

**ECONOMIC WELL-BEING OF THE ELDERLY
AND PENSION REFORM IN SLOVENIA**

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1. INTRODUCTION¹

All Central and East European countries have experienced major political, economic and social changes in the recent past, though the extent and depth of these changes varies considerably among them. Due to the fact that Slovenia had a fairly well developed market economy even prior to the transition, the initial transition phase was perhaps less traumatic than for some other countries, which abruptly changed their political and economic system. Though it did experience a transformation depression (to borrow an expression from Kornai), this was caused more by the independence of Slovenia (proclaimed in 1991) and dramatic changes in trade patterns than by fundamental changes in the economic system. After the initial slump in 1990-1992, output has been steadily increasing (albeit at a modest rate). Slovenia now has a relatively high GDP per capita (actually the highest among all countries in transition), a low inflation rate, low level of public debt and almost balanced public finances (general government budget). On the less bright side, Slovenia experienced a sharp drop in employment and almost as a corollary, a large increase in unemployed persons and pensioners. These developments can actually be traced to the pre-transition period, since output and employment started decreasing already in 1989.

The initial drop in output and more resilient decrease in employment are the two elements that form part of the underlying transition "scenario" for almost all Central and East European countries. The concurrent decrease in output and rising social needs, caused by the large increase in the potentially vulnerable population (unemployed, pensioners, etc.) provoked very serious challenges to the public authorities in these countries. The initial response was – in quite a number of cases, but by no means all – to retain existing social rights. The consequence was predictable: a large increase in the overall costs of social protection. Taking a long-term view, it seems obvious that this continuous rise (measured say as percentage of GDP) is untenable and unsustainable. It is thus not surprising that the reform of social protection systems, and pension reform in particular, are high on the agenda in all countries in transition. These reforms “entail” a sense of urgency. True, the need for pension reform is also evident in the member states of the European Union, but this reform is driven more by unfavourable long-term demographic trends. It is not the result of a sudden and rapid increase in the cost of social protection systems, caused mostly by structural shifts and large increase in the potentially vulnerable segments of the population.

The research undertaken within the ACE project does not concentrate on pension reform as such. Rather, the aim of the project is to provide - through country analyses – a detailed assessment of the socio-economic position of pensioners. It is hoped that these analyses,

¹ The authors would like to thank Valentina Prevolnik for her assistance in preparing this paper.

performed by country experts and within a unified methodological framework, will be an important addition to the burgeoning research in this field, and will also provide a “ground base” for the evaluation and monitoring of pension reforms, when these will be enacted. As far as Slovenia is concerned, there has been research on the socio-economic position of pensioners (see Stanovnik, 1997); this ACE sponsored project differs from previous research in that it is conducted under a unified framework and methodology, and this enables cross-country comparisons.

The structure of our paper is as follows. Section 2 briefly describes the basic elements and features of the Slovenian pension system, as well as developments, which have occurred in the recent past. Section 3 provides information on data sources and methodological issues, whereas section 4 presents some general information on the socio-economic characteristics of pensioners and pensioner households in Slovenia. Section 5 provides a detailed assessment of the income dynamics and income sources of pensioner households. Section 6, by means of a decile analysis, probes into the income distribution of various types of pensioner households. This section also provides results on poverty incidence and income inequality. In section 7 we analyse home ownership, quality of housing and ownership of consumer durables, whereas section 8 offers some concluding remarks.

2. INSTITUTIONAL SET-UP AND RECENT DEVELOPMENTS

The Slovenian social security system is a social insurance system and is organised as follows: mandatory health insurance is under the responsibility of the National Health Administration (NHA), while mandatory pension and invalidity insurance is under the responsibility of the National Pension Administration (NPA). These two institutions are semi-autonomous and separate entities of public finances. They are financed mostly through contributions, though transfers from the central government budget are becoming an increasingly important revenue element of the NPA, as can be seen from Table 2.7. Other forms of coverage of social risks (unemployment benefits, maternity leave) are also partly financed by means of contributions, though these social benefits are financed through institutions of the central government: for example, unemployment benefits are financed through the National Employment Office. Of the total consolidated public finance expenditures, the share of central government is some 45%, of the NPA 30%, of the NHA some 15%, and of local public finances some 10%.

Like most public pension systems in Europe, the Slovene system is facing a looming crisis, which can be resolved only through suitable and timely adaptation and reform.² The system has not undergone any noteworthy change since 1992, when the present Pension Act was passed through Parliament. This means that there were no major changes in the basic elements that determine the level of pension benefits (eligibility, calculation of pensions, uprating). The “tranquillity” is surprising, in view of the large changes in labour force participation and large restructuring of the Slovenian economy.

We now turn to a brief description of some of the salient features of the pension system and relevant developments.

2.1. Retirement age

Eligibility conditions for retirement depend not only on age, but also on the contribution period of the insured. As a rule, the longer the contribution period, the earlier one can enter the pension system, i.e. fulfill eligibility conditions. Thus, for an insured person having a full contribution period, which is 40 years for men and 35 for women, the retirement age in Slovenia is currently 58 years for men and 53 for women. Before the Pension Act of 1992, it was 55 years for men and 50 for women, and since then it was increased by 6 month each year. Both criteria (age and contribution period) must be fulfilled in order to qualify for a full old-age pension.

A partial old-age pension is granted to persons aged 63 (men) and 58 (women) who have been contributing for at least 20 years. Alternatively, the partial old-age pension is granted to persons aged 65 (men) and 60 (women), who have a contribution period of at least 15 years. In this case, men’s pensions amount to 35 percent, and women’s pensions amount to 40 percent of the calculation base³. The present accrual rate, that is the increase in pension for each additional year of contribution, is 2 percentage points for men and 2.25 percentage points for women, up to a maximum of 85% of the calculation base.

2.2. Average retirement age

The average retirement age is shown in Table 2.1. Severe macroeconomic conditions and profligate early retirement schemes caused the decrease in the average retirement age in 1990, bottoming out in 1991. Since then, the average retirement age has somewhat increased: in 1997, it was 57.5 for men and 54.0 for women.

² A broad overview of the pension system in Slovenia and some necessary reform measures has been presented in Stanovnik and Kukar (1995).

³ The term “calculation base” is explained in para 2.5.

Table 2.1: Average retirement age (old-age retirement), Slovenia

Year	Men	Women
1989	58.3	55.2
1990	57.7	53.6
1991	56.1	52.3
1992	56.2	52.5
1993	56.2	53.3
1994	57.6	53.2
1995	57.5	53.1
1996	57.5	54.0
1997	57.5	54.0

Sources: National Pension Administration, statistical reports.

Assuming present average retirement age as well as present life expectancy, as shown in Tables 2.1 and 2.2, a male pensioner in Slovenia will be receiving pensions - on average - for about 18 years, and a female pensioner for about 26 years. Of course, the actual figures are lower. Thus, in 1997, a male old-age pensioner was receiving pensions for – on average – 12.3 years, and the comparable figure for female old-age pensioner was 15.4 years.⁴

Table 2.2: Life expectancy, Slovenia, 1970-1972, 1980-1982 and 1995-1996

Life expectancy	Men			Women		
	1970-1972	1980-1982	1995-1996	1970-1972	1980-1982	1995-1996
At birth	65.4	67.5	70.8	72.9	75.1	78.3
At 60	14.7	15.8	16.8	18.4	19.7	21.5

Sources: Statistical Yearbook, 1997; Statistical Office of the Republic of Slovenia, statistical reports (for life expectancy at 60 in 1970-1972 and 1980-1982).

2.3. Population, activity rates, and the ratio between contributors and pensioners

Due to the very low fertility rate in Slovenia, the share of population under age 15 has been decreasing, and the share of population aged 65 and over in the total population has been increasing steadily. Though fertility in Slovenia has been decreasing for the past 100 years, the pace has accelerated in the recent past: in the period 1980-1997 the number of live births per year has decreased by 39%. By 1980 the total fertility rate per woman fell to below 2.15 - the number of children, which a generation needs to ensure its replacement - and in 1997 it was no more than 1.25.

⁴ Since a number of female old-age pensioners switched to a survivor pension, the actual number of years that a female pensioner was receiving pension benefits (old-age and/or survivor pension) is certainly greater than 15.4.

Table 2.3: Population of Slovenia, by age groups (in %)

Year	Shares of population (%)			
	0-14 years	15-59 years	60-74 years	75 years and over
1971	24.1	60.9	12.1	2.9
1981	23.0	63.5	9.8	3.7
1991	20.0	63.6	11.9	4.5
1992	19.6	63.6	12.5	4.3
1993	19.1	63.8	13.0	4.1
1994	18.5	64.0	13.3	4.2
1995	18.0	64.1	13.6	4.3
1996	17.5	64.4	13.7	4.4
1997	17.0	64.5	13.9	4.6

Sources: Statistical Yearbooks, 1990-1998.

According to the 1991 data on the activity of the Slovene population, which are shown in Table 2.4, 61.5% of the population aged 50-54 were in employment. For the age cohort 55-59 this share was 33.3%, whereas it was 22.5% for the age cohort 60-64. As compared to 1981, the share of the employed has considerably decreased for the age cohorts 50-54 and 55-59. It has, however, increased for the age cohort 65-69 where, in 1991, it amounted to a whole of 19.5%. It looks as if early retirement were more attractive to those aged up to 64 years. Also, it is interesting to note that one in twenty persons aged 70 and over remained in employment in 1991, which was still much less than one in nine in 1981.

Table 2.4: Activity of population aged 50 and over, Slovenia

1981							
Age group	Population	Active		In employment		Inactive	
	000 persons	000 persons	%	000 persons	%	000 persons	%
50-54	115	78	67.6	78	67.4	37	32.4
55-59	96	38	39.5	38	39.4	58	60.5
60-64	56	13	23.9	13	23.9	43	76.1
65-69	70	12	17.0	12	17.0	58	82.9
70 and over	138	15	11.2	15	11.2	123	88.8
Total	476	157	32.9	156	32.8	320	67.1
1991							
Age group	Population	Active		In employment		Inactive	
	000 persons	000 persons	%	000 persons	%	000 persons	%
50-54	110	70	63.3	68	61.5	40	36.7
55-59	109	37	33.9	36	33.3	72	66.1
60-64	102	23	22.7	23	22.5	79	77.3
65-69	81	16	19.6	16	19.5	65	80.4
70 and over	133	7	5.2	7	5.1	126	94.8
Total	535	153	28.5	150	28.0	382	71.5

Source: Statistical Office of the Republic of Slovenia.

Note: Errors are due to rounding. Percentages are based on non-rounded figures.

Due to the decrease in activity rates, the ratio between pension contributors - that means the employed and self-employed - and pensioners deteriorated significantly, as evident from Table 2.5.

Table 2.5: Contributors/pensioners ratio, Slovenia

Year	Contributors/pensioners
1983	3.64
1989	2.75
1990	2.48
1991	2.08
1992	1.80
1993	1.79
1994	1.76
1995	1.74
1996	1.71
1997	1.73

Source: National Pension Administration, 1997, pp. 10 and 19.

Note: Pensioners refer to old-age, disability and survivor pensioners.

Table 2.6 offers a glimpse of the absolute magnitude of the large increase in the number of pensioners, occurring in a period of stagnating population growth and negative or modestly positive GDP growth rates.

Table 2.6: GDP, population and pensioners in Slovenia

Year	GDP (billion USD)	Population (000)	Pensioners (000)
1983	6.6	1,933	288
1985	7.4	1,933	311
1990	17.4	1,998	384
1991	12.7	2,002	419
1992	12.5	1,996	449
1993	12.7	1,991	458
1994	14.4	1,989	458
1995	18.7	1,988	460
1996	18.9	1,991	463
1997	-	1,985	468

Sources: Statistical Yearbooks, 1990-1998; National Pension Administration, statistical reports.

Note: Pensioners refer to old-age, disability and survivor pensions.

2.4. Early retirement in Slovenia

The observed increase in the number of pensioners in Slovenia was - as already stated - very much caused by the increase in early retirement as one of the results of economic transition, which started in 1990. Early retirement, at the time, appeared to be the least painful solution

for alleviating tensions on the labour market and an effective measure for preventing an even larger increase in unemployment. In retrospect, it entailed quite large social costs without commensurate benefits. This measure prevented massive unemployment among the elderly, but it did not open up employment opportunities for the young: their labour-force participation is low, and unemployment rates quite high.

In Slovenia, the basic criterion for early retirement is that the insured person has a minimum contribution period of 35 years for men and 30 for women. Furthermore, one of the additional conditions has to be fulfilled: a) bankruptcy of the enterprise, with no possibility for re-employment, b) being registered as unemployed for the past two years, c) at least second degree of disability. A deduction on the calculation base (1 per cent for each missing year from a full contribution period) is suspended once the normal old age limit is reached.

In order to appreciate the magnitude of the increase in the number of pensioners in the first years of transition, Table 2.7 shows (for the nineties) the annual inflow of new pensioners into the pension system.

Table 2.7: Annual inflow of pensioners, Slovenia

Year	Total inflow (000)	Inflow of old-age pensioners (000)
1990	75.3	49.2
1991	76.1	48.8
1992	67.4	43.2
1993	53.0	25.9
1994	45.2	21.2
1995	46.6	22.8
1996	53.6	26.4
1997	47.8	22.8

Source: National Pension Administration, statistical reports.

Note: Early retirement is included in the category of old-age pensioners.

2.5. The level of pensions

The pension is computed on the basis of the best continuous ten-year net wage of the contributor. This represents the calculation base. If a contributor has a full contribution period, his entrance pension will be 85% of this calculation base. For farmers, self-employed and employers in the private sector, the calculation base is the one they have chosen for paying their contributions (the floor being 64% of the average gross wage). In this case as well, the most favourable ten-year period is applied.

The Pension Act stipulates that the ratio between average wage and average pension for a

full contribution period has to be 85%. Pensions are adjusted on a monthly basis according to the movements in the average net wage in Slovenia, with a two-month lag (e.g. the October wage is known only in December). A rather complicated formula for adjusting pensions is applied in February. In effect, this formula “aligns” pensions taking into consideration the fundamental restriction, i.e. that the average computed pension for a full contribution period (computed as if all existing pensioners would have a full contribution pension), amounts to 85% of the average net wage.

A pension in the current month cannot be lower than a pension in the previous month. The uprating of pensions, however, takes into account all employee wage movements.

The indexation rules are the reason why in spite of very unfavourable macroeconomic conditions and demographic trends, the ratio between the average net old-age pension and average net wage in Slovenia has remained fairly stable and very high (Table 2.8).

Table 2.8.: Average net old-age pension and net wage, Slovenia

Year	Average net old-age pension / net wage
1983	71.9
1989	80.0
1990	89.2
1991	73.8
1992	78.4
1993	74.5
1994	77.2
1995	77.9
1996	75.8
1997	75.4

Source: National Pension Administration, 1997, p. 24.

Note: The high replacement rate in 1990 was due to the indexation mechanism. Because of this mechanism, the high inflation rate in 1989 caused a pension “spill-over” effect in 1990.

Maximum (gross) old-age pension is set at 264 per cent of the net average monthly wage; this means that the maximum net pension amounts to some 218 per cent of the average net wage. The minimum net old-age pension (for a full contribution period) is set at 54 per cent of the net average wage. The consequence is that the distribution of old-age pensions (for a full contribution period) is more egalitarian than the distribution of wages.

Regardless of contributions and the contribution period, old-age pension cannot be less than 22 per cent of the net average wage. Farmers are virtually the sole beneficiaries of this provision.

Supplementary allowance is paid by the National Pension Administration to all pensioners whose pension is lower than the lowest pension for the full contribution period, and whose total income is below the minimum costs of living of a pensioner or a pensioner's household. Supplementary allowance is aimed at assuring a social minimum for pensioners.

The level of supplementary allowance depends on the contribution period for all kind of pensions except for survivor pensions, where it depends on the number of family members as well. The basis for determining the level of supplementary allowance depends on the difference between the individual pension and the lowest pension for the full contribution period. Supplementary allowance amounts to 60% and 70% of the basis for male and female pensioners respectively, for the contribution period of 15 years or less. For each additional year, supplementary allowance increases by 2% of the basis, but cannot be higher than 100% of the basis. The average amount of supplementary allowance has increased from 15.3% of the average pension in 1991 to 16.7% in 1997.

On the other hand, the number of supplementary allowance recipients has been decreasing relatively to the number of all pensioners: in 1991 the share of supplementary allowance recipients among pensioners was 15.5%, whereas it amounted to 9.9% in 1997. The highest share of the supplementary allowance recipients was among pensioners receiving survivor pensions; this sub-group received the highest average level of supplementary allowance as well.

In 1997, supplementary allowance amounted to 1.4% of all outflows of the National Pension Administration, compared to 1.6% in 1992, 1.6% in 1993, 1.7% in 1994, 1.4% in 1995 and 1.5% in 1996. The main reason for the diminishing role of supplementary allowances, were the amendments and supplements to the Pension Act of 1992. These introduced the recipients' obligation to prove their entitlement to supplementary allowance every year, and (in 1994) abolished supplementary allowance for pensioners from other Republics of ex-Yugoslavia.

2.6. Financing of pensions

In spite of the decreasing contributor/pensioner ratio, the average replacement rate did not change by much since 1991. This of course means that the ratio between pension expenditures and GDP has been increasing since 1991, as seen from Table 2.9.

Table 2.9: Revenues and expenditures of the NPA as % of the GDP

Year	Revenues without state subsidies	State subsidies	All expenditures ⁵
1991	12.72	0.15	10.92
1992	13.44	0.01	13.46
1993	13.97	0.45	14.05
1994	13.50	0.87	14.42
1995	12.98	1.12	14.67
1996	11.18	3.27	14.48

Sources: The NPA Annual Reports, 1991-1997.

Note: In the years 1991 and 1993, the balance of the NPA was in surplus, while in other years the NPA incurred a deficit.

As mentioned earlier, pensions are mostly financed through contributions. In 1997, the total contribution rate was 24.35 per cent of the employee's gross wage (Table 2.10); employers' share was 8.85 per cent, and employees' share 15.50 per cent. The somewhat surprising decrease in contribution rates in 1996 and 1997, which also continued in 1998, was a result of macroeconomic policy considerations; it was hoped that this measure would improve the competitiveness of the Slovene economy. In fact, this hope did not materialize; wages increased in real terms, the net result being that labour costs did not decrease by much.

Table 2.10: Pension contribution rates

Year	Contribution rate as percentage of gross wage		
	employer	employee	Total
1989	3.45	19.10	22.55
1990	3.62	19.10	22.72
1991	14.40	14.40	28.80
1992	14.40	14.40	28.80
1993	15.41	15.41	30.82
1994	15.50	15.50	31.00
1995	15.50	15.50	31.00
1996	11.07	15.50	26.57
1997	8.85	15.50	24.35

Source: National Pension Administration, statistical reports.

Since 1996, the gap between the NPA own revenues and expenditures has been widening and is being covered by transfers from the central government budget. Actually, budget transfers commenced at an earlier date, in 1993, when the central government started honouring its obligations toward the NPA. This means that it started paying for the pension benefits that were imposed on the NPA by the Parliament (favourable pensions for the

⁵ Including all pensions and supplements, pensioners' health insurance and administrative costs.

military personnel and policemen, payment of the employer's part for farmers, etc.). Since 1996, however, the major purpose of transfers from the central government budget has been in compensating for the revenue loss, which resulted from the decrease in employers' contribution rate in 1996.

2.7. Pension system reform

Pension reform proposals are mostly confined at modifying the system parameters of the public pension system: these determine the eligibility conditions and level of pension benefits. At present, no introduction of mandatory pension saving schemes or mandatory occupational schemes is envisaged, though plans for a greater role of private, individual voluntary pension insurance are being considered.

The major features of the proposed pension reform in Slovenia are:

- an increase in pension age for both men and women (this is to be increased to 65 for men and to 63 for women),
- equal contribution periods for men and women,
- an increase in the period relevant for calculating one's pension (it is currently 10 years),
- larger deductions for early retirement,
- severance of purchase of insurance years (student years, years spent in military service) - these can now be purchased at low cost,
- a more appropriate mode of pension indexation.

Since pension reform inevitably implies a decrease in pension benefits, it is opposed by a number of interest- and political groups.

3. DATA SOURCES AND METHODOLOGICAL ISSUES

3.1. Data sources

Our analysis is based on the Household Expenditure Survey (HES) data which contain fairly detailed information not only on household income and expenditure, but also on social and demographic characteristics of household members, housing and the ownership of consumer durables. The surveys have been undertaken by the Statistical Office of Slovenia since 1963 at regular five-year intervals, with the last such survey undertaken in 1993. In 1997, the Statistical Office started a "new" HES, based on a new methodology (more extensive use of diaries etc.), covering the same topic area (income, expenditure, assets and socioeconomic

characteristics of household members). The 1997, 1998 and 1999 surveys are to be suitably merged to produce a data set comparable in size to the 1993 HES.

Besides these “big” surveys, carried out on a large sample and in five-year intervals, there were also smaller annual surveys carried out on a sample approximately 1/3 the size of the “big” sample, meaning some 1000 households. This sample size is too small for the purposes of our analysis. It though has to be stated that Milanovic (1998) has performed some analyses on the basis of these smaller surveys. His results, which extend to 1995, show that there are no noteworthy changes in the general trends, discernible from the 1993 survey. Because of the small sample size, his analysis does not extend to population subgroups.

The HES sample is a two-stage stratified one, with the primary sampling units being census districts and with households as secondary units (five households in each chosen primary unit). The stratification has been subject to various changes throughout the years. Also, in 1993, households were weighted according to the differing sampling probabilities of households of different size.

Generally speaking, the quality of the survey is satisfactory, though not without ups and downs. The 1988 survey was on the lower end of the spectrum, due doubtlessly to the high inflation rate, poor training of collectors and generally poor organisation. Thus, our analysis is performed on two HES data sets, i.e. surveys conducted in the years 1983 and 1993. This enables the comparison between the pre-transition and transition point in time. The sample comprised 3992 households in 1983, and 3270 in 1993.

The survey questionnaire does not contain data on individual sources of income, but only household aggregates, for each source. Thus, for example, if two household members are pensioners, one cannot deduce the pension of each member but only their joint (total) amount of pension received in a given year.

3.2. Methodological issues

For household income ranking, the OECD equivalence scale was used (first adult = 1, next adult = 0.7, each child = 0.5).

Income is defined as current monetary income (labour income, capital income, social transfers, inter-family transfers); savings withdrawal and loans received are not taken into account. We note in passing that this income concept is somewhat broader than the income definition used in the Slovene Household Expenditure Surveys; the latter includes sales of

property, loans and savings withdrawal as well, which are not elements of current monetary income. Also, both income definitions (of current monetary income and the Slovene HES definition of income) are somewhat narrower than the concept of available household income, since benefits in kind, household own production, as well as imputed rent are not included.

The term “pensioner” is used to denote a person over 50 years of age, who declares himself (herself) as pensioner.

The term “pension” is used to denote old-age, disability or survivor pension; the survey data did not permit a disaggregated approach with regard to pensions, that is a separation of the three pension types.

The term “pensioner household” is used to denote

- a) a one person (pensioner) household;
- b) a couple pensioner household, where the partner is not employed, self-employed or unemployed;
- c) other households headed by a pensioner, with other household members not being employed, self-employed or unemployed.

4. SOME SOCIOECONOMIC CHARACTERISTICS OF HOUSEHOLDS, PENSIONERS AND PENSIONER HOUSEHOLDS

4.1 Pensioners and the socioeconomic structure of the Slovenian population

For most Central and East European countries, the large increase in the number of pensioners has been one of the more important phenomena observed during the first years of transition (Stanovnik and Stropnik, 1996). As we have already noted, in Slovenia this increase was mostly due to generous early retirement schemes.

In the period 1983-1993, the share of pensioners in the total population increased from 15.5% to 19.9%. The increase was larger for female pensioners: in 1983 they represented 16.1%, whereas in 1993 they represented a full 22.0% of the total female population. The increase in the share of male pensioners was less pronounced: in 1983 they represented 14.7%, whereas in 1993 their share increased to 17.6% of the total male population.

Changes in the socioeconomic status of the household members in Slovenia are shown in Table 4.1. It is quite evident that in the ten-year time span, along with a decrease in the

average household size by 0.13 persons, the structure of household members according to socioeconomic status has changed considerably.

Thus, the share of employees decreased significantly, followed by a large increase in the share of unemployed persons and pensioners. Also, the share of dependents decreased, due not only to the diminishing number of children, but also to the decreasing number of elderly without any income sources.⁶

Table 4.1: The structure of household members according to their socioeconomic status; Slovenia 1983 and 1993

Year	1983	1993
Status of household members (%)		
Employee	43.2	36.2
Active in agriculture*	0.0	2.6
Active in other occupations*	4.1	2.3
Unemployed	0.3	5.3
Pensioner	15.5	19.7
Dependent	36.3	30.9
Other	0.6	3.0
Total	100.0	100.0
Average size of household	3.17	3.04

Sources: Household Expenditure Survey, 1983 and 1993; own calculations.

* In 1983 there was no distinction between these two categories. The figure 4.1 refers to active in agriculture and other occupations.

In Table 4.2 one can observe that in 1983 the share of pensioners was - roughly speaking - decreasing from the lowest to the highest income decile. In 1993, however, pensioners were fairly evenly distributed across all income deciles except the top one.⁷ This indicates that in Slovenia a presence of a pensioner does not necessarily increase the probability of a more unfavourable financial situation of the household. It also provides evidence on the micro level that the new pensioners have retired under favourable conditions.

⁶ It seems that in 1993 a number of “former” dependents, who have in the meantime received a farmers’ retirement pension, declared their socioeconomic category as “other” and not as “pensioner”.

⁷ This is additionally presented in Table 6.1 of this report.

Table 4.2: Share of pensioners, as % of all persons in an income decile, 1983 and 1993

	Income deciles										
1983	1	2	3	4	5	6	7	8	9	10	All
Share of pensioners	20.9	22.3	18.7	16.8	13.9	13.0	13.4	10.9	12.7	11.8	15.5
Average size of household	3.01	3.00	3.26	3.33	3.45	3.32	3.21	3.22	3.15	2.79	3.17
1993											
Share of pensioners	20.7	21.4	22.6	20.4	20.8	20.2	23.8	19.0	16.7	13.1	19.7
Average size of household	2.75	3.07	3.06	3.15	3.11	3.15	3.03	3.12	3.07	2.85	3.04

Sources: Household Expenditure Survey, 1983 and 1993; own calculations.

Note: Income deciles are appointed for the whole population of households, i.e. each decile contains 10% of all households.

4.2. Pensioner age

The average age of the pensioner population is not increasing, in spite of an increase in life expectancy. In 1983, the average age of all pensioners was 65.4 years, and in 1993 it was 64.1 years (Table 4.3), i.e. a decrease of 1.3 years in the decade in which life expectancy increased by 2.6 years for men and 2.3 years for women. This decrease is mostly due to the large inflow of new “young” pensioners.

The average age of heads of pensioner households in 1983 and 1993, in total and by four household types and income deciles, is also shown in Table 4.3. Pensioners living in single pensioner households are - on average - older than the total pensioner population. The same can be said for heads of couple pensioner households: their age is – on average – higher than the average for all pensioners. The difference is though not large; in 1993 the average age of head of couple pensioner household was 64.9 years, whereas the average age of all pensioners was 64.1.

Table 4.3: Average age of all pensioners and of heads of pensioner households, by income deciles, 1983 and 1993

Income deciles	1983						1993					
	Average age of						Average age of					
	all pensioners	heads of pensioner households					all pensioners	heads of pensioner households				
		all	single male	single female	couple	other		all	single male	single female	couple	other
1	68.4	69.8	78.5	71.9	71.0	63.0	66.0	66.6	61.2	69.0	66.0	65.6
2	66.6	67.4	68.4	68.4	68.5	62.3	67.1	69.4	69.8	71.6	69.2	59.1
3	67.4	68.8	71.8	71.3	67.6	62.7	63.9	64.9	71.3	66.7	64.7	57.4
4	65.5	67.6	67.5	69.8	67.7	63.5	64.4	64.9	61.2	67.3	63.1	65.4
5	65.9	67.1	69.5	69.6	64.5	68.0	62.5	62.9	67.1	65.0	60.9	56.4
6	62.6	65.5	75.0	65.3	65.6	60.2	63.5	66.7	68.0	68.6	65.4	66.0
7	62.9	64.9	83.5	66.3	64.0	60.3	63.3	66.4	69.6	70.6	64.0	61.5
8	64.7	66.2	63.5	64.8	67.4	64.5	62.9	66.2	69.5	70.0	65.1	59.9
9	64.0	65.6	67.0	64.2	65.0	67.7	64.1	67.1	64.0	70.1	64.7	72.6
10	62.3	63.5	73.0	63.6	63.9	58.0	62.7	66.5	63.6	68.7	66.6	61.2
Total	65.4	67.4	71.1	68.7	67.3	63.1	64.1	66.2	66.1	68.7	64.9	62.0

Sources: Household Expenditure Survey, 1983 and 1993; own calculations.

Note: Income deciles are appointed for the whole population of households, i.e. each decile contains 10% of all households.

4.3. Pensioners and household size

Table 4.4 shows the distribution of all persons and pensioners according to household size. The quite high concentration of pensioners in small-size households is well evident. In 1993, 19.8% of all pensioners and only 5.4% of the total population lived in single households. Pensioners are particularly concentrated in two-person households; in 1983, 42.8% of all pensioners lived in this type of household, while the comparable figure for 1993 is 39.6%.

Table 4.4: Distribution of all persons and pensioners by household size (in %)

Year	Household size				
	1 person	2 persons	3 persons	4 persons	5 persons or more
1983					
- all persons (%)	4.1	14.6	20.4	34.0	26.9
- pensioners (%)	17.3	42.8	16.9	8.7	14.4
1993					
- all persons (%)	5.4	14.6	22.8	33.5	23.6
- pensioners (%)	19.8	39.6	18.4	9.7	12.4

Sources: Household Expenditure Survey, 1983 and 1993; own calculations.

Table 4.5 shows the shares of pensioners living in different types of pensioner households as a percentage of all pensioners. One can observe that the share of pensioners living in pensioner households has been steadily increasing. There is a gender difference, though it is not very pronounced, if we compare only the aggregates, i.e. all pensioner households. Thus, 59.3% of all female pensioners lived in pensioner households in 1993, whereas the comparable figure for male pensioners is 52.7%. A comparison of specific types of pensioner households reveals, however, important differences: female pensioners are more likely to live in single households – a full 28.7% of all female pensioners in 1993 lived in single households. On the other hand, male pensioners are more likely to live in couple pensioner households; in 1993, 35.8% of all male pensioners lived in couple pensioner households. This, of course, accords with our expectations, since women live longer than men.

Table 4.5: Pensioners living in pensioner households, by gender, in 1983 and 1993, as % of all pensioners (within gender)

1983	Male	Female	All
Pensioners in single households	5.2	27.7	17.3
Pensioners in couple pensioner households	38.9	16.6	26.9
Pensioners in other pensioner households	9.1	10.7	10.0
Pensioners in pensioner households	53.2	55.0	54.2
Other pensioners	46.8	45.0	45.8
All pensioners	100.0	100.0	100.0
1993	Male	Female	All
Pensioners in single households	7.9	28.7	19.8
Pensioners in couple pensioner households	35.8	21.5	27.6
Pensioners in other pensioner households	9.0	9.0	9.0
Pensioners in pensioner households	52.7	59.3	56.4
Other pensioners	47.3	40.7	43.6
All pensioners	100.0	100.0	100.0

Sources: Household Expenditure Survey, 1983 and 1993; own calculations.

5. INCOME AND INCOME SOURCES OF PENSIONER HOUSEHOLDS

5.1. Pensions and household income

We have observed from Table 4.1 the large changes in the socio-economic structure of Slovene households in the period 1983-1993. The number of employees decreased considerably, whereas the number of pensioners, self-employed and unemployed increased. From Table 4.2 we can see that the share of pensioners increased from 15.5 percent in 1983 to 19.7 percent in 1993. Though pensioners increased their share in all income deciles, the increase was actually more pronounced in the higher income deciles, showing that pensioners have improved their relative income position.

Put another way, the share of pensions (as % of household income) increased in all income deciles, but was more pronounced in the higher ones. Overall, the share of pensions in household current monetary income in Slovenia was 14.6% in 1983, and 20.7% in 1993 - as seen from Table 5.1.

Table 5.1: Income sources of all households, by income deciles (%)

Income deciles	Income sources, 1983								
	A	B	C	D	E	F	G	H	I
1	42.7	2.1	30.1	8.4	0.5	14.1	0.7	1.3	0.1
2	56.0	1.4	28.5	6.3	1.1	5.6	0.4	0.8	0.0
3	65.8	1.3	21.4	3.2	0.7	6.1	0.4	1.0	0.2
4	71.3	0.8	19.9	2.9	0.5	3.0	0.5	0.8	0.0
5	76.2	1.1	13.6	2.8	0.5	4.0	0.8	0.9	0.0
6	76.9	0.9	13.6	1.7	0.5	4.9	0.6	1.0	0.1
7	78.5	1.2	13.0	1.8	0.3	3.8	0.7	0.6	0.0
8	79.8	1.0	11.2	1.9	0.3	4.8	0.3	0.6	0.2
9	74.9	1.9	11.5	1.2	1.8	6.6	1.2	0.8	0.2
10	67.4	1.8	9.2	0.9	2.7	12.2	3.2	1.6	1.0
All	71.7	1.3	14.6	2.3	1.1	6.6	1.1	1.0	0.3
Income deciles	Income sources, 1993								
	A	B	C	D	E	F	G	H	I
1	32.7	2.4	37.9	16.0	0.6	8.7	0.3	1.4	0.0
2	44.6	1.9	31.9	11.1	0.2	9.0	0.2	0.9	0.1
3	55.6	1.5	29.9	6.4	0.9	4.5	0.2	0.8	0.0
4	57.9	2.3	23.8	6.1	0.7	7.5	0.8	0.9	0.0
5	63.1	2.0	21.9	5.1	0.9	5.7	0.3	0.9	0.0
6	58.8	3.0	24.6	5.2	1.3	5.7	0.6	0.8	0.0
7	60.3	2.5	23.3	3.6	1.6	6.6	1.3	0.8	0.0
8	62.4	2.5	21.7	2.4	1.0	7.0	1.0	2.0	0.0
9	61.9	3.3	15.8	2.0	2.7	11.3	2.1	0.8	0.0
10	54.7	4.3	10.8	0.9	3.8	16.4	5.6	2.9	0.6
All	57.4	2.9	20.7	4.1	1.9	9.5	2.0	1.4	0.2

Sources: Household Expenditure Survey, 1983 and 1993; own calculations.

Note: Deciles are appointed for the whole population of households, i.e. each decile contains 10% of all households

Legend:

- A Wages and salaries from primary employment
- B Income from secondary employment
- C Pensions (old-age, disability, survivor)
- D Other social benefits (unemployment benefit, income supplement, child allowance, sick-pay, maternity and parental leave, scholarships, etc.)
- E Income from abroad
- F Self-employment income
- G Income from sales and rent of property
- H Gifts, lottery, etc.
- I Other

Though the share of pensions in the highest (10th) income decile increased modestly, from 9.2% to 10.8%, the increase in other higher income deciles has been considerable. Thus, for households in the 9th income decile pensions represented 15.8% of their current monetary income in 1993: for households, which were situated in the 9th income decile in 1983, pensions represented only 11.5% of their current monetary income.

From Table 5.1 we observe that primary employment is still the most important income source for the category “all households”, but its share has decreased from 71.7% (in 1983) to 57.4% of the household total current monetary income in 1993. Income from part-time employment (“secondary employment”) and income from self-employment have increased their shares, as well as income received as social benefits (apart from pensions).

5.2. Income dynamics of pensioner households

In section 5.1 we concluded that the relative income position of pensioners has improved in the ten-year period 1983-1993. It is important to ascertain not only the relative income position, but also the dynamics of absolute income levels. This is shown in Table 5.2, which presents median equivalent household current monetary income for various household types in the two points in time – the years 1983 and 1993.

Table 5.2: Median equivalent household current monetary income in 1983 and 1993 (annual amounts, income in thousand 1993 tolar)

Household type	1983	1993	Index (1983 = 100)
All households	490.5	422.3	86
All pensioner households	377.2	376.0	100
- single female	367.7	352.0	96
- single male	376.6	372.0	99
- couple	402.5	425.3	106
- other	338.8	324.7	96
Average net wage	651.8	561.9	86
Average net old-age pension	468.9	413.2	88

Sources: Household Expenditure Survey, 1983 and 1993, own calculations; Statistical Yearbook 1997 (for average wage); NPA, statistical reports (for average old-age pension).

Table 5.2 shows a not quite negligible drop in household equivalent monetary income in the period 1983-1993. This is mostly due to the fairly rapid decrease in real income in the late eighties and early nineties, years prior to the disintegration of Yugoslavia and the first years of the transition period. Taking 1983 as our base (=100), the 1993 value of the median household equivalent income was only 86. This drop in real income did not occur for pensioner households, though within this household group there is much diversity. Single female pensioner households experienced a decrease in real income - by 4 index points - whereas couple pensioner households experienced an increase of 6 index points. The latter can be explained by the fact that these households now have increasingly two individual incomes (that is, two pensions).

That the relative income position of pensioners ought to have increased is visible also from official statistics, since during this ten-year period the average net wage experienced a large decrease than average net old-age pension. Taking into account the fact, that the number of

pensioners increased significantly, whereas the number of employees decreased, this could have only accentuated the improved relative income position of pensioner households, since – say – employee households now have fewer employee incomes per household.

5.3. Income sources of pensioner households

We now turn our attention to the subgroup of households, most relevant for our analysis, i.e. pensioner households. Table 5.3 presents the structure of income sources of these households. It is obvious that, apart from pensions, these households have other income sources, even earned income.

As seen from Table 5.3, in 1993 pensions accounted for 86.4% of the income of pensioner households, compared to 79.2% in 1983. For these households, income from most other sources – such as income from part-time work, self-employment income, social benefits – has decreased in importance.

Table 5.3: Income sources of pensioner households, by income deciles (%)

Income deciles	Income sources, 1983								
	A	B	C	D	E	F	G	H	I
1	7.3	0.6	79.3	6.7	0.5	3.7	0.1	1.8	0.0
2	10.0	2.4	78.4	6.3	0.2	1.4	0.2	1.0	0.0
3	6.5	0.8	82.4	5.3	0.5	2.2	0.5	1.7	0.0
4	5.1	1.7	84.7	4.0	0.0	1.9	0.9	1.5	0.0
5	5.1	0.6	85.9	5.6	0.3	0.3	1.1	1.2	0.0
6	2.8	4.1	84.9	1.0	1.8	3.8	0.5	1.0	0.0
7	9.3	3.6	80.8	1.6	0.7	1.8	1.1	0.8	0.2
8	7.9	1.0	86.4	2.1	1.2	0.5	0.2	0.5	0.2
9	4.6	4.5	80.5	1.8	3.0	4.5	0.5	0.7	0.0
10	2.8	3.8	54.5	2.3	3.3	6.1	14.3	0.0	12.9
All	6.3	2.4	79.2	3.7	1.2	2.7	2.1	1.0	1.5
Income deciles	Income sources, 1993								
	A	B	C	D	E	F	G	H	I
1	1.8	0.6	87.4	6.1	0.7	1.7	0.4	1.3	0.0
2	1.1	0.8	88.2	4.3	0.6	2.1	0.0	2.8	0.0
3	2.4	0.9	93.3	0.7	0.5	1.4	0.1	0.5	0.0
4	3.4	0.7	88.6	5.0	0.8	0.5	0.6	0.5	0.0
5	7.5	0.5	89.2	0.2	1.2	0.7	0.0	0.5	0.0
6	6.3	3.1	83.5	4.3	1.9	0.5	0.2	0.3	0.0
7	0.3	3.0	90.9	2.6	0.6	0.5	1.3	0.5	0.3
8	6.6	2.1	81.6	3.2	2.6	1.6	0.4	1.8	0.0
9	2.2	1.8	86.7	0.4	3.0	0.8	1.6	3.6	0.0
10	1.5	0.0	80.4	0.0	9.7	3.1	3.8	1.5	0.0
All	3.4	1.5	86.4	2.5	2.5	1.3	1.0	1.4	0.0

Sources: Household Expenditure Survey, 1983 and 1993; own calculations.

Note: Deciles are appointed for the whole population of households, i.e. each decile contains 10% of all households.

Legend: The same as for Table 5.1.

6. INCOME DISTRIBUTION, POVERTY AND INEQUALITY

6.1. Income distribution: decile analysis

6.1.1. Households

We now analyse pensioner income distribution by means of the decile analysis. As in our previous work, income deciles are appointed for all households, meaning that each decile contains 10% of all households.

Table 6.1: The four types of pensioner households, as % of all households in each income decile, 1983 and 1993

Income deciles	Pensioner households (%)				
	single male	single female	couple	other	all
	1983				
1	1.5	9.5	16.5	9.8	37.3
2	2.3	19.5	12.5	10.5	44.9
3	2.3	11.5	12.5	5.0	31.3
4	1.5	8.5	10.0	4.8	24.8
5	1.0	4.3	6.0	2.8	14.0
6	0.8	6.0	7.3	2.0	16.0
7	0.5	6.3	7.5	2.8	17.0
8	0.5	3.3	6.3	1.0	11.0
9	1.3	1.5	6.8	1.8	11.3
10	0.3	2.8	3.8	1.0	7.8
All	1.2	7.3	8.9	4.1	21.5
	1993				
1	3.0	10.3	7.4	9.9	30.6
2	2.9	18.7	9.2	8.0	38.8
3	1.7	13.4	9.7	8.1	32.9
4	3.0	13.1	10.8	2.6	29.5
5	1.8	19.7	7.7	3.5	23.6
6	1.6	8.4	13.2	4.3	27.6
7	1.2	8.8	11.5	3.8	25.3
8	2.5	6.2	10.3	3.5	22.5
9	0.5	4.6	8.7	1.9	15.7
10	2.4	5.1	5.8	1.9	15.2
All	2.1	9.9	9.4	4.8	26.2

Sources: Household Expenditure Survey, 1983 and 1993; own calculations.

Notes: 1. Deciles are appointed for the whole population of households, i.e. each decile consists of 10% of all households.

2. Individual figures indicate the share of households of a certain type, as percentage of all households in a given income decile.

In 1983, single female pensioner households represented 9.5% of all households in the first decile; the corresponding figure for 1993 is 10.3% (Table 6.1). Single female pensioner households were particularly highly concentrated in the second decile: in 1983, they represented 19.5%, and in 1993 18.7% of all households in that income decile. The share of single female pensioner households in the total number of households has also somewhat increased in this time period: in 1983 they represented 7.3%, whereas in 1993 they represented 9.9% of all households. Obviously, this type of pensioner household is more concentrated at the lower end of the household income distribution. This comes as no surprise, since a large proportion of these pensioners receives survivors' pensions, which are quite lower than old-age pensions. It must be remarked that single female pensioner household is the dominant type of pensioner household in Slovenia.

In the ten-year period, all four types of pensioner households have increased their shares (measured as percentage of all households in Slovenia), resulting in an increase in the number of pensioner households from 21.5% of all households in 1983 to 26.2% in 1993. Though pensioner households were – in 1993 – still somewhat more concentrated in the lower income deciles, this “concentration” is much less pronounced than in 1983. Thus, in 1983, 37.3% of all households in the first income decile were pensioner households, whereas the comparable figure for 1993 is 30.6%, which is only slightly more than their overall share of 26.2%.

6.1.2. Persons

Just as we have done for households, we perform a decile analysis by taking persons as income units: each decile (decile group) contains 10% of all persons, and each person is taken with his equivalized household income. The shares, by income deciles, of three different categories - pensioners, pensioners in pensioner households, persons aged 60 and over - are presented in Table 6.2.

We have already seen – from Table 4.2 – that the relative income position of pensioners has improved considerably in the ten-year period 1983-1993. Though Table 6.2 takes a different unit for our income analysis – it takes a person and not a household – it could hardly produce results differing from Table 4.2. Thus, we can only repeat our previous conclusion that the relative income position of pensioners has improved significantly in this ten-year period.

Table 6.2: Pensioners, pensioners in pensioner households and persons aged 60 and over, as % of all persons in an income decile, 1983 and 1993

Income deciles	1983			1993		
	Pensioners	Pensioners in pensioner households	Persons aged 60 and over	Pensioners	Pensioners in pensioner households	Persons aged 60 and over
1	20.0	13.7	31.2	19.3	13.0	30.5
2	22.4	16.7	26.8	20.7	13.6	24.4
3	17.6	11.1	18.8	22.6	14.6	20.5
4	17.5	10.5	16.3	19.4	12.2	16.2
5	12.5	5.5	12.6	19.6	10.8	15.0
6	14.1	6.4	11.0	21.7	12.7	17.8
7	13.6	7.5	11.2	22.3	13.5	15.3
8	12.2	5.4	9.1	23.0	12.1	15.5
9	12.4	6.0	9.1	16.2	8.1	12.0
10	12.2	4.2	9.6	14.3	7.7	9.9
All	15.5	8.7	15.6	19.9	11.8	17.7

Sources: Household Expenditure Survey, 1983 and 1993; own calculations.

Note: Deciles are appointed by taking the whole population of persons, i.e. each decile comprises 10% of all persons.

Proceeding in a similar manner, the decile analysis of a subgroup of pensioners – i.e. pensioners living in pensioner households – shows that there is essentially no new additional evidence with regard to the decile analysis based on households. This subgroup of pensioners is, relatively speaking, worse off than the group of all pensioners, though it has improved its relative income position in this ten-year period. In 1983, pensioners living in pensioner households accounted for 8.7% of all persons, whereas they accounted for 13.7% of all persons in the first decile. In 1993, these pensioners accounted for 11.8% of all persons, and they were only slightly over-represented in the lower deciles; their shares in the first and second income decile were 13.0% and 13.6% respectively.

Turning our attention only to persons aged 60 and over, we see that this subgroup of persons is more concentrated at the lower end of the income distribution and that – unlike the previous two groups – this has not changed much in the ten-year period. In 1983, 15.6% of all persons were 60 years and over, compared to 17.7% in 1993. In 1983, the share of persons aged 60 and over in the first decile was 31.2%, and in 1993 it was 30.5%. The quite divergent conclusions of the decile analysis of pensioners and persons aged 60 and over is obviously due to the fact, that these two groups do not overlap too much. A sizeable share of pensioners is less than 60 years old, and also a large number of persons aged 60 and over do not receive pensions.

Due to longer life expectancy, women represent the larger part of all persons aged 60 and over; as seen from Table 6.3, in 1993 women represented 10.6% of all persons in this population subgroup, whereas men represented “only” 7.1%. For this age group, we observe that both men and women were more concentrated in the lower end of the income distribution; in 1993, women aged 60 and over represented 19.0% while men aged 60 and over represented 11.5% of all persons in the first decile.

Table 6.3: Persons aged 60 and over, as % of all persons in an income decile, by gender, 1983 and 1993

Income deciles	1983			1993		
	Males	Females	All	Males	Females	All
1	13.3	17.9	31.2	11.5	19.0	30.5
2	10.2	16.7	26.9	8.4	16.0	24.4
3	7.4	11.4	18.8	8.0	12.6	20.6
4	6.8	9.6	16.4	6.4	9.8	16.2
5	5.1	7.5	12.6	6.3	8.6	14.9
6	4.7	6.3	11.0	7.6	10.2	17.8
7	5.0	6.2	11.2	6.2	9.0	15.2
8	3.9	5.1	9.0	6.7	8.8	15.5
9	3.8	5.3	9.1	5.1	6.9	12.0
10	4.1	5.5	9.6	5.0	4.9	9.9
All	6.4	9.1	15.5	7.1	10.6	17.7

Source: Household Expenditure Survey, 1983 and 1993; own calculations.

Note: Deciles are appointed by taking the whole population of persons, i.e. each decile contains 10% of all persons.

Proceeding a bit further with the decile analysis, Table 6.4 provides a breakdown of the age group 60 years and over into three age groups. Age group 50-59 is included for comparative purposes.

From Table 6.4 it appears that older people have a higher probability of being situated in the lower income deciles. Thus, in 1993, persons in the age group 60 to 69 represent 10.3% of all persons, but 15.3% of all persons in the first decile: persons in the age group 80 and above represent only 2.2% of all persons, but 4.9% of all persons in the first decile.

In other words, in 1993 persons in the age group 60 to 69 were “over-represented” in the first decile by a factor of 1.49 ($=15.3/10.3$), whereas persons in the age group 80+ were “over-represented” by a factor of 2.23 ($=4.9/2.2$). One could say that, the older the age group, the greater the concentration of persons in this respective age group in the lower income deciles. True, the relative income position of all three elderly age groups (60 to 69, 70 to 79, 80 and over) has improved in the ten-year period 1983-1993, but this

improvement has not been uniform. Larger relative gains were achieved by younger age groups, thus the relative income position of persons in the age group 60 to 69 improved the most, whereas the age group 80 and above achieved only modest gains.

Several factors could be at work here, and they can have a very differentiated effect on the various age groups. We list them as:

- a. Change in the social security coverage of the elderly population;
- b. Change in the value of the social security entitlement (pension) for the elderly population;
- c. Change in the household composition, i.e. living arrangements of the elderly population;
- d. The dependence of longevity and mortality on income.

It is virtually impossible to disentangle and quantify the effect of each of these factors, particularly since they are not independent. Also, some changes have a greater impact –say – on a particular age group, and this change is then only gradually propagated through time, as a snake swallowing a rabbit. A cohort analysis would thus be warranted. In spite of these limitations, something can nevertheless be stated regarding the impact of the four different factors. Thus factor (a) did result in an improved income position of the elderly, since the number of elderly dependents has decreased through time; in other words, social security coverage for the elderly has increased in this ten-year period. In 1983, 19.1% of all persons of age 60 and over were dependents, whereas the corresponding figure for 1993 was 10.6%; this large change occurred in a period of steady population aging. Thus, in 1983 15.6% of all people were of age 60 and over, whereas the corresponding percentage for 1993 was 17.7%.

With regard to the second factor – change in the value of the social security entitlement, i.e. pension, we have already observed that this factor contributed to the improved relative income position of the elderly. Of course, it is difficult to ascertain and quantify this effect, since different age cohorts enter the pension system with different average “entrance” pensions. Also, “pension” is not a homogeneous category and, as the age cohort progresses through time, the share of old-age pensions decreases and the share of survivors pensions increases; this tends to decrease the average pension for an age cohort through time.⁸ The effect of factor (d), the correlation between longevity (or mortality) and income pushes in the opposite direction, since poorer pensioners tend to die younger.⁹ Factor (c), change in the household composition, could also have contributed to the changing relative income

⁸ As a rule, a widow’s (survivors) pension is 70% of the spouses’ pension. This pension right is not cumulative, i.e. it cannot be granted on top of an existing pension. For most widows, the survivors pension is greater than their own old-age pension.

⁹ Johnson and Stears (1998) review some of the more recent literature on differential mortality rates.

position of the elderly. While Table 4.5 seems to imply that there were no major structural shifts in the living arrangements of pensioners, a more definite answer could only be provided through a deeper analysis of non-pensioner households (i.e. households, which are not pensioner households). Namely, a sizeable share of pensioners (and elderly) live in these households, and the household composition of these households could have undergone a change in the observed ten-year period.

Table 6.4: Persons of a given age group, as % of all persons in an income decile, 1983 and 1993

Income deciles	1983				1993			
	Age group				Age group			
	50-59	60-69	70-79	80+	50-59	60-69	70-79	80+
1	12.6	13.0	13.7	4.5	9.5	15.3	10.3	4.9
2	12.1	14.3	9.2	3.3	9.7	12.0	8.4	4.0
3	13.6	10.0	6.6	2.2	11.0	11.2	6.6	2.7
4	11.0	7.6	6.8	2.0	10.5	9.7	5.1	1.4
5	12.1	6.5	5.0	1.2	12.1	8.7	4.7	1.5
6	10.9	6.1	3.7	1.2	11.2	11.2	4.9	1.8
7	12.8	7.4	2.8	0.9	13.9	10.2	3.1	1.9
8	13.7	4.4	3.7	0.9	15.2	9.8	4.1	1.6
9	14.2	5.4	3.0	0.7	11.3	8.0	2.5	1.5
10	19.7	6.7	1.8	1.1	14.7	6.8	2.7	0.5
All	13.3	8.1	5.6	1.8	11.9	10.3	5.2	2.2

Source: Household Expenditure Survey, 1983 and 1993; own calculations.

Note: Deciles are appointed by taking the whole population of persons, i.e. each decile comprises 10% of all persons.

6.2. Poverty incidence

For the analysis of poverty incidence in Slovenia, poverty lines were set at 0.4, 0.5, 0.6 and 0.7 of median equivalent household current monetary income. Poverty incidence is assessed for individuals using their household equivalent income.¹⁰ The results are presented in Table 6.5, which shows the four poverty incidence measures for the total population and various population subgroups – in particular pensioners and the elderly. Emphasis is on pensioners living in pensioner households – and different types of these households.

¹⁰ A fairly detailed analysis of poverty incidence, based on the 1993 HES, was performed by Žnidaršič (1995). Her results are though not comparable with ours, since she used the expenditure concept and the modified OECD equivalence scale.

Overall, in the period 1983-1993 there has been remarkably little change in the poverty incidence for the whole population – regardless of the chosen value of the poverty line. On the other hand, the poverty incidence for pensioners, as well as the subgroup of pensioners living in pensioner households, has decreased considerably in the ten-year period. This also holds true for persons aged 60 and over, though the decrease for this age group is somewhat less pronounced. Thus, in 1993 31.4% of all persons aged 60 and over lived in households whose equivalent household income was less than 0.7 median household equivalent income, whereas the comparable figure for 1983 is 38.2%. Also, this age group has certain gender characteristics, which we have already observed in Table 6.3; in 1993, 33.6% of all women of this age group lived in households with equivalent household income below 0.7 median equivalent household income; the comparable figure for men is 28.3%.

Table 6.5: Poverty incidence measures

Population	Percentage of population with equivalent household income below:							
	0.4 median		0.5 median		0.6 median		0.7 median	
	1983	1993	1983	1993	1983	1993	1983	1993
All persons	3.6	3.7	7.3	7.1	12.9	13.1	20.5	20.6
Pensioners	4.6	2.6	9.2	6.7	17.4	13.4	28.5	20.5
Pensioners in pensioner households	5.3	2.9	10.7	7.3	21.2	15.3	36.4	22.7
- single male pensioners	6.4	3.4	12.8	12.7	21.3	19.0	38.3	28.7
- single female pensioners	5.1	2.3	7.5	7.8	24.7	18.4	41.8	29.3
- in couple pensioner households	4.0	1.5	10.2	4.7	17.5	9.8	28.1	14.0
- in other pensioner households	8.4	6.6	15.2	11.2	25.3	22.8	48.1	31.8
All persons aged 60 and over	8.1	6.4	15.8	12.6	25.5	22.4	38.2	31.4
- men aged 60 and over	8.2	5.9	17.1	11.9	25.2	20.3	37.5	28.3
- women aged 60 and over	8.0	6.7	14.9	13.1	25.6	23.9	38.8	33.6

Sources: Household Expenditure Survey, 1983 and 1993; own calculations.

Table 6.5 also exhibits certain regularities: the ranking of poverty incidence for pensioners, with regard to the four types of pensioner households, is fairly stable through time. In 1983 and in 1993, pensioners living in couple pensioner households had – almost uniformly – the lowest poverty incidence; the only deviation is the poverty incidence in 1983 with the poverty line set at 0.5 median equivalent household income. For this threshold, the poverty incidence was 10.2%, whereas for single female pensioners it was 7.5%. The large decrease in the poverty incidence for couple pensioner households between 1983 and 1993 - larger than for other categories of pensioners (single female, single male) - can be explained by the increase in the average number of pension incomes for this group. Thus, in 1983 couple pensioner households had - on average - 1.48 pension incomes, compared to 1.77 in 1993. Pensioners living in “other pensioner households” also experienced a sharp decrease in

poverty incidence, and here also part of the explanation is provided by the increase in average number of pension incomes for this household type.

6.3. Income inequality

In section 6.1 income distribution by income deciles was presented and analysed in a qualitative manner. In Table 6.6 we present three aggregate measures of income inequality:

- the Gini coefficient,
- 90/10 percentile and
- 75/25 percentile.

In computing these measures, each member of a given population group or subgroup (all persons, pensioners, pensioners living in pensioner households, persons aged 60 and over) was taken with his/her household equivalent income.

Table 6.6: Income inequality measures

Population	Gini		90/10 percentiles		75/25 percentiles	
	1983	1993	1983	1993	1983	1993
All persons	0.2367	0.2747	2.94	3.32	1.74	1.82
Pensioners	0.2420	0.2405	3.01	3.00	1.80	1.76
Pensioners living in pensioner households	0.2357	0.2408	2.97	3.02	1.82	1.74
All persons aged 60 and over	0.2651	0.2633	3.42	3.40	1.83	1.89

Sources: Household Expenditure Survey, 1983 and 1993; own calculations.

Income inequality (as computed by the three measures) of the total population of Slovenia has increased considerably during the 1983-1993 period. To make matters worse, this happened in a period of falling real incomes.

On the other hand, there have been no marked changes in income inequality for the three observed subgroups (pensioners, pensioners living in pensioner households, persons aged 60 and over). This is not really surprising, since pensions have not displayed any shifts in distribution, i.e. the distribution of pensions has remained fairly stable in this ten-year period. It is true that in taking equivalent income for the relevant subgroups we are, of course, also introducing other income sources - but their relative importance for these subgroups is not as pronounced as that of pensions.

The income inequality measures tell a similar story to our decile analysis and poverty incidence measures. Thus, the category “all persons aged 60 and over” has a relatively high poverty incidence, regardless of the poverty measure (0.4, 0.5, 0.6 or 0.7 of median equivalent household income) and high values of all measures of income inequality – the Gini coefficient, the 75/25 and 90/10 percentile ratio. These high values appear to be stable in this ten-year period. Part of the explanation lies in the fact that this subgroup is very heterogeneous with regard to their income sources.

The large increase in the 90/10 percentile ratio, and comparatively more modest increase in the 75/25 percentile ratio for the category “all persons” is a vivid testimony to the fact, that the income distribution has undergone a large change at the very upper end. This is not surprising in view of the turbulent transition period in which very large income and wealth gains could be achieved by a smaller part of the population.

7. HOME OWNERSHIP, QUALITY OF HOUSING AND OWNERSHIP OF CONSUMER DURABLES

7.1. Home ownership

Slovenia has one of the highest levels of home ownership in Europe; in 1993 some 87.2% of all households owned an apartment or house, as seen in Table 7.1. It can also be observed from Table 7.1 that in 1983 home ownership in Slovenia was not really the domain of the wealthy, but more of those who could not obtain social rentals. They met their housing needs by taking up loans, or through family help, etc. The large increase in ownership levels in 1993, as compared to 1983, was mostly due to the Housing Act of 1991, which enabled the sale of the social housing stock in 1991-1993. The large winners were wealthier households that have obtained high-quality housing for a fraction of the market price.¹¹

¹¹ A detailed account of the sale of the social housing stock in Slovenia is provided in Stanovnik (1994).

Table 7.1: Tenure status of various households, by income deciles, 1983 and 1993

All households						
Income deciles	1983			1993		
	Owner of apartment	Owner of house	Tenant	Owner of apartment	Owner of house	Tenant
1	7.8	68.5	23.8	9.6	74.1	16.2
2	8.5	54.6	36.6	21.6	60.5	17.8
3	6.8	50.4	42.4	23.1	61.1	15.8
4	7.0	40.9	51.9	27.5	59.2	13.3
5	9.5	43.6	46.9	30.8	56.9	12.3
6	5.3	39.1	55.6	34.0	54.0	12.0
7	7.5	38.8	53.6	36.5	51.7	11.7
8	6.5	33.8	59.6	41.1	48.6	10.3
9	9.5	34.6	55.6	38.8	54.0	7.2
10	12.0	29.3	58.8	36.9	52.1	11.0
Total	8.0	43.4	48.5	30.0	57.2	12.8
Pensioner households						
Income deciles	1983			1993		
	Owner of apartment	Owner of house	Tenant	Owner of apartment	Owner of house	Tenant
1	8.7	61.1	30.2	13.5	74.1	12.4
2	10.1	40.2	49.2	24.6	54.0	21.4
3	9.6	37.6	52.0	26.1	52.6	21.3
4	7.1	29.3	63.6	21.8	62.4	15.7
5	16.1	32.1	51.8	28.1	51.6	20.3
6	6.3	35.9	57.8	41.6	45.6	12.8
7	10.3	36.8	52.9	40.2	47.2	12.6
8	13.6	22.7	63.6	48.2	43.2	8.5
9	20.0	37.8	42.2	42.2	49.1	8.7
10	9.7	38.7	51.6	36.8	56.3	6.9
Total	10.2	40.0	49.5	30.6	54.3	15.1
Non-pensioner households						
Income deciles	1983			1993		
	Owner of apartment	Owner of house	Tenant	Owner of apartment	Owner of house	Tenant
1	7.2	72.9	19.9	7.9	74.2	17.9
2	7.3	66.4	26.4	19.7	64.7	15.6
3	5.5	56.2	38.0	21.7	65.2	13.1
4	7.0	44.7	48.0	29.8	57.8	12.3
5	8.5	45.5	46.1	31.6	58.5	9.9
6	5.1	39.7	55.2	31.1	57.2	11.7
7	6.9	39.3	53.8	35.3	53.3	11.4
8	5.6	35.2	59.2	39.0	50.2	10.8
9	8.2	34.2	57.3	38.2	54.9	7.0
10	12.2	28.5	59.3	37.0	51.3	11.7
Total	7.4	44.3	48.2	29.8	58.3	12.0

Sources: Household Expenditure Survey, 1983 and 1993; own calculations.

7.2. Quality of housing and ownership of consumer durables

An important dimension of the economic well-being of pensioners is the quality of their housing and ownership of consumer durables. The comparison of ownership levels of three types of households, i.e. all households, pensioner households and non-pensioner households, is presented in Table 7.2

The selected indicators of housing quality are central heating, running water, sewage and telephone. It can be seen that the housing quality of pensioner households were not very different from the quality of housing of all households. A somewhat lower level of central heating for pensioner households may be due to the fact that houses owned by pensioners are, in average, older than those owned by others.

The rise in the ownership levels of consumer durables is a feature of all the three household types. A colour TV set has become pervasive, as well as a washing machine. Dishwasher ownership level is still low, and the much lower level for pensioner households can be explained by differing preferences and not by differences in household income (Table 7.3). Similarly, lower car ownership among pensioner households can be explained by the impact of age on the pensioners' ability to drive. The general conclusion is that pensioner households do not differ significantly in their ownership levels from non-pensioner households.

Table 7.2: Consumer durables ownership levels (in %), by household types, 1983 and 1993

Consumer Durables	All households		Pensioner households		Non-pensioner households	
	1983	1993	1983	1993	1983	1993
Central heating	48.0	70.9	40.0	63.0	50.2	73.7
Running water	95.5	97.7	96.0	98.0	95.3	97.7
Sewage	89.1	95.5	88.8	94.1	89.2	96.0
Telephone	34.7	68.2	33.5	63.1	35.0	70.0
Car	56.4	68.2	21.7	36.2	65.9	79.6
Colour TV	39.6	83.5	29.1	76.1	42.5	86.1
Washing machine	89.7	94.3	77.6	91.0	93.0	95.5
Dish washer	5.0	15.5	1.4	7.0	6.0	18.5

Sources: Household Expenditure Survey, 1983 and 1993; own calculations.

Table 7.3: Cars and dish washers ownership levels (in %), by household types and by income deciles, 1983 and 1993

All households				
Income deciles	Car		Dish washer	
	1983	1993	1983	1993
1	21.0	28.4	0.5	2.7
2	26.3	49.0	0.0	4.4
3	36.6	60.2	1.0	5.1
4	45.6	63.8	0.3	7.0
5	56.6	70.6	3.3	11.6
6	64.9	74.8	3.0	14.3
7	70.7	76.3	5.8	15.1
8	74.2	83.3	9.5	22.5
9	80.7	86.8	11.0	29.5
10	87.5	89.2	16.0	42.8
Total	56.4	68.2	5.0	15.5
Pensioner households				
Income deciles	Car		Dish washer	
	1983	1993	1983	1993
1	6.7	5.7	0.0	2.0
2	9.5	15.7	0.0	2.0
3	14.4	28.4	0.8	2.7
4	16.2	30.0	0.0	2.6
5	16.1	36.5	1.8	4.9
6	31.3	47.6	0.0	7.5
7	38.2	46.8	4.4	7.6
8	45.5	63.0	2.3	17.7
9	62.2	66.8	4.4	16.3
10	74.2	68.5	12.9	23.9
Total	21.7	36.2	1.4	7.0
Non-pensioner households				
Income deciles	Car		Dish washer	
	1983	1993	1983	1993
1	29.5	38.5	0.8	3.0
2	40.0	70.2	0.0	5.9
3	46.7	75.8	1.1	6.3
4	55.3	77.9	0.3	8.8
5	63.3	81.2	3.5	13.7
6	71.3	85.2	3.6	16.9
7	77.3	86.3	6.0	17.6
8	77.7	89.2	10.4	23.8
9	83.1	90.6	11.9	32.0
10	88.6	92.8	16.3	46.2
Total	65.9	79.6	6.0	18.5

Sources: Household Expenditure Survey, 1983 and 1993; own calculations.

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APPENDIX

Table A: Pensioners, pensioners in pensioner households and persons aged 60 and over, by income deciles, 1983 and 1993

Income deciles	1983			1993		
	Pensioners	Pensioners in pensioner households	Persons aged 60 and over	Pensioners	Pensioners in pensioner households	Persons aged 60 and over
1	13.0	15.7	20.0	9.7	11.0	17.2
2	14.5	19.2	17.2	10.4	11.5	13.8
3	11.4	12.8	12.1	11.4	12.4	11.6
4	11.3	12.1	10.5	9.8	10.3	9.2
5	8.1	6.3	8.1	9.8	9.2	8.5
6	9.1	7.3	7.0	10.9	10.7	10.0
7	8.8	8.6	7.2	11.2	11.4	8.6
8	7.9	6.3	5.8	11.5	10.2	8.7
9	8.0	6.9	5.8	8.2	6.8	6.8
10	7.9	4.8	6.1	7.2	6.5	5.6
Total	100.0	100.0	100.0	100.0	100.0	100.0

Sources: Household Expenditure Survey, 1983 and 1993; own calculations.