

Submitted by HelpAge International, March 2011

### Key Words

Older people, extreme poverty, adequate standard of living, right to social security.

### Introduction

1. This submission highlights the importance of pensions and the right to an adequate standard of living, including access to food and health as enshrined in the Moldovan constitution as one of the fundamental human rights<sup>1</sup>. In practice, however, the right to social security in old age is one that is violated through inadequate pensions that are lower than the minimum subsistence level in Moldova. This submission makes two recommendations for government action.

2. The submission has been written in consultation with HelpAge's network of 10 NGOs working to support the rights of older people across Moldova:

Demnitate from Orhei; Second Breath from Balti; Organisation of Veterans from Ialoveni; Women's Club Speranta from Hincesti; Avante from Leova; Pro-Democratie from Cimislia; Older People's Hope from the North of Moldova from Edinet; Women's' Club Comunitate from Basarabeasca; Inspiration from Comrat; Artizana from Cahul

### Older people's poverty – the interdependence of rights

3. The right to social security in old age and the right to an adequate standard of living are interdependent. Because of inadequate levels of pensions, the government is failing to respect older women and men's right to an adequate standard of living, including freedom from hunger and the right to food.

4. The Moldova Government Social Report 2009 rates poverty level at 26.3 per cent with poverty mostly concentrated among vulnerable groups such as older people and children<sup>2</sup>. The UN's Human Development Report 2009 ranks Moldova 117 out of 182 countries. In 2000, at the Millennium Summit in New York, Moldova committed to achieve eight Millennium Development Goals by 2015 and among them committed itself to reduce extreme poverty and hunger by 2015. Although poverty levels have fallen since 2000, the Republic of Moldova is still classified as a low-income state.

5. Moldova has been affected by demographic ageing, generated mainly by a decrease in birth rates and high level of migration of economically active population overseas. The ageing of society is one of the challenges of the century that needs to be addressed urgently, effectively and in a constructive way by governments around the world. The official number of people aged over 60 in Moldova represents approximately 14 per cent of the population<sup>3</sup> and that number is predicted to rise to 35 per cent by 2050<sup>4</sup>.

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<sup>1</sup> Article 47, Constitution of Moldova: "The state is obliged to take measures to ensure that every individual has a decent living, necessary to keep good health and well-being of himself and his family, including the right to food, clothing, shelter, medical care and necessary social protection".

<sup>2</sup> Study on Social Protection and Social Inclusion in Moldova 2009-2010, Institute for Development and Social Initiatives "Viitorul", Chisinau, Moldova

<sup>3</sup> National Bureau of Statistic of Moldova data "Elderly of the Republic of Moldova" 2009

<sup>4</sup> ENPI 08-14 Black Sea Labour Market Reviews, Moldova Country Report, Working Document, 2009

6. Many poor older women and men in Moldova live in a state of constant crisis. Recent rises in food prices and the global economic crisis are seen by them as just the latest in a long series of crises. Enjoyment of their rights to social security, food, an adequate standard of living and access to health care are all interdependent and compromised by a series of shocks that push them and their households into poverty and extreme poverty. *“We cannot live like this any more. I have worked 37 years as a teacher in the village, and I’m surviving on meagre pension. The prices are so high that I can hardly manage to pay for utilities, wood and coal but we also need food and other things. We cannot bare this situation any more. The government should do something about pensions, why is it keeping us on the edge, on the edge of poverty and hunger? We are all people and will reach an old age one day”*.<sup>5</sup>

### **Inadequate pensions and the right to social security**

7. In Moldova, pensions are the only source of income for the majority of older people and dependents in their care. Under the current contributory pension system, pensions are paid quite reliably, but their level is inadequate and consistently below the subsistence income. For those living on non-contributory, social assistance benefits the situation is even bleaker. The average pension in Moldova in 2010 was 837 MDL (\$69) and the minimum constituted 594 MDL (\$49) while the minimum subsistence level was 1368 MDL (\$114 USD), pensions respectively making 60% or 43% of this minimum. Poverty increases with age: 35.5 per cent of people over 65 years old indicate the absolute poverty rate<sup>6</sup> and this rises to 43 per cent amongst those between 70 – 75 years old, who are often living alone in urban areas with a pension<sup>7</sup>.

8. Annual indexation fails to increase the pension to a level that allows for an adequate standard of living. The average indexation started in 2003 with average indexation level of 20 per cent per year while in 2010 pensions were indexed by only 4.65 per cent<sup>8</sup>.

9. A survey of HelpAge conducted in 2009 with participation of older people from 10 regions of Moldova, demonstrated that 87 per cent of pension of an older person is spent on consumption<sup>9</sup>. According to the same analysis most pensioners, approximately two thirds, have no supplementary income. This level of income and spending does not allow security in old age and does not provide older women and men with the economic accessibility necessary for an adequate diet and puts them at risk of starvation.

10. The majority of older women and men are not aware of their rights. By law a pensioner is entitled to a number of social and medical entitlements in addition to his or her pension. However, according to HelpAge research indicated above, only 32.6 per cent of older persons know about these rights.

11. In 2008 the Moldovan Government introduced a new law on social aid to provide for the most vulnerable layers of the population through cash benefits. Social aid granted to poor families is set on the basis of the average global income of the family

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<sup>5</sup> Vera Ciobanu, 70 years old, pensioner, Satul Nou, Cimislia, “Age Demands Action Campaign” 2010

<sup>6</sup> The absolute poverty rate is based on consumption expenditures as a welfare indicator, comprising expenditures for food consumption, non-food items and payment for services. *Poverty line* defined by the MDGs as €4.3 per capita per day, adjusted for purchasing power parity (2006–2007),

<sup>7</sup> Study on Social Protection and Social Inclusion in Moldova 2009-2010, Institute for Development and Social Initiatives “Viitorul”, Chisinau, Moldova

<sup>8</sup> Protection of Pensioners: Priorities and Current Debates”, Social Monitor, IDIS Viitorul Jan-Feb 2010

<sup>9</sup> HelpAge research, “Living Conditions of Older Persons of Moldova 2009, conducted by CBS AXA in the framework of Irish Aid sponsored project “Realising Older People’s Rights in Moldova”

and minimum monthly guaranteed income set up by the state through available state budget funds. The 2008 and 2009 amount of monthly guaranteed income constituted 430 MDL (around \$35,8)<sup>10</sup> which is way below the minimum subsistence level of 1368 MDL (\$114 USD)<sup>11</sup>. In addition the criteria for poverty assessment for social aid does not adequately represent the poverty levels and is mostly assessing cash benefits flowing into the households cash box including income made from the land.

12. In consultations with older people, HelpAge and its partners' experience is that most older people are excluded either by ignorance of their eligibility or by practical obstacles, or by the level of the top up being so insignificant that they are reluctant to apply.

### **Looking ahead – the right to social security for migrant workers**

13. Moldova is classified as one of the European countries with phenomenally high level of migration that started in late 90's and rapidly accelerated to unprecedented levels. According to the National Bureau of Statistics 2008, 25 per cent of economically active population of Moldova have gone overseas to find employment, mostly to the countries of Europe: Italy 16.3 per cent, Portugal 4.5 per cent, Greece 2.5 per cent and the highest share to Russia at 61.9 per cent<sup>12</sup>. According to 2008 World Bank figures, Moldova is the second largest country in the former Soviet Union dependent on remittances, with one-third of GDP (36.2 per cent)<sup>13</sup> coming from remittance of labour migrants. In addition to this one in four migrants travels illegally to the host country, and one in three faces illegal residence or employment status. Lack of bilateral agreements prevents the portability of social insurance such as the old age pension and health insurance, even if the individual has been a "regular" migrant and has contributed to the system in the country of migration.

14. Foreign, coupled with internal, migration has considerably enlarged the informal labour sector in Moldova. In 2010, 30 per cent of workers had an informal job and the number of unemployed people according to the same report was about 81 thousand, registering a growth of 30.7 thousand compared to 2009. The unemployment rate at the country level was 6.4 per cent, increasing by 2.4 per cent from the previous year<sup>14</sup>.

15. Whereas contributory pensions guarantee social security in old age to people who work in the formal sector, the large numbers of people presently working in the informal sector or as unregistered workers will have no access to social security when they reach retirement age.

### **Migration – not a poverty reduction mechanism for all**

16. While remittances are considered to be the major force to drive poor households out of poverty, HelpAge research<sup>15</sup> has shown that older people still rely on their pensions as a major income due to irregular or small amounts sent from overseas.

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<sup>10</sup> Social Report of Moldova, 2009, Ministry of Labour, Social Protection and Family

<sup>11</sup> National Bureau of Statistics 2008 data

<sup>12</sup> Migration and Poverty Reduction in Moldova, Working Paper, Development Research Centre on Migration, Globalisation and Poverty, University of Sussex, 2007

<sup>13</sup> Human Development report 2009 "Overcoming barriers: Human mobility and development"

<sup>14</sup> National Bureau of Statistics report "Labour Force in the Republic of Moldova Employment and Unemployment, 2010"

<sup>15</sup> HelpAge Research Report 2010 "Impact of migration on older people and children from multigenerational households" conducted by CBS AXA

17. The combined effects of migration and economic transition have undermined traditional social and family structures where older people find themselves in the role of carers of grandchildren left in their care by migrant parents. In this context the role of older people is fundamental. HelpAge research<sup>16</sup> indicated that 91 per cent of grandparents take full care of the grandchildren when both parent migrate and 36 per cent in cases of one parent absent. However, support to these families from overseas is not consistent and older people mostly rely on their pensions as a means of existence and support of the family and those in their care. The remittances playing such a large role in the national GDP are either saved by the families or not invested in development for lack of trust in the state and lack of knowledge of how to invest and develop a business.

18. In addition to this, according to the same reference, remittances do not totally eliminate food insecurity in poor multigenerational households as 10.7 per cent of these reported there were cases when they went to bed hungry or had irregular meals.

### **Extreme cold and the right to an adequate standard of living**

19. Older people, like young children, are particularly vulnerable to extreme weather conditions due to weaker immune systems with a subsequent higher risk of increased ill health. For older people living in rural areas the winter, as voiced by many, is “not only a natural but personal disaster”. The main heating fuel in villages is coal and wood that is only partially compensated by the state and many of the vulnerable families use cow’s dung to heat the houses. The older people reported that they only heat a small room in the house where they move to live with all their family members waiting when the winter ends<sup>17</sup>. Houses being in a poor state and requiring reparation and insulation do not maintain a warm temperature and older people sleep with their clothes on and wrapped up in several blankets. The food remains plain and the diet is poor. Many families used to preserve food for winter including meat and vegetables but due to poverty levels and lack of money food security is still very low.

### **Poor nutrition and the right to food**

20. As is common for many countries of the world, Moldova is experiencing a dramatic increase in food prices. The inflation level (by consumer prices)<sup>18</sup> in Moldova in the first half of 2010 has reached 8.1 per cent, food prices grew by 7.1 per cent, and non-food by 4.2 per cent, the fact that at once positioned Moldova the first in the list of CIS countries by the high level of food prices<sup>19</sup>. In consultation with HelpAge during 2010, older people reported a poor and plain diet consisting mostly of potato and bread. The dramatic increases in prices of gas<sup>20</sup> has driven older people even deeper into poverty and hunger and those who are more disadvantaged and poorer are not ready to absorb the shocks of this seasonal poverty.

### **Medical costs and the right to health**

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<sup>16</sup> HelpAge Research Report 2010 “Impact of migration on older people and children from multigenerational households” conducted by CBS AXA

<sup>17</sup> HelpAge Focus Group Discussions in 10 regions of Moldova, 2009

<sup>18</sup> International Monetary Fund definition of inflation rate (consumer prices): The entry furnishes the annual per cent change in consumer prices compared with the previous year's consumer prices. Average consumer price index for 2010 estimated at by International Monetary Fund made 7.3%)

<sup>19</sup> National Bureau of Statistics data 2010

<sup>20</sup> The prices on gas went up to \$233 per 1 cubic meter from US\$192 in Moldova on January 1, 2010. Due to this, the ANRE (National Agency for Regulation of Energy) decided to increase tariffs on gas for consumers by 13.9% on average, on electricity by 20.9% and on heating by 29.2%. With the start of 2011 the prices on gas during January increased two times on average of 14.7 per cent.

21. Poor nutrition and cold weather severely impact on the health of older people. Age discrimination in health care provision is widespread; older people note that ambulance services ask for the patient's age and routinely discriminate against people over 60 refusing to come or come late.

22. Health care is also unaffordable for many poor older people. Poor health and high prices of medicines is another big problem named by older people in repeated consultations and discussions with HelpAge. HelpAge research in 2007 showed that nine out of ten older people suffer from at least one non-communicable disease, and that 4 out of 10 respondents suffer from more<sup>21</sup>. The primary health care family medicine (PHC) that was introduced in 2005 annually approves a set of medical services in a single health insurance package as part of compulsory health care insurance. However, this compulsory package is very limited and the list of compensated medicines is very basic and insufficient in the case of serious diseases.

23. Older people do not have enough income to buy medicines for themselves or their dependents, so they neglect their health, putting their lives at risk. Many older people are also unable to treat their illness above the compulsory package due to high costs of healthcare. Others can not afford to pay the informal fees asked of them by the doctors and are therefore unable to motivate the health professionals to provide care. Age discrimination, high costs of medicine, negligence of doctors, informal fees and inadequate income through pensions or remittances are major barriers to older people's enjoyment of their right to health. *"My mother was sick" says a young man from Orhei, "but she was not paid any attention in the hospital, totally ignored by the doctors, and her life was taken away. I could not save her because we had to pay extra money. This is the attitude of a big number of doctors – if you are old, you do not need treatment, as you will die anyway"*<sup>22</sup>.

### **Recommendation 1**

24. The Government should increase the value of the existing contributory pension so that it provides an adequate standard of living for older people and those in their care.

### **Recommendation 2**

25. The Government should ensure that the increasing number of people working in the informal sector today, including migrant workers, have access to social security when they reach old age. The Government should consider wider policy options for non-contributory social security schemes and namely the feasibility of a universal non-contributory pension.

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<sup>21</sup>HelpAge research, "Living Conditions of Older Persons of Moldova 2009, conducted by CBS AXA in the framework of Irish Aid sponsored project "Realising Older People's Rights in Moldova"

<sup>22</sup> A beneficiary of HelpAge Ms. Evdochia, 74 years old woman (passed away) from Orhei and her son.