

Fighting old-age poverty: the missing piece of the Social Pillar

AGE commends the Commission and the Social Protection Committee for drawing up a detailed and important report that sheds the light on the living situation of 95 million people over 64 in Europe. It is particularly commendable that the report looks at the two major crises that unfolded since the data of the last report by comparing pension adjustment mechanisms.

We see this report as a call to action. After a decade of pension reforms aimed at securing financial viability of Member States' pension systems by reducing benefits, indexation mechanisms and increasing retirement ages, we now need to address the deterioration of pension adequacy.

Old-age poverty and social exclusion increased by two percentage points and **almost four million people since 2015** – in a context where the EU has committed to reduce poverty and social exclusion by 15 million between 2020 and 2030. Even more shocking, increased poverty stems mainly from worsening poverty rates among older women, one in four of which are at risk of poverty after age 75. **The fact that old-age poverty affects more than one in three persons in 7 Member States is equally unacceptable.** Increasing gender gaps, falling relative income rates and replacement rates also point to the fact that **pensions cannot be further targeted to save public spending.** On the contrary, the poverty reduction target of the **European Pillar of Social Rights Action Plan cannot be achieved without halting and reversing the expansion of old-age poverty.** Further reforms in favour of adequacy are needed.

Regarding retirement ages, while AGE advocates for **policies that empower workers to stay healthy and included in the labour market** until retirement age and **allow workers who want to continue working to do so**, the Pension Adequacy Report confirms why it is so difficult to change retirement age: there are **large inequalities between low-educated and higher-educated in retirement duration.** Changes in statutory retirement age must take into account these inequities and different situations. The projected increase to very high ages in some member states may be socially unsustainable against this background.

The recent experience of consumer price growth has shown the **importance of pension adaptation mechanisms** that are following price and wage developments, are performed regularly and automatically, based on law or statute. They safeguard the dignity and participation of older people in society and **also function as an automatic stabilizer to the economy**, as pensioners typically have lower incomes

and spend a larger portion of income growth for local goods and services. The fact that many Member States had to introduce additional indexation or other income support measures during 2022/23 shows that **indexation systems still need to be improved**. There were also inequities linked to the fact that support measures other than pension indexation did not reach pensioners living outside the member state who pays their pension.

Care needs are an important factor increasing the risk of poverty, with out of pocket **costs of care representing 50-80% of income for moderate or severe needs**. This is highly alarming, particularly for women and influences people's decision not to access care although they need it.

The **persistence of survivor's pensions** is an important factor that hinders a further aggravation of the old-age gender pension and gender poverty gaps.

As a response to the Pension Adequacy Report, AGE calls for:

- **Ending old-age poverty:** Further pension reforms in favour of adequacy to achieve the European Pillar of Social Rights poverty reduction target and Sustainable Development Goal 1 by 2030
- A **Framework Directive on Adequate Minimum Income**, despite the adoption of a Council recommendation on the same matter in 2022. Such a Directive should cover as well minimum pensions. Member States must make consistent and tangible advancements in setting adequate levels of minimum pensions and for their adaptation over time. AGE calls on the SPC to work on an intermediary assessment of minimum income schemes before the 2030 implementation report required in the Directive. The Commission should use actively the European Semester to remind Member States of their commitment
- An **EU recommendation on pension credits** for time spent outside the labour market for reasons of childcare, informal care, sickness or unemployment to redress the growing gender inequality in old-age pensions
- **Accessible health that does not lead to poverty:** An ambitious implementation of the Council recommendation on access to affordable, quality long-term care and stronger work to move towards universal health coverage.
- **Coverage must be ensured for all types of work** and the recommendation on access to social protection should be strengthened. Platform workers, other types of new forms of work and self-employed must be subject to mandatory enrolment in pension schemes.
- **Statistics must evolve with the population:** the group of 85+ has grown by 25% over 10 years and continues to do so. It is no longer acceptable to assess data on



pensions only based on two age groups (65-74 and 75+) while this phase potentially stretches over five decades.

- Similarly, the next Pension Adequacy Report should **take into account the mobility of pensioners**. 4.5 million persons receive a pension from outside their state of residence, many of which combine pensions from different member states, which can lead to inadequacies in terms of risk of poverty, adequacy of out of pocket payments for care, or pension taxation relative to the population of their member state of residence.

