

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.

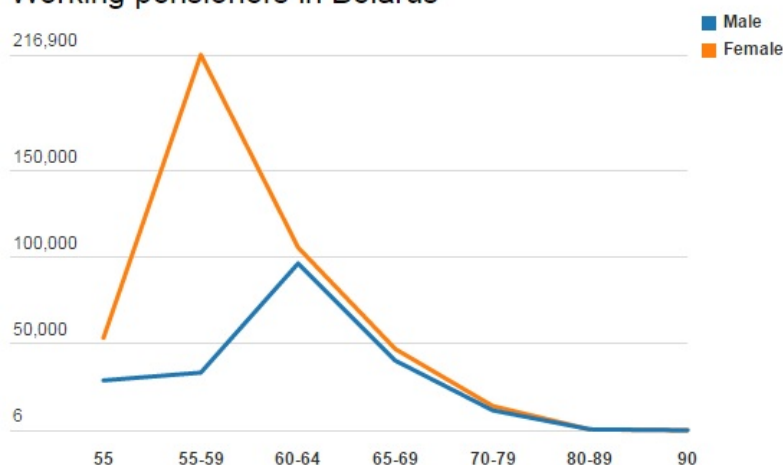
Independent experts criticised all three options, pointing out that in the long run they still would again put pressures on the social security system. Realistically, Belarus should plan to increase the retirement age to 65 years, both for women and men. This would be in line with the recent global trends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

Social Progress in Belarus: Self-Perception versus Reality

The Belarusian government and Western analysts tend to agree about one thing: Belarus is a [social state](#). Belarus may not be a wealthy country, Alexander Lukashenka likes to say, but it is a state that serves ordinary people.

Yet the 2015 edition of the Social Progress Index, released today, places Belarus 66th out of 133 states on social progress. According to the Index, Belarus meets basic human needs but fails to create the conditions for its citizens to lead healthy and fulfilling lives.

The country lags behind Ukraine, Armenia, and Georgia, as well as dozens of other states on social progress, largely due to weak personal rights and the poor health of its citizens. Belarus Digest discussed what the rankings mean for Belarus

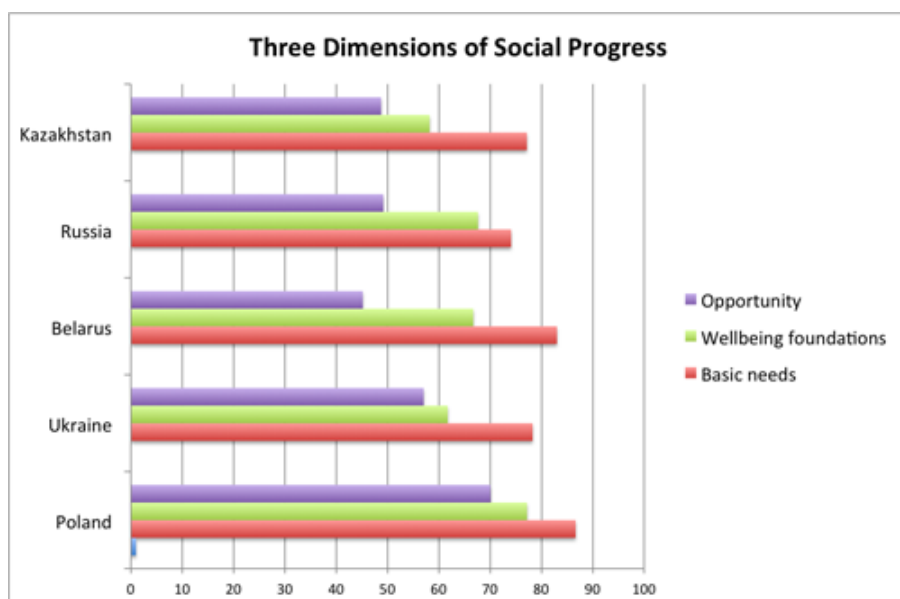
and other post-Soviet states with Michael Green, founder of the Social Progress Imperative, a non-profit that produces the Index.

Belarus No Longer Leads in the Post-Soviet Region

In most international rankings Belarus has invariably performed worse than EU member states on socio-economic indicators, but usually [outranked](#) other post-Soviet states. The British [Legatum Prosperity Index](#) and the UN's [Human Development Index](#) clearly show this trend.

Results of the 2015 Social Progress Index, however, place Belarus between Botswana (65th) and Tunisia (67th) and behind Ukraine and Moldova. The Index is based on 52 indicators for 133 countries and draws on original research as well as data from the World Bank, the World Health Organisation, and other respectable international organisations.

Taken together the indicators reflect social progress as “the capacity of a society to meet the basic human needs of its citizens, establish the building blocks that allow citizens and communities to enhance and sustain the quality of their lives, and create the conditions for all individuals to reach their full potential.”



The absence of GDP from its formula distinguishes this ranking from similar rankings. On the other hand, it includes personal rights, and tolerance. Both explain why Belarus no longer leads in the post-Soviet space.

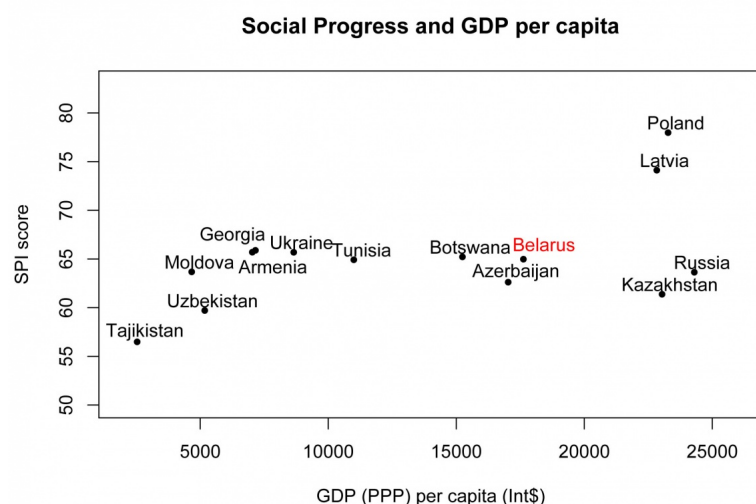
“The rights of individuals to live their lives the way they want to seemed to us intrinsic to what it means to be a good society,” explained Michael Green, executive director of the Social Progress Imperative, in an interview to Belarus Digest. Green said development experts often “shun” rights and freedoms as “too political to create a global consensus on.”

Belarus Underperforms on Health and Personal Rights

Even though Belarusians have traditionally looked up to the EU and higher-income states, even comparisons with states in a similar income bracket are far from flattering.

Compared to 15 states with similar GDP per capita (ranging from Lebanon and Mexico to Botswana and Montenegro) on social progress, Belarus ranks 11th out of 15.

Belarus’s chief strength relative to these states remains access to advanced [education](#) – a legacy of the Soviet Union rather than Minsk’s independent achievement. The country’s relative weaknesses, on the other hand, are health and wellness, as well as personal rights.



On [health](#) and wellness Belarus ranks very low – 130th out of 133 countries, even though Minsk takes pride in the accessibility and low costs of healthcare.

According to the ranking, Belarusians are more likely to commit [suicide](#) than citizens of 127 other nations and suffer from [obesity](#) in larger numbers than citizens of 92 out of 132 other nations included in the Index.

Michael Green emphasises that all post-Soviet states “really struggle on health and wellness” issues despite “varied geographies” due to the combination of environmental factors, lifestyle, and pollution.

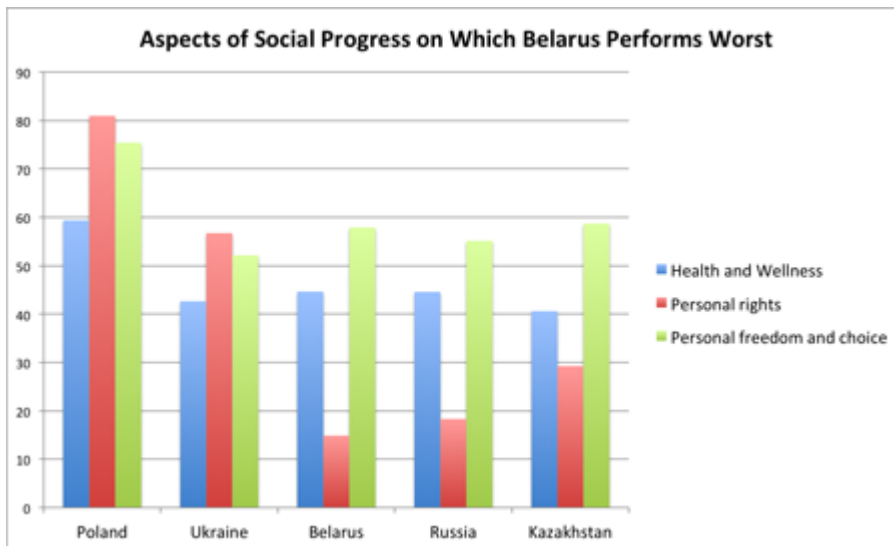
On personal rights, Belarus ranks 125th out of 133 countries. The score reflects political rights, the freedom of speech, the freedom of assembly, the freedom of movement, and private property rights. Belarus performs poorly on all of these dimensions even when compared to the fifteen states listed above.

Will Belarus Meet the Needs of its Citizens Better in the Future?

Ukraine outperforms Belarus in the 2015 Index because much of the statistics used to calculate it were collected before the outbreak of the war. Thus, Belarus’s ranking may improve relative to its post-Soviet neighbour in the next edition of the Social Progress index.

Commenting on Belarus’s relative strengths based on the Index, Michael Green cautions: “It doesn’t necessarily mean that Belarus does well, it just means that everyone else sucks.

There shouldn't be any



Green also notes that some post-Soviet states may seem to “overperform” relative to their GDP “not because they are successful in social progress, but because they are unsuccessful in GDP.”

As is typical of composite indices, some components of the Social Progress Index seem rather arbitrary. For example, the Access to Information and Communications combines cellphone subscriptions, in which Belarus leads; the [press freedom](#) Index, in which Belarus trails behind 118 other states included in the Index; and the share of Internet users. Additionally, the large number of indicators used to compute the Social Progress scores (52) makes their magnitude challenging to interpret.

At the same time, the Index does uncover some of the most glaring shortcomings of the Belarusian “social state” – poor public health and weak personal rights. The Belarusian government rarely acknowledges either of these factors and still claims that the Belarusian state exists “for the common people.” In reality, the state meets only the very basic human needs, a low bar to strive for.

With the crisis in Ukraine on their minds, Belarusians do not seem to mind. When asked what the most important problems

facing Belarus are, only 22% of respondents in the March 2015 IISEPS survey expressed concern about the violation of human rights. Four times as many (84%) mentioned rising prices.

Basic human needs are what worries Belarusians most today. Even by its own limited definition of the social state – without personal rights and freedom of choice – the government in Minsk is failing to deliver.