

Basic Pensions: ‘Welfare Arrangements’ for Old Age Security and Outcomes on Inequality

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Introduction: distributional consequences of pension schemes

- Ageing populations
- Globalisation
- Basic pensions:
 - former more equality -
 - today: liberalisation, privatisation = more inequality
- Research question: How do basic pension systems act upon income inequalities ?

Distributional effects of welfare states

- Comparative research on welfare states:
 - Impacts of social policy on income structures
- Different sources of welfare have different distributional outcomes (Titmuss)
- Private income resources - more inequality
- Ageing research:
 - impact of different systems of old age security on the income-situation of the elder?

Two Traditions

- Beveridge:
 - uncoupling from former achievement on labour market, not earning related, need
 - basic level of income in old age: Netherlands, Denmark, Sweden, UK, USA, Canada
- Bismarck:
 - income related, secure living standard, mirror inequality in working age
 - Germany, France, Austria

The redistribution paradox

- Korpi/ Palme 1998
 - countries that aim at poverty reduction of elder and target pensions do not have more equal income distribution
 - Reason: private shares of old age income
- Social insurance countries: more equality
 - crowd out private income sources for old age
 - basic pension: crowd in private forms
- Is this really so?

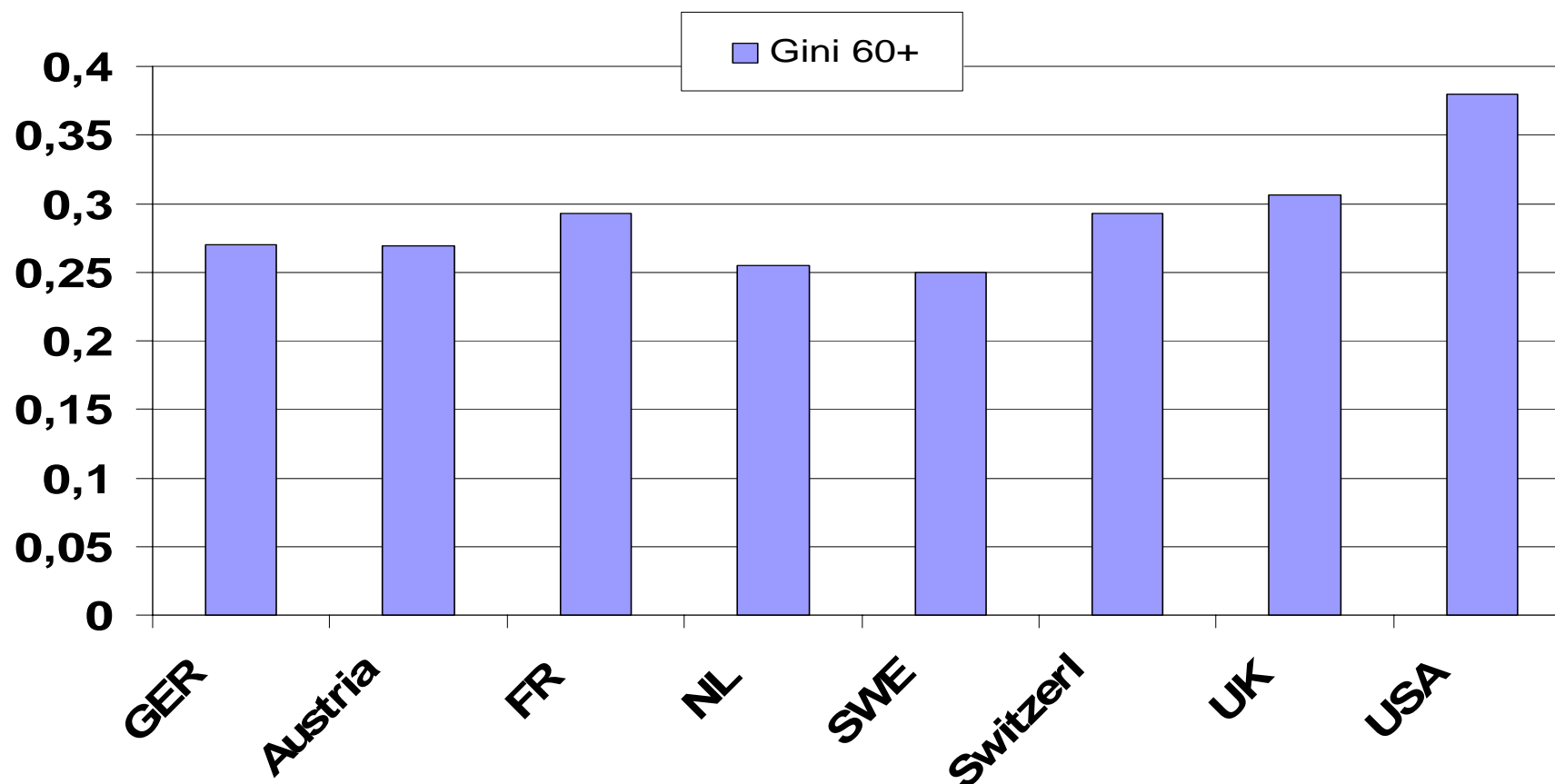
Data

- Luxembourg Income Study (LIS):
 - disposable income: market income + transfers - taxes
 - equivalized income - adaption to number of household members
 - income distribution of the elder 60 +
 - Measurement of income distribution:
gini index: between 0 and 1
 - percentile ratios

Data

- Eurobarometer 56.1 (2001):
 - basic pension systems set incentives for private elements
 - Role of public and private social security in old age
 - ”Which of the following will be your sources of income after retirement?”
 - Differences between occupational status groups in access to private means of old age security

Gini index of disposable income of the elder

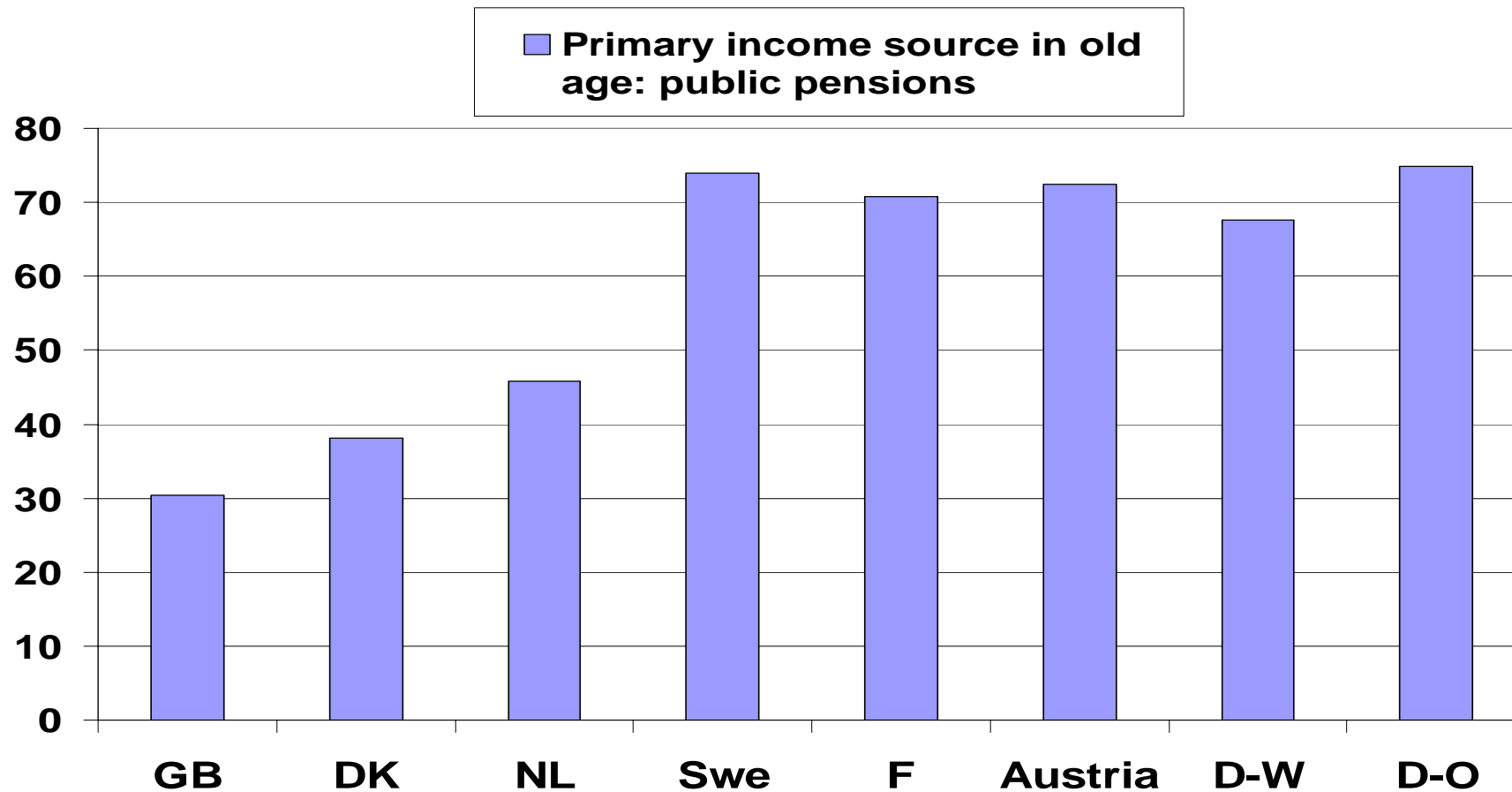


Source: Own calculation with data of the Luxembourg Income Study (LIS).
Equivalised disposable household Income

Distribution of disposable income among the elders (+65)

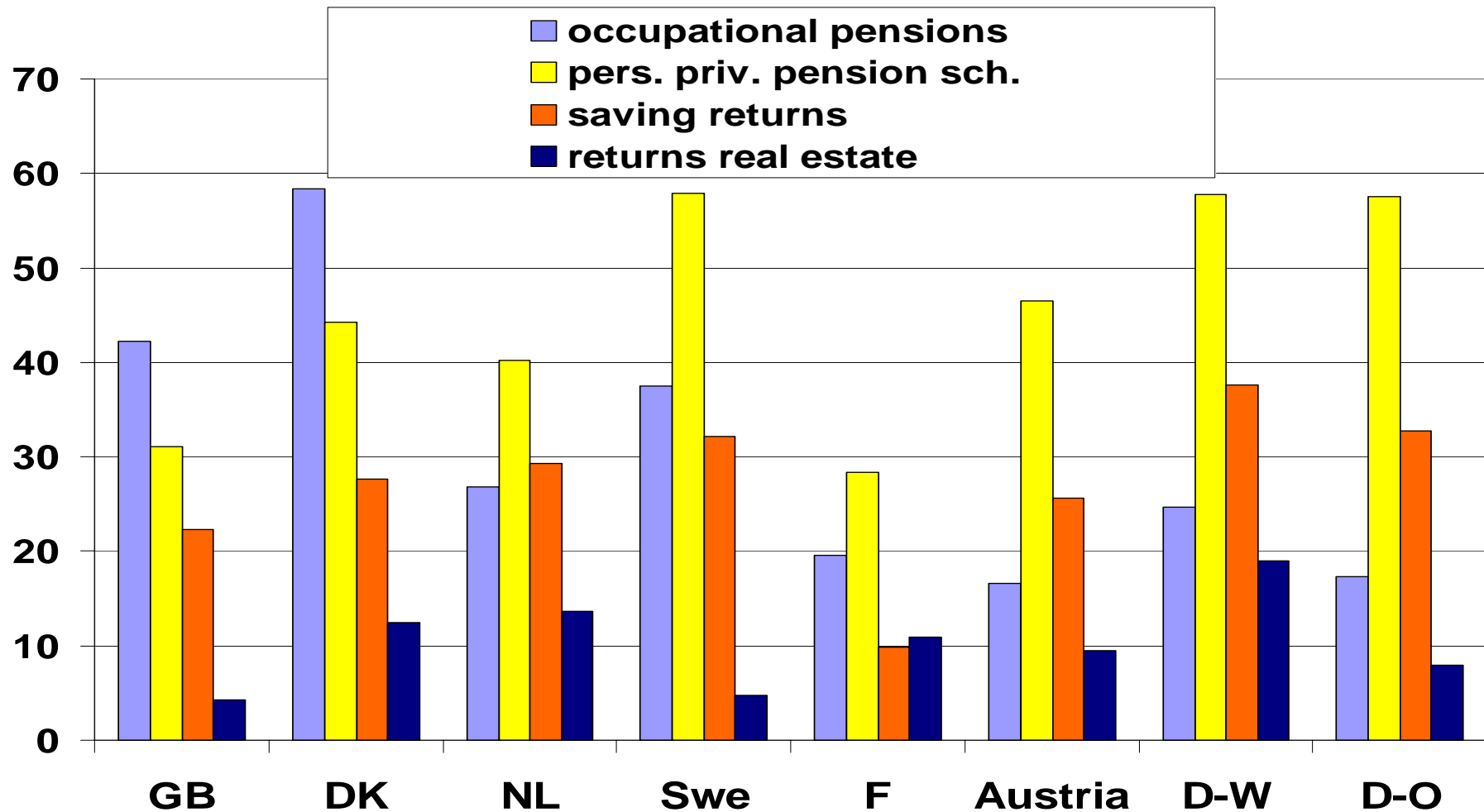
Country	Low Income (P10/ P50)	Decile ratio (P90/ P10)
France (1994)	55	3.66
UK (1999)	56	3.54
Germany (2000)	58	3.07
Sweden (2000)	68	2.52
NL (1999)	70	2.71

Role of public pensions (in%)



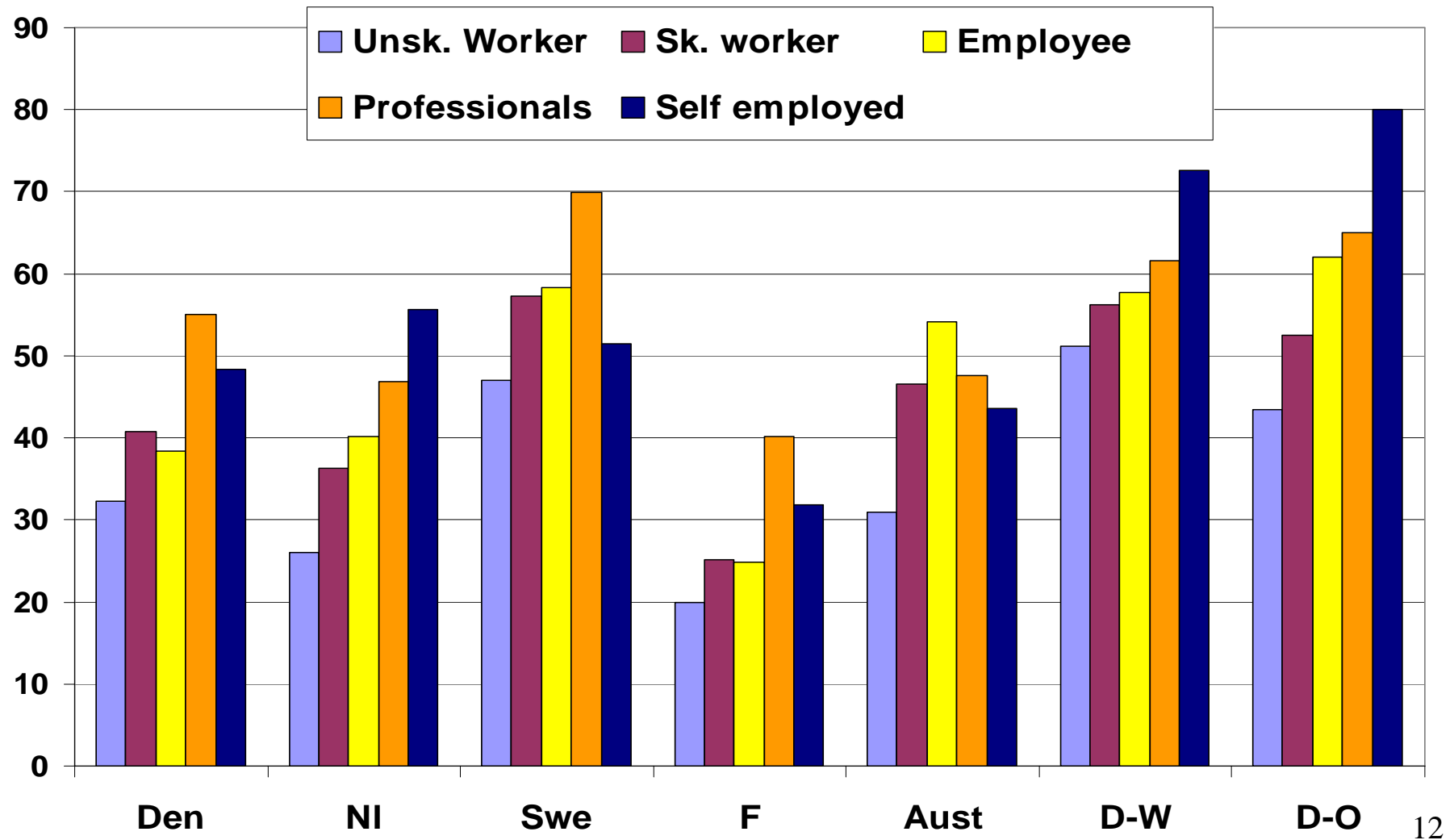
Source EB 56.1. (2001), own calculation. Only respondents not retired.

Expected additional sources of income in old age (in %)



Socio-economic selection ?

Private pension schemes



Socio-economic selection ?

Saving returns



Summary

- Inequality in old age and institutional characteristics of pensions systems:
 - no clear relation
 - generous basic pensions balance inequalities
- Differing access to private sources of income?
 - Not that much between countries but
 - between social strata