OLDER PEOPLE IN EUROPE: SOCIAL AND ECONOMIC POLICIES

The 1993 Report of the European Observatory

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This report was produced by independent experts, and should not be taken to represent the views of the European Commission.

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Alan Walker
Chairperson of the Observatory

CHAPTER 1

INTRODUCTION

Alan Walker

At the turn of the century in an imaginary average European city one would have expected to encounter a person aged 65 and over one in every twenty people, this year it would be one in every seven and by 2020 it will be one in every five. Moreover, today those aged 75 and over comprise one in fifteen persons, by 2020 it will be nearly one in ten. While it is becoming commonplace to observe that Europe is ageing fast and while there is ample political rhetoric concerning the 'burdens' of an ageing population, the impact on national policies of this momentous change has yet to be subjected to detailed scrutiny at the European level. What are the policy implications of this transformation in the age structure of European society? What are national governments doing in response to this change? And what impact are their social and economic policies having on older people themselves? These are the sorts of questions this report sets out to answer. It is the second report prepared by the EC's Observatory on Older People.

This brief introduction is intended to provide a context for the detailed syntheses that follow by outlining the nature and organisation of the Observatory and then by describing the changing demographic structure of the EC.

1.1 THE EC'S OBSERVATORY ON OLDER PEOPLE

The Observatory on Older People was created to monitor the impact of social and economic policies on older people within each member state. By doing so it is intended to assist the Commission in sharing knowledge between countries about the impact of different policies on older people and to create an EC wide picture of the social and economic conditions of this group of citizens. Thus, in the spirit of the subsidiarity principle, the work of the Observatory is strictly confined to areas that are beyond the scope of national action alone. Essentially its role is to help the

Commission in gaining 'added value' from Community membership for the twelve member states. By obtaining authoritative reports from each country, synthesising their findings and disseminating them widely the Observatory hopes to make a significant contribution to the development of policies on older people in the member states, as well as to the level and quality of the information each has about policy and practice in the other eleven. This may, in turn, contribute to some convergence in national policies.

The Observatory was established at the beginning of 1991 following a decision by the EC Council of Ministers on 26 November 1990 (91/49/EEC) to institute a programme of 'Actions for the Elderly'. Thus, uniquely, this Observatory was mandated by a Council decision. There were four main factors underlying the creation of the Observatory: the significant demographic developments over the 33 years since the Treaty of Rome in 1957; the general desire to promote solidarity between generations and to integrate older people more fully into society; the demands for action with regard to older people by the European Parliament and the various commitments concerning this group given in the Social Charter (especially paragraphs 24 and 25). The Observatory forms part of a wider programme of actions, running from 1 January 1991 to 31 December 1993, including information exchanges, meetings, seminars and conferences; a network of innovatory projects; cross-national research studies; and the designation of 1993 as the European Year of the Elderly and Solidarity Between the Generations. Its role in the context of this action programme is the scientific monitoring of the impact of social and economic policies on older people.

1.2 RESEARCH AGENDA OF THE OBSERVATORY

The Council decision of November 1990 specifically charged the Commission with monitoring and exchanging information concerning demographic trends and their impact on social protection and health systems; measures aimed at improving the mobility of older people and their ability to lead an independent life; measures to strengthen solidarity between generations and promote the positive contribution of older people to economic and social life; and the economic and social integration of older people, including their income.

In discussions with the Commission it was decided that, to fulfil the objectives laid down for the Observatory, its research and monitoring activity should be concentrated on four specific topics: living standards and way of life, employment and the labour market, health and social care, and the social integration of older people in both formal and informal settings. These were the four subject areas covered in the preliminary report published in 1991. This year, the European Year of the Elderly and Solidarity Between the Generations, the Observatory has produced two separate reports of which this is the first. This report, on social and economic policies, covers three of the four topics in our brief and the second report will cover the fourth topic, social integration.

This report updates and extends the material available in the Observatory's 'initial overview' (Walker, Guillemard and Alber, 1991) and supersedes it in all respects. The second one on social integration will represent a baseline assessment of the degree of integration of older people in the social, economic and political lives of their respective countries. Both reports were listed in the Council Decision of 24 June 1992 as key elements of the publication programme for the European Year. The objectives of the year set out in that Council Decision: to highlight the Community's social dimension; to heighten society's awareness of the situation of the elderly, the challenges resulting from present and future demographic developments and the consequences of an ageing population for all Community policies; to promote reflection and discussion on the types of change required in order to deal with this situation and these developments; to promote the principle of solidarity between generations; and to involve the elderly more in the process of Community integration. The Observatory's 1993 reports are intended to make a substantial contribution to the achievement of these objectives and, by doing so, to the success of the European Year.

1.3 ORGANISATION OF THE OBSERVATORY

The Observatory comprises a network of twelve independent scientific experts, one from each member state. They collect and analyse extant national data, including official statistics, policy documents, legislation, parliamentary reports following guidelines established by the coordinators - Jens Alber, Anne-Marie Guillemard and myself as Chairperson - and developed in discussions of the full Observatory. The coordinators are then responsible for synthesising the information contained in the national reports and preparing an overview. Thus overviews such as this are not intended to be reviews of current research, they are derived almost entirely from the reports produced by the national experts which, in turn, are meant to be 'state of the art' summaries of the key policy issues in each member state.

The Observatory is a genuinely collaborative venture linking all twelve member states. Its research output is unique - there has been no similar previous venture in this field that is so comprehensive in its coverage of topics and EC countries. The national reports represent important sources of reference for further research - only a flavour of which can be gained from this overview - and accordingly they are also being published at the same time as this report. (The names of the authors of the national report can be found at the end of this introduction.) These reports are warmly recommended to anyone with an interest in the detailed information on the living conditions, employment and health and social care of older people in the separate member states. Together this body of work represents the most comprehensive picture available so far of the social and economic conditions of older citizens in the different EC countries.

Because the Observatory was established as part of the EC's Programme of Actions on the Elderly its timetable has been determined by the needs of the wider programme. In particular the Observatory had to be set up and its first report delivered within the space of only 6 months. This enormous haste entailed the loss of one country (Italy) and the preparation of a brief and rather superficial preliminary report. Although this next phase of our work has been geared towards the European Year the timetable has been more relaxed and not only is there, happily, a full complement of countries but also the research on which this overview is based is considerably more detailed.

The Observatory has been fortunate in developing a close working relationship with the statistical office of the EC and Bettina Knauth has attended several of our meetings. It is hoped that this collaboration will result in the improvement of the Commission's statistical information on older people. Links have also been made with some statistical offices at national level.

National experts have been encouraged to circulate their draft reports as widely as possible within their own national scientific communities as well as showing them to members of the Advisory Group. In one case, Portugal, Heloisa Perista's draft formed the basis for a fruitful discussion among that country's leading experts. This is a practice that we hope to extend to other countries in future so that the Observatory becomes the hub of a much wider network of researchers in the field of social and economic policies with regard to ageing and, in turn, the Community is able to gain the benefit of being linked to a more extensive network of researchers in the member states.

1.4 METHODOLOGY

The Observatory is charged with analysing the impact of social and economic policies on older people. To make this broad remit more manageable it was delineated into the four topics outlined above in section 1.2. Obviously this is still a massive field to cover on a comparative basis across twelve countries. It would be a tough task even if the national statistical and administrative information systems in each member state were aligned, but unfortunately they are not. The Observatory, like any similarly large scale comparative venture, faces the enormous barrier of the incomparability of many national data sets. This problem is compounded by the rudimentary nature of the statistics available in some countries. Therefore in some cases we are forced to rely on aggregate EC data and in others there is no alternative but to exclude certain countries. This is a particular problem with regard to data on living standards and the implications are discussed in chapter 2.

The detailed guidelines for the preparation of national reports specified those issues on which national statistical data should be used and those where smaller-scale survey research would be appropriate. But it was not always possible for national experts to maintain this distinction. The bottom line was that if reliable (i.e. scientifically valid) information was available it should be included.

For the most part the national reports are concerned with the aggregate national picture but, in some cases such as Belgium, Germany, Italy and the UK it is necessary to point to internal differences between regions. Where there are such differences in the social and economic circumstances of older people within countries these have been noted and the rural/urban distinction figures particularly prominently.

The term policy is central to the Observatory's work, but it is by no means unambiguous. In the literature on social policy it is often applied exclusively to the public sector. There are a number of problems associated with this narrow focus (Walker, 1981). In particular it has the effect of obscuring institutions and groups whose policies may be just as significant as those of the state. In this field, for example, occupational pensions and the voluntary or private care sectors may be as important as public provision. Therefore, although much of what is discussed in this report relates to the policies of national and regional governments, these are not our sole concern. The main focus is on those social and economic policies that have an impact on older people, regardless of the sector from which they originate.

1.5 THE DEMOGRAPHIC CONTEXT

The European Community is an ageing community. There are more than 60 million older people (aged 60 and over) in the EC, representing just under one in five of the population. Nearly one-third of the Community's population and one-fifth of the labour force are over the age of 50. By the year 2000 older people will comprise more than one-fifth of the population and, by 2020, they will represent more than one-quarter (see table 1.1).

Also, as the population of each member state ages it becomes increasingly feminised. Among those aged 45-49 in the Community as a whole the numbers of men and women are roughly equal, at the ages 70-74 there are 4 women for every 3 men, at 80-84 there are 2 women for every man and by the ages of 95 and over the ratio is more than 3 to 1. There are quite wide variations in sex ratios between member states, particularly in the oldest group (95+). For example the female/male ratio in France and the UK is greater than 5 to 1 while in Denmark, the Netherlands and Spain it is around 3 to 1 and in Greece it is nearly 2 to 1.

Table 1.1 The Older Population in 1990 and 2020 as a Percent of the Total Population

		B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12
1990[1]	50+	32.0	30.8	34.1	32.8	29.6	29.7	23.6	32.4	31.1	27.4	29.2	31.2	31.3
	60+	20.4	20.3	20.8	19.4	18.5	19.1	15.1	20.2	19.1	17.2	18.2	20.7	19.7
	65+	14.7	15.5	15.3	13.7	13.2	14.0	11.3	14.4	13.3	12.8	13.2	15.6	14.4
	75+	6.6	6.9	7.4	6.0	5.4	6.8	4.4	6.3	6.0	5.3	5.3	6.8	6.5
	85+	1.4	1.4	1.4	1.0	1.0	1.5	0.7	1.1	1.1	1.1	0.8	1.5	1.3
2020	50+	43.5	40.4	47.1	40.2	41.1	39.5	36.5	46.8	42.0	40.5	41.0	38.0	42.2
	60+	28.2	25.8	29.7	26.0	24.9	26.1	22.9	29.9	26.8	25.2	25.5	23.9	26.7
	65+	20.8	19.5	22.2	19.9	18.3	19.7	16.6	22.8	19.3	18.6	18.8	27.6	20.0
	75+	9.1	8.2	10.6	9.2	7.9	8.2	6.1	10.7	8.2	7.4	8.7	12.4	8.9
	85+	2.8	2.0	2.5	5.5	2.1	2.4	1.3	2.8	2.1	1.9	2.8	3.6	2.4

Note: 1991 data incomplete.
Source: Eurostat.

Table 1.2 Total Fertility Rates 1960-1990

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK[1]	EUR 12
1960	2.58	2.54	2.37	2.28	2.86	2.73	3.76	2.41	2.28	3.12	3.01	2.69	2.63
1970	2.20	1.95	2.02	2.34	2.84	2.48	3.87	2.43	1.97	2.57	2.76	2.44	2.45
1980	1.67	1.55	1.45	2.23	2.22	1.95	3.23	1.69	1.50	1.60	2.19	1.89	1.87
1990[2]	1.58	1.68	1.40	1.45	1.36	1.78	2.17	1.31	1.60	1.62	1.50	1.84	1.59

Notes: 1. Before 1975 Great Britain only.
2. 1989 for Belgium and Denmark.

Source: Eurostat

The transformation in the age structure of the population is taking place within a remarkably short time period. Although there are variations between EC countries in the precise influence of each of the various factors contributing to this change, and some special factors such as the impact of migration in the case of Greece, the two main ones are declining fertility and mortality rates as tables 1.2 and 1.3 show.

Table 1.3 Expectation of Life at Birth 1950-1990[1]

		B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR 12
Men	1950	62.0	69.8	64.6	63.4	59.8	62.9	64.5	63.7	63.4	70.6	56.4	66.2	-
	1960	67.7	70.4	66.9	67.3	67.4	66.9	68.1	67.2	66.5	71.5	61.2	67.9	67.3
	1970	67.8	70.1	67.4	70.1	69.2	68.4	68.8	69.0	67.1	70.7	64.2	68.7	68.5
	1980	70.0	71.4	70.2	72.2	72.5	70.2	70.1	70.6	69.1	72.7	67.7	70.2	70.7
	1990	72.7	72.0	72.6	74.2	73.4	72.8	71.9	73.2	72.3	73.8	70.2	72.9	72.7
Women	1950	67.3	72.6	68.5	66.7	64.3	68.5	67.1	67.2	68.2	72.9	61.6	71.2	-
	1960	73.5	74.4	72.4	70.4	72.2	73.6	71.9	72.3	72.2	75.3	66.9	73.7	72.7
	1970	74.2	75.9	73.8	73.6	74.8	75.9	73.5	74.9	73.4	76.5	70.8	75.0	74.8
	1980	76.8	77.2	76.9	76.6	78.6	78.4	75.6	77.4	75.9	79.3	75.2	76.2	77.4
	1990	79.4	77.7	79.0	79.5	80.1	81.0	77.4	79.7	78.5	80.1	77..3	78.5	79.3

<u>Note:</u> 1. There is some slight variation between countries in the precise years recorded.

Source: Eurostat

1.6 POLICY ISSUES

While the member states of the Community may view with pride the emergence of more balanced age structures among their populations, this change and the pace at which it is taking place raises a number of important policy issues. For example population ageing is posing a challenge to policy makers in member states because retirement or old age pensions are already the largest item in their social security budgets. This is particularly the case for those countries that have previously instituted major reforms to public pensions are are now facing the twin financial implications of population ageing and pension system maturation. Moreover at a time of economic recession concerns about the financial stability of pensions and wider social security systems inevitably become more urgent.

The health services of member states can claim considerable credit for the decline in mortality over the last thirty years. In some countries life expectancy has increased significantly as a result - by 10 years for women in France, Italy and Spain. However this success, particularly the fall in mortality rates among older people themselves, has increased the demand for health and social care. The rapid increase in the numbers of very elderly people (mainly women) also has important implications for the provision of care both informally, by families, and formally, by the public, private or voluntary sectors. The issue of how to provide care for increasing numbers of frail older people (albeit a minority of all older persons) is one that is currently confronting all governments and millions of ordinary families throughout the Community.

Over the last 20 years there has been an accelerating trend towards early labour force exit among older workers. In several member countries this has been encouraged by public policy in response to rising unemployment. Now some states are facing the problem of how to reverse this trend in order to compensate for a fall in the supply of young labour market entrants or to reduce the cost of early retirement.

Population ageing also presents important challenges to the social cohesion of member states and the Community as a whole. The main issue here is the extent to which the rapid changes in the age structure of populations can be managed in ways that maintain the relatively high levels of intergenerational solidarity in EC countries and which also ensure the continuance of social integration among older people and their families.

These are the four sets of policy issues that the Observatory is concentrating on, the first three of which are the subject of the analyses in this report. Underlying all of these issues are the profound changes taking place in the experience and meaning of old age in late twentieth century society. The retirement 'right of passage' as the main gateway to (and definition of) old age is being displaced by more varied or 'disorderly' forms of labour force exit. At the same time, with increased longevity, older people are living longer and healthier old ages, requiring minimal family and social services support until the onset of disability and frailty. These changes in age structure, health and patterns of employment are transforming the nature of old age and are beginning to pose new questions about the roles of older people in society and how far policy systems have adjusted to socio-demographic change. Thus the key policy issue facing all member states is how far will older people be enabled to actively participate in the lives of their local, national and international communities - as workers, consumers, volunteers, political actors and so on - and thereby realise their full potential as EC citizens?

1.7 PLAN OF REPORT

The three main chapters of this overview contain the detailed syntheses of the material provided in the national reports. Chapter 2 covers living standards and way of life, chapter 3 employment and the labour market and chapter 4 health and social care.

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CHAPTER 2

LIVING STANDARDS AND WAY OF LIFE

Alan Walker

2.1 INTRODUCTION TO THE KEY ISSUES

This chapter is concerned with policies that determine the incomes, living standards and housing conditions of older people. It commences with a description of the sources of income in old age in different countries, then goes on to analyse the main convergent and divergent policy trends to emerge from the national reports and, finally, discusses the future prospects for pensioners' living standards.

Although there are wide variations in living conditions among pensioners in different parts of the EC, the problems faced by older people and many of the policy responses to them by the member states display various similarities and convergent trends. There are also divergencies, particularly in the scale of the problems faced by older people, in pension systems, in the level of priority given to older people by policy makers and in the degree of success in tackling their problems. The most important policy issues concerning the living conditions and way of life of pensioners are:

i) the rising living standards of older people, particularly the younger elderly (50-74) or the age group now commonly referred to as the 'third age';
ii) the persistence of poverty and low incomes among a significant minority in most countries, together with an increased feminisation of poverty in old age;
iii) the growth of inequalities in income between pensioners, sometimes resulting from income maintenance and pension policies themselves, with gender and generational inequalities being particularly pronounced;
iv) new developments in pension policy, including the growth of the private pensions sector in a majority of countries;

v) increasing proportions of older people living alone, giving rise in some cases to problems of isolation and loneliness;

vi) poor housing conditions among a significant minority in most countries and the development of progressive housing policies in some.

2.2 DEFICIENCIES IN NATIONAL STATISTICS

In addition to these issues there is a serious question concerning the lack of sound statistical knowledge about the incomes and living standards of older people that has been brought to light as a by-product of the preparation of national reports. Virtually every national expert has commented on the lack of detailed information on living standards and the absence of up-to-date figures. This is a particular problem in the southern states but it also affects northern ones as well, with the possible exception of Luxembourg. For example the author of the German report comment that 'figures on the actual income situation of older people are unfortunately in scarce supply. The official statistics do not provide the relevant information on a regular basis' (Alber, 1992, p.24). A contributory factor is the complexity of pension systems in some countries. Data on wealth are particularly difficult to obtain and therefore, regretfully, this issue is not analysed in this report.

This widespread deficiency in official statistics and independent research evidence about the living standards of older people has important policy implications, not least because it suggests that the policy systems of member states do not have access to the information necessary to make informed judgements in this field. If this is indeed the case it is a serious matter. Policy makers cannot be expected to fulfil their duty to establish priorities among the various demands on resources without adequate objective information about the social and economic conditions and needs of citizens. There is a particularly urgent need in the southern states to generate reliable information about the social conditions of older people. For example in Greece the economic status of this group has never been subjected to a special inquiry.

Two countries, France and Luxembourg, have taken active steps to try to improve their statistical bases for policy making. The Service for Statistics, Studies and Information Systems of the French Ministry of Social Affairs conducted a huge operation, in 1988, to improve knowledge about pensions. As part of its major social policy offensive initiated in 1989 the Luxembourg government, which already has access to what must be the most comprehensive databases in the Community through the Centre for the Study of Populations, Poverty and Socio-Economic Policy, has set in train two research programmes on social security. Firstly there is a comparison of pension levels internationally and an intersectoral study of the evolution of wages and salaries in the private and public sectors. Secondly there is a detailed statistical analysis of the level of pensions in the private sector in order to determine the exact value of very low pensions and to study the reasons for this. These are small but important steps towards creating a sounder knowledge base for the formation of social and economic policies with regard to older people, but this does not seem to have been given the priority it deserves in the majority of member states.

2.3 SOURCES OF INCOME AND THE ROLE OF THE STATE

In all industrial societies retirement income is built on four pillars: a basic pension provided by the state together with other social security income; a supplementary occupational pension; personal savings and employment income (Reday-Mulvey, 1990). It is the rights of access to these different sources of income and, of course, the levels at which they are provided that determine the economic security of older people. Thus economic security in old age is primarily a function of the interaction of socio-economic status during working life and the pension system that has been developed in a particular country.

Among EC countries the fourth pillar, employment income, plays a relatively small part, though there are considerable variations, as Table 2.1 shows. (At first glance the north-south axis may seem an important source of these variations but data for Greece [not shown because they are not fully comparable] indicate that pensions [public mainly] account for nearly 90 per cent of the income of people aged 60 and over, while wages and salaries make up less than 2 per cent). Moreover in discussions about the future of

Table 2.1 Sources of Income of Retired Persons' Households (A) Compared with the Total Households (B) in Selected EC Countries (Percentages)

Sources of income:	DENMARK		GERMANY		IRELAND		ITALY		LUXEMBOURG		NETHERLANDS		PORTUGAL		UK	
	A[3]	B	A[4]	B	A[5]	B	A	B	A[4]	B	A[7]	B[8]	A	B	A	B
Salaries, wages[1]	6	78	20	73	9	74	0.2	59	5.8	74.9	13	84	24	61	8	70
Public pensions, social security and other transfers[2]	57	14	71	22	53	18	97	38	92.8	24.4	52	14	49	13	51	15
Occupational/private pensions	10	2			26	3			0	0	23	1	0	0	23	8
Savings, investment property	12	4	9	6	6	2	1	0.7	1	0.3	11	0	5	4	18	8
Other	15	2	0	0	6	3	1	2	0.4	0.4	0	0	22	22	0	0
Total[9]	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

Notes:
1. Includes income from self-employment and profits.
2. Includes early retirement allowances.
3. By head of household (73 per cent old age pensioners, 15 per cent under 60).
4. Social Insurance pensioners.
5. Retired head with spouse/children.
6. Retired persons 1989.
7. 65 and over.
8. 35-49 years of age.
9. Total not always 100 because of rounding.

Sources: National Reports: Denmark, Germany, Ireland, Italy, Luxembourg, Netherlands, Portugal, UK.

pension systems, the idea of extending the portion of the older population that remains economically active, either in full or part-time employment, is a prominent issue and some recent policy developments have begun to reflect this (see section 2.10). As well as variations in the sources of pensioner income between countries there are differences within the mbased primarily on age, as the following table shows for the Netherlands. (Variations according to gender are also expected but no data are available.)

Table 2.2 Sources of Aggregate Household Income According to Age of Head, Netherlands 1985 (Percentages)

	Age of Head of Household				
Sources of Income	50-64	65-69	70-74	75-59	80+
Salaries, wages	67	21	14	10	7
Social Security					
- Social assistance, unemployment	5	2	2	2	2
- Old Age Pension, disability	15	43	50	54	58
Occupational, private pension	11	27	24	21	20
Investment, property	2	7	10	13	13
Total	100	100	100	100	100

Source: Netherlands National Report

Table 2.2 shows a pattern familiar in all EC countries: as people cross the third age threshold of 50 they become progressively less reliant on salaries and wages and more reliant on pensions with national pension ages still being a significant dividing line even though a diminishing one (see chapter 3). In particular there is a close relationship between old age and the receipt of income from the state, and the older the person the higher the proportion of income they are likely to receive from the state. This places the state in a special relationship with older people and emphasises the vital importance of public policy in determining the living standards of this group. In other words the incomes of older people are particularly sensitive to changes in public pensions and other social security policies.

Two examples may help to underline the importance of the state with regard to the living standards of older people. In Luxembourg, in 1985 (before the improvements in the guaranteed minimum income in 1986 and pensions in 1987 and 1991) 56 per cent of households containing one older person or more had incomes above the poverty threshold due to the contribution of social security transfers. This proportion rose to 73 per cent among single older person households and to 83 per cent for those consisting of two older people. In comparison the figure for economically active households was 9 per cent. Another example of the sensitivity of pensioners' incomes to changes in public policy is provided by the Netherlands. Between 1975 and 1979 the value of public pensions were increased at twice the rate of increase in earnings (10 per cent compared with 5 per cent). However after 1979 this policy was reversed and, as a result, by 1989 the purchasing power of the pension was 2 per cent below its 1975 level while average earnings were 5 per cent higher in real terms.

2.4 PENSION SYSTEMS IN EC COUNTRIES

In the EC the main source of pensioners' income is the public pension system. These pension systems derive from different ideological, political, administrative, historical and cultural antecedents and, not surprisingly, these different routes to modern income maintenance provision for older people have produced wide systemic variations. There are at least four different social policy traditions underlying EC pension systems: the universal welfare model of Scandinavia; the institutional or occupational welfare system associated with Bismarck; the Anglo-Saxon or Beveridge residual model of welfare, in which pension entitlement is determined by contributions; and the more rudimentary or formative welfare systems of the southern 'latin rim' states (Leibfried, 1992).

These sorts of variations in welfare tradition and policy make convergence perhaps even more surprising than divergence. Nonetheless it is possible to identify various common elements in pension systems. In most countries there are two tiers of pensions: the basic statutory pension schemes and the supplementary or complementary ones. As far as the basic statutory schemes are concerned there are two systems in operation: flat-rate, as in Denmark, Ireland, the Netherlands and the UK, and earnings-related, as in the rest of the EC. It is often said that the distinction between these two types of basic pension schemes is that the flat-rate ones are aimed at combating poverty while the earning-related schemes are concerned with the maintenance of living standards. However, the actual outcomes do not seem to bear out this theoretical dichotomy (section 2.5).

Having drawn a simple distinction between these two systems it is essential to complicate matters by pointing out that there are considerable variations within them in the qualifying conditions for receipt of a pension and in the formulae used to calculate the earnings-related pension. As the details of these variations are set out in full in other EC publications (see especially MISSOC, 1992) there is no need to dwell on them here. However it is important to note the key difference between the qualification conditions for receipt of a pension in Denmark and the Netherlands and those of other EC countries, be they flat-rate schemes resting on insurance contribution records, as in Ireland and the UK; peak earnings calculations, as in France and Portugal; average earnings calculations as in Belgium, Germany, Greece and Luxembourg; or as in Italy and Spain earnings over the final five and eight years respectively. In Denmark and the Netherlands the receipt of a pension depends solely on citizenship. This difference has major policy implications, which are spelt out in section 2.9. Ireland occupies something of a hybrid position: although insurance is the main determinant of pension eligibility, Ireland also has a non-contributory means tested pension, and it is responsible for some 38 per cent of all social security expenditure on older people.

Furthermore the distinction between statutory flat-rate and earnings-related pensions schemes has been blurred as second tier earnings-related pensions schemes have been built on top of the basic ones. Therefore, in order to gain a clearer picture of pension provision in the EC, it is is necessary to examine the two approaches in combination. As Table 2.3 shows, the main difference between supplementary pension schemes are that some are compulsory and some voluntary. The UK stands out as being the only one to have a statutory scheme that applies to all employees, though recent policy developments in the UK have increased contracting out and Denmark is moving in a similar direction (see below section 2.9).

So, the dominant pension model in the EC couples an earnings-related basic pension scheme with a voluntary occupational one. In all EC countries questions are being raised about the cost implications of population ageing for statutory pension schemes and in a majority of countries the private pension sector has grown in importance in recent years. These issues are discussed in section 2.10, but for the present and foreseeable future public pensions remain the dominant source of income in old age.

Having outlined the main sources of income for older people and the crucial role of public policy in this field the main focus of the chapter is directed at evaluating the success of the various pension systems in promoting economic security among this group of EC citizens.

Table 2.3 Typology of Basic and Supplementary Pension Schemes

	Supplementary Pension scheme		
Basic (statutory) pension scheme	Compulsory statutory scheme (earnings related)[1]	Compulsory ocupational pension scheme statutory or by collective agreement	Voluntary occupational pension scheme
Flat-rate	UK	Denmark Netherlands (partly)	Ireland Netherlands (partly) (Denmark) (UK)
Earnings Related		France Italy	Belgium Germany Greece Luxembourg Portugal Spain

Note: 1. With the possibility of contracting out into an occupational scheme.

Source: Derived from Schmähl (1991) p.48.

2.5 THE EC GOAL OF ECONOMIC SECURITY IN OLD AGE

Economic or financial security is the primary determinant of whether older people are able to participate in the customary roles and relationships of the societies in which they live or, in short, whether or not they are fully integrated into their society. The importance of financial security to the achievement of full European citizenship on the part of older people has been recognised by the Community in its Charter of the Fundamental Social Rights of Workers, adopted at the Strasbourg European Council, on 9 December 1989, by eleven member states and recently reaffirmed in the Council Recommendation, of 27 July 1992, on the convergence of social protection objectives and policies (92/442/EEC). Paragraphs 24 and 25 of the Charter state that:-

> 24. Every worker of the European Community must, at the time of retirement, be able to enjoy resources affording him or her a decent standard of living.
>
> 25. Every person who has reached retirement age but who is not entitled to a pension or who does not have other means of subsistence must be entitled to sufficient resrouces and to medical and social assistance specifically suited to his needs.

These two paragraphs provide a basis for evaluating the effectiveness of pension and related social protection policies in EC countries (though, it must be said, that in the absence of the Charter the same measures would normally be used by social scientists to assess the relative living standards of older people). The first paragraph concerns the levels of old age pensions while the second refers to the minimum levels of resources or social assistance available in each country. The efficiency of the former may be assessed by reference to a range of indicators, including replacement ratios and the level of protection against poverty offered to retired workers, while the latter must be judged according to the relative position of pensioners to some standard of sufficiency or poverty. A detailed assessment of sufficiency is beyond the scope of the Observatory but we can monitor the degree of effectiveness of national pensions and social security systems in protecting the income levels of retired people and in ensuring economic security and freedom from poverty in old age.

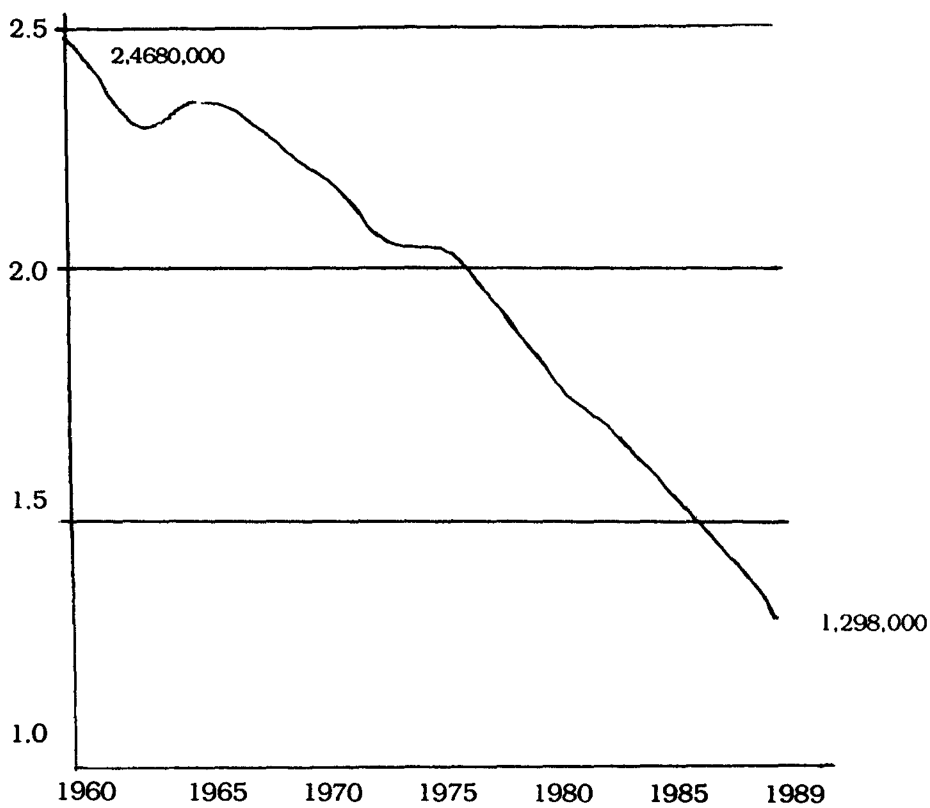
2.6 RISING LIVING STANDARDS AMONG OLDER PEOPLE

National reports indicate that, in the majority of countries, the living standards of older people have risen in recent years along with those of the population as a whole. This suggests that economic and social policies have had some measure of success in raising the incomes of older people. However on closer scrutiny this progressive development is seen to derive from different factors in different countries and to be uneven in its impact on the older population, therefore it is not possible to state unequivocally that the economic and social policies of all member states have specifically targetted older people for improvement in living standards or that such policies have been universally beneficial.

In some cases rising living standards are the direct result of positive action by governments to improve the position of older people. For example the French government has actively sought to raise the incomes of older people, regardless of their previous careers, by extending the coverage of the social assistance system. Also in the 1980s retirement pensions were indexed to net wages or prices, whichever is higher, so that they are tied to rises in general living standards. As a result there has been a steep decline in the number of beneficiaries of the minimum pension (minimum vieillesse) over the last 30 years. In fact, as the graph shows, the numbers in receipt of the National Solidarity Fund (FNS) (which comprises the minimum pension plus social assistance) have virtually halved since 1960, a decline that is all the more remarkable given the increase in the numbers of older people and the 40 per cent uprating of the minimum that took place in 1981. In 1989 only 15 per cent of people aged 65 and over received allowances from the FNS. In comparison other EC countries, such as Belgium, Greece, Italy and Luxembourg, have seen rises (some slight) in the numbers of older people receiving minimum social assistance benefits, even though the average living standards of older people may have been increasing. For example in Italy the growth in their living standards over the last 40 years is higher than that of the general population. In the UK the numbers receiving social assistance have declined recently, though the longer term trend is upwards, while Ireland has seen a slight decline recently.

The government of the Grand Duchy of Luxembourg recently instituted a National Programme for Older People. In addition there was a 10 per cent revaluation in contributory pensions from 1 January 1992 and the introduction of a guaranteed minimum income. The latter benefit forms part of an Act of 26 July 1991 aimed at combating poverty and provides a universal guarantee regardless of the cause of need. The Spanish government has also actively sought to raise the living standards of older people by, for example, increasing the levels of minimum pensions. Thus the minimum retirement pension for a couple aged 65 increased by 30 per cent in real terms between 1982 and 1992. The widow's pension rose by 40 per cent over the same period. In 1991 the government unveiled a Gerontological Plan intended to further improve the living standards and status of older people. In Denmark the pensions supplement, paid to the worse-off pensioners, has been targetted for increases and, as a result, has nearly doubled in value over the past five years.

Graph 2.1 Recipients of the National Solidarity Fund (FNS), France (Millions)



Source: French National Report

Despite these examples of pro-active policy intervention to raise the living standards of senior citizens it is still a minority of governments that have taken such action. In the majority of cases rising living standards appear to be primarily a 'passive' by-product of increases in the scope and coverage of occupational pensions as a result of collective bargaining and pension scheme maturation, that is, the coming to fruition of public pension systems and occupational pension contracts established decades earlier. In the case of countries with earnings-related pension schemes the rising living standards of successive cohorts of older people are built into the pension formulae. For example the German pension scheme (extended to cover the former GDR on 1 January 1992) is based on the formula 'income points' x 'current pension value in DMs' x 'pension factor', where 'income points' are the combination of the percentage of an individual's earnings and the length of their working career; the 'current pension value' is average earnings x 1.5; and the 'pension factor' is for the specific type of pension (1.0 for old age pensions, 0.667 for invalidity pensions). Thus there is an automatic annual adjustment in the relative value of the pension. With regard to countries with flat-rate basic pension schemes the main contribution of public policy in these cases is the protection of the basic pension against rises in the cost of living.

To the extent that rising living standards are 'unplanned' and derive from the occupational or private pension sector then the impact will fall unevenly on older people. For example, in the UK, between 1978 and 1988 the average total net income of pensioners rose by over 33 per cent, but the increase for those in the bottom fifth of the income distribution was 14 per cent compared with 52 per cent for those in the top fifth. The cause of these differential income rises is the heavier reliance of high income groups on occupational pensions and investments than on social security, while among low income groups the reverse is true. (In effect these two groups form partially distinct 'consumption classes', and it is the poorer one that is particularly susceptible to changes in public policy.) Between 1979 and 1988 social security rose by only 14 per cent in real terms, compared with 99 per cent for occupational pensions and 110 per cent for investment income. The emergence of a small but growing group of affluent pensioners has created a great deal of corporate and media attention - the so-called WOOPIE (well-off older people) phenomenon.

In the case of Ireland there appears to be a mixture of planned and unplanned factors contributing to the rise in living standards of older people. Part of the story consists of pension scheme maturation and part active government policy to channel resources to older person's households (see also section 2.8). Thus between 1980 and 1987 there was a real increase of 17 per cent in the value of social welfare pensions (social assistance), compared with a rise of only 6 per cent in real average industrial earnings over the same period. This has contributed to a significant improvement in the incomes of older people relative to other groups since 1980, a fact reflected in recent surveys on poverty. According to the author of the Irish report: 'Old people (males and females) aged 65 years or over are now a low risk poverty group relative to other age categories in society' (O'Shea, 1992, p.18).

Because some of the rise in living standards in some countries is attributable to the maturation effect the benefits are concentrated on the recently retired. For example in Belgium the incomes of the younger group improved between 1976 and 1985, especially couples, and this had the effect of raising the average incomes of the whole elderly population (see section 2.9).

The only member state to contradict this generally favourable picture of rising living standards is Portugal. Although noting an improvement in living conditions since the revolution in 1974 the national report on Portugal shows that the purchasing power of the old age pension is declining. Thus between 1988 and 1990 'the level of pensions has decreased in comparison to the evolution of the minimum national wage and to the standard of living of the population in general' (Perista, 1992, p.7).

2.7 MAINTAINING LIVING STANDARDS ON RETIREMENT

As noted earlier one of the main methods of evaluating the effectiveness of pension systems, and the economic and social policies behind them, is to look at the income replacement ratio. This is the ratio between the amount of the retirement pension and the last earned income. This ratio can be calculated in gross terms or net, that is, after deduction of compulsory social contributions and taxes. The net replacement ratio is the better indicator of the two of the effectiveness of a pension scheme even though the objectives of social protection schemes are often expressed in terms of the level of benefits in relation to gross earned income. The replacement ratio, therefore, is an indicator of the level of social protection offered by pensions. It does suffer from one major disadvantage, however, in that it focusses attention on income at the time of retirement, thereby excluding from analysis the older groups that often suffer the greater poverty and deprivation (see section 2.7.1).

Table 2.4 Net Replacement Ratios of First and Second Tier Pensions in EC Countries 1989[1]

	Gross Salary as a Proportion of the Average					
	2/3		100		200	
Number of Years Employed:[2]	35-45	20	35-45	20	35-45	20
	%	%	%	%	%	%
Belgium	91	39	88	42	68	43
Denmark	83	82	74	59	72	46
France	94	51	83	46	73	47
Greece	132	125	114	84	99	71
Germany	66	31	69	33	70	35
Ireland	84	84	64	62	61	36
Italy	91	56	92	59	94	57
Luxembourg	85	45	76	44	65	39
Netherlands	90	90	82	67	81	47
Portugal	95	58	98	58	103	59
Spain	96	75	98	73	97	71
UK	73	40	64	34	60	34

Source: Eurostat.

Notes: 1. The above table is drawn from a comprehensive analysis of replacement ratios conducted by Eurostat. In order to simplify the presentation it is assumed that the pension is for a married man entitled to a basic or first tier pension together with any compulsory supplementary pension. It is further assumed that the supplementary pension contributes a sum equivalent to 50 per cent of the basic pension for a man working between 35 and 45 years and 25 per cent for one working 20 years. Readers requiring a more detailed picture are advised to consult the Eurostat publication.

2. 35 years: Greece, Italy, Spain
   37 years: Portugal
   37.5 years: France
   40 years: Belgium, Denmark, Ireland, Luxembourg, Netherlands
   45 years: Germany, UK

As can been seen from table 2.4 there is quite wide variation between member states in the level of protection their pension schemes offer to people on retirement. Two aspects of the table are worth emphasising. First, there are the variations among member states in the replacement ratios of those that have full labour market careers. For those on average earnings the range stretches from Ireland and the UK at one end, to Greece at the other, with the latter being 78 per cent higher than the former. It must be reiterated that the first colum is an 'idealised' model picture for a person with a full labour market career and, furthermore, that the rates shown apply to those retiring in 1989. Earlier cohorts of retirees may not have attained the same rates and in all probability did not do so.

Second, there are the differences within countries in the income protection offered to those with truncated employment records. Again at average earnings the differences in ratios range from 2 per cent in Ireland, which has a non-contributory second pension scheme, to 46 per cent in Belgium. The impact of the citizenship-based pension eligibility policy in Denmark and the Netherlands can be seen clearly from the table: the difference in the replacement ratios for a person with a partial employment record compared with one with a full record in those two countries is less than half of the average difference across all other countries excluding Ireland.

2.8 THE PERSISTENCE OF POVERTY AND LOW INCOMES

Despite generally rising living standards and the achievement of high net replacement ratios in some member states the national reports reveal a continuing problem of poverty among a minority of older people, with the size of the minority varying considerably between countries. (Some of the human consequences of continuing poverty among older people in the EC can be found in the collection of case studies published by Eurolink Age: Webster, 1992).

Statistics on poverty among older people represent one of the key deficiencies in the information available to policy makers. This is partly due to the political sensitivity of such data and also to the longstanding controversy concerning definitions of poverty. It is unfortunate that the latest figures from Eurostat to provide comparative data for all member states (published in 1990) cover only the period 1980-85. It is very difficult, therefore, to piece together a picture of the contemporary position of older people in the EC with regard to this most sensitive of indicators of their living standards and potential for integration. This difficulty is exacerbated by the under-representation of low income groups in some national household and budget surveys. Also there is the additional problem for policy makers, especially in the affluent states, that the rising living standards of the recently retired may have a disproportionate influence on the average incomes of pensioners and mask continuing pockets of poverty among older people.

Because of the lack of reliable recent comparative data and the problems associated with defining poverty it is possible only to begin to take some tentative first steps towards an evaluation of the effectiveness of the pension and wider social protection systems of member states in tackling poverty in old age and the results should be treated with caution. Using two rather minimal national definitions of poverty among older people - the percentage living on or below social assistance levels (sometimes referred to as an 'official' definition) and the percentage living on incomes below half of average disposable earnings - EC countries seem to divide roughly into three groups.

Looking first at those countries with relatively low poverty rates among older people (i.e. those with less than 10 per cent of older people living on or below social assistance). Denmark deserves special attention because there are no statistics kept regarding poverty in Denmark, and the income status of older people cannot be distinguished because pensioners with no other income than the old age pension and allowances do not have to pay tax. But only 0.1 per cent of old-age pensioners and 0.6 per cent of the early retired receive social assistance. However this is partly an administrative artefact created by the eligibility rules for social assistance. (Some 7 per cent of the whole Danish population may be said to be in poverty, defined as having less than DKK 1,000 [125 ECU] per month once all fixed expenses have been paid.) As far as Luxembourg is concerned, in 1986 only 6.7 per cent of older person households lived below the official poverty line (minimum social income) and 7.4 per cent lived below the 50 per cent of average disposable equivalent income standard respectively. Furthermore these figures pre-date the pension reforms of 1987 and 1991 and the introduction of a guaranteed minimum income, as a result of which the percentage living in poverty will have been roughly halved. According to independent survey data the relative poverty of Irish older citizens has seen a dramatic turnaround in the last decade (Callan, et al, 1989). Taking the 50 per cent of average earnings poverty line the proportion of older people living below it has declined from 24.4 per cent in 1980 to 9.7 per cent in 1987. This is no doubt partly attributable to the 17 per cent real increase in social welfare (social assistance) pensions over this period. It is also likely to owe something to the slow down in the growth of average earnings caused by the very significant increase in the tax burden over the period. Moreover, the fact that the numbers out of work doubled during this period also would have improved the relative income position of older people outside the labour market. Lastly there is Germany (only the old Lander because no data were available for the former GDR) which currently has an official poverty rate of 5.2 per cent among those aged 60 and over (the same rate as in 1970). An equal proportion are entitled to social assistance but do not claim it, which indicates that some 10 per cent of older people live on or below the poverty line. Pensioners' households have higher average incomes per capita than workers' or farmers' households and, moreover, pensioners own considerable amounts of capital and draw sizeable incomes from property. Thus, according to the author of the German national report, 'German pensioners are better described as living in relative affluence than as living in relative poverty' (Alber, 1992, p.30).

Turning, secondly, to the group of countries with medium rates of poverty among older people (i.e. between 10 per cent and 30 per cent living on or below social assistance levels), France is at the lower end of this group with only 15 per cent of people aged 65 and over (1.3 millions) receiving allowances from the FNS. Moreover, as we have already pointed out, this is despite the old age minimum being increased at a faster rate than inflation. The Netherlands is also in the lower half of the medium group with 17 per cent of people aged 65 and over having disposable incomes on or just above the minimum income regarded by the state as acceptable for various categories of household. Table 2.5 is reproduced from the Netherlands Report because it shows the variations in income levels between different households and age groups.

Table 2.5 Households with a Disposable Income up to 105 per cent of the Official Minimum, Netherlands 1985 (percentages)[1]

Households	Age groups				
	65-69	70-74	75-79	80+	Total 65+
Single people	22	23	25	33	27
couples without children	7	9	12	16	10
other households	4	5	5	4	4
total under 105%	11	14	18	27	17
total under 125%	26	35	41	49	37

Note: 1. Some small social security payments excluded from disposable income.

Source: Netherlands National Report.

Belgium's precise position is difficult to locate. According to a panel survey conducted by the Centre for Social Policy (CSP) using a subjective poverty index, some 36 per cent of older people were in poverty in 1988. However the EC standard of 50 per cent of average equivalent disposable income suggests a much lower figure of 6.3 per cent. In the absence of more conclusive data it seems safest to lodge Belgium in the medium group. The CSP research also showed that the persistence of poverty was higher among older people than younger age groups, a finding that could be generalised to all countries, and that the position of elderly people is volatile. Thus between 1985 and 1988 one-fifth of those judged to be insecure became secure while as many as two-fifths of the secure in 1985 had become insecure by 1988.

The UK's position is also uncertain. On the basis of the social assistance or 'official' poverty line, in 1987, some 2.8 million older people or 28 per cent of the older population in Great Britain (excluding Northern Ireland) were living on or below the poverty line. (This definition is roughly equivalent to the 105 per cent definition for the Netherlands shown in Table 2.5). But using the UK government's preferred low income standard - the proportion living on incomes below 50 per cent of average incomes after housing costs - some 33 per cent of pensioner couples and 42 per cent of single persons were poor in 1988/89.

The third group with relatively high rates of poverty among older people consists mainly of southern EC states whose welfare systems are less developed than those of the northern EC countries. Italy has a more extensive and longer standing welfare state than the other three countries in this group but there are substantial regional disparities in provision, particularly between urban and rural areas. In 1988 families headed by a person over the age of 65 comprised 22 per cent of all families but 38 per cent of poor families - some 1.5 million people. In the same year the low paid and retired formed the two main constituents of the poor, accounting for two-fifths each of total poverty.

If we compare the south with the centre-north of Italy we find that the incidence of poverty is more than twice as high in the former than the latter. Among those aged 66-75 the poverty rate (as measured by those with disposable incomes below 50 per cent of the average) is 34.1 per cent in the south and 14.9 per cent in the north, while for those aged over 75 the figures are 41.5 per cent and 22.6 per cent respectively. These sorts of variations inevitably complicate international comparisons since, in this case, the north of Italy has a poverty rate equivalent to the medium level in the EC while the south has a much higher one. According to the authors of the Italian report (in translation):

> '...the aged portion of the Italian population is at levels of well-being which are barely adequate for an acceptable standard of living. In particular a broad segment of the elderly population, settled at an income level above the minimum (ISL) and without protection from the state, is subject to a strong risk of poverty.'
>
> They continue,
>
> 'Particularly in the southern and depressed regions of the country, the risk of poverty spreads to become a permanent and structural reality for a wide segment of the ageing population.' (Florea, Columbini, Costanzo and Cuneo, 1992, p.34).

Among the remaining southern EC countries the problem of assessing poverty rates is further bedevilled by the lack of data. According to some as yet unpublished data from a recent family budget survey made available to Heloisa Perista by the Portugese Statistics Institute, 49.6 per cent of pensioners under the age of 75 have incomes below half of the national average net income, while for those over the age of 75 the figure is 68.9 per cent. This compares with a figure of 9.9 per cent for the total population. Thus Perista (1992, p.7) concludes that 'A great majority of old age pensioners are particularly vulnerable to the incidence of poverty'. In Spain a reliable and detailed estimate of the living standards of older people has not been carried out yet. However survey data reveals that more than half of those aged 65 and over fell below the national minimum wage of 44,040 pesetas (250 ECUs) per month in 1988. This is in spite of the Spanish government's pro-active policy of recent years to concentrate resources on those with the lowest pensions, especially widows. In Greece there is no means tested state minimum income for pensioners, hence a large number (mainly ex-farmers) have to live on very low pensions (with an average value of one-sixth of the minimum wage). In all people aged 65 and over make up one-third of the population in poverty. The actual poverty rate among those aged 65-74 is 26 per cent and for those aged 75 and over it is 42 per cent.

This, admittedly rudimentary, first attempt to evaluate the progress made by EC member states in combatting poverty in old age indicates that pension and related social protection systems have not yet succeeded in overcoming this problem. This applies to all countries, even those with the most extensive and long established welfare states, though there are wide variations between them in the outcomes of their social and economic policies. The most successful countries, not surprisingly, appear to be those that have made this problem a policy priority (as discussed in section 2.6 above), though there have been other contributory factors as well. In most EC countries poverty in old age affects women in far larger numbers than men.

2.8.1 The 'New Poor' and the 'Old Poor'

A familiar finding of research on poverty and social exclusion is that the composition of the population living in poverty has altered over the last 10-15 years, with a decline in the proportion of older people and a concomitant rise in the proportion of families with children. Unemployment is the chief cause of this change, together with a rise in the incidence of low pay in some countries and the improvements in pensions discussed in section 2.6. As we have shown also, some countries have previously targetted older people for additional help to try to reduce the incidence of poverty in old age. Sometimes this has been done by redistributing resources from other groups within the ambit of social protection. Whatever the cause the distinction is now commonly made between the old poor and the new poor, though it must be said that this categorisation is more often found in the northern states than the southern ones.

Two key policy issues arise from these observed changes in the composition of the poor. First, how permanent are they? For example, if unemployment falls substantially will the 'new poor' diminish in number and significance and will the 'old poor' slip back to the bottom of the income distribution, as has been the case in the UK recently? If this is to be prevented then clearly economic and social policies need to be directed at social protection in old age as well as the creation of employment. Moreover, as noted earlier, older people's living standards are particularly susceptible to changes in public policy and, therefore, this fact has to be borne in mind by policy makers.

Secondly, despite being a diminishing proportion of the poor in some countries, old age is still a significant indicator of poverty and low incomes even under some of the most successful welfare regimes. Moreover it appears that poverty in old age is becoming increasingly feminised. Thus there is a danger that policy makers might focus their attention exclusively on the newly retired or on the aggregate data and so neglect the persistence of long-term poverty among some older age groups. This point is made succinctly by the author of the national report on Ireland:

> Policy makers have tended to focus on old people as a homogeneous group rather than concentrating on particular sub-groups within the sector. Consequently, there has not been any recent policy initiatives seeking to improve the position of one group relative to another... The worry is that the needs of those old people (admittedly a minority) who continue to live in absolute poverty may be overlooked in the light of the common perception that old people are now relatively well-off. (O'Shea, 1992, p.20-21)

While there is evidence of a decline in the incidence of poverty among older people in some countries, retirement and other forms of labour market exit continue to be associated with a fall in income and consequently older people are more likely than younger adults to be found at the bottom of the income distribution and are less likely to be found at the top. For example, although the risk of poverty among older people in Ireland has declined, nearly two out of three are to be found in the bottom two quintiles of the income distribution (30 and 33 per cent respectively) and only 9 per cent are in the top fifth. The position of younger adults aged 21-44 is nearly exactly the reverse: just over two-thirds fewer are in the bottom quintile and three times as many are in the top one. At the other end of the poverty rate scale, Portugal has one-half of its pensioners in the bottom quintile of the income distribution compared with just 6 per cent of non-pensioners. Conversely only 6 per cent of pensioners are in the top quintile compared with 27 per cent of non-pensioners. This means that the sharp drop in income associated with retirement affects middle-class as well as lower socio-economic groups. Thus, according to two Portugese experts on poverty, retirement is 'the entrance door to a slanting slope leading straight to relative poverty and very often to actual absolute poverty too' (Bruto da Costa and Silva, 1985, quoted in Perista, 1992, p.9).

So, throughout the EC, retirement and the receipt of a pension is still associated with low incomes relative to those in employment. While some differential between the incomes of employees and pensioners might be expected, there are major differences between countries are in the degree of inequality and in the size of the relatively deprived older population. One indication of what can be achieved by concerted social and economic policies is provided by France. As a result of the measures outlined in section 2.6 the position of older people has advanced considerably relative to those in employment over the last 20 years. For instance, from 1970 to 1985 the real value of retirement pensions has risen by 1.8 times and the old age minimum by 2.6 times compared with a rise in earnings over the same period of 1.4 times. By 1989 official research has shown that older households had, on average, the same standard of living as that of households consisting of two economically active people with two children. It is worthy of note that the French strategy to raise the living standards of older people covered both the third (50-74) and fourth (75 and over) ages.

2.8.2 Distribution of Consumer Durables

One sensitive indicator of living standards and also of the degree to which older people are able to take part in the consumption patterns prevailing in any society is their ownership of consumer durables. Again data is difficult to come by but what there is shows two sorts of inequalities. On the one hand, with only one exception there are differences in the ownership of consumer durables between older people and younger adults and, not surprisingly, these tend to be widest in countries with the largest concentrations of poverty in old age; while, on the other, there are inequalities between younger and older age groups. Table 2.6, drawn from the Portugese report, gives examples of both sorts of inequality.

Table 2.6 Distribution of Consumer Durables According to Age Group, Portugal 1989/90 (Percentages)

Appliance	Age Group			
	under 60	60-69	70-79	80 or over
Refrigerator	93.2	86.7	79.9	66.0
Central heating	60.3	46.4	41.8	37.6
Radio	90.3	81.5	70.1	60.6
Colour TV	59.0	59.7	30.4	33.1
Vacuum cleaner	60.3	39.5	29.1	19.0
Washing machine	64.2	41.8	29.7	19.6
Telephone	45.5	40.0	70.4	24.9
Car	51.6	24.9	15.4	5.6

Source: Derived from Portugese National Report.

The national reports covering France, Ireland, Italy and the Netherlands also show inequalities between the third (50-74) and fourth (75 and over) ages but only narrow differences in the ownership of white goods between the third ages and younger adults. In France for example the only significant difference in the ownership of durables between households whose head is aged 55-64 and the rest of French households is with regard to dishwashers.

The UK report shows that the distribution of consumer durables differs according to income level among the pensioner population as well as between pensioners and the population at large. Moreover, as the following table shows, the profile of white goods is similar among all low income groups.

Table 2.7 Distribution of Consumer Durables According to Age and Income Group, UK 1988/89[1] (Percentages)

	Bottom 20%			All Income Groups		
	pensioners couple	pensioners lone person	Total population	Pensioners couple	Pensioners lone person	Total population
Freezer/fridge freezer	65	42	68	79	54	83
Fridge/fridge freezer	98	94	97	99	96	99
Television	99	98	98	100	98	99
Telephone	83	74	69	92	82	87
Car or van	41	8	41	65	27	69
Washing machine	83	55	83	88	64	90
Central heating	65	65	65	75	67	79
Video recorder	15	6	42	29	14	63

Note: 1. Income is before housing costs.
Source: UK National Report (with additional data).

The partial exception referred to earlier is Denmark. Here there do not appear to be significant differences between older people and younger age groups in the ownership of consumer durables, only washing machines and dishwashers are less widespread among older people.

2.8.3 Subsidies, Concessions and Free Services

Before leaving this discussion of relative income levels of older people it is important to mention that some countries have chosen to buttress the relatively low incomes of pensioners by means of exemptions or price concessions on various goods and services. To my knowledge no systematic attempt has been made in any country nor at the European level to quantify the value of these subsidies. The most widespread concession is the senior citizen's bus and/or rail pass and there are general subsidies in some countries, such as rent allowances, that older people may qualify for on income grounds. But several countries have gone further in providing benefits in kind that are targetted specifically at older people. Examples include Italy, where since 1989, those in receipt of an old age pension have been exempt from health care fees; France which provides free or reduced price leisure activities, holidays and home helps; and Denmark, which seems to have the most extensive and secure provision, covering legal rights to exemptions on TV/radio licences, public transport, favourable rules concerning rent allowances, free residential and nursing home care and, up to 1 July 1992 free home helps. In both Denmark and the UK older people get health services which are free at the point of use.

It is clear that, until the value of these and other subsidies are quantified, it will not be possible to come to precise conclusions about the relative living standards of older people in different Community countries. This is a subject to which the Observatory will return. Similarly the paucity of data on wealth, mentioned in section 2.2, is an impediment to the analysis of living standards in old age. With rising levels of owner-occupation among older people in several EC countries it is likely that this issue will gain in importance (see below, section 2.12). We know, for example, that in Belgium some 22 per cent of pensioners receive some income from housing. In Germany in 1988 the average wealth holding of those aged 60 and over was 28,932 DM (14,607 ECU), though the distribution was skewed: 25 per cent held less than 5,000 DM (2524 ECU).

2.9 INEQUALITIES IN INCOME BETWEEN PENSIONERS

Regardless of a nation's success in reducing poverty in old age there are continuing differences in living standards <u>among</u> pensioners and in some cases these are widening. The primary inequalities are based on age and gender and, of course, the interaction between the two. On the one hand there are inequalities in income between the recently retired and older age groups, the third and fourth ages. On the other hand women are more likely to live longer and are less likely to have full pension contribution records in employment and, therefore, they are more likely than men to be poor in old age. These generational and gender inequalities represent serious fault lines in the pensions and social protection systems of the majority of member states. They seem to be indicative not simply of the lack of adequate protection given to certain groups of older people from bearing a disproportionate share of deprivation and the need for additional policy measures but, more fundamentally, they suggest that some of the policies themselves may have contributed to the problem.

2.9.1 Generational Inequalities

In all EC countries except Denmark inequalities may be observed between younger and older age groups of pensioners (even in Denmark there is a tendency for very elderly women to be poorer than other groups, see section 2.9.2). The combination of factors creating these differences, especially the access gained by newly retired groups, and particularly those in the higher economic groups, to improved occupational and private pension provision and the concomitantly greater reliance of older age groups on the minimum pensions of the state, led a British social policy expert to warn, nearly 30 years ago, of the emergence of 'two nations' in old age (Titmuss, 1963). There are some signs of this sort of separation between younger and older pensioners in some EC countries though the general picture is <u>not</u> one of sharp polarisation between them. What can be said with certainty is that there <u>are</u> generational inequalities in income in eleven out of twelve member states, but also that there are substantial differences in the degree of these income inequalities between countries. The one member state to escape this trend so far, Denmark, is likely to emulate it in future (see below section 2.10).

On the basis of incomplete data it is not possible to categorise all countries, even crudely. However it is possible to distinguish between countries, such as France and Ireland, where generational inequalities appear to be relatively narrow and are not increasing and those, like Belgium, Greece, the Netherlands, Portugal, Spain and the UK, where they are relatively wide. (No age-related data are available for Germany but, taking the older population as a whole the German report notes a 'fairly high degree of inequality' around a large middle income group.) It is also possible to observe trends in two of these contrasting member states. The following table, from the national report on France, reveals a picture of relatively narrow and narrowing generational inequalities.

Table 2.8 Value of Retirement Pensions According to Age and Sex, France, 1988 (000's Francs)

	Year of birth of retired person				
	1906	1912	1918	1922	Total
Men	5.3	6.1	7.2	7.2	6.6
Women	3.3	3.5	3.7	3.5	3.5
Total	4.3	4.8	5.2	5.2	5.0

Source: French National Report

In the French case one of the main sources of inequality based on age appears to be the presence of younger adults in younger third age households. Thus the taxable incomes of single person households aged over 80 are 86 per cent of those of 61-65 year olds and, for two person households the ratio is 99 per cent. However when larger households are included the average incomes of the over 80s compared with 61-65 year olds, for all household types, falls to 72 per cent. Despite the relatively narrow generational inequalities in France the older age groups are still more likely to rely predominantly on pension income and, therefore, have to have recourse to social assistance. Thus 55 per cent of those in their 80s receive a pension worth less than the old age minimum benefit from the FNS compared with 21 per cent of those in their sixties.

In contrast, in neighbouring Belgium, the risk of poverty (in 1985) was more than three times higher in the 75 and over age group than in the 50-64 group and the probability of experiencing long term poverty three times higher. In Spain those aged 80 and over are more than twice as likely as 60-64 year olds and twice as likely as 65-79 year olds to have very low incomes (less than 20,000 pesetas - 144 ECUs - a month). The average pension in 1991 was 60,800 pts (439 ECUs) for those in the 65-79 group and 42,500 pts (307 ECUs) for those aged 80 and over. The underlying cause of these differences is highlighted in the Spanish report (in translation):

> The older section of retired people benefitted least from the increase in the amounts paid when pensionable age begins, which is greater than for pensions already running as a result of the higher salaries which are improving the contribution base, and also of the longer contribution period. (Cordon, 1992, p.17)

This analysis may be applied to all member states in which a largely unplanned or laissez-faire approach to pensions has prevailed.

Turning now to trends in generational income differences in old age, the picture of France shown in Table 2.8 is one of narrowing inequalities between age groups with pension system maturation. In contrast, in Belgium, new dynamic data for the period 1985-88 shows that income inequalities in old age are widening. In fact, remarkably, inequalities in income among the economically active and between the active and retired have remained constant and, therefore, the growth in income differences between the third (50-74) and fourth (75 and over) ages has produced an overall increase in inequality for the population as a whole. In the UK, as we saw earlier, the arrival of a significant group of relatively affluent older people, quite distinct from the middle income and poor groups, has created the acronym WOOPIE to denote better-off, largely younger, elderly people or third agers. The term 'WOOPIE' has also been used in Belgium. Looking at the EC as a whole it appears that the cases of narrowing generational inequalities (France, Germany and Ireland) are the exceptions rather than the rule.

2.9.2 Early Retirement

The last fifteen or so years have witnessed an escalation in early exit from the labour market (see chapter 3). Since a major factor behind this development is the contraction of demand, resulting in redundancy and unemployment, it is likely that it is having a significant impact on the living standards of older workers before they reach pension age (Walker, 1985). As Anne-Marie Guillemard points out in the following chapter the pension systems of EC countries have only adapted to this transformation in working life in a relatively piecemeal way.

As was noted in the discussion on table 2.4, pension systems based on contributory criteria are likely to disadvantage any individual suffering enforced premature labour force exit in comparison with those able to work their full course. For example in Spain the pension of a person taking early retirement is reduced on an actuarial basis and may be as low as 36 per cent of the full pension entitlement (retirement at age 60 with 15 years of contributions) though in this case it would be topped-up to the minimum level (Cordon, 1992, p.19). In contrast Denmark has a fully developed system of partial and early retirement pensions and, as a consequence, these groups are relatively well-off compared with old age pensioners at least, that is, as far as the majority of married couples are concerned. Single people receiving early retirement pay are worse off than single old age pensioners. Unfortunately Observatory reports do not provide sufficient data for a full analysis of the impact of early exit but, given the growing importance of this issue, we will have to return to it in the future.

2.9.3 Gender Inequalities

Linked partly to generational or age-cohort divisions there are differences between male and female pensioners in income and living standards. This issue emerges from virtually every national report as being one of the most pressing ones facing policy makers. The main exception, yet again, is Denmark, though even in that country there is a tendency among single people over 80 for men to have higher incomes than women.

Reference to Table 2.8 also shows that even in the French case where generational differences are narrowing among both men and women, the division in pension levels between men and women has actually increased. Recipients of the means-tested minimum FNS are more likely to be women than men. Likewise, in Italy, the median sum of old age pensions of women is 67 per cent of the male median. There the difference between men and women is particularly noticeable in the fourth age: some 18 per cent of male and 16 per cent of female headed households aged 60-69 have incomes below the 50 per cent of the average household income poverty threshold, but among those aged 80 and over the proportions are 13 per cent and 34 per cent respectively. In Germany the average pension paid to women in 1990 was just 42 per cent of the male average. In 1989 women formed 76 per cent of social assistance recipients aged 60 and over and 83 per cent of those aged 75 and over.

Similar data could be adduced for Luxembourg, the Netherlands, Portugal, Spain and the UK showing that the average incomes of older women are low relative to other younger groups and to older men. The consistency of this funding across virtually the whole of the EC is remarkable: older women, particularly widows, comprise some of the poorest and most socially excluded groups in the Community both north and south - a phenomenon sometimes referred to as the feminisation of poverty in old age.

In Ireland, however, households headed by older women are at a low risk of poverty relative to other age categories, particularly older men (for instance 13 per cent of men aged 65 years or over are below the 50 per cent of average disposable income poverty line compared to 5 per cent of women). One possible explanation for this may be the relatively high proportion of elderly men engaged in farming, an activity that has been identified as carrying a higher risk of poverty compared to other labour force categories.

This observation begs an examination of the causal factors and these are discussed in the next sub-section. For the moment, however, it is important to establish that these gender differences are not simply a function of the greater longevity of women than men. There are other factors at work, particularly the different treatment of men and women by social policies. Thus even within the same age cohorts women are likely to have lower living standards than men. For example, in the Netherlands, the mean average ownership of consumer durables is 4.1 among male single person households age 65-74 and 3.1 for single female households. For single person households in the 75 and over age group the averages are 2.7 and 1.9. Interestingly, in contrast to Italy, gender differences in income in Portugal appear to narrow with advanced old age, as the following table shows.

Table 2.9 Proportion of Older People with Incomes Below the National Annual Average Net Income, Portugal 1989/90 (Percentages)

Age	Men	Women
60-69	70.1	86.8
70-79	81.6	96.2
80 plus	88.9	90.7

Source: Portugese National Report

2.9.4 Rural/Urban Differences

In at least one country, Greece, there are major structural inequalities between pension schemes applying in rural and urban areas. The IKA is the main urban social security fund, covering private sector employees and financed by contributions, while the OGA is the farmers' social insurance fund and is financed by indirect taxes. The average pension paid by the IKA is more than five times the average OGA pension. Within urban areas there are structural inequalities between different types of former employee. For example the average pension paid to ex-bank employees is up to 2.5 times that paid by the IKA and up to five times greater than pensions under the fund for self-employed craftsmen and tradesmen. Of course other national pension systems mirror income inequalities in employment and there are preferential pensions for civil servants in several countries, but the differences in Greece seem to stem in part from the pension system itself (comprising some 327 separate social insurance funds).

2.9.5 Policy Implications

To some extent these observed differences in income between pensioners, based on both age and gender, are a product of social and economic policies. This is not surprising, given the reliance of older people on pension systems, and reiterates the point made in our initial overview (Walker, Guillemard and Alber, 1991, p.12) but nonetheless it requires some explanation. It is not simply the case that policies have not been applied fully to the problems of socio-economic and gender inequalities in the labour market, though that is a major factor explaining continuing economic insecurity among older women in most countries, but in some cases the policies themselves have helped to create or more usually to have perpetuated such differences.

This point was made forcefully by the authors of the Greek report:

> '...The cumulative effect of the (pension) system is grossly unjust, maintaining and even reinforcing at certain cases, inequalities and divisions in the labour market.' (Ziomas and Bouzas, 1992, p.23)

In the Greek case pension income is actually more unequally distributed than income from employment, thus adding to overall inequality. Similarly as we saw in section 2.9.2, inequalities in income between pensioners in Belgium are widening while those between employees have remained constant.

This is of vital importance, in policy terms, for two reasons. First, it may be a wholly unintended by-product of improvements in pension systems. But, paradoxically, by concentrating on the newly retired or the future pensions of those currently in the labour market the needs of those who have already retired may be neglected to some extent. Secondly, in some countries it is clear that deprivation is heavily concentrated, by the coincidence of generational and gender inequalities, on very elderly women.

Dealing first with age-cohort or generational differences, policy makers in some countries have relied on pension scheme maturation and the growth of occupational and private pensions to improve the living standards of pensioners. But these policies inevitably disadvantage older cohorts of pensioners. Of course this is paradoxical because the policies themselves are progressive and, therefore, cohort specific inequalities occur at successively higher levels of income. The problem was succinctly summarised by the authors of the French report (in translation):

> Each generation leaving working life has found better conditions than the generations preceding it; that is why the younger the pensioners are today, the higher are their pensions. (Guillemard and Argoud, 1992, p.21)

Indeed, as we saw in section 2.6, the French government had been proactive in its policy of raising pensioners' living standards and, by substantially increasing the old age minimum in 1974 and especially in 1981, had tried to protect the position of those older groups not benefiting from pension reforms. But with supplementary schemes contributing around one-quarter of the income of recently retired women workers who were previously earning less than 5,000 francs per month, it is difficult to prevent age-cohort inequalities emerging without substantial injections of resources. Nonetheless French social and economic policies have been among the most successful in channeling resources to older age groups.

The Spanish government has, over the last decade, also been trying to target resources on those without adequate pension entitlement by raising the minimum and widows' pensions. However due to the fact that this policy was introduced only recently and the extant gender inequalities in pension provision (see below), it has not yet had a major impact on age-cohort inequalities. Some other countries have attempted to recognise that poverty is highly concentrated among older age groups. For example, in 1989, the UK government introduced a special supplement for those over 80 and claiming the minimum social assistance benefit.

Turning, secondly, to the related gender inequalities in income, which in some cases appear to be even more intractable. However, since an important source of such differences in the living standards of men and women is the pension systems themselves and, specifically, the way they interact with the labour market, they must be amenable to policy reform. The main causal factors are that women's employment patterns differ from men's and, crucially, that the majority of the pension systems in the EC are founded on an employment-testing and/or earnings equivalence requirement. Thus, under both flat-rate and earnings-related basic pension schemes, a contribution record must be built-up in employment. Similarly with supplementary occupational pensions a contribution record must be established to be entitled to one and part-time workers (predominantly female) are usually not allowed to participate in such pensions or to do so on the same basis as full-time employees. Such 'male-orientated' requirements inevitably disadvantage women. Several examples will help to illustrate the point.

The authors of the Italian report note that the public pension system in Italy effectively discriminates against women because it does not take account of their different relationship to the labour market compared to that of men. We have seen that the median amount of old age pension in Italy is lower for women than men. The main underlying cause is their shorter contribution periods: 54 per cent of women receiving a pension have less than 20 years contributions compared to 19 per cent of men (see table 2.4). Thus the onerous voluntary contribution, intended to give people with incomplete contribution records access to the integrated pension is a largely female province (they form 82 per cent of its contributors). Only one in five women have more than 30 years contributions compared to three out of five men. As a corollary, more than four-fifths of social assistance or social pension payments are to women. Some of the systemic reasons why Italian women have shorter pension contribution records than men are the non-recognition of maternity leave, the absence or incomplete coverage of contributions for different kinds of part-time work and the lack of credits to cover periods of interruption of employment caused by the need to provide care to a family member. In Luxembourg, for the 18.5 per cent of personal pensions below the minimum of 25,000 francs (613 ECUs) in 1988 women comprised 72 per cent. Also the majority of older beneficiaries (65+ years) receiving the guaranteed minimum income are women (74 per cent women and 26 per cent men in 1991). In Portugal women are twice as likely to be in the non-contributory pension scheme than in the general contributory one and the benefits paid under the former are only two-thirds of the latter.

The treatment of widows under pension schemes differs between countries, but often they are or have been disadvantaged in the recent past. Thus, in Greece, Portugal and Spain, widows' pensions are lower than other pensions whereas in the UK they are paid at the same rate as the retirement pension. Then there is the uncertain position of divorced women. For example, in the Netherlands, women who were divorced before 1981 are not entitled to their share of the private pension contributed to by their former husbands.

Thus pension systems can maintain and even enlarge gender inequalities created in the labour market. The one main exception in the EC is Denmark, which has a universal flat rate pension that is paid as a right of citizenship (according to residence) regardless of employment record and (unlike the Netherlands, which is the only other country with a first tier pension scheme based on citizenship) at the present time a relatively small private occupational pension sector. Thus there seem to be no inequalities based on age and gender actually built into the public pension system regardless of how they might arise in the labour market. Moreover there is a deliberate policy of redistribution with the result that the distribution of income in old age is considerably flatter than among the employed, as table 2.10 shows. However approximately one in three pensioners in Denmark have supplementary pensions and the spread of these pensions is going to increase because of an agreement in 1991 between trades unions and employers to adopt them for the majority of the employed. This policy is likely to herald increasingly age-cohort and related gender inequalities.

Table 2.10 Earned and Transfer Income of Employees and Pensioners, Denmark, 1988

	Quartile			
	Lower	Median	Upper	Average
		- DKK.1,000-		
Employers	122	167	214	179
Pensioners	48	51	69	65

Source: Danish National Report

Outside of Scandinavian style pensions systems it is difficult to see how the position of older men and women can be equalised, until that is parity is achieved in the labour market. Some countries have attempted pro-actively to enhance the position of women in national pension schemes. For example the recent major pension reforms in Germany include increased credits for time spent out of paid employment providing care (see section 2.10.1) and Parliamentary bills in Italy are proposing to recognise the social contribution of reproduction in a similar way. While fully recognising the importance of these new policies, it must be said that, yet again, these sorts of measures are focussed on future pensioners, while on the evidence of the national reports reviewed here, one of the key issues facing policy makers is how to improve the living standards of very elderly women today.

2.10 RECENT DEVELOPMENTS IN PENSION POLICY

The national reports highlight three important issues with regard to current and future pensions policy: adjustments in the scope and coverage of pension systems, the growth of private supplementary and additional pensions, and the equal treatment of men and women and the introduction of greater flexibility in retirement.

2.10.1 Adjustments in the Scope and Coverage of Pensions

There can be little doubt that currently the dominant pensions policy issue, as far as national policy makers are concerned, is cost containment. As noted earlier the combination of economic recession, pension system maturation and population ageing have put pressures on public spending and, in some countries, even threaten another fiscal crisis. As a result most EC countries have either taken action to limit pension spending or, at least, are considering such action. But although cost containment seems to be the main engine driving discussions about pension reform, it is not the only one, nor is it the only factor explaining recent developments. Thus it is possible to distinguish two contrasting motivations behind current or planned adjustments in the scope and coverage of pensions, and a third which combines both of them. But as will become clear, it is not a simple matter of classifying individual countries according to their motivations in reforming pensions, several countries appear simultaneously in what are apparently opposing policy directions. This is not at all surprising since pension policy, like other policy areas, is often concerned with compromise between competing ends.

First of all there are those countries that have limited the rise of pension costs by altering the public pensions contract in some way. This usually entails either adjusting the contributions or inflation-proofing conditions or raising the retirement age. (Strictly speaking policies aimed at encouraging the growth of private pensions may be seen as partly cost containment and partly expansionist and, therefore, they are discussed separately in the following section.) Those that have taken action so far are the UK and Germany while those in the process of taking action or about to do so are France, Italy and Greece.

The UK was the first country to set about reducing its current and projected pension spending when, in 1980, the uprating link between the basic state pension and earnings or prices (whichever was higher) was altered and tied to price rises only. Then, in 1988, the supplementary State Earnings-Related Pension Scheme was scaled-down by a change in the pension contributions formula and by reducing the inheritance rights of widows. In Germany the pension law, passed in 1989 and implemented from 1 January 1992, changed the indexing of the general compulsory insurance scheme from gross to net earnings. Also most of the provisions permitting full early retirement without job replacement are being phased-out from the year 2000. The intention is to transform the age of 65 from a nominal retirement age to an actual one, thereby increasing the age of retirement. The Italian government is currently proposing a radical reform of its pension system. The proposals include: a gradual increase in pension ages for both sexes to 65 (to be achieved for men in 2005 and women 2016), a gradual increase in the reference period for the calculation of pensions from 5 to 10 years and a tightening-up of the regulations concerning early retirement. In France the reform of pension funding has been on the policy agenda for at least 10 years but no major changes have yet been introduced. Concerns about the cost implications of the retirement of the baby-boom generation from 2005 led the government to publish a White Paper on Retirement Pensions in 1991. This document explored a range of future options for cost containment, including increasing the length of time over which contributions have to be made and basing the pension on the best 25 years earnings instead of the best 10. Interestingly, the authors of the French report note, the right-wing government headed by Jacques Chirac (1986-88) chose not to modify the existing system but to encourage households to save for their own retirement (see below, section 2.10.2). Finally the Greek social security system is facing acute financial difficulties resulting from a combination of factors, including the extension of pension coverage, and retrenchment is expected in the near future.

Secondly, despite an overarching concern with the cost implications of population ageing among member states and a fairly widespread public debate on this subject, some countries have been extending their pension coverage recently. In fact the balance sheet shows that actually, up to the start of 1993, more countries have been extending provision than cutting back. For example Belgium, Denmark and Luxembourg have recently increased the flexibility of their pension systems (see below 2.10.3). In 1990 Spain decided to uprate pensions at least in line with the consumer price index and link increases in the married person's pension to the minimum interprofessional wage. In 1992 the minimum widow's pension was aligned with the minimum individual retirement pension. The Spanish government has also recently (1991) introduced a guaranteed minimum non-contributory pension, eligibility for which is based on 5 years minimum residence in Spain, lack of sufficient resources and attainment of the age of 65. According to the Irish national report 'most of the recent changes in public pensions policy have been concerned with increasing the scope and coverage of the contributory pension scheme' (O'Shea, 1992, p.13). Ireland is also currently considering the extension of pension coverage to those, mainly women, with home care responsibilities.

Luxembourg saw a significant upward revaluation of pensions, by 10 per cent, in April 1991, together with a reduction in the time lag between wage rises and pension adjustments (from 2.5 to 1.5 years) and an increase in the contribution ceiling to a level of 5 times the social minimum reference wage (instead of 4 times) which will have the long-term effect of substantially raising the old age pension. French pensioners, as we saw in section 2.6, have experienced significant rises in living standards recently as a result of previous policy decisions. Despite contemplating reductions in the scope of pensions Italy recently (1988) introduced a social bonus for people aged 65 and over and increased social pensions.

Turning, thirdly, to those countries that appear on both dimensions of pension policy - expansion and contraction - Germany represents the leading example. Thus the 1989 reform law, being implemented from 1992, extended the recognition of informal care by awarding three contribution years' credits for each child. In addition the 1989 law gave credits for periods of care for frail persons - a major innovation in EC pension provision. Persons regularly providing care on an unpaid basis for at least 10 hours per week are treated as if they had pension contributions and earned 75 per cent of the average wage. In the words of the German national report: 'Since care for frail people is overwhelmingly provided by women, this innovation will contribute to further upgrade the entitlement of female pensioners' (Alber, 1992, p.32). Even though the UK made substantial reductions in spending on state pensions during the 1980s, in 1989 it introduced a special premium payment to those aged 80 and over receiving social assistance (income support).

Overall then it appears that the last 4-5 years have seen a continued improvement in the scope and coverage of national pension systems in the majority of member states, despite the fact that the most talked about issue seems to be cost containment.

2.10.2 The Expanding Private Sector

The dominant EC pension model consists of an earnings-related basic pension scheme supplemented by a voluntary occupational one (see table 2.3). In most countries the occupational pension sector has played an increasing role over the last two decades. The private sector includes occupational schemes, applying to groups of employees which are usually administered by employers, and personal pensions consisting of individual contracts with insurance companies. In recent years the common 'defined benefit' occupational scheme has been partly replaced in some countries by the 'defined contribution' or 'money purchase' scheme whereby the actual pension received depends on the outcome of capital investments rather than being based on a pre-defined formula linking pensions to earnings. Such schemes obviously introduce an element of uncertainty into future retirement income. Furthermore, although strictly speaking occupational schemes and, indeed, personal pension schemes, are private; the public sector is usually involved in subsidising contributions and regulating the operation of such schemes. The governments of some countries have been trying to increase the role of private pension schemes partly in response to concerns about the mounting costs of public pensions.

Examples of countries with large occupational pension sectors include the Netherlands and Germany. In the Netherlands only 18 per cent of employees are not covered by a private occupational pension scheme. In 1964 such pensions accounted for 20 per cent of total income in retirement and, by 1985, this had risen to 26 per cent. Since there are 70 pension schemes covering industrial sectors, 1000 company pension funds and 20,000 group contracts with insurance companies it is impossible to arrive at a comprehensive picture of this provision. Pensions are usually of the defined benefit type and are based on both employee and employer contributions. In Germany occupational schemes cover about one-half of full-time workers in private industry with benefits varying widely by industry, firm size and occupational status of the recipients. The schemes are funded almost exclusively by employer's contributions, subsidised by tax exemptions.

Both countries illustrate the problems associated with such pension schemes. For example they usually exclude part-time and low-paid workers - exclusions which effect women more than men. In the Netherlands 37 per cent of working women are excluded from private occupational pension schemes compared with 10 per cent of men. The main reasons are that they work part-time and in sectors not covered by private pension arrangements. In Germany too most of those covered by such schemes are men. In addition to this fundamental deficiency there are the well known problems of lack of full inflation-proofing and loss of pension rights when employees change employment. These are problems in the Netherlands but in Germany a federal Act of 1974 stipulates that the benefits must, in principle, be inflation proofed. (The UK introduced legislation in 1988 to enhance this 'portability' of occupational pensions.)

There is also the potential danger that insolvencies may result in the loss of pension funds. Under German law entitlements do not end with insolvency. A different problem confronted a large group of British occupational pensioners in 1991 when, following the collapse of the Maxwell business empire, it was discovered that £420 million (537 million ECU) had been appropriated from the company pension fund. This raises questions concerning the regulation of occupational pension schemes, currently being investigated in the UK.

No other country report refers to a similar case of major fraud but, Ireland introduced a new regulatory regime, on 1 January 1991, which for the first time provides comprehensive protection for the pension entitlements of occupational scheme members and their dependants. This legislation resulted from the establishment of a National Pensions Board in 1986. The 1991 legislation also requires equal treatment for men and women with regard to eligibility, levels of contributions, benefit rights and retirement ages.

It is also worth nothing in passing that the growth of occupational pension schemes has made a substantial contribution to the savings ratio in EC economies. For example in Ireland the value of funded pension scheme assets has grown from 5.5 per cent of GNP in 1978 to 48.3 per cent in 1990.

As noted above the growth of private pension schemes has sometimes been the result of conscious government policy. In 1988 both the Belgian and British governments introduced tax incentives to encourage employees themselves to make personal pension savings as a means of reducing reliance on the public pension scheme. In 1992 the value of the UK's incentive was a 5.8 per cent rebate on national insurance contributions and an additional 2 per cent bonus, while in Belgium savings were tax-exempt up to 22,000 BEF (539 ECU). Both countries are lowering the value of these incentives in 1993. Italy too has seen a recent expansion in supplementary private pension schemes, though it appears to be commercial employers, such as IBM, that are leading the way rather than government. As in the UK these include defined contribution schemes. A new private occupational pension fund was established in Spain by Act of Parliament in 1987. The fund is exempt from company tax and VAT and beneficiaries are exempt from inheritance tax. The fund includes personal pension plans based on the defined contribution system. The 1986-88 Chirac Government in France also tried to introduce a defined contribution system but this form of investment was met with little enthusiasm.

It is likely that private occupational and personal pensions will increase in importance in the future, as governments see them as, at least partial, alternatives to the public sector. This applies to the one northern EC country that has traditionally had a very small occupational pension sector - Denmark - which, in 1991, saw the introduction of such pension schemes for the majority of those in employment.

2.10.3 Equal Treatment and Flexible Retirement

As was shown in sections 2.9.2 and 2.10.2 the majority of EC pension systems are characterised by inequalities between men and women. Until recently five member states also had lower state pension ages for women than for men. As a result of a series of judgements by the European Court over recent years the discriminatory nature of dual pension ages has been called into question. Belgium took action from the start of 1991 to equalise pension ages but Greece, Italy, Portugal and the UK still have a different age for men and women. The Italian government is in the process of introducing pension reforms that will gradually raise the pension ages for both sexes to 65 (see section 2.10.1) and the British government has published a consultation document putting forward a number of options of pension age equalisation.

Belgium is the only EC country to have introduced, in 1991, a flexible pension age: from 60 for both men and women, with a loss of one-fortieth and one-forty-fifth of the pension per year up to the age of 65. But six member states, Denmark, France, Germany, Italy, Luxembourg and Spain have partial pension schemes in place. The earliest of them was established in Denmark where partial pensions have been payable to those aged 60 to 66 since the start of 1987. The partial pension is paid according to the reduction in the number of hours worked and at most it may contribute 90 per cent of the shortfall in income. The option of combining a half pension and a half salary was introduced in Luxembourg in April 1991. The German pension law that took effect from 1 January 1992 included an additional partial early retirement option on one-third, one-half or two-thirds of the pension entitlement, in exchange for a pro-rata reduction in working time. This scheme is primarily geared to job creation and is funded by the employment department. Those taking normal partial retirement in Germany can now accrue additional pension entitlement beyond the age of 65 (previously there was an age limit of 67).

2.11 LIVING ALONE

The Observatory's first report drew attention to the increasing proportion of older people living alone in all Community countries and the fears concerning isolation that this has raised in policy circles in every member state (Walker, Guillemard and Alber, 1991). However, on the basis of the data provided by national experts, it was concluded that the majority of older people with children either live with them, near them or are in regular contact with them. There was a distinct lack of evidence of the neglect of older people living alone, though there are undoubtedly some instances, and this trend has important implications for both family care and social care.

The latest national reports also emphasise the close ties between older people and their families. For example, only 2 per cent of those aged 70 and over in Denmark are classified as socially isolated (living alone without personal contact with family, friends or neighbours during the previous week) and 10 per cent define themselves as lonely. A minimum of one in three older people meet other family members at least once per week. In the Netherlands some 15 per cent of those aged 75 and over are subjectively defined as lonely. The topic of social integration, including the integration of older people within their families, is the subject of a special Observatory report to be issued later this year and, therefore, it will not be covered fully in this report (the same applies to the important issue of transport). Three points should be stressed here though.

First, mainly as a result of their greater longevity, those living alone in old age are more likely to be women than men. For example in Luxembourg four-fifths of the lone person older households are women and only one-fifth men.

Secondly, the trend towards separate dwellings does not appear to be so pronounced in the southern states as it is in the northern ones. For instance in Greece, in 1982 (latest figure), only 4.7 per cent of people aged 65 and over were living alone (the ratio of women to men was virtually the same as that quoted for Luxembourg) and in Portugal the figure, for 1981, was 17 per cent. In contrast in France some 16 per cent of men and 40 per cent of women aged 65 and over live alone. These proportions increase with age so that among those aged 75 and over 20 per cent of men and 45 per cent of women live alone. In the UK 31 per cent of men and 58 per cent of women aged 75 and over live alone and in Germany it is two in every three people aged 75 and over. The Greek report suggests that lone households are more common in rural than urban areas, while the Portuguese report suggests that the impact on older people of residential isolation may be greater in urban than rural areas. All reports make the point that living alone does not necessarily imply social isolation - an issue that is discussed in the special report on integration.

Thirdly the trend towards separate dwellings has important policy implications. On the one hand there are implications for the health and social services, particularly home care which are discussed in chapter 4, while on the other there is the association between living alone and poverty. Because those living alone are likely to be women and especially divorced or separated women, for the reasons outlined in section 2.9.2, they are prone to poverty. This means that this group is at risk of multiple deprivation whereby poverty and low incomes may be compounded by social isolation and sub-standard housing. For example in France beneficiaries of social assistance are more likely to be residentially isolated than the population at large, as the following table shows. A similar picture could be painted for other EC states: on the whole the poorest group of older people is likely to include disproportionate numbers of lone women.

Table 2.11 Proportion of Lone[1] People Receiving Benefits from the National Solidarity Fund, 1989

	Proportion of Lone People Aged 60 and over	
Age	FNS Beneficiaries	Total Population
60-69	63.6	28.7
70-79	61.6	47.3
80+	76.0	73.4

Note: 1. unmarried, widowed, divorced.
Source: French National Report.

In response to the trend towards residential isolation among the older population and the risks it poses governments in a majority of member states have taken action to try to enhance social integration. As well as traditional home care and meals on wheels services there are day centres and luncheon clubs designed to provide a basis for social interaction and sometimes for the delivery of other services. In Luxembourg one of the objectives of the home help service is to combat isolation by setting up more frequent and stronger contacts with caring staff or with other people. In addition there are day centres offering a range of services and activities, from health care to excursions and party evenings. In Portugal 1991 saw the introduction of a 'familiar welcome' policy, along similar lines to the family placement service found in some parts of the UK and the 'boarding out' scheme introduced in Ireland in 1990, where families are paid to foster older people for short periods. Since 1979 Greece has been establishing Open Care Centres for the Elderly or KAPI to help to combat isolation and enhance well-being. There are now 257 such centres and recent research indicates that they have been successful in preventing isolation, increasing companionship and satisfying recreational needs.

2.12 HOUSING CONDITIONS

Housing is not only a vital component of the living conditions of older people, it is a key element in community care policy. It is not simply the case that some older people with disabilities require specially adapted dwellings or even residential care (see chapter 4) but also that sub-standard housing may itself create or exacerbate health problems and thereby make continued independent life in the community more difficult. Worse still poor housing may in some circumstances be life threatening. Thus the British and German reports mention the increased death rates among older people in the winter months and attribute them, partly at least, to poor housing conditions. As well as dire personal implications poor housing may create demands for health and social services and, therefore, it should be of great concern to policy makers.

The vast majority of older people in all Community countries live in private households. Moreover in most countries owner-occupation is the dominant status with the proportion of older people owning their own houses stretching from 80 per cent in Ireland to around 50 per cent in Denmark, France and the UK. The major exceptions to this picture are Germany and the Netherlands where only one in three older people are owner-occupiers (with two-thirds renting).

There is also considerable consistency across the EC in the finding that physical housing conditions vary inversely with old age. In other words in every member state older people and especially the very elderly are more likely to live in poorer housing than younger adults. In some countries, such as Luxembourg, the differences in housing conditions between older people and the population at large are very small, a few percentage points in the case of Luxembourg. However in others they are significant enough to warrant concern. For example in Ireland 67 per cent of people aged 65 and over have an inside WC compared with 79 per cent of all households, for central heating the figures are 9 per cent and 24 per cent respectively. Even in Denmark where housing standards are relatively high, 13 per cent of 70 plus year olds are in houses that do not meet the minimum requirements of hot water, a WC, central heating and a bathroom compared with 7 per cent of 30-69 year olds.

Also, among older people, the older the age group the poorer the housing conditions are likely to be. This can be illustrated in the case of France, where 3.8 per cent of those aged 60-64 have no washing facilities compared with 10.7 per cent of those aged 75 and over. Twelve per cent of those aged 75 and over have no inside WC or central heating. The main explanatory factors are the propensity of older people to live in old dwellings, which were subject to lower building standards than at present, and their relatively low incomes in most countries.

There are observed differences in the housing conditions experienced by older people between the north and south of the Community. For example in Spain some 75 per cent of older people live in dwellings with bathroom facilities compared with 86 per cent in Luxembourg and 98 per cent in the UK. Ireland appears to be closer to the southern than the northern case, with 61 per cent of older people having a bathroom. There are also differences in housing between rural and urban areas in the same country. The national reports for Italy and Spain indicate that the crisis point for older people with regard to dwelling space occurs in the cities, whereas the Greek report shows that the housing conditions of older people are worse in rural than urban areas.

Ireland has seen a significant improvement in the housing conditions of older people in recent years as a result of special publicly funded programmes for repairs and improvements. While several other countries also provide general allowances to encourage property renovation - including France, Italy, Luxembourg and the UK - for which older people may qualify, various other policy responses to the specific housing problems of older people are also evident throughout the Community. In some cases housing has been tackled as one part of a broader community care strategy. Three important policy developments may be highlighted.

Since housing ownership represents an accumulation of wealth the proportions of older people owning their homes outright is higher than that for younger people. In some cases the status of owner-occupation co-exists with low incomes or poverty: the asset rich/income poor phenomenon. This has led policy makers in some countries to examine ways of 'unlocking' the wealth held in the form of housing in order to supplement current income. The 'staying put' schemes pioneered in the UK in the late 1970s use some of the equity tied up in an older person's house to assist with repairs and maintenance. Similar arrangements have been developed in Spain to annuitise the value of an older person's house. But, as Cordon (1992, p.24) points out, there is no legislation governing these 'negative mortgage' schemes and there is a need for precautions to be taken to minimise possible abuses. This is particularly the case in those countries with high levels of owner-occupation and relatively low pensioner incomes. As can be seen from table 2.1, investment and property income already contribute a significant proportion of the income of older people and it is likely that this source will grow in future. As well as public policy issues concerning community care and regulation this development raises sensitive intergenerational issues within families, especially with regard to inheritance.

Secondly, while older people undoubtedly experience poorer physical housing conditions than younger adults in at least one respect their housing amenities are sometimes superior: they are usually less likely to suffer from overcrowding. The underoccupation of some older person's dwellings has led to initiatives in some countries, notably Germany and the UK, to encourage older people to share accommodation with younger people such as students. This sort of initiative helps to alleviate housing shortages but also contributes to reducing loneliness and isolation and the maintenance of intergenerational solidarity.

Thirdly sheltered housing represents the overlap and, potentially, the integration of housing and community care for frail elderly people. Sheltered housing is usually defined by the presence of a warden covering a group of purpose-built or adapted flats or small houses linked by an alarm system. The Netherlands variant on this theme are called (in translation) 'leaning-on' homes and are built adjacent to old people's homes and linked to them by alarms. In France the 'Sepia' programme appears to be a development of the sheltered housing concept that emphasises the importance of integration into society (Guillemard and Argoud, 1992, p.32). It is estimated by O'Shea (1992, p.25) that between 25 and 50 sheltered units per 1,000 elderly population are required. Even if we take the mid-point of this rather conservative estimate it would appear that sheltered provision in most EC countries is below it (though the Observatory's database on this topic is far from complete). Some countries, such as Luxembourg and the UK, have been extending to ordinary housing alarm systems that enable older people to summon help in emergencies.

2.13 FUTURE PROSPECTS

Looking forward from this current review what can be said about the main policy issues on the horizon concerning the living standards of older people? There is virtual unanimity on the part of the national experts: the main issue on the policy agenda is the financial stability of pensions and social security systems in the face of the twin pressure of recession and population ageing. In several countries - Denmark, France and the Netherlands - worries about the fiscal implications of population ageing centre on the retirement of the 'baby boom' generation in the early part of the next century. In the Netherlands, for example, discussions about preparing for the 'senior boomers' have included the idea of shifting the policy emphasis from <u>inter</u>generational to <u>intra</u>generational solidarity in order to get older people themselves to contribute more to the financing of pensions. In some countries similar concerns about pension financing are regarded as being more urgent. In particular the Greek and Italian social security systems are facing financial crises. Italy is likely to experience substantial cuts in social spending, while in Greece the combination of demographic change and policy developments, such as the extension of pension coverage and indexation, have resulted in large social security fund deficits. According to Ziomas and Bouzas (1992, p.29) these deficits are 'the single most important challenge for social policy in the 1990s'.

The financing of pensions and other forms of social protection is the dominant policy issue in virtually every member state, but there are other issues being discussed. For example in Germany the position of older women, especially those with inadequate contribution records whose needs are not met fully by the German pension scheme, and the financing of long term care are under active discussion. The economic status of older women and the need for a scheme to protect basic living standards in old age are being debated in Portugal. The case for flexible retirement, to reflect changes in the labour market, is on the policy agenda in Ireland. In Denmark worries have been expressed about the impact of the spread of occupational pensions and specifically whether or not this will result in the creation of a new group of relatively poor pensioners who did not have access to such occupational welfare.

The widespread concern in policy circles across the Community with the fiscal implications of population ageing raises the central question with regard to the living standards of current and future pensioners: to what extent will they share in the growing prosperity of the Community following the creation of the single market? Based on the current evidence the answer in most member states is likely to be a positive one - as was shown in section 2.10 only a minority of countries have either made or are currently contemplating significant reductions in pension entitlements. However there is no doubt that this question will be a recurring one over the next decade and we are likely to see further pension reforms designed chiefly to limit public expenditure.

At the same time only a minority of countries have actively targetted older people with low incomes for additional resources, the majority have relied on pension scheme maturation and supplementary pensions to raise living standards. This leads to a concern that policy has focussed overly on tomorrow's pensioners or at best today's pensioners - the young old - with the older age group often being the forgotten generation. It is on this group that the heaviest personal, financial and physical burdens of ageing are concentrated.

There are positive signs of a change in official attitudes in some countries with policy makers ceasing to regard older people as a homogeneous group and re-focussing on particular problems, especially that of frailty among the very elderly. Also the efforts by some governments to establish open policy priorities with regard to older people (for example the Spanish government's National Gerontological Plan) and to consult directly with older people themselves (for example the recent creation of the Higher Council of Older People in Luxembourg) might contain useful lessons for policy makers elsewhere in the Community.

Despite the positive signs, of which there are many, there must be continuing anxiety about the living standards of large numbers of older people in the southern states and sizeable pockets of pensioners in the northern ones - for these groups the EC's goal of a decent standard of living for all older people still remains a distant one.

CHAPTER 3

OLDER WORKERS AND THE LABOUR MARKET

Anne-Marie Guillemard

3.1 INTRODUCTION

The relationship between age and work, and its consequent effects on the lifecycle, have over the last twenty years undergone considerable changes which must be taken into account if we wish to form an idea of possible action at European level which may enable us to take up the challenge of our ageing populations. This chapter aims to describe these transformations and to show the convergences and divergences running through the twelve countries of the community in this field.

Today, working life has become shorter. More and more people are leaving economic activity before normal retirement age, and such a course has even become the new norm in a number of member countries. Working activity after the age of 55 has become a less general phenomenon, and even a minority one in certain cases. This tendency towards a shorter working life appears as paradoxical in societies where life expectancy is lengthening. Are we progressing towards a life cycle in which life after work will tend to become as long as working life? If this were to be the case, we should arrive at an age structure for life divided into three more or less equal stages: the formative and preparatory stage, which as we know has lengthened considerably of late and is now approaching the span of 25 years; the stage of productive life, which would not be much longer than thirty years; and an inactive stage, also of about twenty-five years. The prospects regarding demographic ageing in our European societies mean that this is obviously not a viable scenario. However, it does give rise to one immediate question: how can we ensure transfer to retirement on such a slim active base, whilst at the same time demographic ageing is increasing the proportion of older retired people? The question of the participation in the labour market of ageing workers is hence directly connected to that of the long-term financial balance of public pension systems. Even more generally, it appears to be of decisive importance with regard to the future of ageing European societies and the forms of inter-generational solidarity to which they may have recourse.

Having taken the measure of the reduction in activity after age 55 in Europe, we shall reflect upon the institutional mechanisms which have allowed this transformation and upon their social implications as regards the remodelling of the transition between work and retirement. By way of conclusion we shall attempt to point to future prospects by giving an account of current political debate in member states in the matter of age, working activity, and retirement.

3.2 THE MOVEMENT TOWARDS REDUCTION OF ACTIVITY IN LATER LIFE: A NEW CALENDAR FOR RETIREMENT IN EUROPE

3.2.1 Falling Activity After Age 55 over the Last Twenty Years

The last twenty years have been noteworthy for a massive drop in working activity in later life. This is a trans-European phenomenon, and affects all the highly industrialised countries with the exception of Sweden and Japan.

We have chosen the employment rate rather than the proportion of working people as the indicator of this lowering of activity in later life. The employment rate is more relevant to our aim in that it refers only to people actually in work, and excludes the unemployed. Indeed, we know that older unemployed people have little hope of returning to the labour market and may thus be counted among those whose active life has definitely ceased. We shall moreover observe in the course of this chapter that unemployment constitutes one of the major routes to an early exit from active life for ageing workers.

The effort to objectify this trend to early exit from active life undertaken in this chapter is based essentially on data regarding the male population. Indeed, the trend to early retirement is in the case of the female group masked by the phenomenon of the massive entry of women onto the labour market. Only longitudinal analysis by cohorts allows the disassociation of these two contrary movements. Such analysis leads to the observation that for the successive generations of women born between 1908 and 1925, activity rates decline at increasingly earlier ages, at rates comparable to those recorded for the male active population (Kohli, et al. 1991).

Comparative analysis of the evolution of activity in later life is made more difficult by the fact that women's entry onto the labour market took place neither over identical timescales nor in the same measure in the different countries of Europe. This makes interpretation of the development of female activity in later life for our purposes particularly difficult, and explains why in this report we limit our comparison to the male population.

Table 3.1 illustrates the pan-European characteristics of the development over the last twenty years of a tendency towards early exit from working life. It also shows that this movement is particularly apparent in the twelve nations of the Economic Community. The Netherlands and France have shown the sharpest falls in employment rates over the period 1971-1991 (respectively 45 per cent and 43 per cent of the employment rate for that period). A more specifically trans-European analysis of the data shows that over the last twenty years most member States have registered a remarkable reduction in the working activity of the age 55-64 age group. This group has registered a 30 per cent reduction in its employment rate in Germany, Ireland, Great Britain, and Spain.

The Eurostat data (table 3.2), available only from 1983 onwards, and the OECD data for 5-year age groups (tables 3.3 - 3.5) allow us to observe that Belgium and Italy have also experienced a substantial reduction in activity above age 55. Luxembourg also has a very low activity rate after age 55, although this state of affairs seems to be traditional for that country, and there is no sudden fall as is the case in the other member States. Lastly, the impact of the lowering of the age of exit from work seems to have been more limited in Greece, Portugal, and Denmark.

If these analyses of the last twenty years are refined on the basis of quinquennial age groups, the following remarks may be made. In the first place, within that timespan, working life after age 65 (the age of entitlement to full retirement pension for men, in most countries) no longer exists in Europe. There are a very few exceptions to this new reality: in Ireland, Portugal, Greece and Denmark there is a certain level of activity in the 65-69 age group. These exceptions may be explained for the first three countries by the relatively large agricultural sector, and for the last mentioned, by the normal retirement age fixed at age 67.

The 60-64 age group is the one which has been everywhere directly affected by the transformation of the retirement calendar. In the first half of the decade of the seventies, most of this age group was in work. At the end of the eighties, almost everywhere the greater part of the group was inactive. The movement is less marked in the Southern countries of Europe (except for Spain) and in Denmark.

For the 55-59 age group, the fall in activity is globally less sharp. It occurred later, and it differs more between the different countries. The first discernible grouping is of those where there is a marked fall in activity (between 20 and 30 per cent) over the last twenty years. This group comprises Belgium, the Netherlands, Spain, France, Germany, Italy, and the UK.

For Denmark on the other hand, like Portugal and Greece, the drop in activity for this age group is very limited, and it remains clearly a part of the active population.

3.2.2 The Longer Term Trend Towards a Reduction in Activity in Later Life

A distinction must be drawn, both in rapidity and etiology, between the recent evolution of the age of exit from active life which we have just observed, and the long-term tendency towards a drop in activity in later life which has from the end of the 19th century onwards accompanied the development of pension systems.

Table 3.6 bears witness to this reduction in activity in later life in three European countries (France, Germany, and the UK) from the beginning of the century until 1970. Age 65 (the most common age for entitlement to full pension rights) has become progressively the normal threshold of the change to inactivity, along with the creation and maturing of pension systems.

From the middle of the 1970s onwards we seem to be confronted with a different sort of development. We have in fact observed a sudden overturning of the chronological landmarks around which later life was organised, and which determined the symbolic horizons of individuals at each stage of their lives. The thresholds of the change from active to inactive life are fixed at younger and younger ages. The first group whose employment rate fell sharply was that of the 60-64 year-olds. From the beginning of the 1980s onward this reduction in activity has also affected the 55-59 age group, whose employment rate has fallen continuously and significantly. This massive drop in activity after age 55 cannot be explained by the broadening and maturing of pension systems.

It is more a matter of the rise in age discrimination as regards employment, which has come about in most countries in the context of imbalances in the labour market and economic crisis. In this recessional context, governing factors have not been the same as in the crisis of the 1930s, for example. The work force has been slimmed down less by getting rid of the younger or the workers last taken on, than by making redundant first and foremost ageing personnel, even when they were entitled to special employment protection (as in the Netherlands, for example).

The history of the development of pension rights for early retirement in Europe may be seen as comprising three stages. During the first of these the major preoccupation is the management of unemployment. During the second stage, which began at the start of the 1980s, the question of the management of the employment crisis apparently became fundamental. The main objective of the policies implemented was to encourage older workers to cease activity, along for the most part with measures to ensure the filling of jobs left vacant. Finally, the third stage is now beginning. It seems to be a transitional period, characterised by a clear hesitation between remaining worries about employment and unemployment, new concerns regarding demographic ageing, including ageing within the work force itself, and about the financial balance of pension systems.

These three phases appear to be relevant to the history of the general development of the "disemployment" policies implemented throughout Europe with regard to ageing workers. However, as we have seen, Community countries are at different stages of this periodisation, and the phenomenon of early exit from the labour market has not affected them all to the same degree.

3.3 RESULTS OF COMPARATIVE ANALYSIS OF INSTITUTIONAL ARRANGEMENTS FOR EARLY EXIT FROM WORKING LIFE IN EUROPE

The preceding observations have revealed a far-reaching transformation of the calendar of retirement. The transition now takes place at a much earlier stage of the life-cycle. We shall now consider the nature of the public and private institutional arrangements which have authorised this shifting of the frontier between active and definitively inactive life, and that of the remodelling of the systems of social protection stemming from those arrangements.

Two especially important pieces of information may be gleaned from the systematic examination of the convergences of the institutional arrangements implemented by member states. In the first place, public retirement pension systems are no longer the central instruments regulating exit from the labour market. The definitive exit from working life now more often than not takes place before any possibility of entitlement to a pension in the public systems. Secondly and by way of a corollary to the preceding observation, a new institutional repertory is taking the place of retirement pension systems in the regulation of the definitive exit from working life. We shall attempt to outline its different characteristics.

3.3.1 The Removal of Public Pension Systems From Their Central Role as Regulators of Exit from the Labour Market

One first result of the systematic examination of convergences between observable developments in the different European countries is the demonstration that in all those cases definitive exit from working life now takes place, for a significant number of individuals, well before their entitlement to a publicly funded pension. Exit from working life and access to retirement no longer coincide. Conditions for access to retirement (age coupled with required period of insurance payments) are no longer the criteria governing the frontiers between activity and inactivity. Public pension systems are no longer the central instruments governing the regulation of the definitive exit from working life.

Thus one of the most striking results of this synthesis is to show that the tendency to early exit from active life observed above is not the result simply of an advance in the timing of retirement age, as is often thought. In fact, new forms of regulating the exit from working life are being developed, and these bring into play different mechanisms of social protection from those governing retirement pensions and their rules of entitlement.

Faced with these results, we may well question the efficiency of the political decisions to raise the age of retirement either under discussion or already adopted in a number of Community countries (Germany, Great Britain, France, and Italy). If the retirement mechanisms no longer determine the precise frontiers between activity and inactivity, then it is no longer obvious why such measures should be able to prolong active life and bring once more into balance the relationships between older workers and inactive people, which will be considerably deteriorated in the long term by demographic ageing and are already worsened by the early exit from working life observed in most industrial countries.

For Germany, Belgium, France, Luxembourg and the Netherlands, the traditional model of definitive exit from working life, which corresponds to direct entitlement to a retirement pension, has become very much a model for the minority. Only one out of three or four ageing workers is entitled to entry into the public retirement pension system directly upon their exit from activity.

This new reality may be illustrated by the cases of Germany and France. If we take as our reference the year 1988, new entries into the general retirement pension system are distributed, for Germany, in the following manner: (in percentages, according to the national report) 18.3 per cent came in at the normal age of 65 years, and 18.4 per cent took advantage of the possibility of flexible retirement at age 63. In all, only 36 per cent went directly from employment into the retirement pension system. All the others ceasing work had used other protection arrangements before coming into the retirement pension system, and had therefore withdrawn from active life well before that: 38.1 per cent were protected by the Invalidity Insurance Scheme, 12.5 per cent were declared unfit for work, 12.6 were unemployed. All these categories are entitled to pensions at age 60 under existing regulations. None of them goes directly from work to a retirement pension.

In the case of France, only 26.5 per cent of executive grade earners who became entitled to draw retirement pensions 1988 went directly from active life into the system: 35 per cent had been living on an early retirement pension system, and 20 per cent on unemployment insurance. This means that those who were already inactive when they became entitled to retirement pension were twice as numerous as those who worked right up until entitlement age. Thus the traditional model of direct passage from work into the retirement pension system is definitely a minority one in France, even for the most highly qualified strata of society.

For the UK, Denmark, and Ireland, although the traditional model of direct passage from activity to retirement pension is still widely valid, it is nevertheless true that a significant proportion of people take another transitional route out of active life.

In the case of Ireland, where the employment rates of the 55-64 age group remain relatively high, at 60 per cent, a survey of the modalities of retirement for workers having retired over the last five years (Whelan and Whelan, 1988, cited in O'Shea, 1992, p.31) shows that only one quarter of the newly retired took retirement at age 65 according to the norm. The same report shows that manual workers retire earlier than other categories of worker. One in four manual workers withdraws from work before age 60.

Even in Denmark, where normal retirement age is fixed at 67 years, there are only 34 per cent of active people in the 60-66 age group, whilst 29 per cent received early retirement pay, 2 per cent were in partial retirement, and the main group, making up 35 per cent, received early invalidity pensions.

Only three Southern European member States, namely Greece, Portugal, and Italy, tend to be exceptions to this general lessening of the preponderance of public retirement pension systems as regulators of the definitive exit of workers from the labour market.

In these countries, retirement pension systems retain an influential role in the defining of the frontiers between activity and inactivity, even when these frontiers are fixed at lower and lower ages. In this case, retirement pension systems keep their influence through facilities either already existing or created in an _ad hoc_ way for early entitlement to the old age pension.

Italy is no doubt the best example of this. On the one hand, the statutory retirement age for workers (age 60 for men and 55 for women) is below the European norm. It follows that the activity rate of older workers is low and has fallen only gradually by comparison with that of other countries. On the other hand, retirement pension schemes covering workers in the private sector include possibilities of early entitlement to retirement pension, so long as the worker has contributed for a minimum number of years, and whatever his or her age (which is fixed at 35 years for the general scheme, and is as low as 30 years for certain pension funds).

This route to early exit, termed early retirement after long service, has recently been used deliberately to encourage the early exit of older workers, and plays a major part in this process, along with one of its variants, early retirement pay. In 1989, 45.5 per cent of men became entitled to payment of a pension at an age younger than the norm, as against 42 per cent at the normal age and 12.5 per cent after normal age. As we see, early retirement is now the standard procedure for male earners in Italy (Calcoen and Greiner, 1992).

3.3.2 The New Institutional Mechanisms Governing Labour Market Exit

Although, as we have seen, old age and retirement insurance systems for the most part are no longer the central regulators of the passage from active to inactive life, there are other public and private sub-systems of protection which now play a preponderant part in defining the frontiers between activity and inactivity .

In each of the countries, new routes to early exit have emerged from specific re-arrangements of existing policy and practice, where these were suitable, or, less often, by the establishment of new _ad hoc_ instruments whether public or private.

Within the social protection arrangements, two sub-systems have been predominantly used in the different member countries to facilitate early withdrawal from activity: invalidity insurance and unemployment insurance. Most frequently, the rules of admission and compensation of these systems have been broadened or adapted so as to allow the protection of older workers. For example, unemployment insurance, designed to compensate workers involuntarily and temporarily deprived of jobs, has had to be partially adapted to allow the entitlement of older workers whose likelihood of finding another job is virtually nil. Thus the duration of entitlement to compensation under the unemployment insurance scheme has often been lengthened, as in France, Germany, and the UK. In the same way the criteria of entitlement to invalidity insurance have very often been made more flexible in order to accommodate older workers. Thus in Germany and the Netherlands, criteria of an economic type which take account of the employability of handicapped workers on the local labour market have been added to the classical medical criteria governing judgements on the incapacity to work. Partial invalidity may thus be recognised as total invalidity and entitlement to a full pension. Consequently in these two countries the invalidity insurance route has become a main way to early withdrawal from the labour market.

Alongside sub-systems of unemployment and invalidity insurance, early retirement arrangements have been set up with a view to facilitating by way of compensation the early withdrawal of older workers, both unemployed and in employment. In the latter case early retirement is often associated with policies encouraging the employment of young people, bringing into play a clause stipulating that departing workers should be replaced (the Job Release Scheme in Great Britain, the contract for early retirement solidarity in France, early retirement in Germany, early retirement solidarity in Luxembourg). Early retirement programmes rely either on unemployment insurance, or on public employment intervention funds, or they function independently. They may either be financed partially or totally by public money, or require a contribution from employers (as in Germany and France, along with solidarity contracts and early retirement pensions from the National Employment Fund), or they may be financed by employers who establish policies encouraging early retirement either freely (as in Spain and Portugal) or in the framework of institutional agreements as in the Netherlands with the VUTs.

Each member state has used in its own original way the repertory of these three main institutional arrangements to develop its own routes to early exit from active life. We have attempted to establish a typology of the institutional arrangements used in Europe, based on the national reports.

The countries of Northern Europe, where a rapid decline in activity rates has been observed after age 55 (with the exception of Denmark and Ireland), have used simultaneously all three types of arrangement described above. In Germany unemployment and invalidity insurance has been used more than early retirement pay. In France, the unemployment insurance route, in conjunction with early retirement pay, has been the dominant institutional method. Conversely, invalidity insurance has been little used as a route to early inactivity.

In Denmark, the tendency to early exit affecting the 60-66 age group has been operationalised via a public system of early retirement pay created in 1979 and based on the unemployment insurance scheme. Early invalidity pensions also played a part, although only a minor one. Similarly, in Ireland, the slowing down in activity after age 55 has been facilitated by the establishment on the one hand of the pre-retirement allowance in 1988, and on the other of invalidity insurance. We observe that the same types of institutional arrangements are being everywhere evolved with a view to speeding up the exit of ageing workers into definitive retirement.

In Southern Europe, unemployment insurance and invalidity insurance have not played the fundamental role observed in the North, even though invalidity has been used episodically, in Spain, Portugal, and of course in Italy, where it remains in spite of its regression a main route to early exit. In the South the most frequently used instruments have been forms of early retirement developed within the framework of public modernisation and industrial reconversion schemes, often limited to sectors in difficulty before subsequent extension to other areas.

The Italian early retirement pay schemes are an illustration of this case. Their modalities of compensation are patterned on retirement pension schemes, but before statutory retirement age is reached, they are financed 50 per cent by employers and 50 per cent by the state. Age limits are variable from one sector to another and the number of beneficiaries is rigidly defined. In Spain there are a whole series of measures, such as early retirement within the framework of plans for reconversion; help for the older unemployed, help from the National Employment Protection Fund, and so on, all fall within the ambit of the public employment arrangements. These instruments are nevertheless limited in scope compared with the private schemes for early retirement set up by particular employers, which seem to be predominant (see Corden, 1992, p. 48). In Portugal also an agreement on public early retirement schemes came into force in 1985, but plays a limited role by comparison with the early retirement programmes brought in by the restructuring of industry.

3.4 THE SOCIAL DYNAMICS OF THE TRANSFORMATIONS OF THE TRANSITION FROM WORK TO RETIREMENT

Although the institutional mechanisms set up in each member country include the variants described above, the logic of their temporal development has been broadly similar.

3.4.1 Intermediate Programmes Between Activity and Retirement

A common characteristic of the different ways of protecting early exit from active life which have been developed by member countries is that they are intermediate programmes which ensure replacement income for the period between the time when wages or salaries cease, and the time of entitlement to a retirement pension. Each country draws upon the many alternatives made possible by adaptations of its social protection systems, to which may be added those of new ad hoc arrangements more often than not designed to be temporary, and specifically targeted, like, for example, early retirement pay programmes.

The lack of forward planning and the improvisatory character of these new protection systems is striking. Adjustments to the social protection systems, whether governing unemployment or regulating invalidity insurance, are adjustments to the margins of social protection mechanisms whose rules have been liberalised or changed in order to accommodate the protection of older workers whose exit from the labour market seems to be advisable. The improvisatory character of these exit routes accounts also for their great flexibility.

Thus age criteria fixed in the framework of the arrangements for early exit from active life based on unemployment insurance have been for the most part revised constantly downwards in order to enhance the desired effects on employment. This is the case for the German regulation concerning unemployed people over age 59, who were entitled after one year of compensation from the unemployment insurance fund to full retirement pension at age 60. This regulation was extended to unemployed people aged 58 in 1986. In the same way, maximum compensation periods were increased repeatedly for workers over age 45 .

The Danish early retirement pay arrangements, created in 1979 for people aged 60-66 years, was in 1991 opened up to those aged over 55 years. The Irish pre-retirement scheme, created in 1988 for those aged 60 and over, was soon opened also to the over-55s. Examples of this type are legion.

Conversely, whilst the success of any arrangement will give rise to financial imbalances in social protection, flexibility works in the opposite way, and we may also observe that rules of entitlement are becoming more strict (the lengthening of contributory periods of insurance, the raising of the age threshold, and so on).

This flexibility is not only apparent within the different routes to early retirement, but also in the way they interrelate. One of the fundamental dynamic agents of these arrangements, observable in all member countries, is that of the substitution of mechanisms and the transfer of costs one to another. Thus when the German government tried in 1985 to block extension of the invalidity route, which had become the main one for early exit from active life (more than half those acceding to retirement pension entitlement had previously benefited from invalidity insurance), the conditions of access to the unemployment insurance exit route were as a counterbalance made more accessible to older workers. Refocusing the movement towards early exit from invalidity insurance towards unemployment insurance is also for the Federal German State a way of redistributing the cost of the process so as to lighten somewhat the heavy burden on state funds (Alber, 1992, p. 49). In the same way the introduction in 1984 of an Early Retirement Act, regulating conventions between employers and Trades Unions and allowing compensation for voluntary retirements by workers from age 58 until normal retirement age, is meant to replace the social security invalidity insurance with an instrument outside the social security framework, financed to a greater extent by employers, and which, it is hoped, will lead to less public expense. In the case of Germany, the desire for such replacement has in fact led to the design of a multiplicity of arrangements.

The design of substituting one set of instruments for another, and of transferring costs, has been carried through in a manner more spontaneous than carefully planned. Thus in France the desire to restrict early exit routes by means of early retirement pay, whose popularity had greatly exceeded what had been programmed and which had proved very costly, led to the suppression in 1985 of early retirement solidarity contracts and higher contributions by employers to the early retirement and redundancy insurance section of the National Employment Fund. The result was a spectacular expansion from 1986 onwards in the use of redundancy and common law unemployment provisions by employers wishing to shed ageing workers. The public will to slow down the extension of the exit route to early retirement financed by the state from 1984 onwards has led to a transfer of costs to unemployment insurance financed by social contributions.

The successional order of decisions taken first to draw up, then to suppress, then to rearrange institutional instruments facilitating early exit from activity is always more or less the same. The different parties concerned attempt to improvise solutions for the specific problems of older workers. The institutional arrangements prevailing at any given moment are those corresponding to the interests of all the parties including the older workers. If exit arrangements are to appeal to older workers, they have to appear as opportunities they cannot refuse. The collapse of part-time retirement and of several other schemes is clear illustration of this reality. When some exit routes are unattractive to workers by comparison with others, and are difficult for employers to manage as well, then they fail.

If conditions acceptable to all parties exist, then programmes will succeed insofar as they will be used by growing numbers of ageing workers. Pressure of numbers will consequently lead to a rapid rise of the cost of the programmes. This phenomenon leads in turn to attempts to contain the costs, or to transfer them to some other scheme, or to offload them onto different parties.

The consequence of this social dynamic of intermediate early exit programmes is that what is at stake in negotiations between concerned parties is reduced to the short-term question of who - that is, which party or which public programme - will bear the financial burden of early exit from active life. Indeed, this movement towards early exit for older workers has until recently been considered as an unavoidable and indisputable reality. It is a solution which has met with the approval, for different reasons and in all the member countries, of the state authorities, the employers, and the unions, in the context of rising unemployment and economic crisis. This conjunction of concerned parties is found everywhere early retirement has been widely developed. Each party then tries to manage the costs of the arrangements in its own interest, which means eluding the financial burden. As for the older workers, they slide from one compensation system to another trying to grasp chances and favourable opportunities as they present themselves.

It is remarkable to observe that interaction between actors has more often than not resulted in the transfer of costs between different public programmes. Few governments indeed have managed, in spite of repeated efforts, to get employers to bear a significant proportion of the costs of early exit. It is undeniable that the German experiment of the Early Retirement Act was made with this objective in mind, but the unpopularity of the arrangement prevented it being attained. Only the Netherlands, with the establishment of its voluntary early retirement arrangements, the VUTs, and Italy, where 50 per cent of early retirement payments are made by employers, have managed to reach the objective.

It looks very much as if once the movement towards early exit from active life is started, it is liable to snowball whatever the economic context and without the actors being able to exercise real control over the process. Thus the improvement of the economic situation and the restart of growth at the end of the eighties in a certain number of countries could have allowed one to imagine that the tendency towards early exit from activity, which was a reaction to problems of employment, would become less widespread. This has not happened. Thus Baars, Knipscheer and Brebart, in their report on the Netherlands, observe that from 1985 to 1990 early exits from activity via unemployment insurance and voluntary early retirement (VUT) have not diminished despite the greater number of jobs on offer. They conclude that the tendency to early exit has acquired a momentum of its own, which can be described according to the following succession of events.

The very existence of specific arrangements for the paying of early retirement compensation to older workers leads to making them the obvious target of any contraction of the workforce or any attempt to reduce demand for jobs. This is all the more true in that for various reasons the category of older workers involves ever more clearly specific costs for employers. This has led to thinking in terms of substitution of labour from one age group to another, a thought process which is proving to be difficult to reverse. A mechanism of age discrimination has been brought into play which affects the actions of both employers and workers.

Workers in the age group immediately below that concerned by early retirement were soon considered to be at the end of their career and without a future. They were therefore marginalised by employers in terms of promotion and training investment; given the number of working years they had left, investment in training for this category was not cost-effective. This fact can only increase age-related risk of job loss, while demotivating workers who take on board the judgement passed on them to the effect that they have no future. The progression observed in the Netherlands, Germany, France, and the United Kingdom in the numbers of long-term unemployed aged 50 and over illustrates this phenomenon of induced supervulnerability. At the same time the premature interruption of professional careers is becoming the norm. The aspiration to early retirement is undeniably increasing, without it being possible to distinguish how much this is due to the demotivation of older workers on an increasingly competitive labour market, and how much to the increasing demand for a time to do as one likes.

Although economics allow us to account for the initiation of the movement towards early retirement, it is the cultural factors which explain the way it has snowballed. Conceptions of what constitutes an older worker and the way older workers relate to the labour market have been transformed by the impact of early retirement arrangements. An 'older worker' is no longer one who is nearing retirement age. S/he is someone who more and more is defined as being unemployable on the labour market, or incapable of work in the context of increasing use of unemployment and invalidity arrangements for early exit.

In these conditions, improvement of the employment situation or suppression of early retirement pay schemes do not authorise a return to the status quo.

3.5 THE SOCIAL AND ECONOMIC CONSEQUENCES OF EARLY LABOUR FORCE EXIT

The consequences of the fall in activity after age 55 may be considered at three successive levels:

- consequences for employment and unemployment;
- consequences for the organisation of social protection;
- consequences for ageing individuals, in terms of their social rights and integration into society.

3.5.1 Early Exit from Active Life, Employment and Unemployment

In most cases, the object of the institutional arrangements set up to encourage early exit from active life was to reduce unemployment or to improve the employment situation. It appears that results in this field have everywhere been rather disappointing, mostly ephemeral, and difficult to evaluate in terms of their effects on employment.

The abolition of most arrangements for early retirement pay in the countries where these were the most prevalent is no doubt the reflection of the relationship between the progression of the associated costs and the mediocrity of the results achieved.

Thus Germany and Great Britain abolished them in 1988. France shut off early retirement solidarity contracts in 1986, and took restrictive measures relating to FNE [teachers] early retirement pay. Belgium also abolished legal early retirement pay and only retained conventional systems while making these far more restrictive, with access at age 58 only instead of age 50.

3.5.2 Early Exit from Active Life and the Remodelling of Social Protection

We have been able to observe that invalidity and unemployment insurance have been regularly substituted for old age retirement pension insurance in the regulation of the exit from the labour market in numerous countries. The favoured systems have therefore been led to cover risks for which they were not initially designed. The internal frontiers between the different programmes, the risks they cover, and the logic of their entitlement qualifications have been considerably disturbed.

Thus unemployment insurance, created to give short-term protection to workers temporarily without a job, has had to compensate older workers with no hope of re-employment, over very long periods (at least five years, and in some cases even longer). Even when they are adapted, entitlement and compensation criteria are not consistent with this new form of protection which makes unemployment insurance into a pseudo- old age pension fund. Similarly in certain countries such as the Netherlands and Germany a blurring of the frontiers between unemployment and invalidity insurance has occurred. Invalidity has joined unemployment as an indicator of the loss of capacity to work. In Germany and the Netherlands this assimilation has been enshrined in legislation.

Moreover, the different countries studied have made instruments for the regulation of employment policy out of unemployment insurance (by lowering retirement age in France, for example, or early retirement for the long-term unemployed in Germany), while unemployment insurance is often transformed into a pseudo-old age pension scheme.

Conceptions of retirement, old age, invalidity and unemployment pensions have been modified. The present confusion reigning in the matter of the organisation and objectives of social protection systems has had two major consequences. On the one hand it has fuelled the crisis regarding the financing of social protection, and contributed to the growing preponderance of the old age factor in the social budgets of European countries. On the other, the regulation of social costs has become impossible within this inextricable labyrinth of differing logics of protection and risk cover. An attempt at clarification and coherence concerning social protection is necessary everywhere. Running repairs and ad hoc solutions have provoked a loss of rationality concerning social protection, and as a consequence, a crisis concerning its legitimacy. The problem has become intractable.

3.5.3 Early Exit from Active Life and the Social Status of Ageing Individuals

It is very difficult to draw up a firm balance-sheet of the advantages and disadvantages of early exit from active life on the personal level.

It is undeniable that certain early retirement pay arrangements have proved very popular, mainly those which are the most generous in terms of replacement income level, and which include the most options (such as the early retirement solidarity contract in France, the VUT in the Netherlands, Early Retirement Pay in Denmark, and so on). They have been perceived by ageing workers as windfalls for generations who have already had long and hard careers and who consider consequently that they deserve the right to stop sooner rather than later.

However, this enthusiasm has occasionally masked the less positive aspects of the process of early exit from active life. We shall list three negative implications of these arrangements on an individual level.

i) <u>The moment and the modalities of early exit from active life have become more restrictive and less optional than in the past</u>.

Previously, individuals could take up their entitlement to a pension. Today, the chronological landmarks of retirement have been swept away, and with them every principle of orderly transition from activity to retirement. Individual people have lost control of the process and even of the power to anticipate it. Today the entry of a worker into an early retirement scheme depends very often on the employer and on his decision about redundancy. The unilateral and compulsory character of the early exit from active life has become more marked everywhere, even if it remains weak in Denmark compared with, say, France or the UK.

Latitude for individual choice between retiring or staying on at work after middle age has been destroyed. The rules which have sprung up in a number of countries to restrain sometimes even voluntary activity in the framework of early retirement arrangements bear witness to this. The development of early exit has brought about a drastic erosion of the ageing worker's right to work.

ii) <u>The multiplication of intermediary forms of status and the weakening of the nature of the social protection afforded</u>.

One of the dominant logics governing the function of social policies is today that of devising and manipulating forms of status, and this consequently influences the identity of the social groups concerned and their possibility of acceding to a status.

It appears to us that in the different European countries studied, where different sub-systems of social protection have played a major part in providing for early exit from active life, the multiplication of intermediary forms of status corresponds to a transformation in the nature of social rights available.

If we take the example of the different systems of social security, the latter function on the basis of distinct universal risks and general modes of cover adapted to those risks. Entitlement to such cover is automatic immediately an individual is at risk and has contributed for the appropriate number of years. Thus every French citizen knows that they will have automatic entitlement to a full pension as soon as they have contributed for $37^{1/2}$ years and attained age 60.

On the contrary, conditions of access to forms of status intermediate between activity and inactivity have no stable and universal character. They are specific and fluctuating. Entitlement to rights has no longer anything automatic and systematic about it. It is subject to particular conditions which have over time been constantly being changed.

We have referred to the flexible nature of arrangements for early exit from active life. So it is that unemployed status does not ensure a retirement pension. Periods of compensation for long-term unemployed older workers have been constantly modified in all member countries as a function of labour market developments and dominant employment policy objectives.

Consequently the social rights available in the framework of intermediate arrangements are very restricted compared to those guaranteed in that of the social security system. Such rights are not acceded to automatically according to risk, but depend on the decisions of the makers of the arrangements whether to cover them or not. This development of social protection requires mention.

These fluctuating forms of intermediate status can also give rise to identity crises. In the different member countries few older workers who have definitively ceased activity consider themselves retired. They rather claim unemployed status, or very often that of 'discouraged workers' with no hope of returning to the labour market.

iii) <u>Marginalisation of the older worker.</u>

The movement towards early exit from active life has accelerated the process of devaluation of the older worker in the labour market. Convincing evidence of this is provided by the constant lowering of the age thresholds beyond which workers face career and employment difficulties.

Over the last fifteen years these age thresholds have been continually lowered in the exact measure that access routes to early exit from active life have been opened up to younger age groups. The over-fifties are over-represented among the long-term unemployed in most member countries. The over-forty-fives are also experiencing a certain age discrimination regarding promotions, recruitment, and training.

Older workers, at younger and younger ages, have been as it were declared useless citizens, and stored away alongside all the improductive members of society who must live on social transfers.

3.6 AGE, EMPLOYMENT AND RETIREMENT: THE EVOLUTION AND PROSPECTS FOR THE DEBATE IN EUROPE

In most member countries, the dynamics of early exit from active life are based on the existence of a measure of agreement, for different reasons, among trades unions, employers' organisations, and the state over the question of the early exit of older workers.

After this long period when social debate has been largely at one on the solution to the question of early exit, it appears that since the end of the 1980s we have been observing a greater fragmentation of the debate between the interested parties. The era of consensus seems to be at an end. New positions are arising. It is nevertheless difficult at present to predict what will be the eventual fate of older workers over the coming years.

New lines of force are appearing. Wherever the movement towards early exit from active life has gathered significant strength, efforts are being made to restrain it and to substitute for this brutally sudden and earlier and earlier exit a more flexible sort of transition, creating new formulae for partial retirement or forms of progressive early retirement.

Two main factors gave rise to this reformulation of the debate in Europe. On the one hand there were the financial costs which meant that the development of routes for early exit from active life weighed heavily on social protection in general; on the other hand, it was imperative to reform those systems of retirement cover whose financial balance was jeopardised by the acceleration of demographic ageing in Europe by the beginning of the third millenium. We shall attempt to reconstruct the evolution of the positions of the different actors in this new debate.

3.6.1 The State Authorities: How to Contain the Risks of Insolvency of Public Retirement Pension Systems

The major task for governments has, from the end of the 1980s, been that of containing in the middle and long term the risks of insolvency of public retirement pension systems. The number one priority is no longer that of the social management of the increase in unemployment or the struggle to provide jobs for young people. This new central task has given rise to three different sorts of state intervention.

First, the state authorities are everywhere trying to control and limit the number of early exits. The objective is both the short-term refusal of any further financial commitment in this area, and also in the medium term to attempt to stem the strong tendency to early exit shown by the labour market by providing arrangements for partial retirement which allow correlatively the partial maintenance on the labour market of older earners. These arrangements after all constitute a means of prolonging working life in a context where problems of employment remain generally thorny. The change by older workers to part-time work appears in this light as a compromise solution.

Many examples bear witness to this new step taken by state authorities. Thus in Germany the Act governing early retirement pay was not renewed in 1988, but was replaced in 1989 by an Act concerning part-time work for older workers. This Act aims to set up facilities for gradual retirement by encouraging workers aged 58 and over to move to part-time work with no loss of earnings. This arrangement is however hardly used at all. Such observations are general. None of these arrangements for gradual retirement set up in member states has yet met with success. It appears that complete early exit is the most widely accepted solution and that attempts at partial retirement are still very unpopular both among potential beneficiaries and among employers. Indeed, such arrangements appear to be complicated for businesses to establish. They require more often than not a rethink of the role of older workers within the business. Moreover they rely on the existence on the labour market of a quite large number of part-time posts, which is a condition rarely fulfilled in Europe today.

Finally, beneficiaries are ignoring an arrangement which is in competition with the routes to total exit, which seem to conform better to their aspirations. The cases of progressive early retirement in France, of partial retirement pension in Denmark, and of partial retirement at age 60 in Spain bear witness to the unpopularity of these arrangements for progressive retirement. They have all met with relative failure. Thus in Denmark only 2 per cent of people aged 60-66 years, the majority of whom are self-employed, use the partial pensions created in 1987. People are more enthusiastic about the Early Retirement Pay arrangements for definitive early exit from activity. This is in Denmark the main route to early exit from active life, taken by 30 per cent of people aged 60-66 years.

Just as governments are trying to give preference to arrangements for gradual rather than complete exit, they are attempting to limit early exits by making the rules of admission to early retirement arrangements systematically stricter, and by making such arrangements less attractive. The age limits for access to the arrangements are constantly raised. Thus in Belgium early retirement pensions ('preparations') which in certain cases were available from age 50 will now only be so from age 58. In France, from 1991 onwards accession to full retirement age with full rather than progressively reduced compensation after redundancy has only been possible from age 56 and 3 months and not from age 55 as before.

The second massive type of intervention by the state authorities concerns the reform of public retirement pensions, which has already taken place in Germany and Italy, and is on the political agenda in France and the UK. The principal lines of this reform seem to be relatively common to all the countries of the Community. It must encourage people to prolong their working lives. The raising of the age of entitlement to a full pension or the lengthening of contribution times are the two factors most commonly stressed. It must also favour greater flexibility in the transition from active life to retirement.

The British slogan of 'a decade of retirement' is surely the most significant expression of this new conception. The idea is that retirement may be taken between ages 60 and 70. Individual choices about it should be more open-ended and leave room for individual arrangements. This line of thought is present everywhere, although still largely at the intentional stages, including in the UK.

We may observe that among the reforms brought in figure the lifting of a certain number of restrictions on post-retirement activity, such as the abolition of earning tests in the UK, new possibilities of improving pension levels by staying on at work after full retirement age in Germany, and so on.

The third line of state action concerns the encouragement of businesses to keep on their older workers, or even to recruit others. Indeed, the reform of retirement pension age risks being a dead letter in terms of correcting the imbalance between activity and inactivity in the older population if it is not accompanied by measures offering older workers greater protection and better security at work before their definitive exit from it.

Now state employment policies concerning the protection of the later career structures of workers have not been significantly changed over the last few years. It appears that only certain countries have undertaken action along these lines, and even then at a very restricted level (arrangements for older workers to return to work).

Thus in 1988 the UK replaced the Job Release Scheme, a previously abandoned instrument for the substitution of labour between younger and older age groups, by the Job Start Allowance Scheme, which should allow older workers to return to work via part-time activities. France too has attempted to implement a return to work with 'return to work contracts' for over-50s. Despite strong financial encouragement to employers provided by these arrangements (in France the return to work contract for the over-50s means that businesses are excused payment of social security contributions for workers recruited until their retirement), they remain unpopular among employers. The British Job Start Allowance Scheme was thus abandoned in February 1991.

3.6.2 Trades Unions: New Ways of Thinking

Trades unions have remained very attached to established procedures for early exit, all the more so since they were relatively generous towards beneficiaries. Thus the Dutch unions are very committed to the defence of the conventional arrangements for early exit from active life, the VUTs, and are engaging in struggles to protect them. Nevertheless attitudes are evolving.

3.6.3 Future Prospects

Action will no doubt require strong interaction between retirement and active employment policies. The task is to see whether an agreement can be hammered out between those employers who seek greater flexibility of working practices and the other parties, namely the state and the unions. This agreement could be along the lines of a renegotiation of social protection with a view to better adaptation of cover to new risks brought about by the development of flexibility at work (more optional and flexible retirement pensions, more leave and sabbatical options within the working life cycle, permanent training along with more professional mobility and so on).

Enterprises would find in such arrangements the working flexibility they seek, workers would benefit from greater security, and the Welfare State would profit from greater clarity in its social protection systems and from healthier social financing. If no such compromise can be reached between the interested parties, it is to be feared that the situation means that the workers will lose out.

Employers will continue to shed older workers as they feel the need, but the state will refuse to pay the costs of this, and unions will fight, backs to the wall, in order to preserve the social advantages appertaining to retirement which they have acquired. Very many definitively inactive older people will rely solely on unemployment assistance and the guaranteed minimum income, or moonlighting jobs, after exhausting their rights to unemployment insurance. A few signs of this disquieting scenario are already visible in the UK, Germany and France.

Table 3.1 Evolution of Male Activity Rates for the 55-64 Age Groups in Nine Countries

	1971	1975	1980	1985	1987	1988	1989	1990	1991	Variation 1971-1991 %
USA	77.3	71.4	68.8	64.4	64.5	64.1	64.3	64.5	-	-16.6
France	73.0	67.1	65.3	46.7	43.9	43.7	43.6	43.0	42.0	-42.5
Germany	77.1	66.7	64.1	53.6	54.1	52.5	51.7	-	-	-32.9
Netherlands	79.3	69.9	61.0	44.2	44.7	44.5	44.2	43.9	-	-44.6
Sweden	82.8	80.7	77.5	73.2	73.4	73.7	73.9	74.5	-	-10.0
UK	82.9	82.0	73.9	59.4	58.1	60.1	61.6	63.4	61.5	-25.8
Ireland	82.4	76.1	72.2	64.7	62.7	61.9	59.9	59.1	-	-28.3
Portugal	82.1	77.1	74.8	64.9	62.1	62.1	63.9	65.4	66.5	-19.0
Spain	82.7	76.7	71.5	59.1	57.0	56.1	56.7	57.2	56.2	-32.0

Source: OECD survey of the workforce

Table 3.2 Evolution of Employment Rates for Men Over 55 by Age Groups in the Twelve Countries of the European Community (1983-1991)

		Germany	Belgium	Denmark	Spain	France	Greece	Italy	Ireland	Luxembourg	Netherlands	Portugal	UK
55-59	1983	77.6	60.9	77.4	79.1*	60.3	76.4	71.1	76.5	52.5	65.3	74.7*	75.8
	1984	76.1	59.4	79.0	-	57.9	75.4	68.6	74.3	55.0	-	74.3*	73.9
	1985	73.3	59.2	77.7	68.18	57.3	74.2	68.4	72.8	55.3	64.3	72.3*	74.8
	1986	73.9	54.2	78.3	67.9	57.3	73.7	67.2	71.6	56.5	-	72.1	73.3
	1987	73.5	50.4	77.4	68.1	55.8	72.3	67.5	70.4	55.1	61.9	69.3	70.9
	1988	72.2	48.1	78.8	66.6	56.3	72.4	66.4	69.9	54.6	63.4	69.9	72.6
	1989	71.8	50.5	73.3	67.3	57.0	72.0	64.4	67.3	53.5	64.0	72.5	73.3
	1990	73.9	48.4	81.6	69.4	56.2	70.7	66.4	69.6	62.8	63.6	73.5	74.9
	1991	-	49.3	74.5	69.3	57.9	-	66.2	68.4	51.4	60.9	74.1	73.9
60-64	1983	38.3	27.4	48.3	60.4*	28.2	58.2	35.9	63.3	19.5	34.2	62.8*	52.5
	1984	33.9	25.8	48.6	-	25.9	55.7	37.3	62.0	19.0	-	59.8*	51.4
	1985	32.1	25.9	45.5	48.2*	24.4	53.6	36.8	58.8	18.6	28.8	56.4*	49.8
	1986	30.8	22.4	52.6	45.6	22.0	51.7	36.7	57.3	16.1	-	53.5	48.1
	1987	31.3	19.4	48.5	44.5	20.2	49.4	36.2	55.4	21.4	27.6	53.6	49.0
	1988	31.7	19.4	51.7	44.0	19.4	49.2	36.4	55.0	18.0	25.1	53.7	49.1
	1989	32.4	20.7	49.8	44.1	18.8	47.6	33.9	52.9	18.8	21.9	53.8	49.8
	1990	32.9	18.9	48.6	43.2	16.0	45.5	34.5	50.4	22.8	21.7	54.2	49.4
	1991	-	17.8	46.4	43.0	14.4	-	36.4	52.7	16.1	21.6	58.4	48.9
55-64	1983	60.2	47.7	63.1	-	46.0	68.8	55.3	70.3	38.0	50..5	-	64.3
	1984	57.0	47.6	63.9	-	42.9	67.2	53.9	68.3	39.2	-	-	62.5
	1985	55.4	43.0	61.9	-	43.1	65.6	53.1	65.9	39.9	47.0	-	68.6
	1986	55.4	38.8	65.8	57.5	40.6	64.0	52.7	64.6	39.6	-	63.2	61.1
	1987	55.1	35.5	62.6	57.2	38.8	61.9	52.5	63.1	41.4	45.2	61.8	60.1
	1988	54.1	34.4	65.5	55.9	38.7	61.6	52.0	62.7	39.7	44.1	62.2	61.1
	1989	53.5	36.3	61.8	56.4	38.9	60.1	49.6	60.3	38.0	43.9	63.5	62.0
	1990	54.3	34.3	65.6	56.9	37.0	58.4	50.9	60.2	42.9	44.0	64.6	63.3
	1991	-	33.9	61.0	56.3	36.5	-	51.5	60.7	34.0	42.2	66.8	61.6
65-69	1983	10.2	5.1	26.4	20.7*	7.9	34.1	15.0	31.6	(10.2)	5.3	-	13.0
	1984	9.5	6.4	24.9	-	8.5	29.7	14.9	28.4	(9.5)	-	-	12.8
	1985	9.1	5.5	28.2	12.4*	7.6	26.4	14.8	25.6	(7.7)	6.9	-	12.8
	1986	8.5	5.5	26.0	10.9	7.1	26.8	15.5	28.3	(4.5)	-	30.3	11.7
	1987	8.0	3.7	22.4	8.1	6.7	24.4	14.9	27.5	(5.4)	8.7	28.5	11.9
	1988	7.4	4.2	25.9	7.5	6.1	24.1	13.8	26.8	(4.2)	10.0	30.6	11.3
	1989	6.8	3.3	23.1	8.7	6.0	22.0	13.0	25.4	(3.3)	11.4	32.8	13.1
	1990	8.6	3.3	27.4	7.4	5.1	21.4	12.8	25.7	(5.5)	9.7	31.5	13.5
	1991	-	3.4	25.1	7.4	5.2	-	13.4	26.6	(4.7)	9.1	34.3	13.9

Source: Eurostat Labor Force Survey, European Community, Luxembourg, and our calculations of employment rates.
*data taken from Spanish and Portuguese national reports

Table 3.3 Evolution of Employment Rates for Men Aged 65 and Over (1971-1991)

	1971*	1975	1980	1985	1987	1988	1989	1990	1991	Variations in points	Variations in %
France	18.2	13.6	7.5	5.2	4.7	4.5	4.3	3.7	3.5	- 14.7	- 81%
Germany	16.0	10.6	6.8	5.1	4.6	4.4	4.4	-	-	- 11.6	- 73%
UK	19.2	15.6	10.2	8.3	7.7	7.9	9.0	8.6	8.4	- 10.8	- 56%
Spain	25.7	18.6	12.4	5.8	4.3	4.0	4.2	3.7	3.6	- 22.1	- 86%
Portugal	41.0	36.0	27.8	19.5	18.6	20.2	20.3	20.0	22.2	- 18.8	- 46%
Italy	8.6	7.3	8.4	5.2	5.2	5.3	5.4	5.0	5.2	- 3.4	- 46%
Ireland	41.1	27.4	23.1	15.2	16.6	17.4	16.4	15.3	-	- 25.8	- 63%
Belgium*	6.8		3.3				1.9			- 4.9	- 72%
Denmark**	47.0	46.0	34.0	27.0			23.0			- 24.0	- 51%

OECD data: rates unavailable for Belgium, Greece, Luxembourg, Denmark and the Netherlands.

* The reference date is 1972 for Spain and 1974 for Portugal

** Activity rate - extracted from national reports - for Denmark: age 65-69.

Table 3.4 Evolution of Employment Rates for Men aged 60-64 (1970-1991)

	1971*	1975	1980	1985	1987	1988	1989	1990	1991	Variations in points	Variations in %
Netherlands	72.3	62.3	46.3	26.7	26.7	25.6	23.5	22.0	-	- 50.3	- 70%
France	65.7	55.1	44.9	29.4	24.8	24.2	23.2	22.0	19.1	- 46.6	- 71%
Germany	68.6	55.2	41.4	31.7	32.4	31.9	31.8	-	-	- 36.8	- 54%
UK	75.5	74.6	60.6	50.5	50.6	51.7	52.3	52.5	51.0	- 24.5	- 32%
Spain	76.4	68.6	60.2	48.0	44.5	44.1	44.3	43.6	43.0	- 33.4	- 44%
Portugal	78.5	73.7	65.3	57.6	53.0	52.8	54.2	56.2	58.1	- 20.4	- 26%
Italy	46.5	42.1	39.0	38.2	36.3	36.1	34.7	35.4	34.4	- 12.1	- 26%
Denmark	81.0	79.0	62.0	51.0			50.0			- 31.0	- 38%
Belgium**	64.0		32.4				21.5			- 42.5	-66%
Ireland**		77.2	71.9	66.8	66.6	64.3	61.0	57.1	59.3	- 17.9	- 23%

OECD data: rates unavailable for Belgium, Greece, Luxembourg, Denmark and Ireland.

* The reference date is 1972 for Spain and 1974 for Portugal

** Data extracted from national reports - activity rate and not employment rate.

Table 3.5 Evolution of Employment Rates for Men Aged 55-59

	1971*	1975	1980	1985	1987	1988	1989	1990	1991	Variations in points	Variations in %
Netherlands	85.5	76.8	72.8	60.3	62.3	63.0	61.6	-	-	- 23.9	- 28
France	80.8	81.3	77.4	62.6	61.1	61.6	62.5	62.9	64.2	- 16.6	- 21
Germany	86.3	82.7	78.3	70.7	70.9	69.6	69.1	-	-	- 17.2	- 20
UK	89.7	89.7	84.7	68.2	65.3	68.2	70.4	73.8	71.6	- 18.1	- 20
Spain	88.8	84.4	79.4	68.9	67.7	67.0	67.8	69.6	68.9	- 19.9	-22
Portugal	85.7	80.4	82.1	71.3	70.2	70.6	72.6	73.3	73.9	- 11.8	- 14
Denmark**	91.0	89.0	91.0	87.0	-	-	86.0	-	-	- 5.0	- 5
Belgium**	82.3	-	71.3	-	-	-	53.1	-	-	- 29.2	- 35
Italy**	-	-	73.9	69.1	67.5	66.9	65.6	-	-	- 8.3	- 11
Ireland**	-	87.0	84.1	83.5	83.3	81.3	79.7	79.5	79.9	- 7.1	- 8

Source: OECD data: rates unavailable for Belgium, Greece, Luxembourg, Denmark and Ireland

* The reference date is 1972 for Spain and 1974 for Portugal.

** Data extracted from national reports - activity rate for Ireland and Denmark, employment rate for Italy.

Table 3.6 Evolution Over One Century of Male Activity Rates at Advanced Age - France, Germany, Great Britain

France		**50-54**	**55-59**	**60-64**	**65-69**	**65+**
	1876	-	86.4	86.4	-	66.5
	1901	-	88.1	88.1	-	65.6
	1906	91.3	91.8	85.1	78.0	-
	1911	93.5	89.2	83.4	-	65.6
	1921	95.1	91.7	85.7	78.6	- - -
	1926	94.2	89.2	82.0	73.3	- - -
	1931	93.0	88.4	90.7	71.9	- - -
	1936	91.0	83.2	74.0	65.4	-
	1946	93.1	85.4	76.3	66.5	-
	1954	94.0	82.0	69.6	49.8	-
	1962	93.0	83.6	67.9	36.5	-
	1970	-	82.9	63.0	-	19.5
	1980	-	80.9	47.6	-	7.5
	1985	-	67.8	30.3	-	6.3
Germany		**50-54**	**55-59**	**60-64**	**65-69**	**65+**
	1882	91.5	91.5	79.3	79.3	-
	1895	92.4	92.4	79.3	79.3	-
	1907	90.4	90.4	71.2	71.2	-
	1925	92.4	92.4	79.7	-	47.4
	1933	86.9	86.9	67.0	-	29.7
	1939	89.7	89.7	71.4	-	29.5
	1950	93.4	87.4	73.0	-	36.8
	1961	93.9	88.9	73.0	-	22.9
	1970	-	89.5	74.9	-	19.9
	1980	-	80.0	42.5	-	7.0
	1985	-	76.9	33.2	-	5.2
Great Britain		**45-54**	**55-59**	**60-64**	**65-69**	**70+**
	1911	94.1	94.1	94.1	56.8	56.8
	1921	96.8	91.9	91.9	79.8	41.2
	1931	96.7	94.1	97.6	65.4	33.4
	1951	97.9	95.4	87.8	48.7	20.9
	1961	98.6	97.1	91.0	39.9	15.2
	1970	97.6	95.3	87.0	30.2	20.2
	1980	95.5	90.2	71.5	10.5	10.5
	1985	91.6	82.3	62.0	7.6	7.6

Source: Kohli, Rein, Guillemard, Van Gunsteren, Time for Retirement, Cambridge University Press, 1991, pp. 38-39.

CHAPTER 4

HEALTH AND SOCIAL SERVICES

Jens Alber

Health and social services for older people still belong to the most understudied areas in social policy research. In stark contrast to other fields of old age policies such as pension systems or labour market participation there are hardly any data collections from international agencies available which would provide a basis for comparative analysis. Hence the Observatory's attempt to provide standardised information on residential care and home care services for the elderly in the member states of the European Community belongs to the pioneer efforts in the field (for other first recent attempts see Gabanyi, May and Schneider, 1992; Jamieson, 1991; Nijkamp, 1991; Schwab, 1989). Therefore much of the information remains piecemeal and less easily comparable than researchers or policy makers might wish. Given the heterogeneity of most nationally collected data, the following comparisons can only be indicative of crude patterns and trends. Extreme caution should therefore be applied when it comes to interpreting rank-orders of countries for the sake of policy conclusions.

4.1 THE NEED FOR HEALTH AND SOCIAL SERVICES

Nothing would be more disleading than to conceive of older people as mostly frail or decrepit. In fact, most older people are living in fairly good health. At age 60, female citizens of European Community countries on average have 22.1 years ahead of them, with an average of 17.8 years for men. Life expectancy at age 60 is highest in France (24.0 and 18.8 years) and lowest in Ireland (20.0 and 16.0 years - see table 4.1). Most of these remaining years are spent in sufficiently good health to allow senior citizens to actively participate in social life. As all country reports show, the vast majority of older people remains capable of caring for themselves and of living fairly independent lives. However, there are sizeable minorities - which vary around one quarter to about one third of those aged 70 and older - who do have health problems and therefore do require some sort of assistance in the ordinary activities of daily life.

Table 4.1 Female and Male Life Expectancy in EC Countries, around 1989[1]

Country	Life Expectancy at age 60		Life Expectancy at age 80	
	Females	Males	Females	Males
Belgium	22.4	17.5	7.1	5.7
Denmark	21.8	17.6	8.2	6.4
France	24.0	18.8	8.6	6.8
Germany	22.2	17.8	7.6	6.1
Greece	21.2	18.2	7.6	6.7
Ireland	20.0	16.0	6.7	5.4
Italy	22.7	18.2	7.7	6.2
Luxembourg	21.3	16.4	6.8	5.3
Netherlands	23.4	18.3	8.6	6.5
Portugal	22.0	18.0	7.2	6.1
Spain	23.0	18.9	7.7	6.7
United Kingdom	21.7	17.4	8.2	6.2
Mean	22.1	17.8	7.7	6.2

1. Reference dates other than 1989:
   Age 60: Greece 1985; Italy 1988; Luxembourg 1986; Spain 1987.
   Age 80: Belgium 1982; Denmark 1988; France 1988; Germany 1987; Greece 1980; Ireland 1982; Italy 1987; Luxembourg 1986; Portugal 1988; Spain 1985.

Source: OECD Health Data 1991.

Several country reports show that severe incapacity is typical only for a minority of the elderly. However, dependence upon external assistance sharply increases with age. Although the criteria applied to define incapacity vary from country to country, the crucial findings are unambiguous: the proportion of severely incapacitated people among people above age 65 is well below 10 per cent. Limited to below 5 per cent in the age group 60-69, the proportion increases about five- to sixfold to around 30 per cent among those aged 80 or older (see the country reports on Belgium, Denmark, Germany, Ireland, Netherlands, Portugal, Spain, United Kingdom).

Other data on age-specific morbidity rates indicate that the incidence of ill-health also increases with age. Sizeable minorities among older people suffer from multi-morbidity or from chronic diseases. The predominance of various types of illness varies by country. Several country reports list cardio-vascular diseases as the most prominent illness among elderly persons (Denmark, Germany, Italy, Portugal). Most reports also draw attention to the increasing frequency of mental disorders. Although precise comparable data are not available, estimates on the proportion of people above age 80 suffering from mental disturbances in some countries extend to around one half. Among the mental diseases, dementia is one of the most serious challenges.

The prevalence of morbidity among older people translates into a heavy use of health services and consequently also into very high shares of medical expenditure going to this group. The proportion of older people in various fields of medical consumption is usually 2-3 times higher than their proportion in the population. Thus, older people account for 15 per cent of the population, but for 49 per cent of hospital bed days in Denmark. In Germany pensioners account for 29 per cent of all sickness insurance members, but for 52 per cent of all hospital expenditure. In the Netherlands 13 per cent of the population, but 25 per cent of all hospital patients, are older than 65 years. Similar degrees of overproportionate medical consumption are reported for Belgium, France, Greece, Ireland, Italy, Luxembourg, Portugal, and Spain.

Several country reports draw attention to overproportionate lengths of stay of older people in hospitals (Denmark, Germany, Greece, Luxembourg, Spain). The longer average length of stay is not exclusively related to a higher incidence of serious illnesses. In many cases it also expresses a misallocation of beds in the acute care sector. Older people are quite frequently kept in acute hospitals only because they lack family or other support at home, special geriatric facilities are not available, or there is insufficient access to special long-term care facilities. However, not all European countries have similar problems of a blockage of acute hospital beds due to a shortage of more specialised services which would be better geared to the needs of older people. Ireland and the Netherlands seem to have developed a particularly well-functioning division of labour between various sectors of care which avoids overproportionate lengths of stay as well as long waiting lists for places in nursing homes. Belgium and France have developed a deliberate policy of shifting older people from the acute hospital sector to the special care sector in order to lower the cost of sickness insurance. A similar tendency is also reported for the UK.

An efficient division of labour between various sectors of care which avoids a misallocation of patients hinges upon two factors: the development of geriatrics as a specialised medical discipline, and an adequate supply of long-term care services. Geriatric hospital beds are almost everywhere in very short supply, and the field of geriatrics is only slowly developing to become a recognised medical specialty. Only Italy and the UK report a long-standing geriatric tradition with specialised departments or chairs in all or most medical schools. Other countries such as Denmark, France, Germany, the Netherlands, and Spain have only recently established first university chairs which are now in the course of developing specialised curricula for geriatrics. Greece and Portugal have so far neither recognised the field as a specialised professional discipline nor established special geriatric hospitals.

Long-term care for people who need assistance in the activities of daily life continues in most countries to be predominantly a family task. With the noteable exception of Denmark, most Western European societies put the major burden of care on women in private households. However, the declining birth rates and the increasing labour force participation of women lead to a shrinking care potential in the family system. Considering that care for the elderly has traditionally been a female task, the ratio of women aged 45-69 to people above age 69 may be considered a crude indicator of the caretaker potential within the family system. As table 4.2 shows, this potential is rapidly shrinking. Whereas in 1960 on average 2.4 women aged 45-69 were counted per person aged 70 or older, by 1990 the ratio had shrunk by one third to an average of 1.6. Population forecasts show that in some countries it will soon approach parity.

The declining care capacity of the family system means that traditional forms of support for older people are no longer sufficient. In order to provide functional equivalents for the decreasing societal care capacities, a growing supply of public provisions for long-term care is necessary. Three types of information suggest that the societal demand for care services will continue to grow: (1) The proportion of people at very advanced age is growing. (2) The need for care sharply increases with age. (3) The self-help potential in the family system is shrinking. Thus, the need of long-term care in old age can no longer be considered a rare exception. It must be seen as a new standard risk for which adequate services need to be provided.

Table 4.2 The Shrinkage of the Female Care Taker Potential in EC Countries, 1960-1990 (women aged 45-69 in proportion to population 70+)

Country	**1990**	**1960**	**Reduction** (in per cent)
Belgium	1.42	2.00	71
Denmark	(1.97)[1]	-	-
France	1.33	-	-
Germany	1.57	2.64	59
Greece	1.70	-	-
Ireland	1.40	1.60	87
Italy	1.60	2.30	70
Luxembourg	1.61	2.43	66
Netherlands	1.48	2.16	69
Portugal	1.60	2.50	64
Spain	1.53	2.48	62
United Kingdom	1.28	-	-
Mean (11 countries)	1.50	-	-
(8 countries)	1.53	2.26	68.5

1. Women aged 45-64 in proportion to population 65+.
Sources: National Reports 1992.

4.2 THE ORGANISATION OF AVAILABLE SERVICES

In most countries health and social services for older people are a very complex policy field in which various suppliers and financing agencies need to be coordinated. In order to reduce this complexity at least conceptually, it is useful to distinguish between medical and social services, and between domiciliary care and residential care. Within the medical services a further distinction needs to be drawn between the acute treatment of a curable illness and the provision of long-term care for permanently disabled persons. In some countries the different kinds of services are not only supplied by different kinds of providers, but also regulated by different legislation and financed from different agencies so that serious problems of coordination arise. The degree to which the care needs of older people are adequately met hinges upon the institutional division of labour grounded in the various health care systems.

The health care systems of EC-member states may be classified into two groups. Seven countries - Denmark, Greece, Italy, Portugal, Spain, and the UK and, with some qualification, also Ireland - have adopted national health service schemes covering the entire resident population. Four countries - Belgium, France, Germany, and Luxembourg - adhere to sickness insurance schemes which are predominantly financed from earmarked contributions rather than from general taxation and which also are usually of a somewhat more limited coverage than the comprehensive national health services. Both types of systems unanimously include pensioners, however. The Netherlands are a special case in that they have a compulsory sickness insurance scheme which is limited to low income earners and pensioners, but a universal scheme for exceptional medical expenses including long-term care for the entire resident population (see table 4.3 at the end of this chapter).

The national health service schemes usually do not draw a sharp distinction between acute medical care and long-term care as both risks tend to be covered by public provisions. For clients of nursing homes, however, a distinction is usually made between the care component of the cost and the hotel costs. Whereas the former are publicly financed, the latter usually have to be paid privately unless the means-tested welfare schemes step in for low-income clients. Such provisions with a marked element of private cost sharing which is usually met from the client's pension are reported for Denmark, Ireland, Portugal and Spain. Denmark also has a rather strong differentiation with respect to the financing of various benefits: medical benefits are paid out of the national sickness insurance fund, whilst domiciliary or residential care is financed from local authorities. A similar distinction is made in the Netherlands where the sickness insurance scheme covers ambulatory medical care and hospital care up to 365 days.

whereas long-term care is financed by the exceptional medical expenses scheme.

In the countries with social insurance schemes there is a more heterogeneous practice. Whereas in Belgium and France the insurance scheme covers in principle both, acute and long-term care, Germany and Luxembourg draw rather sharp distinctions between both types of risks. In Germany only domiciliary long-term care is partly covered by the sickness insurance scheme, while long-term care in nursing homes continues to be a private risk which is only covered if the means-tested social assistance scheme bears the cost. In Luxembourg the professional medical services rendered to people in need of long-term care are paid separately by the sickness insurance scheme, whereas the care components must either be met privately or are partly covered by the state budget which pays the difference between the hotel cost and the total cost of nursing homes as well as parts of domiciliary care. In line with the above-mentioned practice in national health service schemes, Belgium and France also draw a distinction between the publicly financed care-component in nursing homes, and the privately paid hotel costs which may only be covered by the means-tested welfare schemes.

Most countries also draw a distinction between the various kinds of medical services on the one hand and social services on the other. Denmark, Italy, and the Netherlands are the only countries where the responsibility for both nursing care and social services is shared by either the same provider or by the same financing agency. Whereas in Denmark the municipalities provide and finance both types of (domiciliary) care, in the Netherlands the exceptional medical expenses scheme jointly finances long-term care and home care services including district nursing and home help (up to a limit). In Italy the local health units are at least in theory jointly responsible for both services, but problems of coordination seem to prevail in actual practice. For the other countries various types of institutional differentiation are reported. The national health services usually have a separate organisation for medical and social services, with responsibility for the former being usually assigned to the Ministry of Health and for the latter to local authorities (as in Ireland, Portugal, and the UK). A similar division of responsibilities also prevails in the countries with social insurance schemes, where a high degree of differentiation between medical and social services is reported for Belgium, France, Germany and Luxembourg.

In the sector of long-term care and home help services the provision of public services is usually heavily complemented by private for profit or non-profit suppliers. Denmark is the only country with a marked predominance of public provision in counties or municipalities. Voluntary non-profit associations are particularly strong in Germany, in Belgium and in the Netherlands - where the so-called 'cross-associations' organised around the traditional societal 'pillars' control major shares of the care industry. In Germany the so-called welfare associations perform a similar role. Church-based voluntary associations also play important roles as providers of services in the catholic or orthodox countries (Greece, Ireland, Italy, Portugal, and Spain). In the UK the voluntary sector is less predominant. Instead private for-profit providers have become increasingly important, especially in the residential and nursing home sector.

The high institutional and organisational fragmentation of services frequently entails serious problems of coordination. Divided responsibilities and fragmented organisations frequently lead to a discontinuity of services for older people which impede an effective case management with an integrated and flexible consideration of the clients' needs. Problems of coordination are a recurrent feature in national reports (e.g. France, Germany, Ireland, Spain). Denmark and the Netherlands seem to be the two countries where most progress has been made in overcoming such problems. In Denmark more and more municipalities are now merging home help services with domiciliary care services in order to overcome the professional separation between nurses and social workers. The Netherlands took some first steps toward a dedifferentiation of health and social care already in the late 1960s when local task forces were established to coordinate services for the elderly. Under the catch-phrase of 'tailor-made care' an effort is is now being made to move from standard packages of care to a more flexible case-management which helps to substitute less effective and efficient provisions by more adequate ones. The UK also plans to integrate various support networks by giving local authorities a single unified budget for the care of older people whether they are in residential care or living at home. In a similar vein, Belgium has recently established coordination centres at a local level.

A joint financing of various services such as in Denmark is probably the best way to avoid the incentive for a particular financing agency to shift clients without proper consideration of their needs to another service for which other agencies bear financial responsibility. Only where increased expenditure in one sector of care leads to savings in another for the *same* financing agent can we expect an adequate tailor-made care which is not predominantly motivated by fiscal considerations or by retrenchment pressures.

4.3 LEVELS OF SERVICE SUPPLY

4.3.1 Residential Care

All European countries are by now committed to the goal of keeping older people as long as possible in their established social environments. In this sense there is general consensus that community care should have priority as the most appropriate policy for the care of older people. As will be shown below, some countries have explicitly stopped further extensions of residential care. Nevertheless the growing proportions of people in need of care in ageing societies make a certain supply of residential care facilities indispensable.

The available types of residential facilities vary widely with respect to the level of care which is being provided. The definitions and classifications for the various types of facilities vary widely by country, but in most countries at least three types of facilities with different degrees of care may be distinguished: (1) homes with separate apartments in which clients without an extended need for care live independently but share in some common services geared to the needs of older people (sheltered housing); (2) residential homes for the elderly where the clients need only limited amounts of care, but no longer maintain independent households, as they usually share a room with other persons, participate in common meals and have access to various services such as home helps; (3) nursing homes for people in need of extended care. In addition there are day care centres which serve an intermediary function between residential and domiciliary care, and where older people in need of care spend only part of the day in order to return to their families at night.

In practice there rarely are clearcut institutional border lines between the various types which are frequently provided jointly in mixed facilities. As there is a high degree of overlap between different types of facilities as well as a wide discrepancy in national definitions[1], international comparisons of the level of supply can only be based on some very crude indicators which must be interpreted with extreme caution. This should be born in mind when the following summary of findings emerging from the national reports is evaluated.

The current level of supply of places in residential care facilities for older people shows marked variation in Community member countries. In contrast to the hospital sector, where there is a legally enshrined public responsibility for adequate provision in most countries, the supply of residential care facilities is less strongly regulated and not everywhere recognised as a public responsibility. If we lump together places in nursing homes and other residential care facilities we may distinguish three groups of countries with high, medium, and low levels of supply (see table 4.4).

The first group has high levels of supply with the number of places corresponding to close to 5 per cent of the elderly population (65 +). It consists of Denmark and the BE-NE-LUX-countries. The second group with intermediate levels of supply around 5 per cent is composed of France, Germany, and Ireland. The UK is difficult to classify, because it has an unusually high level of supply in the field of sheltered housing. Including this it belongs to the first group, excluding it to the second. Low levels of supply with the number of places corresponding to less than 3 per cent of the elderly population prevail in Greece, Italy, Portugal, and Spain. In these mediterranean countries the care work continues to be almost exclusively provided by family members in private households.

The discrepancies in the level of supply of residential care facilities are too marked to be interpreted as mere statistical artefacts. However, they do not lend themselves to an easy interpretation in terms of policy evaluation.

[1] One of the differences in national counting procedures refers to the inclusion or exclusion of beds in specialised geriatric hospitals and to the in-/or exclusion of psychiatric facilities.

Different levels of provision may either be a consequence of different levels of demand in the sense of varying proportions of older people in need of care, of different degrees of responsiveness to need on the part of policy makers, of different kinds of policy mixes in the sense of the priority given to residential and community care, or even of different inclinations of policy makers to sweep older people off the housing market or out of the hospital sector. In the absence of more thorough analyses we can only draw attention to the remarkably discrepant levels of supply without being able to judge to what extent national differences can be interpreted as indications of a 'good' or 'bad' policy performance.

Table 4.4 The Supply of Residential Care Facilities in EC Countries, around 1990

Country	Places in all facilities classified as residential care per 100 people aged 65+	Places in nursing homes per 100 people 65+
Belgium	7.8	2.1[1]
Denmark	13.2 (11.3)	5.3
France	5.1	2.4[1]
Germany	5.4	2.3
Greece	0.5	-
Ireland	5.0	-
Italy	2.3	-
Luxembourg	7.8 (6.8)	1.4
Netherlands	12.3 (9.7)	2.6
Portugal	2.0	-
Spain	2.0	0.2
United Kingdom	10.0 (5.0)	-

Note: Figures in brackets refer to data excluding sheltered housing.
1. Including long-stay beds in hospitals (France) or geriatric beds (Belgium).

Sources: National Reports 1992.

In a longitudinal perspective, the supply of places in residential care facilities has been considerably expanded over the past twenty years in most countries. This is noteworthy given the fiscal retrenchment pressures in Western European welfare states, the weakness of older people as a political pressure group, and the shift in policy commitments to community care. However, in the most recent period there are some indications that the policy of expansion has come to a halt or even to a reversal. Thus, Greece reports a shrinking number of places in residential care facilities. Ireland has reduced the number of public long-stay beds, the UK has decreased the number of geriatric beds. Other countries like Belgium, Denmark or the Netherlands have reduced the number of places in residential care facilities establishing an official moratorium to residential care. Even in countries where there is continuing growth, however, it is not always clear from the national reports to what extent the expansion of services has been sufficient to keep pace with the growing demand for care. Since the need for care is difficult to measure, it may well be that demand outpaces supply so that the provision of places has to be running for the level of need satisfaction to stand still.

Data on the staffing of residential homes for the elderly come closer to serving as indicators of the quality of service provision than the mere number of available places. The better staffed the available facilities are, the higher are the chances that older people receive the degree of care they actually need. Comparing the European countries it is noteworthy that nations with a higher supply of places also tend to have more favourable staffing ratios in terms of the number of personnel per place.[2] Staffing ratios currently range from one place per full-time staff member in Danish or Dutch nursing homes and in British public homes to 3 or more places per care-taker in the residential care facilities of France, Germany, Italy, and Portugal. In a longitudinal perspective, the staffing of residential homes has been considerably expanded in some countries. Thus, even in a poorly-staffed country like Germany staff numbers almost tripled within the past twenty years. Again it is still uncertain, however, to what extent this expansion of services has kept pace with the rapidly growing demand in terms of the growing numbers of people in need of intensive care.

The cost of nursing homes usually considerably outruns private means. Even in countries with some sort of public financing, the residents usually

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2 Again there are impediments to straightforward comparisons, as the available data relate to the total number of staff including administrative personnel in some countries, but only to nursing staff in others. In addition, it has not always been possible to express part-time work in full-time equivalents.

contribute the bulk of their old age pension to the cost, retaining only a certain pocket money for themselves. The supply of and demand for places seems to vary closely with the various national financing mechanisms. Thus, both countries with the highest supply, Denmark and the Netherlands, have introduced public schemes to cover the cost of long-stay institutions. In Denmark residential care is largely tax-financed, whereas the Netherlands cover the cost of nursing homes via their exceptional medical insurance scheme. Only the cost of other Dutch homes for the aged must largely be paid privately by the residents who contribute the full cost if they have money assets, and up to some 80 per cent of their pension if they lack private means, with the rest being paid by the social security scheme. In the UK the social security scheme was recently used to subsidise places in private residential and nursing homes. Following a 1980 social security act people living on income support who are not able to pay the fees of homes in the independent sector from their private purse are entitled to transfer payments from the central government. This provided an incentive to allocate older people to private residential homes rather than local authority ones. As a result the private care industry boomed, and the proportion of older people in private homes receiving all or most of their fees from the social security system rose from 14 percent in 1979 to 56 percent in 1988 (Walker and Warren 1991, p.10). This illustrates how sensitively the supply of facilities reacts to the prevailing financing regulations.

In Ireland, Portugal, and Spain, the bulk of residential care outside private homes is publicly financed, but the clients have to pay a private contribution which amounts to most of their old age pension. In Belgium and France, acute medical care and long-term care in residential facilities are covered by the sickness insurance scheme, but hotel costs have to be paid privately. As part of a national trend to shift financing from central to local government, Belgian local authorities also subsidise clients of private residential homes in certain cases. Since they do so, a shift of elderly people from acute hospitals to residential care facilities has taken place. In Germany and Luxembourg, the sickness insurance scheme only covers medical expenses so that the cost of long-term care remains a private risk, for which only clients passing a means test receive some form of public subsidisation from the social welfare schemes. Given this lack of public provision, it is no surprise that both national reports draw attention to an inadequate supply of residential care facilities.

Even in countries with public financing mechanisms the supply of residential care facilities is not necessarily dominated by public providers. Only Denmark has a marked preponderance of public supply with the municipalities functioning as major providers of nursing homes. The Danish case is an interesting illustration of how inter-governmental relations tied to divergent fiscal interests shape the supply of care. As the counties are responsible for hospital costs, while the municipalities bear the cost of home care and residential care, the counties claim that the municipalities try to keep the elderly in hospitals longer than necessary, whereas the latter charge the hospitals of sending them back home or shifting them to nursing homes too early. In three of the fourteen Danish counties the municipalities now have to pay the counties for every day an elderly person stays in hospital after medical treatment is over.

Besides Denmark, only France, Ireland, and Luxembourg report a predominantly public supply of residential care facilities with the number of publicly provided places extending to over one half. In Germany, Greece, the Netherlands, and Portugal the bulk of residential care for the elderly is supplied by non-profit associations in the voluntary sector. Belgium has a fairly balanced structure of supply with public, non-profit and private for profit providers commanding almost identical shares of the residential care industry in the country at large (but with marked regional differences between Flanders and Wallonia). Italy and the UK are the only countries which report a preponderance of private (including non-profit) supply.

Notwithstanding the varying public-private mixes, all EC-member states have introduced at least some degree of public regulation of the residential care sector. In the UK nursing homes have been subject to regulation ever since 1927 when a Nursing Home Registration Act was passed. Since 1984 residential homes and nursing homes are regulated under the Registered Homes Act. The regulatory norms specify registration and inspection procedures, but do not stipulate precise quality standards. Similar regulatory framework acts have been passed by other countries such as Belgium, Denmark, Germany, Ireland, Italy and the Netherlands. Public norms specifying minimum standards for residential care facilities are also reported for Spain. In most countries for which there is detailed information, the public regulation and inspection of homes is of a rather informal nature, relying more on guidelines and counselling rather than strict hierarchical control. Several countries have also established rules regulating the admission procedure to residential care facilities. The central gatekeeping position is usually occupied by general practitioners, but some countries such as Belgium and the Netherlands also involve nurses and/or social workers in the decision making process on adequate care packages. In Belgium reimbursement of residential care costs was, in 1991, made contingent upon the degree of incapacity which is determined on the basis of the ADL (activities of daily life) scale developed by the Australian physician Katz. In the Netherlands local committees were installed by the municipalities to screen and control applications for residential care as early as 1976.

With the recent progress in medical technology the issue of how to find humane forms of dying for the terminally ill becomes a major new policy problem. Although old people seem to be horrified by the idea of dying in intensive care wards in hospitals or in nursing homes, this is where the vast majority of deaths actually occur. Quite frequently, older people who are terminally ill are delivered to hospitals by the ambulance cars of the emergency services, only to die there within the next 24 hours.

In an effort to keep older people not only *alive* but also *in life* as long as possible, the English nurse and physician, Cicely Saunders, founded a new type of hospital for the terminally ill in 1967. The idea of her so-called hospice movement was to prevent the terminally ill from becoming helpless objects of high-tech medicine whose social death occurs long before their physical end. One major component of the hospice concept was to extend the 'rooming-in' of family members, which has become so widely accepted for child births, to the terminally ill. England now has over 200 various forms of hospices. The movement quickly spread from Britain to other anglo-saxon countries but diffused only gradually across Europe. Only few country reports take note of the innovation. In Ireland the hospice movement while well-established has up to now been mainly confined to the major urban areas. Denmark allows close relatives of dying people to go on a leave of absence for which the state reimburses part of the lost income. On the continent the recent growth of the hospice movement is reported for Germany, Luxembourg, and the Netherlands. However, even a big country like Germany counted only three hospices with a very limited number of places in 1990. This is related to the fact that hospices form neither part of the hospital sector nor of the sector of ambulatory medical care so that the sickness insurance scheme does not cover the cost.

Given the recent policy emphasis on community care as the preferable way of care, it is noteworthy that day care centres which serve as flexible integration mechanism between domiciliary care and residential care are almost everywhere in very scarce supply. The noteable exception is Denmark where around 85 per cent of the municipalities maintain day care centres and where the number of available places corresponds ro above 7 per cent of the population aged 65 and older. The Netherlands are the only other country for which the reported numer of places in day care centres corresponds to more than 1 per cent of the elderly population. Whereas France, Luxembourg, and the UK report at least sizeable numbers of places in day care facilities, other countries like Belgium and Germany are only gradually beginning to establish a very limited number of centres. Given the differences in population size, it is noteworthy that even the absolute number of places in day care centres is much higher in Denmark or the Netherlands than in Germany. Although systematic data are still in scarce supply, the mediterranean countries also seem to have established only very few day care centres so far.

4.3.2 Domiciliary Care

Most EC-member countries have recently given an explicit policy priority to community care over residential care. The official policy goal is to help older people to live in their own homes as long as possible. Thus, Belgium and Denmark established official moratoria in residential care in nursing homes. In various forms other countries such as France, Germany, Ireland, Italy, and the Netherlands similar policy shifts occurred which seek for alternatives to residential care. Even where no explicit references to legally enshrined policy shifts are made, the national reports usually note that government programmes center on a future expansion of community care, as in Greece, Portugal, and Spain.

The motive behind these changes in policy orientation is not always clear. Several country reports note fiscal retrenchment pressures as a major motivation for the recent policy shifts. Although empirical knowledge on the cost-efficiency of various forms of services is still in short supply, most governments seem to be convinced that domicilary care is a less expensive form of provision. While this is far from being clarified, occasional opinion surveys suggest that the majority of older people indeed prefer to live at home rather than in residential institutions. Thus, a 1989-survey held in Germany showed that 72 per cent of the elderly (65 +) prefer home care over residential care in case of dependency upon care (Alber, 1990, p. 214).

The central question then is to what extent this preferred kind of service which allows older people to continue a fairly independent life is actually available. A reduction of residential care facilities which serves not only the purposes of the Exchequeur but also the care needs of older people obviously requires an adequate supply of community care services. The country reports show, however, that recent reductions in long-stay facilities were not always counterbalanced by an expansion of domiciliary care. In fact, there is reason to believe that the social services rendered to older people in the Community are failing to keep pace with the needs of ageing populations.

Valid comparisons of the present levels of supply in various countries are seriously impeded by the limited amount of our empirical knowledge on the exact number and staffing of domiciliary services or on the number and proportions of older people receiving them. From the scarce and only partly comparable data which are presently at hand, one finding is particularly noteworthy: seen from a comparative perspective, no substition effects between residential care and community care facilities are discernible. Thus, countries with a comparatively low level of supply in one dimension are not marked by a comparatively high supply in the other. Instead, the level of supply of residential and community care tends to be closely associated in a cross-national perspective.

Fairly extended levels of supply of community care services are reported for Denmark and the Netherlands, i.e. those two countries which were also marked by an extended provision of residential care. Both countries have developed a 24 hours-service of local home care which is in both cases attached to alarm systems. The proportion of older people receiving home nursing or assistance by home helpers is fairly high. In Denmark around 80 per cent of single older persons scoring 5 or more on an index of incapacity receive home help services. The statistical proportions of elderly people receiving services range from 6 per cent in receipt of short-term home nursing or meals on wheels to 19 per cent of all older persons receiving permanent home help. The Netherlands report the following take-up ratios: 8 per cent of the elderly receive home help and 15 per cent are looked after by district nurses. Judging from the national reports, other European countries have not reached similarly high levels of supply. Fairly extended home care services with take-up ratios for older people in the range of some 3-6 per cent are reported for France, Greece, Ireland, and Luxembourg. Other countries such as Germany, Portugal, and Spain report distinctly lower levels of supply. In the case of the two mediterranean countries this may be related to the comparatively young population structure and to the vitality of the family systems. Given the fairly advanced ageing of the German society, however, it is noteworthy that the proportion of older people receiving home nursing is estimated at only some 3 per cent, while the take-up ratio for home help and meals on wheels is around 2 per cent.

An analysis of changes over time shows sizeable increases in the staffing of domiciliary services of some countries during the last decades. Notable extensions are especially highlighted in the Danish, Greek, and German reports. Other reports draw attention to recent reductions in the amount of services, however. Thus in Belgium social services contracted due to a policy of blocked budgets. In the UK the number of home helps fell by 30 per cent from 20.6 per thousand of the population over 75 in 1975/76 to 14.5 in 1987/88. Similarly the Irish report states that the reduction of long-stay beds was not matched by an expansion of community care. The Italian report stresses that some 15 per cent of the elderly would need home care, but only around 1 per cent actually receive it. Even in cases where the services were extended in recent years, significant care gaps are reported, as in the case of Germany. The Danish report states that the widening access to care was accompanied by a reduction in the number of hours rendered per week. For Portugal and Spain the present levels of supply are shown to fall far off the officially stated policy goals.

Various country reports thus show that there may be constant or even growing care gaps despite past service extensions. In a considerable number of countries there is a severe undersupply of community services. This not only puts frail elderly persons and their family members under a very heavy strain. It also means that older people may end up in residential care when they do not need to if adequate resources in the community were available. This runs counter to the officially proclaimed policy priority in favour of community care. In order to become more than an excuse for curtailments in residential care, the priority given to home care must be buttressed by visible efforts to expand the present supply of community care.

Once adequate levels of supply are established, policy makers must also give attention to the continuing problems of coordination between medical and social services in the community. These problems are frequently related to different financing regulations for both branches. In most countries medical services such as home nursing are paid for by the sickness insurance scheme or by the national health service, while social services are paid from the welfare budgets of local authorities. Denmark seems to be the only country where the home help and home nursing services are jointly organised and financed by local authorities. The Netherlands also have joint financing responsibilities in the sense that the exceptional medical expenses scheme covers home nursing as well as home help up to a certain limit. Both countries have also gone far in overcoming the organisational differentiation between nursing and social services. In Denmark the municipalities are increasingly merging the home help services and the home nursing service into one system with joint staffs. Most municipalities are divided into various areas each of which has its own centre for the elderly. In the Netherlands the organisations rendering nursing services and those covering home help merged to form a joint national association for home care in 1990. A similar step was taken in Belgium when salaried nurses and social workers combined to form a joint association.

Since home nursing and home help are mostly organised by local authorities, it is hardly surprising that several country reports draw attention to regional imbalances in the supply of services. As long as there is no joint financing mechanism which serves to level differences in the local tax base, regional disparities are bound to prevail. In countries where voluntary associations serve as major providers as in Belgium, Germany, Greece, Luxembourg, or Spain, problems of coordination may arise between public planners and fragmented private suppliers. Another problem of coordination, finally, occurs with respect to professionalised formal services on the one hand, and informal networks of help on the other. Interesting organisational reforms helping to move towards a coordination of these two spheres are reported for the Netherlands and the UK. The Netherlands not only established local task forces to coordinate services for the elderly, but have recently moved to promoting informal forms of support. The UK is experimenting with various local projects to establish Neighbourhood Support Units which integrate informal or quasi-formal helpers into wider support networks.

4.4 RECENT POLICY DEVELOPMENTS

Recent policy developments center on five major issues:
- to contain the heavy growth of health expenditure;
- to define policy priorities for the rapidly growing group of elderly persons;
- to provide adequate coverage for the growing need of long-term care;
- to reorganise residential care;
- to introduce new incentives for the development of community care and informal care.

Ever since the beginning of the 1960s the health sector has been one of the most rapidly growing expenditure fields in social policy. When the recession following the two oil-price shocks of the 1970s led to growing public deficits, most European countries sought to curb the rate of health expenditure growth. Reforms were initiated which led to a reduction of the number of hospital beds, to capped budgets for various medical services, and to increased private cost sharing. In most countries, however, the increases in health expenditure kept outpacing the rate of economic growth throughout the 1980s. While the health expenditure ratio of the 12 EC-member countries averaged 6.8 per cent in 1980, it rose slightly further to an average of 7.1 per in 1990 (see table 4.5). To combat further growth several countries such as France, Germany and the UK introduced

Table 4.5 Total Health Expenditure (as % GDP) in EC Countries, 1980-1990

Country	1980	1981	1982	1983	1984	1985	1986	1987	1988	1089	1990
Belgium	6.7	7.3	7.4	7.5	7.4	7.4	7.4	7.5	7.5	7.4	7.4
Denmark	6.8	6.8	6.8	6.6	6.4	6.3	6.0	6.3	6.5	6.4	6.2
France	7.6	7.9	8.0	8.2	8.5	8.5	8.5	8.5	8.6	8.8	8.9
Germany	8.4	8.7	8.6	8.5	8.7	8.7	8.7	8.7	8.9	8.2	8.1
Greece	4.3	4.5	4.4	4.6	4.5	4.9	5.4	5.2	5.0	5.3	5.3
Ireland	9.0	8.6	8.3	8.5	8.2	8.3	8.3	8.0	7.9	7.3	7.1
Italy	6.8	6.6	6.8	7.0	6.8	7.0	6.9	7.3	7.6	7.6	7.6
Luxembourg	6.8	7.1	6.9	6.8	6.6	6.8	6.7	7.2	7.3	7.4	7.2
Netherlands	8.0	8.2	8.4	8.4	8.1	8.0	8.1	8.3	8.2	8.1	8.1
Portugal	5.9	6.4	6.3	6.2	6.3	7.0	6.6	6.8	7.1	7.2	6.7
Spain	5.6	5.8	5.9	6.0	5.8	5.7	5.6	5.7	6.0	6.3	6.6
United Kingdom	5.6	5.9	5.8	6.0	6.0	5.8	5.9	5.9	5.8	5.8	6.1
Mean	6.8	7.0	7.0	7.0	6.9	7.0	7.0	7.1	7.2	7.1	7.1

Source: OECD Health Data 1991.

not only new austerity measures, but also structural reforms which aimed at subjecting the providers of health services to more effective cost controls. Only Denmark, Germany, Ireland, and the Netherlands succeeded in effectively curbing the rate of growth, however, in the most recent period. The early 1990s therefore witnessed renewed attempts to set budgetary limits to the expansion of health expenditure in several countries (e.g. Belgium, France, Germany, Spain).

The new emphasis on cost-efficient health care services entails a series of very difficult decisions: is it acceptable to have dual health care systems with basic services for all and more expensive services only for a privileged few? Can health care services be rationed? If so, who shall have priority in access to costly services? And, by implication, the most difficult of all decisions: who shall live? In this situation several national governments are seeking to define priorities in health care and to develop new care mixes which shift the long-standing priority for the sector of acute care to better-balanced provisions in favour of the long-neglected sector of long-term care.

As part of this ongoing process, several countries are drafting plans or are at least establishing commissions for the development of future policy programmes for the elderly. Belgium introduced a Round Table of Health Experts in 1988. Denmark passed a series of national framework acts for old age policies in the late 1980s. In France each department is since 1982 obliged to develop a gerontological plan, and the government introduced a multi-year programme for the future development of care in 1991. Germany set up an investigating committee on problems of the elderly and passed a federal plan for the aged in 1992. Ireland issued a policy plan for the elderly 'The Years Ahead' in 1988. Italy formed a parliamentary committee to inquire the living conditions of older people and issued a policy plan for the years 1991-95. Luxembourg came up with a 'National Programme for Older People' at the end of the 1980s. The government of the Netherlands issued a series of White Papers regarding its 'Policy for the Elderly' in 1970, 1975, 1982, and 1990; in addition extensive plans for reforming health care and social care were drafted in 1987 and 1990. Portugal set up a National Commission for Old Age Politics in 1988. Spain issued a central government Gerontological Plan in 1992. The UK reorganised its health and social services in a 1990-NHS and Community Care Act.

In most of the new policy statements there is consensus that long-term care for elderly people is a new standard risk of social security which needs to be covered by some sort of public provision. The issue of a public 'dependence insurance' or 'long-term care insurance' looms particularly large in countries which do not have a national health service or whose sickness insurance schemes cover nursing care and home care services for older people only partly. Ongoing debates over a long-term care insurance are reported for Belgium, France, Germany, and Luxembourg, i.e. all four countries which adhere to traditional sickness insurance schemes. In these countries the social welfare schemes designed for the support of low-income families are increasingly burdened by growing expenditures for care purposes. Therefore the local authorities exert pressure to introduce new types of social security schemes which cover the growing risk.

In Germany the national government just introduced a bill for an almost universal compulsory insurance scheme for long-term care. The new scheme is to be financed on a pay-as-you-go basis with a contribution rate of 1.7 per cent of gross earnings shared equally by employees and employers. The various benefits for residential care or community care are divided into three classes depending upon the degree of incapacity. The hotel cost for meals and accommodation will continue to be covered either privately or by the social assistance scheme for those passing a meanstest. The new social care insurance is to be administratively affiliated with the sickness insurance scheme. Thus, the same insurance fund will be financially reponsible for the risks of sickness and long-term care. As the transition from sickness to incapacity is frequently a gradual process which requires a flexible integration of medical assistance, nursing care and rehabilitation measures, only such an integrated coverage of both risks under a common roof can guarantee that people in need of care will receive continuous services without becoming the victim of quarrels between various financing agencies over the question who is to be held financially responsible.

As practically all recent policy statements of the various national governments agree that community care should have priority over residential care, the sector of residential care is undergoing a rapid transformation. Access to residential care is being increasingly made contingent upon the decisions of screening committees which assess clients in order to establish which type of care is most suited and most cost-efficient. Recent policy changes introducing such professional assessment procedures are described in the country reports for Ireland, the Netherlands, and the UK. As the new procedures are explicitly designed to substitute more expensive kinds of provision by less expensive ones, there is a risk that the margin of individual choice of the client will be limited. Therefore adequate participation rights of the clients or of organisations representing their interests should be introduced as safeguards in the case of a disagreement with professional judgments.

Several countries recently witnessed marked increases in commercial nursing homes (though such homes do not exist at all in Denmark). Belgium, Portugal and the UK are the most noteable examples of this new trend. The expansion of for profit residential care calls for new regulatory measures which overcome traditional differences in the regulation of public and private sector homes. Some countries have taken steps into this direction. An Irish reform Act of 1992 abolishes the traditional distinction between 'approved' and 'non-approved' beds and makes all people meeting income and dependency requirements in registered homes eligible for public subsidies. In Germany a new Act on residential care facilities passed in 1990 strengthens the position of residents by establishing legal groundrules for contracts. The act includes an obligation to make the calculation of costs more transparent for the client, a specification of the conditions under which contracts can be cancelled, and rules for the participation of clients through an elected council or an *ombudsman*. It also obliges the home owners to provide for flexible services which are geared to the changing health conditions of the residents.

In the sector of domiciliary care there have been some interesting policy changes which aim at overcoming the distinction between nursing care and home care and at providing new incentives for informal care. Denmark made home help services a public service free of charge in 1989. As from July 1992, further payment of the service will be income tested for old age pensioners, but for more than 90 per cent of the clients the service will continue to be free of charge. The Netherlands extended the scope of their exceptional medical expenses scheme to cover a certain amount of home help services. In 1991 the contribution rate of this comprehensive scheme was raised to 5.8 per cent of earnings. In Germany the 1989 pension reform law introduced credits for informal care given to frail persons. A person who regularly provides for people in need of care on a voluntary (income-less) basis for at least 10 hours per week, is treated as if he or she had paid pension insurance contributions based on 75 per cent of the average income. Belgium, France, Portugal, and Spain have introduced various programmes for foster families which host people in need of care. Whereas Belgium and Spain are still in the process of planning or experimentation, France (1989) and Portugal (1991) have recently adopted national laws regulating the relationship between foster families and their guests. In addition French private households employing care takers are exempted from social insurance contributions, whereas people giving care in private households receive certain tax credits.

4.5 MAJOR RECENT INNOVATIONS

The Observatory's country reports are rich in accounts of several innovations. In this summary chapter we can only give a crude indication of some recent developments which are indicative of more general patterns and trends in the fields of residential care and community care and which center on initiatives below the level of national legislation described in the previous sections.

In the sector of residential care two more general patterns are noteworthy which relate to changes in the *size* and the *functions* of residential care facilities. With respect to *size*, several country reports draw attention to new initiatives trying to decentralise residential care by focussing on the construction of small rather than big units and by re-integrating homes for the elderly into the community. Such developments are reported, among others, for France and for Germany. In France small homes for the elderly with 10-25 places are recently being erected in rural communities (MARPA - Maison d'Acceuil Rural des Personnes Agées). Similar forms of collective living arrangements on a small scale are also being developed for persons with minor psychiatric problems ('Cantous' in France and some similar experiments in Belgium). In Germany new homes for the elderly are also usually limited in scale and are placed in the inner cities rather than at the outskirts. Following the new 'clover-leaf' model, four homes with some 25 places each are to be situated in the residents' original housing districts and to be affiliated with a common administrative center which organises services (such as laundry or kitchen services) for all four components jointly.

With respect to the *functions* of residential homes several country reports highlight attempts to overcome the traditional social closure of specialised institutions by transforming them to more open and flexible centres of integration which provide open access for non-residents including the younger generation. Both, Luxembourg and Denmark, have taken steps to reorganise parts of their homes into such integration centres. Other countries are making similar experiments, by making meals and cultural events in residential facilities open to the surrounding population. Other attempts to overcome the traditional segmentation of the 'intra-mural' population include the formation of support groups for the terminally ill. Thus the Belgian and the German reports draw attention to self-help groups which organise voluntary guards who give company to people dying in hospital wards.

Given the recent hesitation of policy makers to further expand the sector of residential one facet of the Danish experience is particularly worth mentioning. After the 1987-Housing for the Elderly Act banned the further construction of nursing homes in Denmark, older people mobilised to form a new grassroots movement especially in the city of Copenhagen. This so-called 'C-Team' organises protests against the closing down of old nursing homes. This noteworthy experience should remind policy makers of the fact that a general moratorium to residential care would not necessarily be in the interests of all older people.

Between the sectors of residential care and community care some interesting new living arrangements providing novel forms of care for older people are developing in several countries. These do not only include the romanic model of foster families described above, but also new forms of collective housing. In some cases the experiments aim at constructing new 'family units' of older people, in others at the promotion of new forms of inter-generational support. An example of the former variety is given in the UK, where the Abbeyfield Society organises care and companionship among older people by supplying houses for 7-9 elderly people who are willing to share a household under the care of a living-in housekeeper. Belgium provides an interesting example of the second variety. The 'Foyer' at Brussels is a model which unites a maroccan family with four children with one elderly person in a common household. A contract specifies the obligations of each party. In Ireland there are boarding-out foster schemes (see p. 61). In the German city of Konstanz university students have joined forces with the local council of senior citizens to form a housing exchange which brings together isolated older people with students in search of flats.

In the sector of domiciliary care the most interesting innovations apart from the establishment of a 24-hour service attached to alarm systems concern the construction of networks of help which overcome the traditional segmentation between professional and informal care. One precondition for more vital support networks is that people in the labour force experience more flexible work arrangements. In this context a recent Dutch innovation is noteworthy. In the Netherlands several firms have introduced 'care leave' as a new leave of absence for employees who have to look after impaired parents at home.

New attempts to establish neigbourhood support units are described in the country reports for Greece, Ireland, the Netherlands, and the UK. In Greece the local authorities establish Open Care Centres for the Elderly (KAPI) with financial support from the central government. In the UK several social service departments (SSDs) of local authorities have begun to engage in a dialogue with older service users about their needs and the services they require. The SSD of the city of Wolverhampton issued an information brochure 'Old Enough to Live Independently', a synopsis of which was sent to every resident of the city over the age of 70. Such a dialogue considerably helps to reduce the notorious asymmetry in the knowledge, information, and conceptual maps of the suppliers and users of services. The Belgian report draws attention to increasing concern over violence against older people in private households.

In Germany some local initiatives picked up the American idea of local service exchanges which not only register supply and demand, but also promote the establishment of a social market in which people pay with their time rather than with money. Integrating the formal help by professionals with informal help rendered by volunteers, Plagwitz - a district of the city of Leipzig - recently established a service exchange which screens citizens' demands and decides whether formal or informal help is needed. Informal helpers are credited for their services with time vouchers which they can later use if they need help themselves. The shift from a cash to a time market considerably expands the purchasing power of potential users. Due to the difference in gross and net wages someone who sells his labour-power in the market is usually not in the position to buy equivalent amounts of labour in the market. On a barter basis as provided by a service exchange, however, he or she would be in the position to exchange equivalent amounts of service.

In sum, there are various initiatives at the grass root level which are being increasingly promoted and subsidised by public authorities. Voluntary initiatives now frequently receive public grants which supplement personnel expenditure, subsidise the acquisition of equipment, or promote the participation in training courses. If the current gaps in the provisions for older people are to be reduced and if the self-help potential of older people is to be developed, more such attempts to provide more flexible arrangements which overcome the traditional distinction between a public and a private sphere are probably needed.

Table 4.3 The organisation of Health Care and Long-term Care in EC countries

Country	Basic type of health care system	Differentiation between acute medical care and long-term care	Differentiation between medical services and social services	Residential care	Domiciliary care
Belgium	Social insurance system concerning almost total population including pensioners; financed from employers' and employees' contributions with state subsidies	Low: Both covered by sickness insurance scheme (fixed per diems)	High: Medical services; sickness insurance; social services: local authorities	Nursing homes per diems financed by sickness insurance; hotel costs paid privately (or by means-tested assistance); residential homes mostly financed privately or by local authorities	Organised by local authorities and by non-profit cross associations; nursing care financed by sickness insurance; home helps financed by local authorities
Denmark	National sickness insurance for all residents (mostly) state financed from taxation)	Medium: Both covered by public provision; but ambulatory and hospital care financed from sickness insurance (counties), nursing home and home care by local authorities	Low: Both types of care financed by local authorites	Nursing homes financed by local authorities, hotel costs paid privately (with means-tested social assistance)	Organised and financed by local authorities (including nursing and home helps, with 24-hours home care service)
France	Social insurance system concerning almost total population incl. pensioners; financed from employer and employee contributions with minor state subsidies	Low: Both covered by sickness insurance scheme	High: Medical services: sickness insurance scheme, Social services: social assistance and partly pension insurance; regulated under different laws	Nursing home per diems financed from sickness insurance; hotel costs paid privately (with means-tested social assistance)	Organised by local branches of national government; medical benefits financed from sickness insurance; home helps financed from social assistance and pension insurance
Germany	Social insurance system covering almost total population incl. pensioners; financed from employer and employee contributions	High: Medical care totally covered; only domiciliary nursing care partly covered by sickness insurance scheme	High: Medical services; sickness insurance; social services: social assistance by local authorities with voluntary agencies as providers	Nursing homes not covered by public provision; only means-tested social assistance in case of insufficient private means	Medical services of limited amount of sickness insurance; home helps financed by means-tested social assistance with voluntary agencies as providers

Country	Basic type of health care system	Differentiation between acute medical care and long-term care	Differentiation between medical services and social services	Residential care	Domiciliary care
Greece	National health service for all residents	Low (?)	High: Medical services covered by national health service; social services predominantly supplied in private households or by voluntary associations		
Ireland	National health service acute care for all residents; means-tested general practitioner care; voluntary insurance for those wishing to opt out; public provision financed mainly from general taxation	Low: Both covered by national health service	Medium: Medical services: national health service; social services: means-tested community care financed mostly by voluntary organisations with public subsidies	Public nursing homes covered by health service with retention of old-age pensions; private homes with means-tested subsidies	Organised by community; medical services covered under means-tested financial medical scheme; social services by publicly subsidised voluntary sector
Italy	National health service for all residents financed predominantly from employer contributions and from general taxation	Low in theory: Both under responsibility of national health service, but different financing rules	Low in theory: Organisationally unified in local health units (with continuing coordination problems in actual practice)	Nursing homes supported by health service, private cost-sharing leaving pocket-money for residents; means-tested assistance if no private means	Organised by local health units, financed from regional social funds, and private cost-sharing
Luxembourg	Embracive social insurance system incl. pensioners, financed from employees' and employers' contributions with state subsidies	High; Sickness insurance only covers medical treatment; long-term care mostly covered by state budget (for persons passing means-test)	High: Medical services: sickness insurance; social services: Family Ministry	Nursing home medical services paid by sickness insurance scheme; hotel cost paid privately; difference between hotel cost and total cost paid by state	Medical services paid by sickness insurance; home help services by voluntary providers coordinated and party paid by Family Ministry for low-income families; means-tested care benefits by social assistance scheme

Country	Basic type of health care system	Differentiation between acute medical care and long-term care	Differentiation between medical services and social services	Residential care	Domiciliary care
Netherlands	Plural social insurance system; medical benefit insurance for pensioners and low income earners, financed from employees' and employers' contributions, exceptional medical expenses scheme for all residents financed from employees' contributions	High in theory: Acute medical care financed from sickness insurance scheme; long-term care (exceeding 365 hospital days) paid by exceptional medical expenses scheme	Medium: Social home care services organised by local authorities and by non-profit associations, but also covered by exceptional medical expenses schemes	Nursing homes covered by exceptional medical expenses, with private cost-sharing; residential homes paid privately with social security supplements	Supplied by local non-profit associations; financed (up to a limit) by exceptional medical expenses scheme with private cost-sharing
Portugal	National health service for all residents, predominantly financed from general taxation	Low (?)	Division between Ministry of health for medical services and Ministry of labour and social security as well as local agencies for social services	Nursing homes publicly financed with private contributions up to 70% of income; expanding commercial nursing home sector with high prices	Partly financed from social security with private charges
Spain	National health service for all residents, financed from general taxation and employers' and employees' contributions	Low (?)	Noted as problematic	Nursing homes predominantly financed from public funds with private contributions up to 75% of the pension	Organised by local authorities and voluntary associations; financed by municipalities for low-inome clients
United Kingdom	National Health Service for all residents, financed mostly from general taxation and from earmarked contributions by employees and employers	Low: Both covered under National Health Service	High: Medical services: National Health Service; social services: local authorities personal social service department	Nursing homes and geriatric beds in National Health Service hospitals publicly financed; private nursing home fees paid by social security if resident lives on income support	Community nurses organised and financed by National Health Service; home help financed by local authorities

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