

PENSIONS AND POVERTY IN ESTONIA, THE EUROPEAN UNION AND THE REST OF THE WORLD

Introductory thoughts on the current situation¹

According to the information of Eurostat published on 07.02.2020, the proportion of retired persons at risk of poverty is the highest in Estonia compared to other EU Member States.²

While the average proportion of persons at the age of 65 or older who were at risk of poverty in the EU in 2018 was 15% of the population, in Estonia the indicator is more than three times (M.R.: 3.6 times) higher – there were 54% of such persons. Estonia is followed by Latvia with 50%, Lithuania with 41% and Bulgaria with 30%. The proportion of retired persons at risk of poverty was the lowest in Slovakia (6%), France (8%), Greece (9%), Denmark, Luxembourg and Hungary (10%), according to the overview prepared by the EU statistical office Eurostat.

The difference between the risk of poverty of Estonian retired women and men is among the highest in the EU. While the average proportion of retired women at poverty risk in the EU was 3–4 percentage points higher than among retired men, in Estonia this difference was 17 percentage points. It was higher only in Lithuania (18 percentage points) and a little less than in Estonia in Bulgaria (15 percentage points) and Czechia (13 percentage points). On the other hand, in Spain, Malta and Italy the risk of poverty of men was higher – in the two first countries 3 and in the latter country 1 percentage point, respectively.

Eurostat defines a person with an income of less than 60% of the national median salary as being at risk of poverty. According to the information of the Estonian Customs and Tax Board the median payout in Estonia in the fourth quarter of 2018 was 1,058 euros. 60% of it is 635 euros.

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Also according to the overview by the Organisation for Economic Co-operation and Development (OECD) which represents the wealthiest countries of the world, Estonian retired persons are among the relatively poorest compared to persons of the same age

¹ In the earlier years we wrote this introductory section „Introductory thoughts on the current situation“ with our good German friend and colleague, Prof. Dr. Emeritus Manfred O. E. Hennies of the Kiel University of Applied Sciences, who unfortunately left from our midst on 18 October 2019. It was Manfred’s idea and mainly proceeded from the current problems of the EU as a whole. I will now try to continue alone in this journal issue and pay more attention also to Estonian problems. True enough, texts in German and English (now summaries) have remained shorter than the Estonian article. On the other hand, I will be ready in the future to engage a co-author or have one or more authors write this section. Suggestions will be welcome!

² The proportion of retired persons at risk of poverty by countries. Author/source: Eurostat; ERR: 08.02.2020, at 09.36 (Vikerraadio). The figures presented in the following paragraphs are also from the same source.

group in developed countries, and they can be retired for a shorter part of their life than in many other countries.

In Estonia the proportion of retired persons living in relative poverty is the second highest after South Korea in OECD. According to the OECD Review of Pension Systems published, in South Korea approximately 44% of people older than 65 years of age live in relative poverty but in Estonia the proportion is 35%, the average level of OECD countries is 14%. On an average, 15.7% of people in Estonia live below the relative poverty line.³

Estonia has lagged behind the average level of OECD countries with its proportion of state pension expenses in government expenditure. While in 2000 the average level of pension expenditure in OECD was 16.3% and in Estonia 16.7% of total government expenditure, by 2015 the average level of OECD had increased to 18.4% and the average level of Estonia had increased to 17.4% of government expenditure.

OECD mentions, however, that Estonia together with Lithuania and Slovakia has increased the connection between salaries and the contributions of the population to their pensions on the one hand and the amount of the future pension on the other hand. The report also shows that the gap between the pension amounts of men and women is by far the lowest in Estonia – approximately 3% (1% according to Eurostat), while the average level of the OECD is 25% and in Germany even more than 40%.

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24.4% of the total population of Estonia lived at risk of poverty in 2018 which is more than a year earlier. Also the proportion of the population who is at the risk of poverty or social exclusion in Estonia was higher than the average level in the EU.⁴

21.7% of the total population of the EU, i.e. 109.2 million people, lived at risk of poverty or social exclusion in 2018. The proportion of the population who is at risk of poverty or social exclusion in 2018 was the highest in Bulgaria among EU Member States, being 32.8%. It was followed by Romania – 32.5%, Greece – 31.8%, Latvia – 28.4%, Lithuania – 28.3%, Italy – 27.3% and Spain – 26.1%. The proportion of the population who is at risk of poverty or social exclusion was the lowest in 2018 in Czechia where it was 12.2%. It was followed by Slovenia – 16.2%, Finland – 16.5%, the Netherlands – 16.7%, Denmark and France – 17.4% and Austria – 17.5%.

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According to Statistics Estonia, 17.5% of the Estonian population lived in relative poverty in 2010. The difference between the income of the richest and the poorest one-

³ Estonian pensions are lower than in Western countries. Author/source: Yui Mok, PA Wire/ PA Images / Scanpix. The figures presented in the following paragraphs are also from the same source.

⁴ Veerand Eesti inimestest elab vaesusriskis. Postimees, 16.10.2019. [<https://majandus24.postimees.ee/6803049/veerand-estii-inimestest-elab-vaesusriskis>]. The figures presented in the following paragraphs are also from the same source.

fifth of the population was more than five times (M.R. 5.3 times).⁵ Thus, when comparing the years 2010 and 2018 (see above), the welfare of the Estonian population had decreased and the proportion of the population living in poverty had increased.

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Proceeding from the above-mentioned facts, the brief article (in Estonian) based on statistics from three institutions – Eurostat, OECD and Statistics Estonia – and its summaries (in German and English) should give a lot of food for thought and the recognition that there is still very much room for development in Estonia and that it indeed makes sense only after that to compare ourselves in positive aspects also with many successful countries.

In February, 2020
at Pirita-Kose in Tallinn, Estonia

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⁵ Every sixth inhabitant of Estonia lived in relative poverty last year. Statistics Estonia. 16.12.2011 [https://blog.stat.ee/tag/vaesuse-piir/]