

THE ELDERLY POPULATION ON THE LABOUR MARKET

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Abstract. *The study presents the main characteristics for Romania regarding the labour market participation of the population in the context of the high employment of the aged population in the agriculture, linked to the lack of pension or any other form of social protection for the largest part of this social group.*

Through the analysis that this study is making, it emphasises the legislative problems and of statistical methodology of the Romanian environment by comparison to the European standards regarding the standard retirement age, which is different in the Romanian case from women (60) to men (65), while the European standards has an undifferentiated system for men and women, with an age of 65+.

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JEL Classification: *J40, J14, J21*

1. A new European approach regarding the active life of the elderly population

Ageing population is a global phenomenon having an increasing tendency in the following years, according as the social and economic development improves the standard of living and increases the life expectancy.

Thus, the process of demographic ageing is a key challenge for the contemporary world, with a plus of gravity and incidence in the developed countries, where the phenomenon is intensively manifested.

As regards the European Union, the greatest part of the Member States will be captured in a demographic rapid transition since the first decade of this millennium to a structure of population totally unfavourable to economic development. Ageing is estimated to reach levels which make difficult coverage of the assistance and social protection expenditure, but also the situation when the labour resources will become insufficient for ensuring the sustainable economic growth.

At the moment, either regarding the pessimistic or optimistic foreseeing, one is speaking about a natural decline and an excessive ageing of the European population, even if the differences of intensity and pace between countries make the acuity of this problem for the East-European countries to be not so close.

Just for this reason, the demographic problem has become one of the most important concerns at the European level. The European Commission prepared and brought into debate

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in 2005 an extremely important document, **Green Paper on “Confronting demographic changes: A new solidarity between the generations”**. This document represents a premiere in approaching the demographic problems of the European Union, not only through the analysis of evolutions and predictable negative economic and social implications, but also through intention of knowing the government’s opinion on the utility of a common approach of these problems.

On this basis, in March 2006 the European Parliament adopted a resolution on the European Commission’s document, reiterating the importance of the national policies alleviating the negative consequences of the demographic changes and of ageing population.

Within this general concern, Romania elaborated in April 2006 “Green book regarding demography in Romania” as a illustration of the national policies convergent with ones in the green Book of the European Commission.

Unlike the classical by now approaches of the ageing phenomenon referring almost exclusively to the “solidarity with the elderly”, respectively to ensuring a viable social protection system able to cover the expenditures with “the third age people”, mainly pensions, but also for a healthy life, the current approach shifts the stress to the integration in society of the elderly population, inclusively by the participation to the economic and social life. Essentially it is about a global approach thorough the “working life cycle” which is not just a simplifying measure of increasing the retirement age.

The new European conception puts back into rights the policy of solving the ageing phenomenon through reconsidering the “economic and social life” supporting the demographic policy, without neglecting the classic social policies for social protection.

The new approach of the “working live cycle” envisages two major directions of action, respectively: (i) modernization of labour organization in order to exist – mainly for young people - equilibrium between labour and family life or, otherwise stated, “equilibrium between flexibility and security to grow their children” and (ii) identification of encouraging forms for old people to work longer.

This approach seems to be difficult if taking into account the apparent contradiction between the two policies on one hand and, on the other hand, the reduced perspectives for the quantitative (extensive) increase of employment. Concern for productivity stimulates the classical employment, while the working programs adjusted by needs and age have rather positive effects on macroeconomic level than on the economic actors, which will have to implement various policies.

Referring strictly to old people, the new conception means the answer to the following questions:

- How could the elderly persons participate to the economic and social life? Are required new employment forms?
- How could be developed the activities in the “social economy” and how could the old people participation be stimulated to this kind of activities, generally voluntary-based?
- A mandatory retirement age should exist or a flexible, gradual, based on health state retirement and mainly according to the old people willingness to participate on the labour market should be permitted?

The elderly population participation on the labour market essentially represents a benefit for the society, having a direct impact on the economic and social development, at least due to the following:

- turning the professional experience to account, both through the individual participation on the labour market and indirectly, thorough transmitting this experience to other working people;

- solving certain gaps on the labour market, with social costs lower than importing labour force; such comparison must obviously take into account the productivity and corresponds to certain types of professions and jobs;
- reduces the ageing costs, mainly the health ones, being well-known that the active life ensures other kind of psychic and other state of health for the old people.

Moreover, the new approach of the “active life cycle” responds also to a doubtless psychological reality that is the feeling of usefulness and personal frustration when passing to a passive life regime, which mirrors in the state of health.

2. Elderly people on the labour market in Romania

According to legislation, in Romania the retirement age is 60 years for women and 65 for men. These ages will be reached in December 2014, by gradually increase of the retirement age. The effective retirement age is practically monthly changed since April 2001.

Simultaneously, European standards are used in surveys regarding employment, when elderly population is considered to be one aged 65 years and over, no matter the sex, over the working age limit. In this respect, the European survey methodology makes practically impossible to reveal the entire size of the employment level of the pensioners in the economic and social life.

A second feature specific to Romania making difficult a complex analysis of the old population participation on the labour market is represented by the high employment level of the old population in agriculture, correlated with the absence of pension or other forms of social protection for the majority of this category. Thus, Romania seems to have an increased participation of the elderly population at economic life, but this aspect is not given by the integration of old people in society, but it is rather an image of a subsistence activity.

The analysis will also include the female population in Romania in the last age group, respectively 55-64 years, due to its importance for the analysis of the elderly population participation on the labour market.

The statistical data published by the National Institute of Statistics point out that **the elderly participation on the labour market maintained relatively constant** during 2002-2006 periods. Active population aged between 55 and 64 years increased and active population aged 65 years and over reduced, resulting in a positive balance of only 23 thousand persons in 2006 as against 2002.

Table 1

Participation of population aged over 55 years on the labour market

Categories	UM	2002	2006	Changes 2002-2006
1. Total population	Thousand persons	21,814.1	21,597.3	-216.8
2. Population aged 15 years and over of which:	Thousand persons	17,996.0	18,250.4	254.4
1 aged 55-64 years	Thousand persons	2,191.1	2,267.3	76.2
2 aged 65 years and over	Thousand persons	3,044.8	3,193.1	148.3
3. Active total population of which:	Thousand persons	10,079.5	10,041.6	-37.9
3 aged 55-64 years	Thousand	839.2	971.3	132.1

4	aged 65 years and over	persons Thousand persons	563.4	454.1	-109.3
4.	Activity rate of population aged 15 years and over	%	56.0	55.0	-1.0 p.p.
5	Activity rate for population aged 55-64 years	%	38.3	42.8	4.5 p.p.
6	Activity rate for population aged 65 years and over	%	18.5	14.2	-4.3 p.p.

Source: National Institute of Statistics: Labour force in Romania

The active population aged 65 years and over reduced in the analyzed interval by almost 110 thousand persons, from 564 thousand persons in 2002 to 454 thousand persons in 2006, which means a annual average pace of decreasing by -5.3%. This phenomenon produced on the background of the numerical rise of this population category by almost 150 thousand persons.

Active population aged between 55 and 64 years increased by 132 thousand persons between 2002 and 2006, due to both creating new jobs as a result of the high economic growth and to the permanent raising of the retirement age during this period of time.

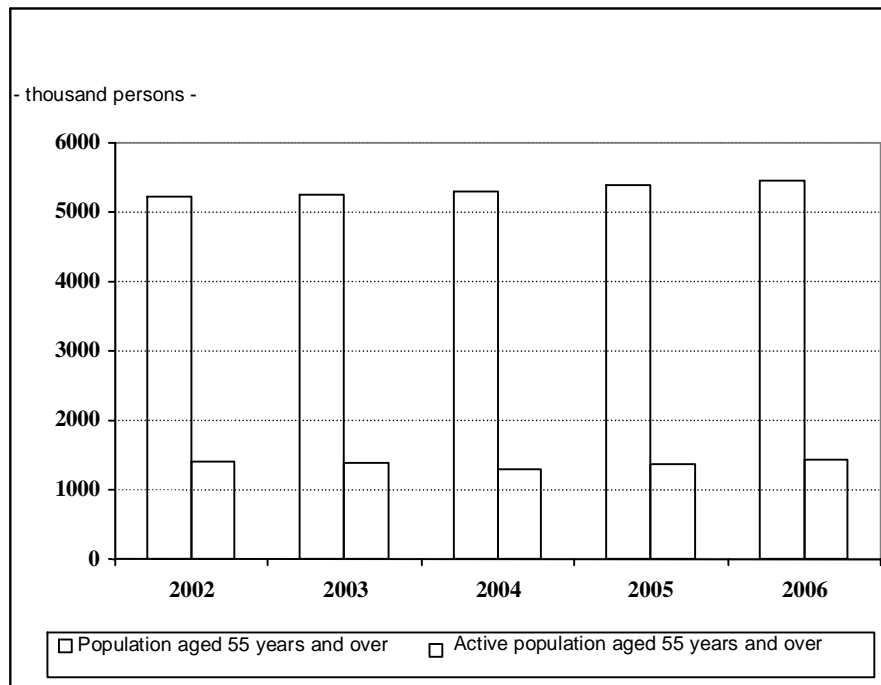


Figure 1. Population aged 55 years and over

If we refer to the classical definition of elderly people considering them being the persons having the retirement age and combining the sources of statistical data, it results that elderly population participation on the labour market in Romania is almost 1 million persons, which means about 10% of the total active population. Mainly the female population aged between 55-64 years has been taking into account, considering the standard retirement age (57 years in 2002 and over 58 years at the moment) covers the greatest part of this age group.

In dynamics, the activity rate of the female population aged between 55 and 64 years slightly ameliorated between 2002 and 2006, but under the deterioration registered for the population aged 65 years and over. Globally, we appreciate that during the analyzed period of

time **the participation of the elderly population on the labour market in Romania reduced by approximately 70 thousand persons.**

As a conclusion to this global evaluation one can appreciate - from the perspective of the European Commission's requests – that the objectives of an “active life of the elderly population” is all the more actual for Romania as the legislative measure of increasing the retirement age could just decrease the scope of the elderly population non-participation on the labour market phenomenon.

3. The main characteristics of the labour market participation of the elderly population

3.1. The main characteristic of the labour market participation of the elderly population that are rooted in the structural specificities of the Romanian market and that are well-known and often too much commented upon links to the localization of the participation in the rural area. Thus, 93.5% of the 65 years old and above working population is represented by the active population in the rural area. More, if the overall percentage of the employment rate was of 25% in 2006 for the 65s and above, the total employment rate was of 23.4% during the same year. In 2006, by comparison to the urban area, the employment rate for this age limit was only of 2.1%.

For the 55-64s, the agricultural nature of the activities is emphasized. Although the retirement age goes a little bit above 58 years for women and 63 for men, the employment rate in the rural are for this group is high. Thus, the total employment rate, respectively 55.6% by comparison to 52.6% for the total employed population in the rural area and 51% for the total employed population is surpassed. In 2006, the employment rate in the urban area was of 29.9% for the population aged 55-64 years, and of 61.1% for the population aged 15-64 years.

It is well-known that the high degree of employment in the population is rooted in the structure of the agricultural property, the small peasantry farms requesting a whole life dedication.

Table 2**The active population in the rural area according to the level of education**

	Number – thousand persons				Percentage change 2006 by comparison to 2002 (%)	
	55-64s		65s and above		55-64s	65s and above
	2002	2006	2002	2006		
Total active population in the rural area, from which:	629	590,5	526	424.3	-6.1	-19.3
According to the education level:						
·7 High	15.3	19.6	-	-	+28.1	-
·8 Average	92.5	157.2	25.0	32.8	+69.9	+31.2
·9 Low	521.2	413.7	497.7	387.7	-20.6	-22.1

Source: National Institute of Statistics.

For this reason, but also because much of the sectoral analyses rests with a global view of the employment rate in the rural area, we can conclude that, from the new European strategic targets for the capitalization of the potential in the elderly population the structural tendencies must be emphasized. More, for a pertinent evaluation of the perspectives of the labour market participation of the elderly population, we think that the analysis of the development and structure of the labour force and of the elderly population in the urban area.

The agriculture modernization and rural development already started to show the effects in a better use of the elderly population with medium and high education. For both of the two classes, the number of the working persons with medium and high education increases in the rural area, while the number of working people under-educated is obviously decreasing.

The comparison of this development with the changes that came up in the structure of the elderly population employment in the rural area on different braches strengthens the general conclusion of the advantages induced on the rural labour market by the rural modernization investments.

Even if the medium term analysis is made more difficult by the fact that the age structure of NIS data changes during 2002-2006, the relevance is high enough to support the idea that elderly population in the rural area started to carry on new activities in the last years, such as tourism, commerce or public and for enterprise services. For instance, if in 2002, there were no 65 years old people employed in commerce activities, transport or tourism, in 2006 their number surpassed 2300 persons. Also, the number of the population aged 65 years and above that work in the administration doubled during this time period.

If we are to take the 55-65 years old population as benchmark, the manufacturing industry, the constructions and the commerce registered the fastest rate of growth.

3.2. For the urban population, the employment rate of the population aged 55-64 registers one of the highest rates of growth, while employment rate the population aged 65 years and above remains relatively invariable and very low during 2002-2006. This tendency is the direct result of the increasing of the retirement age and not of the volunteer participation on the labour market of the retired persons.

Table 3

Labour market participation of the elderly population in the urban area

- thousands persons -

	2002	2006	Percentage change - 2006 by comparison to 2002
1. Population aged 15 and above, in the urban area	9,745.4	10,262.7	5.3
2. Total active population in the urban area	5,188.6	5,595.1	7.8
From which:			
- persons aged 55-64	189.5	380.8	100.9
- persons aged 65 and above	24.1	29.8	23.7
3. The aged active population in the urban area – level of education:			
3.1. Between 55 and 64 years	189.5	380.8	100.9
- high	54.7	107.0	95.5
- average	91.8	216.3	135.7
- low	43.0	57.5	33.7
3.2. Persons aged 65 and above	24.1	29.8	23.7
- high	2.9	8.1	182.1
- average	5.5	6.7	20.5
- low	15.7	15.0	-4.1

Source: National Institute of Statistics

Yet, we should emphasize the tendency in the increased participation of the retired people that are highly educated on the labour market in the rural area, even if the total activity rate of the 65 years old people and above is fairly low. Because the increase in the activity is produced by the requirements of the market and not by administrative measurements, this evolution should be even more appreciated. Thus the number of the population aged 65 years and above, highly educated and active on the urban labour market rose from 2.9 thousands in 2002 up to 8.1 thousands in 2006 and of those with average education from 5.5 thousands to 6.7 thousands. It is expected that the deficit on this market will stress this tendency.

4. Conclusions

The population ageing has a huge impact on the supply of the labour force. The tendencies are even sharper for the Romania as it is in the case of the other EU countries that go under a fast development and gap reducing process. But, at the same time, an active life for the aged population is the key to a healthy life. Nevertheless, the way these people integrate in the economic and social life should be a matter of personal choice and not a decision of the society by the increasing of the retirement rate. Unfortunately,¹ even in the academic environment, to continue the out-dated policies that are general and without choice of options for the aged persons that is the raising of the retirement age. Also, the policies are designed only on the basis of the financial sustainability and, therefore, the reduced expenses on the retirement.

The labour Romanian legislation allows for the old aged persons to be active on the labour market and they have the choice for opting for one or the other of the labour contracts available for each age group. But the active participation to the economic life is rather the result of the arrangement between the employer and the employee than that of a general perception, transferred in an encouraging policy for taking this type of steps. From this point of view, it is

¹ Ana Bălaşa, The Quality of the Elderly Life, in "Economic problems", INCE, Vol. 247-249, Bucharest 2007.

highly recommended that new forms of employment and even of financial stimulation should be identified, specific for this age group. The Green Book of the European Commission goes further and shows some flexible systems for retirement that turn the experience and knowledge of the aged population to good account.

Identifying and putting into practice such specific forms of employment are conditioned by the potentially different contribution of the old population in every social and professional category, on one hand, and by the gap of productivity between the young and old working people, on the other hand.

The physical work, low and medium qualified, obviously represents no interesting field for the employment policies regarding the elderly population. Turning the experience of old people to account - no matter their specialization - in the leadership activities, consulting, professional training represents however an opportunity. Practically, solutions are offered to the requirement of ensuring the cooperation between generations, between elderly population and new comers on the labour market.

Such an approach is highly demanded in Romania's case considering the accelerated economical rhythm and an external working force circulation that generates disequilibrium in the labour market. Migration of the young population should make room for opportunities of employment for the elderly population, yet, the effect is limited because most of the departed come from the rural area or low qualified professions, such as constructions.

A second, though under-developed direction in the Romanian society, is the development of the "social economy", that is a web of volunteering organizations and associations that offer social services and that use the services of the aged persons.

Regarding the last aspect, we should emphasize the fact that, the role of the Romanian state in encouraging the development of such services remains very important, especially due to the fact that the involvement of the non-governmental organizations in the life of the city is of relatively recent date. Otherwise, there are fields where even the legislative framework is at its very beginning. Such an example is that of the education and care of the children where the massive participation of the elderly population is both very useful and facilitated by the experience of these people with their own families. Making baby-sitters from the grannies is maybe the easiest way towards the social involvement of the low-income elderly population. A legislation regarding the registration, organization and function of the education and care of the children services is designed these days. Unfortunately, the actual law draft does not include facilities for gearing the elderly population into this kind of services.

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