

Social and Labor Market Inclusion of Older Persons

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- In spite of the positive evolutions seen in Romania over the last 10 years in point of social inclusion of older people, the rate of elderly persons exposed to the risk or poverty or experiencing severe economic deprivation remains one of the highest in the European Union. The overall positive trends in Romania actually camouflage the substantial gaps existing among various categories of older people, depending on their employment status.
- As a whole, the situation of retired people has seen the most significant improvement since 2007. However, one quarter of the total number of retired people receive pensions that are below the poverty threshold (as calculated by the National Institute of Statistics - NIS), and there are categories of retired persons threatened by extreme social vulnerability.
- The rate of older wage earners exposed to the risk of poverty has sensibly dropped over the last 5 years and is now close to the European average. For non-wage-earners - self-employed and unpaid household workers -, the tendency was either of stagnation, or of growth in poverty. This stresses the fact that employment in Romania does not guarantee a decent life or exiting social exclusion.
- The low quality of employment in Romania, for older persons, in particular, may be a possible reason for retirement. Most of the older people work in agriculture or are unpaid household workers and their economic situation is even poorer than that of retired persons.
- Increasing the rate of employment of older people is not sufficient to improve their social and economic status, if the quality of employment is not improved by shifting the emphasis from unpaid household work or self-employment in agriculture to wage-earning jobs.



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Introduction

According to the last Romanian census in 2011, the persons aged 65 and over represent 16.1% of total population¹. A Presidential Committee report estimates that the five million persons aged 65 and over will represent, at the middle of the century, 30% of the country's population, i.e. third times more than in the early 1990s (Presidential Administration, 2009).

Aging is usually associated with a decline in activity or with entering inactivity, with higher dependency on healthcare and social services and often with a more precarious economic situation. This has economic implications, as well as an impact on the organization and functioning of society.

This paper is intended as a brief overview of the situation of older persons in Romania. The following analysis will focus on the economic and social inclusion status of older persons, as well as on the access of the elderly to the labor market.

1. Social inclusion of older persons

In spite of a public discourse that describes the older and retired persons as the most vulnerable category in society, the situation of older people in Romania is not the worst when compared to other age groups. The rates of poverty or social exclusion among older people are lower compared to other disadvantaged groups. Unlike young people up to the age of 25 or often unlike the majority of the population, seniors enjoy slightly better living standards. However, this does not mean that poverty is not an issue for older people: on the contrary, the share of older persons in the poor population is rather large, as a result of the great number of retired people whose income is low and very low (National Council of Older Persons, 2013).

Moreover, the wider category of older people includes subcategories that require special attention, as they are particularly vulnerable and exposed to the risk of social exclusion. For instance, older women are affected by poverty to a greater extent than men: in 2013, 38.8% of the men aged over 65 were threatened by poverty or social exclusion, com-

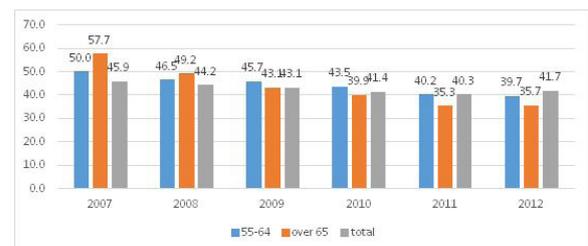
pared to 39% of women. The risk of poverty and social exclusion is higher for single older persons, with one of three people in this age category being exposed².

1.1 Positive, but insufficient progress

Compared to other countries in the European Union, the situation of seniors in Romania is one of the most precarious: Romania is at the bottom of the rankings, below Bulgaria and Lithuania, in point of poverty and social exclusion of older persons. The rate of people exposed to poverty is twice the European mean (18% for people above the age of 65 in 2013, according to Eurostat). Nevertheless, the situation of older people in Romania has significantly improved in the last 5 years.

While before 2009 the proportion of older people threatened by poverty was higher than the national average, this trend has been gradually reversed since 2009. The most significant improvement can be seen in the age group over 65, with a decline in the risk of poverty from 65% in 2007 to 35% in 2013! The median income of the persons aged over 65 has dramatically increased since 2008, from 75% in 2007 to 1.04% of the median income of the population in the 0-64 age group.

Chart 1. Persons exposed to the risk of poverty, %, by age group.



Source: Eurostat

The same positive trend is also indicated by the evolution of the rate of older persons affected by severe economic deprivation. From 2007 to 2013, the percentage of people aged over 55 affected by severe economic deprivation dropped from 42.9% to 27.3% and from 48.9% to 27.5% for those aged over 65.

1. http://economie.hotnews.ro/stiri-finante_banci-15122357-recensamantul-populatiei.htm

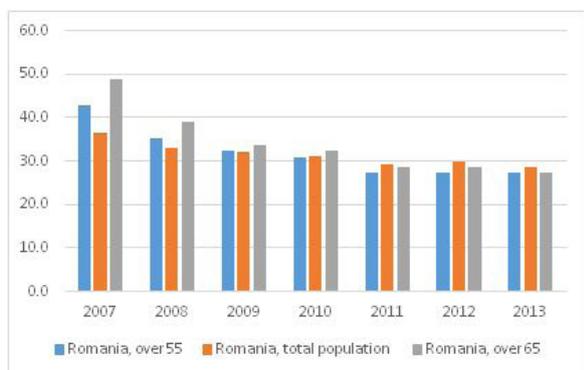
2. http://economie.hotnews.ro/stiri-finante_banci-13620098-analiza-imbatranierea-romaniei-cateva-date-grafice-cifre.htm

This decline is more dramatic than in the total population, where it was only 8% (compared to 16% for people aged over 55 and 20% for those aged over 65). This trend is also contrary to the average figures in EU, where the rate of people aged over 55 suffering from severe economic deprivation either saw an insignificant contraction (in EU 27, from 8.4% in 2007 to 8.1% in 2012 for the age category 55+ and from 8.6% to 6.9% for 65+), or rose (in EU 15, from 3.8% to 5.2% for 55+ and from 3.8% to 4.4% for 65+).

It should be mentioned, though, that the rate of people aged over 55 affected by severe economic deprivation dramatically declined in many Eastern and Central European countries from 2007 to 2013: from 64 to 49% in Bulgaria, from 23% to 14% in Poland and from 15% to 10% in Slovakia.

Just as in the case of the risk of poverty and social exclusion, in spite of a positive evolution, Romania ranks second in EU in point of rate of older people affected by severe economic deprivation, outranked only by Bulgaria and, recently, by Latvia.

Chart 2. Rate of people affected by severe economic deprivation in Romania

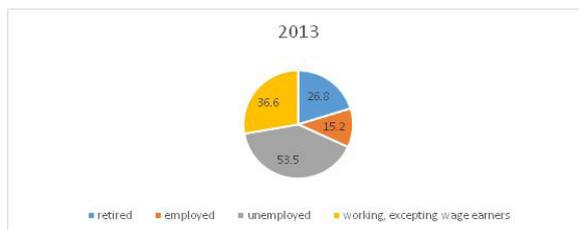


Source: Eurostat

The category of persons aged over 55 includes employed people, as well as retired and, of course, unemployed persons. We need to distinguish between various categories, as their situation in point of severe economic deprivation differs considerably and the factors that led to an improvement in the economic and social status (where applicable) vary for retired, unemployed or working people.

The chart below shows the distribution by employment status of the persons aged over 55 suffering from severe economic deprivation:

Chart 3: Rate of persons aged over 55 affected by severe economic deprivation, depending on employment status



Source: Eurostat

It is obvious that the wage-earning people aged over 55 are the least affected by severe economic deprivation, closely followed by retired people. The rate of wage earners aged over 55 suffering from severe economic deprivation is almost twice lower than the national average, while the retired people aged over 55 are slightly below the average (26.8%, compared to 28.5% of total population).

Things are much worse for non-wage-earning workers (an issue that we will further discuss in the following sections) and extremely serious for the unemployed.

This very diverse situation within the category of working persons highlights not only the precariousness of employment in Romania, but the fact that not any kind of employment automatically leads people out of poverty and towards a decent living. It also shows that retirement results in better living standards than employment for people who are self-employed or unpaid household workers.



1.2. Measures to reduce poverty among retired people

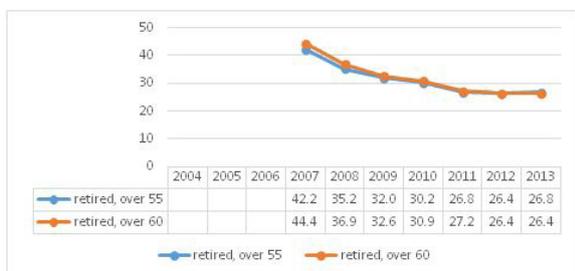
Eurostat data indicates that the rate of people aged over 55 suffering from severe economic deprivation declined from 42.2% in 2007 to 26.8% in 2013, while the rate of retired persons exposed to poverty and social exclusion dropped from 53.7% in 2007 to 36.1% in 2013. The retired people aged over 55 are by far the occupational category that saw the most dramatic improvement of social indicators: the decline in the rate of poverty and in the rate of persons affected by severe economic deprivation exceeded 15% from 2007 to 2013. Comparatively, these rates decreased by around 5-7% for the employees aged 55+, while for the non-wage-earning workers they either remained unchanged (for 55+) or worsened (for 60+).

Chart 4. Evolution of the poverty and social exclusion rate of people aged over 55 and over 60 who are retired



Source: Eurostat

Chart 5. Evolution of the rate of retired people aged over 55 and over 60 affected by severe economic deprivation

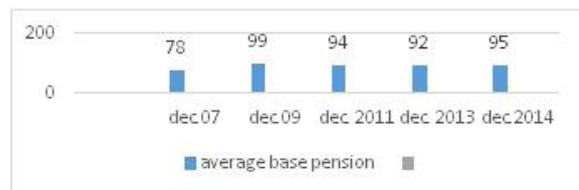


Source: Eurostat

This improvement in the situation of retired people was made possible by the substantial rise of the average pension in 2007-2009 and by the introduction of the guaranteed minimum pension in 2009 (by Emergency Ordinance of the Government No. 6/2009). The average pension doubled from 2007 to 2009, at the expense of turning the surplus of the pension system budget into a deficit of 13 billion in 2011 (Zaman, 2013).

The positive social impact, though, is unquestionable. According to NIS data, the total number of persons benefiting from the introduction of the guaranteed minimum social pension in Q1 2014 was 482,200, including 359,800 in the public pension system (77% of the total retired people in this category) and 122,400 from the former pension system for agricultural workers (23% of their total number) (Andanut, 2009). The improvement also led to an increase in the purchase power of retired people, even though in 2010-2012 pensions were indexed and saw some small downward variations compared to 2009. The figures below show the evolution of the purchase power of the average pension and of the normal age retirement pension compared to October 2009. The average pension/net average wage replacement rate also had a positive trend: from 41% in 2007 to 46% in 2013.

Chart 6. Evolution of the pension purchase power compared to October 2009



Source: CNPV

Nevertheless, Romania has one of the lowest public pension levels in EU and one of the lowest replacement rates (wage/pension ratio) (Andanut, 2009). In addition to that, we should mention that all the figures above (pension/wage ratio, evolution of purchase power) refer to the average pension, which is calculated taking into account both very low pensions and high (so-called "luxury") pensions. The data concerning the distribution of pension income and the classification of retired people by income level show that many retired persons are exposed to the risk of poverty and are in vulnerable

categories. In 2009, 81% of the total retired people (3.9 million) had monthly pensions lower than RON 1,000 and only 44,000 of them (0.9%) received monthly retirement benefits higher than RON 2,000 (Andanut, 2009). This distribution points to a very high degree of income polarization, which, in practice, means a level of precariousness and poverty of the vast majority of retired people that the average statistical figures presented above can account for only in part.

1.3. Vulnerable categories of pensioners

The reference to average statistical figures camouflages the existence of certain categories of retired people highly threatened by poverty or social exclusion. In 1997, the pensions of 29% of the retired population (1,345,000 people) were below the poverty threshold. According to calculations made by the National Council of Older Persons, in September 2014, 25% of the retired persons, that is, 1,329,000 people, had pensions below the value of the monthly consumer basket (RON 444)³ and around 40% (2 million people) below the minimum level of subsistence (RON 587)⁴.

Those receiving normal retirement pensions are, as percentage, the least affected, although, in absolute terms, they form the vast majority of retired people experiencing poverty. The persons receiving disability pensions, early retirement pensions with incomplete service periods and survivor's pensions that are below the value of the daily consumer basket or below the minimum level of subsistence are, as percentage, twice the average.

3. Value of the monthly consumer basket for a single retired person (total value for the entire country) calculated based on the prices in June 2014, as reported by the National Institute of Statistics. Minimum level of subsistence and minimum level of decent living (total values for the entire country) for a single retired person, calculated based on the prices in September 2014, as reported by the National Institute of Statistics.

4. Minimum level of subsistence and minimum level of decent living (total values for the entire country) for a single retired person, calculated based on the prices in September 2014, as reported by the National Institute of Statistics.

Table 1: Classification of retired people in the public social pension system and in the pension system for agricultural workers, by pension level and by category in September 2014

		Below the value of the monthly consumer basket: RON 444	Below the minimum level of subsistence: RON 587
Total persons insured	5.187.686	1.329.340 25,62%	2.054.102 39,60%
Normal retirement pension	3.799.605	751.510 19,78%	1.162.230 30,59%
Early retirement pension	19.789	203 1,03%	694 3,51%
Partial early retirement pension	93.555	23.05 25,02%	47.609 50,89%
Disability pension	699.050	186.748 26,71%	379.050 54,22%
Survivor's pension	575.026	366.813/ 63,79%	463.858 80,67%
Welfare payments	661	661 100%	661 100%

Source: CNVP

A particularly serious situation in point of social inclusion is that of retired farmers - former members of the agricultural production cooperatives before 1989. Their number has decreased to one third over the last 15 years as a result of death generating exits from the system, without any new entries. In September 2014, the number of retired farmers was half a million, compared to 1.7 million in 2000 and 852,000 in 2008 (Presidential Administration, 2009). Although farmers' pensions have risen in the last few years, 98% of retired farmers have pensions below the minimum level of subsistence.



Table 2. Retired farmers by pension category

Total retired farmers	502.39
Retired farmers with pensions below the value of the monthly consumer basket (RON 444)	428.731 (85,26%)
Retired farmers with pensions below the minimum level of subsistence (RON 587)	493.068 (98.06%)

Source: CNVP

The social exclusion of older people has a significant gender component, too. According to Eurostat, among retired people aged over 65, the rate of persons exposed to the risk of poverty in 2013 was 8.5% for men and 17.1% (double) for women.

Most probably, this difference is caused by the lower wages paid to women, with an impact on the level of pensions, as well as by the fact that women retire earlier and, as a consequence, their pensions are proportionally lower.

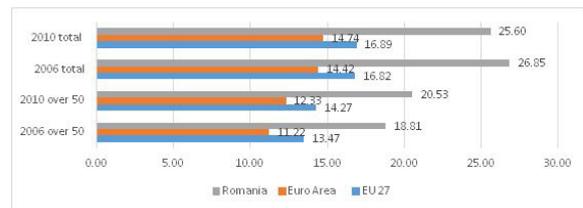
1.4. Poverty and social exclusion of older people who are active in the labor market

As we have already pointed out, the situation of older people who are not retired differs very much, depending on their employment status. Quite predictably, the unemployed are in the worst position. However, even working does not provide protection against poverty or financial difficulties: the situation of wage earners is very different from and far better than that of non-wage-earning workers (self-employed and unpaid household workers).

Statistics show that, when earning a wage - which is the case of less than one quarter of the population aged 55 to 64 - older people do not differ in income from the general population or are even better positioned. The median hourly earnings of persons aged over 50 amounted to EUR 2.26/hour in 2010, higher than the national median income (EUR 1.66), the income of employees aged 30 to 49 (EUR 1.95) and the earnings of employees below the age of 30 (EUR 1.70). Moreover, the percentage of persons with low wages aged over 50 is below a national average raised by the low salaries earned

by young people at the beginning of their careers. However, the fact that the rate of low-income persons aged over 50 is on the rise is a matter of concern: in 2010, it was 2% higher than in 2006, while the national overall tendency was a slight decline in the percentage of low earners.

Chart 7: Low earners aged over 50, %, in Romania, EU 27 and the Euro Area.



Source: Eurostat

The huge gap between the social and economic status of older wage earners and that of older non-wage-earning workers is reflected by the major variations in the situation of those affected by severe economic deprivation, depending on their employment status. The differences between wage earners and non-wage earners affected by severe economic deprivation go as far as to double, and for people aged over 60, the percentage of non-wage earners experiencing severe economic deprivation is as much as four times higher than that of wage earners. This highlights the importance of having a wage-earning job in overcoming the risk of poverty and social exclusion.

Chart 8: Rate of older people affected by severe economic deprivation, by age and employment status

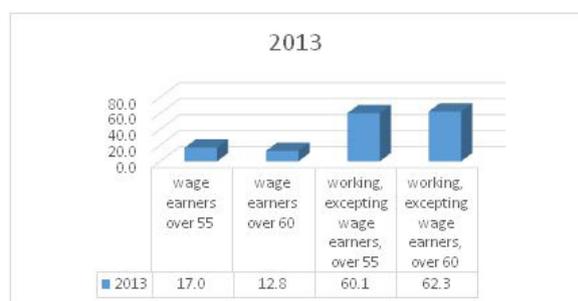


Source: Eurostat

The same is also evident in the poverty and social exclusion index, with the situation of wage earners differing radically from that of non-wage earners. The rate of non-wage-earning workers exposed to poverty and social exclusion is three or almost four times higher than that of wage earners.

Moreover, while there was an improvement in the situation of employees from 2009 to 2013, as shown by Eurostat figures, with a decline from 21.2% to 17% in the rate of social exclusion of wage earners aged over 55, the rate remained constant (60%) for non-wage-earning workers aged over 55 and rose rather significantly for those aged over 60, from 54.7% to 62.3%. In other words, the problem of poverty affecting non-wage-earning workers aged over 55 and, in particular, over 60, persists, as the economic growth in recent years failed to eliminate or mitigate it. On the contrary, it seems to become increasingly serious, pointing at the need for specific policies and measures targeting this category of population.

Chart 9. Rate of older persons exposed to poverty and social exclusion, by age and employment status



Source: Eurostat

This precarious employment status, strongly linked to the high levels of poverty, might explain the strong inclination of the persons aged over 50-55 towards early retirement or retirement with an incomplete period of service. The share of persons retiring early or with an incomplete service period was around 40% in 2009. Studies indicate an actual retirement age that is 7.5 years below the statutory age for women and 3.4 years for men, while in the OECD states, on average, the actual retirement

age is very close to the statutory one⁵. The figures show that it is perfectly plausible for the early retirement reasons to be related to the difficult social and economic situation of older non-wage-earning workers, considering that, as we have already explained, older people above the age of 55 who are retired enjoy a far better situation compared to non-wage-earning self-employed or household workers.

Moreover, when considering the early and incomplete service retirement expectancy, we should also take into account the health of the population, specifically, the healthy life years indicator, which is 57.8 years for women and 57.7 years for men (in 2012, according to Eurostat data), much below the average levels in EU 28 (61.9 and 61.3, respectively).

A detailed analysis of the position of older people in the labor market is required in order to better understand the situation.

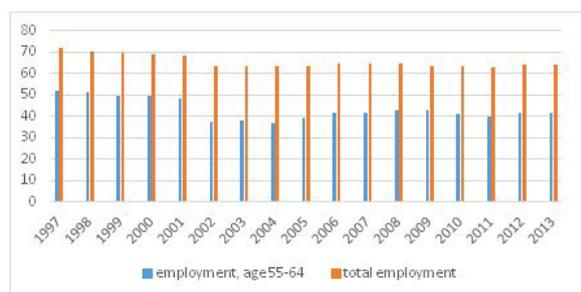
2. Access of older persons to the labor market

2.1. Older population - an employment rate that is too low and dropping

The employment rate of older persons is very low. Romania is 10% below the European mean, with a level close to the countries in Southern Europe, but very far from developed states like UK, Germany or Sweden. Furthermore, in spite of some small annual variations, there is a general tendency of decline in the employment of this segment of population: the rate of employment of older persons was 52% in 1997 and 41% in 2013. This trend is contrary to the one seen in other EU states, where the employment rate rose from 36% in 1997 to 50% in 2013. Studies show that, in Romania, the less skilled population starts declining in the rate of employment as early as at the age of 55 and it is estimated that this will not change at least for another 15 years (World Bank, 2014).

5. <http://cursdeguvernare.ro/pensionarea-romaneasca-o-comparatie-pe-ultimele-date-cu-europa-si-cu-lumea-nicaieri-ca-lanoi.html>

Chart 10. Employment rate, countrywide and among older people (aged 55-64)



Source: Eurostat

Although, in absolute figures, the number of employed older people has increased by more than 300,000 over the last 10 years, the rise in the rate of employment of older persons is rather marginal (from 36.9% in 2004 to 41.5 in 2013). The total number of employed persons in Romania was relative stable in this period, while the number of young employees (aged 15-24) plummeted from 993,000 in 2004 to 604,000 in 2013. This indicates that, as a matter of fact, the increase in the number of employed older persons is not a consequence of wider access to the labor market for this age group, but of the aging of population.

Table 3. Evolution of employment of older persons from 2004 to 2013

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total employed 55-64	796.6	869.7	946.2	963.0	1,035.9	1,052.2	1,051.5	1,063.5	1,128.3	1,153.1

Source: Eurostat

Paradoxically, in spite of the low employment rate in the 55-64 age segment, the unemployment rate in the same age group is very low - almost half of the national average (3.5% compared to 6.7% in Q2 2014). This also applies to the age segment 45-49 - 4.8%. In fact, the segment of older persons replicates a countrywide tendency: Romania has an employment rate below the European average and, at the same time, one of the lowest unemployment rates in EU.

A possible explanation is the inclusion in the employed category of people engaged in unpaid household work or farming: this method reduces the unemployment rate, while artificially raising the

employment figures. However, apart from making the statistics look better, it does not solve the critical social problems affecting older people or the general population.

This is why analyzing the structure and quality of employment of older people is more important than looking at the employment rate. A brief review of the statistics shows that we have too few wage earners and too many self-employed or unpaid home workers.

Another problem is the high rate of older persons working in agriculture - which is, in most cases, subsistence agriculture. All these employment characteristics negatively influence the quality of living of older people, with an impact on their social inclusion and, most probably, with a great weight in the decision to retire, thus encouraging inactivity.

2.2. Working older people in the labor market - too few wage earners

Out of some over a million working people aged 55 to 64, slightly more than a half are wage earners. The other half are either unpaid household workers or self-employed.

Although, as we have shown above, the countrywide rate of employment of older persons has been relatively constant over the last 10 years, with only a marginal increase, the structure of employment has seen a significant improvement: the number of wage earners almost doubled from 2004 to 2013, while the number of non-wage-earning workers remained constant. Yet, this increase is most probably not only a consequence of wider access to the labor market for older persons, but a result of the population aging process, with significant cohorts of wage earners exceeding the age of 55. This demographic evolution consisting in the aging of the wage-earning population might explain to some extent the decline in the rate of persons aged 55

to 64 experiencing severe economic deprivation (from 42.9% in 2007 to 27.3% in 2013) or exposed to the risk of poverty and social exclusion (from 50% in 2007 to 35% in 2013). In fact, it is very possible that, in the case of older people who are not retired, the decrease in poverty be partly explained by the aging of the wage-earning population, which is inherently less exposed to the risk of poverty.

Table 4: Evolution of the employment structure of older persons (aged 55 to 64)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Wage earners 55-64	253.3	312.5	404.5	402.6	463.6	493.4	497.7	534.0	580.4	619.5
Non-wage-earning workers	543.3	557.2	541.9	560.4	572.3	558.8	553.8	529.6	547.9	533.7

Source: Eurostat

However, considering the total older population (both active and inactive), the number of wage earners is disproportionately low. In order to get an accurate picture of the wage-earning older population, we need to stress that, in 2013, according to Eurostat, out of the total 1,153,000 working population (aged 55 to 64) and 1,583,500 inactive population (aged 55 to 64), only 619,500 were wage earners.

This means less than a third of the total working population and less than a third of the total active and inactive older population. The number of non-wage-earning workers in 2013 was 533,700, including 370,300 self-employed and 163,000 unpaid household workers. It is worth mentioning that, of the self-employed workers, 118,100, i.e. almost one third, work part time.

2.3. Working older people in the labor market - too many working in agriculture

The highest concentration of older workers is in agriculture: over 500,000, i.e. almost a half of the total older workers. Of the total older persons (aged 55 to 64) who are self-employed, more than two thirds work in agriculture.

In fact, older population is overrepresented in the category of self-employed workers in agriculture,

when compared to other age groups: as we have already shown, two thirds of the self-employed workers aged 55 to 64 work in agriculture, while the rate is 50% for the age group 25-49 and 30% for the general population. As agriculture in Romania usually means subsistence agriculture, one can assume that these persons, although formally employed, are actually engaged in an activity with extremely low productivity levels, associated with very low living standards.

The structure of employment, with a massive concentration in agriculture, indicates that the Romanian labor market has major drawbacks in point of integration of the population aged over 55.

An NIS study concluded that the overwhelming majority (97.0%) of retired people who continued to work after retirement worked in agriculture as self-employed or unpaid household workers (98.5%) (National Council of Older Persons, 2014). The main reason (for 90.5% of them) is the need to earn sufficient money to support a household.

Table 5: Older persons working in agriculture

Total persons aged 55 to 64 working in agriculture	537.900
Total persons aged 55 to 64 who are self-employed...	374.000
... of which in agriculture	286.200

Source: Eurostat, data for 2013/2014

2.4. Inactivity of older persons

Romania has one of the highest rates of inactivity in the population aged 55 to 64: 55%, compared to the European mean of 44% and the national mean of 34% (Eurostat, Q2 2014). Studies indicate a significant decline in the number of persons employed

around the age of 50-54, at which 20% of women and 17% of men are already retired, mostly through disability programs.

In the age range of 55 to 59, there are already 2.5 retired women for each employed one. Likewise, in the age range of 60 to 64, there are already 4.5 retired men for each employed one.

Of the approx. 1,500,000 total inactive older persons, only 100,000 are willing to work (Eurostat). The remaining 1,400,000 inactive persons aged 55 to 64 declare that they do not wish to work/to have continued working (Eurostat). The rate of retired persons aged 50 to 69 willing to continue working is one of the lowest in Europe: 18% compared to the EU average of 28% in 2012 (but similar or even higher than in other countries in the area: 17% in Hungary, 10% in Lithuania or 7% in Poland). Actually, once a person reaches an age that is eligible for retirement in Romania, that person will cease working, either voluntarily or on employer's request, and claim his/her right to pension⁶. In 2006, 81.8% of the persons who retired at normal age or earlier did it because they reached the retirement age / preferred to stop working.

The reasons may have something to do with the low quality of employment, which acts an accelerator of the decision to retire, but also with certain cultural factors, e.g. the family organization model, the role of grandparents in raising grandchildren, etc.

In any case, the conclusion is that older population is a poorly used resource, which will make it very difficult or even impossible to achieve the employment rate target of 70% (Europe 2020 strategy)⁷. The low rate of employment of older persons has multiple implications: first, it has an impact on the living standard of the age group concerned, resulting in poverty, social exclusion and economic deprivation. Second, there is an impact on the economy and on public budgets, considering the small number of employees and the increasing retirement

benefits.

So far, in Romania, the main directions of the public policy actions targeting the low employment rate have been related to granting incentives and assistance for employing older persons, on one hand, and, on the other hand, to raising the retirement age and tightening the requirements for early retirement. Thus, the retirement age will be increased to 65 for men and 60 for women by January 2015. Then, the retirement age for women will be raised to 63 by 2030. An increase of the retirement age above 65 was also discussed⁸.

We consider that the measures to raise the retirement age should take into account some particular characteristics of Romania's background, such as the health of older population: the healthy life years (HLY) indicator is very low in Romania and one of the lowest in EU (57 years, compared to the European average of 61). Moreover, at the age of 65, HLY is 5.1 for women and 5.9 for men (Eurostat, 2011), which means almost half of the European average (8.5 and 8.4, respectively) and three times lower than in countries like Sweden, Norway or Denmark. Another particularity that should not be ignored is the life expectancy at birth, which, like in Bulgaria, is one of the lowest in EU.

Finally, when devising retirement policies, special attention should be paid to the structure and quality of employment - Romania has a high concentration of employment (60%) in the primary sector (agriculture) and in the secondary sector (industry, construction, mining), much above the European (EU 27) mean of 30%⁹. The employment in the primary and secondary sectors usually involves manual and hard labor, which becomes difficult after a certain age, particularly in a precarious health condition.

6. This "preference" for retirement does not apply to all categories of employees. In some cases, retirement is a statutory obligation. E.g.: for teachers, according to art. 284 of Law No. 1/2011 on national education. Retirement is no longer just a right, but also an obligation. Only if an employer wants to keep a good employee, the employee may receive a pension, while continuing to work.

7. http://media.hotnews.ro/media_server1/document-2013-08-26-15448686-0-anexa1-strategie-anexe-xii.pdf

8. <http://www.romanialibera.ro/economie/finante-personale/creste-din-nou-varsta-de-pensionare--vom-munci-pest-65-de-ani-310951>

9. ec.europa.eu/agriculture/statistics/rural.../2011/summary_tables_en.xls

Conclusion

In spite of the positive evolutions in Romania over the last 10 years in respect of social inclusion of the elderly, the rate of older people exposed to the risk or poverty or experiencing severe economic deprivation remains one of the highest in the European Union. The overall positive trends in Romania actually camouflage the substantial gaps existing among various categories of older people, depending on their employment status.

As a whole, the situation of retired people has seen the most significant improvement since 2007. The purchase power of pensions has increased together with the average pension/average wage replacement rate, while the percentage of retired persons threatened by poverty or affected by economic deprivation has declined considerably. Despite this positive evolution, public pensions in Romania are among the lowest in EU and so is the average pension/average wage ratio. The most vulnerable categories of retired people are the retired farmers, the persons who retired early or with an incomplete service period, as well as those who, although retiring at normal age, receive pensions that are below the value of the monthly consumer basket. The situation of retired people has been improved at the expense of a pension system exposed to the risk of unsustainability. Solutions need to be identified to grow sustainability, mainly by improving tax collection and by raising the employment rate, while providing higher-quality jobs.

Nevertheless, the social and economic situation of retired older people is much better than that of older non-wage-earners who are self-employed or unpaid household workers. The bad thing is that, while the status of retired people has seen a positive evolution in recent years, the situation of non-wage earners and household workers threatened by poverty and social exclusion either remained unchanged or has even worsened for certain age groups.

This stresses the fact that employment in Romania does not guarantee a decent life or exiting social exclusion. At the same time, the inclination to early retirement - either before or immediately after reaching the retirement age - might be largely due to the precarious working conditions and poor quality of employment in Romania.

In spite of the wages in Romania being notoriously among the lowest in the European Union, being a wage earner increases the chances of overcoming poverty. Not only that the rate of older wage earners exposed to the risk of poverty has improved considerably over the last 5 years, but it is now close to the European average. The same positive trend has been also seen in the wage earners affected by severe economic deprivation, although Romania continues to be among the lowest-ranking countries in EU in this respect. The conclusion is that we should not seek just a higher employment rate, but rather a change in the employment structure in the sense of creating more wage-earning jobs accessible to older people, as well as to other categories.

It should be emphasized in this respect that the number of older wage earners compared to that of non-wage-earning older workers (self-employed and unpaid household workers) has sensibly increased over the last 10 years, doubling from 2004 to 2013. At the same time, the number of unpaid household workers and non-wage-earning workers remained constant. These evolutions emerged against the backdrop of a constant rate of employment of older persons, which leads us to the conclusion that this increase in the number of older people who are wage earners might be the consequence of population aging, with cohorts of employees exceeding the threshold age of 55 every year. In any case, this positive evolution of the number of wage earners is most probably responsible for the overall decline in the rate of poverty and severe economic deprivation among the older people who are active in the labor market, as it has been demonstrated that wage earners are in a better position in this respect.

Even though the number of employees has expanded in the last few years, the structure of employment of older people remains problematic. A great proportion of older people are still self-employed or non-wage-earning workers, while the concentration of older persons in agriculture is very high. This is why one of the prevailing goals should be not only to raise the employment rate, but to change the structure of employment by shifting the emphasis from unpaid household work or self-employment in agriculture to wage-earning jobs. This will have a positive impact, both socially, by improving the living standards of older people, and economically, by expanding the public revenue base.



Finally, the policies aimed at increasing the employment rate by raising the retirement age are risky and inadequate in the current context. Any rise in the retirement age should consider the fact that Romania has an aging population in poor health, with a low life expectancy and with jobs that involve manual labor and hard work. Consequently, the efforts to grow the employment rate should target the 55-60 age group rather than older groups. This segment should be maintained and integrated in the labor market by improving the attractiveness of the opportunities and benefits associated to employment.

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