

## Commentary on Russia's domain ranks in the 2015 Global AgeWatch Index

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### Global AgeWatch Index rank

**65**

out of 96

The Russian Federation ranks low on the Index at 65 overall. It ranks highest on the capability domain (25), with above regional average employment rate (50.1%) and educational attainment rate in older people (79.1%).

It ranks high on the income security domain with 100% pension income coverage, above average GNI per capita (\$22,487.50) and a below regional average poverty rate in old age (9.7%). It ranks low in the enabling environment domain (82), due to low satisfaction of older people with safety (37%), civic freedom (55%) and transport (57%).

It ranks lowest in the health domain (86) with life expectancy at 60 (17) and healthy life expectancy at 60 (14) below the regional average.

*This year Age Demands Action activists will be campaigning for more opportunities for older people to stay active.*



### Income security

**30**

76.2/100

The Russian pension system is undergoing reform, and introduced "a new pension formula" from 1 January 2015. The new legislation replaces labour pensions – which are based on an individual's previous work history – with what are being called "insurance pensions". These insurance pensions (like the labour pensions) continue to be financed on a pay-as-you-go basis, and include two parts: a fixed (universal) amount and a part linked to previous wages and seniority.

The future of the mandatory funded pensions to be paid from the beginning of the 2020s is under discussion. As in 2014, the moratorium of the mandatory funded pensions has been extended for 2015 to save insurance contributions in the Russian Pension Fund. The part of the insurance pension based on previous wages is calculated using a "pension point", which estimates each year of the citizen's employment record. A full year of employment with minimum wage gives 1 point; there is a ceiling for maximum earnings taken into account in the formula. To be eligible for an insurance old age pension, a person must have at least 6.6 points in 2015, which will gradually be increased to 30 points from 2025. Requirements for a minimum employment period to be eligible for an old age pension are also changing. It will gradually rise from 5 years in 2014, 6 years in 2015, up to 15 years from 2024. Some socially significant periods of (forced) inactivity will be awarded by points, including years of military service by conscription, maternity and parental leave, leave to care for a disabled child, period of care for a citizen over 80 years old etc.

Those who don't meet the minimum employment period are eligible for a non-contributory social pension, which ensures citizens of the Russian Federation who have reached 65 and 60 years (men and women, respectively) as well as foreign

citizens and persons without citizenship permanently residing on the territory of the Russian Federation for not less than 15 years receive an old age pension. This has not been affected by changes in the regulation.

In 2014 there were 33.8 million people above working age, which is 23.5% of the total population; for the population aged 65 and over the numbers were 18.9 million and 13.1% correspondingly.<sup>1</sup>

The average pension in Russia for older people (January 1, 2014) – is 10,7 thousand roubles (US\$330) for a labour pension (33% of the average wage) and 6,5 thousand roubles (US\$200) for a social pension.<sup>2</sup>

The pension shouldn't be lower than the "pensioner's subsistence minimum" for the region, if it is, then additional social benefit is paid for not working pensioners. The source of data on relative welfare for Russia in 2015 was changed from OECD to CSIS Ageing preparedness index, which list Russia 7 places higher in the domain rank. Recalculation on Russian surveys data (RLMS<sup>3</sup> - 2013) gives the results of 0.82, which is closer to a new index. Relative welfare seems quite low in Russia partly because of quite high average incomes of the younger population in comparison to less developed countries.



## Health status

86

27.1/100

Both life expectancy at 60 and healthy life expectancy at 60 are below the regional averages, but the proportion of healthy life expectancy is the highest. SAGE data shows a relatively high concentration of chronic diseases - for individuals 50+ it equals 13.2% (for comparison, for individuals younger than 50 years it is 0.24%).<sup>4</sup> The low life expectancy mainly applies to the men - in 2013 the average life expectancy was 65.1 years for men and 76.3 years for women.

No particular measures are being taken at the federal level to improve the health of this particular age group, however, there is a priority national project "Health", aiming at improving the quality of medical care. Currently, the health system has no specialised area of geriatrics. Older people turn to the overall healthcare system, which does not necessarily have the adequate expertise to deal with health problems for people in later life.

Relative psychological/mental wellbeing in Russia is the 7th lowest in the world (8 out of the 10 lowest countries in this indicator are from Eastern Europe). Results for this indicator are highly dependent on the source and the methodology of surveys; nevertheless all the alternative calculations (RLMS-2012, ESS-2012<sup>5</sup>) showed relatively low results for the 50+ age group in all countries of the Eastern Europe region. ESS-2012 data show a 0.86 ratio of these groups for people saying they are happy on 6 and more, where 0 is extremely unhappy and 10 is extremely happy. RLMS evaluations are higher – nearly 93% for general life satisfaction.



## Capability

25

48.4/100

Despite the lower result on educational attainment due to the revision of methodology, the domain result for Russia is one place higher than last year, because of a 3.3% growth in employment rate. Russian statistics confirm an increase of employment rates of people aged 55 or more in 2013; 2014 data are not available yet. However, it is highly probable that in 2014 employment rates of older people at least did not decline. The effect of an ongoing macroeconomic crisis might cause a decrease in employment in 2015 and subsequent years.

The new pension formula promotes longer employment of older people without receiving pension benefits – the longer a person works after retirement age (up to 10 years) the higher individual pension coefficients and the basic payment will be. The minimum of pension coefficients and minimum employment period will also rise gradually thus motivating the population to work longer.

At the same time, the new legislation introduces some disincentives for working pensioners, by limiting a ceiling on their wage that contributes to the number of their coefficients earned after receiving pension benefits. Proposals to limit the total income of working pensioners are now under discussion in the government.

The level of educational attainment decreased due to methodological change, although the trend has now reversed – later born cohorts are better educated. Nevertheless the new index is closer to the data recorded by federal statistics - with 79.5% of the population aged 60 and over having at least basic secondary education of 9 school years.<sup>6</sup>



## Enabling environment

82

55.5/100

According to Gallup Analytics, 82% of people over 50 have relatives or friends they can count on when in trouble, which is both higher than regional and global averages. This data can be supplemented by ESS-2012 data<sup>7</sup>, which shows that 75% of people over 50 meet socially with friends, relatives or colleagues at least once a month (38% meet once a week or more often). Sociological studies show that Russian older people are more focused on family issues than on external social life.

WorldPoll data shows that only 33% in 2013 and 37% in 2014 felt safe walking alone at night. Another source, ESS-2012, shows 52% of the population over 50 feeling safe or very safe; for the group 35-49 the same index is 61%, which is nevertheless rather low.

According to WorldPoll, 48% of people over 50 in 2013 and 55% of people in 2014 were satisfied with the freedom of choice in their life, which is close to the regional average; however, it places Russia among the 20 least civic free countries of the Index. Not surprisingly, older people express less democratic attitudes than younger generations; for instance, according to ESS-2012 28% of people aged over 50 said that those who hold extreme political views should be prevented from expressing them openly, which is significantly higher than the age group 35-49 (18%).

Recently, special governmental programs aimed at increasing the accessibility of public transport for disabled and older people were adopted in large cities.

<sup>1</sup> Federal State Statistics

<sup>2</sup> Exchange rate on 1 January 2014 by the Central Bank of the Russian Federation

<sup>3</sup> Russian Longitudinal Monitoring Survey (RLMS)

<sup>4</sup> <http://www.hse.ru/data/2015/03/24/1093343050/25PA2015.pdf>

<sup>5</sup> European Social Survey

<sup>6</sup> Russian Population Census, 2010

<sup>7</sup> <http://www.europeansocialsurvey.org/data/>

**The Global AgeWatch Index ranks countries by how well their older populations are faring.**

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