

Paradoxes of the Pension Reform in Belarus

On 25 March 2016, president Lukashenka confirmed his support for the gradual 3 year increase of the retirement age, currently at 55 years for women and 60 years for men.

The government had been discussing the pension reform in the previous years, but the president dismissed it as “untimely.” Now, with the presidential elections in the past, Lukashenka is determined to proceed with the unpopular measures.

Surprisingly, along with the reactions from the Belarusians, the Russian ambassador to Belarus, Aleksandr Surikov felt the need to make a statement on the Belarusian pension reform. On 31 March, he hinted that people might start looking for jobs and better retirement options elsewhere. Obviously, he implied migration to Russia, which along with Belarus, currently is leading the list of countries with the [lowest retirement age](#).

By contrast, global trends reveal that the retirement age in most countries of the world lies between 60 and 65 years. Demographic challenges might move it even beyond 65 years, as the debates in the U.S., France, and Spain indicate.

Scenarios of the pension reform

Currently, [rapid ageing](#) places the Belarusian economy under pressure. The ratio of retired people to the working population already lies at 61 to 100. Increasing the retirement age appears to be the easiest solution in this situation. Alternatively, the state could lower already negligible pension payments or reform the entire social

security system. Finally, Belarus could open up for migration, but this solution is even less likely to appeal to the government and the population.

In 2016, the Belarusian government hurried to draft the pension reform, to take effect in January 2017. Three basic scenarios emerged. In the first, the Minister of Social Security, Mariana Shchotkina supported the 5 year increase of the retirement age. She argued that it would be the most practical and economically logical decision.

in Belarus women live longer than men by 11 years on the average

The second, “demographic” or “gender” scenario, reflected the [existing gap](#) in the male and female life expectancy. According to Belstat, women live longer than men by 11 years on the average. Assuming that a retired person receives pension for approximately 20 years, the government suggested to increase the retirement age for 5 and 3 years for women and men respectively.

Eventually, president Lukashenka chose the mildest and the most reluctant among the three scenarios. It suggests raising current retirement age by 3 years. With the gradual increase by 6 months over the next 6 years, women would retire at 58 and men at 63.

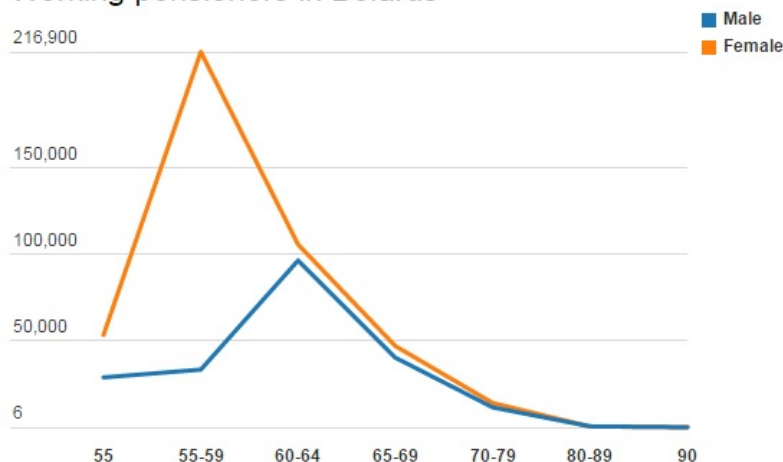
Independent experts criticised all three options, pointing out that in the long run they still would again put pressures on the social security system. Realistically, Belarus should plan to increase the retirement age to 65 years, both for women and men. This would be in line with the recent global trends towards gender equality in the right to retire.

On 25 March 2016, Lukashenka expressed his gratitude to the youth and seniors for their alleged support of the pension reform. However, a survey conducted by IISEPS in December

2015, show that 73 per cent of respondents spoke against raising the retirement age. The main argument is that many people would not be able to live that long. Another 20 per cent agreed to the increase of the retirement age, yet connected this step to the increase of the pension payments as well.

Employed pensioners?

Working pensioners in Belarus



Many people in Belarus continue working after they reach the retirement age. However, one of the paradoxes is that they receive the regular salary along with the pension payments. As of 1 January 2016, out of a total of 2,592,800

pensioners in Belarus, 651,000 retired people continued working. In other words, every fourth pensioner received double income.

Former employees of the military and law enforcement institutions, who retire early upon reaching the age of 45 or 50, often use this possibility to make extra money. Tut.by cites a typical example of this trend: a 48-year old former police officer with a pension of about \$320 (on par with an average salary in the country) is seeking a job with salary expectations of about \$400.

State bureaucracy also benefits from this scheme. For instance, the head of the Central Electoral Commission, Lidzia Yarmoshyna admitted in the media that that she received an average pension of about \$160 USD in addition to her regular salary, exceeding \$800. While for a state official such a

pension might appear as an additional pleasant bonus, for other categories of retired Belarusians it remains the main [source of income](#).

Social benefits and integration of seniors

Recently, several stories of ordinary Belarusian seniors went viral online, bringing to light a number of issues that pensioners face in their everyday life. These range from economic difficulties to problems of social integration. In February 2016, Belarusian Facebook users organised a support campaign for a 74-year old man, who sold handmade bird's houses in a pedestrian underpass in the centre of Minsk.



Another story featured a 86-year old woman on crutches who is selling handmade mittens and socks at the Niamiha subway station in Minsk, despite the cold and humid March weather. However, seniors are humble and refuse to complain of financial difficulties. Rather, they emphasise the need to pursue hobbies, keep active, and socialise.

At the same time, the state strives to provide the basic necessary levels of social support for the pensioners. For instance, seniors who do not have close relatives, qualify for social services free of charge. These include visits of the social worker, who assists the pensioners with regular medications and grocery shopping, everyday chores, and, if applicable, basic gardening on the private plot.

In 2012, the government introduced the system of targeted support for the most vulnerable population groups. These

include including retired people over 70 years old with low incomes. They qualify for the additional monthly social benefits or special one-time payments.

Pension reform in Belarus is necessary and long overdue. Yet raising the retirement age alone will not eliminate all strains on the social security system. In the long run, the state should diversify its strategies and develop funded pension plans, as it has been done in Poland or Latvia. However, this option will be viable only in the conditions of a stable economy, thus requiring genuine commitment to structural reforms.

Belarusian MPs at PACE, Cooperation with Turkey, Retirement Age Increases – State Press Digest

Belarus continues to boost cooperation with western partners and is seeking to avoid excessive economic dependence on Russia.

MPs hope to receive special guest status at the Parliamentary Assembly of the Council of Europe (PACE) after the issue of the death penalty is resolved in Belarus.

Foreign minister Vladimir Makiej says that the current turbulence in the world has made the west better understand the priority of security over democracy, which Belarus has always pursued.

All of this and more in the latest edition of State Press Digest.

Politics

[Belarusians are not yet ready to abolish the death penalty.](#)

Soyuznoye Veche newspaper interviews [Mikalaj Samasiejka](#), a member of the Standing Commission of the House of Representatives on International Affairs, on Belarus' growing cooperation with PACE. The newly elected president of PACE Pedro Agramunt during a meeting with the Belarusian delegation promised to restore the country's special guest status after Belarus abolishes or at least puts a moratorium on the death penalty.

The MP said that the death penalty issue cannot be easily resolved, as the majority of Belarusians still support the policy, though their numbers are gradually declining. The majority of parliamentarians are also in favour of leaving the death penalty in place. Samasiejka also expressed support for the Russian delegation, which boycotted the recent PACE session because of some restrictive measures imposed on it.

[West starts to better understand Belarus.](#) *Belarus Segodnya* newspaper interviews foreign minister of Belarus [Uladzimir Makiej](#) during the Munich security conference. According to the minister, foreign countries seem to now better understand the reasons for Minsk's behaviour, its decisions and policies. The current turbulence in the world and the EU migrant crisis is making the west appreciate the significance of stability and security, which Belarus has always put before democracy and human rights.

The minister also explained that “the president has set a clear directive to avoid dependence on one economic partner”. The Belarusian economy is highly dependent on exports and Russia accounts for half of the country's trade turnover. This

situation brought plenty of trouble after Russia fell into crisis, and Belarus will seek to establish firm economic relations with as many countries as possible to reduce its dependence on its eastern neighbour.

Security

Governors prepare to organise territorial defence. Belarusian governors – heads of the six regions and Minsk city – took part in a military drill at the firing field nearby Minsk, reported *Belarus Segodnya*. The military leadership organised the drill as part of its so-called territorial defence training. The governors learned how to shoot with various kinds of guns and how to organise the defence of their region in case of a conflict.

Territorial defence is a military system designed to involve the broadest possible population in defence in case of armed conflict. It works according to the administrative divisions of the state under the command of the executive vertical – heads of regions, who supervise the heads of districts. President Alexander Lukashenka initiated territorial defence drills for regional chiefs to be held on a regular basis.

Economy

The authorities initiate public punishment case against Ministry of Housing and Communal Services officials. The State Control Committee initiated 17 criminal cases against officials of the ministry and local governments after a sharp rise in the cost of communal services in January, *Respublika* reported. The Committee claims that the officials made multiple mistakes when introducing new tariffs which the government announced earlier in 2015.

Many Belarusians were shocked when they saw the new communal

bills for January. The problem received wide attention in the media and among state officials, and Lukashenka had to deal with it personally. Low tariffs on communal services have traditionally been one of the key elements of Belarusian social model, which must now be reformed because of economic difficulties.

Turkey will expand its projects in Hrodna region.

Hrodzianskaja Praŭda highlights the meeting of heads of Hrodna region with Turkish businessmen. Over the past three years Turkish business has been increasing its presence in the region, with six Turkish-capital organisations currently working there.

The parties discussed a project for a Turkish industrial park in the free economic zone Hrodnainvest. Belarusian officials are offering 300 hectares of land for realisation of the project. Contacts with Turks are increasing as a backdrop to the crisis in Russian-Turkish political relations, which has resulted in a decrease of economic cooperation.

Public policy

The government prepares public opinion for increasing the retirement age.

In 2015 the issue of the rising retirement age became one of the most popular in official media. The state tried to explain to citizens the need for a highly unpopular step. *Vecherniy Minsk* writes that the state currently spends 10 per cent of GDP on pension payments. Belarus has one of the earliest retirement ages in the world – 55 for women and 60 for men.

In Minsk, the youngest city in Belarus, only a quarter of residents have reached this age, while in the countryside they make up the majority of the population. If the current pension system remains in place, after 2050 every working age Belarusian will have to support the life of one pensioner. The

authorities plan to raise the retirement age in several stages to 60 and 65 years, but will not announce the final decision until the public is ready.

Belarusian education system faces serious challenges. The working meeting of the Education Ministry raised a number of problems in the national education system, writes *Belarus Segodnya*. Lukashenka himself recently criticised the quality of school textbooks. The Ministry admits that the system seriously lacks qualified author teams for writing textbooks. Excessive paperwork remains another major school problem, which turns teaching into red tape.

The authorities have also failed to attract foreign students into Belarusian universities. Out of 19,000 students from 98 countries, 50 per cent originate from Turkmenistan, while Russians make up only 5 per cent, and there are even fewer westerners.

Belarusian universities lack programmes in English – for example, the largest university, the Belarusian State University, offers only three such programmes. Meanwhile, one third of candidates and two thirds of doctors of science who teach at universities are over 60 years old. Young people do not want to teach at universities because of poor payment conditions.

The State Press Digest is based on review of state-controlled publications in Belarus. Freedom of the press in Belarus remains restricted and state media convey primarily the point of view of the Belarusian authorities. This review attempts to give the English-speaking audience a better understanding of how Belarusian state media shape public opinion in the country.

Women Need to Work More to Boost the Belarusian Economy

In January 2016 [Kiril Rudy](#), an Economic Advisor to President Alexander Lukashenka, said that the Belarusian economy was in need of more gender equality. Namely, structural gender inequalities and cultural stereotypes disproportionately affect the female labour force and hinder their professional development. This in turn harms the Belarusian economy.

According to Rudy, women make a better workforce as they tend to be more stress-resilient, lead healthier lifestyles and overall turn out to be better-educated than men. In other words, the quality of female workers seems superior to that of their male counterparts. However, in terms of quantity, women lag behind men. There are fewer of them in the labour market and they earn significantly less than men.

Rudy identifies the root causes of this persistent gender inequality in the labour market: women leave the workforce for an extended period of maternity leave, they retire earlier, and social gender stereotypes work against them. He offers a quick fix to these deep-seated problems in modern Belarusian society, focusing on the first two issues: cutting maternity leave and extending the retirement age for women. In other words, women need to work more.

Gender gaps in salaries and life expectancy

Belarusian women consistently fall behind men in the amount of money they make. According to Belstat, on average a working woman makes only 75 per cent of the salary of a working male,

or a quarter less. Other economists also argue that only a fraction of this difference can be explained by controlled variables, such as level of education, years of experience, and number of years taken off for maternity leave. The rest of the gender pay gap remains inexplicable and must therefore be attributed to the mechanisms of discrimination against women in the labour market.

Belarus holds the record as having the lowest retirement age for women among the post Soviet countries

Currently working women in Belarus can retire at 55 years old. Together with Russia, Belarus holds the record as having the [lowest retirement age for women](#) among the post Soviet countries. Female life expectancy however has increased to reach 77.9 years. Moreover, it compares favourably to male life expectancy, which is only 67.3. Most men will work professionally until 60. Simple math suggests that an average woman collects 22 years of pension payments, while a man only collects 7.

Current parental leave in Belarus provides a [parent with 126 paid](#) days and up to three years of allowed time off with their workplace secured. While both men and women can take time off to care for a newborn, men account for only 2 per cent of such cases according to Ministry of Labour data. Both of the existing policies can potentially negatively affect women's ability to be employed. Therefore both policies appear outdated and require revision.

Quick fix for complex issues

Some women in Belarus might benefit from the proposed reforms. Belstat data suggests that many women choose to continue to work after they reach the retirement age of 55 for both financial and social reasons. Evidence also shows that many

women return to work a lot earlier than after the permitted three years of maternity leave. However, measures proposed by Rudy seem more like a quick fix for a major problem of gender inequality than a well thought-through policy proposal.

Rudy does not mention whether these measures will close or at least narrow the gender gap in wages. He calculates, however, that they will generate an additional 2.3 per cent economic growth and a subsequent increase in GDP. Indeed, the calculations serve to identify ways to boost the Belarusian economy, but not necessarily to close the gender gap. Rudy holds the title of economic advisor, not gender equality consultant.

In recent years Belarus has consistently ranked high in the United Nations Development Programme's (UNDP) [gender indices](#). However, despite the nominal high representation of women in parliament, generous maternity benefits and low maternal death rates, the government could do more to promote gender-sensitive policies. In particular it could address the issues of labour market discrimination, the gender pay gap, and domestic violence prevention.

While Rudy deserves recognition for publicly speaking out and acknowledging persistent gender inequality in Belarus, he has not put women's issues at the forefront of his policy proposals. But someone should.

Best practices in gender equality promotion

Gender equality has emerged as a burning, crosscutting issue for international discussion, with delegates at the recent World Economic Forum in Davos taking it on. The general consensus recognises that societies with high rates of gender equality fare well economically. If Belarus indeed wants to

close its gender gap and boost its economy, then the proposed reforms should constitute part of a fair package deal to empower women in the long run.

Such reforms would have to be more comprehensive, long term and require a lot more financial and social investment from the government. They should span from allocating additional funding for early childcare to providing professional training courses for women to enhance their professionalism when they choose to return to work. Maybe then women would agree more eagerly to the obvious disadvantages of the proposal to work more.

Existing Belarusian legislation does not effectively protect women from discrimination during hiring or promotion processes. Nor does it stipulate what constitutes sexual harassment at work. The Constitution of the Republic of Belarus together with the Labour and Criminal Codes offer little protection for women when it comes to discrimination. The burden of proof lies upon a woman with virtually no assistance or sensitivity from either the investigators or judicial system.

With its shrinking labour force, Belarus needs to ensure that both men and women enjoy equal rights and benefits in the labour market. And if Belarus has ambitions to join the world economy and [look to the West](#), it must learn from existing international best practices.

The Youngest Pensioners in the World

In some areas, Belarus is very much like the rest of Europe. Its population is rapidly ageing.

But unlike its western neighbours, Belarusians benefit from one of the lowest retirement ages in the world – 55 years old for women and 60 for men. To put it into context – in Poland the Parliament recently approved the increased the retirement age to 67 for most Poles. Today pensioners in Belarus make almost a third of the population.

Still young Belarusians know little about pensioners' lives and troubles. For them, ageing people fall into two very different categories: their own grandparents and the rest. The first bunch have wise eyes, soft hands, and the tastiest pies. The second is queuing in state hospitals, selling apples near the metro, and grumbling in public transport.

Belarusian employees know that 29% of their salaries goes to support the current pensioners, but nevertheless pensions have remained remarkably low. A very unfavourable ratio between workers and pensioners (100 to 57) partially explain this. And in the future the share of pensioners will grow even further. This demographic time bomb may seriously undermine the social security system of Belarus. Now the government has proposed a new solution to the problem.

Will the Pensions' Novelty Work?

By 2020, there will be 67 pensioners for every 100 working people. Each two workers will have to support three pensioners. The socialistic pay-as-you-go pension scheme used in the country has turned into an unbearable load for the nation.

Still Belarusian authorities do not want to consider fundamental changes in the current pension scheme. Instead, the government has chosen to motivate elderly people to work longer without giving them pensions.

After the pensions' novelty has come into force, people reaching retirement age and willing to work further have to make an important choice. They may decide not to get state pensions while they work and thus increase their future pensions. Alternatively, they can get their pensions while working after retirement age, but their future pensions will not rise.

The right choice requires a careful calculation. If people work for five years after reaching the retirement age without getting pension during these years their future pension will increase by 50%. But during these five years they do not get any state pension. The lost pensions will come back to people only in ten years after they finally retire. Considering Belarusians life expectancy, that may be too late.

Another reason for low popularity of the new rules is very high inflation rate in Belarus. In 2011, inflation in Belarus was over 100% – the highest in the world. The promise of more Belarusian roubles in the future may turn out to be rather empty.

Shall Belarus Raise the Retirement Age?

Raising the retirement age seems like the simplest solution. Now it is one of the lowest in the world: 55 years for women and 60 years for men. But Lukashenka has declared that ageing people have asked him not to raise the retirement age and therefore he will not do so.

However, just recently, a Deputy Minister of Labour declared that everybody understands the need for an increase in the age of retirement. He explained that the current threshold has existed since 1956 when pensioners had lived through war,

collectivisation and the difficult post-war years. Now, according to his words, the situation has changed and people can retire later.

Although the life of contemporary Belarusians may be easier than decades ago, their life expectancy has fallen. According to Antonius Broek, UNDP Resident Representative in Belarus, in 2010 average life expectancy was shorter compared to 1970 only in 9 of 169 countries monitored by UNDP. Belarus is one of them. Broek noted that while in 1970 Belarusians' life expectancy made 71 year, in 2010 it was only 69.6 years.

Referring to deteriorating of life expectancy since 1970, some more Belarusian statistics attract attention. The total [consumption of alcohol in Belarus](#) from 1970 to 2011 increased almost twice: up to 11.39 litres per person. The link looks obvious, and why so many people seem to ignore it is hard to explain.

Moving the retirement age up would be very unfair to Belarusian males. Now, their average life expectancy makes only 64.7 years (76.5 for women - which shows one of the largest gaps in the world).

The figures make Belarusians think once again whether it is really worth prolonging the retirement age now. Moving the retirement age up would be very unfair to Belarusian men. As it now stands, their average life expectancy is only 64.7 years of age (compared to 76.5 for women – which is one of the largest gaps in the world). Pensioners' folklore has already expressed its opinion on this matter: "From machine to coffin". Proud of its social orientation, Belarus will probably use rise of pensions' age only as a last resort.

Pensioner As a Job in Itself

The early retirement age does not mean, however, that Belarusian pensioners enjoy an easy living on their

pensions.

In January – August 2012 pensioners were getting on average only about \$155 per month. For this money you can afford a average winter coat or one pair of good shoes in Belarus. How all these [people manage to make ends meet](#) remains a mystery. But it is a real miracle, that with this small amount of money that they have, pensioners still continue to give money to their children and grandchildren.

About 25% of Belarusian pensioners continue to work afterwards even without the new incentives. Many pensioners move to dachas and villages, where they grow harvest for themselves, all their relatives and even for sale. In Minsk, single elderly ladies earn by leasing a rooms in their flats, which usually benefits them even better than pensions.

In January – August 2012 pensioners were getting on average only about \$155 per month.

“Pensions would be enough if it was not necessary to help the youth” – this is what you will often hear from pensioners around Belarus. Pensioners give money to their children even if the children are living well. That represents an eternal source of parental happiness in Belarus. Hardly any economic troubles or progress will change this.

And, for sure, the main preoccupation of Belarusian pensioners is their grandchildren. By the time a Belarusian woman retires her grandchildren are often between 3-13 years old. This turns to be the best time for mothers to return to active work and grandmothers start to take on their own part in the rearing of the child. As a rule, children welcome such changes. They get the tasty dishes, an inexhaustible source of interesting stories and an everlasting atmosphere of love.

With a very strong link between generations in Belarus, it is hardly possible that the youth will ever demand a rise in the

retirement age or any other measure deteriorating the position of pensioners.

Instead of thinking only about putting more pressure on those who work the government should also seriously consider considerable increases in productivity rates, longer life expectancy and a serious reform of the pension system. The latter seems to represent the easiest task. However, only when all these three elements will effectively come into play will Belarus be proud about its care of the ageing people.