

REPUBLIC OF BULGARIA POVERTY AMONG THE ELDERLY WORLD BANK 1998 /SUMMARY/

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ABSTRACT: THE MATERIAL IS A SUMMARY OF REPORT FOR THE WORLD BANK, PREPARED BY THE THREE AUTHORS AND SOCIOLOGISTS, FOCUSED ON THE PROBLEMS OF ELDERLY PEOPLE IN BULGARIA. THE RESEARCH WORK HAS BEEN DONE IN-DEPTH PRE-ACCESSION PERIOD OF THE COUNTRY IN THE EUROPEAN UNION. THE DATA AND CONCLUSIONS IN IT EXPLAINS SOME CURRENT CONDITIONS OF THE ELDERLY.

KEY WORDS: ELDERLY, POVERTY, POPULATION, EMPLOYMENT, MARKETIZATION, PENSIONERS

THE problems associated with social protection in the course of marketization invariably include the issue of protection and security of the elderly. At the same time, the elderly have proved to be one of the highest-risk groups in the conditions of socioeconomic crisis: in some cases, poverty has acquired proportions that has endangered the life of aged persons.

THE main purpose of this study is to identify the limits, specificity and depth of poverty among the elderly, as well as to formulate recommendations for maximized efficiency of poverty-confinement and social assistance measures.

POPULATION aging is a pronounced tendency in Bulgaria. By December 1997, 21.4% of the population were aged over 60 and 5.0%, over 75. The age dependency rate is 47.9%.

THE proportion of elderly rural residents (31.8%) is almost double that of urban residents (16.5%), and even higher in small villages (population under 200), senior age groups and among females. Due to higher female life expectancy, the proportion of elderly women (23.4%) exceeds that of elderly men (19.5%).

LABOUR force participation of the elderly has plummeted in the period of transition, dropping to 62.2 per 1,000 population aged over 60 in 1992.

IN the 60-plus age group, 93.2% are Bulgarians, 5.4% Turks and 0.9% Roma (Gypsies).

NOTABLY, as a result of high employment rates prior to the start of marketization, today 93.6% of Bulgaria's population of pension age (women over 55 and men over 60) draw earnings-related pensions (retirement or cooperative farmer pensions). At the same time, 4.1% of the elderly are entitled to disability pensions, and 1%, to social pensions. That is why poverty among the elderly may be analyzed on the basis of the empirical surveys on household budgets and, in particular, on the sample of pensioner households (2,195 households), conducted by the National Statistical Institute.

AS the main source of cash income of aged persons, pensions are extremely low. The minimum monthly pension which, in December 1997, was drawn by 2.7% of all pensioners, was 28,900 leva (US\$ 16), and the maximum, drawn by 3.4% - 86,700 leva (US\$ 48). The monthly pension averaged 36,565 leva (US\$ 20). The average pension was 26.6% of the average wage. In real terms, the average pension declined by 73.4% from 1990 to 1997. The decades-long merger of pension funds with the national budget is an important factor for the present low level of pensions. Pension funds were separated from the budget in 1996, but the newly established National Social Security Institute is underfunded, whereas the pension pressure is enormous.

THE classification of pensioner households in four quartiles by size of income shows that this social category is heterogeneous, with the total average income per household member in fourth quartile (the highest-income group) exceeding that in first quartile (lowest-income) by a factor of 4.6.

PENSIONS and incomes from part-time farming account for almost an identical proportion of the aggregate income of pensioner households - 42.9% and 42.5% respectively in 1997. In value terms, home-made products (artefacts and consumer goods) come third in the structure of incomes (10%). The difference in the total income of households is due foremost to the difference in income from part-time farming, which accounts for respectively 5.5% and 63.7% of the aggregate income in first and fourth quartiles. Pensions are in inverse proportion, comprising 86% of the income in first quartile and 22% in fourth quartile.

THE proportion of men rises with the rise of income by quartile. In first quartile, the proportion of women (67.1%) is more than double that of men (32.9%). This is an indicator of feminized poverty among the elderly.

WELFARE benefits, regardless of the nominal increase, are a negligible fraction (0.7%) of the total income of elderly people. The nominal size of welfare benefits outlines a distinct tendency that contrasts with the objectives of social assistance: this size increases with the increase of income by quartile. On average, the 1997 welfare benefits per household member in first quartile were less than those in third quartile by a factor of 3.5.

FOOD spending accounts for the bulk of expenditure in pensioner households: in 1997, an average 65.5%, 68.7% in first quartile versus 39.6% in fourth quartile. There is a distinct tendency towards growth of the consumption margin between quartiles, and the emergence of two segments that vary by size and scope. The first segment comprises first and second quartiles, where consumption of staple foodstuffs is below the subsistence level and there is virtual malnutrition, i.e. elderly people in those groups are starving, and poverty has deteriorated to a qualitatively new state - destitution. The second segment covers fourth quartiles and, partly, third, for which a normal diet is not a problem.

SIGNIFICANT differences have been established in the expenditure for part-time farming from one quartile to another. The impossibility of low-income groups to expand part-time

farming and increase their income by increasing expenditure, leads to reproduction of intensifying income-based stratification of the elderly.

THE specific problems of the elderly, associated with the invariable need of increased spending on health care, outline a dependence between spending and income. While nominal health care expenditure is highest in fourth quartile, its proportion of total expenditures in first quartile is double. This indicates that the relative double financial burden of health care on the low-income groups limits their potential for decent and regular treatment. At the same time, the growth in health care expenditure is outpacing the growth in incomes in pensioner households, foremost as a result of the soaring prices of medicines.

THE elderly's survival strategies are determined by demographic, geographical, social and ethnic factors. The most important of the active strategies is cultivation of own land (31.3%) and of the passive, cutbacks in spending (24.3%). Almost half of all pensioners do not intend to undertake any action (47.7%), while more than 50% rely on the state (65.9%).

THERE is a distinct need of active differentiated policies towards the elderly corresponding to the heterogeneous composition of this social group. In this connection, the formulated recommendations have the following objectives: amendments to the social and statutory legislation: rise of the pension age; amendments to the Ordinance on Dispensation of Medicines, extending coverage of elderly people and diseases eligible for pay-free medicines; amendments to the Social Assistance Regulations, entitling a broader range of elderly people to the respective social benefits; amendments to the Ordinance on the Use of State-Subsidized Recreation Facilities, extending coverage to pensioners.

ACTIVE social policies aiming to restore social justice in regard to the most vulnerable groups - pensioners undoubtedly being one of those groups - primarily presuppose creation of opportunities for the realization of their work potential and protection of their human dignity. To this end, greater activity on the part of public institutions and nongovernmental organizations, and promotion of individual enterprise, are a *conditio sine qua non*.

INTRODUCTION

THE general tendencies in birth rates over the past 100 years indicate an intensive process of population aging in Bulgaria. From approximately 40% at the start of the century (1910-1920), birth rates eventually declined after 1920, to 24% in 1945. As a result of certain compensatory processes in the wake of World War II there was a slight growth between 1946 and 1950 - in the range of 26% to 25%. The downward trend continued after 1950, reaching an all-time low of 7.7% in 1997 (9.4% in 1994 and 8.6% in 1995). This led to a sizeable increase in the proportion of people aged over 60. Prior to World War II, this proportion approximated 10%, but has since risen steadily: to 13% in 1975, 18% in 1985, 20% in 1992 and 21.6% in 1997. At present, slightly more than one-fifth of Bulgaria's population are in the 60-plus age group.

THE aging population has tended to become one of the country's gravest social problems, facing the social security and assistance system with a formidable challenge.

IN the years of centralized economy, the authorities pursued a policy of total employment of the labour force, as a result of which all people were entitled to a retirement pension at the end of their working life. Consequently, almost all individuals aged over 60 were pensioners. Furthermore, due to the lower pension age for particular groups of the population (miners, servicemen, etc.), as well as disability, invalidity and entitlement to more

than one pension, pensioners outnumbered the population aged over 60 by a sizeable margin: in 1993, the ratio of pensioners to the population above working age was 123%. Hence the problems of social security and assistance of the elderly (over 60) are arguably problems of the pensioners in Bulgaria.

THE post-1989 transition to market economy and attendant financial hardships for the general public, have affected aged persons and pensioners too. The 1997 hyperinflation led to a drastic decline in pensions and welfare benefits (monthly pensions plummeted to US\$ 5 or US\$ 6), placing a considerable part of the pensioners, whose sole income came from pensions, in a critical situation. The elderly and pensioners became an enormous burden for society in general and their families in particular, without whose assistance they would have hardly survived the staggering economic and financial crisis in 1996-1997.

AGAINST this social background, this, paper has the following objectives:

TO outline and assess the impact of transition and, in particular, of the 1996-1997 crisis on the economic and social status of the elderly and pensioners as one of the highest-risk groups.

TO compare (with the pre-1990 period) the social security and social assistance network covering the elderly and pensioners, tracing the changes in the new socioeconomic environment.

TO identify the internal incomes-based structure of the social group of the elderly, as well as the distinct strata in it, their relative weight in the group as a whole, and their main socio-demographic characteristics. 5. To formulate recommendations for the development of effective social security and social assistance networks for the elderly and pensioners.

THE analysis focuses on pensioners aged over 60 since they comprise the majority of the group, even though pensioners from all age brackets are likewise considered: 93.6% of the people above pension age (women over 55 and men over 60) draw some kind of retirement and old-age (or cooperative farmer) pension. More than three-quarters of all pensioners, and 81.6% of those who draw retirement and old-age pensions, are over 60. The data from National Statistical Institute (NSI) surveys on household budgets do not allow distinction between the different types of pensioners below and above the age of 60.

THE following terms are used in this paper:

Population underworking age. all persons aged 15 and under.

Population of working age. males aged 16 to 59 and females aged 16 to 54.

Population above working age: males aged 60 and over, females aged 55 and over.

Aging rate, change of the percentage of the population above working age in two consecutive years.

Age dependency rate: ratio of the population of dependent age (under 15 and over 65) to the population of independent age (from 15 to 64), in percent.

Low education rate by age group: share of persons of low education (primary, elementary and lower) of the total population in the respective age group, per 1000.

High education rate by age group: share of persons of high education (higher, college [literally, "semi-high" in Bulgarian] and secondary) of the total population in the respective age group, per 1000.

Labour force participation rate (LFPR) by age group: share of labour force participants of the total population in the respective age group, per 1000.

Pensioner households: households made up of pensioners only, independent of the type of pensions drawn.

Households including pensioners: households made up of pensioners and people of working age and/or children.

Households without pensioners: households none of whose members are pensioners.

Pension age: age at which a person is eligible for a pension.

Length of service: the period in which a person has been in an employment relationship and for which social security contributions have been paid.

Category of work, classification of jobs and/or occupations by conditions for safety at work. There are three categories of work, with Category 1 comprising occupations with the most hazardous, and/or hardest and/or most dangerous working conditions (e.g. servicemen, pilots, deep-mine workers, nuclear power plant employees, etc.). Category 3 is the general case, with normal working conditions. Category 2 is intermediate. The requirements for entitlement to pension - pension age and length of service - also vary by category of work.

Disability group: grading of the loss of working capacity by type and gravity of disability. There are three disability groups, with Group 1 covering the most severely disabled persons. Applicants are classified in a particular disability group by specialized (e.g. neurological, internal diseases) medical commissions.

Household budgets: specialized year-round representative national sample survey on all types of household revenue and expenditure (in cash and in kind). The sample covers 6,000 households. In-kind revenue and expenditure is evaluated by a special method developed for the purpose. The findings are collected and processed by the National Statistical Institute. In 1997, the sample included 2,195 pensioner households with 3,423 members, or an average 1.6 members per pensioner household.

Quartile: the surveyed households are divided into four equal parts by size of total income. The first and fourth quartiles are respectively the lowest- and highest-income groups.

THIS analysis is based primarily on data from National Statistical Institute publications and daily surveys on household budgets. Data from the Ministry of Labour and Social Policy and other sociological surveys are also used as indicated.

THE analysis has been conducted by the following team: Senior Research Associate First Degree (Professor) Dr. Atanas Atanassov (team leader), Senior Research Associate Dr. Zdravka Toneva and Senior Research Associate Dr. Sasha Todorova at the Institute of Sociology of Bulgarian Academy of Sciences.

DEMOGRAPHIC PROFILE OF THE ELDERLY

AGING is one of Bulgaria's main demographic problems, with a palpable impact on socioeconomic development. In December 1997, the proportion of the elderly (aged over 60) was 21.4% of the population - of them 5.0% senior citizens (aged over 75).¹ By this indicator, Bulgaria ranks fifth or six in the list of aging nations in Europe.² The average age of the population is 39.2 years (37.1 in towns and 43.5 in villages), and the aging rate, 100.4 (100.5 in towns and 100.3 in villages). By 2025, the proportion of the elderly is expected to grow to

¹ Population '98. NSI, 1998.

² *Global Aging into the 21st Century*. US Department of Commerce, Economics and Statistics Administration, Bureau of the Census.

26.2%, and of senior citizens, to 8.9%.³ The processes of aging in Bulgaria are identical to those in the other European countries.

THE age dependency rate has been relatively stable in the past few years, tending to decrease slightly (from 49.5% in 1992 to 47.9% in 1997). It has decreased in the towns

SEVERAL nongovernmental organizations have care for the elderly as their core activity. Care is also provided by other NGOs which do not target aged persons only - such as the Bulgarian Red Cross. For the time being, NGO activity is not large-scale and popular enough to extend the expected social assistance to the elderly in the present crisis.

AS a nongovernmental organization with facilities and personnel almost across the country, the Bulgarian Orthodox Church has not utilized its full potential in this respect: it is not using its property as a source of income for charity purposes, for aged persons included; clerics are not appropriately involved in poverty confinement by own or raised funds; there is no cooperation and interaction with local government; the Church is not using its potential for nurturing particular values such as charity.

ATTITUDES TO POVERTY

THE issue of compassion for the poor is particularly relevant to social practice. Sociological surveys indicate that more than half of all Bulgarians are ready to, or have already engaged in charity activities.⁴ A total of 19.1% have been involved in charity projects on various occasions and in various ways. The potential for involvement in charity is high: 43.8% of all Bulgarians say that they are ready to be involved personally.⁵

THERE is an unquestionable need of greater activity for poverty alleviation, among the elderly included, on the national, local and individual level. All institutions ought to become involved, with hopes pinned particularly on NGOs as structures of civil society and on the personal activity of the elderly.

POVERTY alleviation, among the elderly included, will integrate society - which is an important prerequisite for social progress.

CONCLUSIONS AND RECOMMENDATIONS

THE elderly are a little more than one fifth of Bulgaria's population: one-third in villages and approximately one-sixth in towns. By this indicator, Bulgaria does not differ from the industrialized countries in Europe, whose populations are also aging. As a result of pre-1990 egalitarian social policies, all aged persons in Bulgaria have the same status: pensioners. The group of the elderly, however, is homogenous in that respect only. The analysis shows beyond any doubt that there are palpable differences by income and property status.

THE economic crisis and delayed and piecemeal social reform, which has not been integrated with the general economic reform, have intensified immiseration of the elderly. In real terms, all types of pensions - and the maximum pension in particular - have declined by more than two thirds since 1990.

³ Ibid.

⁴ The Reform in Social Security as a Determinant of Social Transformation. 1997. Scientific Archives of the Bulgarian Academy of Sciences' Institute of Sociology.

⁵ Ibid.

THE structure of the main sources of income of pensioner households shows that slightly more than half of their incomes are from part-time farming and home-made consumer goods. The proportion of welfare benefits of the total income of pensioner households has increased in the period under consideration, but remains negligible. At the same time, the nominal size of welfare benefits is tending to increase with the increase of incomes of pensioner households, and this contrasts with the objectives of social assistance.

THE increase in spending on food, energy, health care and hygiene, and corresponding decrease of all other expenditures, has resulted in poorer quality of life of the elderly.

PENSIONER households are strongly differentiated by food consumption. Lower-income households suffer severe privations in terms of both quantity and quality. A normal diet is not a problem for the higher-income groups. There is an intermediate group that has some problems with sustenance, but tends to be closer to the higher-income groups. Low-income pensioner households cannot afford proper health care and medicines, in particular.

THE survival strategies of the elderly are determined by their demographic, geographical, social and ethnic profile. The most important of the active strategies is cultivation of own land, and of the passive - cutbacks in spending. Indicatively, almost half of all surveyed pensioners do not intend to undertake anything. More than half rely on the state. Part of the latter may be cared for by their children.

AS civil society develops, NGOs may also provide assistance to the elderly. Their present number, state and disposition are insufficient for effective assistance to aged persons.

THE level of interaction among public institutions, local government and NGOs is unsatisfactory. *State* interference is particularly relevant to the confinement of poverty among aged persons, namely:

***INITIATING** amendments to social legislation aimed at: increasing cash welfare benefits and changing the ratio of in-cash to in-kind benefits; privatization of social institutions and work projects (privatization of old people's homes, home care, etc.); lending for development of part-time farming (interest-free loans binding borrowers to develop a particular business); extending the coverage of alternative employment programmes to the elderly; promotion of employment of pensioners; tax breaks for employers creating jobs for pensioners; improving control over allocation of welfare benefits; allowing public and citizen control in addition to institutional control;

***UPDATING** social assistance: developing a social approach to pensioners as a heterogeneous rather than a homogenous group; developing a new social assistance method which guarantees that the welfare benefits will go to those in greatest need; improvement of staffing. Appointing social workers with the appropriate training only. Establishing training courses for social workers working with the elderly is imperative; compulsory approval of lists of welfare beneficiaries by tax offices on the basis of criteria formulated by the Ministry of Labour and Social Policy.

***UPDATING** retirement insurance: gradual rise of the pension age; automatic adjustment of pensions for inflation; creation of legislative prerequisites that rule out substitution of laws by acts of subordinate legislation (ordinances, decrees, etc.), which have hitherto limited the growth of pensions.

***UPDATING** health care: preservation of pay-free health care for the elderly; entitling the elderly to state-subsidized recreation facilities and offseason discounts; greater entitlement of pensioners to free or discount medicines.

THE following measures at *the local government level* are particularly relevant to confinement of poverty among the elderly: local government assistance to and coordination among public institutions and NGOs; greater responsibility of local government in identifying destitute lonely old people; creating temporary jobs for poor lonely aged persons; development of municipal programmes on confinement of poverty among the poor: revival of crafts, silkworm-breeding, bee-keeping, etc.

THE family also has a certain potential in confining poverty among the elderly: involvement of elderly able-bodied parents in family businesses; prosecution of persons who can afford to but do not take care of their parents as stipulated by the Family Code.

IN regard to nongovernmental organizations, raising welfare-entitlement awareness of aged persons; establishing neighborhood centers to care for the elderly, training volunteers to work with aged persons.

IF implemented, those recommendations will have a major aggregate effect on confinement of poverty among the elderly and their social reintegration in Bulgaria.