Chapter 2

Introduction: Framing Economic Exclusion

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2.1 Introduction

Economic exclusion is a multidimensional concept that has particular relevance in the context of ageing populations and globalised economies. Sustaining adequate incomes in old-age and protecting older citizens from poverty are major challenges for governments and policy makers and they have been amplified in the face of the economic consequences of the COVID-19 pandemic. Over the past few decades most countries have made adjustments to their pension systems and other welfare related policies that concern older citizens, and these reforms have already had and will continue to have a differential impact on economic exclusion. For some, extending the working life and pushing back the legal age of retirement can be a safeguard against inadequate incomes in old-age, while for others who are excluded from the labour market, or who are working in low paid jobs, economic exclusion remains a reality. The labour market implications of the pandemic are likely to exacerbate this risk for those whose situation was already fragile before the crisis.

However, as the current situation around the world makes clear, economic exclusion in later life and old-age is not confined to pension reforms alone. Economic exclusion should be perceived from a life-course perspective and understood as a process with many dimensions, with all life stages and all dimensions combining to determine outcomes in later life and old-age. This perspective sheds light on the importance of the economic consequences of the COVID-19 pandemic both for the current older generations as well as those for whom retirement is still a distant prospect. The purpose of this chapter is to first briefly introduce the topic of economic

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exclusion, with a particular focus on the life-course dimensions of economic forms of hardship. The second purpose is to introduce the three chapters within this section as exploring different facets of economic exclusion.

2.2 Economic Exclusion and the Life Course

Social class, education, and migration play an important part in individual chances to secure adequate resources over the life course. Labour market opportunities and the balance between family life and paid work are also important in determining access to resources in later life. These dimensions are manifest in different social policy regimes as well as in organisational policies and practices within the workplace before retirement. However, they encompass new and existing social risks in general and life-course risks in particular, as well as life-course events and experiences, all of which shape life time trajectories of health, social relations and material conditions. Moreover, these dimensions relate not only to the macro-level of economics, but also to climates of political and social change as well as economic crises.

In order to understand how events in the life course affect economic exclusion outcomes in later life, Myck et al. (2017) identify key factors that influence material well-being over the life course and the capacity of individuals to respond to expected and unexpected changes in the level of their material conditions. In the worst-case scenario, permanently low levels of material resources in relation to the needs of individuals endure over long spans of the life course. Long-term unemployment, precarious working conditions, and low-paid jobs combine to prevent the build-up of pension rights and assets that are needed to safeguard against economic exclusion in later life. Poor health and disability over the life course can also be an important factor that limits the capacity to build up wealth and secure regular sources of income for old-age. Accumulated over time, a low level of material resources leads to insufficient buffers of assets to ensure sufficient resources in old-age and individuals are subsequently 'trapped' in poverty. From this perspective various elements of welfare systems are crucial to ensure that not only such individuals can meet their basic needs, but that they also can participate fully in civic society.

A second trajectory that influences economic exclusion in later life is the arrival of unexpected shocks to the level of resources in relation to individual needs. Certain events in the life course, such as divorce, widowhood, illness, and redundancy, are often accompanied by a sharp drop in income and a depletion of savings. The consequence of such shocks is that it may not only be difficult to maintain the prior levels of material well-being, but the altered circumstances may lead to significant worsening of material conditions due to inability to earn income and the need to run down accumulated assets. Significant negative shocks may thus lead to a fall in current income and a permanent reduction in material well-being due to inability to further accumulate assets for future use.

Finally, despite the absence of prolonged periods of unpaid work or life-course shocks, individuals may fail to direct their economic resources towards future needs in old-age. Old age can be accompanied by significant costs related to home care and residential accommodation fees. In the current climate of budgetary constraints to welfare systems, which are likely to be exacerbated by the economic slowdown induced by the COVID-19 pandemic, this feature of economic exclusion has particular importance. The nature of the risks involved and the potentially very high costs of providing the necessary level of care imply that provision of insurance against the need of extensive long-term care cannot be provided by private insurers. In recent decades, however, many governments have been either reducing the degree of collective societal obligations to provide age-related welfare support or essentially ignoring the implementation of systemic solutions of provision of care for future generations. The consequence of both approaches is a shift of responsibility for the financing of old-age care on to the individual.

Income and the process of asset accumulation on the one hand, and the development of risks and the related material needs on the other are therefore essential components in understanding how economic exclusion can arise in later life and old-age. However, unlike traditional approaches to material well-being that tend to focus on the dimension of poverty and income, the concept of economic exclusion extends beyond financial aspects of material conditions to a broader perspective (non-financial) that includes different aspects of individual lives. Given the growing evidence for the weaknesses and failures of the traditional approaches with respect to identification of disadvantaged groups of the society through the lens of current income, there has been growing interest in the development of more adequate and more internationally comparable measures of material well-being. An alternative approach to income-base measures has been the analysis of material well-being using measures of material deprivation, defined as ‘the inability to possess the goods and services and/or engage in activities that are ordinary in the society or that are socially perceived as “necessities”’ (Fusco et al. 2010, p. 7).

Increasingly, research in this area is adopting a variety of measures to capture those elements of economic exclusion that go beyond monetary aspects and it seems that such a broader approach will be essential to understand the consequences of the combination of the health and economic crises brought about by the COVID-19 pandemic. Central to this approach is the place of subjectivity and how individuals perceive their financial situation and material conditions. Subjective measures are strongly correlated with other aspects of quality of life in old-age (Adena and Myck 2013). As such, they underpin the notion of unmet needs and provide a very broad indicator of material conditions and thus material exclusion. At the same time, they suffer both from a high degree of cultural bias, and from adjustments by individuals to the assessment of their material situations over prolonged periods of time spent in a given material situation. There are theoretical arguments and empirical results that older people who experience economic hardships adjust their preferences to scarce economic resources over time (Berthoud and Bryan 2011). For this reason they become satisfied with their living standards and everyday lives despite facing economic hardship in old-age. Another way of explaining this counter intuitive

finding is that current coping among older people – such as focusing on positive aspects of everyday life and adjusting one's preferences according to what is possible to achieve—results in satisfaction with everyday life despite the negative consequences of economic hardship.

Taking into consideration the complex and multi-layered domain of economic exclusion, it is not surprising that estimates of the extent of the phenomenon are difficult to undertake. However, broadly speaking, research on economic hardship in Europe reveals that a significant proportion of older people face problems in meeting their material needs and that substantial differences in material conditions exist in Europe both between and within countries. These poor material conditions include low levels of income and assets, difficulties in financing basic expenditures on food, housing, transport, health and social care. Older people facing economic hardship also can be excluded from participation in leisure and other civic activities. As the above review demonstrates, though, only a broad and comprehensive approach to the problem of poor material conditions among older people is likely to succeed in significant reductions of the number of individuals facing economic hardship. Moreover, only complex measures of material conditions will be able to capture the influence of both, the resources individuals have at their disposal on the one hand, and the public services they receive such as health or long-term care on the other. At all stages of life, but in particular in old-age, it is the combination of these two factors that determine individual material well-being, a fact that has been so strongly evident in the light of the COVID-19 pandemic. Any policy measures aimed at protecting and improving the welfare of senior citizens should take this into account.

2.3 Outline of This Section

The three chapters in this section present original research that focuses on specific dimensions related to economic exclusion reviewed above, notably the subjective experience of economic exclusion in later life and the measurement of material deprivation. All chapters have been written in the pre-pandemic reality, but they provide arguments and evidence which are extremely relevant in the current situation and which can support policy response to the crisis.

In Chap. 3, Merle Sumil-Laanemaa and colleagues examine the differences in the role of factors which influence the level of material deprivation in four categories of countries participating in the Survey of Health, Ageing and Retirement in Europe (SHARE) divided with regard to their broad welfare regimes into: Continental, Nordic, Southern and Eastern European. They analyse the differences in the degree of association of socio-demographic characteristics with a material deprivation index and report results which are of high relevance for the discussion of the role of the welfare state in ensuring sufficient material resources in old-age. Results confirm a significant role of the welfare regime with respect to the degree of material deprivation in later life.

Unemployment is strongly associated with economic exclusion. Elke Murdock and colleagues in Chap. 4 examine the under-researched aspect of the economic and psychosocial consequences of unemployment in later life. Using data from a study of sixty-seven older unemployed persons in Luxembourg, the authors show that the length of time in unemployment is associated with lower life satisfaction. Notwithstanding this finding, the research points to a diversity of the profiles of unemployed older persons, suggesting that measures to reduce social exclusion should take into account different needs and different profiles of personal and social competence.

In Chap. 5, Hande Barlin and colleagues examine the coping strategies that older divorced and separated, and widowed women in Turkey and Serbia employ to compensate for low incomes. This qualitative study that compares the experiences in the two countries is firmly rooted in a life-course perspective, demonstrating the strong influence of early divorce on incomes in later life and the importance of survivor pensions and other welfare pensions that compensate for the absence of acquired pension rights. The authors show the continued importance of family support whilst at the same time emphasising the relevance that older divorced and widowed women attach to their independence.

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