

Latvia: Life of Pension Recipients in the Point of View of Statisticians

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Nevertheless in 2007 in Latvia there was the highest number of births since 2000, continuously low birth rate, comparatively high mortality and negative net migration were not able to change the unfavorable trend of Latvia population ageing. At the beginning of 2008 slightly more than one fifth of the Latvia population was at retirement age.

At the end of the previous year 567.4 thousand persons received pension, according to the data of the State Social Insurance Agency. Compared to 2006, the number of pensioners has reduced by 8.7 thousand or by 1.5%. The majority (82.3 %) of the pension recipients were old-age pensioners. During 2007 16.0 thousand old-age pensions were newly granted, and the average size of the pension was LVL 138.03. Pensions newly granted to men were higher than the ones granted to women (LVL 151.30 and LVL 118.87, respectively).

Compared to 2006, the average size of the monthly pension in 2007 increased for pensioners of all groups and reached LVL 106.23 on average per year.

Average size of state pensions paid (average per month, in lats)

	2004	2005	2006	2007	Changes in state pension size paid in 2007 against 2006, in %
Monthly average size of pensions paid to pension recipients under the State Social Insurance ¹	68.83	77.95	92.21	106.23	+15.2
Old-age pensions	70.89	80.53	95.95	110.79	+15.5
Disability pensions	60.16	66.89	73.63	82.56	+12.1

Survivor's pensions ²	51.80	57.40	67.33	76.73	+14.0
Service pensions	78.11	86.95	95.79	111.53	+16.4
Pensions under special regulations	98.88	112.06	125.88	144.25	+14.6

The increase of the pension size still noticeably dropped behind the increase of the net wages and salaries in the national economy, which in 2007 comprised 32.0%, nevertheless they slightly exceeded the inflation rates, which in 2007 reached 10.1%.

The indexation of the pensions in 2007 was carried out two times: in April and in October. The positive trend observed in previous years – the number of pensioners receiving small pensions is decreasing – continued. Last year the share of those old-age pensions under LVL 100 has reduced noticeably and constituted 39.0% (in 2006 – 62.1%).

Old age pension recipients by average size of pension

	2006		2007	
	Number	%	Number	%
Total	472140	100.0	467165	100.0
Of which average size of granted monthly pension (in lats):				
Up to 60.00	8595	1.8	7773	1.7
60.01-70.00	17760	3.8	5012	1.1
70.01-80.00	22425	4.7	20726	4.4
80.01-90.00	84547	17.9	60265	12.9
90.01-100.00	160107	33.9	88456	18.9
100.01-110.00	73747	15.6	127309	27.3
110.01-120.00	36833	7.8	55570	11.9

120.01-130.00	25431	5.4	27266	5.8
130.01-140.00	10191	2.2	16796	3.6
140.01-150.00	7338	1.6	23305	5.0
150.01-200.00	15133	3.2	20386	4.4
200.01-400.00	8737	1.9	12505	2.7
400.01 and more	1296	0.3	1796	0.4

To compare the size of old-age pensions with their size in other Baltic States, it may be concluded that, in Latvia in the 4th quarter of 2007 they were the lowest (in Latvia EUR – 177, in Lithuania – EUR 182, in Estonia – EUR 240).

According to the data on social security compiled by the Eurostat (ESSPROS)³ the expenditure to support the old- age people⁴ in Latvia in 2005 constituted 5.5% of the gross domestic product (GDP), in Estonia – 5.3%, in Lithuania – 5.7%. In the European Union (EU) this indicator is noticeably higher than in the Baltic States – 10.9% of the GDP.

In current economic situation the size of pension often is not enough to meet the daily needs. Therefore, people take a chance to get some extra income also after the retirement age is reached. According to the Labour Force Survey data of the Central Statistical Bureau (CSB), in 2007 more than one fifth of the persons aged 62 – 74 were employed – most of them (almost four fifths) were salaried workers, approximately one seventh of the employed pensioners were self-employed, but every twentieth considered themselves as non-salaried worker who are helping family member in ones enterprise, private practice, personal farm plot or farm. In 2007 pensioners having salaried job on average per month received LVL 193 (after taxes).

According to the data of the survey on population income and living conditions (EU-SILC survey of 2006⁵) carried out by the CSB, in Latvia 23% of population are under the

risk of poverty⁶. The single pensioners (aged 65 and over) have the lowest income. Within this population group 69% of the total number was under the risk of poverty (in 2005 – 45%).

Pensioner households, in reply to the question – what in their opinion in 2006 was the lowest monthly net income necessary to make the ends meet – mentioned 147 LVL per one household member per month.

The pensioner expenditure considerably differs from the total expenditure of the state population. According to the CSB Household Budget Survey data, in 2006 almost a half (43 %) of the pensioner consumption expenditure was spent on food; to cover the expenses of household, water, electricity, gas and other fuel consumption – 19 % and on health – 9 %. To cover only these expenses pensioners had to spend more than 2/3 of their fairly modest budget (71%). It should be mentioned that, on average 28% of the total consumption expenditure of Latvia population was spent on food; to cover the expenses of household, water, electricity, gas and other fuel consumption – 12 %; and on health – 4 %.

According to the information of the Ministry of Welfare⁷, in April of this year in the result of the indexation all state pensions, size of which does not exceed LVL 150, on average were increased by LVL 10.3, of which old-age pensions – by LVL 11.95. But in October of this year it has been planned that, in the result of envisaged indexation the size of the state pension will increase by LVL 14.81, of which old-age pensions, size of which does not reach LVL 150, will grow by LVL 14.69. But old-age pensions, size of which varies between LVL 150 and LVL 225, on average will increase by LVL 23.98.

1 Excluding pension recipients registered with the Ministry of Interior Affairs and the Ministry of Defense.

2 The total number of family members who are not able to work and have lost their breadwinner.

3 European System of integrated Social Protection Statistics

4 Support with money or in kind (except payments related to the health care) because of the old-age. E.g., old-age pension, home care for the persons at retirement age, etc.

5 Community Statistics on Income and Living Conditions (EU-SILC), which in all countries of the European Union is carried out using united methodology and definitions. In EU-SILC 2006 totally 9.1 thousand respondents aged 16 and over were surveyed.

6 According to the methodology of Leaken indicators, the risk of poverty threshold in all Member States of the European Union is considered to be 60% of the median of equivalent disposable income (value in the middle). It is calculated dividing disposable income to the number of equivalent consumer in household. But listing all household income per equivalent user in ascending order from the lowest up to the highest, the median is set in the middle of this list, and 60% of it form poverty risk threshold. This threshold is calculated every year.

7 Informative report "On provision of financial resources for the indexation of pensions in 2008".