

**WHAT IF THE GOVERNMENT DOES NOT VALORIZE PENSIONS?
PRELIMINARY ESTIMATES OF IMPACTS ON RELATIVE POVERTY
OF PENSIONERS IN THE CZECH REPUBLIC**

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Abstract

The meeting of economic ministers that took place on February 27, 2012 considered steps to reduce the state budget deficit. It has been announced that: "... with regards to expenses reduction changes in valorization of pensions are considered, including the proposal to temporarily freeze pensions for two or three years." Admittedly, proposals of this kind should always be accompanied by an impact assessment for relevant groups of people, however, they seldom do. The purpose of this study is to do that. The study quantifies the impact of lower pension valorization on the relative poverty rate of elder population. Even temporary reduction of the pension valorization rate could, in some pensioners' households, result in a substantial growth of relative poverty. The estimates are based on data from the Czech Statistical Office SILC survey. The impacts of lower pension valorization vary distinctively according to different types of pensioners' households. The study predicts that in the mean scenario, the ratio of people living below relative poverty level in households where at least one member is over 61 and receives a pension, will increase from today's 3.6 to 5 percent. For pensioners over the age of 64 and living alone, and primarily in the case of women, a more significant increase can be expected from 13 to 20.8 percent. The impact of lower pension valorization would be noticeably less acute in the case of pensioners living together, those with additional income or those living in households with more members. Even if the pension valorization measures under consideration were to be implemented, the Czech Republic would still be one of the countries with the lowest relative poverty rate amongst its elder population.

[Download](#) the complete study (in Czech only).

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