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Assessment of pension adequacy

Montenegro

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European Social Policy Network (ESPN)

ESPN Thematic Report: Assessment of Pension Adequacy

Montenegro

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Highlights

- Montenegro's current pension system is based on a statutory pension scheme (pay as you go), while personal pension schemes have not achieved their full potential.
- Negative demographic trends, as well as a growing deficit of the pension fund, represent a threat to the adequacy of the pension system.
- The draft law amending the 2003 Law on Pension and Disability Insurance was adopted by the Parliament on 30 July 2020, after two years of negotiations between Government and social partners. The main changes introduced by the new law are related to the pensionable age, the basis for pension calculation and the pension formula.

1 General description of the national pension system

The current pension system in Montenegro is based on a statutory pension scheme. It functions on the basis of the pay-as-you-go (PAYG) principle, which implies that current workers' contributions are used to pay for current pensions. The Pension and Disability Insurance Fund (PIO Fund) is one of the main institutions within Montenegro's pension system, and it acts in accordance with the 2003 Law on Pension and Disability Insurance. Its main duties are to ensure the efficient, rational and lawful realisation of contributors' rights arising from pension and disability insurance, and to provide expert assistance in exercising those rights. The main funding sources of pension insurance in Montenegro are workers' contributions, employers' contributions and revenue from invested contribution funds. The PIO Fund collects and manages funds from the sources mentioned, and pays monthly pensions to the retired population. If the funds from contributions are not adequate to cover all pension payments, the financial gap is covered by the government budget. The gap between revenue and expenditure has become a huge burden on public finances, and is a problem that needs to be addressed through further reforms. Also, the issue of pension adequacy remains a burning issue, bearing in mind that a large number of older people receive a minimum pension, which does not provide retirees with an income that is above the risk of poverty threshold. Also, a large number of pensioners receive a pension lower than the minimum wage in the country, which places them at risk of poverty and social exclusion.

Montenegro's pension system was initially designed to be based on three different pension schemes: a statutory pension scheme (PAYG), occupational pension schemes and personal pension schemes.

The transition to this system, envisaged under reforms initiated in 2003, has not been fully implemented. As a result, unlike many other countries where pension systems are based on several pillars, the pension system in Montenegro currently relies primarily on the statutory (PAYG) pension scheme, and also – though to a lesser extent, as they have not reached their full potential – on personal pension schemes (which are backed by the Law on Voluntary Pension Funds).

According to the latest changes (July 2020) of the 2003 Law on Pension and Disability Insurance, the pensionable age will now be capped at 66 for men, and 64 for women (which will be reached in 2028), instead of 67 years for both man and women under the previous law. An insured person will be entitled to an old-age pension when he/she reaches the pensionable age and has a contributory period of at least 15 years, or when he/she reaches the age of 61 and a contributory period of 40 years.

When it comes to people in non-standard or self-employment, it could be said that they face greater difficulties in accessing and accruing pension rights than do people working for an employer. Although there are no data on the average wage of the self-employed, the Survey on Income and Living Conditions (SILC) shows that the self-employed have a higher at-risk-of-poverty (AROP) rate than do those who work for an employer and have a full-time job contract: the AROP rate among the self-employed increased from 10.9% in 2013 to 19.8% in 2017; meanwhile, the figure for those working for an employer did not change significantly over that period and stood at 5.9% in 2017. The difference in exposure to poverty risk is a consequence of the fact that the self-employed in Montenegro form a diverse group: the category includes farmers (whose income in kind is not included in income), as well as family workers in the household (who assist family members in the operation or running of a family business or an individual farm but are not paid). Hence, this may suggest that retired self-employed people have lower pensions on average, and it is more difficult for them to have personal pension plans.

The Law on Pension and Disability Insurance has been amended several times since reform of the pension system started in 2003. The main reforms have focused on securing long-term sustainability of the pension system, but that goal has not yet been achieved. Expenditure on pensions in absolute terms doubled between 2005 and 2017 and accounts for most of the social protection spending (57% in 2017). During that period, pension spending was mainly financed from social contributions (66% on average). The smallest share of receipts from social contributions was recorded in 2009 (54%), while the largest was in 2008 and again in 2017 (74%). During the same period (2005-2017), general government contributions represented on average 30% of total receipts for pensions (Kaluđerović and Golubović, 2018).

The statutory (PAYG) pension scheme in Montenegro is continually faced with the problem of financing, as a result of poor labour market conditions: high unemployment rates and a sizeable proportion of unregistered work, as well as negative demographic trends, such as declining fertility rates and population ageing. The ratio of the number of employees who pay contributions to the number of pensioners whose income is financed from these contributions is becoming more unfavourable.

2 Reform trends

A low activity rate, a high rate of unemployment, unregistered work and slow overall growth of the economy are just some of the challenges that confront reform of the pension system in Montenegro. Reforms were initiated in 2001 in order to improve the financial sustainability of the system and to reduce the burden on public finances, with the main focus on reform of the PAYG system and on the introduction of a personal pension scheme (a system of capitalised savings). More comprehensive reforms were implemented in 2003, with the Law on Pension and Disability Insurance, which came fully into effect in 2004. Soon thereafter, the Law on Voluntary Pension Funds was passed, which paved the way for further reforms. The International Monetary Fund (IMF) and the World Bank recommended a set of measures to reduce pension spending (increased conditionality for retirement, new pensionable age, etc.); these were proposed by the government of Montenegro in 2018.

Thus, in June 2018, the Montenegrin government initiated amendments to the 2003 Law on Pension and Disability Insurance, with the intention of introducing a new pensionable age, increased conditionality for retirement (a "double" condition for the old-age pension: pensionable age at 65 years and 40 years of contributions), and a new pension calculation formula. These changes sought to resolve the issues of early retirement and early labour market exit, and to support the financial sustainability of the pension system. Additionally, the proposal aimed to improve the adequacy of pensions, by introducing a new indexation of pensions based on a 'rotating formula', as well as a new pension calculation formula that would exclude from the calculations the 25% lowest-earning years (rather than taking into account the entire contribution period). The negotiations with social partners lasted for two yeas, and the Montenegrin Government adopted a draft law amending the 2003 Law on Pension and Disability Insurance in July 2020.

The main changes introduced in July 2020 are more in line with the requests of the Unions than with the Government initiatives from 2018. Besides the already mentioned changes regarding the pensionable age, changes refer to "early retirement", the base for pension calculation and pension formula. According to the changes, it will be possible to receive an "early retirement" pension, which is lower than the old-age pension, at the age of 62 instead of 63 previously, with 15 years of contributions. The new law also foresees a gradual phasing out of the "special case" pensions (mainly pensions related to hazardous and arduous jobs) until the end of 2021.

The pension will no longer be calculated on the basis of the entire contribution period (as was previously the case), and one quarter of the years with the lowest wage will be excluded from the calculation. Instead of the previous indexation formula, according to which pensions were indexed to 75% of the consumer price change and 25% of the wage change, a "rotating formula" will be introduced: pensions will be indexed to 75% of the parameter with the highest rate of change and 25% of the parameter with the lowest rate of change. However, if this results in a reduction of the pension, the formula will not be applied. The new law also foresees a 13% increase in the minimum pension (from €128.82 to €145.77), retroactively as of 1 January 2020.

The expectation is that lowering the pensionable age will not contribute to financial stability, while abolishing the special early retirement conditions will. In addition, retroactive application of the law may enable possible lawsuits to be brought by current pensioners so that they too can benefit from more favourable retirement conditions. (Kaludjerović, 2020)

Regarding the interaction of pension reforms with other policy areas, there have been some improvements in housing policy. The Social Housing Programme (2017-2020) established the concept of social housing as a specific standard offered to individuals or households that are not able to provide for their own accommodation for social, economic or other reasons. Priority in exercising the right to social housing is granted to persons aged 67 or over (pensioners), among others. In addition, the accommodation of pensioners who pay rent for their apartments is addressed through projects that have been initiated by pensioners' associations in each municipality; these are implemented in cooperation with local authorities and the national government. Through such initiatives, apartments have been built and then sold to pensioners at prices that are far lower than the market price.

3 Assessment of adequacy

3.1 Current adequacy

According to the Statistical Office of Montenegro (MONSTAT), the AROP rate for the population aged 65 and over was 15.3% in 2018 (15.1% for men and 15.5% for women). There were no significant changes over the previous five years: the rate has remained at the same level (about 15%) since 2013 – except for in 2014, when it was 13.1%, and 2016, when it was 16.1%. As age increases, so the AROP rate decreases: thus, in 2018, 32.4% of children aged 0-17 years were at risk of poverty, as were 25% of persons aged 18-24. The middle-aged generations (25-64) are below average in terms of risk (22.4% of persons aged 25-54 and 18.6% of persons aged 55-64), while the lowest AROP rate is recorded among citizens aged 65 and over. The AROP rate among the population aged 75 and over was 16.7% in 2018 (17.2% for men and 16.5% for women), an increase of 2.3 percentage points (p.p.) since 2013 (5.2 p.p. for men and 0.5 p.p. for women). The SILC survey shows that, among single-member households with members aged 65 or over, the risk-of-poverty rate was 16.4% in 2018 (3.2 p.p. higher than in 2013). Among two-member households where at least one member is aged 65 or over, the AROP rate in 2018 was 14.8% – 7 p.p. up on 2013. The rate of those at risk of poverty or social exclusion (AROPE) within the population aged 65 and over was 17% in 2018 (16.6% for men and 17.3% for women), which was 11.3 p.p. lower than in 2013. In the same period, the AROPE rate for the population aged 65+ decreased by 8.7 p.p. among men and 13.2 p.p. among women. The severe material deprivation (SMD) rate for the population aged 65 and over was 10.4% in 2018 (10.4% for men and 10.3% for women). This was 8.8 p.p. lower than in 2013 (SMD decreased by 6.5 p.p. among men and 10.6 p.p. among women) (MONSTAT, 2018b). Material and social deprivation within the population aged 65+ was 31.8% in 2018 (26.7% for men and 35.5% for women) – a fall of 23.2 p.p. since 2014. The relative poverty gap for the population aged 65 and over amounted to 23.1% in 2018 (22.4% for men and 23.1% for women), which is 6.3 p.p. lower than in 2013.

The relative median income ratio for the population aged 65 and over was 1.13 in 2018 (1.25 for men and 1.04 for women). Compared to 2013, this ratio had fallen by 0.04 p.p. overall (it increased by 0.02 p.p. for men and decreased by 0.1 p.p. for women). When it comes to the gender gap in pension income (65-79), the average pension of women was 12.7% lower than that of men in March 2020, according to the PIO Fund.

In 2018, 38.6% of the population aged 65 and over were living in overcrowded households (35.8% men and 40.6% women). This figure had increased by 11 p.p. overall since 2013 (12.5 p.p. for men and 9.9 p.p. for women). Housing cost overburden for the population aged 65 and over amounted to 11.9% in 2018 (9.6% for men and 13.6% for women), which was 3.1 p.p. lower than in 2013 (for both men and women).

Life expectancy at age 65 was 14.2 years overall in 2018 (13.7 years for men and 14.7 years for women).

The aggregate replacement ratio (ARR), as a ratio between the median pension and the median wage, is an indicator that reflects pensioners' standard of living in Montenegro. In 2019, the ARR was 56%. The ratio is expected to decrease to 53.1% by 2030, with a further fall to 47% in 2060. (MONSTAT; 2018a) Such a declining trend indicates that pensions are falling relative to pre-retirement salaries. It also indicates that public finances are not able to secure an adequate level of revenue for the old-age population. That means that a potential increase in salaries will not be followed by an increase in pensions. According to the EU's 2018 Ageing Report, a similar declining trend will be in evidence in the EU, where the replacement ratio is expected to fall by 8.3 p.p. – from 46.3% in 2016 to 38.1% in 2070 (European Commission, 2018).

According to the SILC survey, the annual at-risk-of-poverty threshold was EUR 2,270 for a one-person household in 2018 and EUR 4,766 for a four-member household. Compared to 2017, this figure had increased by EUR 173 (8.2%) for a one-person household, and by EUR 361 (8.2%) for a four-member household. When it comes to the share of equivalised income by quintiles, in 2018 the 20% of citizens on the lowest incomes have 5.4% of total income, while the 20% of citizens on the highest incomes had 40.3% of total income. Income distribution inequality in 2018 was 7.4 – i.e. the 20% of citizens who, according to income, belonged to the fifth quintile had 7.4 times more income than the 20% of citizens in the first quintile. The income quintile share ratio (S80/S20) for the population aged 65 and over was 5.3 in 2018 (5.6 for men and 5.1 for women), which was 0.2 p.p. lower than in 2013 (MONSTAT, 2018b).

According to MONSTAT, the employment rate of the population aged 65 and over was 8.6% in 2019 (12.6% for men and 5.5% for women), which was 5.8 p.p. higher than in 2013, when the employment rate was 2.8% (5% for men and 1.2% for women).

As previously stated, the statutory (PAYG) pension scheme in Montenegro is continually faced with the problem of funding, due to poor labour market conditions (e.g. high unemployment rates and the existence of unregistered work) and negative demographic trends (such as declining rates of fertility and population ageing). The ratio of the number of pensioners to the number of employees is also unfavourable: this potentially creates new difficulties for Montenegro's pension system, and ultimately for the standard of living of pensioners, as well as of the working-age population. The minimum pension in Montenegro from January 2020 is EUR 128.10 (44.4% of the average pension and only

24.5% of the average salary). The lowest pension provides an annual income of EUR 1,537.70, which in 2018 was only 67.7% of the at-risk-of-poverty threshold for a one-person household. These data indicate a high exposure to the risk of poverty and social exclusion among those older people who receive the smallest pensions. Some 12,000 elderly persons draw the minimum pension, while 44,000 receive a pension of less than the minimum wage. Around 65,000 pensioners receive a pension lower than the average pension in the country.

According to the PIO Fund, there were 114,676 pensioners in 2018 in Montenegro. By the year 2030, it is forecast that the number of pensioners (in absolute terms) will increase by a further 24,296, and by a further 62,984 by 2060. In the same period, by the year 2060 the number of pensioners aged 65-69 will increase by 4,707, while the number aged 70 and over will double by 2060. The number of pensioners aged 80 and over will increase by 314.21% by 2060 compared to 2018 (ISSP, 2019).

At the same time, the number of employees will grow, but at a much slower rate. In 2018, there were 190,132 employees. That number is expected to increase by 7.89% (or, in absolute numbers, by 2,959) by 2030. Compared to the number of pensioners, the number of employees will increase by 15,004 by 2060. That ratio implies that the burden borne by each and every employee (which is already great) will become even greater in coming years.

The ratio between the number of employees and the number of pensioners – 1:1.69 in 2020 – demonstrates this. The optimal ratio would be 3:1. This is a strong indicator that the existing pension system is not sustainable and that further reforms are needed. The increase in the number of pensioners has led to a fall in the average pension relative to the average wage: in 2019, the average pension was EUR 288, while the average wage was EUR 514, meaning that the average pension had fallen to about 55% of the average wage. The situation was similar in January 2020 (the last available data): the average pension was EUR 288, while the average wage was EUR 524. The minimum pension in Montenegro amounts to EUR 125, which is nearly 44% of the average pension and 24% of the average wage. In 2019, according to the PIO Fund, some 11,100 pensioners were receiving the minimum pension.

The ratio between the number of employees and the number of pensioners implies that there is a huge financial gap between the expenditure and the revenue of the PIO Fund, and this has to be covered out of the government budget. In 2018, the pension expenditure of the PIO Fund was EUR 411,657,024, or 9.9% of GDP. The expenditure of the PIO Fund is expected to grow more rapidly than its revenue in coming years, which will lead to an even higher deficit (already EUR 60.4 million in 2018), and which will accordingly place greater pressure on the public finances of Montenegro.

The old-age dependency ratio (20-64) was 21.1% in 2018 (18% for men and 24.3% for women). The economic old-age dependency ratio (which represents the number of individuals aged 65 and over divided by the number of individuals aged 15-64) was 22% in 2018. It is expected to increase even further in coming years, with a forecast increase of an additional 9 p.p. in the next decade, to reach 31.2% in 2030. A greater ratio implies a greater burden on the working-age population (aged 15-64), which means that they will possibly be exposed to higher taxes in order to secure funds for pensions.

The coverage ratio (i.e. the ratio between the number of pensioners and the number of people aged 65 and over) was 1.24 in 2018. This implies that a large number of pensioners under 65 are receiving a pension, which is a direct consequence of the previously less strict conditions for early retirement. In the next decade, the coverage ratio is expected to decrease to 1.11 by 2030, as a result of both reforms aimed at raising the pensionable age and demographic trends, whereby a greater participation by individuals aged over 65 is foreseen.

The only type of long-term assistance for those people aged 65 or over in Montenegro who have not fulfilled the conditions for a pension is old-age allowance. According to the Law on Agriculture and Rural Development, old-age allowance can be made available to the holder of a family agricultural plot – to men aged 65 and over and to women aged 60 and over. This amounts to 50% of the lowest pension in Montenegro (EUR 50.20 a month). Apart from old-age allowance, care and support allowance is available to persons who – due to physical, mental, intellectual or sensory disorders or to some change in health conditions – require care and support to have their needs met.

3.2 Future adequacy

Data regarding the future adequacy of pensions in Montenegro are limited. Therefore, this section is based on data available from MONSTAT and the PIO Fund, which are used for projections regarding future pension adequacy. The aggregate replacement ratio, as one of the indicators that explains adequacy in the most efficient manner, is expected to decline in coming years in Montenegro. As the current replacement ratio (56% in 2019) is forecast to decrease to 53.1% by the end of the next decade (followed by a further decrease to 47% by 2060), pensions will fall, relative to wages before retirement. International Social Survey Programme (ISSP) forecasts are based on official population projections up to 2060 (MONSTAT, 2014).

According to European Commission (2018), a similar declining trend will also be present in the EU, where the replacement ratio is expected to fall by 8.3 p.p. – from 46.3% in 2016 to 38.1% in 2070.

Unfavourable demographic trends, a growing deficit in the PIO Fund, as well as the unfavourable ratio between the number of employees and the number of pensioners will all place an additional burden on public finances, and will therefore have a negative impact on the standard of living of pensioners.

3.3 Challenges for future adequacy

There are several challenges that could significantly influence future pension adequacy: these include an unsatisfactory employment rate, high levels of unregistered work, the slow overall growth of the economy, and negative demographic trends that will overburden the public budget. The main concern is that the current pension system is not prepared for such challenges, and thus requires urgent reform. Within the pension system, expenditure is growing more rapidly than revenue, which will only increase the deficit. The pension system deficit requires intervention by the government, and has to be covered from the public budget, which could lead to new or increased taxes. Unreported work – a chronic problem of the Montenegrin economy (the share of informal employment in 2019 was 33%) – is a further threat to the revenue of the PIO Fund – and possibly to future pensions, as workers in the grey economy do not contribute to the current pension system. As previously stated, pensions are falling relative to wages, which signals new difficulties and risks for the older population and jeopardises their standards of living. A slower growth in the number of employees relative to the number of pensioners is also unfavourable for the current statutory pension scheme (PAYG), as its sustainability is dependent on a larger share of the working-age population in the total population, relative to the share of pensioners.

3.4 Solidarity mechanisms

The current minimum benefit in Montenegro is EUR 125, which is nearly 44% of the average pension and 24% of the average wage. In 2019, according to the PIO Fund, some 11,100 pensioners were receiving the minimum pension. According to the amendments to the Law on Pension and Disability Insurance (2018), the new minimum benefit proposed will amount to EUR 145.

According to the Law on Contributions for Compulsory Social Insurance, if an insured person generates revenues from several different sources (for example employees with several temporary service contracts), contributions for compulsory pension and disability insurance are calculated and paid for each source up to the maximum annual contribution base (EUR 53,371 in 2019).

A survivor pension may be claimed by the family members of a deceased employee who had at least five years of accrued insurance service or at least 10 years of pension service, or who was eligible for old-age or disability pension. A survivor pension is determined on the basis of the old-age or disability pension that the employee would have been entitled to at the time of death, and depends on the number of family members who are entitled to the pension, as follows: for one member – 70%; for two members – 80%; for three members – 90%; and for four or more members – 100%.

For an employee working in a very difficult, dangerous or unhealthy occupation, which he/she cannot successfully perform after a certain age, the insurance contributions record for the actual duration of the occupation receives an uplift; this depends on the difficulty, danger and damaging effects of the work, but it can amount to 50%.

Regarding the gender disparities and inequalities in labour market opportunities, according to MONSTAT, the employment rate of men aged 65 and over was 12.6% in 2019, while the employment rate of women aged 65 and over was 5.5%, with the total employment rate being 8.6% for this age group in Montenegro. (MONSTAT, 2018c) The unemployment rate was 3.9% for citizens aged 65 and over (4.8% for men and 2.8% for women). The employment rate among men remained at the same level as in 2018 (12.7% in 2018), while the unemployment rate increased by 3.4 p.p. (from 1.4% in 2018 to 4.8% in 2019). On the other hand, women recorded slightly better results – their employment rate increased by 0.8 p.p. (from 4.7% in 2018 to 5.5% in 2019), while their unemployment rate fell by 0.9 p.p. (from 3.7% in 2018 to 2.8% in 2019) (MONSTAT, 2019).

The gender disparities are reflected in the number of men and women who receive a pension. According to the PIO Fund, far more men (51,893) than women (28,389) received a pension in 2016. The possible cause of such a gap could be the lower activity rate among women (47.6%) than among men (61.8%). In 2019, the gender gap was still present – the average activity rate among men was 65.2% (13.3% for the population aged 65 and over) and 49.9% for women (5.7% for the population aged 65 and over). In addition, the fact that women retire earlier than men results in their pensions being lower relative to those of men, which exposes them to a greater risk of poverty. According to the PIO Fund, in 2016 women claimed a pension for longer on average than men (11 years for women and 10 years for men).

The total number of beneficiaries of old-age and disability pensions in 2017 was 85,204 (excluding family pensions), 61.1% of whom were men and 38.9% women; this demonstrates a significant difference between the genders. The number of pensioners had changed slightly by 2019, increasing to 85,953 (excluding family pensions), but data regarding gender differences are currently not available.

According to the SILC data for 2018, of all the generations, the lowest at-risk-of-poverty rate was recorded among citizens aged 65 and over (15.3%). The AROP rate among citizens aged 65 and over had remained much the same as in the previous five years, with two notable deviations: in 2014, when it decreased to 13.1%, and in 2016, when it increased to 16.1% (MONSTAT, 2018b).

In 2018, the at-risk-of-poverty rate among men was 24.1% and among women it was 23.5%. The AROP rate falls significantly as the level of education rises: from 41.6% for persons with no or only primary school education, to 19.2% for those who have attained a secondary level of education and 7.3% for people who have completed higher education.

When it comes to activity status, the AROP rate shows that 47.5% of unemployed persons were exposed to a risk of poverty in 2018. Self-employed persons have a higher AROP rate than persons who work for an employer (16.4% and 6.1%, respectively), since this category covers farmers whose in-kind incomes are not included in the recorded income, as well as family workers in households who, by definition, have no income. Among pensioners, the AROP rate was 11.7% in 2018. Those people who worked for an employer faced the lowest risk of poverty (6.1%).

4 Recommendations

The reasons for reforming the statutory (PAYG) pension scheme in Montenegro are obvious. The funds collected from contributions are used to support the current generation of pensioners. But there are no guarantees that in future there will be sufficient funds to sustain the pension system, or even to raise the standard of living of pensioners.

While it is certainly easier to manage risks and secure protection for more people within a system that is based on several pension schemes – rather than one or two, as is the current case in Montenegro – the overall economic situation in Montenegro could not support that kind of transition.

Currently, it would be almost impossible to introduce an occupational pension scheme, primarily due to the high levels of public debt. An occupational pension scheme, which would coexist with the current statutory (PAYG) pension scheme, would require double financing of both systems. That would produce additional costs and create a financial gap that the current Montenegrin public finances could not cover. Instead, Montenegro should focus on both qualitative and quantitative solutions and measures as part of the reform of the current pension system. Such reform should also tackle gender issues, provide new opportunities for greater adequacy of pensions for different groups, prepare for the challenges of future pension adequacy and improve the long-term stability of the system. More specifically, the government should address the problems of undeclared work and contribution evasion, in order to increase revenue and secure the financial resources needed to support the cost of the new measures, i.e. new indexation and pension calculation formulas, higher minimum pension, etc. In order to improve the adequacy of future pensions, the government should promote longer working hours and continued work beyond the pensionable age, and should increase the coverage and participation levels. Future reforms should also improve the adequacy of pensions, particularly for women and the self-employed.

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Statistical Annex

Table A.1 Relative incomes of older people

Indicator	2018			Change 2013-2018		
	Total	Men	Women	Total	Men	Women
Relative median income ratio, 65+	1.13	1.25	1.04	-0.04	0.02	-0.1
Income quintile share ratio (S80/S20), 65+	5.3	5.6	5.1	-0.2	-0.05	-0.36
Aggregate replacement ratio (ARR) (%)	56 (2019)					

Table A.2 Poverty and material deprivation

Indicator	2018			Change 2013-2018		
	Total	Men	Women	Total	Men	Women
At risk of poverty or social exclusion (AROPE), 65+ (%)	17	16.6	17.3	-11.3	-8.7	-13.2
At-risk-of-poverty (AROP), 65+ (%)	15.3	15.1	15.5	-0.3	0.9	-1.2
Severe material deprivation (SMD), 65+ (%)	10.4	10.4	10.3	-8.8	-6.5	-10.6
At-risk-of-poverty or social exclusion (AROPE), 75+ (%)	18.7	18.8	18.6	-11.0	-6.5	-14.1
At-risk-of-poverty (AROP), 75+ (%)	16.7	17.2	16.5	2.3	5.2	0.5
Severe material deprivation (SMD), 75+ (%)	11.6	11.8	11.6	-9.5	-5.9	-11.7
Relative poverty gap, 65+ (%)	23.1	22.4	23.1	-6.3	-7.8	-4.7
At-risk-of-poverty (AROP), 65+: 50% threshold (%)	10.9	10.0	11.7	-1.6	-1.3	-1.6
At-risk-of-poverty (AROP), 65+: 70% threshold (%)	22.1	20.8	23.0	-3.0	-4.3	-4.2
Change 2014-2018						
Material and social deprivation, age 65+ (%)	31.8	26.7	35.5	-23.2	-23.8	-22.6

Table A.3 Gender differences

Indicator	2020			Change		
		Total			Total	
Gender gap in pension income (65-79) (%)		12.7				

Table A.4 Housing and health situation of older people

Indicator	2018			Change 2013-2018		
	Total	Men	Women	Total	Men	Women
Population 65+ living in overcrowded households (%)	38.6	35.8	40.6	11	12.5	9.9
Tenure status among people 65+: share of owners (%)	15.1	14.9	15.2	-0.5	0.7	-1.4
Housing cost overburden, 65+ (%)	11.9	9.6	13.6	-3.1	-3.1	-3.1
Self-reported unmet need for medical care 65+ (%)	6.9	4.7	8.5	-20.4	-20.3	-20.6

Table A.5 Sustainability and context

Indicator	2018			Projections for		
	Total	Men	Women	Total	Men	Women
Life expectancy at 65 (years)	14.2	13.7	14.7			
Old-age dependency ratio (20-64) (%)	21.1	18.0	24.3			
Economic old-age dependency ratio (15-64) (%)	22					
Employment rate, age group 55-64 (%)	41.2	49.6	33.2			
Pension expenditure as % of GDP (ESSPROS)						
AWG projections						
Coverage ratio (% of pop aged 65+)	1.24					

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