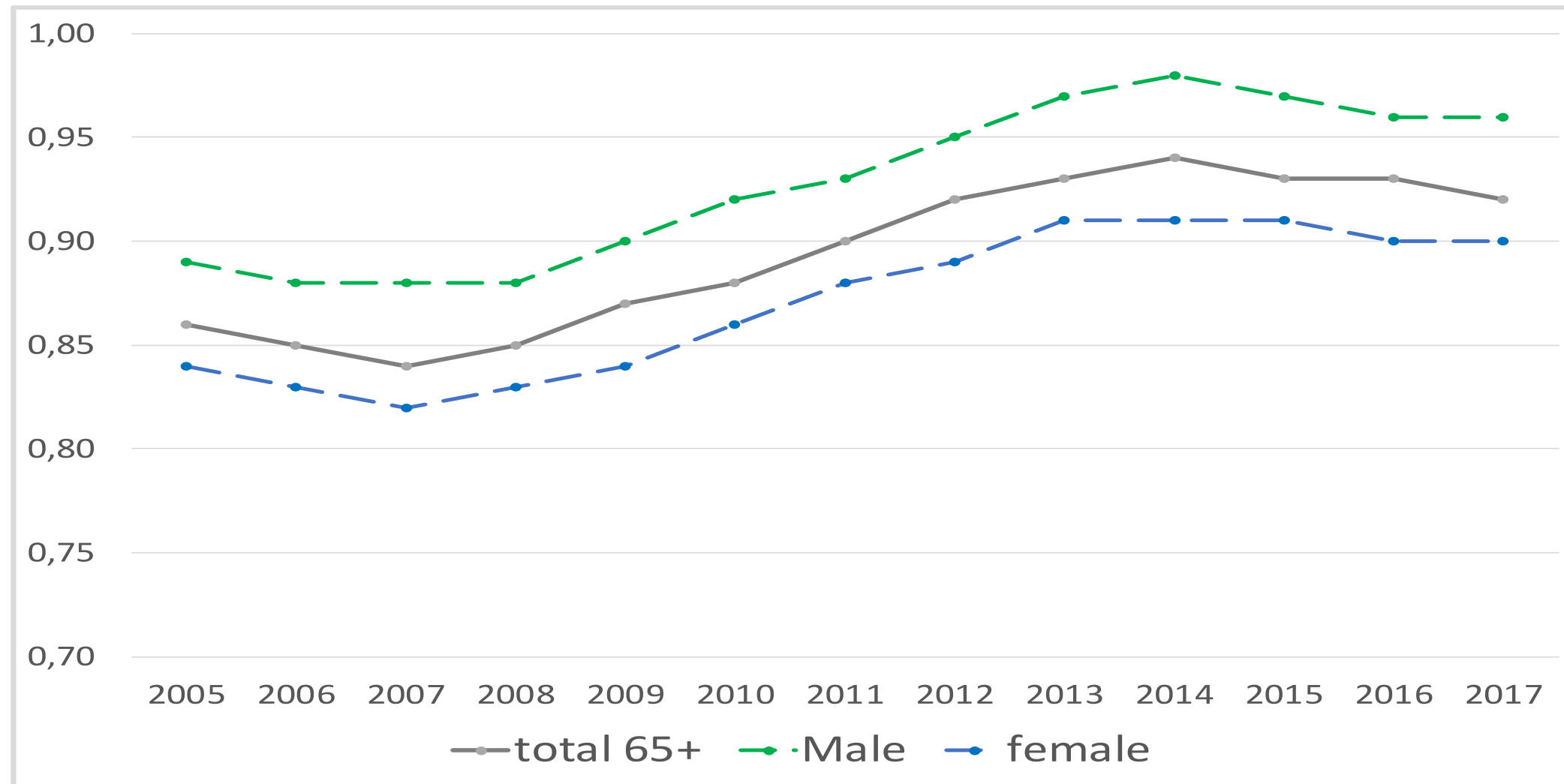
# At-risk-of-poverty rate (AROP)



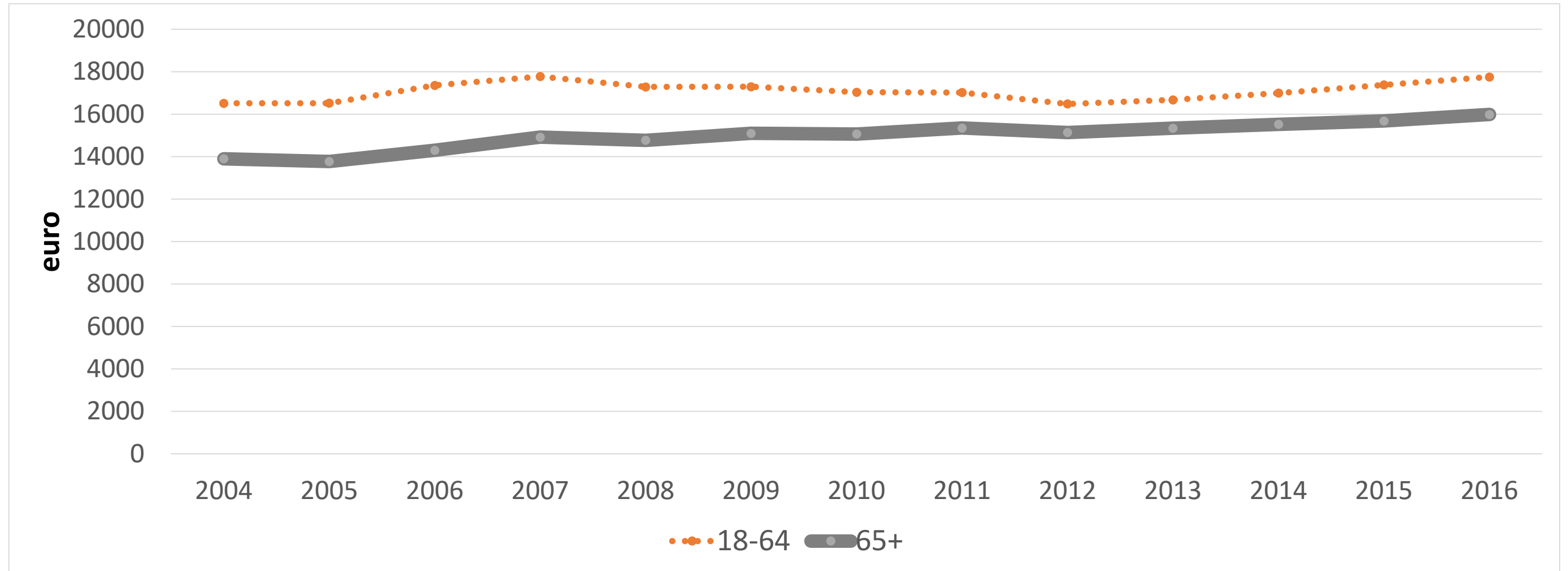
# At-risk-of-poverty gap



# Median income ratio (income 65+ / <65)

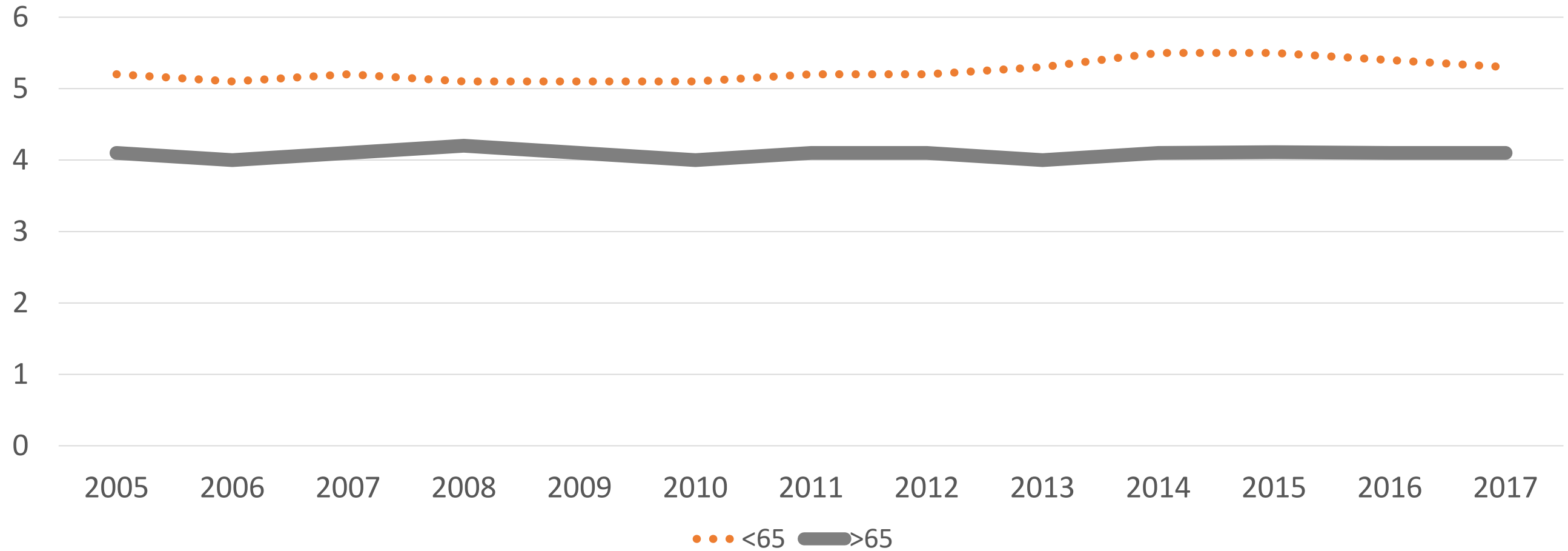


# Evolution of median household income (in real terms)

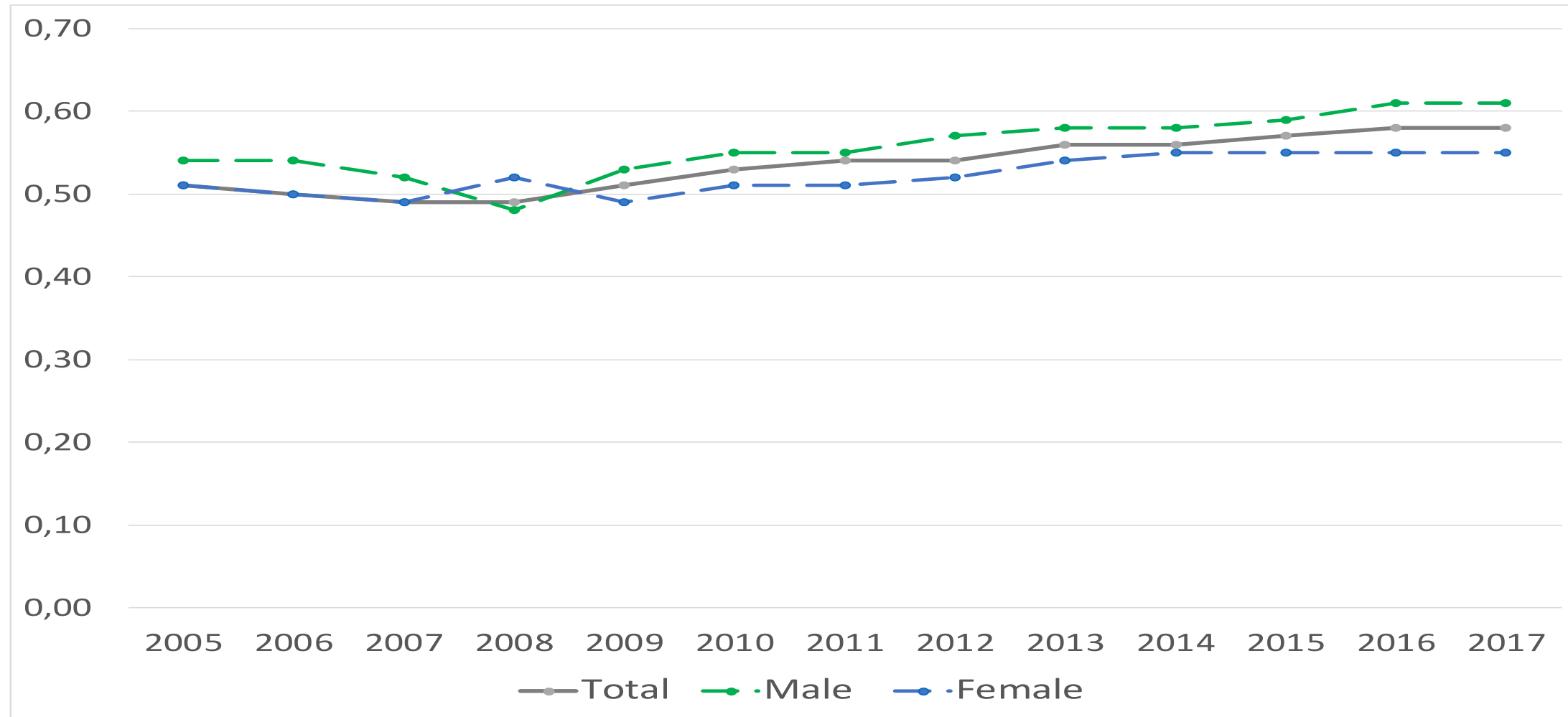


# S80/S20

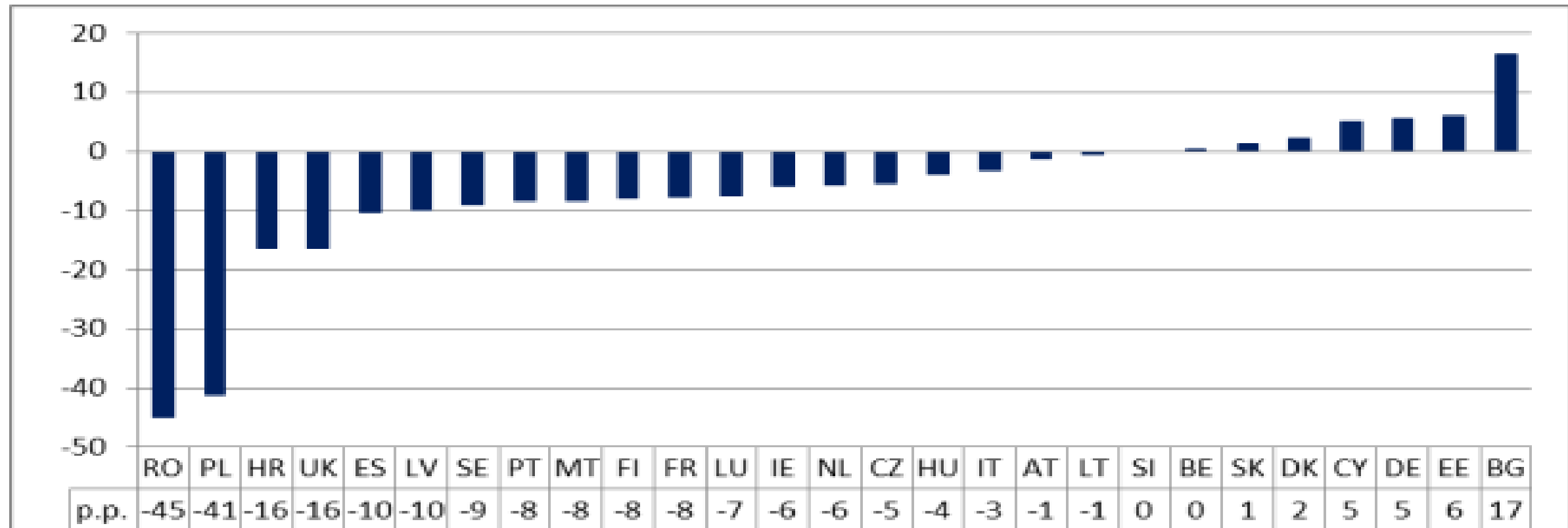
## Income inequality among elderly (65+) and population <65



# Aggregate replacement rate (pension 65-74/earnings 50-59)



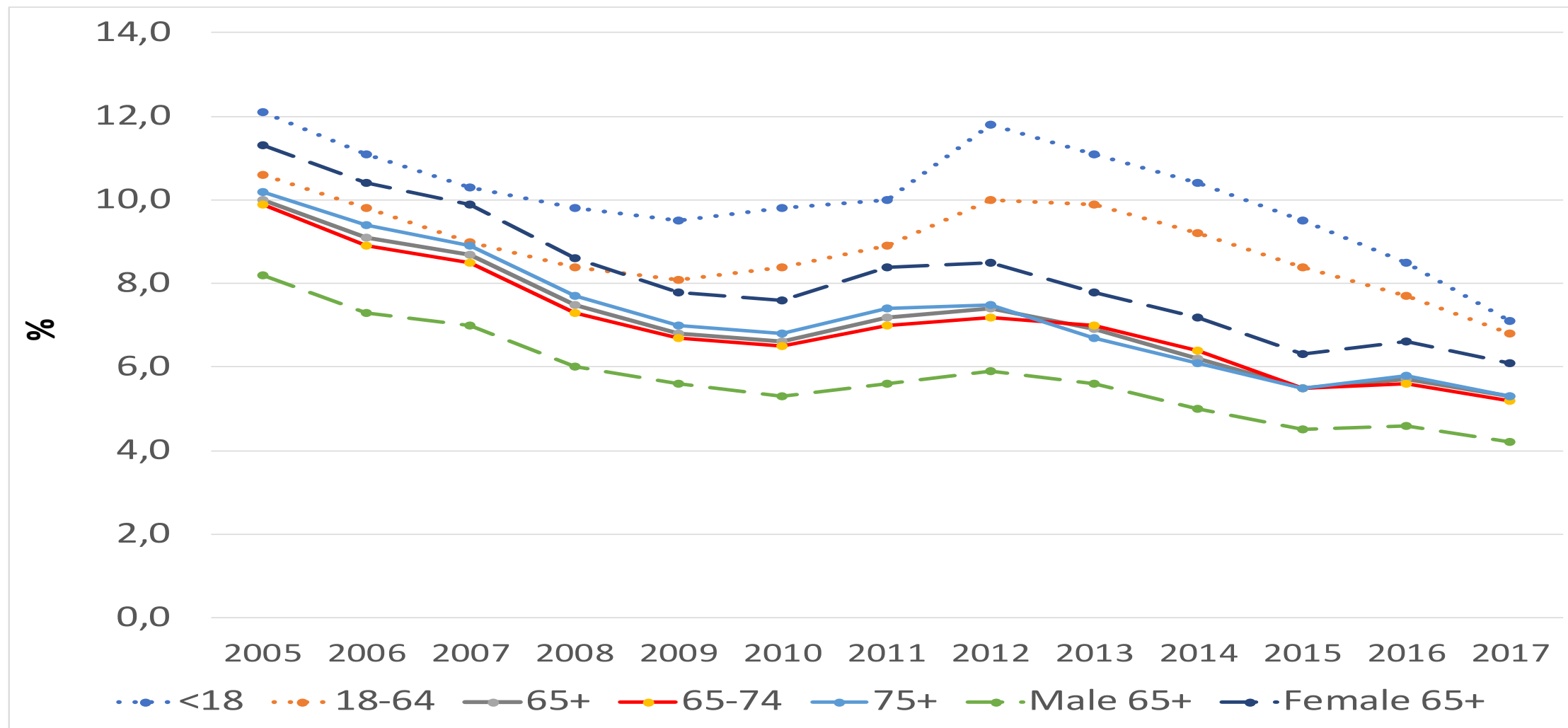
# Net TRR, base case (40 years up to the SPA), men, average earner, p.p. change, 2016- 2056 (Source PAR 2018)



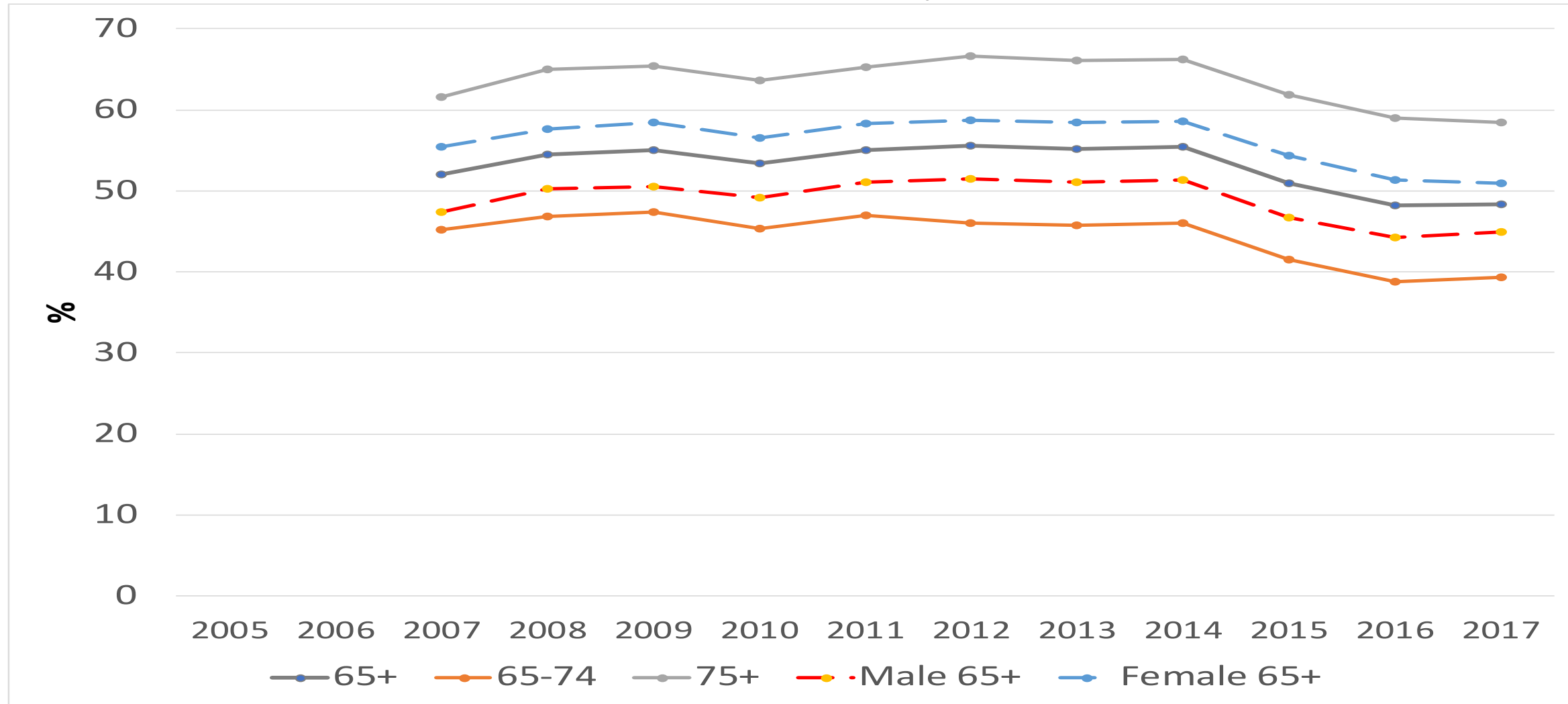
*Source: OECD and Member States' projections. Notes: in some countries 40 years do not qualify one for a full pension. EL no data.*



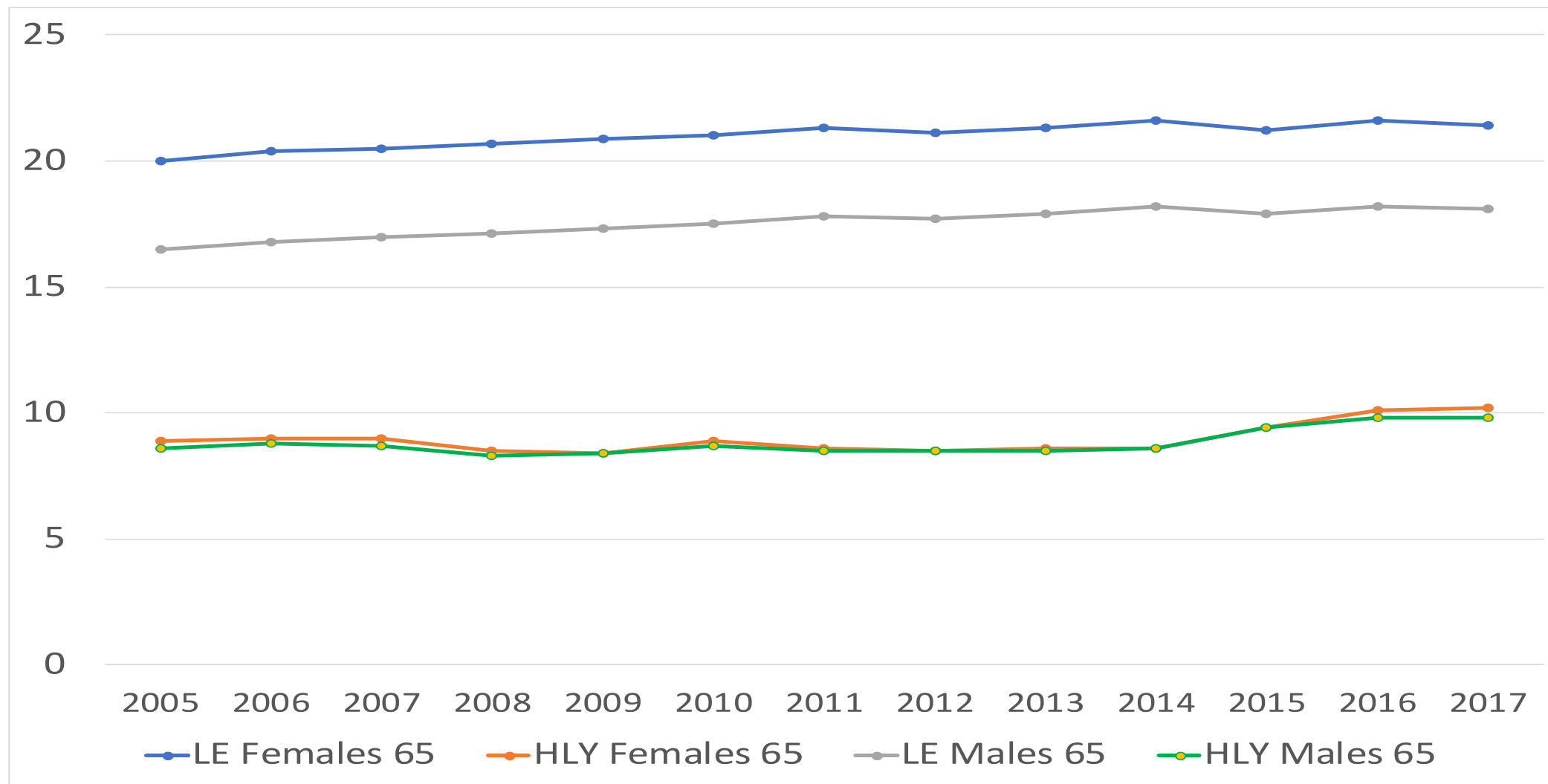
# Severe material deprivation rate (65+)



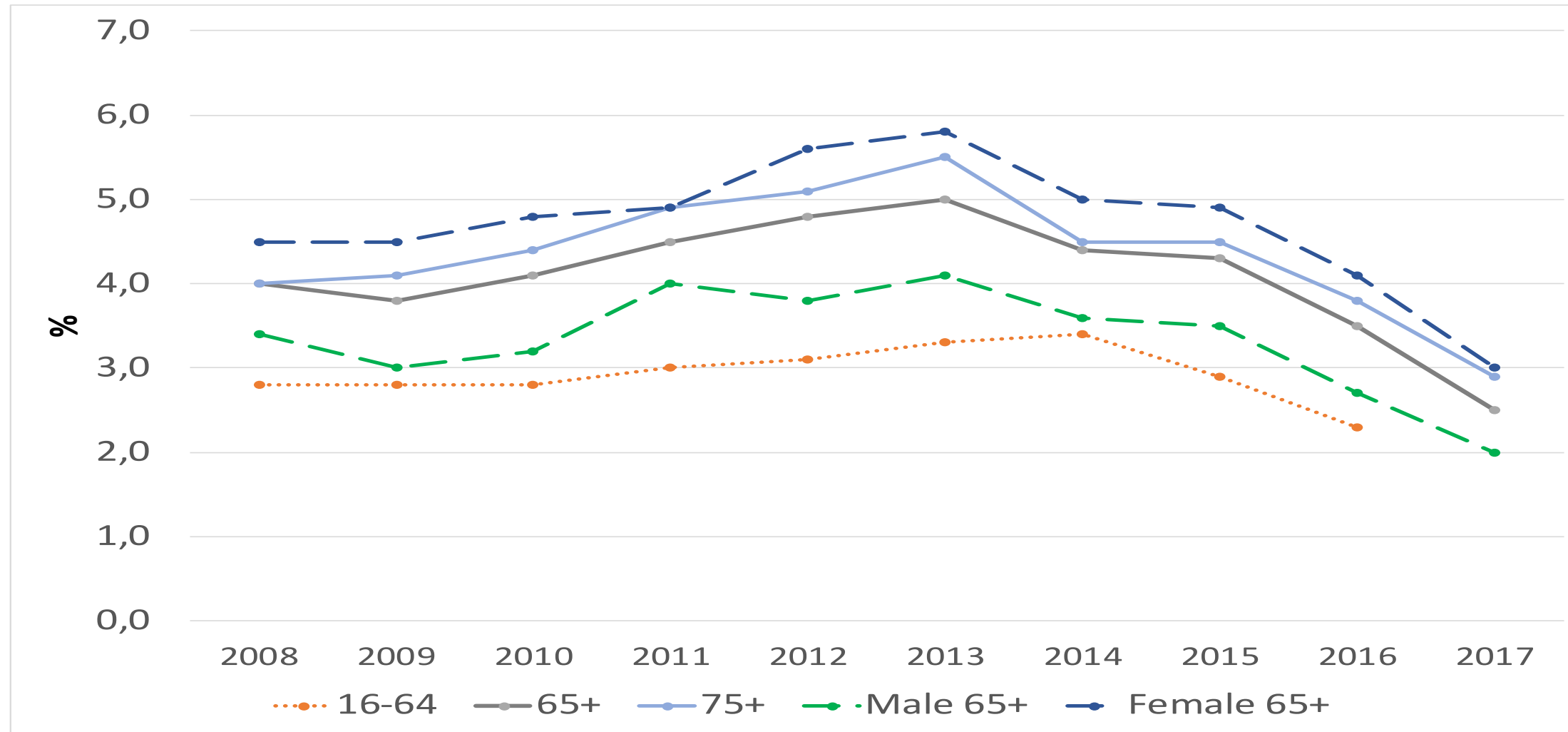
# Disability rate (some or severe limitations in daily activities due to illness)



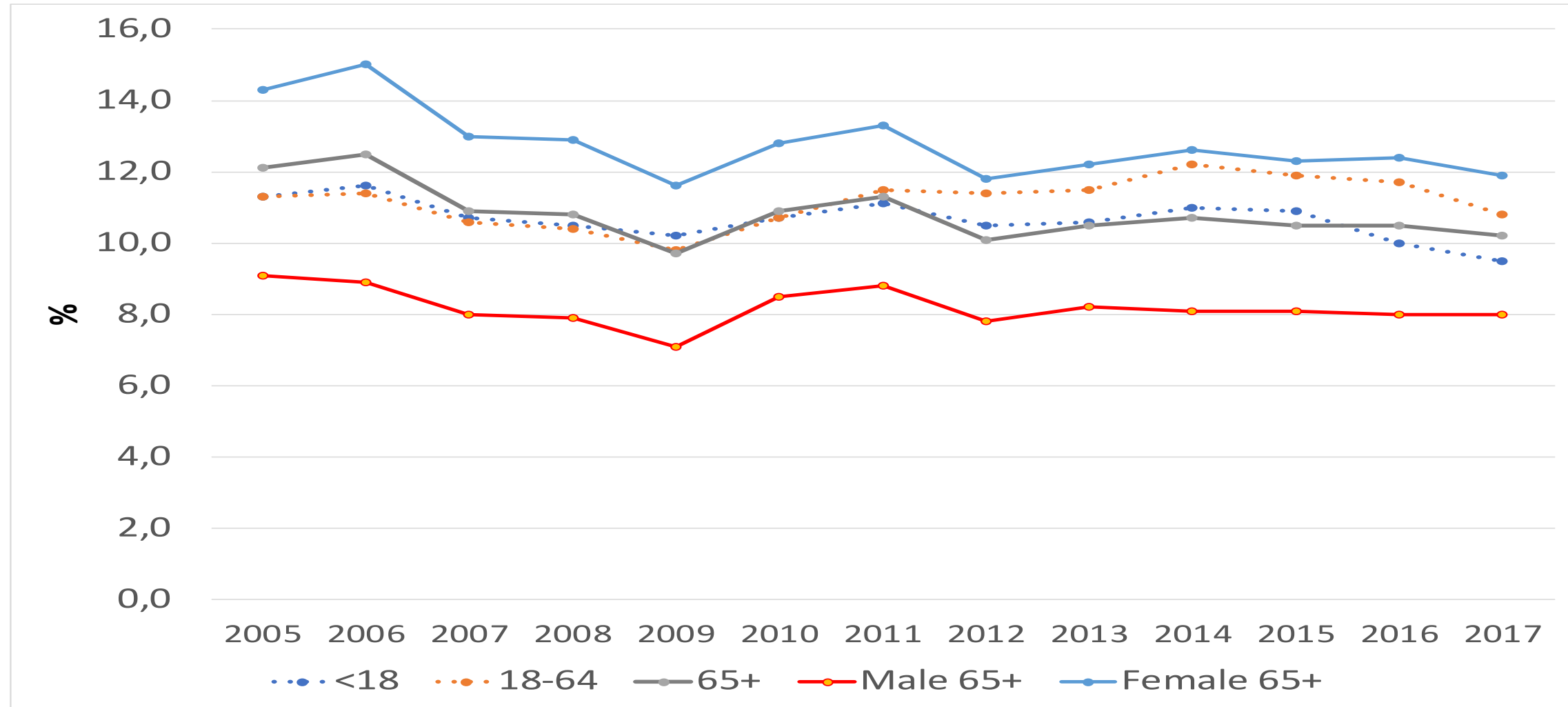
# Life-expectancy and Healthy life years at 65



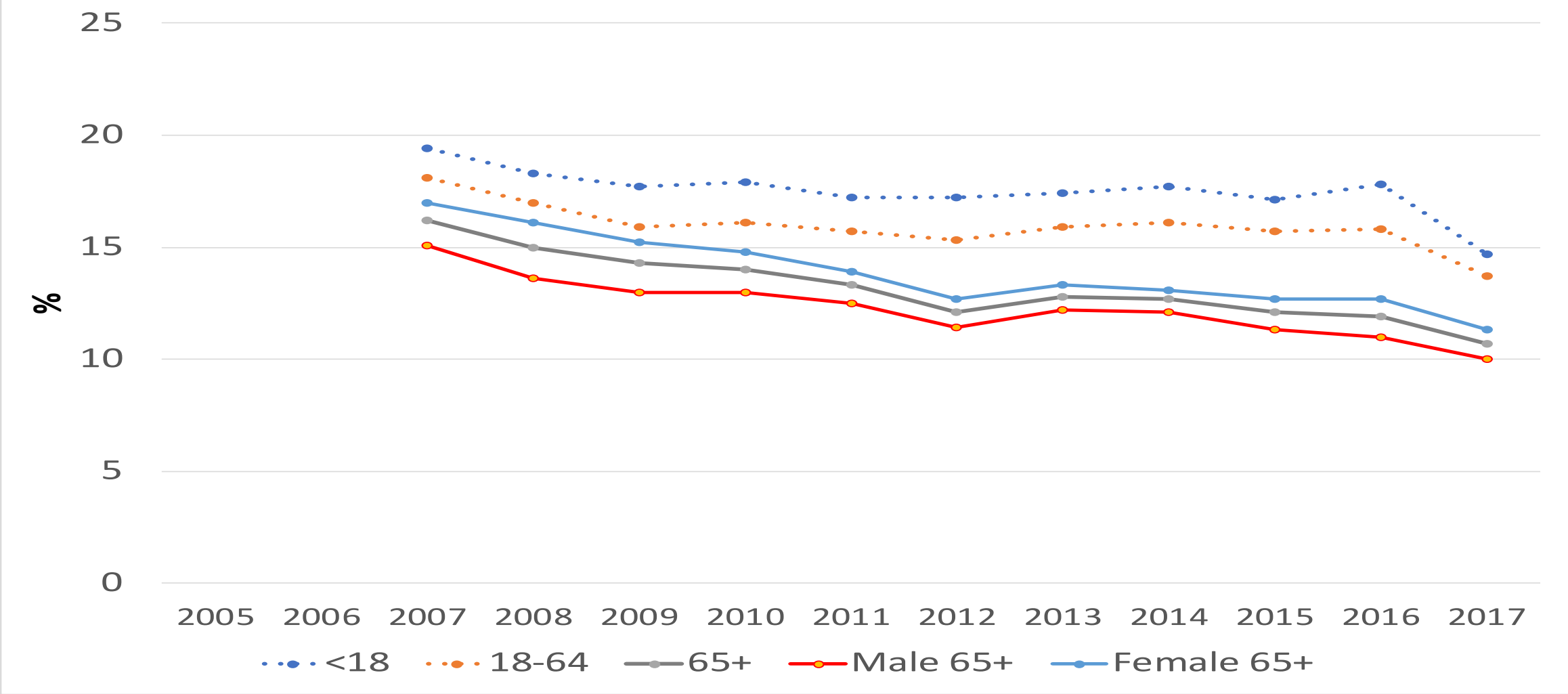
# Unmet need for medical care (financial, distance, waiting lists)



# Housing cost overburden rate (>40% of household income)



# Housing deprivation rate (dwelling with leaking roof, damp walls floors foundation, rot in windows)



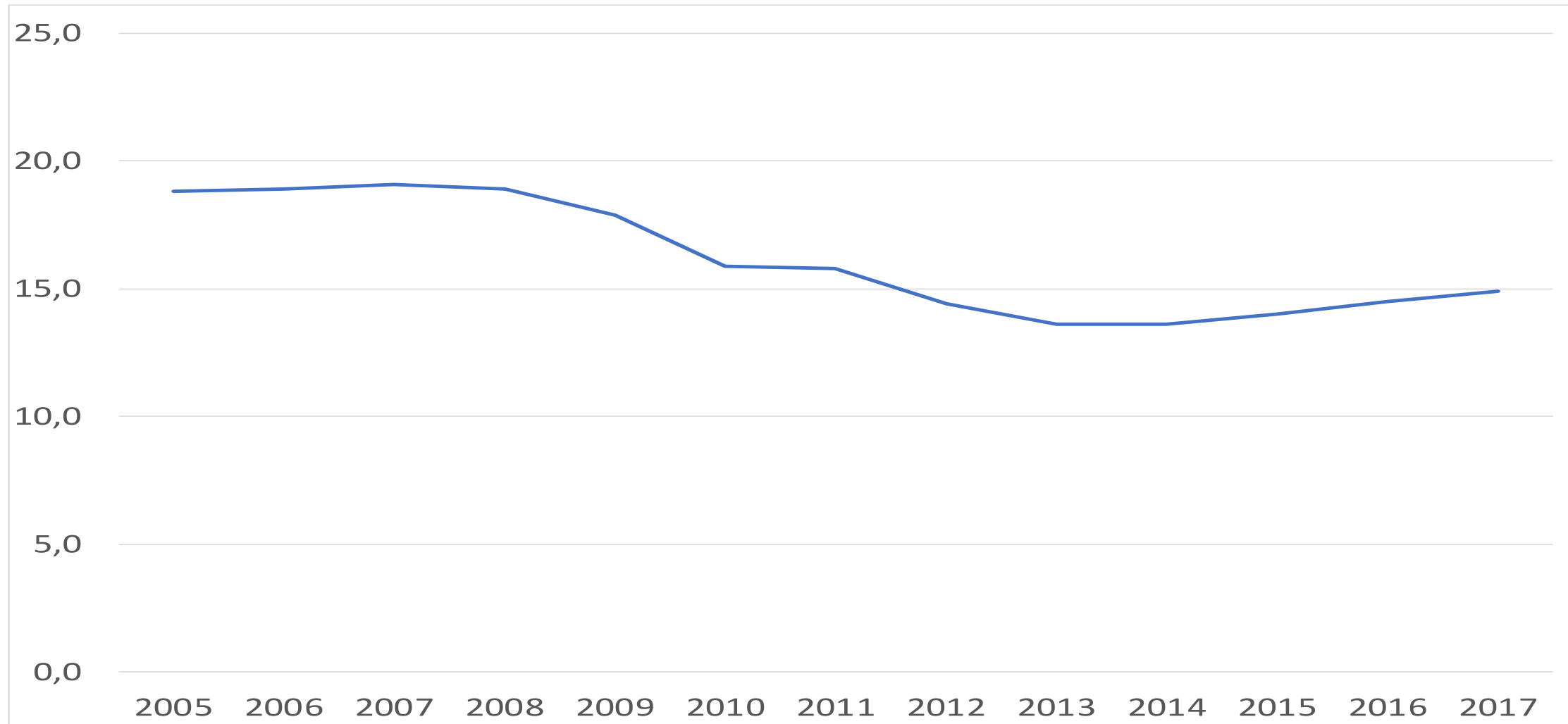
# Some conclusions on overall living standards

- Decreasing income poverty – AROP drops below working age population rate
- Improvements in both relative and absolute income situations
- Elderly poverty rate is lower and less deep than other age categories
- Improvements in pension replacement rates, but ...
- ... future drop in replacement rate for same career to be expected
- Improvements in other dimensions: (housing) deprivation, unmet need, (healthy?) life expectancy
- Woman score worse on all indicators, and difference with man remains quasi unchanged over observation period

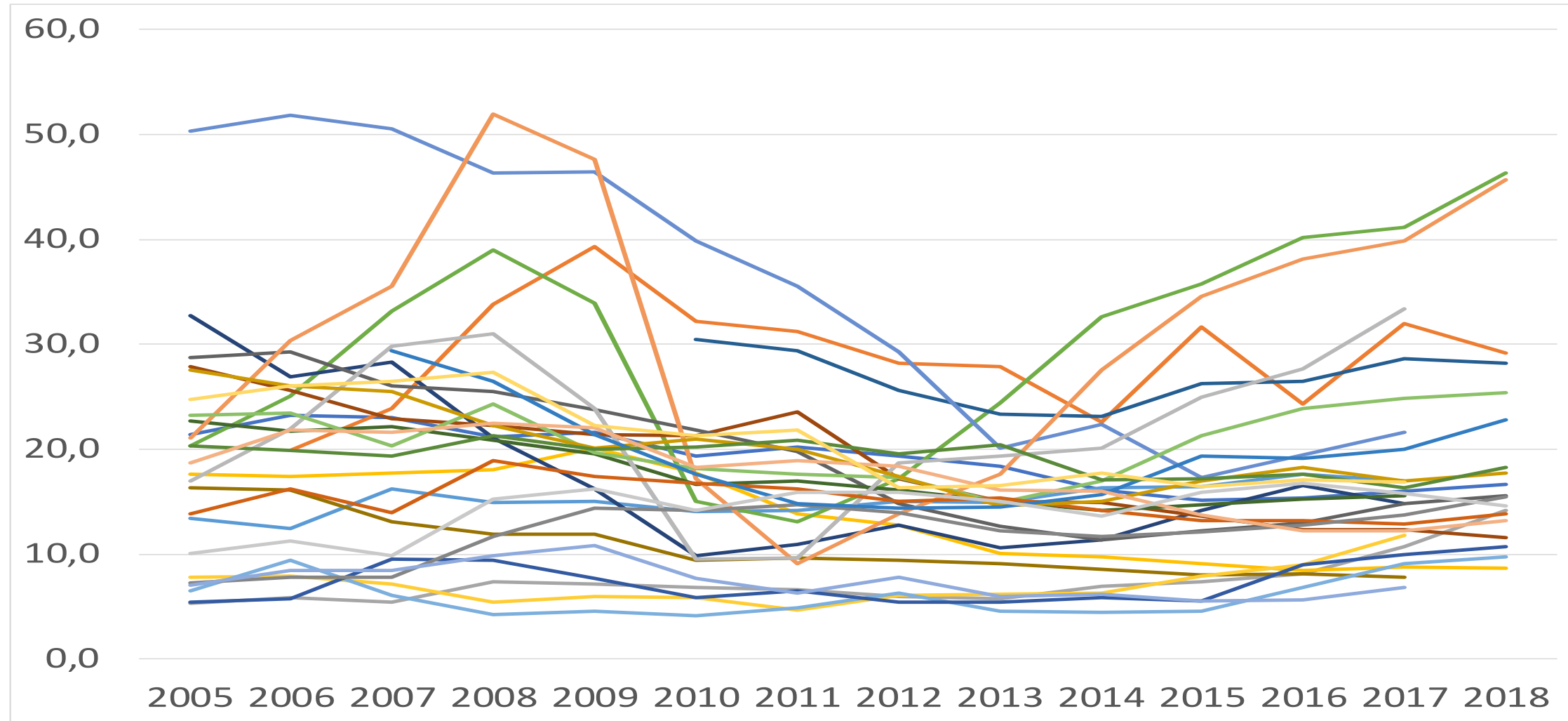
# Differences



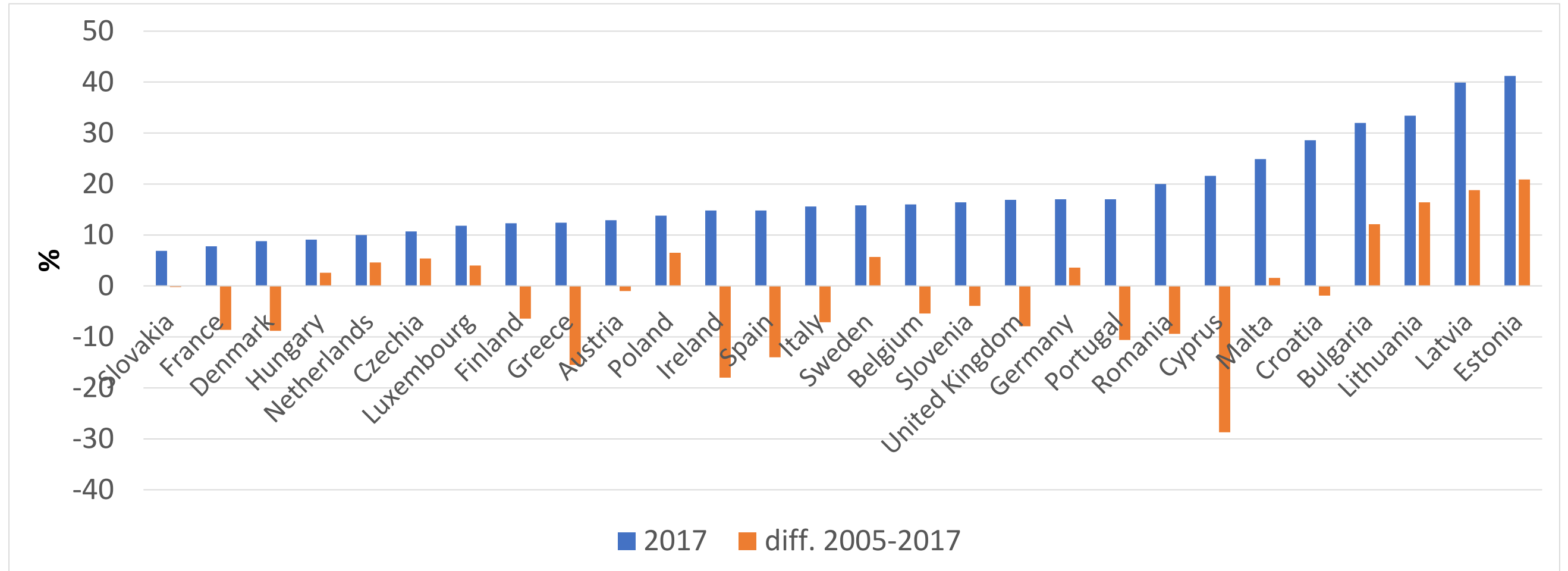
# At-Risk-of-Poverty rate EU (65+)



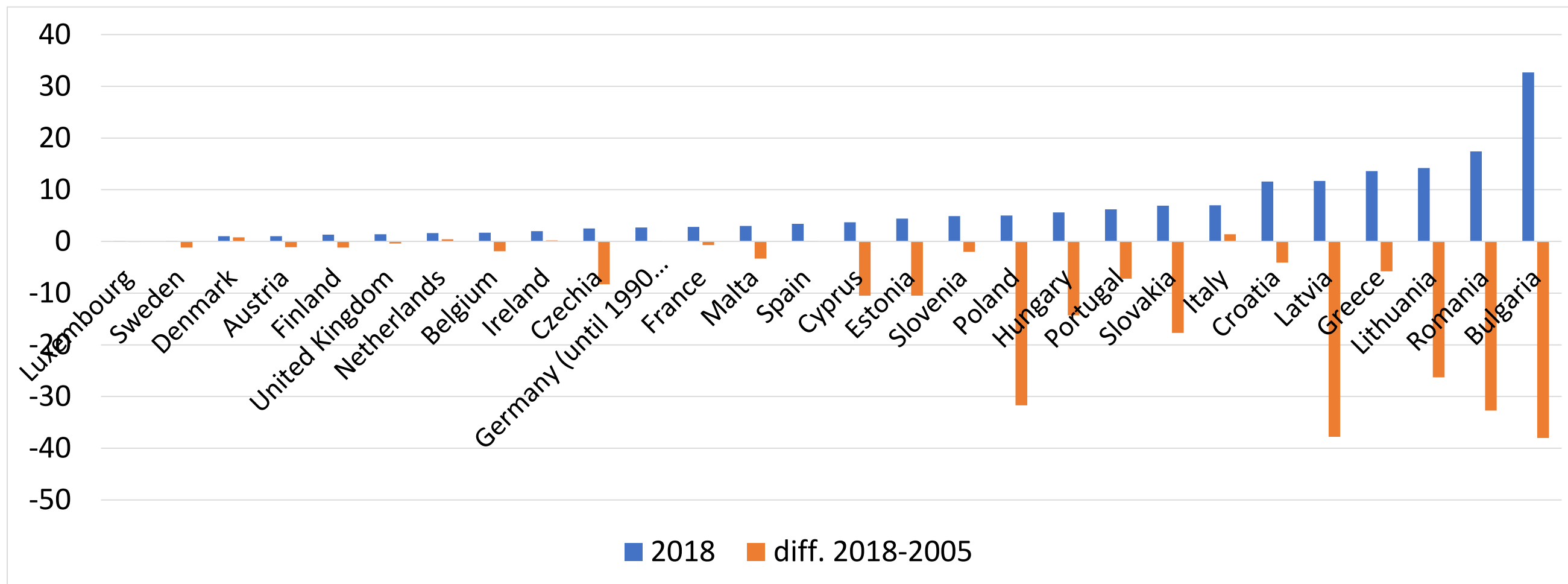
# At-risk-of-poverty rate 65, by Member State



# At-risk-of-poverty rate (65+), level and evolution by Member State 2005-2017

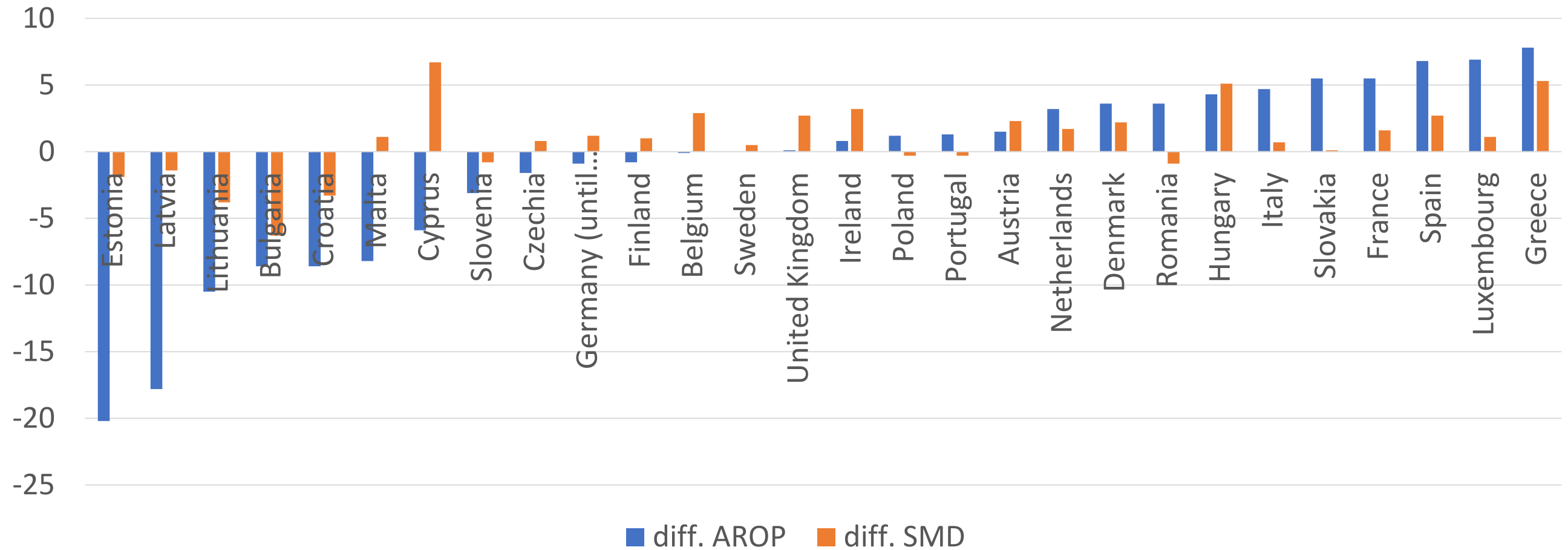


# Severe Material deprivation rate (65+), level and evolution by Member State, 2005-2018

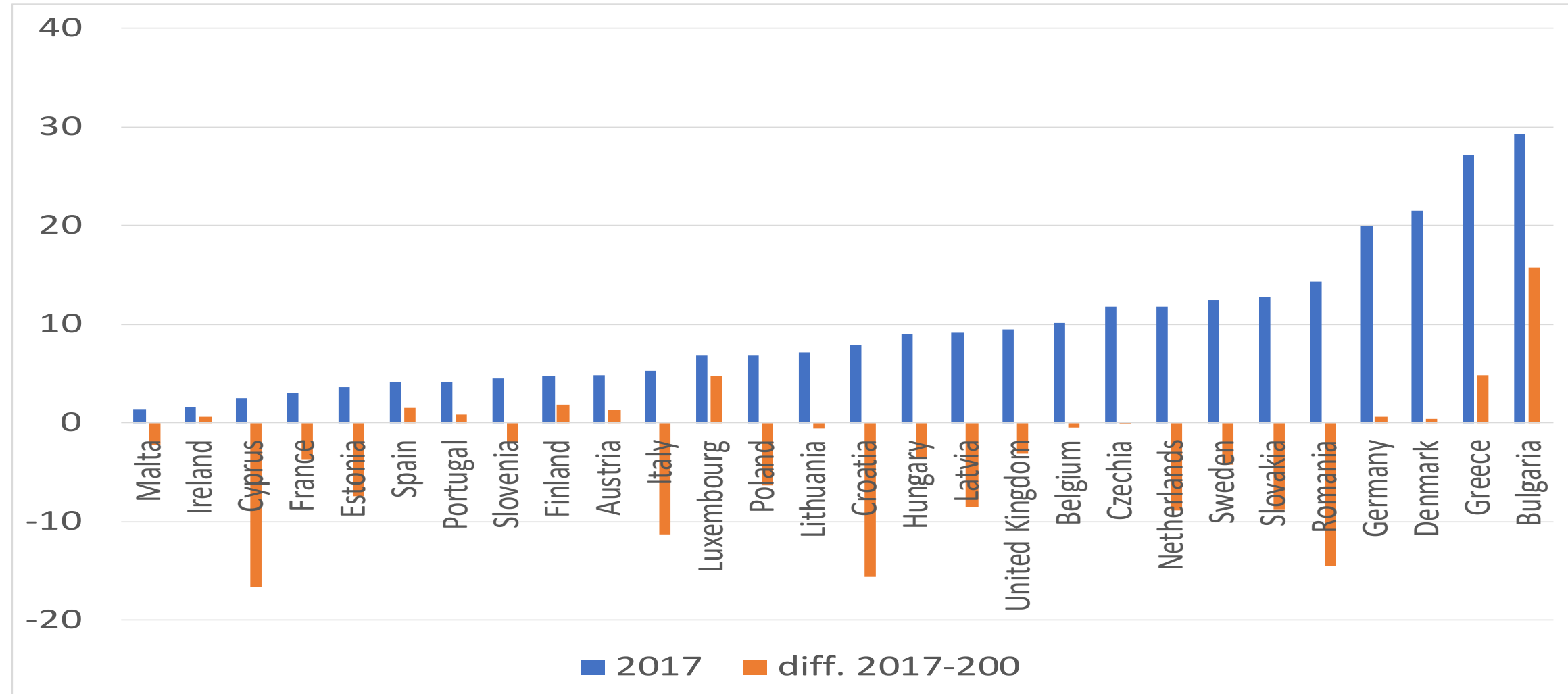


# Relative position of the elderly by Member State

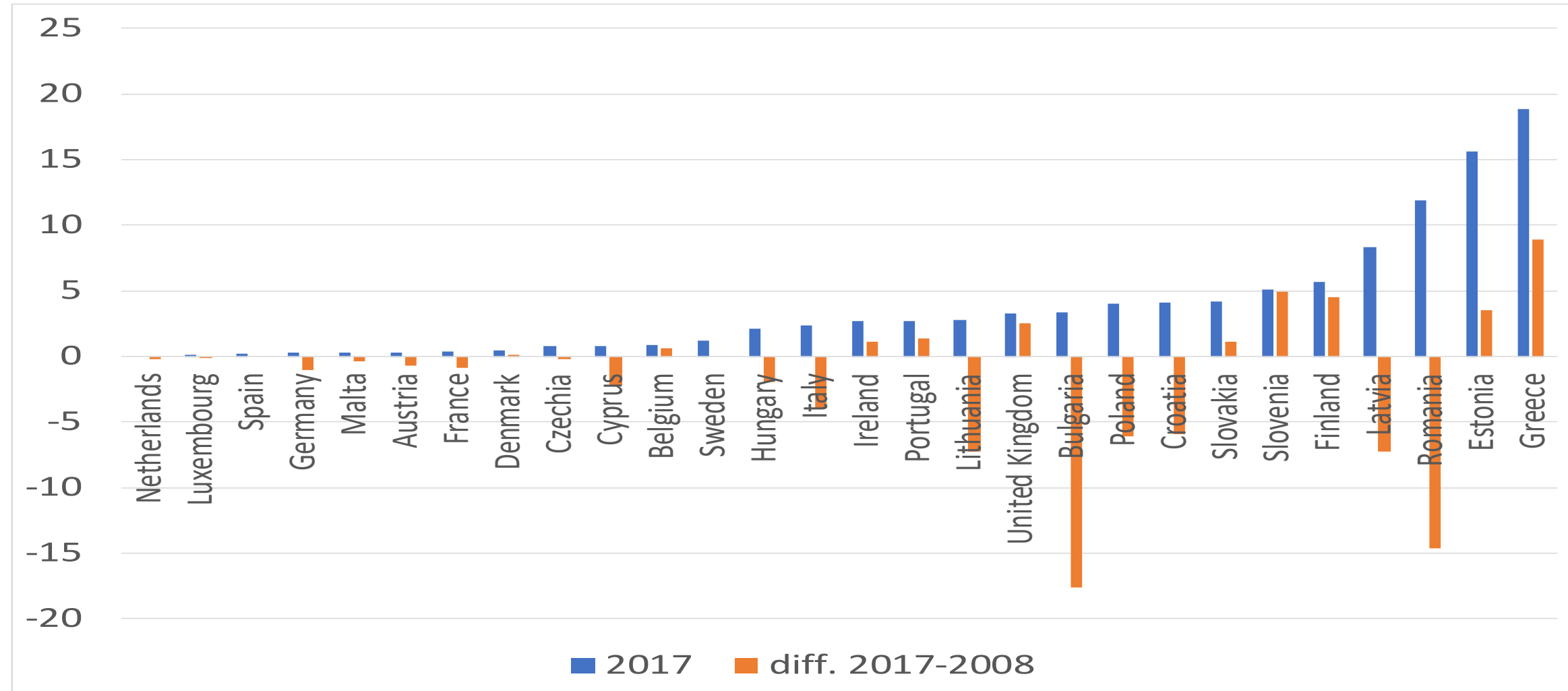
## total AROP/SMD rate – AROP/SMD rate of elderly



# Housing cost overburden rate (65+), levels and changes 2005-2017 by Member State

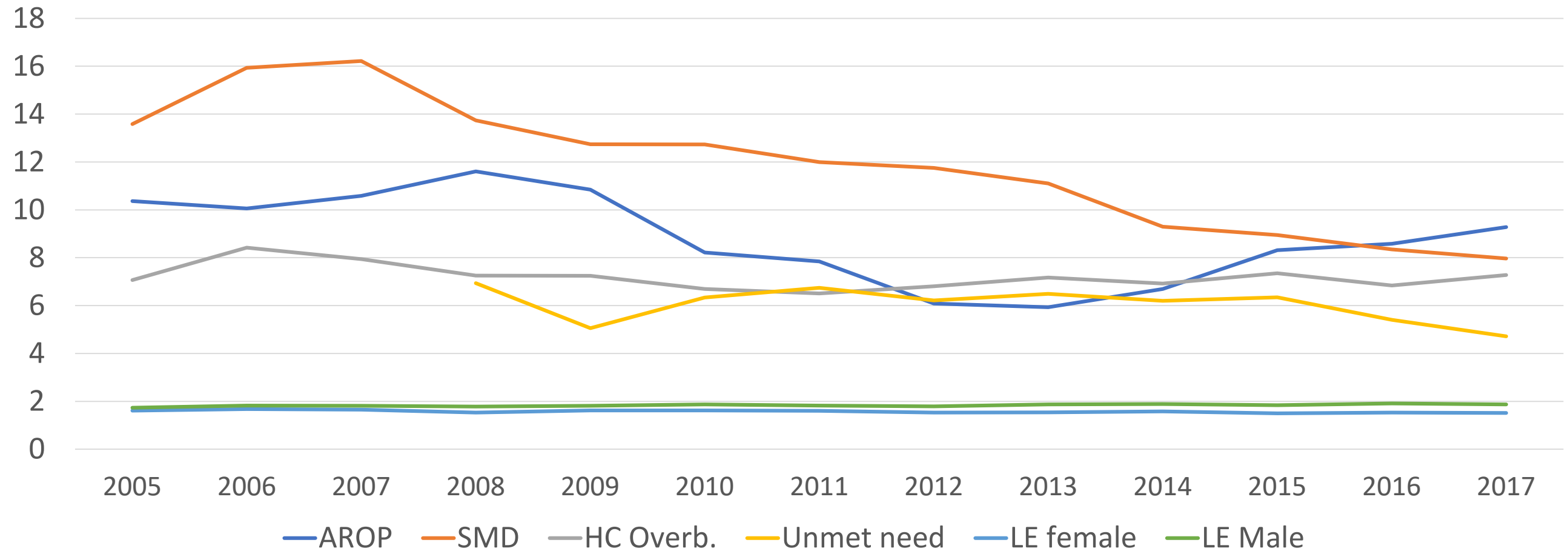


# Unmet need for medical care rate (65+), levels and changes 2008-2017 by Member State



# Convergence in living standards?

Evolution of standard deviation of levels for some indicators





# Some conclusions on differences between Member States

- Large differences remain on most indicators between MS
- Some MS consistent unfavourable scores
- Situation of elderly not in all MS better than other age groups
- Overall improvement of living conditions does not seem to have been accompanied with systematic reduction of differences between MS ...
- ... Except for material deprivation

# Gaps in monitoring capacity

- Institutionalized population not represented in surveys
- (EU-SILC) Sample size limitations: Limited possibilities to look at specific groups within elderly population (eg migrant population, former employment status)
- Wealth
- Effective empirical replacement rates
- Modeling future trends on distribution (poverty)
- Other aspects of living conditions (Long term care, in-kind benefits)
- Specific Material and Social Deprivation indicator?

Thank You!