

# Social risks for older persons with care needs? Interrelations of pension and long-term care policies among European welfare states

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*From the cradle to the grave? Social policy in diverse temporal and spatial contexts*

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# STARTING POINT

- Demographic ageing has put pressure on European welfare states because it created increasing demand for public pensions and long-term care (LTC) (Bonoli & Natali 2012; Taylor-Gooby 2004).
- As a consequence, many welfare states have considerably restructured their policies for people in old age:
  - Extension of LTC policies for older persons (Gori et al. 2016; Ranci & Pavolini 2015).
  - Retrenchment and restructuring of pension policy (Ebbinghaus 2015; Hinrichs 2021).
- These trajectories in the generosity of both policy fields, have consequences for the protection against social risks of unmet care needs and poverty of the particular group of retired older persons with care needs.

# STATE OF THE ART

- Interrelations of different policy fields have been a key topic of the Varieties of Capitalism approach (Hall & Soskice 2001) and have been extensively discussed with reference to the concept of institutional complementarity (Crouch 2010; Deeg 2007; Höpner 2005).
- focus of existing research is usually on the interrelation between social policies and labour markets (Estévez-Abe et al. 2001; Nieuwenhuis 2022).
- Interrelations between different fields of old-age policy are underexplored (Eggers et al. 2020; Łuczak 2018; Ranci & Pavolini 2015), especially with regard to their consequences for social risks like unmet care needs or poverty.
- Considerable cross-national differences in the generosity of pension policies (OECD 2019) and LTC policies (Grages et al. 2021) as well as in the degree of the respective social risks between European welfare states (Frericks et al. 2014; Hinrichs & Jessoula 2012).
- However, systematic and comparative approaches for measuring the generosity of social policy at the institutional level are rare (Frericks 2021; Kvist et al. 2013).

## **Research gap:**

Interrelations between pension and LTC policies have not yet been addressed systematically with regard to social risks of older people with care needs and analysed from a cross-national perspective.

# RESEARCH QUESTIONS & AIM

## **Main research questions:**

In how far do European welfare states show differences in the generosity of their pension and LTC policies?

In how far do different kinds of institutional constellations between pension and LTC policies lead to social risks for older persons with care needs?

## **Research aim:**

- to introduce a new methodological approach to measure the generosity towards pension and LTC policies at the institutional level
- to consider the various combinations between the generosity of both policy fields and their consequences for social risks of retired persons with care needs

# THEORETICAL FRAMEWORK

## Main assumption:

We argue that low levels of generosity create social security gaps that can result in social risks for older persons with care needs depending on the institutional constellation between policies towards public pensions and LTC.

Depending on the degree of generosity of pension and LTC policies, four combinations between both policy fields with varying social risks have to be considered (Deeg 2007):

- *Residual* = low generosity in both policy fields could result in high social risks in the form of considerable unmet care needs and poverty risks.
- *Supplementary* = high generosity in one policy field fully/partly compensates social risks due to low generosity in the other policy field.
- *Complementary* = high generosity in both policy fields means low social risks for older persons with care needs.

Generosity of LTC policy	Generosity of pension policy	
	high	low
high	complementary	supplementary
low	supplementary	residual

# METHODOLOGICAL FRAMEWORK

- Comparative case study of LTC policies in five European welfare states, Denmark, England, Germany, Italy and Poland, that each represent different types of welfare and care regimes (Esping-Andersen 1999; Bettio & Plantenga 2004).
- Empirical basis includes document analysis of national LTC and pension legislation, data from comparative policy databases and secondary literature.
- Measurement of generosity of pension and LTC policies at the institutional level is based on two indicators:
  1. Access to a benefit: The less demanding the access conditions for a benefit, the higher the generosity.
  2. Benefit level: The more comprehensive the public financial support for beneficiaries, the higher the generosity.
- **Pension:** only mandatory pensions; *Access:* waiting periods; coverage and statutory retirement age. *Benefit level:* replacement rate
- **LTC:** measures for extra-familial and familial LTC. *Access:* needs-testing; means-testing and further restrictions (for ex. co-habitation or kinship relation). *Benefit level:* average share of welfare state's co-payment for comprehensive LTC provision.

# FINDINGS: PENSION POLICY

Country	Access (1)	Benefit level (2)	Overall generosity (3)
<b>Denmark</b> Folkepension, the arbejdsmarkedets tillægspension, and occupational pension	High coverage, high retirement age and short waiting period (2 out of 3 points)	Replacement rate of 60-79% (3 out of 4 points)	<b>Medium to High (5 out of 7 points)</b>
<b>Italy</b> Pensione di vecchiaia	Low coverage, high retirement age and no waiting period (1 out of 3 points)	Replacement rate of 80-100% (4 out of 4 points)	<b>Medium to High (5 out of 7 points)</b>
<b>Germany</b> Gesetzliche Rentenversicherung (GRV)	Low coverage, high retirement age and short waiting period (1 out of 3 points)	Replacement rate of 40-59% (2 out of 4 points)	<b>Low to Medium (3 out of 7 points)</b>
<b>Poland</b> Emerytura	Low coverage, low retirement age and no waiting period (2 out of 3 points)	Replacement rate of 20-39% (1 out of 4 points)	<b>Low to Medium (3 out of 7 points)</b>
<b>England</b> New State Pension, workplace pension scheme	Low coverage, high retirement age and long waiting period (0 out of 3 points)	Replacement rate of 20-39% (1 out of 4 points)	<b>Low (1 out of 7 points)</b>

Sources: Documents of national pension legislation; MISSOC (2022) and OECD (2019).

# FINDINGS: LONG-TERM CARE POLICY

Country	Access (1)	Benefit level (2)	Overall generosity (3)
<b>Denmark</b> Consolidated Act on Social Services	No strict restrictions (3 out of 3 points)	80-100% of LTC costs covered by the welfare state (4 out of 4 points)	<b>High</b> <b>(7 out of 7 points)</b>
<b>Germany</b> Care Insurance Act (Social Code XI)	No strict restrictions (3 out of 3 points)	40-60% of LTC costs covered by the welfare state (2 out of 4 points)	<b>Medium to High</b> <b>(5 out of 7 points)</b>
<b>England</b> Care and Support Act	Strict means-testing and further restrictions (1 out of 3 points)	40-60% of LTC costs covered by the welfare state (2 out of 4 points)	<b>Low to Medium</b> <b>(3 out of 7 points)</b>
<b>Italy</b> Law No. 18 on Constant Attendance Allowance, Art. 22 of Law 328/2000	Strict needs assessment (2 out of 3 points)	20-40% of LTC costs covered by the welfare state (1 out of 4 points)	<b>Low to Medium</b> <b>(3 out of 7 points)</b>
<b>Poland</b> Law on Health Care Services; Law on Social Assistance and Law on Family Benefit	Strict needs assessment, means-testing and further restrictions (0 out of 3 points)	20-40% of LTC costs covered by the welfare state (1 out of 4 points)	<b>Low (1 out of 7 points)</b>

Sources: Documents of national LTC legislation; MISSOC (2022), EUROCARERS (2022); Grages et al. 2021).



# DISCUSSION: INSTITUTIONAL CONSTELLATIONS OF PENSION & LTC POLICY

Generosity of Pension policy	Generosity of LTC policy			
	High	Medium to High	Low to medium	Low
High	<i>Complementary</i>		<i>Supplementary</i>	
Medium to High	<b>Denmark</b>		<b>Italy</b>	
Low to Medium		<b>Germany</b>		<b>Poland</b>
Low	<i>Supplementary</i>		<b>England</b>	<i>Residual</i>

# DISCUSSION

**Denmark:** *complementary* institutional constellation with comparatively low social risks.

- Families are unburdened from taking care of their older relatives, financially or by providing care. For older persons with low pensions a means-tested pension supplement is available.

**Italy:** *supplementary* institutional constellation.

- Older persons with care needs are rather exposed to the social risk of unmet care needs and may therefore use rather generous pension benefits to pay for migrant care arrangements.

**Germany:** *supplementary* institutional constellation.

- Older persons with care needs are rather exposed to the social risk of poverty and may therefore use cash-for-care benefits as additional pension income. A strictly means-tested LTC support is available if care-dependent persons cannot afford co-payments for extra-familial LTC services.

**England:** *residual* institutional constellation with comparatively high social risks.

- Rather low generosity of the pension policy with considerable risks of old age poverty. Strict targeting at the very poor (below 60% of the median equivalised income) for whom a safety-net of last resort protects against the risk of unmet care needs.

**Poland:** *residual* institutional constellation with comparatively high social risks.

- Old age security only prevents extreme poverty due to LTC needs. Only if older persons have severe care needs, are very poor and have no family to pay or provide the care themselves, care provision and cost coverage are publicly provided.

# CONCLUSION

- Our investigation has brought new insights about the social risks older persons with care needs are exposed to in different European welfare states.
- It highlights that a combined perspective on the two policy fields of pensions and LTC is crucial to assess the situation of older persons with care needs. This corresponds to recent research that criticizes mainstream welfare state analysis for focusing on single policy fields only (Nelson et al. 2022).
- We argue that welfare state research should more often apply a combined analysis of policy areas which are relevant for specific vulnerable groups in society. For practitioners of social policy, reflecting the fact that policy changes in one field are crucial for the effects of the other is also highly important.
- Furthermore, using a country-comparative perspective brings new insights into the spectrum of institutional constellations that are possible.

The End

**Many thanks for your attention!**