

Abstract

European Policy Issues

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Shaver, S. (1988) 'Universality or selectivity in income support to older people? A comparative assessment of the issues', *Journal of Social Policy*, 27 (2), 231–254.

Reynaud, E. (1998) 'Pensions in the European Union: adapting to economic and social changes. *International Social Security Review*, 51 (1), 31–47.

These two articles are highlighted as both offer the reader some insights into the ongoing debate on the level of income in later life from a cross-national and comparative perspective. Recently the focus of this attention, particularly within the European Union (EU), relates to one of the myths of modern times, the devastation that will result because of the demographic time-bomb. I was pleased to see another refutation of this in Reynaud's article (p. 34). Thus the framework for this European-wide discussion has been as much about ideological and political issues as about economic ones, such as level of public provision of support in old age.

These two articles approach the issue of income in later life from different angles. The Reynaud article is essentially a review of the current debate on public pensions within the EU. It focuses upon the manner in which pension policy has adapted to social and economic change in recent years. No statistical or quantitative analysis is presented and this limits the analysis somewhat. Shaver on the other hand adopts a classic quantitative approach, using a well-established dataset, the Luxembourg Income Study (LIS), to revisit the longstanding debate about the merits of universalism and selectivism within the context of income in later life.

Reynaud begins by usefully reviewing the changing context for retirement income policy. It is suggested that since European public pensions were devised (mostly following the Second World War), the prevailing assumptions have influenced the framework and solutions adopted in subsequent years. Thus, full employment, the centrality of the male breadwinner as primary recipient, and a normal life cycle (for men) of education, work and retirement, have always been central assumptions in the design and implementation of (public) pensions policy.

Yet structural and social change since 1946 has had some influence on the policy agenda and focused debate within the EU upon three issues: demographic change; that pension schemes should foster economic growth; and whether the state should disengage from its involvement in pensions financing. Among the structural changes noted are the onset of high levels of unemployment, the earlier and forced exit from the workforce of older people, the feminisation of the labour force, the rise of 'flexible' patterns of

employment, and the role and purpose of public pensions policy. Indeed, the notion that social welfare is a threat to economic competitiveness has been one of the major contributors to this change of emphasis over the past twenty years.

Reynaud's article usefully sets out the nature of this debate. It considers the close relationship public pension policy has had with the continuing debate on demographic and labour market trends, competitiveness and economic growth of the modern European economies. What it does not do is enter into any detail about the provision in member states. Certainly such detail was not appropriate. However, the pension schemes in various countries are highlighted as examples of various approaches to funding. What becomes apparent in all this discussion is the diversity of systems and approaches. The article then addresses the central issues of present pension design: that of equity and justice and, linked with this, the main methods of financing pensions from pay-as-you-go through to defined-contribution schemes. It suggests that above all else, what should be at the heart of any pensions scheme is 'the ability to guarantee a decent level of security to all citizens when they reach retirement age' (p. 31). I would suggest that this aim has not been universally achieved in all EU states.

The article by Shaver is entirely different. It considers another ongoing debate that has informed the role of retirement pensions in Europe. This is the discussion between universality and selectivity which, in this context as Shaver notes, has centred on the financial support of ageing populations. The more recent shift towards selectivity is discussed. Using a quantitative approach and the LIS database, Shaver addresses four specific questions in her article. These are: what is the practical meaning of universality and selectivity; which is the more effective in ensuring low levels of poverty; what are the redistributive effects of each; and how generous are they.

The LIS data used covers the second wave of the Study, undertaken between 1984 and 1987. Although this represents the most recent dataset at the time of writing (late 1996), it does raise the obvious question about how useful her results are in the face of rather dated data. The choice of countries in this comparative assessment are used as ideal types or positions on a selectivist to universalist spectrum. Australia is considered as an 'appropriate exemplar' of selectivity. Norway and Sweden are examples of universality based upon a 'citizenship model'. The UK is considered a hybrid between both forms. Finally, Germany and the US as examples of universalism based upon compulsory insurance. The focus of Shaver's analysis is exclusively upon the households of older people where the head was aged 65 or over (but 67 or more for Norway). Various measures of income are employed and are divided into various components for the analysis. 'Factor income' (income from employment or property) and 'market income' ('factor income' plus private sector pension income) form the first level or stage in her income model. 'Gross income' (sum of market income and income from social insurance and means tested transfers) and 'disposable (net) income' (Gross income less payroll and direct taxes) the next. The limitation of the model, that is that 'market income' serves as the 'counterfactual' against which transfers and taxes are assessed, is noted.

Using these measures, the article presents various data in a systematic attempt to answer the four questions. In answering the first two Shaver concludes that Australian coverage is 'basic and uniquely selective' (p. 250) whereas the coverage is more universalist in the other countries, and that selectivist measures are more effective in ensuring lower levels of poverty. In providing an answer to the other two questions she has a tendency (wisely) to be cautious and equivocates (p. 251). She notes in support of her position that universal type transfers are variable and the distribution across the cohorts different.

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