A HUMAN RIGHTS-BASED APPROACH TO THE ECONOMIC SECURITY OF OLDER PEOPLE IN MOLDOVA
A HUMAN RIGHTS–BASED APPROACH TO THE ECONOMIC SECURITY OF OLDER PEOPLE IN MOLDOVA

January 2017

María Eugenia Dávalos
Bethany Brown
Alaka Holla
Tu Chi Nguyen
William Seitz
Julia Smolyar
# TABLE OF CONTENTS

TEAM AND ACKNOWLEDGMENTS ........................................................................................................... 5
EXECUTIVE SUMMARY ............................................................................................................................ 6
Infographic ................................................................................................................................................ 9
1. INTRODUCTION .................................................................................................................................. 10

## 2. DEMOGRAPHIC PATTERNS AND WELL-BEING OF THE ELDERLY ............................................. 14

Demographic patterns ................................................................................................................................. 14
   Rapid aging ............................................................................................................................................... 14
   An aging population without aging people .............................................................................................. 18
   The future: a smaller and older population ........................................................................................... 19
   The demographic dividend ....................................................................................................................... 21
The well-being of older people ..................................................................................................................... 23
   Old-age poverty ...................................................................................................................................... 25
   Material deprivation ................................................................................................................................. 28
   Subjective well-being ............................................................................................................................... 30
   Migration and the well-being of older people ......................................................................................... 31

## 3. A HUMANS RIGHTS PERSPECTIVE ............................................................................................. 34

Overview of the international framework on age-related rights ................................................................. 35
   The right to health .................................................................................................................................... 35
   The right to employment .......................................................................................................................... 37
   The right to social security ....................................................................................................................... 38
   Fulfilling the rights of specific population groups .................................................................................. 42
The Moldova-specific legal framework for a human rights–based approach to population aging ........... 45

## 4. HEALTHY AGING ........................................................................................................................... 51

Healthy aging in Moldova? A picture of key health outcomes ................................................................. 51
   Low life expectancy ................................................................................................................................. 51
   Substantial morbidity ............................................................................................................................... 53
Challenges in the health system .................................................................................................................. 56
   Inefficient spending ................................................................................................................................. 56
Limited financial protection ........................................................................................................59
Low access to medicines and quality health services ....................................................................60

5. PRODUCTIVE AGING ........................................................................................................ 64
Productive aging in Moldova? A picture of key labor market outcomes ........................................64
Declining employment ....................................................................................................................64
Left out of growing economic sectors ..........................................................................................68
The challenges in achieving higher employment among older people ..........................................73
The lack of relevance of education and skills .................................................................................73
Labor disincentives in social protection systems .........................................................................76
Attitudes, social norms, and access to care ....................................................................................77
Risks to the economic security of the elderly: a longer-term view ................................................80
Limited business creation and entrepreneurial activity ....................................................................80
Informality .....................................................................................................................................81

6. SECURE AGING .................................................................................................................. 83
A picture of the social protection system ........................................................................................83
Social protection system expenditures ..........................................................................................83
Pensions for the elderly ..................................................................................................................85
Social assistance for older people ..................................................................................................86
Social services (in-kind services) for the elderly ..........................................................................88
Secure aging in Moldova? Social protection and old-age poverty ...............................................88
Challenges facing the social protection system ..........................................................................90

7. CONCLUSIONS AND POLICY IMPLICATIONS ............................................................. 99
Policies to promote healthy aging ..............................................................................................100
Policies to promote productive aging ..........................................................................................102
Policies to promote secure aging ................................................................................................103
Cross-cutting policies ..................................................................................................................108

REFERENCES ....................................................................................................................... 110

ANNEX A .................................................................................................................................. 117
ANNEX B .................................................................................................................................. 120
TEAM AND ACKNOWLEDGMENTS

This report has been prepared by a team including María Eugenia Dávalos (Task Team Leader), Bethany Brown (consultant), Alaka Holla (Senior Economist), Tu Chi Nguyen (Economist), William Seitz (Economist), and Julia Smolyar (Senior Social Protection Specialist). The team was supported by consultants. The report has been financed by the Nordic Trust Fund on Social and Economic Security of the Elderly in Moldova.

The team is grateful for comments received at different stages from World Bank colleagues, including Elvira Anadolu, Paolo Belli, Irina Guban, Tim Johnston, Johannes Koettl, Victoria Levin, and Eva Klove, and from the United Nations Population Fund (UNFPA) and HelpAge teams based in Moldova, as well as local researcher Olga Gagauz.

We thank Satu Kahkonen (Country Director), Carolina Sánchez-Páramo (Practice Manager), and Alexander Kremer (Country Manager) for their guidance and support.
EXECUTIVE SUMMARY

Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing, and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.

—Article 25, Universal Declaration of Human Rights

The aging challenge in Moldova is pressing. The average age is rising at a much more rapid rate in Moldova than in neighboring countries, and the size of the population is shrinking (figure O.1). The demographic trends are driven by three factors: low fertility, high net emigration, and low life expectancy. Moreover, the risks to well-being are many and diverse among the elderly. For instance, Moldova is one of the few countries in the Eastern Europe and Central Asia region where the elderly are poorer than the average population. In addition, the elderly in rural areas are at particularly high risk of poverty, and have lower access to basic services.

The objective of the report is, first, to explore the situation of Moldova's older population in relation to their right to economic security and, second, create knowledge that can inform policy options to guarantee an adequate standard of living for current and future cohorts of the elderly. This report applies a human rights rights–based approach by focusing on a population group that is facing critical and increasing challenges to maintaining an adequate living standard, and by providing strong evidence-based analysis to increase the ability and accountability of individuals and institutions that are responsible for respecting, protecting, and fulfilling the rights of the older population. Demographic trends in Moldova make the task of recognizing older people’s human rights even more crucial.

The report outlines the international and national legal and regulatory context supporting the rights and entitlements of the elderly and, while other areas must also be kept in mind for the overall agenda on human rights in Moldova, it focuses the diagnostic on three that are critical for the economic security of the elderly: the right to health, the right to work, and the right to social security. Although the report places the discussion on the overall demographic context of the country, it does not delve into issues critical to the aging agenda but outside of its scope, such as the growth and productivity impact of aging.
**Healthy aging**

Old-age mortality, especially among men, has not improved in the last 25 years. Life expectancy at age 60 in 2015 was 16.4 years, compared with the average of 21.0 in the region. One consequence of the large gender gap in health is a feminization of aging. In addition, the population is undergoing an epidemiological transition, whereby chronic disease replaces infectious diseases as a major contributor to mortality and morbidity, with these chronic diseases on an upward trend. Low awareness of elderly of their health rights, access and utilization of healthcare in the environment of inefficient service delivery contribute to deterioration of health outcomes among elderly. Importantly, the current benefits package and service delivery model do not facilitate timely access to services or financial protection for health expenditures. Instead, aggregate health financing indicators paint a picture of inefficient spending, with very high out-of-pocket expenditure linked to formal and informal payments with most formal spending on medicines and also diagnostic examinations conducted in outpatient care. Inequities also exists, with the poor themselves, including the elderly poor, spending less on medications, suggesting inequalities in access.

**Productive aging**

High and increasing economic inactivity across all age groups is a serious challenge in Moldova, particularly in a context of aging population and high reliance on pension income. Since 2000, the retired population has grown, and the share of workers choosing to remain employed after the age of 54 has steadily declined. Recent economic growth has been concentrated in particularly productive sectors, supporting some workers and leaving others behind; older workers are predominantly employed in low-productivity agriculture. Promoting employment among older people of today and those of tomorrow requires addressing the main challenge of the labor market in Moldova: boosting job creation. However, action is also needed to remove barriers that the elderly face, and encourage greater participation, formality, and employment quality in coming years.

**Secure aging**

Most of the elderly population, including almost all the elderly in the bottom welfare quintile, are covered by the social protection system, and older people highly depend on pensions as an income source. However, the coverage of social insurance contributions has declined over the years (in line with declining employment rates) and remains low, and the pension system dependency ratio is rising. This means that, in the future, the risk of poverty will grow among the elderly as the pension system, without reform, becomes unsustainable.

**Policy implications**

Policies are needed to ensure economic security of the elderly in Moldova, and for institutions to adapt to an aging population.

Promoting healthy aging calls for ensuring affordable and accessible health care to all older people, as well as the provision of affordable, good-quality medicines to treat non-communicable diseases, and
for prevention from early ages. Moldova’s current reform agenda attempts to address many of these challenges, and these efforts should be sustained. These include, for instance, revising the benefits package by increasing the reimbursement rate for antihypertension medications, as well as the existing pay-for-performance scheme in primary care to provide stronger incentives among primary care physicians to improve the management of chronic disease.

Policies to promote productive aging, beyond those related to sustaining economic growth and promoting job creation by firms, include investing in education throughout the life cycle with a particular focus on lifelong learning to retool the skills of older workers; supporting greater access to formal child and elder care facilities, with potential positive effects on female labor for participation, as well as early childhood development; reducing the disincentives in the social protection system to formal work, including increasing retirement age; and raising awareness about potential age-related discrimination in the labor market.

Policies to promote secure aging call for reforming social protection systems, particularly the pension system. Creating a fiscally and socially sustainable pay-as-you-go pillar is critical, as well as carefully choosing the right set of policies for those not in the contributory pension system. On the latter, the various options need to be carefully considered for their trade-offs and fiscal implications. In addition, it is important to address the bottlenecks in the efficient delivery of social care services; foster greater legal and financial autonomy among service providers; and create an adequate financing mechanism to ensure that local governments have resources to deliver social care services.

Finally, there is a need to improve the monitoring of trends around the right to economic security of the elderly, as well as the implementation of the relevant legal and regulatory framework. This includes enhancing data collection on the population by gender, age and other categories of vulnerable groups, and on social services to provide a more accurate picture of needs and challenges; monitoring and reporting on the implementation of laws that affect older people; and, raising awareness by conducting information campaigns among the public on the entitlements and rights of the elderly.
PROMOTING HEALTHY, PRODUCTIVE AND SECURE AGING FOR MOLDOVA

Moldova faces the most severe aging pressures in the region of Europe and Central Asia

Some of the challenges that older people face include:
- Old-age poverty
- Lower access to basic services
- Very high expenses on medicines
- Barriers to work
- Highly dependent on pensions in a deteriorating pension system

Improve the economic security of older people calls for promoting:
- Healthy aging, to ensure affordable and accessible healthcare to all older people
- Productive aging, to allow older people to work, work longer and in better jobs
- Secure aging, to protect older people, particularly through a sustainable and adequate pension system

This is driven by:
- High emigration
- Low fertility
- Low life expectancy

1. INTRODUCTION

Moldova is aging rapidly. Driven by low and decreasing fertility and high net emigration, the population of Moldova is expected to shrink, while the share of older people (population aged 65+) expands. By 2060, the population is projected to drop by 29 percent, or 1.2 million people, and the share of older people will triple to 30 percent. Although the old-age mortality rate is high, improvements in longevity will accelerate the population aging process. The concern is that the demographic dividend will be over before Moldova has reaped the benefits. The small increase in the birthrate during the 1980s together with the decline in fertility during the last decades, led to a decline in the child dependency ratio and a growing share of the working-age population during the 2000s. Nonetheless, this demographic dividend has not been fully exploited because of the large emigration of young people who work abroad in unskilled jobs that underutilize their education. Furthermore, the inactivity rate in Moldova is the highest in the region, especially among older people. The share of the working-age population peaked in 2014, and the opportunities represented by the first demographic dividend are disappearing in Moldova. This raises serious questions about the ability of the society and the economy to support a growing elderly population.

The demographic dynamics may have important implications for the well-being of the old. An aging society with a declining working-age population may have lower productive capacity and slower economic growth, which have negative impacts on the resources available for the old. A rising share of older people may put higher pressure on the government and society to provide pensions, health care, and social services required by the older people. There will also be fundamental shifts within households because there are fewer adult children to take care of aging parents. Thus, the changing demographics result in many shifts in the economy and society that affect the growing elderly population.

Older people face numerous risks that reinforce each other and may drive these people into a situation of insecurity (Table 2.1). Because health deteriorates with age, older people often have health problems, which may be an obstacle to their full participation in social and economic activities. Consequently, they may lack sufficient resources to meet their growing health needs or to maintain an adequate standard of living. In addition, their withdrawal from social activities may lead to feelings of isolation, uselessness, and depression, which may worsen their health conditions. Their dependence on the financial or social support of others could also disempower them, preventing them from influencing decisions that affect their welfare. The perception that the elderly are dependent and a drain on family and social resources may also lead to others to ignore the needs of the elderly, who may therefore be left behind in the process of modernization. These risks can be exacerbated by the institutional environment. For example, the effectiveness of health service delivery (or lack thereof) directly influences old-age mortality and the ability to age in good health. Similarly, adult education and incentives against early retirement allow the old to work longer and thereby secure greater economic well-being.
The aging challenge is pressing in Moldova even relative to other aging countries in Europe and Central Asia (map 1.1). Together with Bulgaria, Moldova has the highest rate of population shrinkage in Europe and Central Asia. The Europe and Central Asia regional aging report identifies Moldova as the country with the most severe aging-related policy challenges, linked specifically to migration, fertility, life expectancy, dependency ratios, and old-age poverty.\(^1\) This highlights the need to guarantee the social and economic security of the elderly, a segment of the population that will grow in coming decades.

In Moldova, much policy attention is already focused on older people. The government, supported by local and international stakeholders, is undertaking efforts to respond to the aging challenges, including by committing to the Madrid International Plan of Action on Aging in 2002.\(^2\) In line with this commitment, it has been working to implement the regional implementation strategy 2012–17 on this plan of action through a road map on aging and an action plan adopted in June 2014 for 2014–16.

However, concerns are growing that, for example, while the current cohort of the elderly is well covered by the social protection system, there is a large risk that future cohorts will experience rising levels of old-age poverty given the current mixture of social protection programs. In addition, the share of the working-age population that is employed is small in Moldova compared with other countries in the region, raising the issue of the protection of current and future generations in old age.

The objective of this report is to explore the situation of Moldova's older population in relation to the rights of this population to social and economic security and to create knowledge that can inform policy options to guarantee an adequate standard of living for the current and future cohorts of older people. No overall systematic diagnostic has looked at issues of economic security in Moldova in the context of an aging population. Specifically, the report focuses on aging people, particularly on three aspects of older people’s social and economic security—health, labor market engagement, and access to social protection—and calls for healthy, productive, and secure

---

\(^1\) Bussolo, Koetl, and Sinnott (2015).

\(^2\) For example, the Regional Office of the United Nations Population Fund established an International Advisory Panel on Population and Development for Eastern Europe and Central Asia. The first meeting was held in April 2016. One objective of the panel is to provide support to policy makers on the challenges of aging.
aging in the light of each of these respective aspects. Given the limited scope of the report, it touches on, but does not zoom in on the economy-wide impact of an aging society on economic growth, productivity, or fiscal issues. It applies a human rights–based approach by focusing on a population group that is facing critical and growing challenges to the maintenance of an adequate living standard and by providing strong evidence-based analysis to raise the ability and accountability of individuals and institutions responsible for respecting, protecting, and fulfilling the rights of the older population.

Map 1.1. The aging challenge in Moldova is pressing even relative to other aging countries in Europe and Central Asia

The report extends regional analyses to drill down into the underlying factors and constraints that jeopardize the economic security of the elderly today and in coming decades and to inform the tailoring of policy options to help the government fulfill its obligations toward older people as equal rights-holders. The release of the 2014 census data will provide crucial and more up-to-date information on demographics, labor markets, migration, and more, allowing adjustments to this and other, similar analyses as needed.

Source: Based on Bussolo, Koettl, and Sinnott 2015.

The regional analyses include Bussolo, Koettl, and Sinnott (2015).
The report is organized as follows. Chapter 2 explores demographic patterns in Moldova, highlighting concerns about the ability of society and the economy to support a growing elderly population. Chapter 3 outlines priority issues for the economic security of older people from the perspective of human rights. It presents the international framework for selected older people’s human rights related to economic security—the right to health, the right to social security, and the right to work—and Moldova’s positioning within this framework. Chapter 4 presents basic trends in health outcomes in Moldova over the last two decades, focusing on life expectancy, the burden of disease, and risk factors. It also describes challenges in the current health system and empirically examines access to services, the quality of care, and drug adherence across the life cycle. Chapter 5 explores recent trends among the working-age population with a focus on older cohorts, highlighting both worrying and encouraging developments in the labor market. Chapter 6 examines the type, size, and performance of social protection, cash benefits, and in-kind services in relation to older people who may seek to claim their social and economic rights. Chapter 7 concludes and provides policy recommendations aimed at promoting healthy, productive, and secure aging from a human rights approach. The report uses the terms older people and the elderly interchangeably, with slightly different age thresholds across the report depending on what is relevant to the topic, given the generally accepted cutoffs in each area. The messages, however, remain consistent regardless of the age threshold.
2. DEMOGRAPHIC PATTERNS AND WELL-BEING OF THE ELDERLY

Moldova is aging rapidly, driven by low and decreasing fertility and high net emigration. The population is expected to shrink, and the share of old people is expected to increase. This chapter explores these demographic patterns, highlighting concerns on the ability of society and the economy to support a growing elderly population. It provides the first insights, explored in the remaining chapters, into the current state of economic security among the elderly by describing the country’s age-related poverty profile.

Demographic patterns

Rapid aging

Moldova has been aging rapidly, although the phenomenon started among the youngest in the region in the early 1990s. In 1990, the average age was 32 years old, compared with the average in Eastern Europe and Central Asia of 34 years. Since then, the average in Moldova has risen by 6 years, higher than the growth rate in neighboring countries such as Belarus and Ukraine. The average age in Moldova will catch up with the rest of the region within the next decade, making the country as old as Belarus and the Russian Federation (Figure 2.1). The demographic trends in Moldova have been the result of three factors: (1) low and declining fertility, (2) high net emigration, and (3) low life expectancy.

Figure 2.1. The average and median age is increasing much more rapidly in Moldova than in neighboring countries, 1990–2060

average age in selected countries
27.5 to 47.5 years in 1990–2060 (by 20 years in total), compared with the regional average median age of 31.4 years in 1990 to 45.8 years in 2060, an increase of 14.3 years.

**Moldova has one of the lowest total fertility rates in the region.** In 1990, its fertility rate was at the replacement level, but, by 2015, the rate had dropped to 1.46 children per woman of childbearing age (Figure 2.2). However, the rates are likely underestimated because the estimates include migrants who were absent from the country for more than a year. The adjusted indicator shows that the total fertility rate in 2015 was 1.6 children per woman of childbearing age. The decline in fertility in Moldova follows the trend in Central and Eastern European countries that have undergone structural political and economic changes in recent decades and reflects the second demographic transition in the country.

**Figure 2.2. The fertility rate in Moldova has dropped to below replacement level and is among the lowest in the region, 1990 and 2015**

*total fertility rates in countries in Eastern Europe and Central Asia*

---


*Notes:* The total fertility rate is the average number of births per woman of childbearing age (15–49). For Moldova, the fertility estimates are derived from the 2012 Revision, which does not include the region of Transnistria.

**In line with this, the number of births has declined in Moldova.** A notable decrease in the number of births occurred in 1942–45. Two echoes of this reduction followed during the 1960s and later in the late 1980s. The number of births increased briefly in the mid-1980s as a result of family policies promoted during this period, but immediately declined after 1990. Moderate growth was registered during the early 2000s, but this recovery was dampened by the 2008–09 economic crisis, especially among the younger population. Furthermore, according to data of the 2005 Demographic and Health

---

4 Gagauz, Penina and Tabac (2016).
5 Gagauz (2014).
7 Gagauz, Penina and Tabac (2016).
Survey, modern contraceptive uptake is relatively high in Moldova (64 percent). The recovery of wages and the increase in educational attainment among women may have also raised the opportunity costs of children, leading women with higher educational attainment to have fewer children.\textsuperscript{8}

**Moldova is a country of emigrants.** Without migration, the net population growth would have been 1 percent between 1990 and 2015. The net cumulative emigration rate of 22 percent led to a population decrease of 21 percent during the period (Figure 2.3). Most of the emigration occurred during the 1990s. In the early 1990s, emigration was influenced by the dissolution of the Soviet Union: many residents moved back to their countries of birth, such as Russia and Ukraine. In the second half of the 1990s, emigration was a result of a large outflow for permanent resettlement to Israel, Germany, and the United States. Emigration to Russia for permanent residence intensified in the 2000s as a result of several laws and programs that facilitated Russian citizenship among former Soviet citizens. There was also a constant flow of emigrants to Russia and Europe for work, mostly among people of working age.\textsuperscript{9} The flow of migrants between 2007 and 2014 varied between 45,000 and 55,000 a year.\textsuperscript{10}

**Figure 2.3. Emigration is a big driver of population decline in Moldova, 2015**

*drivers of population growth in the region*

\begin{figure}
\centering
\includegraphics[width=\textwidth]{figure2.3.png}
\caption{Emigration is a big driver of population decline in Moldova, 2015}
\end{figure}


*Note:* Net migrants represent the number of immigrants, minus the number of emigrants. In Moldova, the estimates are based on the 2012 Revision, which does not include the region of Transnistria.

**High net emigration, especially among young people, accelerated the population aging process.** The recent trend in migration for work means that a large share of the economically active are leaving the country. According to the National Bureau of Statistics (NBS), the share of the adult population (15+) working or looking for work abroad increased from 4.3 percent in 2000 to 10.0 percent in 2014. Among these, 99.9 percent were below 65 years of age. This means that, even though the size of the adult population (15+) has stabilized in recent years, the economically active population decreased as a growing share of the working-age population moved abroad. Indeed, the share of the

\begin{itemize}
\item 8 Billingsley (2008).
\item 9 Prokhorova (2016).
\item 10 Gagauz, Penina and Tabac (2016).
\end{itemize}
economically active adult population (ages 15+) working or looking for work abroad rose from 8.4 percent in 2000 to 27.7 percent in 2014 (Figure 2.4). Even if this trend were to slow under a scenario of zero migration, the working-age population would continue to decline by 7.6 percent in the next decade.

**Figure 2.4. Emigration is especially large among the working-age and economically active population, 2000–14**

*adult population (15+) active in Moldova or abroad*

In addition to external migration, internal migration resulted in a ruralization of aging. Moldovans working abroad mostly come from rural areas (71.7 percent in 2014). Combined with the trend toward rural-to-urban migration within Moldova, this has meant that the urban population has become younger than the rural population. Although the share of the elderly is not greater than the share of the nonelderly in rural areas, the NBS data show that a higher share of the elderly reside in small towns (24.1 percent) than in big cities (19.5 percent), while the reverse is true among the nonelderly. The aging in rural areas may have already been offset by the higher fertility rate and the number of children in rural areas. Similar to other Eastern European and Central Asian countries, the total fertility rate in rural Moldova is higher (1.8 compared with 1.5 in urban areas) (Figure 2.5)

**Figure 2.5**. This, however, also means that rural areas face a higher dependency ratio.
Figure 2.5. The fertility rate is higher in rural areas, circa 2000s

*total fertility rates in selected countries*

*Source:* The latest Demographic and Health Surveys for each country, ranging from 1999 to 2012.

*Notes:* The average total fertility rate is the average number of births per woman of childbearing age (15–49).

**An aging population without aging people**

Although the population has been aging, people are not living longer. The aging of a population is related to the increase in the share of older persons in the population and the increase in longevity. In Moldova as in other countries in the region, the first driver dominates, that is, aging is driven more by fertility decline than by longevity improvement. Indeed, Moldova is the worst performer in the region in longevity (Figure 2.6). (This worrying health outcome is described in detail in chapter 4.)

Figure 2.6. Moldova: one of the worst performers in longevity in the region, 2015

*life expectancy at 60 in the region*


*Note:* For Moldova, the estimates are taken from the 2012 Revision, which does not include the region of Transnistria.
As a result of low longevity, especially among men, Moldova does not have a high share of elderly people despite the country’s high average age. The elderly (ages 65+) accounted for only 11.7 percent of the population in 2015, and only 2.3 percent of the population were living past age 80. This is a small increase from the 8.3 percent in 1990, a much slower increase than the regional average, from 10.5 percent to 15.0 percent during the period (Figure 2.7). This means the old-age dependency ratio is low, at 16.4 percent compared with 22.7 percent in the region, but it is expected to rise rapidly.

**Figure 2.7. The elderly share in Moldova is low, 1990–2015**

*share of the elderly (ages 65 or older) in selected countries*

![Graph showing the share of the elderly in Moldova compared to other countries.](image)


*Note:* For Moldova, the estimates are taken from the 2012 Revision, which does not include the region of Transnistria. Regional averages are simple averages.

**The future: a smaller and older population**

The population has been shrinking since the independence of the country in 1991. From 1990 to 2015, the population shrank by 21 percent (Figure 2.8). This is similar to the rate in Bulgaria, Romania, and other Central and Western European countries, higher than other neighboring countries, and much higher than the rest of the region, where populations actually grew. Three concurrent trends have contributed to this population shrinkage: sharply declining fertility rates, slow progress in life expectancy, and the emigration of the younger population. If these trends continue, the population should shrink much more quickly, to 52 percent of the 1990 population by 2060.

**Figure 2.8. The population of Moldova will continue to shrink if the current trends in fertility, mortality, and migration continue, 1990–2060**

*population growth in Moldova and selected countries*

![Graph showing population growth in Moldova compared to other countries.](image)
Even if fertility were to rebound, it would take a long time for Moldova to reverse the shrinking population trend. The fertility rate is projected to rebound if Moldova follows the historical trends of other countries that are more advanced along the demographic transition. However, even if the fertility rate were to rebound to the projected rate of 1.74 in 2060, it would still be below the replacement rate, leading to a reduction in the population by 34.1 percent, or 1.2 million people. Based on the projections of the United Nations (UN), the fertility rate would take longer than 50 years to return to the replacement level.

Longevity is stagnating, but is expected to improve eventually, which may slow the reduction in population, but will also increase the share of the elderly. Because of improvements in technology and health behavior, life expectancy is projected to rise slightly, although at a higher rate among women than men (3.6 years and 2.2 years, respectively, by 2060). Nonetheless, given the low fertility rate, the UN projects that the share of the elderly will more than double by 2060, to 26.9 percent. The elderly cohorts may expand further if a large share of migrants return at old age.

Moldovan society would, as a result, become smaller and older. If the trend continues, the average age of the population will reach 47.4 years by 2060, surpassing the regional average and even the average in the closest European neighbors, such as Bulgaria and Romania. The share of children would shrink from 21.7 percent to 17.6 percent, and, because of their longer longevity, women in their 60s and 70s would account for a relatively large part of the population (Figure 2.9). This demographic trend, however, is not inevitable. The experience in more well developed countries in Europe shows that economic growth, improvements in labor market policies, especially in favor of women, and progress in health behavior and preventive care can help reverse this trend and accelerate the improvement in longevity, thus shifting the demographic change toward a more sustainable path.
**Figure 2.9. The population of Moldova will become smaller and older, 2015 and 2060**

*population pyramid, 1,000s*

a. Men  

b. Women


*Note:* The population forecast is based on the medium fertility, normal mortality, and normal migration scenario. This scenario assumes fertility rates follow a trend from high to low then fluctuate around the replacement rate (2.1 children per woman), while life expectancy at birth and migration follow the historical trends of each country and similar countries in the region. The estimates do not include the region of Transnistria.

**The demographic dividend**

**Because of the low fertility rate and the population share of the elderly, Moldova should be enjoying a demographic dividend.** The small share of the elderly, combined with the decline in fertility in recent decades, led to an expanding share of the working-age population in the 2000s. The Global Monitoring Report 2015/2016 classifies Moldova as a late-dividend country, meaning that the share of the working-age population is still large because of the replacement-level fertility rate during the 1980s. If there are fewer people to support (that is, a lower dependency ratio), a country has an opportunity for rapid economic growth because more resources are freed up for investment. The opportunity to reap the benefits of the demographic dividend will eventually end as low fertility reduces the growth rate of the labor force, while continuing improvements in health result in longer life expectancy and corresponding growth among the elderly population.

---

11 The demographic dividend is “the economic growth potential that can result from shifts in a population’s age structure, mainly when the share of the working-age population (15 to 64) is larger than the non–working-age share of the population” (UNFPA 2014, 12).
12 Gagauz (2013).
13 World Bank (2016a).
The potential benefits from the demographic dividend in Moldova, however, have not been fully reaped because of the substantial emigration of working-age people. This missed opportunity of enjoying a significant demographic dividend was due to the fact that Moldova entered the millennium not with a booming labor force and employment, but with booming migration and remittances. In sum, Moldova traded a demographic dividend for migrant remittances as the workforce emigrated. The window of opportunity to exploit the demographic dividend is not yet closed, but soon will be. First, the share of the working-age population already peaked at 74.3 percent in 2015 and will continue to fall, partly because of reduced fertility and partly because of large emigration. Although emigration can lead to higher remittances, which boost the growth in consumption and gross domestic product (GDP), while providing informal support to the dependent population in the home country, it does not necessarily contribute to improving productivity and supporting the pension system. This can lead to an imbalance in the pension system in the long run (see chapter 6).

Second, in the near future, another stage will start: depopulation without a demographic dividend. The working-age population will decline at the projected rate of 0.8 percent annually in the next two decades. The child and old-age dependency ratios are currently below the regional average. By 2060, it is projected that, while the child dependency ratio will be at a similar level, the old-age dependency ratio will have tripled to 45.7 percent, higher than the Eastern European average (Figure 2.10).

Figure 2.1. The old-age dependency ratio is projected to increase significantly

The dependency ratio is even worse if the high economic inactivity rate is taken into account. The calculation of the dependency ratio relies on the assumption that the population ages 65 and older are dependent. It also relies on the assumption that the majority of the population ages 15–64 are economically active. In the context of the current labor force, such assumptions may underestimate the dependency ratio, given the high inactivity rate in the labor force, the low retirement age, and the prevalence of early retirement (Chapter 5 discusses the labor situation in Moldova in further detail.)

---

15 This point is also discussed in the World Bank report titled A Jobs Diagnostic for Moldova: 10 Key Facts (2017).
Indeed, with the lowest labor force participation rate among adults (15+), at 40 percent in 2012, Moldova has the highest dependency ratio in the region as measured by the ratio of inactive to active adults (Figure 2.11). Furthermore, a significant share of the labor force works abroad in unskilled jobs that underutilize their education. The low health status and the high disability rate among the elderly (see chapter 4) are additional factors that undermine the ability to utilize the growing share of the elderly in the population.

Figure 2.11. Moldova has the highest adult dependency ratio in the region, 2012
ratio of inactive to active adults (15+) in the region

Source: Bussolo, Koettl, and Sinnott 2015.

The well-being of older people

The level of well-being of the elderly is relatively low in Moldova compared with other countries in Europe and Central Asia. According to the Global AgeWatch index 2015, which captures the economic security, health status, education, employment, and socioeconomic conditions of people ages 60 and over around the world, Moldova has one of the lowest scores, ranking it at 77th out of 96 countries by level of quality of life of the elderly (Figure 2.12). The index value is based on the country’s assessment in four thematic domains and 13 indicators.

In 2015, the average score across welfare indicators in Moldova was only 35 out of 100; slightly above Greece and behind the rest of the region, including neighboring Belarus, Romania, Russia, and Ukraine. Even though there was a small improvement in the overall score since 2013, the progress was slower than in other countries, leading to a drop by three positions in the global ranking. Moldova is ranked particularly low in health (90). Approximately 71 percent of the elderly suffer from chronic diseases, particularly cardiovascular or osteoarticular infections and digestive problems (see chapter 4). The country is second lowest in income security (63).
The quality of life of the elderly is lower in Moldova than elsewhere in the region, 2015

![Quality of life index graph](http://www.helpage.org/global-awgwatch/population-ageing-data)


The elderly in Moldova are less active in economic and social life than their peers in Europe. Moldova ranks low according to the active aging index, which assesses people ages 55 years and older according to their participation in the labor market (employment rate), in social life (voluntary and political activities and caring responsibilities) and their ability to lead an independent life (sufficiency in terms of materials, lifelong learning, and health services) and an active life (well-being, educational attainment, information and communication technology, and social connections). According to the index, Moldova has one of the lowest employment rates among the population of preretirement age (49.0 and 27.6 percent among the 55–59 and 60–64 age-groups, respectively), relative to the European Union (EU) average of 62.2 and 31.5 percent, respectively. Less than 5 percent participate in voluntary activities, and less than 2 percent show any political participation. Every second elderly person is deprived of an independent, healthy, and secure livelihood, compared with one in three in the EU. The enabling environment for active aging is limited in Moldova because of low life expectancy and social connections (32.2 percent), as well as a lack of skill in using information and communication technology (2.9 percent). Moldova, however, is comparable with EU countries in terms of care responsibilities among the elderly for grandchildren, educational attainment, and mental well-being.

Beyond these indicators, the well-being of a share of the elderly is undermined by psychological abuse and physical violence. A survey of more than 1,000 people ages 60 or above revealed that 29 percent had experienced acts of violence and abuse, and two-thirds of these people were women. The most common form of abuse was emotional, involving humiliation, intimidation, insult, and isolation. In addition, about 11 percent of those surveyed became victims of economic abuse. The most vulnerable are elderly women and elderly with low education attainment or who are living in rural areas, which is probably linked to issues of economic security.

---

17 Educational attainment refers to upper-secondary or tertiary education. Mental well-being is measured by the active aging index.
**Old-age poverty**

Poverty has been declining more rapidly among the elderly than among the rest of the population. The poverty rate among the elderly declined rapidly, from 35.0 percent in 2007 to 13.8 percent in 2014, a much more rapid rate than the rate among the rest of the population, bringing the elderly poverty rate closer to the rate among the rest of the population (Figure 2.13). As discussed in Chapter 6, this is largely driven by pension increases that favored especially pensioners in urban areas and nonagricultural sectors. Similarly, households with elderly members or elderly-only households tend to be poorer than households without elderly, but poverty reduction among this group has also been more rapid. This may arise because of the financial crisis in 2008–09, the drought in 2012, and the economic slowdown in 2014, which affected the working-age population more negatively. Indeed, the most vulnerable group is multigenerational households with both children and elderly: the poverty rate among these households is highly sensitive to crisis.

**Figure 2.13. Poverty is higher among the elderly and households with children and elderly**

a. Poverty, by age-group

b. Poverty, by household type

*Source: Calculations based on the Household Budget Survey.*

*Note: Elderly includes people ages 65+. Retirement age includes women ages 57+ and men ages 62+.*

However, Moldova is one of the few countries in the region where the elderly are poorer than the average population. The national poverty rate among the elderly (ages 65 and above) is 13.8 percent, slightly higher than the national average of 11.4 percent. Until 2013, the poverty rate among the elderly (at the regional World Bank poverty line of $5.00 a day at 2005 purchasing power parity) was higher than the national average (Figure 2.14), although the rapid improvement among the elderly had made the poverty rate more comparable with the rest of the population by 2014 (around 40 percent). Nonetheless, the average disposable income of the elderly was 92.7 percent of the average income of the population. There are several reasons for the relatively higher poverty rate among the elderly, including their co-residence with others, the poor coverage and inadequacy of pensions, the lack of opportunities to work into old age, and the costs for utilities and healthcare services.
Figure 2.14. Unlike other countries in the region, old-age poverty is higher than overall poverty in Moldova, circa 2013

*old-age poverty compared with average poverty ($5.00 a day)*

![Chart showing the comparison of old-age poverty to overall poverty in various countries.](chart)

*Source: ECAPOV database harmonization as of April 2016, Europe and Central Asia Team for Statistical Development, World Bank, Washington, DC.*

The elderly in rural areas are at particularly high risk of poverty. According to the Household Budget Survey, around 56 percent of the elderly were living in rural areas in 2014, a relatively high share compared with other countries in the region (Figure 2.15). This share has been declining since 2007, when 65 percent of the elderly were living in rural areas. Poverty among the rural elderly has also been decreasing, although still trailing the rate among the urban elderly. The poverty rate among the rural elderly was 18.7 percent in 2014, 2.5 times higher than the corresponding urban rate. This urban-rural disparity is not unique to the elderly, but the elderly are consistently poorer than the nonelderly in all areas. The disposable income of the elderly in rural areas is 78 percent of that of the elderly in urban areas and has narrowed less because the elderly in rural areas are more dependent on agricultural income, which fell, and benefit less from pensions. Furthermore, the labor engagement is lower among the rural elderly than among their urban peers. According to the NBS, only around 25 percent of the pensioners in the north and south are employed, compared with 47.3 percent in Chisinau, which explains the much lower labor income of the rural elderly (Figure 2.16).

Figure 2.15. Moldova: the elderly in rural areas are more likely to be poor

The share of the elderly in rural areas, circa 2013

![Chart showing the percentage of elderly in rural areas in various countries.](chart)

*Source: ECAPOV database harmonization as of April 2016, Europe and Central Asia Team for Statistical Development, World Bank, Washington, DC.*

Poverty rate: the elderly (65+), by location

![Chart showing the poverty rate among the elderly in various locations.](chart)

*Source: Calculations based on the Household Budget Survey.*
The feminization of aging in Moldova—given the greater longevity of women—means that elderly women are often more vulnerable. The poverty rate among elderly women was 14.7 percent in 2014, compared with 12.3 percent among elderly men. Elderly women are more likely to be widows, outliving their partners: 62.4 percent of elderly women are widows, while only 25 percent of elderly men are widowers. The limited participation of elderly women in the labor force means they receive lower pensions, though some may still benefit from survivor pensions. According to the NBS, 72 percent of pensions go to men. The average pension received by women in 2014 was 76 percent of the average among men, which may reflect the gender wage gap of 26 percent in Moldova that arises because of the segregation between men and women in sectors of employment and positions. Elderly women are also more likely to be subjected to domestic abuse and feel less safe in the neighborhood where they live (only 33.3 percent, compared with 58.6 percent among men).

The elderly are increasingly lacking resources to spend on their needs. Already at low earning capacity, the elderly also face pressure on the expenditure side. The consumption expenditures of households with elderly members is greater than the disposable incomes of these households, which suggests dissaving and confirms the chronic lack of financial resources of the elderly (Figure 2.17, panel b). The increase in the cost of housing maintenance, utilities, and basic food products are contributing to the rise in the poverty incidence among the elderly. More than 50 percent of the expenditures of the elderly goes for food, slightly more than the corresponding share of expenditures among the nonelderly. The next highest spending items among the elderly are utilities and medical and health services, most of which are essential items that may be difficult to adjust (Figure 2.17, panel a). Indeed, the share allocated to utilities has increased since 2007. The elderly are forced to spend considerable financial resources for healthcare services, 9.3 percent of their expenditures, and 1.5 times more than the corresponding expenditures among the nonelderly. Around 86 percent of these expenditures go for medications. About 38.0 percent of the elderly still said they had difficulty paying

---

for food, and 31.5 percent for utilities (HBS 2013). These shares are not higher than the share among
the nonelderly, but do indicate the resource constraints faced by the elderly.

**Figure 2.17. The elderly spend more than what they earn and more on health and housing**

A. The consumption pattern of the elderly

B. Monthly consumption and income of the elderly

![Graph showing consumption and income patterns](image)

*Source:* Calculations based on the Household Budget Survey.

**Material deprivation**

The elderly suffer from material deprivation. Even though, similar to the general population,
almost all elderly own their dwellings, many lack household utilities and access to basic services that
are critical for well-being, including good health. Only 31 percent of the elderly have autonomous or
central heating or hot water, compared with 37 percent and 48 percent among the nonelderly,
respectively. Only 32 percent of the homes of the elderly are equipped with toilets and sewerage.
Although the majority (64 percent) have piped water, the share is still lower than the national average.
These conditions, however, have improved since 2007 (Figure 2.18, panel a). Similarly, the elderly have
less access to home appliances and cultural and transport items (Figure 2.18, panel b), and their
household appliances are older and have been in use for more than 16 years, while the share of new
appliances with high-quality features and energy efficiency is significantly lower than the national
average.
Nonetheless, because of the country’s legacy, the share of the elderly who own their homes and land is high. Home ownership is high in Moldova, particularly in rural areas. Thus, 99 percent of households with elderly members have single-family homes, according to the Household Budget Survey. Their per capita living area is 60 percent greater than the average living area among the nonelderly. In addition, a high share of the elderly own land. Yet, most of them seem to use the land for subsistence farming. Short on labor, elderly households face difficulties generating higher outputs from their land to obtain additional income.

As with consumption-based poverty measures, material deprivation is worse among the rural elderly. The urban-rural gap is also reflected in access to utilities and ownership of assets (Figure 2.19). About 96 percent of the rural elderly heat their homes with wood stoves; 92 percent do not have a toilet inside the home; 86 percent do not have a bath or shower; 73.3 percent do not have a sewerage system; 55 percent do not have access to a water supply system; 17.3 percent do not have access to phone services; and 11 percent do not have satellite dishes.

---

22 Möllers et al. (2016).
Figure 2.19. The rural elderly have lower incomes and less access to utilities and basic assets, 2014

Utilities and assets among rural and urban elderly

Subjective well-being

Beyond these objective measures, the elderly have low levels of subjective well-being. According to the Global AgeWatch index 2015, the share of people ages 50 or above who feel their life has meaning is 26 percent smaller than the corresponding share of people ages 35–49. Approximately 22.0 percent of older people perceive their standard of living as “bad or very bad” (1.3 times more than the national average), and only 5 percent view it as “well and good” (2.1 times less than the national average). Every fourth respondent believes that his life has worsened in terms of living standards from year to year. The Household Budget Survey shows that a higher share of the elderly feel bad about the quality of their lives and believe that their living conditions grow worse from year to year (Figure 2.20).

Figure 2.20. The elderly believes the quality of their lives is growing worse

a. Share of the population who feel bad about their life conditions

b. Share of the population who feel their life conditions were worse than last year

Source: Calculations based on the Household Budget Survey.

---


Migration and the well-being of older people

Emigration, which has driven the aging of the population, has changed social structures and the dynamics of families. The emigration of younger household members means the older generation has been left behind, especially in rural areas. The share of the elderly in households rose from 13.9 percent to 15.9 percent between 2007 and 2014. Because of their longer life expectancy, women tend to head old-aged households. The share of woman-headed households rose gradually over the period, from 37 percent to 39 percent (see annex A). This is in line with the gradual increase in the average age of household heads, from 55 years in 2007 to 57 years in 2013. These shifts in household composition affected the living conditions of the elderly in many ways. While the elderly may benefit from remittances, remittances may serve as a disincentive to work, and the emigration of young adults can generate burdens among the elderly through an increase in household duties and caregiving responsibilities.

A few elderly receive remittances, and this intergenerational support is an important source of welfare improvement. Only 13.4 percent of the elderly live in households that received remittances in 2014, compared with 27.6 percent among the nonelderly, but this is a small increase from the 12.0 percent in 2007. These latter elderly tend to be more well off, and experience lower poverty rates and higher income and consumption levels (Figure 2.21, panel a). It also appears that international migration has a positive effect on the health of the elderly health because it allows them to eat a more diverse diet and spend more time on leisure activities and sleep instead of working in subsistence farming.25 Furthermore, the elderly living in migrant households do not seem to suffer from many of the problems that are associated with caregiver absence and are not necessarily less well off in terms of physical health, or material, social, and emotional well-being.26 Thus, remittances are significant enough (46 percent of income) to compensate for the lower level of other income sources: the average pensions of the elderly who received remittances are around 85 percent of the corresponding pensions of the elderly who were not receiving remittances.

Figure 2.21. Elderly-only households have lower incomes and rely more on pensions

a. Income structure of the elderly receiving remittances

<table>
<thead>
<tr>
<th>2007</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Receive remittances</strong></td>
<td><strong>Other</strong></td>
</tr>
<tr>
<td><strong>Wages</strong></td>
<td><strong>Pensions</strong></td>
</tr>
<tr>
<td>Monthly expenditure per adult equivalent (USD 2005 PPP)</td>
<td>280</td>
</tr>
<tr>
<td><strong>Receive remittances</strong></td>
<td><strong>Other</strong></td>
</tr>
<tr>
<td><strong>Wages</strong></td>
<td><strong>Pensions</strong></td>
</tr>
<tr>
<td>Monthly expenditure per adult equivalent (USD 2005 PPP)</td>
<td>220</td>
</tr>
</tbody>
</table>

b. Income structure among the elderly living in elderly-only households

<table>
<thead>
<tr>
<th>2007</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>With other Elderly only (64%)</strong></td>
<td><strong>With other Elderly only (69%)</strong></td>
</tr>
<tr>
<td><strong>Wages</strong></td>
<td><strong>Pensions</strong></td>
</tr>
<tr>
<td>Monthly expenditure per adult equivalent (USD 2005 PPP)</td>
<td>220</td>
</tr>
</tbody>
</table>

Source: Calculations based on the Household Budget Survey.

---

26 Gassmann et al. (2012).
The elderly living in multigenerational households where the adult children have migrated are subject to different socioeconomic conditions. Although not particular to the elderly, many of people receiving remittances are not willing to accept low-paying jobs in Moldova as long as they receive remittances from abroad regularly.\textsuperscript{27} Migrant households tend to have a division of labor whereby the members who remain engage in childcare, subsistence farming, or other household duties.\textsuperscript{28} The elderly in remittance households often therefore live with more children and have a greater average care burden in caring for their grandchildren. A research study by the United Nations Children’s Fund has highlighted the extremely important role of older people in childcare and education when other household members migrate for work abroad. If both parents migrate abroad, older people become the main caregivers in 91 percent of cases, and, if one parent is abroad, 36 percent of the children are cared for by older people, even if one parent remains in the home country. Older people also replace the parents as legal representatives of children; they assume responsibility for guardianship or tutorship in 34.7 percent of the multigenerational households affected by migration.\textsuperscript{29} Even though they are not necessarily less well off, the caregiving responsibility may limit the potential of older workers in the labor market. Of greater concern are the elderly living in migrant households that do not receive remittances. Lacking both the material and informal support of their adult children, they have limited access to social and cultural activities.\textsuperscript{30} Conversely, a lack of formal elderly care opportunities may prevent some adults from migrating because they have to stay with the elderly parent to provide care.\textsuperscript{31}

Emigration may have also led to the growing prevalence of the elderly living on their own, although they do not necessarily benefit from remittances. In 2014, 69.1 percent of the elderly were living alone or with other elderly, an increase from 63.7 percent in 2007. This share is fairly high compared with other countries in the region, even higher than the shares in Belarus and Ukraine (Figure 2.22). These elderly received fewer remittances relative to the elderly living in multigenerational households; they were thus more dependent on pension income. These elderly are not necessarily the most vulnerable to poverty, but they are slightly less well off than average: the average monthly equivalized income of the elderly living alone is $195.5 (2005 purchasing power parity), compared with $213.90 among the elderly living with nonelderly, a statistically significant difference (Figure 2.21, panel b). In addition to economic insecurity, the elderly living alone are also deprived of family and social interactions that might otherwise provide them with emotional and psychological support. There is qualitative evidence that the elderly who are living alone feel isolated, abandoned, and insecure. Many are institutionalized as a result of children’s migration.\textsuperscript{32}

\textsuperscript{27} ETF (2009).
\textsuperscript{28} Görlich et al. (2007).
\textsuperscript{29} HelpAge International and UNICEF (2010).
\textsuperscript{30} HelpAge International and UNICEF (2010).
\textsuperscript{31} Stoehr (2013).
\textsuperscript{32} Cheianu-Andrei et al. (2011).
In sum, Moldova faces the most severe aging challenges in the region. The average age of the population is increasing at a much more rapid rate in Moldova than in neighboring countries, and the population is shrinking because of low fertility, substantial emigration, and low life expectancy. As a result, the old-age dependency ratio is projected to triple in the next 45 years. In addition, the current cohort of older people in Moldova experience a lower quality of life than the rest of the population, with higher average poverty rates, less access to services, and worse perceptions about their own well-being. The elderly are highly dependent on pensions, particularly the elderly living alone. This highlights the need to ensure a sustainable and adequate pension system.
3. A HUMANS RIGHTS PERSPECTIVE

Human rights are a “common standard of achievement for all peoples and all nations.” They are universal, so they apply to everyone; they are inalienable, so they cannot be taken away; they are interrelated and interdependent, so the realization of one right depends on the realization of others; and they are indivisible. For example, the realization of the right to health can lead to improved health, which can enhance labor force participation and economic productivity. This can support the realization of the right to an adequate standard of living, more well protected from poor health and poverty. This chapter outlines some of the priority issues for the economic security of older people from the perspective of human rights. Given the scope of this report, it presents the international framework for selected older people’s human rights related to economic security—the right to health, the right to social security, and the right to work—and Moldova’s positioning within that framework.

Human rights apply to everyone equally, and, given the poorer living conditions of older people and as the proportion of this age-group increases both relative to the rest of the population and in absolute numbers, demography makes the task of recognizing older people’s human rights more crucial. The prohibition of discrimination is a cornerstone of equal human rights. Increasingly large swathes of a population can experience the discrimination, marginalization, and disempowerment of ageism and old-age discrimination if it is left unchecked. Older people may be discriminated against for reasons associated with old age, regardless of whether they have attained a certain chronological age, such as the age of retirement.

Historically, the human rights of older people have been obscured by a well-intentioned emphasis on the social aspects of the protection and care of older people. Many position papers, reports, and policy statements have poured effort into noting that population aging is occurring and that policies reflecting this are not in place. These reports are often alarming and fatalistic, describing an aging tsunami or foretelling the collapse of a system of social security. They accept an untested premise that increasing numbers of people living into older age are a menace to society, rather than a sign of a successful society. Instead, a 2010 report states that “governments must challenge the myth that social pensions are a burden to the economy and the stereotyping of older persons as a burden to development.”

This chapter is centered on what needs to change for governments to fulfill their obligations to treat older people as equal rights-holders. Specifically, it outlines two main elements of the human rights landscape for older people in Moldova: the international framework for older people’s human rights related to economic security and Moldova’s positioning within that framework. It explores these elements through the lens of three rights that older people have said are their priorities: the right to health, the right to social security, and the right to work. These rights are particularly

---

33 United Nations (1948, 1).
34 See Bussolo, Koettl, and Sinnott (2015). In particular, see box O.1 (page 6) for an alternative measure that describes the age of a population in terms of the average number of years remaining among members of a population before death.
35 UNHRC (2010), paragraph 35.
36 See UNFPA and HelpAge International (2012). Other human rights that are relevant to older people can be found in the Convention on the Elimination of All Forms of Discrimination against Women, the International Covenant on Economic, Social, and Cultural
critical to the economic security of Moldova’s current and future elderly population, particularly given the demographic patterns of the country (see chapter 2), and are interrelated and interdependent. Other rights, though not discussed in this chapter, but are critical, such as the rights to education, culture, and reproductive health. In its analysis, the chapter also touches on the cross-cutting issues of the right to be free from discrimination, the rights of other relevant and intersecting groups, and older women’s rights, given the gendered aspects of growing old.

Overview of the international framework on age-related rights

The international framework on human rights prohibits discrimination, but it rarely refers specifically to older people. Discrimination is prohibited in the Universal Declaration of Human Rights, Article 7; Article 2 of the International Covenant on Economic, Social, and Cultural Rights (ICESCR); the Convention on the Rights of Persons with Disabilities, articles 5 and 12; the International Covenant on Civil and Political Rights, Article 26; and Article 2 of the Convention on the Elimination of All Forms of Discrimination against Women specifically prohibits discrimination against women. The prohibitions these instruments articulate are not meant to be exhaustive; “therefore, even if age is not mentioned specifically as a prohibitive ground for discrimination, it should still be accepted under ‘other status’.” International human rights law lacks clarity on how this prohibition applies to the specific position of older men and women.

Beyond this framework, which applies to older people as well as everyone in society, the next subsections refer to additional resources that refer to the right to health, employment, and social security among older people. It also briefly links these rights to other development efforts, such as the Sustainable Development Goals.

The right to health

Health and an adequate standard of living are connected. Article 11 of the ICESCR recognizes “the right of everyone to an adequate standard of living for himself and his family, including adequate food, clothing and housing, and to the continuous improvement of living conditions.” Article 12 enshrines “the right of everyone to the enjoyment of the highest attainable standard of physical and mental health.” This relationship works both ways: many older people “may fall into a vicious cycle where poor health engenders poverty and poverty engenders poor health.” To realize the right to health, governments need to take steps to prevent, treat, and control disease and assure medical service and medical attention for all in the event of sickness.

As part of the right to health, discrimination against older people within a health care system must be prohibited. Older people’s equal rights to provide informed consent and to be treated with

---

Rights (ICESCR), the International Covenant on Civil and Political Rights, and the Convention on the Rights of Persons with Disabilities.

37 UNHRC (2010), paragraph 38.
38 Martin, Rodríguez-Pinzón, and Brown (2015).
39 UNHRC (2010), paragraph 17.
40 ICESCR, Article 12(c).
dignity, particularly in situations of custody, such as long-term care, imprisonment, or hospitalization, should be protected. Discrimination based on residence is also connected with discrimination against older people living with disabilities. Such people's rights “deserve specific attention as they are subject to hospitalization and institutionalization on the account of their age, their disability, or both factors.”

**Access to palliative care is part of the right to health.** In some cases, lack of access to palliative care may constitute cruel, inhuman, or degrading treatment; particularly if the suffering is severe, meeting the minimum threshold for ill-treatment; the government knew or should have known about the pain; and all reasonable steps were not taken “to protect individuals' physical and mental integrity.” International human rights law is clear that no one shall be subjected to torture or to cruel, inhuman, or degrading treatment or punishment. The European Convention also maintains this prohibition.

**Ensuring the right to health among older people must account for differences in health needs between older men and women.** The Committee on the Elimination of Discrimination against Women states that “States parties should take appropriate measures to ensure the access of older women to health services,” noting that women typically outlive men, are therefore more likely to suffer from chronic diseases, and are often primary caregivers for aging spouses. Governments should ensure affordable and accessible health care to all older women through activities that include the elimination of user fees, the training of health workers in geriatric illnesses, access to appropriate medicines, and long-term health and social care, care that allows for independent living, and palliative care.

**The focus on health as a key endowment of people is also evident outside the human rights framework.** For instance, Sustainable Development Goal 3, to “ensure healthy lives and promote well-being for all at all ages” declares that “we must achieve universal health coverage and access to quality health care. No one must be left behind.” Governments should actively pursue the Sustainable Development Goal targets on noncommunicable disease (NCD), which disproportionately affect older people. The World Bank gender strategy highlights the importance of NCDs, especially among middle-income countries, and has articulated the important links of preventing discrimination based on gender, disability, and poverty.

---

41 Martin, Rodríguez-Pinzón, and Brown (2015).
42 UNHRC (2013), paragraph 54.
43 International Covenant on Civil and Political Rights, Article 7.
44 Council of Europe (2010a).
45 CEDAW (1999), paragraph 24.
46 CEDAW (2010), paragraph 45.
49 World Bank (2015a).
The right to employment

Discrimination in employment is prohibited in international human rights law. The International Labour Organization (ILO) has a number of fundamental conventions, including the Convention concerning Discrimination in Respect of Employment and Occupation. This convention requires that distinctions, exclusions, or preferences must be based on respect of a particular job’s inherent requirements. Its reach is broad, extending beyond job applications and employer decisions in hiring and firing. It expressly includes vocational guidance, vocational training, and placement services. It notes that age, family responsibilities, disability, and social status may all require special protection or assistance. The Committee on the Elimination of Discrimination against Women notes that systemic discrimination against women throughout their lives results in lower incomes in old age, leaving women at a disadvantage compared with older men. The Older Workers Recommendation “aims to protect the rights of older workers with equality of treatment.” Older people, in addition to their age, also often have family caregiving responsibilities, disabilities and a social status that require specific protection in order to ensure equal rights in employment.

The barriers that older workers face have been recognized within the international human rights framework. The Committee on Economic, Social, and Cultural Rights notes the damaging effects of old-age discrimination on the labor force. Article 6 of the ICESCR requires states to safeguard the right of all to work that is freely chosen and accepted. It notes the difficulties often encountered by job-seekers nearing retirement age in finding and keeping work. The protection of the right to gain a living through work is not limited to prohibiting discrimination; indeed, the committee calls on states to prevent discrimination on the basis of age. This is also found in ILO Recommendation 162 (1980) concerning Older Workers.

The ILO’s Employment Policy Convention, 1964 (No. 122) “promotes full, productive, and freely chosen employment for all who are available for and seeking work.” The UN Special Rapporteur on Human Rights in Extreme Poverty notes that, “as people grow older, they tend to be progressively excluded from the formal and informal work markets by employers who prioritize a younger

---

50 The other ILO conventions include the Convention concerning Forced or Compulsory Labor; the Convention concerning the Abolition of Forced Labor; the Convention concerning Freedom of Association and Protection of the Right to Organize; the Convention concerning the Application of the Principles of the Right to Organize and to Bargain Collectively; the Convention concerning Equal Remuneration for Men and Women Workers for Work of Equal Value; the Convention concerning Discrimination in Respect of Employment and Occupation; the Convention concerning Minimum Age for Admission to Employment; and the Convention concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labor.


52 ILO, 1958, Convention No. 111 concerning Discrimination in Respect of Employment and Occupation, Article 3.

53 ILO, 1958, Convention No. 111 concerning Discrimination in Respect of Employment and Occupation, Article 5, paragraph 2.

54 CEDAW (2007), paragraph 31.


56 CEDAW (1995), paragraph 22.

workforce. Research indicates that the older persons who manage to enter and remain in the workforce occupy less attractive jobs, with lower pay than people of prime age.\textsuperscript{58}

**Nondiscrimination is critical to the labor rights of women, including older women, who are often at a disadvantage in looking for a job.** The Committee on the Elimination of Discrimination against Women has supported the creation of labor legislation and the use of temporary special measures to address the unemployment situation of women above 40 years of age. Other European countries have created temporary special measures to support employment among such women.\textsuperscript{59} The World Bank’s gender strategy also calls for creating more and better jobs for women and for men and cites the importance of building systems that include older women in access to economic opportunities.\textsuperscript{60} For women who are not a part of the formal labor force, closing the gender gap in the ownership and control of key assets such as land, housing, technology, and finance is even more important to entrepreneurial success. “Enhancing women’s ability to make themselves heard and direct the course of their own lives” is a critical part of participation in all aspects of life.\textsuperscript{61}

**Employment and decent work for all are also an important component of sustainable development.** Sustainable Development Goal 8 promotes “sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all” in keeping with the ILO’s labor standards.\textsuperscript{62} International development programs should ensure that older people benefit from these efforts.

*The right to social security*

**The right to social security is well-elaborated in the international framework on human rights.** ICESCR Article 9, together with articles 10 and 11, outlines the right to social security. The human right to social security was further elaborated by the Committee on Economic, Social, and Cultural Rights in General Comment 19 (2008) on the right to social security. Articles 22 and 25.1 of the Universal Declaration of Human Rights also involve the right to social security. “Although it is a self-standing right, the right to social security is also critical to the realization of the right to an adequate standard of living, guaranteed in article 11 of the Covenant.”\textsuperscript{63}

**There are multiple facets to a social security system that meet international human rights standards.** General Comment 19 notes that insurance and savings, contributory and noncontributory, and cash and in-kind benefits are important parts of social protection systems.\textsuperscript{64} Insurance, it notes, is not enough, and it “is unlikely that every person can be adequately covered through an insurance-based system.”\textsuperscript{65} For adequate coverage, systems must provide for several contingencies relevant for

\textsuperscript{58} UNHRC (2010), paragraph 16.
\textsuperscript{59} CEDAW (2005), paragraphs 194 and 195.
\textsuperscript{60} World Bank (2015a).
\textsuperscript{61} Indrawati (2015).
\textsuperscript{62} United Nations (2015), paragraph 67.
\textsuperscript{63} UNHRC (2011a), paragraph 49.
\textsuperscript{64} CESCR (2007).
\textsuperscript{65} CESCR (2007), paragraph 4(b).
older people beyond old-age benefits, such as survivor, disability, and health benefits. The Committee on Economic, Social, and Cultural Rights offers the example of the importance of noncontributory pensions for older women: “Given their greater life expectancy and the fact that it is more often they who have no contributory pensions, women would be the principal beneficiaries.” Adequate coverage among women outside the formal labor market and who never married could not be achieved through contributory systems alone, without this option. Noncontributory pensions for those people without resources upon attaining the age of retirement are necessary obligations under Article 9 of the ICESCR. “Benefits payable under a social security system should be adequate in both amount and duration and accessible to all without discrimination.” The informality of the workforce limits the effectiveness of contributory pension systems. The Committee on Economic, Social, and Cultural Rights notes that “States parties must take steps to the maximum of their available resources to ensure that the social security systems cover those persons working in the informal economy.” Box 3.1 outlines 10 human rights elements for a social protection system.

**Box 3.1. Ten human rights elements for a social protection system**

<table>
<thead>
<tr>
<th>Good systems:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Are grounded through a legal instrument, such as a constitution, and an adequate institutional framework to ensure permanence</td>
</tr>
<tr>
<td>2. Exhibit equal enforceability for contributory and noncontributory plans, ensuring the universality of protection;</td>
</tr>
<tr>
<td>3. Ensure transparency and access to information, allowing “rights-holders to know what their entitlements are, and the criteria for inclusion in and exclusion from the programme(s)”</td>
</tr>
<tr>
<td>4. Have clear roles for all stakeholders, including vulnerable groups</td>
</tr>
<tr>
<td>5. Ensure accessibility, adaptability, and acceptability, including respect of privacy</td>
</tr>
<tr>
<td>6. Ensure meaningful and effective participation of the intended beneficiaries, for ownership and sustainability, but also as a reflection of their right to take part in public life</td>
</tr>
<tr>
<td>7. Provide adequate benefits to enjoy an adequate standard of living and afford required goods and services, ensuring dignity and autonomy</td>
</tr>
<tr>
<td>8. Ensure comprehensive, coherent, and coordinated policies, including access to health care</td>
</tr>
<tr>
<td>9. Ensure equality and nondiscrimination, including gender equity, incorporating a gender perspective</td>
</tr>
<tr>
<td>10. Are enforceable, enabling recipients to claim their rights through the courts, if necessary, with accessible complaint mechanisms and effective remedies</td>
</tr>
</tbody>
</table>


**There is guidance on supporting older people’s human right to social security.** The Special Rapporteur on Human Rights in Extreme Poverty notes that “the focus on older persons should consist of setting basic, noncontributory pensions as one of the pillars of a comprehensive approach that includes measures to ensure access to basic services (especially health services) and eliminate discrimination based on sex.” Curtailment of noncontributory or social pensions would result in a

---

67 UNHRC (2011a), paragraph 50.  
68 CESC (2007), paragraph 34.  
69 UNHRC (2010), paragraph 16.
disproportionate impact on older women. A report on older people’s human rights authored by the Office of the High Commissioner for Human Rights notes that “the Convention on the Elimination of All Forms of Discrimination against Women includes a reference to old age in relation to discrimination in the enjoyment of the right to social security (article 11.1 (e)).”

**Regional European human rights law regarding social security is extensive.** Within the framework of the international human rights norms set out above, the region has articulated the application of these rights with great specificity. The European Code of Social Security requires social security for all those over the age of 65, with some formulas for exceptions, and a minimum replacement ratio of 40 percent. While it outlines a basic old-age benefit of a minimum of 50 percent of replacement ratio for all those over the age of 65, it is also significantly weakened by a broad allowance for the age threshold given appropriate demographic, economic, and social criteria. A Revised European Code of Social Security entered into force in 1996. Nowhere in these standards is state budgeting proscribed; pension systems may seek to self-fund through employee and employer contributions, but securing minimum social pensions through the general budget is also possible.

**European standard setting has adopted several approaches.** Politically, the Parliamentary Assembly of the Council of Europe has urged member states to protect adequate social security. In policy, the council’s recommendation to member states on the promotion of the human rights of older persons notes that full social protection incorporates a number of human rights. In the revised European Social Charter, states parties bound themselves to take measures to “enable elderly persons to remain full members of society for as long as possible,” to “enable elderly persons to choose their lifestyle freely and to lead independent lives in their familiar surroundings for as long as they wish and are able,” and to “guarantee elderly persons living in institutions appropriate support, while respecting their privacy, and participation in decisions concerning living conditions in the institutions.” Through Article 23, states parties bound themselves to provide older persons with social protection in the form of “adequate resources enabling them to lead a decent life and play an active part in public, social, and cultural life.” Article 23 is complemented by the protection afforded by Articles 12 and 13, which protect the rights to social security and social and medical assistance, respectively. Signatories to the revised Social Charter are also party to the 1988 Additional Protocol to the European Social Charter, which articulates, in Article 4, the right to social protection for older people, including adequate resources, information, independence, housing, health care, and support and privacy in institutions.

---

70 UNHRC (2014), paragraph 25.
71 Council of Europe (1964).
72 Council of Europe (1964).
73 Council of Europe (2016).
74 Council of Europe (2012).
75 Council of Europe (2014).
76 UNHRC (2010), paragraph 44.
77 Revised European Social Charter, Article 23.
78 Martin, Rodríguez-Pinzón, and Brown (2015).
79 Council of Europe (1988).
All these rights represent necessities for dignity. States bound themselves to the basic duty to “maintain the social security system at a satisfactory level at least equal to that necessary for the ratification of the European Code of Social Security.”80 This is patterned on the ILO’s Convention 102 (Social Security Minimum Standards) of 1952.81

Migrant workers have specific rights to social security. The International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families applies to all migrant workers and members of their families without distinction of any kind, including, specifically, age (Article 7). The rights of workers to social security after returning from working abroad are preserved in Article 12 on the right to social security of the Revised European Social Charter. States parties commit to take steps, by “appropriate bilateral and multilateral agreements or by other means . . . in order to ensure: equal treatment with their own nationals of the nationals of other Parties in respect of social security rights, including the retention of benefits arising out of social security legislation, whatever movements the persons protected may undertake between the territories of the Parties.”82

Curtailment of existing rights to social security must be carried out carefully to prevent discrimination. Many older people depend on their social security benefits for survival. So, individual judicial review within a reasonable time is considered by some courts in Europe as an immediate necessity for the survival of older persons.83 Fast-track appeals systems allow older people to challenge mistakes quickly and efficiently. For systemic changes, the Committee on Economic, Social, and Cultural Rights has noted that “there is a strong presumption that retrogressive measures taken in relation to the right to social security are prohibited.”84 Should such measures be taken, states parties have the burden of proving that all alternatives have been considered, that these actions are the best for the realization of all social, economic and cultural rights outlined in the ICESCR, and taking into account the state’s maximum available resources.85 “International financial institutions, notably the International Monetary Fund and the World Bank, should take into account the right to social security in their lending policies, credit agreements, structural adjustment programs, and similar projects, so that the enjoyment of the right to social security, particularly by disadvantaged and marginalized individuals and groups, is promoted and not compromised.”86

An adequate standard of living includes housing. The right to an adequate standard of living includes the right to housing, according to Article 11 of the ICESCR. The Committee on Economic, Social, and Cultural Rights in General Comment 6 on the Economic, Social and Cultural Rights of Older Persons notes that “national policies should help elderly persons to continue to live in their

80 Council of Europe (1964), Article 26.
81 Nickless (2002).
82 Revised European Social Charter, Article 12a.
84 CESCR (2007), paragraph 42.
85 CESCR (2007), paragraphs 42 and 60.
86 CESCR (1990), (2007), paragraph 83.
own homes as long as possible, through the restoration, development and improvement of homes and their adaptation to the ability of those persons to gain access to and use them.”

The Committee on the Elimination of Discrimination against Women notes that states should “take necessary measures to ensure access of older women to adequate housing that meet their specific needs. . . . States parties should provide social services that enable older women to remain at home and live independently for as long as possible. States parties should ensure that laws and practices affecting older women's right to housing, land, and property are abolished. States parties also should protect older women against forced evictions and homelessness.” Such actions could be catastrophic for older women with limited incomes or limited mobility.

**The aims of the human right to social security are aligned with the Sustainable Development Goals.** These set out to ensure “all people must enjoy a basic standard of living, including through social protection systems.” This “comprises both social insurance and social assistance with due consideration to the true cost of living.” Social Security is a key element of social protection. The benefits are not solely individual; they have positive externalities that are as relevant for societies as a whole as they are for individuals. “Social security, through its redistributive character, plays an important role in poverty reduction and alleviation, preventing social exclusion, and promoting social inclusion.” The World Bank *Golden Aging* report supports this, noting that the “elderly poor” must be protected as a core function of a system: “excessive moves toward linking pensions with wages and years in the labor force may undermine the old-age protection and distribution functions of a pension system.” Any gap in social protection systems “severely affects those living in extreme poverty, a group in which older persons are represented to an unduly high degree.”

**Fulfilling the rights of specific population groups**

Older women face the cumulative effects of multiple discriminations across their lifetimes. The Convention on the Elimination of All Forms of Discrimination against Women, General Recommendation 27, recognizes that old age is “one of the grounds on which women suffer multiple forms of discrimination.” The pattern may start with discrimination in education and carry over to access to formal work, wages, and expectations of unpaid work, including caregiving. Gender roles remain static across the life course, leaving older women with unpaid care workloads that go unrecognized and unreported. In the European human rights system, Recommendation 1796 (2007) of the Parliamentary Assembly of the Council of Europe highlights the particular discrimination that older women face, including lower incomes and poverty over their lifetimes, and the compounded vulnerabilities from loss of income and pension contributions for leaving the workforce to assume

---

87 CEDCR (1995), paragraph 33.
88 CEDAW (2010), paragraph 48.
90 UNHRC (2010), paragraph 1: “analyzing how specific poverty reduction strategies, in particular those related to the area of social protection, comply with human rights standards.”
91 CEDCR (2007).
92 Bussolo, Koetl, and Sinnott (2015), 244-45.
93 UNHRC (2010).
94 CEDAW (2010).
The caregiving has other implications as well; for example, “women with heavy unpaid care workloads may not be able to access health care due to lack of time or money.” More recently, both the Parliamentary Assembly of the Council of Europe and the European Parliament have drawn attention to the impact of financial crises on older women.

The prohibition on discrimination based on gender is a legally immediate requirement, not one that can be progressively addressed. The realization of the equal opportunity of men and women to enjoy all economic, social, and cultural rights is addressed in Article 3 of the ICESCR. Signatories of the ICESCR are required to ensure their laws do not discriminate in recognizing the rights of men and women. The Committee on Economic, Social, and Cultural Rights, which oversees the way countries implement the ICESCR, notes that the “implementation of Article 3 [prohibiting discrimination] in relation to Article 9 [social security] requires, inter alia, equalization of the compulsory retirement age for both men and women; ensuring that women receive equal benefits in both public and private pension schemes.” This is a not uncommon example of a discriminatory law in violation of the assurance of equality. Unequal laws on these issues exacerbate older women’s marginalization and poverty, further entrenching gender inequality and discrimination.

Reliance on contributory social security systems exacerbates older women’s inequality. Women are excluded from contributory social security systems for many reasons. Caregiving responsibilities, lower educational attainment, and lower social status result in “lower-quality, informal, and insecure jobs, due to the time women spend out of the workplace and their need for flexible work arrangements.” These jobs are not providing the secure employment and retirement benefits that men may accrue during men’s prime working years. As a result, “older women are more likely to receive lower pensions and other contributory benefits [if at all] in the absence of adequate legal frameworks to underpin their entitlement, threatening their enjoyment of their rights.”

Older rural women face high barriers to accessing rights. The Committee on the Elimination of Discrimination against Women has stated “its concern about the absence of detailed information on the situation of older women in rural areas.” Poverty rates are often higher in rural areas, and access to services is often curtailed unless there is a concerted effort by local and national governments. The committee has repeatedly highlighted rural women’s lack of access to health care.

---

95 Council of Europe (2007), paragraph 9.
96 Sepúlveda Carmona and Donald (2014).
97 Council of Europe (2010b); European Parliament (2013); Martin, Rodríguez-Pinzón, and Brown (2015).
98 CESCR (2007), paragraph 40.
99 CESCR (2007), referencing CESCR’s (2005) analysis of Article 10 of the ICESCR, which expressly provides that during and after childbirth, “mothers should be accorded paid leave or leave with adequate social security benefits.”
100 UNHRC (2010), paragraph 33.
101 Sepúlveda Carmona and Donald (2014).
102 Sepúlveda Carmona and Donald (2014).
103 UNHRC (2010), paragraph 51.
104 Martin, Rodríguez-Pinzón, and Brown (2015), citing CEDAW (2002), paragraphs 37, 65, and 66.
105 See the Convention on the Elimination of all Forms of Discrimination against Women, article 14, paragraph 2(b); CEDAW (2002), paragraphs 37, 65, and 66; CEDAW (2009); CEDAW (2010), paragraph 24.
should ensure that older women living in rural areas “benefit from policies and programs in all areas, in particular access to health, education, social services, and decision-making.”

**Unpaid care work is a stumbling block to reaching goals of poverty reduction, women’s empowerment, and gender equality.**

Older women are often caregivers. This has been recognized by the UN Special Rapporteur on Human Rights in Extreme Poverty: “Older women are not only more likely to be poorer than men, but they are also likely to be burdened with caregiving responsibilities for other family members, especially their grandchildren.”

Noncontributory pensions for those without resources upon attaining the age of retirement are necessary obligations under Article 9 of the ICESCR. “Benefits payable under a social security system should be adequate in both amount and duration and accessible to all without discrimination.”

Nondiscrimination against women in unpaid care work requires adequate noncontributory pensions.

**Many older men and women, especially older women, experience violence in their homes, in care settings, or in conflict or postconflict situations.**

Older people have the right to be free from all forms of violence and abuse, and, through the general human rights prohibitions in the Universal Declaration of Human Rights, governments have the duty to prevent violence and abuse, protect older people, and punish violators.

General Recommendation 27 of the Committee on the Elimination of Discrimination against Women notes that “States parties have an obligation to recognize and prohibit violence against older women, including those with disabilities, in legislation on domestic violence, sexual violence, and violence in institutional settings. States parties should investigate, prosecute, and punish all acts of violence against older women.”

**Countries also have strong economic motivations for eliminating family and domestic violence against older people.**

The risk of violence is associated with a higher risk of health complications and costs, as well as a higher risk of loss of ability to work or seek employment. Violence has implications for health costs, productivity loss, and income loss. Physical violence is “more likely to require longer periods of recuperation even from minor injuries. Apart from causing severe and lasting emotional distress, physical violence is also a cause of premature mortality.”

**For certain older people, older women in particular, who may be experiencing the cumulative effects of a lifetime of violence, the responsibility to respect and protect the right to live free from violence is more compelling.**

“The state obligation to investigate alleged torture or other forms of ill-treatment is also embodied in Article 3 of the European Convention, in relation to Article 106


107 Sepúlveda Carmona and Donald (2014).

108 UNHRC (2010), paragraph 21.

109 UNHRC (2011a), paragraph 50.

110 Martin, Rodríguez-Pinzón, and Brown (2015).

111 Universal Declaration of Human Rights, Article 3 (United Nations 1948).

112 CEDAW (2010), paragraph 37.

113 UN ECOSOC (2012), paragraph 33.
1 of that instrument.” A suite of cases in 2013 and 2014 brought by women in Moldova reflect the value the European Court of Human Rights places on nondiscrimination (Article 14). “The ECtHR [European Court of Human Rights] has consistently found that state’s failure to investigate acts of domestic violence that can be characterized as ill-treatment constitutes a violation of the duty to prevent torture, cruel, inhuman and degrading treatment under European standards.”

**Ethnic minorities, such as Roma,** face multiple types of discrimination in old age, based on their age, ethnicity, gender, and socioeconomic status, and disability. Stigma, a lack of access to information, social isolation, and other factors may converge to limit the exercise of the human rights that have been discussed in this chapter.

**People with disabilities** may face compounding types of discrimination as they age, and older people may acquire disabilities as they age. The Convention on the Rights of Persons with Disabilities does not specifically reference old age, but, as younger people with disabilities become older people, and as people acquire disabilities in old age, the convention should be applied to them.

**The Moldova-specific legal framework for a human rights–based approach to population aging**

Moldova has taken on numerous responsibilities in international and regional human rights that relate to specific rights of nondiscrimination, health, social security, and employment. Moldova has ratified the International Covenant on Civil and Political Rights, the ICESCR, the International Convention on the Rights of Persons with Disabilities, and the Convention on the Elimination of All Forms of Discrimination against Women.

While discrimination is prohibited, and equal recognition before the law is guaranteed for all citizens by the constitution of Moldova, older age is not a constitutionally prohibited grounds for discrimination. The constitution also does not contain specific protections for older people, as it provides for people with disabilities, women, and children. The constitution does guarantee a minimum free health insurance, a right to an adequate standard of living within the right to social protection, and old age insurance as a right of all citizens.

Antidiscrimination Law 121, adopted in 2012, is meant to “prevent and fight against discrimination and ensure equal rights in political, economic, social, cultural, and other aspects of life for persons

---


117 Office of the President (2016), Article 41(2).

118 Office of the President (2016), articles 36(1), 42(1), 42(2).
residing in Moldova, regardless of their race, skin color, nationality, ethnicity, language, religion, sex, age, limited abilities, political views, or any other factors. The inclusion of age is important.

**The enforcement of laws is critical to older people’s protection.** As a social group, older people in Moldova are among the most marginalized by discrimination. Social exclusion among older people ranked among the worst in a six-country study in the region. The situation of older persons was not reported in the government’s 2011 report to the Human Rights Council. The second Universal Periodic Review of Moldova with the Human Rights Council will occur during the 26th session beginning in October 2016. As with other international human rights reviews in Moldova, the application of laws secures older people’s human rights.

**Specific laws reflect the government’s regional and international commitments to the elderly**

1. **Discrimination.** The government is seeking to improve its prohibitions against discrimination. In its report to the UN Human Rights Council during the Universal Periodic Review process in 2011, the government reported that it would start the ratification process of the Council of Europe’s Protocol 12 to the Convention on Human Rights and Fundamental Freedoms after the adoption of a legal framework on antidiscrimination. The Law on Equality, for example, requires specialized structures for implementation, particularly to address the discrimination faced by older women. Discrimination among employees based on their age is prohibited. Discrimination in hiring is, however, less expressly prohibited by the Labor Code, Article 47. Discrimination against people with childcare responsibilities is prohibited through Article 247 of the Labor Code.

2. **Health.** Moldovans have a national right to health care. National legislation refers to this as a constitutional right and guarantees the right to equal opportunity to obtain timely, good-quality health care through the compulsory health insurance system. Older Moldovans also have the right to health care free from discrimination in the health system. In advance of Moldova’s Universal Periodic Review in 2011, two nongovernmental organizations reported age discrimination in ambulance services that had routinely not responded to calls from older people, and the Committee on Economic, Social, and Cultural Rights expressed concern about these reports. The reports also noted that the high costs of medicine, the informal fees, and inadequate income were major barriers to older people’s enjoyment of the right to health care. Moreover,

---

119 Roudik (2012).
120 Soros Foundation–Moldova (2011).
121 UNDP (2011), which reports that, of the four age-groups surveyed in six countries (Kazakhstan, the former Yugoslav Republic of Macedonia, Moldova, Serbia, Tajikistan, and Ukraine), the 65 and older age-group experiences social exclusion at a rate almost 50 percent greater than other groups, and the highest levels are found in Moldova and Tajikistan.
122 UNHRC (2011b).
123 UNHRC (2011c), paragraph 15.
127 Law 411 of March 28, 1995, Health Care, Chapter IV, Article 20, as amended.
129 CESCR (2011), paragraph 22.
130 UNHRC (2011d).
since introduction of mandatory health insurance and family medicine in 2004, the awareness on the rights for access and utilization of healthcare services has been low, especially amongst older adults. In particular, every third person in Moldova is unaware about the rights and benefits offered under health insurance package and every third old adult refuses hospitalization due to additional expenses that might arise during treatment process. Such lack of information on the rights to healthcare contributes to disparities in accessing health services and pharmaceuticals and, as a result increases the risk of elderly being exposed to catastrophic expenditures related to their healthcare.

3. **Employment.** Unpaid care work, discrimination, and informality all impact older people’s equal rights in employment. Moldova is party to the fundamental conventions of the ILO, including Convention 111 concerning Discrimination in Respect of Employment and Occupation and Convention 122 on Employment Policy. Employment and decent work for all are also an important component of sustainable development. The government took note of the importance of the Millennium Development Goals in the Universal Periodic Review process.\(^{131}\)

Undeclared work is prohibited by the Labor Code.\(^{132}\) Informal work is, however, common in Moldova. Because of this, unintended disincentives for contributory pension systems may be created in the decisions of employers and employees. A stakeholder submission in advance of the Universal Periodic Review in 2011 requested that Moldova “ensure that the individuals working in the informal sector, including migrant workers, have access to social security when they reach the retirement age.”\(^{133}\)

Older people are still productive, and this should be reflected in Moldova’s laws and policies. A recent report on unpaid care found that “the amount, intensity, and drudgery of this work increases with poverty and social exclusion.”\(^{134}\) It is useful that Moldovan law allows for partially paid leave for grandmothers and grandfathers still working.\(^{135}\) The regulation on the determination and payment of allowances to families with children also applies to older persons.\(^{136}\)

4. **Social security.** Moldova is a party to the ICESCR. The Committee on the Elimination against Women notes that “States parties should provide adequate non-contributory pensions on an equal basis with men to all women who have no other pension or insufficient income security and State-provided allowances should be available and accessible to older women, particularly those living in remote or rural areas.”\(^{137}\) Noncontributory pensions promote gender equality and empowerment. The intention to equalize eligibility requirements between men and women is long overdue, but its continuing emphasis on wage-based plans

\(^{131}\) UNHRC (2011e), paragraph 9.


\(^{133}\) UNHRC (2011d).

\(^{134}\) Sepúlveda Carmona and Donald (2014).


\(^{136}\) Decision 432 of June 15, 2011, to amend and supplement the terms of Establishment Regulations and payment of allowances to families with children. Government judgment 1478 of November 15, 2002, on allowances for families with children.

\(^{137}\) CEDAW (2010), paragraph 44.
instead of noncontributory plans does not reflect the current informality levels of the workforce or the realities of women’s lives.

Regional European human rights law regarding social security is extensive. A Revised European Code of Social Security entered into force in 1996, but Moldova is not a signatory. Additionally, Moldova became bound by the Revised European Social Charter on January 1, 2002. There are some articles that the government has chosen not to be bound by.\(^{138}\) The Revised Charter outlines that older people are specifically entitled to “adequate resources enabling them to lead a decent life and play an active part in public, social, and cultural life,” which states parties are to pursue “by appropriate measures.”\(^{139}\) The government has chosen not to be bound by this article.\(^{140}\)

Moldova is not bound by EU law, but its extensive treatment of social security is indicative of the legal norms of the region. Article 34 of the Charter of Fundamental Rights of the European Union and Article 25 recognize the rights of older persons “to lead a life of dignity and independence and to participate in social and cultural life.”\(^{141}\) The government reached bilateral agreements with Bulgaria, Luxembourg, Portugal, and Romania in 2010–11 to ensure social security of pre-pension-age persons emigrating.\(^{142}\)

The European Code of Social Security requires social security for all people over age 65 and a minimum replacement ratio of 40 percent.\(^{143}\) Pension systems must function to protect rights. “Policymakers are responsible for implementing technical standards and rules, but also for ensuring that the products and services are accessible for people at risk of discrimination, such as those living in remote rural areas.”\(^{144}\)

Chapter 6 explores the aspects of the system that must be addressed to realize the right of all older people to social security.

Older women face specific challenges. Moldova is a party to CEDAW and the Optional Protocol.\(^{145}\) In Moldova, 92.1 percent of urban grandparent caregivers are women.\(^{146}\) Family- and community-based care among orphans and vulnerable children is critical, but few policies are sensitive to the human face of these families and communities, which is usually the face of an older woman. The UN Special Rapporteur on Human Rights in Extreme Poverty has highlighted that one-fourth of Moldova’s middle-age workforce resides abroad. Left behind, older people, often older women, carry

\(^{138}\) “In accordance with Part III, Article A, paragraph 1, of the Charter, the Republic of Moldova considers itself as being bound by the provisions of Articles 1, 2, 5, 6, 8, 9, 11, 12, 16, 17, 20, 21, 24, 26, 28, 29.” [http://www.coe.int/en/web/conventions/full-list/-/conventions/treaty/163/declarations?p_auth=M5SE2oY0](http://www.coe.int/en/web/conventions/full-list/-/conventions/treaty/163/declarations?p_auth=M5SE2oY0).

\(^{139}\) Council of Europe (1996).

\(^{140}\) “In accordance with Part III, Article A, paragraph 1, of the Charter, the Republic of Moldova considers itself as being bound by the provisions of Articles 1, 2, 5, 6, 8, 9, 11, 12, 16, 17, 20, 21, 24, 26, 28, 29…” [http://www.coe.int/en/web/conventions/full-list/-/conventions/treaty/163/declarations?p_auth=M5SE2oY0](http://www.coe.int/en/web/conventions/full-list/-/conventions/treaty/163/declarations?p_auth=M5SE2oY0).

\(^{141}\) Council of Europe (2010b).

\(^{142}\) UNECE (2012), 16, discussing international social security agreements to validate pension credits accumulated elsewhere.

\(^{143}\) Council of Europe (1964), Article 26.

\(^{144}\) UNECE (2015).


\(^{146}\) HelpAge International (2008), 2.
the burden of caring for children and maintaining family homes in rural areas. The right to social security can create a favorable environments for more extensive care, in addition to financial support. A 2010 study conducted by the United Nations Children’s Fund and HelpAge International of 1,205 multigenerational households in Moldova found that remittance-receiving households in rural areas received less employment income and took advantage of fewer services. Perhaps, this reflects the choice to use the freedom the remittances allow to spend more time caregiving rather than working.

**Violence against older people is a problem in Moldova.** Family and domestic violence were mentioned repeatedly in the summary stakeholder report submitted to the Human Rights Council for Moldova’s 2011 Universal Periodic Review. In a nationally representative survey, over two-thirds of older people experiencing violence and abuse lived in rural areas. The Special Rapporteur on Violence against Women called the legal developments in Moldova “commendable,” but noted “the discrepancy between the normative framework and the reality on the ground is a major concern.” She calls on Moldova to “elaborate a Plan of Action for the implementation and monitoring of the Law on preventing and combating violence in the family, including through appropriate mechanisms and the allocation of adequate budgetary and human resources for its implementation to relevant State bodies.”

This should take into account the rural and urban divide and a human rights–based approach that incorporates participation and accountability.

* * *

**Older people’s rights to nondiscrimination, health, employment, and social security are rooted in international human rights law.** In Moldova and around the world, “there is no binding international instrument or even supervisory body dealing specifically with the rights of older persons.” In international forums, attempts have been made to cast older people’s human rights as secured without the existence of a universal standard.

**Moldova has signed and ratified many of the international and regional treaties involving human rights, but implementation gaps remain.** Many older people in Moldova do not enjoy the benefit of these rights because the treaties are not reflected in law and practice.

**Data count: what gets measured gets done.** If a state ratifies a human rights treaty, it agrees to be bound to report on progress on the rights covered in the treaty. No such treaty exists unifying the rights of older people. Some policy documents exist. These include the UN Principles on the Rights of Older Persons and the Madrid International Plan of Action on Aging. The latter can be used to guide states in protecting the rights of older people. These are positive markers, but they are not human rights instruments with attendant rights to enforcement, whereby older people can hold their

---

147 HelpAge International and UNICEF (2010).
148 UNHRC (2011d).
149 HelpAge International and Center for Demographic Research (2015).
150 UNHRC (2009), paragraph 82.
151 UNHRC (2009), paragraph 86 (a).
152 Martin, Rodríguez-Pinzón, and Brown (2015).
153 UNHRC (2010), paragraph 12.
governments accountable, and governments, by ratification, have agreed to be bound. The 2010 review of the Madrid International Plan of Action on Aging calls for “states to develop their national capacity for monitoring and enforcing the rights of older persons through, inter alia, national institutions for the promotion and protection of human rights where applicable.”\(^{154}\) As the UN Economic Commission for Europe regional synthesis report on the plan of action notes, “Overall, countries have found very individual ways of reporting, choosing to provide more details on selected issues and leaving out others.”\(^{155}\) Without regular reporting and accountability, no human rights relationship can exist between a state and its people.

**Data and monitoring are critical to the realization of older people’s rights.** The government has not submitted formal statements at any meetings of the UN Open Ended Working Group on Aging.\(^ {156}\) The Committee on Economic, Social, and Cultural Rights has recommended that the government “take urgent measures to establish a system for the collection and monitoring of annual data on Covenant rights, disaggregated by disadvantaged and marginalized individuals and groups.”\(^ {157}\)

---

\(^{154}\) United Nations (2010).

\(^{155}\) UNECE (2012), 6.


\(^{157}\) CESCR (2011), paragraph C6.
4. HEALTHY AGING

The goal of universal health coverage espoused by the World Health Organization involves ensuring that individuals have access to the health services they need without suffering financial hardship through the costs. As countries develop economically, the burden of disease shifts from infectious disease to chronic and NCDs. Because the prevalence of the latter increases with age and the management the associated care requires frequent use of health services and ongoing treatment with medication that can be expensive, the elderly may be particularly disadvantaged if universal health coverage were incomplete. This chapter presents basic trends in health outcomes in Moldova over the last two decades, focusing on life expectancy, the burden of disease, and risk factors. It also describes challenges in the current health care system and empirically examines access to services, the quality of care, and adherence to drug regimens across the life cycle. The fiscal implications of addressing these challenges cannot be overlooked in considering policy options.

Healthy aging in Moldova? A picture of key health outcomes

Low life expectancy

The population has made gains in life expectancy, although life expectancy at birth is low. Starting out in the worst position in Eastern Europe in 1990 (Figure 4.1, vertical black lines), the population gained 4 years of life expectancy in 1990–2013 and caught up with or surpassed Belarus, Russia, and Ukraine, as shown by the vertical dotted black lines in Figure 4.1. The improvements in other countries, particularly the Baltic States and Central Europe, were greater, and the gap in life expectancy between Moldova and the rest of Europe remains sizable. Life expectancy in Moldova is low, at 71.3 years (compared with the regional average of 76.0). Life expectancy is approximately the same in Moldova now as it was in Central Europe in 1990. Residents of Western Europe are expected to live an average 9 years longer than residents of Moldova. Figure 4.1 also shows that gains in life expectancy were spread across contributing causes of mortality, with the exception of HIV/AIDS, tuberculosis, and substance abuse; the life expectancy associated with these causes of mortality is below the overall average life expectancy prevailing in 1990.158

Old-age mortality, especially among men, has not improved. Although under-5 mortality rates have fallen by more than half since 1990 (from 35 to 16 deaths per 1,000 live births), life expectancy at age 60 in 2015 was 16.4 years, compared with the average of 21.0 in the region, and had not improved since 1990. Healthy life expectancy at birth is even lower, at 62 years in 2013.159 Starting at age 50, people spend at least 30 percent of the rest of their lives in bad or very bad health.160

---

158 See Penina and Vallin (2013) for a discussion on mortality trends in Moldova.
159 WHO (2015).
The life expectancy statistics reflect a large sex gap in health outcomes. Like most other countries, life expectancy in Moldova is much lower among elderly men than among elderly women. Life expectancy at age 60 was only 14.3 years among men and 18.2 among women in 2015.\textsuperscript{161} The difference in healthy life expectancy at birth is even larger, at 7 years: healthy life expectancy at birth was 59 years among men and 66 years among women in 2013. This sex gap is only 4 years in Romania and 5 years in Bulgaria.\textsuperscript{162} Life expectancy at age 60 increased by 0.5 years among women during the last 25 years, but has worsened among men. However, the longer life expectancy among women is associated with more years in bad or very bad health. Women ages 60–64 spend 5.6 percent of their time in good health, compared with 68.9 percent among men.\textsuperscript{163}

One consequence of the large sex gap in health is the feminization of aging. Women account for 62.5 percent of people ages 65 or older and 68 percent of people ages 80 or older. The share of married men among elderly men is 80.9 percent, while the share of widowers is 12.1 percent. Married women account for 51.1 percent of the elderly women, and widows represent 39.7 percent. By the age of 75, widowers account for 40.0 percent of elderly men, compared with 78.1 percent, which is the corresponding share of widows among elderly women.\textsuperscript{164} A large share of elderly women, especially widows, live alone and are thus more vulnerable to economic insecurity.

\textsuperscript{162} WHO (2015).
\textsuperscript{163} Gagauz and Avram (2015).
\textsuperscript{164} CNPD (2012).
**Substantial morbidity**

The population is undergoing an epidemiological transition, whereby chronic disease replaces infectious diseases as a major contributor to mortality and morbidity. In 1990–2013, infectious diseases and neonatal conditions declined in importance relative to NCDs. Respiratory and circulatory diseases accounted for the largest share of morbidity. The incidence of cardiovascular disease rose appreciably: the relevant share of registered patients doubled in 2000–14 (Figure 4.2). This was likely associated with population aging. It exerts pressure on the health system. The incidence of cancer is also expected to rise dramatically among the elderly, by around 30 percent by 2035, and this increase is similar to Russia, but much higher than the expected increase in Belarus and Ukraine.\(^\text{165}\)

**Figure 4.2. Cases of cardiovascular disease more than doubled, likely related to population aging, 2001–14**

*registered patients with diseases of the circulatory system per 1,000 inhabitants*

![Graph showing the increase in cardiovascular disease cases from 2001 to 2014.](source)


*Note:* The population excludes districts on the left bank of the river Nistru and the municipality of Bender.

**Figure 4.3. Infectious disease and neonatal conditions declined in importance relative to noncommunicable diseases, 1990–2013**

*leading causes of years of life lost to premature death*

![Graph showing the rankings of leading causes of years of life lost to premature death in 1990 and 2013.](source)

*Source:* IHME and HDN 2013.

\(^{165}\) Bussolo, Koettl, and Sinnott (2015).
The pattern of these disease burdens across the life cycle in Moldova resembles trends in other low-income settings in which NCDs are not confined to the elderly population, but also affect the prime working-age population.166 Table 4.1 presents results from the nationally representative 2013 STEPS survey, in which the blood pressure and cholesterol levels of respondents were measured. While half the aging (50+) or elderly (65+) populations exhibits high blood pressure and high cholesterol, these indicators are not trivial among the population ages 35–49. Nearly half of this group also exhibits high cholesterol, and nearly 30 percent have high measured blood pressure.

**Table 4.1. Prevalence of hypertension, high cholesterol, and cardiovascular events, 2013**

<table>
<thead>
<tr>
<th></th>
<th>Young adult</th>
<th>Prime working age</th>
<th>Aging</th>
<th>Elderly</th>
</tr>
</thead>
<tbody>
<tr>
<td>High blood pressure (hypertension)</td>
<td>18</td>
<td>28</td>
<td>49</td>
<td>51</td>
</tr>
<tr>
<td>High cholesterol</td>
<td>41</td>
<td>45</td>
<td>54</td>
<td>52</td>
</tr>
<tr>
<td>Cardiovascular events</td>
<td>7</td>
<td>12</td>
<td>22</td>
<td>31</td>
</tr>
<tr>
<td>Observations</td>
<td>1239</td>
<td>1305</td>
<td>1890</td>
<td>373</td>
</tr>
</tbody>
</table>

*Source:* Calculations based on data of the 2013 STEPS survey; see WHO 2014.

*Note:* Hypertension and high cholesterol were measured through the survey. The prevalence of cardiovascular events were derived from the following question posed to respondents: “Have you ever had a heart attack or chest pain from heart disease (angina) or a stroke (cerebrovascular accident or incident)?” Young adults were ages 18–34. The prime working age was 35–49 years. The aging category refers to ages 50 or older. The elderly category refers to ages 65 or older.

**Table 4.2: Smoking, excessive alcohol intake, and lack of exercise during the life cycle, 2013**

<table>
<thead>
<tr>
<th>Population segment</th>
<th>Young adult</th>
<th>Prime working age</th>
<th>Aging</th>
<th>Elderly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total population</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Smoker</td>
<td>27</td>
<td>28</td>
<td>21</td>
<td>13</td>
</tr>
<tr>
<td>Excessive alcohol episode in last 30 days</td>
<td>32</td>
<td>33</td>
<td>33</td>
<td>21</td>
</tr>
<tr>
<td>No exercise</td>
<td>78</td>
<td>89</td>
<td>94</td>
<td>96</td>
</tr>
<tr>
<td><em>Women</em></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Smoker</td>
<td>7</td>
<td>6</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Excessive alcohol episode in last 30 days</td>
<td>18</td>
<td>15</td>
<td>19</td>
<td>9</td>
</tr>
<tr>
<td>No exercise</td>
<td>86</td>
<td>92</td>
<td>94</td>
<td>97</td>
</tr>
<tr>
<td><em>Men</em></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Smoker</td>
<td>45</td>
<td>47</td>
<td>39</td>
<td>26</td>
</tr>
<tr>
<td>Excessive alcohol episode in last 30 days</td>
<td>42</td>
<td>46</td>
<td>44</td>
<td>32</td>
</tr>
<tr>
<td>No exercise</td>
<td>70</td>
<td>86</td>
<td>93</td>
<td>95</td>
</tr>
</tbody>
</table>

*Source:* Calculations based on data of the 2013 STEPS survey; see WHO 2014.

*Notes:* Drinking six or more standard-size drinks on a single occasion is considered an excessive alcohol episode. Respondents engage in no exercise if they answered no to questions about whether they ever engage in any vigorous-intensity or moderate-intensity sports, fitness, or recreational (leisure) activities that cause large increases in breathing or heart rate, such as running or football, for at least 10 minutes continuously. Young adults were ages 18–34. The prime working age was 35–49 years. The aging category refers to ages 50 or older. The elderly category refers to ages 65 or older.

166 de Walque (2014).
These disease risk factors are likely driven by behavioral risk factors that are also strikingly high in Moldova, as in the rest of Eastern Europe (Table 4.2). Among young adults and people of prime working age, nearly half of all men smoke, and nearly half have drunk to excess in the last 30 days (six or more standard drinks on a single occasion at least once in the previous 30 days). Few men or women exercise; 92 percent of women of prime working age report they do not engage in moderate-intensity exercise. By ages 60–64, over 80 percent of women are overweight or obese (Figure 4.4).

**Figure 4.4. A majority of elderly women are overweight or obese, 2013**

*share of men and women who are overweight or obese, by age*

[Chart showing the percentage of men and women who are overweight or obese by age.]


The prevalence of high cholesterol and the likelihood of a cardiovascular event were statistically indistinguishable across quintiles of monthly earnings. There appears to be a steep income gradient in blood pressure control: the bottom three quintiles were, respectively, 18 percentage points (83 percent), 19 percentage points (87 percent), and 7 percentage points (34 percent) significantly more likely to exhibit uncontrolled blood pressure.\(^{167}\)

The overall pattern of health-related risk taking can have overwhelming consequences among individuals through increases in the incidence of disease and the need for expensive long-term treatment, as well as society through declines in labor productivity and pressures on the fiscal system from high, increasing health-related costs.\(^{168}\) If the associated costs of health care, law enforcement, and productivity losses are included, the total cost of alcohol abuse, for example,

\(^{167}\) These differences were estimated from a regression analysis of an indicator of high blood pressure on indicators of quintiles of reported monthly earnings.

\(^{168}\) de Walque (2014).
has been estimated at 3.3 percent of GDP in the Republic of Korea and 2.7 percent in the United States.\textsuperscript{169}

The prevalence of disease and behavioral risk factors among the younger population in Moldova suggests that healthy aging requires continuous access to health care services across age-groups to treat and manage chronic disease. Affected people currently of prime working age, if treated appropriately according to internationally accepted standards, would spend more than half their lives on medication.

This epidemiological profile calls for a strong primary care sector that can ensure diagnosis, treatment, and management of chronic diseases in a timely manner among older people and preventive care among future generations. It also calls for considerable health insurance coverage, because chronic disease often requires continuous treatment through medication, which can be expensive. The prevalence of chronic disease also increases the likelihood of health catastrophes, such as cancer, stroke, or heart attack that can require expensive treatment and rehabilitation.

**Challenges in the health system**

The current benefits package and service delivery model in Moldova do not facilitate timely access to services or financial protection for health expenditures. Systemwide challenges have led to inefficient spending in the country relative to its neighbors. Despite high de jure insurance coverage, especially among the elderly, Moldovans must spend a considerable share of their resources to access basic services and medicines, and thus a substantial share of the population must forgo care. Income gradients are evident across the life cycle because the lowest expenditure quintiles are much less likely to receive care and spend much less on medicines, although they are not less likely to require medical attention. As the consumption of medicine normally progresses with age, the evidence suggests that the poor among the aging and elderly population segments are not adequately treating their conditions, because their spending on medicines is well below the corresponding spending among the more well off quintiles of much younger age-groups.

**Inefficient spending**

Aggregate health financing indicators paint a picture of inefficient spending. Moldova stands out in Eastern Europe in that more than 10 percent of GDP was devoted to health expenditures in 2006–14 (Figure 4.5). However, this greater spending has not translated into better health outcomes.

\textsuperscript{169} Rehm et al. (2009).
While the spending is relatively high, the share of the spending that is public is low, accounting for half or less of all health expenditures in 2006–14 (Figure 4.6). A large majority of private spending, 83 percent, comes from out-of-pocket payments, and thus individual citizens account for nearly half of all health expenditures (Figure 4.7). Despite the fact that a mechanism to pool these separate payments from individuals to make large investments exists, there is poor allocation of these investments. The capital budget is scattered thinly across an excessive number of small investments, without sense of priority and efficiency in spending. Thus, lack of targeted investment in infrastructure, equipment and service provision pushes patients to private healthcare seeking better care and avoiding long waiting lists. Consequently, substantial underinvestment in areas such as hospital infrastructure and equipment, explains why many hospital facilities are considered underutilized and unsafe.170

Figure 4.6. The share of health spending that is public is low, 2006–14


170 World Bank (2013).
The current system of provider payments provides few incentives for hospitals to strive for efficiency. The diagnostic-related group method of payments has not been fully implemented. Through the method, inpatient stays are classified into groups (for example, heart failure, appendectomy, knee replacement), among which hospital reimbursements are the same, regardless of the diagnostics, procedures, or treatments provided by a hospital. Currently, hospitals in Moldova only use the method to classify cases because the National Medical Insurance Company bases payments on the costs reported by individual hospitals. Because some hospitals may be inefficient and thus report high costs for low volumes or for low-quality care, the current system of provider payments does not offer incentives for efficiency improvements.

Similarly there are small incentives for effective and quality performance at the primary healthcare level. Preventive healthcare services are not efficient, specifically to monitor and cover the elderly population. Efforts should be made in orienting the organization of service delivery (like many European Union countries) to address aging populations with more ambulatory services and less acute care beds, in favor of long-term and social care for elderly.

High out-of-pocket expenditures are a direct result of the benefits package, which currently supplies unclear and not always cost-efficient health services with little insurance coverage for pharmaceuticals. One-third of total health expenditures are devoted to pharmaceuticals, which is the share of pharmaceuticals in total health expenditure documented in Eastern Europe. Yet, 95 percent of these expenditures are borne by individuals rather than the government, the share of which is the lowest in public pharmaceutical expenditure in Eastern Europe (Table 4.3). The averages among EU member countries put these figures into perspective, among these countries, the share of pharmaceuticals in total health expenditures is only 16 percent, 65 percent of which is publicly financed.
Table 4.3. Individuals pay for most pharmaceutical expenditures
pharmaceutical expenditures, latest year

<table>
<thead>
<tr>
<th>Economy</th>
<th>Total pharmaceutical expenditure as share of total health expenditure</th>
<th>Public pharmaceutical expenditure as share of total pharm expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moldova</td>
<td>33.6</td>
<td>5.1</td>
</tr>
<tr>
<td>Belarus</td>
<td>28.0</td>
<td>48.5</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>21.0</td>
<td>11.0</td>
</tr>
<tr>
<td>Estonia</td>
<td>19.5</td>
<td>52.3</td>
</tr>
<tr>
<td>Latvia</td>
<td>23.8</td>
<td>40.8</td>
</tr>
<tr>
<td>Lithuania</td>
<td>27.7</td>
<td>31.7</td>
</tr>
<tr>
<td>EU</td>
<td>16.5</td>
<td>65.1</td>
</tr>
</tbody>
</table>


Note: Data for all countries are for 2013, except the EU aggregate (2011), Latvia (2011), and Lithuania (2012). Ukraine, not shown, does report data after 2009.

Limited financial protection

Out-of-pocket payments account for half of total health expenditures. This is a sign that many users of health services face financial hardship when paying for services and that some individuals, particularly those in less well off socioeconomic groups, may have to forgo essential care altogether. The World Health Organization considers a system in which out-of-pocket payments represent more than 20 percent of total health expenditure incapable of protecting people from falling into poverty because of unexpected health costs. Thus, universal health coverage has not yet been achieved in Moldova.

This is also apparent from nationally representative survey data. For the elderly and children, de jure coverage is nearly universal (Figure 4.8). For all other age-groups, sizable income gradients characterize coverage. Among people ages 25–54 in the lowest expenditure quintile, for example, less than half have insurance.

Figure 4.8. De jure health care coverage is universal among the elderly, 2014
insurance coverage, by age and consumption quintile

However, even universal de jure coverage does not guarantee de facto coverage. Among the aging and elderly populations, 76 percent and 97 percent, respectively, reported insurance coverage, but less than half reported they had used insurance coverage to pay health care expenditures in the previous 12 months, most likely because the bulk of an individual’s health care expenditures derives from medicines, the use of which steadily increases across the life cycle (Table 4.4; Figure 4.9).

Table 4.4. Insurance is not commonly used to pay health expenditures, 2013

<table>
<thead>
<tr>
<th></th>
<th>Young adult</th>
<th>Prime working age</th>
<th>Aging</th>
<th>Elderly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has insurance coverage</td>
<td>60</td>
<td>63</td>
<td>76</td>
<td>97</td>
</tr>
<tr>
<td>Used insurance to pay for health care in last 12 months</td>
<td>21</td>
<td>24</td>
<td>36</td>
<td>43</td>
</tr>
</tbody>
</table>

Source: Calculations based on data of the 2013 STEPS survey; see WHO 2014.
Note: Young adults were ages 18–34. The prime working age was 35–49 years. The aging category refers to ages 50 or older. The elderly category refers to ages 65 or older.

Figure 4.9. The share of medications in total health expenditure, by age, 2014


Low access to medicines and quality health services

Expenditures on medication are lower among the poor, suggesting the poor have low access to medicines. The income gradients of an individual’s expenditure on medication are striking across the life cycle (Figure 4.10). Among the 55–64 age-group and people above age 65, the bottom quintile spends less than a quarter of the spending of the top quintile on medication. The differences in patient propensities to use generic versus branded drugs cannot account for these gradients, because pharmaceutical regulations prohibit substituting branded with generic medicines, and many medicines in the benefits package are branded. While the various income groups may be purchasing different brands, these gradients also likely reflect limited to no adherence to drug regimes among the poor.
Adherence to drug regimes is low across the life cycle, particularly among the young (Table 4.5). Among individuals ages 50 or older, only 64 percent and 33 percent, respectively, of those who had received a diagnosis related to high blood pressure or high cholesterol were on medication. Adherence appears better among the elderly, but much worse among younger age-groups, who will pay the consequences as they age either through premature mortality or through longer durations of compromised health. After experiencing a major cardiovascular event, only 14 percent of individuals older than 50 were taking a statin. While adherence to medication is an issue even in the absence of budget constraints, especially for chronic disease, the role of costs may be inferred by comparing adherence to statin with adherence to an over-the-counter drug such as aspirin, which was being taken by 44 percent of people ages 50 or older who had experienced a cardiovascular event.\footnote{Baicker, Mullainathan, and Schwartzstein (2015).}

Table 4.5. Drug-adherence is low, particularly among the young, 2013

receipt of diagnoses and drug adherence, by age, %

<table>
<thead>
<tr>
<th>Diagnoses</th>
<th>Young adult</th>
<th>Prime working age</th>
<th>Aging</th>
<th>Elderly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hypertension diagnosis, if measured blood pressure is high</td>
<td>12</td>
<td>35</td>
<td>51</td>
<td>57</td>
</tr>
<tr>
<td>Cholesterol diagnosis, if measured cholesterol is high</td>
<td>1</td>
<td>5</td>
<td>12</td>
<td>10</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Drug adherence</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>On blood pressure medication, if measured blood pressure is high</td>
<td>5</td>
<td>16</td>
<td>35</td>
<td>44</td>
</tr>
<tr>
<td>On cholesterol medication, if measured cholesterol is high</td>
<td>0</td>
<td>1</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>On blood pressure medication, diagnosed hypertension only</td>
<td>26</td>
<td>40</td>
<td>64</td>
<td>75</td>
</tr>
<tr>
<td>On cholesterol medication, diagnosed cholesterol only</td>
<td>6</td>
<td>27</td>
<td>33</td>
<td>42</td>
</tr>
<tr>
<td>On aspirin, conditional on experiencing a cardiovascular event</td>
<td>7</td>
<td>25</td>
<td>44</td>
<td>52</td>
</tr>
<tr>
<td>On statin, conditional on experiencing a cardiovascular event</td>
<td>4</td>
<td>14</td>
<td>14</td>
<td>23</td>
</tr>
</tbody>
</table>

Source: Calculations based on data of the 2013 STEPS survey; see WHO 2014.
Notes: Young adults were ages 18–34. The prime working age was 35–49 years. The aging category refers to ages 50 or older. The elderly category refers to ages 65 or older.

It is also possible that the low measured adherence to drug regimes reflects poor quality service delivery. Before taking any medication, patients would need a prescription from a medical provider, and it may be they do not receive these. Thus, among people with high blood pressure measurements during the survey, only 57 percent of the elderly had received a hypertension diagnosis, and only 44 percent were taking relevant medicine (see Table 4.5). Similarly, only 10 percent of people with high cholesterol measurements had received a diagnosis, and only 5 percent were on cholesterol medication. These diagnosis and drug adherence rates are worse earlier in the life cycle.

While it is possible that patients are not receiving a diagnosis or prescription for medication because they are not going to health care facilities and seeking medical advice, other evidence suggests high rates of service use, especially among older age-groups (Figure 4.11). While income appeared to determine whether an individual had used health services in the previous four weeks, even the lowest quintile seeks medical attention, and, among people ages 55–64 in the lowest quintile, 25 percent had sought care. Thus, the inadequate quality of services rather than low participation among patients seems to be a major factor behind the observed low rates of diagnosis and drug adherence. Nonetheless, not all the elderly who need medical assistance have access to services: 28.6 percent of people ages 65–74, and 41 percent of people ages 75+ felt they had needed medical assistance in the last 12 months, but had not requested it. Among those who had exhibited this behavior, 29 percent cited the lack of financial means as the main reason.172

Figure 4.11. Use of health services is higher among the elderly

* * *

172 Sandu (2011).
Trends in health outcomes, risk factors, and health expenditures suggest that the elderly may lack adequate services and face considerable financial hardship in accessing care and that the long-term health of future generations of the elderly is also at risk. Behavioral and health system challenges are creating financial burdens on the aging population saddled with chronic disease if they seek medical attention and adhere to any prescribed medications. Evidence shows that risky behaviors, such as smoking and excessive alcohol consumption, and disease risk factors, such as hypertension and high cholesterol, start early in the life cycle. This suggests that future generations of the aging and the elderly may exhibit even higher rates of morbidity and mortality.

That rates of diagnosis are so low despite frequent visits to health facilities and that the consumption of medicines is low overall and strongly linked to a household’s budget suggest that interventions that improve the quality of services—particularly health promotion and prevention activities and primary care services—and reduced pharmaceutical costs for patients will not only benefit the current aging and elderly populations, but also improve the health and financial security of future generations as they age.
5. PRODUCTIVE AGING

Economic security among the elderly is strongly linked to the past, present, and future health of the labor market. Work history largely determines the size of a pension, and, as the largest source of income among the elderly, pensions play a significant role in the well-being and security of older people. In addition, past labor market outcomes affect the amount of savings and investments that elderly people are able to accumulate before retiring. At the macro level, employment affects the sustainability of the social protection system as well. The demographic transition in Moldova will require that a shrinking workforce support a growing elderly population. This chapter explores recent trends among the working-age population. It focuses on older cohorts and highlights both worrying and encouraging developments in the labor market.

Productive aging in Moldova? A picture of key labor market outcomes

Declining employment

A large and growing share of the population is out of the labor force. While the official unemployment rate is quite low and has recovered steadily since a rise to nearly 4.5 percent in 2010, more than 70.0 percent of people over the age of 55 are economically inactive. Even among people under the age of 55, the inactivity rate is above 50.0 percent. Between 2006 and 2015, the activity rate has declined in both rural and urban areas, and across most population subgroups (Figures 5.1 and 5.2). Though the country’s low official labor force participation rate is partly driven by high emigration and the inclusion of migrants in statistics on the domestic participation rate, official statistics place the country well below regional averages (Figure 5.3). The rate of employment in Moldova is much lower than most other countries in the region.

Figure 5.1. Inactivity rates are high, 2006–15

Unemployment (Official) and Inactivity Rate (Official)

Source: Calculations based on Labor Force Survey data.

173 Because the official definition of inactivity in Moldova includes workers abroad, not all the inactive lack employment income.
174 Even after adjusting for migration, the labor force participation rate is low and drives the low employment rate. It is likely, however, that employment and migration trends captured in the Labor Force Survey underestimate the employment rate and the size of labor migration. The data will have to be revisited once the 2014 census is released.
Figure 5.2. Activity rates are declining across population subgroups

*Activity rates, by subpopulations, %*

Source: Calculations based on Labor Force Survey data.

Figure 5.3. The employment rate in Moldova is among the lowest in the region, 2013

*Employment rates among people ages 15+

* Data for 2012.

In line with trends in labor force participation, employment rates have declined across all age-groups. About 12.6 percent of people age 65 or older were employed in 2006, falling to only 8.9 percent in 2014. Among individuals ages 55 or older, the employment rate fell from 29.5 percent to 26.5 percent over the same period. This trend has occurred alongside a slow deterioration in domestic participation in the labor force across all age-groups (Figure 5.4). In 2006, about 47 percent of the population under age 55 was employed, but, by 2014, only about 44 percent was employed. Both women and men were less likely to work in 2014 than in 2006. Among women, the employment rate dropped from 40.5 percent to 37.4 percent in 2006–14. Employment fell even more among men over the period, from 45.5 percent to 40.9 percent.
The total number of employed people is shrinking. The decline in the size of the working population has been driven by out-migration, lower labor force participation, and population aging. In 2000–14, the number of employed people under the age 55 declined by more than 25 percent (Figure 5.5). Although the share of people over the age of 54 who were employed declined between 2006 and 2004, the total number of people aged 55 or more has grown, leading to an increase in both the number of active and the number of inactive people in this segment. Thus, the increase in the number of employed people aged 55 between 2006 and 2014 did little to offset the growing overall imbalance between the number of employed people and the number of people who were out of the labor force. Increasing dependence on a shrinking labor force will drive up the per worker burden of the social protection system (see also chapter 6).

Figure 5.4. Employment decreased across the board, 2006–14
employment and inactivity, by age

![Employment by Age](chart)

Source: Calculations based on Labor Force Survey data.

Figure 5.5. The number of the employed people is declining
employment levels

![Employment Levels](chart)

Source: Calculations based on Labor Force Survey data.
An increasing share of older workers are on term contracts. Between 2006 and 2015, the share of employed people on limited duration contracts tripled, from about 6 percent to 18 percent (Figure 5.6). In contrast, there was comparatively little change in the share of younger workers on short-term contracts. Term contracts have both advantages and disadvantages for workers, but the trend may signal greater employment flexibility that in turn could increase the number of employment opportunities. However, more research is needed to determine whether the trend reflects a tendency towards growth in lower-quality jobs.

The share of part-time workers among older age cohorts has declined since 2006, despite a temporary increase in 2009–12. The trend may indicate that many older workers who previously remained in the labor force in part-time positions are now captured as inactive. In 2006, 12 percent of employed workers over the age of 54 reported part-time employment (excluding of subsistence agriculture), while only 7.6 percent did so in 2014. Similarly, while more than 19 percent of workers over the age of 65 were working part time in 2006, fewer than 12 percent fell in that category in 2014. Among workers ages 55 or older, 15.3 percent would have preferred to change their employment situation. In sum, among older workers, relatively few work part-time outside of subsistence agriculture, and most likely do so by preference.

Projections by the International Labor Organization suggest that the number of older people out of the labor force will continue climbing between 2015 and 2020. While increased labor force participation could improve the economic outlook and the sustainability of pension and other retirement programs, if current trends hold there will be a marked increase in the number of older people out of the labor force in the coming years.

Average incomes have increased among wage earners. Wage growth improved following the 2008–09 financial crisis, and wage workers, who tend to be in more formal contracts, have seen their earnings rise. However, given low employment rates overall and particularly in formal jobs, wage increases for formal workers only benefit a portion of the population, and can only indirectly benefit older workers who are already out of the labor force if they belong to a large household including formal workers. Similarly, a persistent gender wage gap—estimated at 12.4 percent between men and women of similar qualifications by the NBS—may impact elderly women’s vulnerability given the

175 World Bank (2016b).
lower pension benefits accrued to women relative to men, in combination with a longer life expectancy.

**Left out of growing economic sectors**

Recent economic growth has been concentrated in particularly productive sectors, supporting some workers and leaving others behind as they prepare for retirement. The transition from a planned economy was accompanied by job destruction in Moldova and firms, even in the growing services sector, have had a hard time creating jobs after the 2009 global crisis; instead the most efficient firms have risen their productivity by shedding jobs, not creating them.¹⁷⁶ Since independence, the economy has shifted rapidly away from agriculture and toward services (Figure 5.7, panel a). The share of agriculture in economic activity has also declined. Recent improvements in productivity in the agricultural sector have been concentrated among large agricultural firms, rather than among smallholder farms and the small plots where older people commonly work.

**Figure 5.7.** There has been a shift away from agriculture toward services, alongside productivity increases

*share of GDP in selected sectors and growth in total factor productivity*

<table>
<thead>
<tr>
<th>Year</th>
<th>Agriculture, hunting and forestry</th>
<th>Transport and communications</th>
<th>Construction</th>
<th>Other Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>0.15</td>
<td>0.23</td>
<td>0.17</td>
<td>0.31</td>
</tr>
<tr>
<td>1996</td>
<td>0.17</td>
<td>0.25</td>
<td>0.19</td>
<td>0.31</td>
</tr>
<tr>
<td>1997</td>
<td>0.19</td>
<td>0.27</td>
<td>0.21</td>
<td>0.31</td>
</tr>
<tr>
<td>1998</td>
<td>0.21</td>
<td>0.29</td>
<td>0.23</td>
<td>0.31</td>
</tr>
<tr>
<td>1999</td>
<td>0.23</td>
<td>0.31</td>
<td>0.25</td>
<td>0.31</td>
</tr>
</tbody>
</table>

**Source:** Calculations using National Bureau of Statistics data and data of “Total Factor Productivity at Constant National Prices for United States,” Federal Reserve Bank of St. Louis, St. Louis, https://fred.stlouisfed.org/series/RTFPNAUSA632NRUG.

**Productivity has increased (Figure 5.7, panel b), but remains low in Moldova compared with other countries.¹⁷⁷** Projections for 2013–30 indicate that employment in less-productive sectors, particularly agriculture, will continue a long-term decline relative to economic output and that growth will be driven largely by productivity improvements (Figure 5.8). If exploited, rising productivity may counteract some of the negative effects of population aging, but may not directly support the incomes

¹⁷⁶ World Bank (2016c).
¹⁷⁷ World Bank (2016b).
of groups that could be left behind, including rural residents, the elderly, and people with low educational attainment.

**Figure 5.8. Growth will be driven largely by productivity improvements, 2000–30**

*growth decomposition in per capita value added, including projections*

![Graph showing growth decomposition](image)

Source: World Bank data.

**Agriculture**

**Though the share of the labor force employed in the agricultural sector is declining, older workers are still predominantly employed in agriculture.** Among employed people over the age of 54, agricultural work remained the most prevalent occupation in 2014, and was far more common for older than for younger cohorts. The share of older workers employed in agriculture has declined from 53 percent in 2006 to 38 percent in 2009, only partially rebounding to 41 percent by 2015 (Figure 5.9). The decline over this period affected all age groups, but was most pronounced among older workers. However, despite long-term trends towards lower employment in agriculture, structural transformation has been slow. Total employment remains higher in agriculture than in the service sector among both older and younger workers.

**Figure 5.9. Younger workers are more likely to work in sales and tourism, 2006–15**

*sectoral composition of employment, by age-group*

**Figure 5.10. Older people are working in part-time subsistence agriculture, 2006–15**

*share working in agriculture less than 20 hours a week*

---

178 Möllers et al. (2016).
Older people are increasingly working in part-time agricultural production for subsistence. The share of individuals working on their own plots of land reached more than 40 percent of the older population in 2012 (Figure 5.10). Informality rates are high in agriculture, limiting access to the pension system and other benefits for agricultural workers. Agriculture is also particularly seasonal, causing large swings in income and non-income benefits among workers in the sector. Subsistence farming households—defined as those that primarily farm and consume 90 percent or more of their production or more—are often small, female-headed, and have lower educational attainment. Households engaged in subsistence farming are also more often headed by an older individual with health problems.

Recent growth in the agricultural sector is concentrated in segments where the elderly are not active. According to the 2011 agricultural census, 2.2 million hectares of agricultural land was divided among around 900,000 farms, the vast majority of which were smallholder subsistence plots. As many as half of these farms cultivated less than 0.5 hectares each, and about 95 percent of farms covered an area of less than 3.0 hectares. Older workers are more likely than younger workers to farm small plots and work either on their own, or for smaller enterprises and cooperatives. Of employed people over the age of 54 in 2014, about 47 percent worked in an activity with only 1–4 other people. For workers age 65 or above, the share rose to 68 percent in 2014, in contrast to only 38 percent of employed people under the age of 55. Most of the recent growth in the agricultural sector has been

---

179 A category that is excluded from headline employment statistics if the produce is not sold and if individuals work for less than 20 hours a week.
180 Möllers et al. (2016).
181 Möllers et al. (2016).
concentrated in large agricultural firms, which represent a minority of farming enterprises and account for only a small fraction of the older people employed in agriculture.\footnote{Investment and the value of agricultural products sold have increased markedly in recent years. The recent partial rebound in agricultural employment and output has coincided with new investment and productivity growth. Plant production increased by more than 25 percent in 2007–14, while animal production rose by nearly 40 percent over the same period (NBS data).}

**Services**

Recent job creation and wage growth has been concentrated in the services sector, and has not offset job destruction in other sectors. Although agriculture and industry became more productive between 2000 and 2013, the service sector was already more productive and has become much more so (Figure 5.11). For those workers that were able to access the service sector, and especially formal positions, job quality improved over the same period. Rural areas have not benefited from the growth of the service sector to the same extent as urban areas however, even as the decline in agricultural employment has affected rural areas more. Since 2000, agriculture and industry have shed jobs at a rapid pace, and, though service jobs have become more prevalent, they have not fully offset the decline in other sectors either in aggregate, or among the workers affected by the decline in agriculture and industry (Figure 5.12). The large majority of the service jobs created since 2000 have gone to people with secondary educational attainment or above, while the jobs that were lost in agriculture and, in some cases, in industry were more accessible to people with less educational attainment.\footnote{World Bank data.}

![Figure 5.11. The service sector is the most productive, 2000–30 value added per worker, by sector](image)

![Figure 5.12. Employment declined in agriculture and industry, 2000–14 employment in selected sectors, 1,000s](image)

Sources: World Bank 2016b; calculations using National Bureau of Statistics data.
Younger cohorts are expected to gain the most from growth in the service sector. In 2014, 19 percent of workers under the age of 55 were employed in the service sector, compared to only 9 percent of workers aged 55 or over. The advantage for younger workers in the service sector is driven by several factors, but especially by the fact that after the transition to a market economy, older workers were less able to retrain and reposition themselves in the more competitive labor market.\(^{184}\) Older people also more often live in rural areas in which there are fewer service sector jobs. Relocation costs are high for the elderly, and many are unable to work in growing sectors because these jobs are concentrated in cities.

The public sector

The public sector is increasingly made up of older workers and is slowly shrinking. In 2014 only about 26 percent of people under the age of 55 worked in the public sector.\(^{185}\) In contrast, the share of people over the age of 55 working in government or a publically owned enterprise grew from 26 percent in 2006 to 31 percent in 2014. Although most people who remain in the labor force after the age of 65 still work in agriculture, a growing share is in the public sector (Figure 5.13, panel b). Between 2006 and 2014, women in particular were more both more likely to work in the public sector than men, and were more likely to remain employed in the public sector after the age of 65 (Figure 5.13, panel a). Though on average public sector workers receive lower salaries, they have substantially longer tenure than private sector workers. In 2014, the tenure of 38.0 percent of public sector workers was 11 years or more, while only 13.2 percent of private sector workers could say the same. This gap is due at least in part to the fact that older workers in the public sector are better educated, on average, than other workers of the same age group.

Figure 5.13. The public sector increasingly consists of older workers, but is slowly shrinking

\[\text{Source: Calculations based on Labor Force Survey data.}\]

\(^{184}\) Alam et al. (2008). Further improvements were achieved through greater capacity utilization; previously idle capital was returned to productive use following the initial economic turmoil after independence.

\(^{185}\) Down slightly from 27 percent in 2006
The challenges in achieving higher employment among older people

Promoting employment among older people requires addressing the main challenge of the labor market: boosting job creation. Employment has been declining, and recent evidence shows that firms are struggling to grow and create jobs. Without a rise in labor demand, the current and future elderly will have few opportunities for productive employment, which also has important negative implications for the sustainability of the pension system (see chapter 6). Low levels of labor demand also disproportionally affect particular populations (see annex A). People aged 55 or more, those with lower educational attainment, and those living in rural areas are more likely to be inactive. Particularly among people over age 55, inactivity is associated with low levels of educational attainment, and as in most countries in the region, women in Moldova are less likely to participate in the labor market, regardless of their age.

The lack of relevance of education and skills

Low educational achievement is correlated with old-age poverty. In 2014, the elderly with vocational or tertiary educational attainment were 13 percentage points less likely to be poor than elderly with only primary education. This mirrors the disparity among the nonelderly (Figure 5.14). Controlling for other demographic characteristics shows that the gap is even wider, ranging from 18 to 20 percentage points (see Table A.1 in annex A). The link between education and old-age poverty is likely the labor market. Education is a strong determinant of labor force participation among older workers, while it is even a more robust determinant among young and prime-age workers. In particular, secondary educational attainment is positively correlated with both labor market participation (see annex A) and earnings. The wage ratio between skilled and unskilled workers measured in the HBS survey is 1.2 at the age of 25 and increasing with age to 1.8 by retirement. This high, widening wage gap translates into substantial inequality in lifetime earnings, pensions, and wealth accumulation.

Figure 5.14. Elderly with lower educational attainment tend to be poorer
national poverty rate among the elderly, by educational attainment

![Graph showing national poverty rate among the elderly, by educational attainment](chart.png)

Source: Calculations based on the Household Budget Survey.

186 World Bank (2016b).
The likelihood that an individual works past retirement age is strongly associated with education. Among people over the age of 54, completing secondary school or higher more than doubles the likelihood a given individual is employed (Table A.2 in annex A; see also Figure 5.15, panel a), and the relationship is even stronger for older people. The type of education completed is also important: people who have completed lyceum (grades 1–12) or gymnasium (grades 1–9) are no more likely to be employed than people with only basic education (grades 1–4) or less. The relationship between educational attainment and employment has strengthened over time: in 2006, only 5.6 percent of employed workers over the age of 54 had a secondary professional degree, but, by 2014, the share had risen to more than 9.0 percent. The corresponding share among those with higher education increased from 6 percent to nearly 9 percent over the same period.

The older generation in Moldova has relatively high educational attainment, but their skills may not be appropriate for the current labor market. A legacy of the Soviet system, education levels in Moldova are relatively high in comparison to some countries in the region (Figure 5.16, panels b and c). However, given the structural changes in the economy in recent decades, the lack of skills in high demand from employers—including cognitive, socioemotional, and technical skills—may be a potential barrier among these groups. Almost half of firms (46 percent) either frequently or systematically encounter difficulties in hiring staff with the desired competencies and skills. The reported shortage predominantly affects large companies, and the agriculture, industry, transportation, and construction sectors in particular (57.4 percent). More than 30 percent of firms report that skills have become a severe constraint to their growth.

Figure 5.15. Education is correlated with employment, and educational attainment is high among older workers, 2014

a. Employment rate, by gymnasium completion and age

b. Education, by age-group and sex

188 Arias et al. (2014).
189 World Bank (2016b).
c. Postsecondary educational attainment, by age-group, circa 2013

In a rapidly changing world, ensuring that workers can renew and strengthen their skills as they age is critical. The obsolescence of worker skills throughout the life cycle is a constant challenge in the context of a changing labor market in Moldova, in addition to the erosion of skills that accompanies labor market detachment. Beyond the need to provide strong foundational skills in the educational system, providing opportunities for lifelong learning should be part of the policy agenda and can support continued labor force participation among older workers through skill upgrades and retraining. Currently, however, few people enroll in formal education programs after reaching adulthood and enter the labor force. According to NBS statistics, in 2014, only 1,145 people over the age of 23 were enrolled in general education, vocational schools, or colleges.

Rising average educational attainment among younger generations will mitigate the decline in the human capital stock as the population shrinks (Figure 5.16), but the quality of education remains a constraint. About 74 percent of the population age 25+ completed at least upper

---

190 Schuetze (2006); World Bank (2003), (2016b).
191 In countries with shrinking populations, the total stock of human capital is often a metric for the economic potential of the country over the long term. A decline in the total stock of human capital may occur if there are fewer people of working age, even if education rates remain constant. Moldova has relatively high educational attainment, even among the elderly. Given the increase in educational attainment among the younger cohorts, even if the adult population decreases significantly, the stock of human capital (measured as the total number of years of schooling in the adult population) will stay rather stable. However, advancement to tertiary education is low, and postsecondary completion is lower among the young than among the old, which may signify a deterioration in educational access. The older generation in Moldova has relatively high educational attainment, but their skills may not be
secondary education. Although this represents a higher share than Albania and Romania, it is still lower than Belarus, Georgia, Ukraine, and other former transition countries that have similar education systems. The performance of 15-year-olds in reading, mathematics, and science in the Program for International Student Assessment (PISA) test is among the lowest in the region, and more than two years behind their peers in the Organization for Economic Co-operation and Development (OECD). The skills mismatch seems to be an issue across age-groups as well, and Enterprise Surveys find that employers report pervasive skill shortages despite rising average educational attainment among younger generations. Beyond mere educational attainment, the quality and relevance of education need to be strengthened.

Figure 5.16. The human capital stock will not shrink as much as the adult population, 1990–2060

Labor disincentives in social protection systems

Low participation rates among older people are partly driven by the relatively low retirement age in Moldova, and the high take-up of early retirement. According to the 2014 LFS data, employment rates peak at around 60 percent during the prime working years (age mid-30s to age mid-
50s), and fall sharply to 49 percent by age 57. At 33 percent, labor force participation among people ages 50+ in Moldova is among the lowest in the region (relative to 41 percent in Albania, 64 percent in Georgia, and 38 percent in Romania) (Figure 5.17). The official retirement age is relatively low (age 57 for women and age 62 for men, compared with 60 for women and 65 for men in Albania, Georgia, and Romania), which means that many people have a shorter employment tenure before retiring.

**Early retirement may be partly reflecting the low life expectancy of older people upon leaving the workforce.** Extending the years of employment can contribute to the economic security of older workers, but in an environment of low life expectancy, raising the retirement age has important welfare implications. Delaying retirement can increase the resources people accumulate for their pensions (see chapter 6), leading to higher household expenditures and economic activity, potentially creating a need for more workers and generating a virtuous cycle. However, life-expectancy has grown slowly since 1990, and workers are not necessarily enjoying abnormally long periods in retirement. At age 60, women in Moldova are expected to live 18.2 years on average, equating to about 21.2 years in retirement given a retirement age of 57 years; men are expected to live 14.3 years, about 12.3 years in retirement given a retirement age at 62. The length of years in retirement is not that different from other countries. Female workers in Moldova expect retirements of greater length than their counterparts in Russia (21.2 vs. 19.9 years in retirement for women), and approach the OECD average expected duration of retirement for women (22.3 years). However, male workers in Moldova on average are already expected to have shorter retirements than their counterparts in Russia (12.3 vs. 13.0 years) and much shorter than the OECD average expected duration of retirement for men (17.6 years). In sum, increases in retirement age need to happen in parallel to efforts to increase life expectancy, particularly among men.

**Figure 5.17. Moldovans disengage from the labor market earlier than their peers in the region, circa 2013**

*Source: Bussolo, Koettl, and Sinnott 2015.*

**Attitudes, social norms, and access to care**

Negative attitudes toward employment among older workers may contribute to inactivity. According to the ‘lump of labor’ fallacy, older workers occupy jobs that would otherwise be taken by
Younger workers, thereby reducing the total number of jobs available to younger people. Many empirical studies have shown this argument to be false. Economies that add more workers do not, as a rule, experience greater unemployment. Indeed, countries that encourage productive aging, high female labor force participation, or immigration generally experience higher employment and more overall economic activity among all age-groups. Although no data are available to determine the extent to which such negative attitudes contribute to pushing older people out of the labor market in Moldova, surveys in other European countries often point to such disadvantages among older workers in looking for jobs.

Social norms and lack of access to child and elder care may also limit employment rates for women and older workers. LFS data suggest that caring responsibilities pull many younger people out of the labor force, and many older workers time their exit from the labor force based on the care needs of family members. Among younger workers, the share who are out of the workforce due to caring responsibilities is large and has been rising rapidly, from about 5 percent in 2006 to about 22 percent by 2014. Although most retired workers do not report caring responsibilities as the primary motivation for their labor force status, a substantial share of older respondents left their last job for the sake of caring for family members: in 2006; about 12.7 percent of people who were not working had left their last job for this reason. By 2014, the share had climbed to 17.0 percent.

The burden of providing family care leaves many women out of the labor market early in their working lives. Women account for almost all of the recent increase in younger workers exiting the labor force for the sake of family care. In 2014, 22.0 percent of women were out of the workforce to care for family, compared with 1.2 percent among men (Figure 5.18). Women also spend more time than men engaged in household and family care activities and are more likely than men to work only part-time because of care responsibilities (Figure 5.19). These trends are likely to increase as the population ages and in the absence of improvements in healthy aging. Because unequal care responsibilities can lead to adverse health impacts, lower career advancement, and lower savings, the increasing share of women exiting the labor force may jeopardize the economic security of both young and older women.

---

195 Gruber and Wise (2010); Knapp (2007).
196 Arias et al. (2014).
197 This trend is also apparent on the intensive margin of labor force participation: older people were less likely than younger people to have missed work for the sake of caring for family members. In 2014, less than 1 percent of people over the age of 55 had worked less than 40 hours during the preceding week for this reason, while this was true of more than 4 percent of younger workers. (Calculations based on Labor Force Survey data.)
198 In 2006–14, less than 1 percent of people ages 55 or over were not working primarily because of family care responsibilities.
199 A time use survey conducted by the NBS in 2013 found that more than 96 percent of women ages 10 years and above were engaged in household and family care activities and that these responsibilities accounted for an average of about 4 hours 50 minutes a day. About 83 percent of men reported engaging in household and family care responsibilities, which represented an average of about 1 hour 40 minutes a day less than women.
200 For example, part-time jobs are often chosen to balance family care responsibilities, leading to a double burden of work and family responsibilities, which is much more common among women, even while such jobs usually pay less and are associated with fewer benefits. Research has also found that this double burden is linked to an increase in health problems (Väänänen et al. 2005). Likewise, that women are more often absent from work for the sake of family care can lead to a slower pace of advancement, disproportionately reining in total lifetime income.
Figure 5.18. Family and households responsibilities leave women out of the labor force

*drivers of Inactivity among women*

![Reason for Unemployment or Inactivity in 2014](image)

*Source:* Calculations based on Labor Force Survey data.

**The migration of parents has left older people as the main caretakers of the children.** Migrants working abroad have left behind around 146,000 children (21 percent of all children) without one or both parents.\(^{201}\) Grandparents, especially grandmothers, assume the role of the main caretakers in most cases (91 percent if both parents are abroad, and 36 percent if one parent is abroad).\(^{202}\) Overall, it is common among households with migrant members for women to remain in the home to undertake care responsibilities (Figure 5.20).

---


\(^{202}\) Elderly people living in multigenerational households in which the adult children have migrated must care for their grandchildren. The research has highlighted the key role of older people in childcare and education if the parents of the children migrate for work abroad. Older people also replace the parents as legal representatives of children, having guardianship or tutorship in 34.7 percent of the multigenerational households affected by migration (HelpAge International and UNICEF 2010).
Figure 5.19. Family care affects women’s job options disproportionately more, 2014
reasons for part-time work, by sex

Figure 5.20. Migration increases family care needs, 2007–14
share of individuals out of the labor force because of family care responsibilities

Source: Calculations based on Labor Force Survey data.

Risks to the economic security of the elderly: a longer-term view

Ensuring the economic security of the elderly will largely depend on the availability and quality of employment among current workers. Continuous gains in productivity and participation would bring the country closer to ensuring adequate economic security for the elderly. However, three obstacles need to be addressed if the country is to meet its responsibilities to the future cohorts of older people: the lack of overall job creation, the extensive informality, and the challenges associated with migration.

Limited business creation and entrepreneurial activity

A focus on the constraints to raising living standards in an equitable and sustainable manner highlights the urgency of creating jobs. Mitigating the effects of population aging and ensuring that the elderly are economically secure require boosting job creation to encourage people to seek and find good job opportunities locally that can improve their living conditions into old age and thus facilitate the sustainability of the pension system. However, firms face many barriers to launching and expanding operations and thereby sustainably create jobs. Firms providing employment are typically larger and older, while younger firms are struggling, and fewer new firms have been launched since the crisis. Six priorities emerge, including strengthening the rule of law and the accountability of

---

203 World Bank (2016b).
204 World Bank: Moldova Jobs Report 10 Facts.
institutions, increasing the quality, equity, and relevance of education and training systems, and improving the business regulatory framework.\textsuperscript{205}

**Entrepreneurial activity and business creation are likely restrained by slower population growth and skills mismatch.** In most of the Europe and Central Asia region, 18- to 34-year-olds report the highest rate of start-up activity.\textsuperscript{206} In Moldova, this age-group has also enjoyed greater opportunities to retrain and become acclimatized to the new business environment following the economic transition. Nonetheless, firms face multiple constraints to becoming established and expanding, which hinders job creation and entrepreneurship. In other economies experiencing population aging, entrepreneurship and productivity have also tended to decline as the population ages.\textsuperscript{207} Many older workers are at an even greater disadvantage in Moldova due to a mismatch between their skills and the nature of most entrepreneurial activities. During the Soviet period, many workers received specialist training, but few small businesses were established. Thus, many older people have little personal experience with small entrepreneurial initiatives and lack information on the process of starting up a business.\textsuperscript{208}

**Informality**

**Informality is a growing issue for young and older workers alike.** Aside from public sector jobs, workers ages 55 or older are substantially less likely to engage in formal employment, and this tendency increases with age. In 2007, 28 percent of workers ages 55 or older were employed by businesses that were not registered, in contrast to younger workers, of whom only 17 percent fit into this category. Since then, work in unregistered companies has become more prevalent, especially among older workers. By 2014, more than 34 percent of older people were employed in unregistered businesses. This is particularly problematic for those who have no other sources of income for retirement apart from noncontributory social protection transfers. Among people who do not pay into the pension system because of informality or inactivity, such transfers will not protect them against poverty in old age. In 2014, the share of the population under age 55 working in informal businesses increased to 25.4 percent (Figure 5.2). Informality and inactivity will leave many unprotected under the current social protection system (chapter 6).

\textsuperscript{205} World Bank (2016b).
\textsuperscript{206} Bussolo, Koettl, and Sinnott (2015).
\textsuperscript{207} Aksoy et al. (2013); Feyrer (2007), (2008); Maestas, Mullen, and Powell (2016).
\textsuperscript{208} See Smallbone and Welter (2001). There is disagreement over whether this is the key reason for lower entrepreneurial activity among older people in Eastern Europe and Central Asia. Bussolo, Koettl, and Sinnott (2015) note survey evidence showing that lower rates of entrepreneurship among the elderly in the region are not the result of a generational difference in attitudes toward entrepreneurship. The share of individuals who agree that “starting a business is considered a good career choice” does not diminish after individuals reach age 55, though the share who start a small business is much more modest among older workers than among younger workers.
Informality is on the rise

Informality contributes to the unsustainability of the pension system. In 2014, nearly 94 percent of workers in formal businesses reported receiving pension support from their employers, while virtually no employees of informal businesses received such support. Overall, fewer than 30 percent of the working-age population currently benefit from pension contributions by employers. Because working for an informal business has become more common and inactivity rates have risen, the overall prevalence of employer contributions to the pension system has declined since 2006, despite remaining stable among employees of formal businesses.

This chapter explores recent trends among the working-age population in Moldova with a focus on older cohorts and highlighting both worrying and encouraging developments in the labor market. On the negative side, labor force participation appears to be slowly deteriorating from already low levels. Since 2000, the retired population has grown, and the share of workers choosing to remain employed after the age of 54 has steadily declined. Low labor force participation among younger generations is contributing not only to insufficient pension contributions, but also to the deterioration of the pension system. Women are disproportionately inactive, and access to basic living standards in retirement will be particularly challenging for these women who will lack access to pension benefits. The past few years have also witnessed higher wage growth. Action is needed to remove barriers and encourage greater participation, formality, and employment quality in coming years, alongside significant efforts to boost employment creation.

---

209 Labor Force Survey data.
6. SECURE AGING

Older people rely heavily on pension income. This chapter uses administrative and household survey data to examine the type, size, and performance of social protection cash benefits and in-kind services in securing the social and economic rights of the elderly in Moldova. It mainly uses a definition of elderly focusing on people ages 60 or above. This is considered more relevant for the analysis.

A picture of the social protection system

Understanding the challenges to the economic security of the elderly calls for a review of the social protection system. This section focuses on this review.

Social protection system expenditures

The country has an extensive social protection system, including a contributory social insurance scheme, noncontributory social assistance benefits, and in-kind services for vulnerable population groups. In 2014, spending on these programs represented 12.7 percent of GDP, which is close to the regional average. Social insurance includes pensions, disability payments, maternity benefits, and other benefits. This accounted for 10.4 percent of GDP in 2014, of which pensions made up the largest share. Social assistance spending was 1.5 percent of GDP, and social care services represented 0.8 percent of GDP (Figure 6.1).

Figure 6.1. Social insurance, particularly pensions, account for the largest share of the social protection system, 2010–14

Expenditure on social insurance, social assistance, and social care services, % of GDP


The government spends generously on the old-age population. Public expenditure on social protection for the elderly accounted for 8 percent of GDP in 2014. Although not exceptionally high, this is comparable with the spending of some high-income European countries (Figure 6.2). Benefits

210 Although the definition of an elderly person is often associated with the retirement age, which is 57 for women and 62 for men, this chapter argues for a single standard retirement age. It therefore relies on a concept of the United Nations according to which the elderly include any person ages 60 or above.
and services for the elderly have accounted for almost two-thirds of the total social protection expenditure in recent years, which demonstrates the high relative importance of this group of beneficiaries in overall social protection policy (Figure 6.3).

Figure 6.2. The cost of social protection for the elderly in Moldova and in more well off European countries is comparable, 2013

*Figure 6.2. The relative importance of the elderly is high in the overall social protection agenda, 2010–14*

Public expenditure on social protection: elderly vs others


**Expenditure on the social insurance for the elderly is the largest spending item.** It accounts for 7.3 percent of GDP, while social assistance and services account for much smaller shares (0.4 percent of GDP each). Of the social insurance budget, 70 percent accrues to old-age beneficiaries; pensions are the main type of cash support. Meanwhile, the elderly receive only a quarter of all social assistance and almost half of all social service allocations (Table 6.1).
Table 6.1. The elderly benefit from multiple social protection programs, but the most from contributory social insurance transfers, 2014

<table>
<thead>
<tr>
<th>Share of spending</th>
<th>GDP</th>
<th>Public expenditure</th>
<th>Social protection</th>
<th>Social insurance</th>
<th>Social assistance</th>
<th>Social services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social protection of the elderly</td>
<td>8.0</td>
<td>20.2</td>
<td>63.5</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Social insurance for the elderly</td>
<td>7.3</td>
<td>18.4</td>
<td>57.8</td>
<td>70.4</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Social assistance to the elderly</td>
<td>0.4</td>
<td>0.9</td>
<td>2.9</td>
<td>n/a</td>
<td>24.8</td>
<td>n/a</td>
</tr>
<tr>
<td>Social services for the elderly</td>
<td>0.4</td>
<td>0.9</td>
<td>2.8</td>
<td>n/a</td>
<td>n/a</td>
<td>44.7</td>
</tr>
</tbody>
</table>


Public pensions are the main social protection program for seniors. Of the social protection budget for the elderly, 90 percent goes to financing social insurance pensions of various types. The elderly constitute about 90 percent of all social insurance beneficiaries (Table 6.2). Old-age pensions are the most significant program in terms of expenditures (72 percent of the total old-age social insurance expenditure) and coverage (77 percent of the population ages 60+). This is followed by other types of pensions such as disability pensions and pensions of the military and other relatively small groups of retirees who enjoy privileged treatment with relatively higher benefits. Another significant item is the pension supplement introduced in 2013 for beneficiaries of lower pensions. However, in comparison with the average wage, pension benefits are quite small: the wage-replacement rate of 28 percent in Moldova is substantially lower than the corresponding rate in comparable countries (Figure 6.4).

Table 6.2. Pensions are the most significant social protection program among the elderly in cost and participation, 2014

<table>
<thead>
<tr>
<th>Social insurance benefits</th>
<th>Share of expenditures in social insurance</th>
<th>Share of beneficiaries among the elderly</th>
<th>Benefit level relative to average wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Old-age pension</td>
<td>71.9</td>
<td>65.5</td>
<td>77.4</td>
</tr>
<tr>
<td>Disability pension</td>
<td>5.5</td>
<td>5.0</td>
<td>7.9</td>
</tr>
<tr>
<td>Pension for militaries</td>
<td>8.8</td>
<td>8.0</td>
<td>3.2</td>
</tr>
<tr>
<td>Other pensions</td>
<td>4.3</td>
<td>4.0</td>
<td>1.6</td>
</tr>
<tr>
<td>State financial support</td>
<td>7.3</td>
<td>6.7</td>
<td>67.1*</td>
</tr>
<tr>
<td>Other benefits</td>
<td>0.3</td>
<td>0.3</td>
<td>n/a</td>
</tr>
<tr>
<td>Operating of social insurance system</td>
<td>1.8</td>
<td>1.6</td>
<td>n/a</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>91.1</td>
<td>-</td>
</tr>
</tbody>
</table>


211 The old-age pension has even higher coverage, 82 percent, if all old-age pension beneficiaries are taken into account at and above the standard retirement age.
Figure 6.4. The wage-replacement rate of pensions is lower in Moldova than in comparable countries

benefit level relative to the average wage

Social assistance for older people

While consuming a relatively small portion of the social assistance budget, the elderly are spread across numerous safety net programs, many of which overlap. Social assistance represents a narrow share of social protection spending on the elderly (4.5 percent in 2014) (Table 6.3). Most social assistance programs are based on entitlements, which crowds out the support for the neediest households provided through poverty-targeted means-tested programs. Moreover, these are relatively small cash transfers that overlap in terms of eligibility, thus increasing the fragmentation and administrative cost of the social safety net. In each type of social assistance program, up to 1 percent of the total social protection budget is spent on supporting the elderly. The largest individual categorical benefit programs in terms of spending are monthly government allowances granted to certain categories of beneficiaries, such as persons with disabilities and war veterans, and government social allowances for people who do not qualify for pensions. The material aid program, which is also relatively large in terms of budget expenditures and coverage, provides one-off benefits to people in difficult circumstances without checking their welfare status. Between the two means-tested social assistance transfers, that is, the Ajutor social benefit and the heating allowance, the latter accommodates the largest share of the elderly and involves a sizable budget to compensate for the increased cost of living over the five months of the cold season. This reflects a positive development in the government’s social assistance reform that aims to shift resources from entitlement-based to poverty-oriented cash transfers.
Table 6.3 Social safety net benefits for the elderly: too little and too many, 2014

<table>
<thead>
<tr>
<th>Social assistance benefits</th>
<th>Share of expenditures</th>
<th>Share of beneficiaries among the elderly</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Social assistance</td>
<td>Social protection</td>
</tr>
<tr>
<td>State social allowances</td>
<td>7.3</td>
<td>0.3</td>
</tr>
<tr>
<td>Supplements to social allowances</td>
<td>1.7</td>
<td>0.1</td>
</tr>
<tr>
<td>Allowance for care, support, and supervision</td>
<td>3.2</td>
<td>0.1</td>
</tr>
<tr>
<td>Monthly state allowances</td>
<td>13.7</td>
<td>0.6</td>
</tr>
<tr>
<td>Other allowances</td>
<td>5.4</td>
<td>0.2</td>
</tr>
<tr>
<td>Ajutor social benefit (means-tested)</td>
<td>6.0</td>
<td>0.3</td>
</tr>
<tr>
<td>Heating allowance (means-tested)</td>
<td>22.6</td>
<td>1.0</td>
</tr>
<tr>
<td>Subsidy for transport</td>
<td>4.6</td>
<td>0.2</td>
</tr>
<tr>
<td>Material aid(^b)</td>
<td>12.9</td>
<td>0.6</td>
</tr>
<tr>
<td>Other benefits(^b)</td>
<td>22.5</td>
<td>1.0</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>4.5</td>
</tr>
</tbody>
</table>


\(a\). The elderly are also beneficiaries of other social insurance and assistance benefits. In the case of household benefits, the Ajutor social benefit and the heating allowance, the percentage shows the ratio of individual beneficiaries ages 60+ to the population ages 60+.

\(b\). Other allowances include special allowances for pension beneficiaries, allowances for people from certain villages of Moldova bordering the Transnistria region, compensations to victims or inhabitants in the area of the Chernobyl accident, and others.

The categorical orientation of most social assistance benefits resulted in an entitlement-based safety net with weak cost-effectiveness and poor equity performance. Because of the prevalence of categorical transfers, the social assistance system insufficiently prioritizes the poorest of the elderly. The policy objectives behind some cash transfers have nothing to do with poverty alleviation. Instead of welfare status, their eligibility requirements consider societal merits (participation in military actions, the Chernobyl disaster, and so on). At the same time, social assistance benefits are highly fragmented and overlap in terms of objectives and beneficiaries. Despite being numerous, the social assistance transfers contribute little to the welfare of seniors. This highlights the insufficient financial support for the neediest beneficiaries and the weak administrative efficiency given the administrative costs needed to pay many small social assistance benefits.

The government recently implemented reforms to deliver improved equity with the more efficient targeting of social assistance. In 2009–12, it took a number of measures to reallocate resources, increase the share of transfers targeting the poor, and contain categorical spending so the reforms would be fiscally affordable. In 2009–11, it introduced two proxy means-tested cash benefit programs, the Ajutor social benefit and the heating allowance. In 2012, it abolished a poorly targeted program of nominative compensations to reduce overall social assistance spending. The heating allowance program has emerged as the major safety net to mitigate the adverse poverty impact of energy tariff increases. In the 2015/16 heating season, when residential energy tariffs rose, the program scaled up to cover above 150,000 households, including about 100,000 households with elderly members.
However, more remains to be done to enhance the efficiency and equity of the social safety net. By 2012, the reforms had yielded good equity and allocative efficiency results. However, thereafter, the expansion of categorical benefits, including pension supplements, renewed the fiscal pressures and crowded out the resources necessary for expanding means-tested benefits. The coverage of benefits is still modest overall and in terms of the elderly. In 2014, the Ajutor social benefit supported only 4 percent of all the households and 3 percent of households with elderly members, and the heating allowance was received by 6 percent of all households and 10 percent of households with elderly members. To be able to cover a larger number of the old-age poor with more meaningful income support, the government should continue to consolidate multiple categorical benefits to relocate resources to means-tested transfers. This would improve the allocative efficiency of the social assistance system.

**Social services (in-kind services) for the elderly**

Apart from cash transfers, the poor and vulnerable are supported through in-kind services. These social services include measures and activities to meet the social needs of individuals or households in overcoming difficult circumstances and prevent marginalization and social exclusion (box 6.1). They include primary, specialized, and highly specialized social services and are provided at home, in the community, or at residential institutions. Expenditures on social services for the elderly accounted for only 4.4 percent of total social protection expenditure to the elderly in 2014, with tiny shares of spending on each type of service (table 6.4). Moreover, such services are financed not only through social protection, but also from the health budget (for example, long-term care).

### Table 6.4 Social care and services for the elderly are neglected in financing, 2014

<table>
<thead>
<tr>
<th>Social services types</th>
<th>Share of expenditures in social services</th>
<th>Share of expenditures in social protection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asylums/rehabilitation centers for elderly and persons with disability</td>
<td>33.6</td>
<td>1.5</td>
</tr>
<tr>
<td>Homecare social service</td>
<td>13.8</td>
<td>0.6</td>
</tr>
<tr>
<td>Community social service</td>
<td>8.1</td>
<td>0.4</td>
</tr>
<tr>
<td>Prosthesis and orthopedics</td>
<td>3.0</td>
<td>0.1</td>
</tr>
<tr>
<td>Other services for persons with disabilities</td>
<td>3.9</td>
<td>0.2</td>
</tr>
<tr>
<td>Other services, institutions</td>
<td>23.9</td>
<td>1.0</td>
</tr>
<tr>
<td>Operating cost</td>
<td>13.8</td>
<td>0.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.0</strong></td>
<td><strong>4.4</strong></td>
</tr>
</tbody>
</table>


About half the expenditures go to nonresidential providers and are covered mostly by local budgets. Many providers serve both the elderly and citizens with disabilities. Asylums and rehabilitation centers are the largest consumers of the social service budget (see table 6.4). These are

212 Law on social assistance, no. 547 of December 25, 2003, articles 9 and 10.
residential institutions, funded by central or local budgets. At the same time, the share of various nonresidential services reaches almost 50 percent of total expenditures that are covered by local budgets. These are primary social services provided through homecare and community centers, recently developed services of protected residence, community houses, mobile teams, and personal assistance offered to people with disabilities and older people to support independent living (box 6.1). Such alternative forms of care are not numerous yet but spreading. Donors/development partners also finance some services. For instance, in 2014, they funded 26 out of 100 social service centers.

### Box 6.1. Social Care Services for the Elderly

**Asylums and rehabilitation centers for the elderly and persons with disabilities.** The purpose of these centers is to help beneficiaries overcome their difficult circumstances and improve the quality of their lives. These are mostly residential institutions financed either from central or local budgets. They provide placement, meals, medical assistance, psychological counselling, recreation, and so on.

**Homecare social services** are meant to ensure quality home-based care and to prevent institutionalization by maintaining persons in their family and community environments. This primary social service is financed through local budgets and provided by social workers.

**Community social assistance services.** The objective of these services is to provide community-based care. Like homecare, this is a primary social service, financed through local budgets, and provided by community social assistants who identify persons in difficulty, evaluate their needs, and ensure access to available social services.

**Prosthesis and orthopedics** are provided for persons with disabilities.

**Other services for persons with disabilities.** To create a modern social inclusion system, social care service options have been developed recently as alternatives to residential care. Such services, including protected residence care, community homes, mobile team care, and personal assistance care, are financed through local budgets and offer support so that recipients may live independently in an environment close to family.

**Other services and institutions.** This group includes multifunctional centers and social canteens that provide free meals to the vulnerable.

Social services are evolving toward decentralized provision with a focus on beneficiaries and their individual needs. Recognizing the challenge of bringing the provision of social care closer to the beneficiaries, the government has developed a strategy for the decentralization of social services that identifies the main issues of social care service development, as follows:

- **Insufficient funding.** Social care expenditures are below 1 percent of GDP. Coverage by social care services was estimated at 17 percent of the potential demand in 2011. Because of the aging population, the funding for social care of the elderly had to be doubled in 2015 relative to the planned allocation. The decentralization of funding and provision of social care to local governments in 2015 may increase the risk of underfunding because poorer districts may face difficulties allocating resources for the services.

- **Sporadic and fragmented social care service development.** Social care services have evolved steadily, but unevenly. Local authorities who are in charge of service delivery tend to

---

213 The Strategy for decentralization of social services estimates the total number of beneficiaries of social care services at 72,500 in 2011. The potential demand for social care was estimated at 428,000.

214 Assessments in 2014 of the impact of an aging population on socioeconomic development by the National Institute for Economic Research, the Academy of Sciences, and the Ministry of Economy.
determine their social priorities ad hoc and are guided by the political agenda and particular interests of local administrative staff, the availability of external donor support, and so on. This has led to major differences in the spatial distribution of services across raioane (districts) with weak links between supply and demand. For instance, the regional distribution of social canteens, which is one of the most highly sought services among the elderly poor, does not correlate with the distribution of the elderly below the absolute poverty line.\textsuperscript{215}

- **Insufficient local capacity to manage service provision.** Local social assistance departments lack the tools and skills to identify the specific needs of vulnerable groups and use that to plan the delivery of services. Furthermore, they have difficulty assessing the extent of social service delivery to meet the needs. Thus, local decision makers lack information to decide on service development priorities.

Secure aging in Moldova? Social protection and old-age poverty

**Social protection transfers help protect the elderly in Moldova from old-age poverty.** Without social protection transfers, more than 60 percent of the elderly would belong to the first and poorest quintile (table 6.5). After the receipt of social protection transfers, their share in the bottom quintile declines to 23 percent. Similarly, before benefits, 73 percent of those in the first quintile are elderly, while, after the benefits, the share of the elderly among the poorest 20 percent of the consumption distribution of the population (the bottom 20) falls to 27 percent.

**Table 6.5. Social protection benefits reduce the incidence of the elderly among the poorest distribution of individuals by consumption quintile**

<table>
<thead>
<tr>
<th></th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q5</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Before all social protection transfers</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Elderly</td>
<td>60.7</td>
<td>20.6</td>
<td>9.3</td>
<td>5.8</td>
<td>3.6</td>
<td>100</td>
</tr>
<tr>
<td>Non-elderly</td>
<td>7.2</td>
<td>19.8</td>
<td>23.4</td>
<td>24.5</td>
<td>25.2</td>
<td>100</td>
</tr>
<tr>
<td><strong>After all social protection transfers</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Elderly</td>
<td>22.8</td>
<td>26.0</td>
<td>22.0</td>
<td>16.8</td>
<td>12.4</td>
<td>100</td>
</tr>
<tr>
<td>Non-elderly</td>
<td>19.1</td>
<td>18.1</td>
<td>19.4</td>
<td>21.0</td>
<td>22.4</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q5</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Before all social protection transfers</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Elderly</td>
<td>72.9</td>
<td>24.8</td>
<td>11.1</td>
<td>7.0</td>
<td>4.3</td>
<td>100</td>
</tr>
<tr>
<td>Non-elderly</td>
<td>27.1</td>
<td>75.2</td>
<td>88.9</td>
<td>93.0</td>
<td>95.7</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td><strong>After all social protection transfers</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Elderly</td>
<td>27.3</td>
<td>31.3</td>
<td>26.5</td>
<td>20.2</td>
<td>14.9</td>
<td>100</td>
</tr>
<tr>
<td>Non-elderly</td>
<td>72.7</td>
<td>68.7</td>
<td>73.6</td>
<td>79.8</td>
<td>85.1</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

*Source: Household Budget Survey 2014.*

\textsuperscript{215} CNPD (2012).
Almost all the elderly in the bottom quintile and 95 percent of the total elderly population are covered by social protection transfers. Of the elderly in the bottom 20, 99 percent receive some kind of social protection cash transfer (Table 6.6). This is higher than the overall coverage of the population in the lowest (first) quintile (80 percent) and much higher than the coverage of the nonelderly poor (41 percent of the nonelderly in the first quintile). Such extensive coverage results from the large share of people receiving the old-age pension, which is also confirmed by administrative data. Fewer than 10 percent of the elderly receive social assistance. Although more elderly than nonelderly are covered by social assistance, elderly beneficiaries show similar representation across income groups, including higher representation among the richest quintile (10.9 percent) than among the poorest quintile (7.9 percent). This is an indication of the wide range of entitlement-based social assistance benefits received by the elderly.

Table 6.6. The elderly benefit from the extensive coverage of social protection transfers

<table>
<thead>
<tr>
<th>benefit coverage</th>
<th>Total</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q5</th>
</tr>
</thead>
<tbody>
<tr>
<td>All population</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All social protection</td>
<td>33.1</td>
<td>80.3</td>
<td>36.2</td>
<td>23.1</td>
<td>16.2</td>
<td>9.7</td>
</tr>
<tr>
<td>All social insurance</td>
<td>32.8</td>
<td>79.7</td>
<td>35.5</td>
<td>22.7</td>
<td>16.2</td>
<td>10.2</td>
</tr>
<tr>
<td>All social assistance</td>
<td>4.4</td>
<td>7.0</td>
<td>3.9</td>
<td>4.5</td>
<td>4.0</td>
<td>2.5</td>
</tr>
<tr>
<td>Elderly</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All social protection</td>
<td>94.8</td>
<td>99.1</td>
<td>94.8</td>
<td>89.5</td>
<td>84.8</td>
<td>74.1</td>
</tr>
<tr>
<td>All social insurance</td>
<td>94.8</td>
<td>99.0</td>
<td>94.9</td>
<td>89.5</td>
<td>84.2</td>
<td>75.3</td>
</tr>
<tr>
<td>All social assistance</td>
<td>8.5</td>
<td>7.9</td>
<td>6.8</td>
<td>8.6</td>
<td>9.9</td>
<td>10.9</td>
</tr>
<tr>
<td>Non elderly</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All social protection</td>
<td>13.6</td>
<td>41.4</td>
<td>18.7</td>
<td>12.2</td>
<td>8.9</td>
<td>5.7</td>
</tr>
<tr>
<td>All social insurance</td>
<td>13.2</td>
<td>38.9</td>
<td>17.9</td>
<td>11.9</td>
<td>8.8</td>
<td>6.1</td>
</tr>
<tr>
<td>All social assistance</td>
<td>3.1</td>
<td>6.7</td>
<td>2.6</td>
<td>3.1</td>
<td>2.5</td>
<td>1.0</td>
</tr>
</tbody>
</table>

Source: Household Budget Survey 2014.
Note: The table shows quintiles of per adult equivalent consumption, net of each social protection transfer.

Overall, benefits reach the elderly in need. There are more recipients of social protection benefits among the pretransfer elderly poor than among the nonelderly poor: 59 percent of beneficiaries among the elderly are in the first (poorest) quintile, while only 49 percent of all beneficiaries of social protection transfers are in the first quintile (Table 6.7). This beneficiary incidence derives from the nearly universal coverage of old-age pensions. Nonetheless, the distribution of social assistance benefits seems more progressive in the group of the elderly than in the total population or among the nonelderly. Similarly, the distribution of social protection funds is more pro-poor among the elderly: the bottom 20 percent of the elderly receive 60 percent of all social protection transfers, while, among the total population, the share is 53 percent (Table 6.7). Because of the highly compressed pension benefit structure, the distribution of social insurance funds among the elderly follows the distribution of beneficiaries closely. This is not the case in social assistance, where 40 percent of the poorest
beneficiaries receive around two thirds of transfers. This is because the highly progressive means-tested Ajutor Social benefit and the heating allowance accrue to the bottom 20 among the elderly at a rate close to 40 percent.

Table 6.7. Social protection transfers are generally pro-poor in the distribution of beneficiaries and benefits

<table>
<thead>
<tr>
<th>Distribution of beneficiaries</th>
<th>Total</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q5</th>
</tr>
</thead>
<tbody>
<tr>
<td>All population</td>
<td>100.0</td>
<td>48.5</td>
<td>21.9</td>
<td>13.9</td>
<td>9.8</td>
<td>5.9</td>
</tr>
<tr>
<td>All social protection</td>
<td>100.0</td>
<td>48.5</td>
<td>21.6</td>
<td>13.9</td>
<td>9.8</td>
<td>6.2</td>
</tr>
<tr>
<td>All social insurance</td>
<td>100.0</td>
<td>32.0</td>
<td>17.9</td>
<td>20.7</td>
<td>18.1</td>
<td>11.3</td>
</tr>
<tr>
<td>All social assistance</td>
<td>100.0</td>
<td>32.0</td>
<td>17.9</td>
<td>20.7</td>
<td>18.1</td>
<td>11.3</td>
</tr>
<tr>
<td>Elderly</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All social protection</td>
<td>100.0</td>
<td>58.7</td>
<td>19.2</td>
<td>11.1</td>
<td>7.2</td>
<td>3.8</td>
</tr>
<tr>
<td>All social insurance</td>
<td>100.0</td>
<td>59.0</td>
<td>19.0</td>
<td>11.0</td>
<td>7.2</td>
<td>3.9</td>
</tr>
<tr>
<td>All social assistance</td>
<td>100.0</td>
<td>21.1</td>
<td>21.1</td>
<td>22.3</td>
<td>19.5</td>
<td>15.9</td>
</tr>
<tr>
<td>Non elderly</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All social protection</td>
<td>100.0</td>
<td>26.1</td>
<td>27.8</td>
<td>20.2</td>
<td>15.6</td>
<td>10.4</td>
</tr>
<tr>
<td>All social insurance</td>
<td>100.0</td>
<td>24.8</td>
<td>27.5</td>
<td>20.4</td>
<td>15.8</td>
<td>11.4</td>
</tr>
<tr>
<td>All social assistance</td>
<td>100.0</td>
<td>41.5</td>
<td>15.1</td>
<td>19.4</td>
<td>16.9</td>
<td>7.2</td>
</tr>
<tr>
<td>Distribution of benefits</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All population</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All social protection</td>
<td>100.0</td>
<td>52.5</td>
<td>19.3</td>
<td>12.6</td>
<td>8.8</td>
<td>6.8</td>
</tr>
<tr>
<td>All social insurance</td>
<td>100.0</td>
<td>53.2</td>
<td>18.7</td>
<td>12.4</td>
<td>8.6</td>
<td>7.0</td>
</tr>
<tr>
<td>All social assistance</td>
<td>100.0</td>
<td>48.4</td>
<td>14.8</td>
<td>17.2</td>
<td>14.3</td>
<td>5.2</td>
</tr>
<tr>
<td>Elderly</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All social protection</td>
<td>100.0</td>
<td>59.5</td>
<td>17.6</td>
<td>10.4</td>
<td>7.5</td>
<td>5.1</td>
</tr>
<tr>
<td>All social insurance</td>
<td>100.0</td>
<td>59.7</td>
<td>17.4</td>
<td>10.2</td>
<td>7.4</td>
<td>5.2</td>
</tr>
<tr>
<td>All social assistance</td>
<td>100.0</td>
<td>36.8</td>
<td>20.0</td>
<td>20.3</td>
<td>13.2</td>
<td>9.7</td>
</tr>
<tr>
<td>Non elderly</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All social protection</td>
<td>100.0</td>
<td>29.9</td>
<td>25.0</td>
<td>19.8</td>
<td>13.2</td>
<td>12.2</td>
</tr>
<tr>
<td>All social insurance</td>
<td>100.0</td>
<td>30.0</td>
<td>23.5</td>
<td>20.3</td>
<td>12.9</td>
<td>13.4</td>
</tr>
<tr>
<td>All social assistance</td>
<td>100.0</td>
<td>51.6</td>
<td>13.4</td>
<td>16.3</td>
<td>14.7</td>
<td>4.0</td>
</tr>
</tbody>
</table>

Source: Household Budget Survey 2014.
Note: The table shows quintiles of per adult equivalent consumption, net of each social protection transfer.

Survey data confirm that the elderly are highly dependent on pensions. Almost 100 percent of the elderly live in households that received pensions in 2014.\textsuperscript{216} Figure 6.5 shows that there was an increase in pension dependence among the elderly, from 47.2 percent of total income in 2007 to 60.5 percent in 2014, thanks to an increase in pension value (by 53.8 percent in real terms). (Note that the elderly are described differently in Figure 6.1 relative to the standard definition adopted in this chapter,

\textsuperscript{216} The coverage is similarly high among people of retirement age.
that is, ages 60+.) Pension dependence is particularly high among the poor elderly (69.3 percent). Pensions have played an important role in reducing poverty among the elderly, although poverty persists among elderly groups; pension increases account for a large share of the decline in poverty.\footnote{World Bank (2016b).}

**Figure 6.5. The elderly are increasingly dependent on pensions**

*Income structure of the elderly (ages 65+) and nonelderly*

![Income Structure Chart](image)

*Source: Calculations based on the Household Budget Survey.*

Although the level of pensions is relatively low, the importance of pensions in the income of the elderly poor is high. Among the elderly in the first quintile receiving the pension benefit, the benefit generosity is 50.6, while, among the elderly in the second quintile, it is 24.8 (table 6.8). (Benefit generosity indicates the share of the average transfer in the total welfare aggregate of the beneficiaries.) Within the same quintile groups, the generosity of social protection benefits is higher among the elderly than among the nonelderly, which testifies to the importance of pensions as an income source among senior citizens. However, in social assistance, the relative importance of benefits appears higher among the nonelderly than among the elderly across the entire consumption distribution.

**Pension increases have favored pensioners in urban areas and nonagricultural sectors.** Agriculture pensioners accounted for 39.2 percent of all old-age pensioners in 2014, while the share of all old-age pensioners was only 2.5 percent in Chisinau, compared with 52.0 percent in the south. As a result, the share of pensioners receiving the minimum pension was highest in the center of the country, while the corresponding share in the south was increasing (Figure 6.6, panel a). Moreover, in line with the wage gap, the average pension among workers in agriculture is 78 percent of the pension among nonagricultural workers. While the latter saw improvement, the former stagnated in real terms (Figure 6.6, panel b). This led to a higher average pension in urban areas, where most pensioners were nonagricultural workers.
Table 6.8. Pensions are important to the welfare of the elderly poor

<table>
<thead>
<tr>
<th>Benefit generosity</th>
<th>Total</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q5</th>
</tr>
</thead>
<tbody>
<tr>
<td>All population</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All social protection</td>
<td>36.1</td>
<td>51.0</td>
<td>25.6</td>
<td>21.6</td>
<td>17.5</td>
<td>16.8</td>
</tr>
<tr>
<td>All social insurance</td>
<td>35.5</td>
<td>50.6</td>
<td>24.8</td>
<td>20.9</td>
<td>16.9</td>
<td>16.2</td>
</tr>
<tr>
<td>All social assistance</td>
<td>7.2</td>
<td>12.5</td>
<td>6.6</td>
<td>5.1</td>
<td>4.0</td>
<td>2.0</td>
</tr>
<tr>
<td>Elderly</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All social protection</td>
<td>39.2</td>
<td>51.0</td>
<td>25.6</td>
<td>21.6</td>
<td>17.5</td>
<td>16.8</td>
</tr>
<tr>
<td>All social insurance</td>
<td>38.7</td>
<td>50.6</td>
<td>24.8</td>
<td>20.9</td>
<td>16.9</td>
<td>16.2</td>
</tr>
<tr>
<td>All social assistance</td>
<td>6.3</td>
<td>12.5</td>
<td>6.6</td>
<td>5.1</td>
<td>4.0</td>
<td>2.0</td>
</tr>
<tr>
<td>Non elderly</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All social protection</td>
<td>29.3</td>
<td>51.0</td>
<td>25.6</td>
<td>21.6</td>
<td>17.5</td>
<td>16.8</td>
</tr>
<tr>
<td>All social insurance</td>
<td>28.2</td>
<td>50.6</td>
<td>24.8</td>
<td>20.9</td>
<td>16.9</td>
<td>16.2</td>
</tr>
<tr>
<td>All social assistance</td>
<td>8.0</td>
<td>12.5</td>
<td>6.6</td>
<td>5.1</td>
<td>4.0</td>
<td>2.0</td>
</tr>
</tbody>
</table>

Source: Household Budget Survey 2014.

Note: The table shows quintiles of per adult equivalent consumption, net of each social protection transfer. Benefit generosity indicates the share of the average transfer in the total welfare aggregate of the beneficiaries in the corresponding group.

Figure 6.6. The rural elderly benefit less from the pension increase, 2007–14

a. Pensioners receiving the minimum pension, %
b. Pensions as a share of the poverty threshold

Social protection transfers and especially pensions affect poverty rates among the elderly.

Table 6.9 shows how the poverty indicators would change in the absence of each transfer. Without social protection benefits, the poverty rate would have been 3 times higher, and it would have increased by a factor of 6 among the elderly. For the elderly, old-age pension plays an important role for living standards. Social assistance transfers are more important as a poverty coping mechanism among the nonelderly. Without the safety net, the poverty headcount in this group would have increased by 1 percentage point. It is worth noting the role of remittances in reducing poverty.
Table 6.9. Absent social protection benefits, the poverty rate would have been much higher

the impact of programs on the poverty rate

| Indicator without listed transfer | Poverty headcount |  |  |  |  |  |  |  |
|----------------------------------|-------------------|---|---|---|---|---|---|
|                                  | Elderly           | Non-elderly | Population | Elderly | Non-elderly | Population |
| All social protection            | 0.759             | 0.184       | 0.362      | 0.453   | 0.039       | 0.161      |
| All social insurance             | 0.757             | 0.171       | 0.352      | 0.448   | 0.034       | 0.155      |
| Old-age pension                  | 0.686             | 0.126       | 0.290      | 0.359   | 0.020       | 0.114      |
| Disability pension               | 0.174             | 0.135       | 0.152      | 0.033   | 0.022       | 0.028      |
| Pension support                  | 0.178             | 0.118       | 0.135      | 0.030   | 0.016       | 0.020      |
| All social assistance            | 0.133             | 0.120       | 0.125      | 0.019   | 0.018       | 0.019      |
| All remittances                  | 0.207             | 0.285       | 0.266      | 0.062   | 0.134       | 0.117      |

Source: Household Budget Survey 2014.
Note: The estimates are based on the national poverty line.

Challenges facing the social protection system

The government will have to rethink policy objectives to balance affordability and the scope of social protection for the elderly. While the old-age social protection cost is sizable, pension benefits, the largest spending item, are relatively small and do not provide high levels of poverty protection. As population aging progresses, the government will have to respond to the crucial issues of how to spend limited public resources and what it expects social protection spending to achieve through the combination of benefits and services.

The pension system faces many challenges that increase the risk of old-age poverty for the current and future generations. These are outlined in the Moldova 2020 National Development Strategy and discussed in research papers. The pension system is vulnerable to imbalances because of the aging population: current trends will lead to an increasingly large retired population that will depend on transfers from a shrinking domestic workforce.

First, social insurance contribution coverage has declined over the years and remains limited. The ratio of contributors to the population ages 15–64 has declined because of low labor force participation, relatively high informality, and migration. After plummeting in the last 15 years, contribution coverage is only slightly above 30 percent (figure 6.7).

---

218 For example, see Bechmann and Lupusor (2014); World Bank (2014b).
The pension system dependency ratio is rising. The shrinking contributor base, in combination with the high number of pensioners, is driving the system dependency ratio up. The ratio is projected to rise from the current 0.8 pensioners per contributor to 1.0 pensioner per contributor by 2020 because of the aging demographic pattern (figure 6.8).

Second, the pension benefit coverage of the elderly is expected to decline, thereby amplifying the poverty risk for those left outside pension insurance. Pension benefit coverage is high now, but will narrow because of the low participation in social insurance (Figure 6.9) given high inactivity and informality. This will leave a growing number of elderly outside the social insurance pension system (Figure 6.11) and increase the risk of income insecurity. The new challenge of providing pension coverage for farmers emerged in 2009 when their social insurance became voluntary. As a result, 99 percent of farmers who contributed in 2008 opted out of the social insurance system. Apart from the poverty risk, voluntary participation of individual farmers may lead to a locked-in effect in farming, an incomplete service-coverage period for those shifting to another occupation, and more informal employment in agriculture. Those left outside the pension insurance will need to be supported through noncontributory social assistance schemes that currently cover only a small share of the elderly.
Figure 6.9. High pension coverage will narrow, 2016–70

ratio of pensioners above standard retirement age to population above standard retirement age

Figure 6.10. The replacement rate is declining, 2016–70

The ratio of old-age pension benefit to average wage in the economy, 2016–2070

Sources: Calculations based on data of Pension Reform Options Simulation Toolkit, World Bank; National Social Insurance House data.

Third, the low and deteriorating pension benefit replacement rate exacerbates the risk of poverty among those covered by the pension system. The level of pension benefits relative to wages is low and declining (Figure 6.10). In 2014, the average old-age pension was about 27 percent of gross wages, which was among the lowest gross replacement rates in Eastern Europe and Central
Asia. According to the NBS, the average monthly pension for pensioners registered with the social security institution (the majority of pensioners) was MDL 1020.6 in 2014, which was equivalent to 81 percent of the national poverty line or $3.70 a day (2005 purchasing power parity). Almost 20 percent of pensioners received only the minimum pension of around MDL 700–MDL 800.

The average replacement rate is projected to decrease steadily from 28 percent to almost 13 percent by 2047. While, in 1995, the pension formula yielded a gross replacement rate of 44.9 percent, the changes introduced in the pension formula in 1998 pushed the replacement rate down. After 1999, the salaries used to calculate the salary base in the formula were not revalued (valorized) to account for cumulative growth in the average wage between the moment when the salary was earned and the date of retirement. If the current pension system is not reformed, the gap between earnings and pensions will grow and the system will not be socially sustainable.

Fourth, the cost of the public pension system is growing and requires general government revenues to bridge the fiscal gap. In 1999, pension outlays accounted for 4.4 percent of GDP, and, in 2014, they reached 7.5 percent of GDP. Contribution revenues fell short in covering the growing pension costs, which opened a gap of 10 percent in the social insurance expenditures covered by the government budget.

Fifth, the preferential treatment of some groups of retirees makes the system inequitable. Special pension beneficiaries such as civil servants, judges, prosecutors, members of the government and Parliament and others account for 11 percent of the total number of old-age pensioners. The cost of these special pensions represents about 13 percent of overall pension outlays. Despite several changes adopted recently to converge the rules for accruing special and regular pensions, the number of such pension entitlements should be reduced again to lower their cost and improve equity.

**A range of reform measures are required to help address the many challenges, and ensure that the right to social security is fulfilled.** Recently undertaken parametric reforms of the public pension system, along the lines proposed and discussed in the next section, could help address the looming risk of old-age poverty among people covered by pension insurance. At the same time, given the high informality in the economy, the low labor market participation rates, and the large agricultural sector, ensuring universal pension insurance coverage is likely to be challenging. Therefore, the government would have to consider ways to consolidate public finances to use general revenues to protect senior citizens not covered by pension insurance. An efficient and equitable social assistance system would be one means to this end. Finally, the ten human rights elements for a social protection system described in chapter 3, could guide reforms to ensure that people realize their right to social security.
7. CONCLUSIONS AND POLICY IMPLICATIONS

The demographic dynamics of Moldova and other countries in the region do not have to impose negative socioeconomic burdens. First, the demographic profile is not fixed. While fertility rates and emigration trends may be difficult and slow of change, improvements in old-age mortality can slow the reduction in the population. Second, progress on improving the low health status and the high disability rate among older people can allow them to work longer, hence becoming contributors rather than dependent on the economy. Third, the quality of the workforce matters (for example, their educational attainment). Investments in education throughout the life cycle, taking advantage of the decreasing share of school-age children in the population, are important in raising the stock of human capital.

In Moldova, the fast pace of aging requires institutions to adapt quickly to the needs of the aging population. The low fertility rates and brisk emigration rates mean that the aging process is happening much more rapidly in Moldova than in other countries that are more advanced in the aging process, such as countries in Western Europe. Major social and policy adjustments are needed to adapt to a future society made up of more than 20 percent of elderly, a reality in coming decades. Changes in population age structure involve changes in the overall structure of social needs. The government needs to create the conditions to support the welfare and rights of an increasing proportion of older people in the population.

Older people in Moldova, this report finds, face many challenges to maintaining a productive, healthy, and secure life in older age. There is scope to enhance the health behaviors and the health care system to advance healthy longevity. The current low educational quality and labor engagement will have serious short-, medium- and long-term implications. The low access to and quality of education will not only affect the earning capacity of the population and the savings people accumulate to sustain their livelihoods in old age, but, in an aging context, also lower the growth of the human capital stock able to sustain economic growth. As an increasing share of the population is inactive or working informally, the number of pensioners will outpace the growth in the number of contributors, undermining the sustainability of the pension system and the main income source on which the government currently relies to fund old-age security programs.

These challenges to a productive, health and secure life suggest that while Moldova has signed and ratified many of the international and regional treaties involving human rights (chapter 3), implementation gaps remain. Addressing these challenges require a multipronged approach with a human rights-based approach at the center tackling the multiple risks that negatively impact the socioeconomic conditions of older people. Concerns about the economic and social welfare of older people should be mainstreamed into the overall policy framework, in addition to policies that target the older population.

Changing law and policy to reflect a shift in population dynamics is not a simple undertaking. States must take bold and well-informed steps to protect people equally. Doing so requires a revision in strategies to enable all people to enjoy their human rights, alongside adequate monitoring and
evaluation by setting indicators and benchmarks to implement the strategies. These indicators, especially if well disaggregated to capture the lives of older people, can begin to tell the story of the positive development of the implementation of human rights. The use of human rights–based approaches to change policies can help ensure outcomes in policy changes that respect, protect, and fulfill human rights.\textsuperscript{219} The approaches emphasize participation, inclusion, and equality, especially for marginalized groups, and create dynamics of accountability.\textsuperscript{220}

There is a need to develop and implement policies that create an enabling environment for the current and future older populations. The following sections provide broad policy recommendations to realize equal rights in Moldova in the economic security of older people. The recommendations focus on policies to promote healthy, productive, and secure aging, as well as complementary policies to strengthen the human rights–based lens. Many of these proposed policy actions are not only relevant or targeted toward the elderly, but are systemic in nature given the challenges of the country.

As recommended policies are further detailed and refined, it is critical that they maintain the human rights lens so as to fulfill obligations towards older people. Specifically, a human rights based approach should be guided by the following principles: universality, participation and inclusion, equality and non-discrimination, transparency and accountability, as well as sustainability. Throughout the chapters of these reports, it is clear that challenges remain to uphold these principles in practice in Moldova.

Policies to promote healthy aging

Promoting healthy aging calls for ensuring affordable and accessible health care to all older people, as well as the provision of affordable, good-quality medicines to treat NCDs.\textsuperscript{221} As explained in chapter 3, national legislation in Moldova guarantees the right to equal opportunity to obtain timely, good-quality health care through the compulsory health insurance system, which includes the right to health care free from discrimination in the health system for older Moldovans. However, serious health related challenges remain.

Moldova’s current reform agenda attempts to address many of these challenges, and these efforts should be sustained:

- The National Health Insurance Agency recently revised the benefits package by increasing the reimbursement rate for antihypertension medications from 50 percent to 70 percent. While this change will certainly lower costs faced by patients, the 30 percent co-pay will likely still deter adequate drug adherence because the benefits package is primarily comprised of branded drugs (as opposed to generics) and because any positive cost can depress usage and increase hospitalizations.\textsuperscript{222}

\textsuperscript{219} See, for example, Ekwall and Rosales (2009).
\textsuperscript{220} UNFPA and Harvard School of Public Health (2010).
\textsuperscript{221} Beyond the analysis presented, see also CEDAW (2012).
\textsuperscript{222} Baicker, Mullainathan, and Schwartzstein (2015).
• The Ministry of Health is currently revising the existing pay-for-performance scheme in primary care to provide stronger incentives among primary care physicians to improve the management of chronic disease.

• Sweeping tobacco control legislation came into effect in July 2015 that prohibits smoking in workplaces and public places; bans tobacco advertising, promotions, and sponsorships; prohibits the sale of menthol cigarettes and misleading language such as use of the word “light”; and mandates graphic warning labels that cover at least 65 percent of the front and back of cigarette packets.

• A number of upcoming reforms aim to improve the efficiency of public spending, which should free up resources to expand the benefits package, such as using the diagnostic-related group method for payments rather than simply accounting, the introduction of performance-based payments in hospitals, bringing all public hospitals in Chisinau under shared management, and consolidating hospitals across the country. Hospital reforms have been launched, for instance, to make hospitals more efficient and reduce overcapacity of hospital beds and avoid duplication of services.

The role of the primary health care system is crucial in supporting the aging population and in preventing the spread of NCDs early on through preventive measures and public health services. Given the high prevalence of NCDs across age-groups, disease prevention from early ages is a cost-effective way to improve health outcomes among the population, including the future older population. Efforts are being made in carrying out regular checkups for early detection of high blood pressure and hypertension, blood sugar and diabetes, and so on. Nevertheless, more investments should be focused on quality of primary care, disease prevention and NCD prevention drugs. The focus of primary health care also should be on strengthening and advancing skills and knowledge on the diseases of old age. Among public health measures to be rendered at the primary health care level, there should be a serious effort to maintain campaigns on the harm of tobacco and alcohol consumption, the main risk factors in an overwhelming number of the NCDs that ultimately shorten the healthy life of people.

While these reforms could improve service delivery and decrease financial burdens for all age-groups, their aims suggest that the current aging and older populations, in addition to those who will be occupying their place in future generations, should disproportionately benefit. The prevalence of hypertension and other chronic diseases increases with age, as does spending on medication. Making services and medication more affordable may also reduce the income gradients observed throughout the life cycle in service usage and drug adherence.

Importantly, the reform process should strive for achieving and sustaining the complementarity and synergy among key health sector reforms, such as introduction of performance financing for primary and hospital care; rationalization and optimization of health networks; and increased accountability and autonomy for providers.
As these critical foundational reforms in the health system are implemented, additional ones need to be considered to respond to the needs of the older population. These include (i) reforming long-term health care services (among the social services provided under the social protection system) in a way that balances financing, affordability, and fiscal sustainability, and (ii) tackling discrimination in access to health care and informing older people of their rights. On the latter, as explained in chapter 3, the awareness on the rights for access and utilization of healthcare services has been low, especially amongst older adults, contributing to disparities in accessing health services and pharmaceuticals and increasing the economic insecurity of the elderly.

Policies to promote productive aging

Creating more formal jobs and increasing productivity are necessary to sustaining growth and progress toward the economic security of older people in Moldova. Policies that encourage greater employment both among working-age people and among people over the current retirement age are essential. Effective policies that successfully increase employment among older workers and the current generation of working-age people would improve on the status quo through two channels: (1) increasing wage incomes and (2) increasing the tax and pension contribution payments that are required to provide the services government is legally obligated to deliver.

- **Boosting entrepreneurship, business and job creation, and formality.** Creating more and better jobs is the main pathway for increasing the living standards of the population, including older people. Economy-wide policies that boost economic opportunities for all and promote firm growth and job creation should be part of the broad policy agenda to increase living standards and mitigate the pressures of an aging society. Companion reports (World Bank, 2016b and 2017) explore in more detail the barriers to job creation in Moldova, with priority policy areas being (1) strengthening the rule of law and the accountability of institutions, particularly to unlock the main constraint identified to firm growth and job creation, (2) improving the efficiency and equity of service delivery, for an enabling environment for firms and individuals to access better economic opportunities across Moldova and particularly in rural areas, and (3) increasing the quality, equity, and relevance of education and training systems, so that Moldovans may become well prepared to access productive jobs.

- **Investing in education throughout the life cycle, with an additional focus on lifelong learning to retool the skills of older workers.** Lifelong learning can improve productivity and flexibility among all workers. But especially for workers that are unable to continue in physically strenuous positions, additional education can improve access to jobs in new sectors. In countries undergoing demographic transitions as pervasive as the demographic transition Moldova, increasing access to adult education is an essential part of helping older workers retrain. Changing attitudes to

---

223 Bussolo, Koertl, and Sinnott (2015) present a relevant discussion.
224 Broad policy options to tackle the job creation challenge are outlined in World Bank (2016b).
225 See World Bank (2016b) for analysis and a discussion of policy options.
encourage older people to view education as an alternative later in life is also key to the success of lifelong learning policies.

- **Supporting greater access to formal child and elder care facilities.** As a large share of women exit the labor force to provide family care, supporting greater access to affordable, good-quality formal child and elder care facilities is one approach to reducing the barriers to paid work that asymmetrically affect women (mothers and grandmothers), while also supporting older people in need. Evidence from other countries in the region can be useful in informing these efforts. These policy can have further positive long-term effects through promoting early childhood development.

- **Reducing disincentives in the social protection system to (formal) work.** This includes gradually raising retirement ages for both men and women, which can promote longer working lives and thus higher economic security through savings and pension contributions. Increasing the retirement age, currently low particularly for women (the mandatory retirement age for women is 57), would encourage greater labor force participation among older workers and reduce the projected imbalances in revenue and payments. In addition, this envisages changes in the pension benefit formula to reinstall wage valorization and strengthen the link between contributions and benefits.

- **Tackling discrimination in the labor market.** Given that age is the most important perceived factor hindering access to job opportunities in many countries in the region, fighting discrimination in the workplace through, for example, awareness campaigns and providing information to people on their rights, can help open up opportunities for older people in the labor market and contribute to upholding fundamental conventions of the ILO related to discrimination.

**Policies to promote secure aging**

**Ensuring adequate protection of older people calls for reforming social protection systems.** Parametric reforms of the public pension system could help address looming old-age poverty risks for those covered by pension insurance. The pension benefits would be modest though, and people would have to work longer.

**Recommendations for reforms aim to create a fiscally and socially sustainable PAYG pillar.** This should include the following: (1) introducing valorization of past earnings in the pension formula, along with adequate indexation and lower accrual rates; (2) gradually equalizing the retirement age to 62 and then increasing it for both sexes to 65. These measures will allow a sharp decline in the replacement rate to be avoided and a fiscal balance for most of the modeled period to be preserved (figure 7.1).

---

226 World Bank (2015c).
227 Arias et al. (2014).
228 See World Bank (2014b) for detailed analysis and policy recommendations on pension reform.
Figure 7.1. The proposed parametric reform measures will result in a socially and fiscally sustainable PAYG system

replacement rate: status quo vs changes in the pension benefit formula  
 fiscal balance after parametric reforms, % of GDP

Source: Calculations based on data of Pension Reform Options Simulation Toolkit, World Bank.

Note: The parametric reforms to a PAYG system imply the following: (i) introducing wage valorization of past earnings and switching to inflation indexation of the pension benefit, (ii) reducing the accrual rate to 1.12 percent, and (iii) gradually equalizing the retirement age to 62 and then increasing it to 65 for both sexes. All reforms are launched in 2016 in the simulation exercise.

The Government followed the recommendations in the pension reform law adopted in late 2016. In December 2016, the country adopted the law that re-installs valorization of past earnings, increases the retirement age and equalizes it for men and women, and introduces a number of other important changes that would help improve pension benefits replacement rate, strengthen linkages between contributions and revenues and increase long-term pension system sustainability. Some of the adopted measures such as valorizing the existing pensions, allowing early retirement without decreasing benefits, however, may prove costly and require additional transfers from the general budget.

Choosing the right set of policies for those not in the contributory pension system requires several considerations. As pension coverage decreases, a growing number of older people will find themselves outside the contributory pension system and will run the risks of old-age income insecurity. These will need to be supported through noncontributory schemes that currently cover only 1 percent of retirees. The retirement age increase would help extend the contribution period required to qualify for pension that is 31 years for men and 30 years for women and keep the number of those not eligible for insurance pension low in the coming 15 years. However, their number will grow quickly thereafter and become significant in 2050–60.

Ensuring universal old-age benefit coverage is a challenging task. International experience does not offer a best practice solution for covering informal sector workers and individual farmers: they either avoid paying contributions if the system is mandatory or avoid participating if it is voluntary. Many countries have opted for mandatory participation of farmers because this keeps the system
consistent for all workers, improves its transparency and labor flexibility, and may reduce informality. Others have instituted a universal citizen pension as the main old-age-income support scheme.

**The merits of universal coverage must be weighed against fiscal impact, potential negative incentive effects, and the administration costs of various income support schemes.** Table 7.1 summarizes the outputs of an analysis of several options for noncontributory old-age income support schemes. The analysis discussed in detail in annex B considers running the current program of social pensions (social allowances) to cover a growing share of the uninsured population versus a universal citizen pension scheme paid to all older people at a threshold age, according to different benefit levels, indexation regimes, and transition paths. Clearly, there is a trade-off between the level of the benefit and the fiscal cost of the program.

The current social pension program pays low benefits, and running it into the future does not imply high costs. However, the low benefits increase the risk of income insecurity among large cohorts of future older people. Yet, higher benefits not only require more money, but also reduce the incentives to participate in the contributory pension scheme. Citizen pensions bear less disincentives as they cover both the insured and the uninsured with the same, relatively small benefit. As with social pensions, administration of this universal benefit is relatively simple. However, the fiscal cost of such a scheme could be quite high. Moreover, this would not be the most efficient solution, as more well off older people would also receive a pension. A means-tested benefit would be more cost effective at achieving a similar poverty impact at lower cost. However, means testing implies higher administrative costs than the entitlement-based scheme, but it generates an exclusion error that would significantly increase the old-age poverty risk. Therefore, the analysis summarized in Table 7.1 does not consider the option of supporting older people solely through a means-tested program.

---

229 Most Central and Eastern European countries decided to integrate individual farmers in the single pension scheme with mandatory participation. A form of voluntary participation exists in the Czech Republic, Hungary, and Romania (only for low-income earners). In Latvia, farmers can obtain only the minimum pension in the pension system. In Slovenia, low-income farmers can opt out of the general pension scheme. In Belgium, Finland, Poland, and Spain, a separate mandatory pension scheme has been established for farmers. In most such schemes, the government has to cofinance the contributions, usually on a matching basis.

230 Economies in the Europe and Central Asia region that have chosen universal pensions include Albania, Georgia, and Kosovo. Albania and Georgia had a compressed benefits structure before introducing social pensions. Georgia set the universal basic pension as the main old-age income support scheme. Albania and Kosovo’s models are different as they include an earnings-related component, in addition to the social pensions.
### Table 7.1. Summary options for a noncontributory income support scheme for older people

<table>
<thead>
<tr>
<th>Program description</th>
<th>Benefit Replacement Rate</th>
<th>Fiscal Cost, % of GDP</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social pension—flat benefit paid at the age of 65 to people who do not qualify for contributory pension.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1 At retirement, the benefit is set at 5 percent of average wage (replacement rate) and indexed with inflation.</td>
<td>5% going down to 1%</td>
<td>0-0.4%</td>
<td>Small cost but very low benefit adequacy, which seriously jeopardizes economic security of older people.</td>
</tr>
<tr>
<td>1.2 The benefit is maintained at 5 percent replacement rate (indexed by wage growth).</td>
<td>5%</td>
<td>0%-1.4%</td>
<td>Relatively small cost but low benefit adequacy.</td>
</tr>
<tr>
<td>1.3 At retirement, the benefit is set at 10 percent replacement rate and indexed with inflation.</td>
<td>10% going down to 2%</td>
<td>0%-0.8%</td>
<td>Benefit adequacy is initially high but deteriorates. Cost remains moderate.</td>
</tr>
<tr>
<td>1.4 The benefit is maintained at 10 percent replacement rate</td>
<td>10%</td>
<td>0%-3%</td>
<td>Higher benefit adequacy but high fiscal cost. Some beneficiaries of contributory pensions would receive the pension at 10 percent replacement rate. Paying the same benefit to those who worked and contributed and those who did not would reduce incentives to contribute and would be perceived socially unfair.</td>
</tr>
<tr>
<td>Citizens pension—a universal flat benefit paid to people ages 65, regardless of their participation in contributory pensions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1 At retirement, the benefit is set at 5 percent replacement rate, indexed with inflation and paid to all retirees (existing and new).</td>
<td>5% going down to 1% (29%-32%)*</td>
<td>1% through the entire simulation period</td>
<td>This program implies lower disincentives to contribute relative to the social pension program above. The option requires moderate cost but provides low benefit adequacy which affects older peoples’ economic security. Fiscal pressure grows while benefit adequacy remains relatively low.</td>
</tr>
<tr>
<td>2.2 The benefit is maintained at 5 percent replacement rate and paid to all retirees</td>
<td>5% (29%-36%)</td>
<td>0.9%-3%</td>
<td>Lower initial cost but similar to 2.2 above in the long run.</td>
</tr>
<tr>
<td>2.3 The benefit maintained at 5 percent replacement rate and paid to new retirees</td>
<td>5% (25%-36%)</td>
<td>0%-3%</td>
<td></td>
</tr>
<tr>
<td>2.4 The benefit is set at 10 percent replacement rate, indexed with inflation paid to all retirees</td>
<td>10% going down to 2% (34%-35%)</td>
<td>2% through the entire simulation period</td>
<td>More adequate benefit level requires significant outlays. The costs may be contained at 2 percent at the expense of deteriorating benefit. If the benefit adequacy is maintained, the program becomes fiscally unaffordable in the long run.</td>
</tr>
<tr>
<td>2.5 The benefit is maintained at 10 percent replacement rate and paid to all retirees</td>
<td>10% (34%-41%)</td>
<td>1.8%-6%</td>
<td></td>
</tr>
<tr>
<td>2.6 The benefit maintained at 10 percent replacement rate and paid to new retirees</td>
<td>10% (26%-41%)</td>
<td>0%-6%</td>
<td></td>
</tr>
</tbody>
</table>

*The combined rate for contributory and noncontributory schemes is presented in brackets.

Source: Simulations based on Data of Pension Reform Options Simulation Toolkit, World Bank.

There is no preferred solution as each scheme has its pros and cons. The analysis is meant to demonstrate key parameters to be considered in designing the program and how these affect the costs and adequacy of benefits. Which conclusions can be drawn from a comparison of the two programs concerned? At the same level of benefit, social pensions generate lower cost as they have a smaller beneficiary group than the universal pension. However, social pensions create disincentives to
contribute to a PAYG system if their level approximates some of the contributory pension benefits. Because of universal coverage, citizen pensions are costlier. Paid on top of the PAYG pensions, they yield better benefit adequacy for the insured older people. In both programs, indexation defines benefit adequacy in the long run. Although price indexation allows program costs to be contained, it may make benefits socially unsustainable. At the same time, indexing by wage growth is a generous policy that increases fiscal pressure. One may consider a flexible indexing approach whereby the benefits would be adjusted at least with inflation to preserve their purchasing power and would be revised more generously in the years of high economic growth. In terms of a transition to the new scheme, introducing benefits only for new retirees does cut much of the cost of universal benefits because, in the early years of the program, the number of beneficiaries would remain low.

As the population ages, the demand for social care services will grow, which makes it important to address the bottlenecks in efficient delivery. The strategy for the decentralization of social services sets the right objectives, but is unclear on the means to achieve the objectives. For instance, the strategy calls for establishing a system of social service needs assessment at the local level to underpin service delivery planning. To be able to apply this, local governments and their social protection units would have to expand and develop their scarce institutional capacities.

To become effective service purchasers, local governments should develop capacities to carry out the following:

- Assess local social care needs and barriers to implementation of national policy priorities on the ground. This would require strengthening the current methodology for social service needs assessment to capture the needs not covered by current service providers.
- Develop multiyear local social service commissioning plans based on local needs assessment.
- Commission services against local strategic plans by contracting out services to various providers, including nongovernmental organizations, and conclude multiyear agreements with providers of long-term care.
- Implement, delegate, or outsource case management so that the service options are chosen in the client’s best interest rather than in the interest of the service providers.

Service providers should have stronger legal and financial autonomy. Most providers are funded directly from local budgets and have no incentive to improve the quality of services or to use the money efficiently. They would have to enter into contractual relations with local governments rather than enjoying direct and automatic funding. This would strengthen their responsibility for the efficient use of funds. Moreover, this would make the facilities more flexible in managing their budgets.

Furthermore, the strategy rightly points to the need for an adequate financing mechanism of social care services that would ensure that local governments have the resources to deliver the services. Rural, less well developed, and resource-constrained regions may fall short in seeking to cover the service needs of the population. To mitigate this risk, the strategy suggests that the financing of a standard package of social services be mandatory, including through central government transfers. It is important that the main needs of older people are included in this standard package, for instance,
long-term care for people with severe disabilities. The national government is also limited in what it can transfer for the provision of social care. Therefore, private co-funding mechanisms should be developed to differentiate fees based on the support needs and the welfare status of recipient households.

**The Ministry of Labor, Social Protection, and Family will need to strengthen its role as a policy maker.** This should include developing a clear set of broad, national-level mid-term priorities in social care policy, along with result indicators, as well as setting up structures for service quality management. National social care priorities and respective resource allocations should be coordinated with a broader agenda in social inclusion, social cohesion, and social security. These strategic benchmarks would be used for (1) negotiations on the resource envelope with local governments for the implementation of social care functions and (2) the development of local social inclusion strategies and social service commissioning plans.

**Cross-cutting policies**

Beyond the sectoral policies described, there are other complementary efforts that can help promote economic security of older people and strengthen the human rights–based lens in Moldova, as follows:

- **Census data:** finalizing the processing and publication of the results of the 2014 census is critical to informing the agenda. Getting more recent estimates of the country’s demographic profile will provide a more accurate picture of current challenges. Timely and careful planning of the 2021 census should be undertaken once the work on the 2014 round is completed.

- **Promoting the use of disaggregated data:** Datasets and surveys should disaggregate data by groups defined by age, gender, ethnicity, for people with disabilities and others, to allow for proper monitoring of outcomes by group. Regarding data by age, it is relevant to compile and report that for higher age groups (up to and beyond the age of 100), which will become more relevant as challenges related to low life expectancy are tackled. Aggregation of all people over a certain age cannot provide policy makers with the information they need to make informed decisions. For example, it is reasonable to expect that the gender inequalities in unpaid work continue in later life. Time use surveys should include people over age 64.\(^{231}\)

- **Monitoring and reporting:** Many of Moldova’s laws are in line with human rights. What remains is for their intentions to be realized through implementation and monitoring. They need to be monitored at the national level and reported on, along with the government’s duty to respect, protect, and fulfill all of its human rights obligations. The value of the reporting process is truly national and it can be assessed by how well it helps improve the lives of the persons for which governments are responsible.\(^{232}\)

- **Bilateral agreements for portable social protection:** The government has created bilateral agreements for the portability of social protection across some countries. It should initiate

---

\(^{231}\) UNDP (2014, 3).

\(^{232}\) Martin, Rodríguez-Pinzón, and Brown (2015).
additional bilateral agreements to make its social protection portable and allow Moldovan migrant workers to transport retirement payments back to Moldova, too.

- **Awareness of entitlements**: Ensure awareness of rights. As discussed above, it is critical to ensure that older people have the necessary information about their rights in access to health, labor markets, social security and others, particularly as reforms are implemented. In Moldova, for instance, in a survey of 500 grandparents caring for grandchildren, fewer than one grandparent in 10 had information about state provisions such as childcare services and free medical insurance.\(^{233}\)

---

\(^{233}\) HelpAge International (2008).
REFERENCES


113


Adolescents, Youth, and the Transformation of the Future. New York: UNFPA.


## Annex A

Table A.1. Correlates with the poverty status of the elderly

<table>
<thead>
<tr>
<th>Variable</th>
<th>2007</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Age 50+</td>
<td>Age 65+</td>
</tr>
<tr>
<td>Female</td>
<td>-0.02**</td>
<td>0.01</td>
</tr>
<tr>
<td></td>
<td>(0.01)</td>
<td>(0.02)</td>
</tr>
<tr>
<td>55-59</td>
<td>0.01</td>
<td>-0.01</td>
</tr>
<tr>
<td></td>
<td>(0.02)</td>
<td>(0.02)</td>
</tr>
<tr>
<td>60-64</td>
<td>0.03</td>
<td>0.01</td>
</tr>
<tr>
<td></td>
<td>(0.03)</td>
<td>(0.02)</td>
</tr>
<tr>
<td>65-69</td>
<td>-0.05</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td>(0.03)</td>
<td>()</td>
</tr>
<tr>
<td>70-74</td>
<td>0.06</td>
<td>0.11***</td>
</tr>
<tr>
<td></td>
<td>(0.04)</td>
<td>(0.03)</td>
</tr>
<tr>
<td>75-79</td>
<td>-0.00</td>
<td>0.06</td>
</tr>
<tr>
<td></td>
<td>(0.04)</td>
<td>(0.04)</td>
</tr>
<tr>
<td>80+</td>
<td>-0.02</td>
<td>0.05</td>
</tr>
<tr>
<td></td>
<td>(0.05)</td>
<td>(0.04)</td>
</tr>
<tr>
<td>Urban</td>
<td>0.00</td>
<td>0.05</td>
</tr>
<tr>
<td></td>
<td>(0.03)</td>
<td>(0.04)</td>
</tr>
<tr>
<td>Widow</td>
<td>-0.02</td>
<td>-0.08***</td>
</tr>
<tr>
<td></td>
<td>(0.02)</td>
<td>(0.03)</td>
</tr>
<tr>
<td>HH with children</td>
<td>0.07***</td>
<td>0.03</td>
</tr>
<tr>
<td></td>
<td>(0.03)</td>
<td>(0.02)</td>
</tr>
<tr>
<td>HH with elderly</td>
<td>0.04</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td>(0.04)</td>
<td>()</td>
</tr>
<tr>
<td>HH with children and elderly</td>
<td>0.04</td>
<td>-0.00</td>
</tr>
<tr>
<td></td>
<td>(0.05)</td>
<td>(0.04)</td>
</tr>
<tr>
<td>Elderly-only HH</td>
<td>0.08**</td>
<td>0.03</td>
</tr>
<tr>
<td></td>
<td>(0.03)</td>
<td>(0.04)</td>
</tr>
<tr>
<td>Primary</td>
<td>-0.08*</td>
<td>-0.09**</td>
</tr>
<tr>
<td></td>
<td>(0.04)</td>
<td>(0.04)</td>
</tr>
<tr>
<td>Incomplete secondary</td>
<td>-0.06</td>
<td>-0.04</td>
</tr>
<tr>
<td></td>
<td>(0.05)</td>
<td>(0.06)</td>
</tr>
<tr>
<td>General secondary</td>
<td>-0.14***</td>
<td>-0.13*</td>
</tr>
<tr>
<td></td>
<td>(0.05)</td>
<td>(0.07)</td>
</tr>
<tr>
<td>Professional secondary</td>
<td>-0.20***</td>
<td>-0.26***</td>
</tr>
<tr>
<td></td>
<td>(0.06)</td>
<td>(0.07)</td>
</tr>
<tr>
<td>Technical education</td>
<td>-0.26***</td>
<td>-0.28***</td>
</tr>
<tr>
<td></td>
<td>(0.05)</td>
<td>(0.06)</td>
</tr>
<tr>
<td>University</td>
<td>-0.32***</td>
<td>-0.35***</td>
</tr>
<tr>
<td></td>
<td>(0.05)</td>
<td>(0.06)</td>
</tr>
<tr>
<td>Unemployed</td>
<td>0.12</td>
<td>0.21***</td>
</tr>
<tr>
<td></td>
<td>(0.09)</td>
<td>(0.07)</td>
</tr>
<tr>
<td>Retire</td>
<td>0.10***</td>
<td>0.11***</td>
</tr>
<tr>
<td></td>
<td>(0.03)</td>
<td>(0.04)</td>
</tr>
<tr>
<td>Other inactive</td>
<td>0.05*</td>
<td>0.07*</td>
</tr>
<tr>
<td></td>
<td>(0.03)</td>
<td>(0.04)</td>
</tr>
<tr>
<td>Received pensions</td>
<td>-0.05*</td>
<td>-0.34**</td>
</tr>
<tr>
<td></td>
<td>(0.02)</td>
<td>(0.13)</td>
</tr>
<tr>
<td>Constant</td>
<td>0.40***</td>
<td>0.67***</td>
</tr>
<tr>
<td></td>
<td>(0.05)</td>
<td>(0.14)</td>
</tr>
<tr>
<td>Observations</td>
<td>5399</td>
<td>2275</td>
</tr>
<tr>
<td>Adjusted $R^2$</td>
<td>0.070</td>
<td>0.065</td>
</tr>
</tbody>
</table>

*Source: Calculations based on the Household Budget Survey.*
Table A.2. Determinants of Activity: Probit Regression on Binary Outcome for Aged 55+

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gymnasium (highest)</td>
<td>0.775***</td>
<td>0.761***</td>
<td>-0.053**</td>
<td>-0.030</td>
</tr>
<tr>
<td></td>
<td>(0.018)</td>
<td>(0.018)</td>
<td>(0.023)</td>
<td>(0.023)</td>
</tr>
<tr>
<td>Lyceum (highest)</td>
<td>1.124***</td>
<td>1.094***</td>
<td>-0.038</td>
<td>0.050*</td>
</tr>
<tr>
<td></td>
<td>(0.021)</td>
<td>(0.021)</td>
<td>(0.026)</td>
<td>(0.026)</td>
</tr>
<tr>
<td>Secondary (highest)</td>
<td>1.220***</td>
<td>1.144***</td>
<td>0.057**</td>
<td>0.170***</td>
</tr>
<tr>
<td></td>
<td>(0.018)</td>
<td>(0.018)</td>
<td>(0.023)</td>
<td>(0.024)</td>
</tr>
<tr>
<td>Higher Education</td>
<td>1.364***</td>
<td>1.320***</td>
<td>0.406***</td>
<td>0.579***</td>
</tr>
<tr>
<td></td>
<td>(0.022)</td>
<td>(0.022)</td>
<td>(0.026)</td>
<td>(0.027)</td>
</tr>
<tr>
<td>Female</td>
<td>-0.368***</td>
<td>-0.436***</td>
<td>-0.419***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.009)</td>
<td>(0.010)</td>
<td>(0.010)</td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
<td>-0.094***</td>
<td>-0.093***</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(0.001)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>Urban</td>
<td></td>
<td></td>
<td></td>
<td>-0.276***</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(0.013)</td>
</tr>
<tr>
<td>Constant</td>
<td>-1.633***</td>
<td>-1.388***</td>
<td>5.505***</td>
<td>5.468***</td>
</tr>
<tr>
<td></td>
<td>(0.015)</td>
<td>(0.016)</td>
<td>(0.084)</td>
<td>(0.084)</td>
</tr>
<tr>
<td>Observations</td>
<td>267,076</td>
<td>267,076</td>
<td>267,076</td>
<td>267,076</td>
</tr>
<tr>
<td>Adjusted R2</td>
<td>0.067</td>
<td>0.081</td>
<td>0.215</td>
<td>0.221</td>
</tr>
</tbody>
</table>

*** p<0.01, ** p<0.05, * p<0.1

Table A.3. Determinants of Activity: Probit Regression on Binary Outcome for Aged Less Than 55

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gymnasium (highest)</td>
<td>0.976***</td>
<td>0.978***</td>
<td>0.747***</td>
<td>0.747***</td>
</tr>
<tr>
<td></td>
<td>(0.028)</td>
<td>(0.028)</td>
<td>(0.028)</td>
<td>(0.028)</td>
</tr>
<tr>
<td>Lyceum (highest)</td>
<td>1.140***</td>
<td>1.142***</td>
<td>0.749***</td>
<td>0.738***</td>
</tr>
<tr>
<td></td>
<td>(0.028)</td>
<td>(0.028)</td>
<td>(0.029)</td>
<td>(0.029)</td>
</tr>
<tr>
<td>Secondary (highest)</td>
<td>1.579***</td>
<td>1.580***</td>
<td>1.043***</td>
<td>1.030***</td>
</tr>
<tr>
<td></td>
<td>(0.027)</td>
<td>(0.027)</td>
<td>(0.029)</td>
<td>(0.029)</td>
</tr>
<tr>
<td>Higher Education</td>
<td>1.907***</td>
<td>1.910***</td>
<td>1.512***</td>
<td>1.482***</td>
</tr>
<tr>
<td></td>
<td>(0.029)</td>
<td>(0.029)</td>
<td>(0.030)</td>
<td>(0.030)</td>
</tr>
<tr>
<td>Female</td>
<td>-0.017**</td>
<td>-0.051***</td>
<td>-0.051***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.007)</td>
<td>(0.007)</td>
<td>(0.007)</td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
<td>0.033***</td>
<td>0.033***</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>Urban</td>
<td></td>
<td></td>
<td></td>
<td>0.055***</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(0.009)</td>
</tr>
<tr>
<td>Constant</td>
<td>-1.474***</td>
<td>-1.467***</td>
<td>-2.185***</td>
<td>-2.202***</td>
</tr>
<tr>
<td></td>
<td>(0.027)</td>
<td>(0.027)</td>
<td>(0.028)</td>
<td>(0.029)</td>
</tr>
<tr>
<td>Observations</td>
<td>563,162</td>
<td>563,162</td>
<td>563,162</td>
<td>563,162</td>
</tr>
<tr>
<td>--------------</td>
<td>---------</td>
<td>---------</td>
<td>---------</td>
<td>---------</td>
</tr>
<tr>
<td>Adjusted R2</td>
<td>0.068</td>
<td>0.068</td>
<td>0.119</td>
<td>0.119</td>
</tr>
</tbody>
</table>

*** p<0.01, ** p<0.05, * p<0.1
ANNEX B

Elderly income support: options for a noncontributory scheme to reduce risk of poverty and income insecurity

The estimates in this annex feature the cost (as percentage of GDP) and the adequacy (the replacement rate) of various noncontributory (that is, financed from general revenues) benefit schemes to support the retirees not covered by contributory pensions. They assume parametric that changes in the PAYG system have been introduced.

Option 1: Social pensions paid to people not covered by the social insurance scheme. This option describes the existing program of social allowances paid to people who do not qualify for contributory pensions. The law sets the benefit level at 15 percent of the minimum old-age pension. In 2013, the government introduced a supplement of MDL 100. The benefit and supplement together yield the replacement rate of about 5 percent of the average wage.

The suboptions below simulate the cost of running the scheme at different benefit levels, assuming the benefit is paid at the age of 65.

1.1 The current replacement rate of 5 percent is applied to set the benefit at retirement, which is then indexed by inflation.
1.2 The benefit is maintained at a 5 percent replacement rate (indexed by wage growth).
1.3 The benefit is set at a 10 percent replacement rate and price indexed.
1.4 The benefit is maintained at a 10 percent replacement rate.

As figure B.1 demonstrates, running the current scheme in the future while applying price indexation would not require significant resources: it would cost 0.4 percent of GDP in the long run. Yet, because of the indexation pattern, the replacement rate under suboption 1.1 goes down to 1 percent. Fixing the replacement rate at 5 percent for the entire retirement period (suboption 1.2) would increase the cost of the scheme above 1 percent of GDP. Both options, however, offer quite low benefit adequacy, which seriously jeopardizes the economic security of a growing number of the elderly. Therefore, we also consider suboptions with higher benefit levels.

**Figure B.1.**

<table>
<thead>
<tr>
<th>Benefit replacement rate, %</th>
<th>Cost of the program, % of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suboptions 1.1 and 1.2</td>
<td>Suboptions 1.1 and 1.2</td>
</tr>
</tbody>
</table>
Figure B.2.
Benefit replacement rate, %
Suboptions 1.3 and 1.4

Cost of the program, % of GDP
Suboptions 1.3 and 1.4

Figure B.2 simulates the outputs of setting the benefit at a 10 percent replacement rate under two indexation suboptions. Even if set twice as high as at the current level, the benefit replacement rate deteriorates over time in the case of price indexation, which makes the cost of suboption 1.3 similar to that of suboption 1.1 (0.8 percent of GDP). The small number of beneficiaries in the early years of the simulation period levels out the initial cost of the program. Maintaining the benefit at a 10 percent replacement rate through the entire simulation period significantly increases the cost of the program, which may reach 3 percent of GDP. This puts substantial pressure on public expenditure. Another drawback of suboption 1.4 is that, because of low density and participation, many future beneficiaries of contributory pensions would receive the pension benefit at the same level of a 10 percent replacement rate. This would reduce incentives to contribute and would be perceived as socially unfair to pay more or less the same benefit as those people who worked and contributed and those who did not. Therefore, further analysis considers a universal pension benefit (also known as a citizens pension or demogrant) paid to all senior citizens of a certain age.
Option 2: Citizens pension is a universal flat benefit paid to people ages 65 years or over, regardless of their participation in the contributory pension scheme. For insured people, such a benefit would add to the contributory pension and increase the overall old-age income support. This would address the issue of incentives and social unfairness mentioned with suboption 1.4. The citizens pension would replace the current minimum pension, thus reducing the liabilities of the insurance pension scheme. Similarly to option 1, the suboptions below describe various benefit levels and indexation patterns. In addition, they simulate two transition paths to the new scheme, such as paying the benefit to all old-age beneficiaries or only to the new ones.

2.1 The benefit is set at a 5 percent replacement rate, indexed to inflation, and paid to all retirees (existing and new).
2.2 The benefit is maintained at a 5 percent replacement rate and paid to all retirees.
2.3 The benefit is maintained at a 5 percent replacement rate and paid to new beneficiaries.
2.4 The benefit is set at a 10 percent replacement rate, indexed to inflation, and paid to all retirees.
2.5 The benefit is maintained at a 10 percent replacement rate and paid to all retirees.
2.6 The benefit is maintained at a 10 percent replacement rate and paid to new beneficiaries.

In suboptions 2.1, the citizens pension of noninsured beneficiaries shows the same pattern as in suboption 1.1 (see figure B.1). Introducing this benefit for all the existing elderly would cost about 1 percent of GDP, and the cost would remain at this level during the entire projection period (figure B.3). Such a low and deteriorating benefit level would not add much to the PAYG pension; so the combined replacement rate of the insured pensioners would be similar to the contributory pension rate. Maintaining the replacement rate at 5 percent (suboption 2.2) gradually raises the cost of the scheme from 1 percent to 3 percent of GDP. To reduce the initial cost of the scheme while there is still few elderly not covered by contributory pensions, the benefit may be introduced for new retirees only, as envisaged in suboption 2.3. However, as the scheme matures, the cost of suboptions 2.2 and 2.3 converge (figure B.3). The constant replacement rate in options 2.2 and 2.3 increases the combined replacement rate for the insured individuals from 30 percent to 35 percent in the long run.

Figure B.3.
Benefit replacement rate combined for contributory and noncontributory schemes, %
Cost of the program, % of GDP
Suboptions 2.1–2.3
Suboptions 2.1–2.3

234 The retirement age to qualify for the citizens pension is usually about five years higher than in the contributory scheme. Therefore, when the regular retirement age reaches 65, the citizens pension age could be raised.
Policy makers are discussing a similar policy measure, that is, turning the current pension supplement of MDL 180 into what would be, in effect, a universal pension benefit for all old-age pensioners. While insured pensioners would maintain a relatively adequate replacement rate (not similar to their current insurance pension rate though), for the increasing number of elderly not covered by the contributory scheme, the rate is quite unsustainable in social terms, which exacerbates the risk of old-age income insecurity.

A replacement rate of 10 percent of the average wage looks more acceptable, but it may decline to 2.5 percent over time as price indexation applies in suboption 2.4 (see figure B.2). In this suboption, even though the value of the citizens pension is declining, because of the growing number of beneficiaries, the cost of the program remains at 1.5–2.0 percent of GDP over the entire simulation period (figure B.4). A reduction in the replacement rate of the citizens pension does not affect much the insured individuals; as in the reformed PAYG pillar, their replacement rate stays at the range of 29–35 percent.

Figure B.4.
Benefit replacement rate combined for contributory and noncontributory schemes, % Suboptions 2.4–2.6
Cost of the program, % of GDP Suboptions 2.4–2.6
Maintaining the replacement rate at 10 percent would require substantial public funding that would grow to 6 percent of GDP as the number of citizens pension beneficiaries increases (see suboption 2.5 at figure B.4). While this suboption promises a replacement rate of 32–41 percent for the recipients of contributory pensions, its fiscal cost is hardly affordable. Paying the benefits to new retirees (suboption 2.6) reduces the initial level of spending. Over time, however, the expenses become similar to those of option 2.5. Controlling the cost would require reduced benefit generosity.

*Source: Calculations in Pension Reform Options Simulation Toolkit, World Bank.*