Social Protection and Financial Sustainability

**Sources:**

Individual RRs, RRs for diff. Earnings Level:
SPC 2004, NSR 2005;
Pension Wealth: OECD, 2005

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**Indicators**

- Demographic Indicators
- Income and Wealth
- Labour Market and Labour Market Participation
- Social Protection and Financial Sustainability

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**Median Pensions relative to Median Earnings, 1995 - 2004**

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross Median Pensions to Median Earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>n.a</td>
</tr>
<tr>
<td>2005</td>
<td>n.a</td>
</tr>
</tbody>
</table>

---

**Individual Replacement Rates at Median Income, 2004-2050**

<table>
<thead>
<tr>
<th>Year</th>
<th>1st Pillar gross</th>
<th>Total gross</th>
<th>Total net</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>32.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>41.1</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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**Replacement Rates at 2/3rd of Average Earnings Level, 2004-2050**

<table>
<thead>
<tr>
<th>Year</th>
<th>1st Pillar gross</th>
<th>Total gross</th>
<th>Total net</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>47.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>57.2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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**Pension Wealth at different Earning Level and by Gender*, 2040**

- Estonia: n.a

*Gross pension wealth by earnings level, mandatory pension programmes

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Estonia

**Implicit Contribution Rate, 2004-2050**

<table>
<thead>
<tr>
<th>Year</th>
<th>2004</th>
<th>2010</th>
<th>2020</th>
<th>2030</th>
<th>2050</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate</td>
<td>22.4</td>
<td>22.7</td>
<td>16.7</td>
<td>15.1</td>
<td></td>
</tr>
</tbody>
</table>

**Total Pension Spending in % of GDP and in % of Social Exp.**

- **2004**: Total pension spending in % of GDP: 4.2, in % of Social expenditure: 6.7

**Decomposition of Projected Public Pension Spending, 2004-2050**

- **Decomposition**
  - Demographic: -3.0
  - Employment: 3.1
  - Benefit level: -1.5
  - P.o. change total: -3.8

**System Accrual Rates**

- **Rearranged**: 4.6

**Lifetime Allocation**

- **Take-up Ratio**
  - 2004: 173
  - 2010: 130

**Old Age and System Dependency Ratios**

- **Projections**
  - SDR/OADR: 2.4
  - 2004: 63
  - 2015: 77

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**Sources:**
- Total Pension Spending: NSR; EPC 2003; Casey et al.
- Decomposition, Contributions: Eurostat; NSR 2005; EPC 2003; Casey et al. 2003
- Tax Gap Indicators: EPC 2003: Public Finances in EMU 2005
- System Accrual Rates: OECD, Pensions at a glance 2005; NSR 2005; MISSOC 2005
- System Dependency Ratios: The impact of ageing on public expenditure, EPC and EC

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**Notes:**
- *Pensions, health, long-term care, education, unemployment benefits
- *RPB = Required Primary Balance.
- See technical appendix
- *Based on average ages of entry and exit to/from the labour market calculated for 2000
Participation in Private Pension Schemes

Age Differential in Statutory Retirement Age, 2005
Retirement age for women increased to 63 till 2016 (for men: 63 since 2001).

Pension Credit for non-contributory Periods, 2005

Non-contributory periods credited or taken into consideration
Credited periods for time spent up to 31.12.1998:
• serving in the armed forces;
• full-time study;
• receiving unemployment benefit or participating in labour market training.
• working on a farm;
• raising a child for at least 8 years;
• temporarily incapacitated for work.
Until 1999 one of the parents was granted an additional 2 years of service per each child. These credited periods are mainly used by women as they still reach retirement age before men.
From 1999 on, pension rights are acquired only on the basis on social tax payments by the state, with which the state has wished to ensure pension rights to some economically non-active people, among them child-raising parents receiving parental benefit, child care allowance or benefit for the family with seven or more children. However, amount of social tax paid by the state is small (in 1999-2005, EER 700 per month), which in annual calculation ensures the pension insurance coefficient of only 10% compared to a person earning an average wage. Starting 2006, the government plans to increase the amount of social tax payable by the state on behalf of non-active persons in order to increase pension rights acquired for the periods of raising children, etc. and to decrease the negative impact of periods away from work due to raising a child to the size of future pension.
The holes in the accumulation period of the II pillar pension for women due to the raising of children are somewhat compensated by supplementary contributions by the state (launched from 2004) in the amount of 1% on the parental benefit. These supplementary contributions by the state are made during the period of receiving the parental benefit, which is up to 11 months. Such contributions still comprise only 1/6 of the former contributions of the parent on the former work income. Furthermore, additional contributions are not made in the period of maternity benefit paid on the basis of the Health Insurance Act (for about 4,5 months).