



The European Older People's Platform  
La Plate-forme européenne des Personnes âgées

**To:** EU Heads of State and Government  
José Manuel Barroso, President of the European Commission

**Re:** **AGE Open Letter to the EU Extraordinary Summit on the financial and economic crisis, 1 March 2009, Brussels**

Brussels, 26 February 2009

Dear Madam, Dear Sir,

AGE welcomes the initiative of the Czech Presidency to hold an EU Extraordinary Summit on 1 March to discuss the current financial and economic crisis. This initiative is necessary to rebuild citizens' confidence in the EU Member States' ability to propose a collective response not only to recover the economy but, most of all, to protect Europe's citizens and to find durable solutions to remedy the causes that led to the crisis.

The media are full of alarming reports on the impact of the current crisis on the employment and growth potential of EU countries. Surprisingly little is said on the impact on pensioners and older workers although the Social Protection Committee and the Commission acknowledge in their joint assessment of the crisis that older people and the youth are hit hardest by the crisis. AGE believes that the growing difficulties older people face today are not yet well understood by policy makers because the traditional indicators are not efficient to assess quickly the social impact of the rapid economic developments that the EU experiences today. Our members report that older people in their country are faced with increasing difficulties due to rising living costs (food prices, health expenses, fuel costs); an unfavourable labour market (older workers have a much higher risk of being made redundant, their eligibility to unemployment benefits is being reduced in some countries and their chances of accessing lifelong learning or training opportunities have vanished), their personal savings have diminished and their promised funded pensions have shrunk significantly. Faced with huge budget deficits, public authorities are raising the eligibility criteria for access to social, health and long-term care services. We fear that in the aftermath of today's crisis, the average income will decrease sharply due to the rise in unemployment, and so will the poverty threshold (60% of average income). As a consequence, a growing number of older people will be just above the poverty threshold and could no longer be eligible for social transfers, leaving them with insufficient purchasing power to live in dignity.

**We need strong state controlled pensions to guarantee adequate income in old age**

The trend to reform pension schemes through a gradual shift of responsibility from the state to individual citizens has left older people's pensions savings at the mercy of economic fluctuations and financial markets speculations, reducing the adequacy of their income in old age and creating the so-called 'new poor' older people. AGE urges the European Union and the Member States to draw lesson from this financial crisis and to take immediate and concrete initiatives,

including legislative measures, to secure an adequate old age income for all. Our members feel that today's crisis shows that the safest pension system remains a strong state controlled mandatory scheme, the so-called 1<sup>st</sup> pillar. AGE would like to recommend that Member States analyse the impact of the current financial crisis on the adequacy and sustainability of their national pension schemes and tackle the growing poverty amongst this vulnerable population group. In our view, the financial crisis provides clear evidence that supplementary pensions (2<sup>nd</sup> and 3<sup>rd</sup> pillars) cannot substitute for the responsibility of the state in pension provision. Before introducing supplementary funded schemes, governments must be able to guarantee clear regulatory rules and set up adequate safety nets against potential risks of bankruptcy or other financial hazards.

### **We need an efficient European financial supervision mechanism**

AGE welcomes the Commission's initiative to set up a High Level Group on Financial Supervision. In our view, Member States cannot decide individually on their own rules and such decisions need to be coordinated and enforced at EU level to protect the four fundamental freedoms of the EU (free movement of labour, goods, services and capital) and to enable the single market to function properly. It is necessary to develop a financial supervision mechanism at EU level with adequate monitoring and regulatory powers. It is too early to say whether Jacques de Larosière's report makes the right proposals but we agree with President Barroso that "workers and families across Europe and the world have suffered the consequences of hubris in the financial markets. Citizens expect the EU leaders to change the rules of the game and the way the game operates." We hope that the EU leaders will not let citizens down when they meet on 1 March.

### **We need guarantees of access to health and long-term care services for everyone**

AGE believes that the ongoing crisis cannot justify any further withdrawal of public authorities from the provision of quality and accessible social services, including health and long-term care (HLTC) services. More than ever, it is necessary to strengthen social and health services and assist people in need, rather than to make savings at the expense of vulnerable groups. The tendency to limit eligibility to publicly funded HLTC services and to rely increasingly on private health insurance will force a growing number of vulnerable groups, including older people (in particular women, single older persons etc.), to choose between purchasing food or healthcare.

AGE calls on Member States to guarantee and facilitate access to primary and preventive care to older people under social protection systems. Member States should intensify their investments to modernise and develop HLTC infrastructure, in particular at local level and in remote regions where access to services is most difficult. The provision of HLTC services should be based on individual needs rather than on their resources. Social services should be seen as an investment to maintain the population in good health and promote social cohesion, rather than as expenditures.

### **We need measures to support older workers and those who cannot work**

The deteriorating economic situation, together with demographic change, are set to radically impact on the organisation of employment and on the growth potential of the European labour markets and financial systems. An OECD study has indicated that older workers, in particular older women, will be among those most affected in the deepening economic crisis. The particular difficulties which these workers face in different work sectors and occupations must therefore be given due attention because the EU economies need their contribution. AGE considers that the EU must take active steps to address the fears and expectations of its older workers and their increasing sense of precarity and loss of confidence in the EU and in their Member State's employment, social security and financial systems.

## Conclusions

The current financial and economic crisis provides clear evidence of the need for EU Member States to develop common regulatory mechanisms to ensure adequate supervision of the financial markets and re-build trust among citizens and economic actors. They also need to ensure a fairer distribution of wealth between citizens, generations, and regions, and to protect everyone against the risk of poverty and social exclusion in a coordinated and mutually supportive way. The slower European governments are to react to this challenge, the harder it will become to find effective and sustainable solutions.

AGE believes that there is a need for a greater recognition and understanding of the impact of this economic recession on older age groups and of the repercussions on younger generations. Intergenerational solidarity and cooperation should be promoted as a way to mitigate the negative consequences of the present crisis. In particular, the roll-back effect of the crisis on older people who have to support, with their limited pensions, their younger family members who become unemployed or who face repossession of their mortgaged home, must be addressed.

The European Social Model must be retained as a safeguard against deeper recession. There is a need to return to core values, to maintain sound governance and to reassert the responsibility of the state to guarantee an adequate income to all, including older workers and pensioners.

AGE is well placed to contribute to these reflections and our members look forward to taking an active part in further discussions, in particular to providing input to the Employment and Social Affairs Summit in Prague in May.

Yours sincerely,



Anne-Sophie Parent  
Director

Cc:

- *Commissioner Špidla, Commissioner for Employment, Social Affairs and Equal Opportunities;*
- *Mr Jan Andersson, President of the Employment and Social Affairs Committee in the European Parliament;*
- *Mr Aurelio Fernandez Lopez, Chair of the Social Protection Committee*
- *Mr Emilio Gabaglio, Chair of the Employment Committee.*

AGE - the European Older People's Platform is a large network of organisations of a people aged 50+ which aims to promote the interests of the 150 million senior citizens European Union and to raise awareness of the issues that concern them most.
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