

# Inequalities & Poverty Risks in Old Age across European Pension Systems

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TUC Pensions Conference 2021

(Day 4: Thursday 18th March):

*Rethinking the role of the state pension*



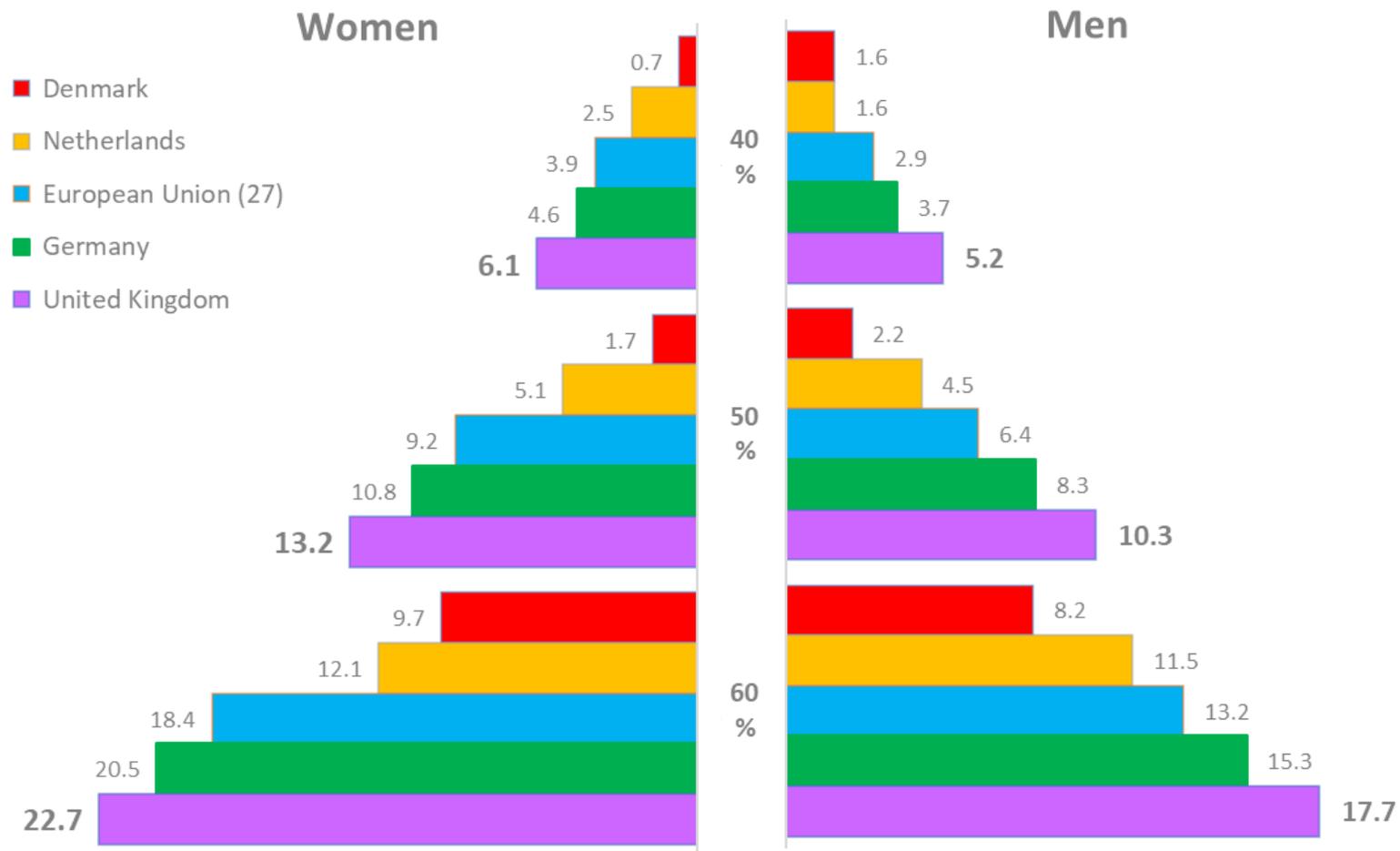
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# 1. UK's Old Age Poverty in Comparison

- At-risk-of-poverty (60%): **UK (20.4)** higher than **Germany (18.0)** & **EU (16.4)**
- **Best performers (-60%): Denmark (9.0) & Netherlands (11.8)** with generous basic pensions
- UK has **high** poverty rates across all poverty levels
- UK's gender gap: ~1.2x
- UK's poverty rate result of **low basic pension** and **unequal private pensions**

Poverty rates among older people (aged 65+), 40-60% levels, 2019 (UK 2018)

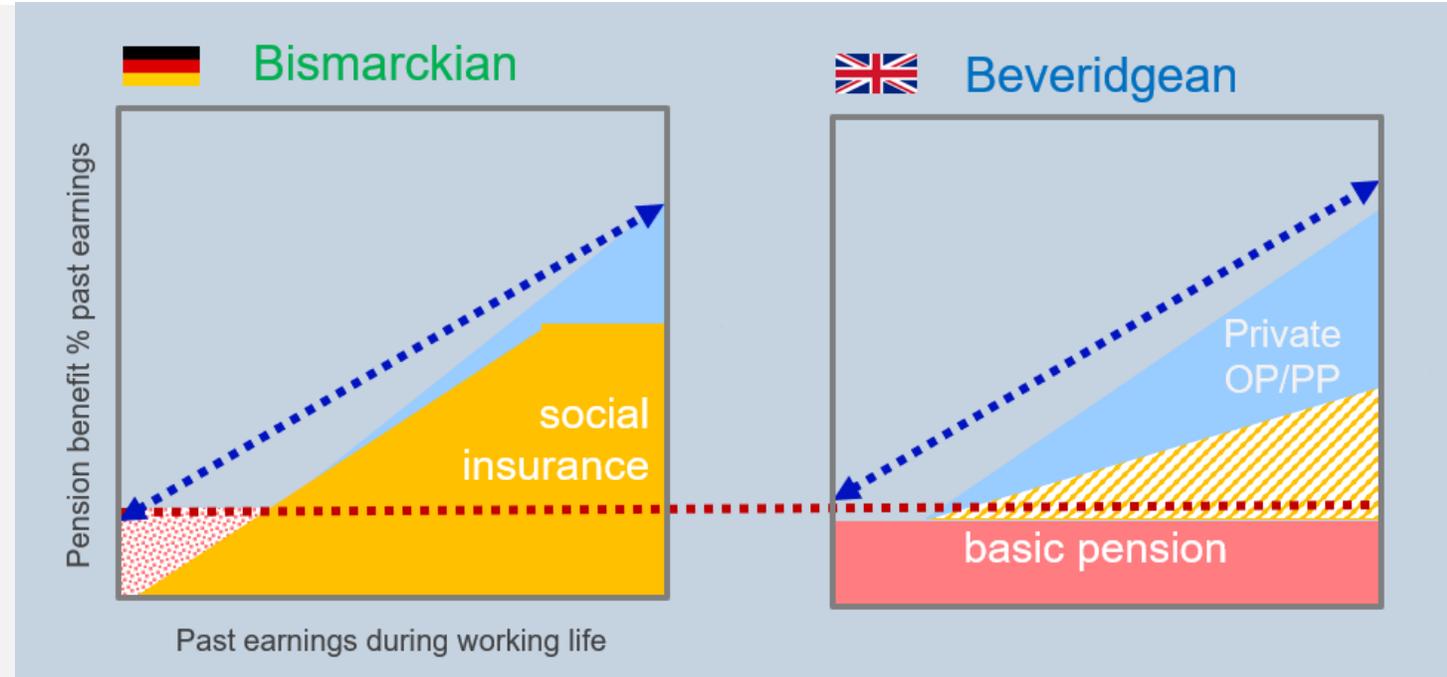


Bernhard Ebbinghaus (2021) "Inequalities and poverty risks in old age across Europe: The double-edged income effect of pension systems", *Social Policy & Administration*, first view ([open access](#)).

# 2. Pension Systems & Poverty/Inequality

## Pension system's impact on

- **Poverty** (horizontal--poverty line):
  - **Bismarckian (social insurance):** **Minimum** (social pension) / **targeted** social assistance
  - **Beveridgean (multipillar):** **Basic pension** for all residents; flat-rate benefit enough?



- **Inequality** (diagonal <--> spread):
  - **Employment** trajectory important for **social insurance** & **private pension contributions**
  - Reproduction of **market inequality** through **SI** & **contributory pensions** (DB/DC)
  - **Redistributive** elements only in **SI** (child/long-term care credits, unemployment, etc.)

# 3. State vs Private Pension Responsibilities

## Bismarckian social insurance system:

- **Social Insurance:** contributions reproduce employment/earnings inequalities in old age
- State pension allows **redistributive** elements (credits for care years)
- State pension (pay-as-you-go financed) faces demographic challenge but serves as an automatic **stabilizer during crisis**
- **Private (funded) pensions** are not mature yet (voluntary/mandatory)

## Beveridgean multipillar system:

- **Basic pension:** poverty reduction depends on generosity of scheme, but this lowers incentives to save
- **Multipillar system:** **private funded** pensions important part of retirement income, generates inequalities (coverage, earnings)
- **Financial/economic crisis:** problems of mature funded pensions
- State needs to **regulate** private pension funds (coverage, governance, prudent investment)