



International  
Labour  
Office

# The Gender Dimensions of Social Security Reform

## Volume 2 Case Studies of Romania and Slovenia



Subregional Office for Central and Eastern Europe  
Budapest

# The Gender Dimensions of Social Security Reform

## Volume 2 Case Studies of Romania and Slovenia

ELAINE FULTZ  
EDITOR

This volume was produced as part of the ILO project  
*Combating Poverty and Social Exclusion in Central and Eastern Europe*  
with financial support from the Government of France

International Labour Office

Copyright © International Labour Organization 2006  
First published 2006

Publications of the International Labour Office enjoy copyright under Protocol 2 of the Universal Copyright Convention. Nevertheless, short excerpts from them may be reproduced without authorization, on condition that the source is indicated. For rights of reproduction or translation, application should be made to the ILO Publications (Rights and Permissions), International Labour Office, CH-1211 Geneva 22, Switzerland, or by email: [pubdroit@ilo.org](mailto:pubdroit@ilo.org). The International Labour Office welcomes such applications.

Libraries, institutions and other users registered in the United Kingdom with the Copyright Licensing Agency, 90 Tottenham Court Road, London W1T 4LP [Fax: (+44) (0)20 7631 5500; email: [cla@cla.co.uk](mailto:cla@cla.co.uk)], in the United States with the Copyright Clearance Center, 222 Rosewood Drive, Danvers, MA 01923 [Fax: (+1) (978) 750 4470; email: [info@copyright.com](mailto:info@copyright.com)] or in other countries with associated Reproduction Rights Organizations, may make photocopies in accordance with the licences issued to them for this purpose.

Fultz, E. (ed.)  
*The gender dimensions of social security reform*  
*Volume 2: case studies of Romania and Slovenia*  
Budapest, International Labour Office, 2006

Social security reform, family benefit, old age benefit, survivors benefit, women, woman worker, men, Romania, Slovenia. 02.03.1

ISBN 92-2-119378-0, 978-92-2-119378-4 (print)  
ISBN 92-2-119379-9, 978-92-2-119379-1 (web pdf)

Cover: photograph copyright © Florin Andreescu

The designations employed in ILO publications, which are in conformity with United Nations practice, and the presentation of material therein do not imply the expression of any opinion whatsoever on the part of the International Labour Office concerning the legal status of any country, area or territory or of its authorities, or concerning the delimitation of its frontiers.

The responsibility for opinions expressed in signed articles, studies and other contributions rests solely with their authors, and publication does not constitute an endorsement by the International Labour Office of the opinions expressed in them.

Reference to names of firms and commercial products and processes does not imply their endorsement by the International Labour Office, and any failure to mention a particular firm, commercial product or process is not a sign of disapproval.

Following para and reference to website may be changed to reflect local regional office info.

ILO publications can be obtained through major booksellers or ILO local offices in many countries, or direct from ILO Publications, International Labour Office, CH-1211 Geneva 22, Switzerland. Catalogues or lists of new publications are available free of charge from the above address, or by email: [pubvente@ilo.org](mailto:pubvente@ilo.org)

Visit our website: [www.ilo.org/publns](http://www.ilo.org/publns)

Printed in Hungary

# Table of Contents

<b>About the Authors</b>	5
<b>Foreword</b>	7
<b>Chapter 1</b>	
<b>The Gender Dimensions of Social Security Reform in Romania</b>	11
Abbreviations	12
1. Introduction: Labour market transformation – impact on the professional and life choices of women and men	13
2. Social security benefits for families	20
3. Social services reform	43
4. Pensions	59
5. General conclusions	77
References	79
Annexes	83
<b>Chapter 2</b>	
<b>The Gender Dimensions of Social Security Reform in Slovenia</b>	93
1. Introduction	94
2. The labour market	95
3. Family benefits	117
4. Pension benefits	134
5. Demographic and pension projections	151
References	162
Annexes	165



# About the Authors

**FLORENTINA BOCIOC** is sociologist and psychotherapist. She is working as executive director of Accept Association. She is involved in human rights movement in Romania and author of several studies on women's issues.

**MITJA ČOK** is associate professor at the Faculty of Economics at the University of Ljubljana. He obtained his PhD in economics at the University of Bristol in 2003. His main research areas are taxation, microsimulation models, and income inequality.

**NATAŠA KUMP** is at the Institute for Economic Research in Ljubljana. Her main research areas are labour economics, analysis of income inequality and social policy. She has recently completed a study on the changes in the socioeconomic position of pensioners in Slovenia since 1990.

**LUANA MIRUNA POP** is a lecturer and reader at the Department of Sociology, Faculty of Sociology and Social Work, University of Bucharest. She has taught courses in evaluation, institutional analysis of transition, and organizational sociology and has several publications on these topics. She has a special interest in the formulation and implementation of social policies in the region.

**MARIAN PREDA** is sociologist, vice-dean at the Faculty of Sociology and Social Work at the University of Bucharest. He is the author of many books and articles on social policy, social security, social exclusion, and organizational behaviour in Romania. He has also worked as an expert consultant for the European Commission, UNICEF, UNFPA, DIFID, and World Bank.

**TINE STANOVNIK** is professor of economics at the Faculty of Economics and senior research fellow at the Institute for Economic Research in Ljubljana. He was a Fulbright scholar at the Institute for Social Research (University of Michigan) in the academic year 1989/90 and at Drury University in 1998/99. He has published widely on pension reform issues, income and income distribution, taxation and social protection.



# Foreword

The studies in this volume were prepared as part of the ILO project, *Combating Poverty and Social Exclusion in Central and Eastern Europe*, with financial support from the Government of France.<sup>1</sup> The dual objectives of the project are to: (1) increase public awareness of the concept of social exclusion and its existence in CEE countries in transition, and (2) strengthen the capacities of national and local institutions to combat exclusion, through providing them with new concepts, tools, and examples of successful practices. The project approaches social exclusion through the world of work and its interaction with social security. It focuses on five CEE countries that have recently joined the European Union or are progressing toward EU membership – Bulgaria Hungary, Poland, Romania, and Slovenia. As part of the accession process, all the governments have signed Joint Inclusion Memoranda (JIMs) with the European Commission pledging to reach out to groups at the margins of society; and the project is focused in part on helping to implement these.<sup>2</sup> Four project components are providing assistance to selected organizations, both national and local, in combating exclusion through –

- Assisting young inactive people who face multiple disadvantages by providing an integrated package of labour market services to help them gain access to decent work (Bulgaria),
- Promoting the employment of people with disabilities by making the business case for hiring them and demonstrating their potential contribution (Poland),
- Assisting employers in applying non-discriminatory practices with a view toward hiring and training members of disadvantaged groups, including Roma, and developing corporate policies of diversity at the workplace (Hungary), and

---

<sup>1</sup> The project is designed to follow up on a preceding ILO/French project that investigated the role of social protection in preventing and addressing poverty. See Ferge, Tausz, and Darvas, *Combating Poverty and Social Exclusion, Volume 1, A Case Study of Hungary* (Budapest: ILO, 2002); and Stropnik and Stanovnik, *Combating Poverty and Social Exclusion: Volume 2, A Case Study of Slovenia* (Budapest: ILO, 2002).

<sup>2</sup> These agreements establish goals that relate to education, housing, computer literacy, gender equality, and a number of other issues that impinge on social inclusiveness. See: [http://ec.europa.eu/employment\\_social/social\\_inclusion/jmem\\_en.htm](http://ec.europa.eu/employment_social/social_inclusion/jmem_en.htm).



- Supporting organizations that are working to strengthen social security for low income women and to give them a stronger voice in social security policy making (Romania).

The project is also testing and adapting the ILO remote learning program, Centre for Informatic Apprenticeship and Resources in Social Inclusion (CIARIS), to the Central European context, and encouraging its use by regional organizations that are engaged in the fight against exclusion.

This volume was produced under the Romania component, which focuses on strengthening social security for low income women. It was designed with the close involvement of the target group and the organizations that represent them, in this way, itself contributing to their inclusion and empowerment. Initial consultations on how to structure the project focused on a new gender analysis of the Romanian social security system, commissioned by the project and prepared by national experts. This analysis forms the first chapter of this volume. In November 2005, an advanced draft of it was presented at a national seminar sponsored by the ILO and the Parliamentary Commission on Equal Opportunity and attended by representatives of the major Romanian organizations with a mission to fight exclusion. The group's discussion of the report and its recommendations served as our main reference point in giving the project its shape. As so designed, the project addresses three current social security issues: (1) a need for stronger support and incentives for economic activity by single parents who depend on social security benefits; (2) the advantages and disadvantages to women with low incomes of equalizing the pensionable age; and (3) the need to structure mandatory private pensions to avoid or minimize disadvantages for women as a group, especially those with low incomes.

To address the first issue, the ILO joined the Romanian Ministry of Labour and Social Solidarity in sponsoring a training seminar to examine a number of good practice models for encouraging low-income women to help themselves toward economic independence. This training took place in Amara during 23-25 May 2006, with participation of approximately 50 local government officials who administer the Guaranteed Minimum Income (GMI), the main social assistance payment in Romania. At the Ministry's request, it focused on the use of a "needs assessment" to determine eligibility for benefits and services, examining good practices in three institutions with high success rates helping single parents return to work: the Thurrock Community Mothers Programme (Tilbury, Essex, England), the Mothers Centre (Sarajevo, Bosnia and Herzegovina), and the District Committee (City of Göteborg-Lärjedalen, Sweden). The presentations were delivered by individuals who are engaged in these programs, and they offered many practical insights into their success.

The ILO has suggested that the Ministry use the training as a basis for redesigning the GMI needs assessment instrument, so as to give applicants a larger role in setting their own strategies for gaining economic independence and strengthening the partnership between the GMI beneficiaries and administrators.

The second and third issues are being addressed through a public information campaign, carried out by the Center for Partnership and Equality (CPE) with support from the ILO and a national steering committee.<sup>3</sup> The campaign will progress in five stages: (1) the holding of focus groups with low income women to determine how to best approach and inform them on pension issues; (2) development of educational materials (leaflets and brochures) on the campaign issues and media toolkit; (3) organization of a conference to examine the gender dimensions of different types of pension reforms carried out in Central Europe; (4) development of policy recommendations for Parliament and government agencies; and (5) advocacy for the adoption of these recommendations. The CPE has so far held focus groups and designed the information materials and media toolkit. These materials draw extensively on the information and ideas from the Romania analysis (chapter one). Thus, this analysis is an important resource in the execution of the project, just as it was in its planning.

Chapter two provides a companion study of social security reform in Slovenia, similarly focused to highlight gender issues. Slovenia is an interesting country in the current Romanian context because it has adopted a number of social security reforms that strengthen equal treatment of men and women. Some of these are advantageous for all women including those with low incomes – e.g., the requirement to use an average, gender-neutral life expectancy in computing private pension benefits. Other Slovenian reforms move toward equality by extending privileges to men that were previously restricted to women – e.g., retirement age bonuses for the raising of children have been made available to either the father or mother, depending on the couple's joint decision. A third approach curtails some privileges that women had enjoyed under state socialism, thus disadvantaging them relative to previous law. Here Slovenia's move toward equal treatment has been cautious and gradual. For example, the gender gap in the retirement age is being narrowed, but with a lengthy phase-in period during which benefit reductions for early retirement are not imposed for women.

---

<sup>3</sup> This steering committee consists of representatives of the Center for Partnership and Equality, the Parliamentary Committee on Equal Opportunities, the National Agency for Equal Opportunities, the Ministry of Labour and Social Solidarity, the National House of Pensions and other Social Insurance Rights, and the Office of the ILO National Correspondent in Bucharest.

These various ways of achieving equal treatment in social security make the Slovenian case study interesting food for thought in the present context, since Romanian women also continue to enjoy certain pension privileges that are not available to men. Slovenia's creation of safeguards to avoid sudden losses of such privileges while slowly moving toward gender equality of is of special interest and relevance.

To facilitate further regional comparisons, both chapters are organized in a manner similar to existing ILO studies of the gender dimensions of social security reform (Hungary, Poland, and the Czech Republic).<sup>4</sup> This makes it easy to compare Romania with three additional new EU member states. Such comparisons will be considered in the project information campaign, through a national conference to examine the gender dimensions of social security reform across the region, to be held in Bucharest, at the final stage of the project. Making use of the information gained, the CPE is planning to develop a set of policy recommendations for protecting the interests of low income women vis-à-vis pension reforms now being designed and discussed.

Both studies in this volume were produced by teams of national experts, the members of which are recognized on the contributors' page. On behalf of the ILO, we extend our warm thanks to them for their excellent work in bringing the social security of low income women into clearer focus in their countries. We also thank Urszula Lonc, the Regional Administrative Coordinator of the ILO social exclusion project, and Ildikó Rigó, Programme Assistant, for their many contributions to this effort. We extend a special thanks to Ágnes Fazekas, Programme Assistant, for her precision in the technical preparation of this volume.

Finally, we gratefully acknowledge the French Ministry of Social Affairs, Labour, and Family, whose financial support made this project possible. Through its support for measures to combat social exclusion, it is bringing this issue closer to the forefront of attention by regional governments and their social partners and thus helping to weave it into the economic and social policies in the new EU member states.

As the project campaign progresses, we hope that these studies will continue to enliven Romanian debates on how best to design social security reforms to protect and empower low-income women.

*Petra Ulshoefer*  
Director

*Elaine Fultz*  
Senior Specialist in Social Security

---

<sup>4</sup> Fultz, Elaine, Markus Ruck, and Silke Steinhilber, *The Gender Dimensions of Social Security Reform in Central and Eastern Europe: Case Studies of the Czech Republic, Hungary, and Poland* (Budapest: ILO, 2003).

# Chapter 1

## The Gender Dimensions of Social Security Reform in Romania

*Marian Preda, Luana Miruna Pop and Florentina Bocioc<sup>1</sup>*

---

<sup>1</sup> The authors express their appreciation to Elaine Fultz and Cristian Toma for valuable suggestions offered in the course of this study.

## **Abbreviations**

---

CASPIS	Antipoverty and Social Inclusion Commission
EU	European Union
GMI	Guaranteed Minimum Income
HBS	Households Budget Survey
IOMC	The Institute for Mother and Child Care
MIA	Ministry of Internal Affairs
MOD	Ministry of Defence
MLSSF	Ministry of Labour, Social Solidarity, and Family
NAPCRA	National Agency for Protection of Children's Rights and Adoption
NAPF	National Agency for the Protection of the Family
NAPH	National Agency for Persons with Handicaps
NIS	National Institute for Statistics
NHPSIR	National House for Pensions and Other Social Insurance Rights
RIS	Romanian Intelligence Service
WB	World Bank

---

## **1. Introduction: labour market transformation – impact on the professional and life choices of women and men**

Romania, like other countries in transformation, is struggling to cope with a number of serious economic and social problems. These include widespread poverty, large losses of formal sector employment and increases in the inactive population, high levels of internal and external migration, and demographic aging due to low birth rates. In this difficult situation, the suffering of the general population has been so great that the plight of particular subgroups is sometimes overlooked. Women with low incomes are such a subgroup. As this report will show, the existing social security system falls far short of meeting a number of their critical needs.

Yet the gender dimensions of Romania's social security system cannot be analyzed simply by considering the benefits that are available to women or changes in them over time. The labour market is the original source of the many of the advantages and disadvantages of various social groups, thus shaping their need for social security. Given this linkage, the labour market is the starting point for analysis.

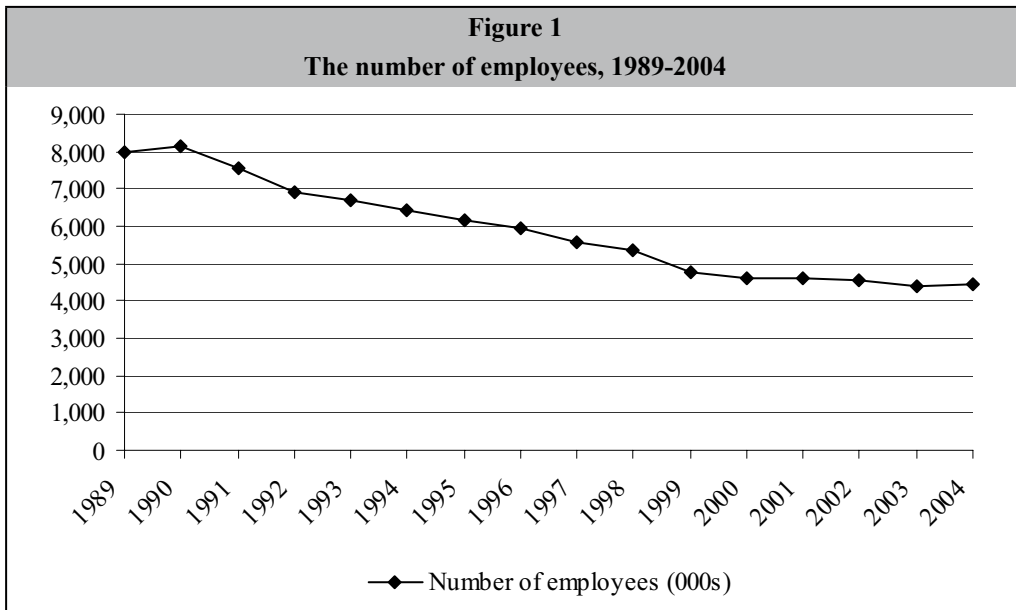
During the first 16 years of transformation, four important gender-related trends can be observed in the labour market:

- A decline in female employment levels and a consequent overrepresentation of women among the inactive population. This shift of large numbers of women from activity to inactivity is a major cause of their lower average income, more restricted rights to social insurance, and high rates of economic dependence;
- A continuing gender pay gap, which also serves to reduce the adequacy of social insurance benefits that are based on previous earnings;
- Marked occupational segregation by gender, with women disproportionately concentrated in sectors and jobs with low pay; and
- A rise in poverty among households headed by women (mostly single elderly women or single mothers).

### **1.1. Loss of employment**

The total number of employees in Romania contracted dramatically in the first 14 years of transformation, from 8.1 million in 1990 to 4.5 million in 2003. In addition, the total rate of "persons in employment" (which includes self-employed persons as well, especially in agriculture) dropped steadily from 473 per 1000 inhabitants to 375 per 1000 inhabitants (1989-1999).

While there are no significant differences in the formal (legal) access to labour markets of women versus men, there are major differences in actual rates of participation. Between 1998 and 2004, women comprised approximately 46-48 percent of all employees. By contrast, the female unemployment rate fell slightly below that for men. This difference is partly due to larger numbers of women who have been unemployed for long periods. In Romania as elsewhere, the long-term unemployed eventually disappear from unemployment statistics.<sup>2</sup>



Source: For 1989-1995, *The Statistical Yearbook of Romania*, 1996, Table 3.1.6. For 1996-1998, *The Statistical Yearbook of Romania*, 2002, Table 3.10. For 1999-2004, National Institute for Statistics, *Statistical Yearbook* 2005, p.124.

During 2002-2004, the employment rate for women was approximately 45 percent, far below the rate of 58 percent for men. This difference is partly attributable to the lower retirement age for women and, in part, to a high percentage of wives who do not work outside the home. A full 25 percent of the inactive female population consists of housewives, and they boost the portion of women among the total inactive population to 59.9 percent (2003). While it is not known what portion of housewives would accept employment if it were available, there is no doubt that this large group of women without professional activity reflects strong continuing gender inequality in Romanian society.

<sup>2</sup> The unemployment rate for women is higher than the overall unemployment rate only for the central and northeast parts of the country and Bucharest.

**Table 1**  
**The inactive population, by gender and categories of inactivity**

	2002		2003	
	Women	Men	Women	Men
Total inactive population age 15 and over	4,743,000	3,174,000	4,896,000	3,274,000
	% of total			
Students	18.2	26.3	19.3	27.0
Pensioners and social aid beneficiaries	50.5	57.2	49.0	55.0
Housewives	25.2	-	25.3	-
Others	6.1	16.5	6.4	18.0

Source: National Institute for Statistics, *The Household Workforce Inquiry (AMIGO)*, 2003, Table 10.

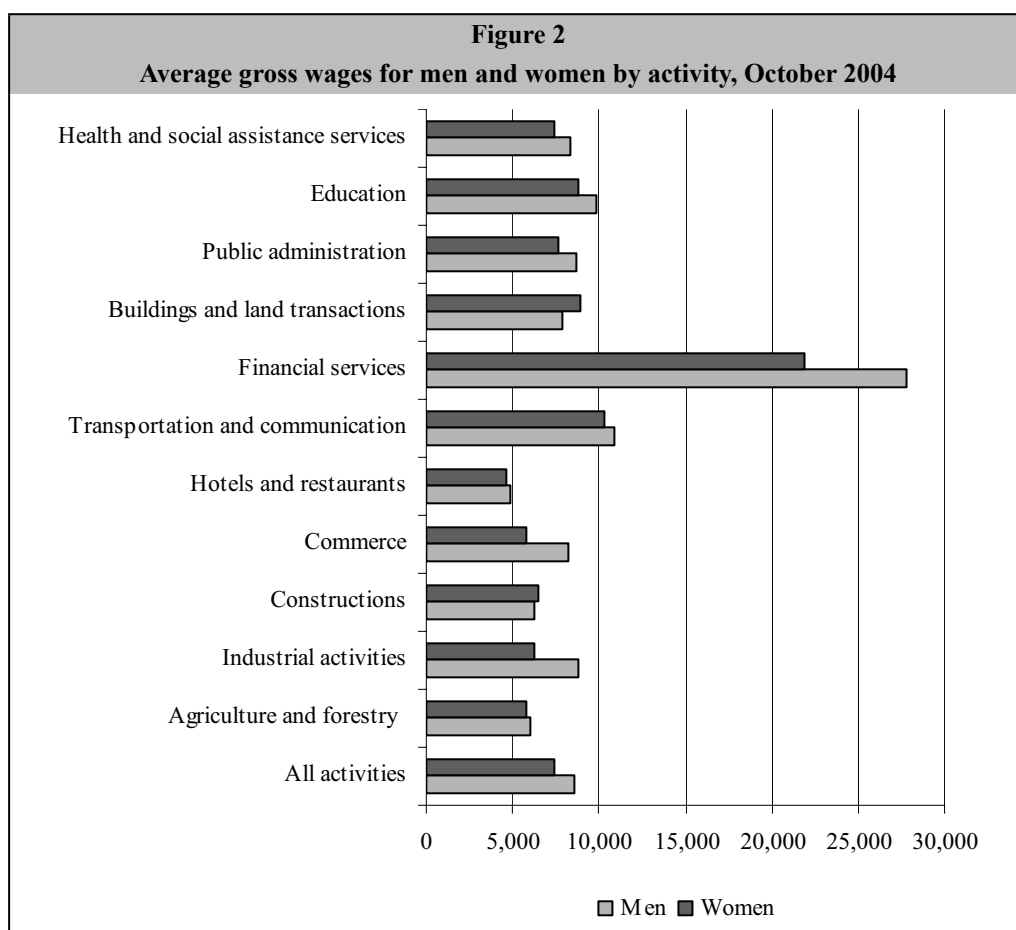
In the rural environment, the incidence of paid work remains very low and is heavily dominated by males.<sup>3</sup>

## 1.2. The gender pay gap

In October 2004, the average earnings for women as a group fell below the male average by 14 percent. The largest gender discrepancies were found in two sectors, industry and commerce, where men's wages exceeded women's wages by an average of 29 percent. Ironically, women as a group enjoyed higher earnings than men only in sectors where women are employed in insignificant numbers: construction (women earned an average of 3.7 percent more than men) and buildings and land transactions (they earned an average of 14 percent more).

<sup>3</sup> In the agricultural sector, the percentage of employees that worked at least 23 days per calendar month dropped from 4.4 in 1998 to 2.7 in 2003. The percentage of paid female employees in the agricultural sector remains very low compared to the female ratio of the rural population. There was, however, an increase in recent years: the percentage of women that are employed in agriculture rose from 23.5 in 1998 to 27 by 2003. Source: National Institute for Statistics (2005c), Table 7.





Source: National Institute for Statistics, *Repartizarea Salariaților pe Grupe de Salarii Realizate în Luna Octombrie 2004* (Distribution of Employees by Economic Sector, October 2004), 2005, p.19.

Further insights into the gender pay gap can be obtained by comparing the employment subgroups with low and high salaries. What we find is a 13 percent overrepresentation of women among those with very low salaries and a 7-8 percent underrepresentation of women in the high salary group.

**Table 2**  
**Portion of women in the selected low and high paid groups**

Employee group	Employees who worked 21 days or more in Oct 2004	Employees earning less than national minimum wage (3.5 million ROL)	Employees earning the national minimum wage	Employees with high earnings (10-30 million ROL)	Employees with very high earnings (over 30 million ROL)
Women's share of employment	46.6	59.8	49.2	39.2	38.2

*Source:* Calculation based on data from *Repartizarea Salariilor pe Grupe de Salarii Realizate în Luna Octombrie 2004* (Employees Distribution on Wage Categories Earned in October 2004), National Institute for Statistics, 2005-c, Table 1, pp. 24-25.

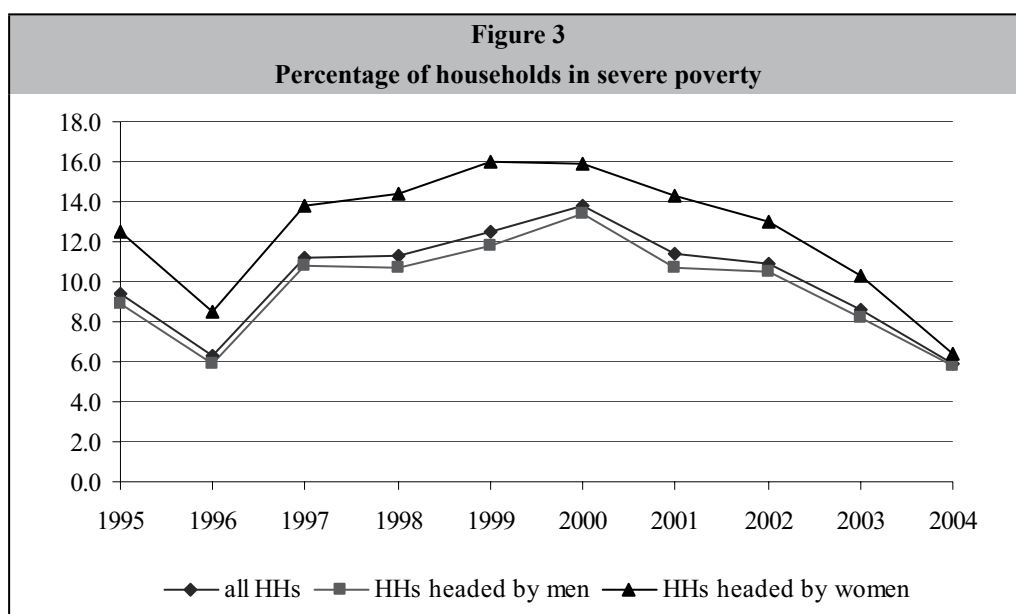
For the group with very high earnings, women's generally more restricted access to senior and managerial positions is coupled with their lower retirement age, which encourages them to leave the work force just when their chances of obtaining a lucrative position are highest. The inequality can be seen most easily in the field of education, where women outnumber men by 2.2:1. In higher education (colleges and universities), wages are higher than in all other jobs in this field; and the retirement age is actually equal for women and men. Yet even here one still finds only 0.75 women for each man. In pre-school education, by contrast, with low salaries, the woman/man ratio is 100:1 (!).

### 1.3. Occupational segregation by gender

A very important source of income differences between women and men as groups lies in occupational segregation. Certain low-paid occupations are highly feminized in Romania, including education, health, and social assistance. Moreover, clerks in all fields tend to be women. For certain other occupations, such as the army, police, and workers in specialized crafts, men outnumber women by large margins. The same is true for the top job category that includes manager, legislator, and senior official: here men outnumber women by 22 percent.

### 1.4. The poverty of female headed households

Beginning in 2000, the economic plight of many of the poorest Romanians began to improve, as reflected in both the poverty rate and the severe poverty rate.<sup>4</sup> During 2000-2004, the poverty rate dropped from 39.1 percent to 22 percent, or by 17.1 percentage points.<sup>5</sup> Meanwhile the severe poverty rate dropped from 15.9 to 6.4 percent, or by nearly 10 percentage points. See Figure 3.



Source: CASPIS, based on the *Household Budget Survey* of the National Institute for Statistics, 1995-2004; unpublished data.

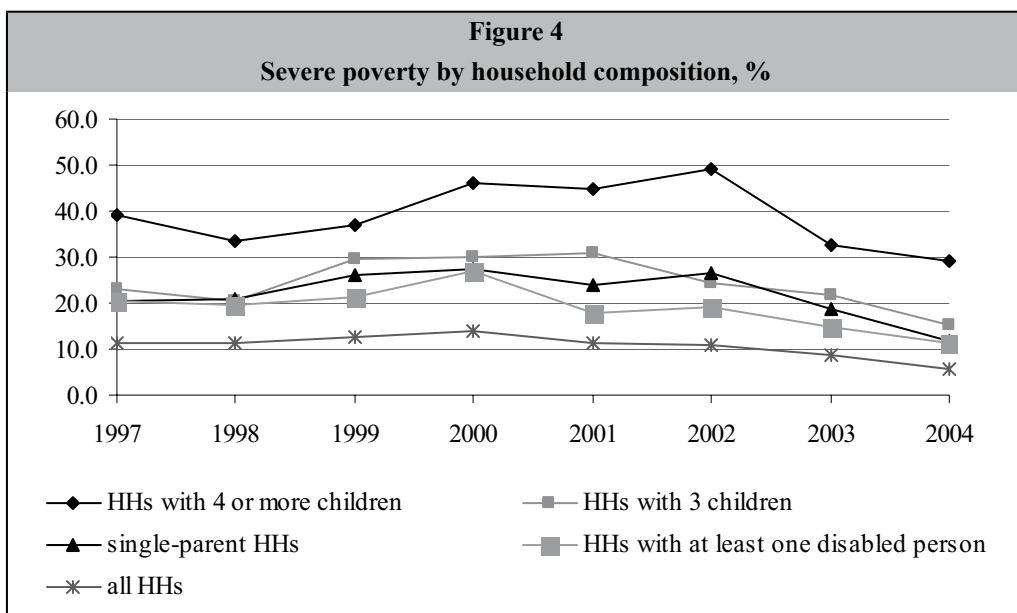
Households headed by women (mostly single elderly women or single mothers) are significantly poorer on average than those headed by men. During the period 1995-2004, the greatest difference existed in 1999, when the female poverty rate was about four percentage points higher than the male rate (12 percent versus 16 percent). This gender difference can be observed in both urban and rural environments. Within all female headed households, those headed by elderly women (over the age of 65) show the highest poverty incidence. As regards

<sup>4</sup> The poverty and severe poverty rates were calculated by CASPIS, using a methodology developed by the World Bank in the Living Standard Measurement Study (LSMS). This is an absolute measure of poverty, based on the food consumption patterns of the lowest deciles of the population. The poverty statistics in this report are used with the permission of CASPIS and the World Bank.

<sup>5</sup> CASPIS, based on *HBS* (NIS), unpublished data.

severe poverty, a different age pattern is noticeable: here the highest incidence can be found among households headed by women between the ages 35-44 and 45-54 years.

Looking at household composition, we find that families with four or more children have the highest rates of poverty, followed by those with three children. The presence of the third child in a household almost doubles the incidence of poverty. In terms of severe poverty, households with many children are the most prevalent group, followed by single-parent households and households that include a disabled person.



Source: CASPIS, based on the *Household Budget Survey* of the National Institute for Statistics; unpublished data.

In sum, gender is a powerful determinant of poverty in Romania. Female headed households have a significantly higher probability of being poor, and their risks are increased further by residence in a rural area, having more children (especially three or more), and the presence of a disabled person in the household.

## 2. Social security benefits for families

### 2.1. Benefits, participation rates, expenditure levels

The availability of social security benefits for families, or the lack thereof, can shape and constrain the professional and life choices of both women and men. The effects tend to be greatest for women, since they continue to play the role of principal caregiver in the great majority of Romanian families. This section examines three categories of social security benefits for families, chosen for analysis because of their importance in assisting parents (mostly mothers) in balancing professional and family responsibilities. They are:

- (a) *Child and family benefits*, which assist parents in covering some of the costs of raising children. These were previously available to all families in Romania but recently have become subject to some means-testing;
- (b) *Social assistance for the family*, provided today by the Guaranteed Minimum Income (GMI), a means-tested social assistance benefit for families in need; and
- (c) *Maternity and child care benefits*, paid to mothers and fathers of young children (through age two) who forego employment in order to provide care. These benefits were traditionally included in the social insurance system but are soon to be separated from it, as will be explained.

For easy reference, Table 3 provides basic data on each of these benefits. Following the table, each benefit is examined in detail.

**Table 3**  
**Social security benefits for families in Romania**

Benefit	Year of establishment	Benefit levels and eligibility criteria, when originally established	Subsequent changes	Financing
<i>A. Child and family benefits</i>				
1. Child Allowance	1993 (became a universal benefit)	Benefit awarded unconditionally and in the same amount for every child; double benefit for disabled children and those in foster care; irregular benefit indexing by Government Decisions.	1997: the benefit paid to families only if all children over age seven are in school. 1998: benefit extended to children over age 18 who attend some form of pre-university education.	State Budget
2. Supplementary Allowance for families with two or more children	1997 (terminated at end of 2003)	A monthly benefit awarded to every family with two or more children, regardless of income but according to the number of children in the family; irregular benefit indexing by Government Decisions.	In 2003, this was converted to the Complementary Benefit, awarded to low income families (see below).	State Budget
3. Complementary Allowance for families with children	2004	Paid to families with children that have incomes below 1.5 million ROL per capita (in 2004), or 38 EUR; benefit amount adjusted for up to four children; irregular indexing by Government Decisions or Emergency Ordinances. <sup>1</sup>	-	State Budget
4. Income Support Allowance for single parent families	2004	Paid to single-parent families with incomes below 1.5 million ROL per capita (2004), or 38 EUR; irregular indexing of benefit levels and eligibility threshold by Government Decisions and Emergency Ordinances.	-	State Budget

**Table 3 (continued)**  
**Social security benefits for families in Romania**

Benefit	Year of establishment	Benefit levels and eligibility criteria, when originally established	Subsequent changes	Financing
5. Newborn Allowance (replaced the Birth Benefit, awarded to second and subsequent children during 1995-2001)	2002	Awarded for every child, irrespective of its parents' income or its order of birth. The benefit level is indexed on an irregular basis, together with the threshold for Guaranteed Minimum Income, through Government Decisions or Emergency Ordinances.	-	Local Budgets (from earmarked State budget transfers)
<i>B. Social assistance for the family</i>				
6. Guaranteed Minimum Income (a means-tested social assistance benefit that replaced the previous social assistance regime)	2002 (Law no. 67/2001)	Awarded according to the family income to all those below the established GMI threshold, on the basis of a social inquiry undertaken by social workers to assess the welfare status of the household.	-	Local Budgets (up to 100% from earmarked State budget transfers)
<i>C. Maternity and child care benefits</i>				
7. Maternity benefit (a social insurance benefit)	1965	Paid during Maternity Leave (126 days) to every woman who made social insurance contributions for at least six months of the last 12. This benefit level was 85% of the previous wage. It can be changed only by an amendment to the Social Insurance Law.	1992 – Benefit formula was changed to reflect mother's length of service and child's birth rank. 2000 – Benefit formula reverted to previous one, that is, 85% of previous wage. 2003 – New maternity benefit added to existing one, 75% of previous earnings for 120 days.	The Social Insurance Fund

Table 3 (continued)  
Social security benefits for families in Romania

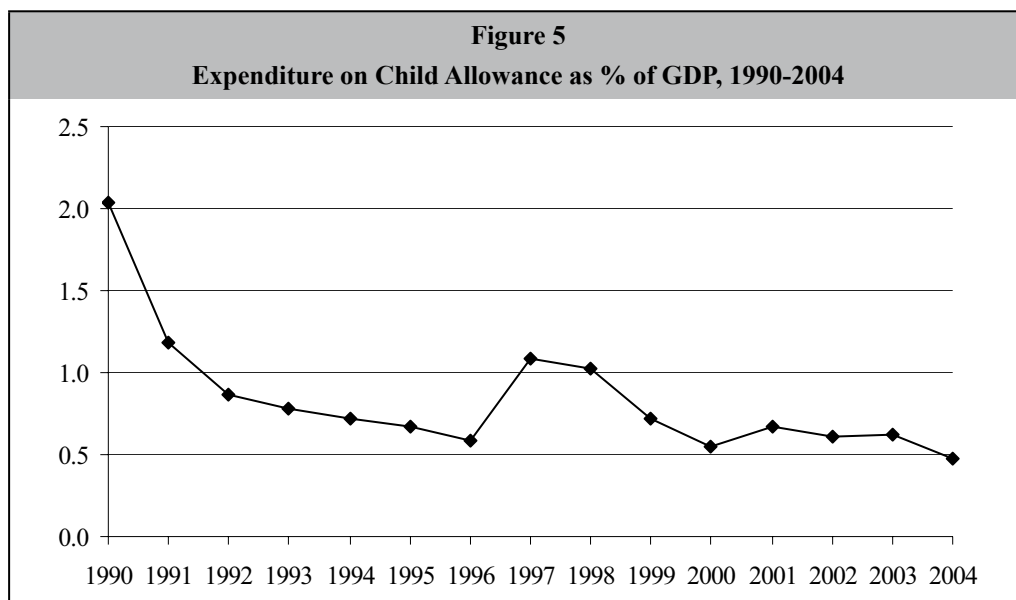
Benefit	Year of establishment	Benefit levels and eligibility criteria, when originally established	Subsequent changes	Financing
8. Child care benefit, paid to a parent during official leave from work to care for a child through age two (a social insurance benefit)	1997	Awarded, upon application, to a mother for a child through age two (three, in the case of a child with a disability). Until 2000, the benefit was 85 percent of the mother's previous wage.	Since 2000, the benefit has been available to either father or mother; and the benefit amount has been 85 percent of the gross average wage in the economy, regardless of an eligible parent's previous earnings or social insurance contributions.	The Social Insurance Fund
			Beginning with 2006, the benefit is paid from the state budget.	State budget

*Note 1:* An *Emergency Ordinance* is a regulation issued by government to make swift changes when there is no time to pass a rule through the Parliament. However, during the transition period, the Emergency Ordinance has been misused under various pretexts to avoid the legislative process.



## A. Child and family benefits

(1) *Child allowance.* This type of benefit was awarded prior to 1989, yet on a selective basis according to the parents' occupation, income level, area of residence, and number of children. In 1993, the child allowance was made universal.<sup>6</sup> Its level, however, never provided – after 1990 – any real support, even for the poorest families (see Figure 5). The benefit was indexed irregularly and by varying amounts, mostly during election campaigns.

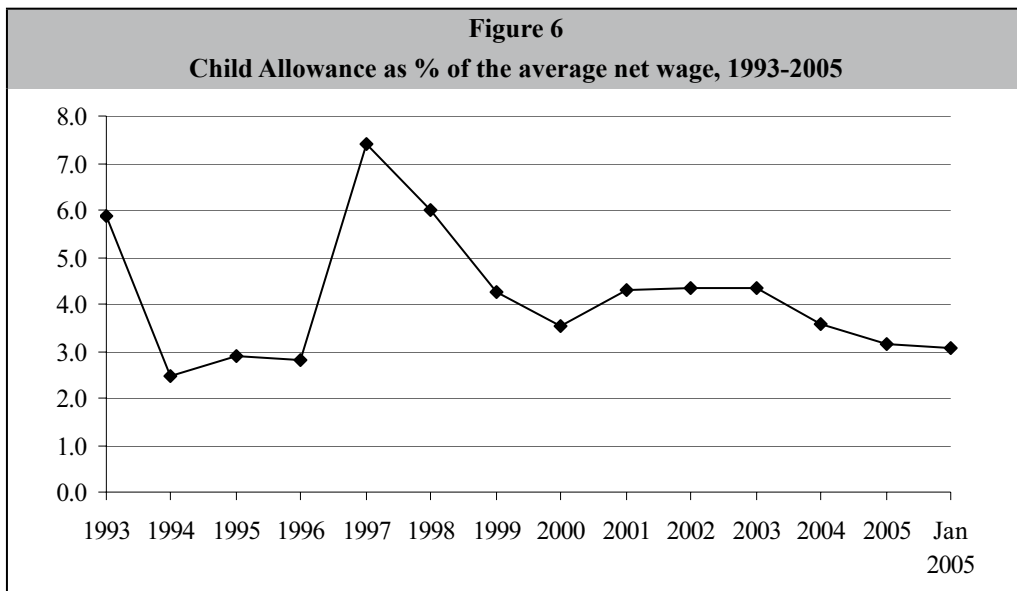


Source: NIS, *Romania - Statistical Yearbooks*, 1991-2004 (Section 5.3.1. “Allowances and other benefits granted to the population”, and Section 9.1 “National Accounts: GDP by category of resources”), electronic version; and MLSSF, *Yearly Social Assistance Report*, 2005, Table A.1, [www.insse.ro](http://www.insse.ro); authors’ calculations.

The coverage of the population by this benefit is, on the whole, very high; but it is somewhat lower for school-age children, as the benefit has been made conditional upon school attendance. Contrary to initial expectations, school attendance did not increase as a result of this conditionality, but rather, it seems, as a consequence of the introduction of an in-kind benefit (food and milk).

<sup>6</sup> Law No. 61/1993, altered by Government Decision No.165/1997. These changes were then put into statute by Law No. 261/1998.

As shown in Figure 5, expenditure on the Child Allowance as a percent of GDP is rather insignificant, in recent years less than one percent. In addition, spending has been on an overall decline since 1990, though the trend line turned upward twice temporarily (1997 and 2001) due to increases in the benefit level.



Source: NIS, *Romania - Statistical Yearbooks*, 1993-2004, Section 4.1.8, electronic version: [www.insse.ro](http://www.insse.ro), and Governmental Decisions stipulating the level of Child Allowance; authors' calculations.

(2, 3, & 4) *The complementary allowance and income support allowance* for single parents were adopted by an Emergency Ordinance in 2003 and took effect in 2004.<sup>7</sup> They are awarded to those families that, at the time of application, have per capita income of less than 1.6 million ROL (equivalent of 44 EUR) per month.<sup>8</sup> During the six years prior to the establishment of these benefits (1997-2003), a *supplementary allowance* was available to families with two or more children. It was paid in a fixed amount according to the number of children, irrespective of the family/parents' income.<sup>9</sup> From 2004 onwards, it was replaced by the two others – one which is awarded to two parent families with low incomes (Complementary Allowance) and the other, to single parent families with low

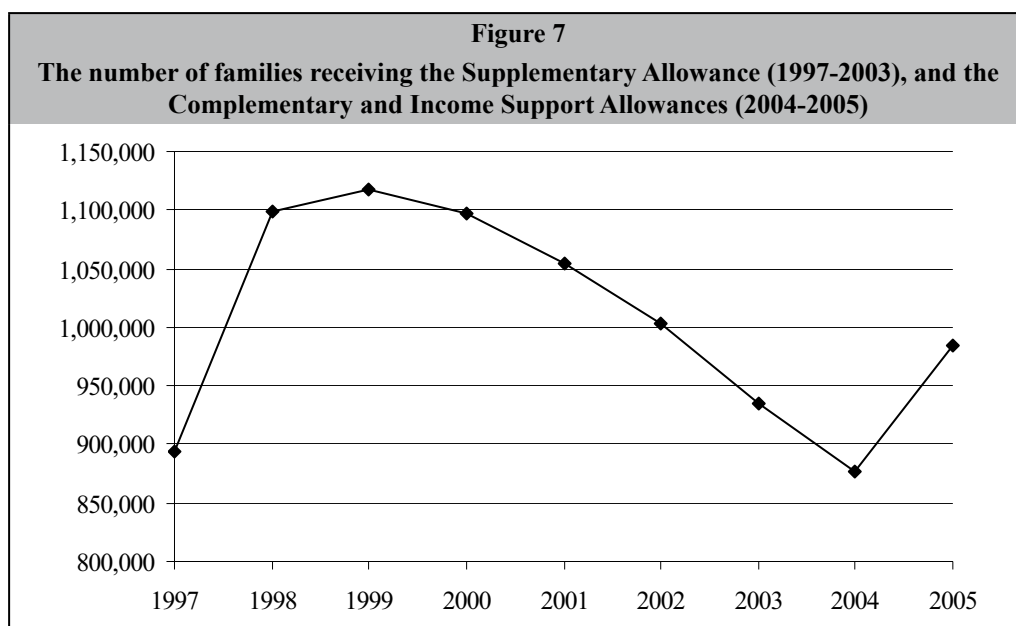
<sup>7</sup> Emergency Ordinance No. 105/2003.

<sup>8</sup> This amount applies as of 2005. When first adopted, the threshold was of 1.5 million ROL per capita, i.e. 38 EUR.

<sup>9</sup> Law No. 119/1997.

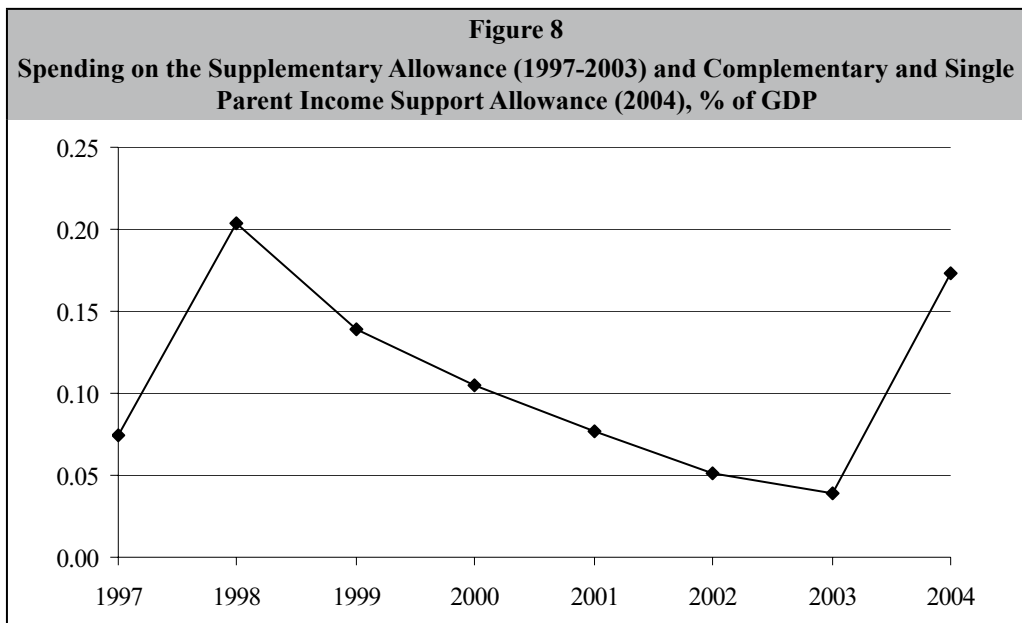
incomes (Income Support Allowance). Although these benefits are income tested rather than means tested, town halls are required to carry out social inquiries to determine the specific financial situation and needs of each family.

In 2004, those receiving either the Complementary Allowance or the single-parent Income Support Allowance represented approximately 11 percent of all households in Romania. Thus, we can conclude that more than a tenth of Romanian households live on individual incomes of less than 1.6 million ROL (44 EUR) per month. Moreover, this ten percent is comprised entirely of families with children. The number of beneficiaries of these two allowances declined during 1999-2004 but in 2005 grew by 10 percent. See Figure 7.



*Source:* MLSSF, *Yearly Social Assistance Reports*, 1998-2005, Table A.2 for Social Assistance Indicators and Complementary Child Allowance, average monthly beneficiaries; and Table A.3 for Support Allowance for single parent families, average monthly beneficiaries.

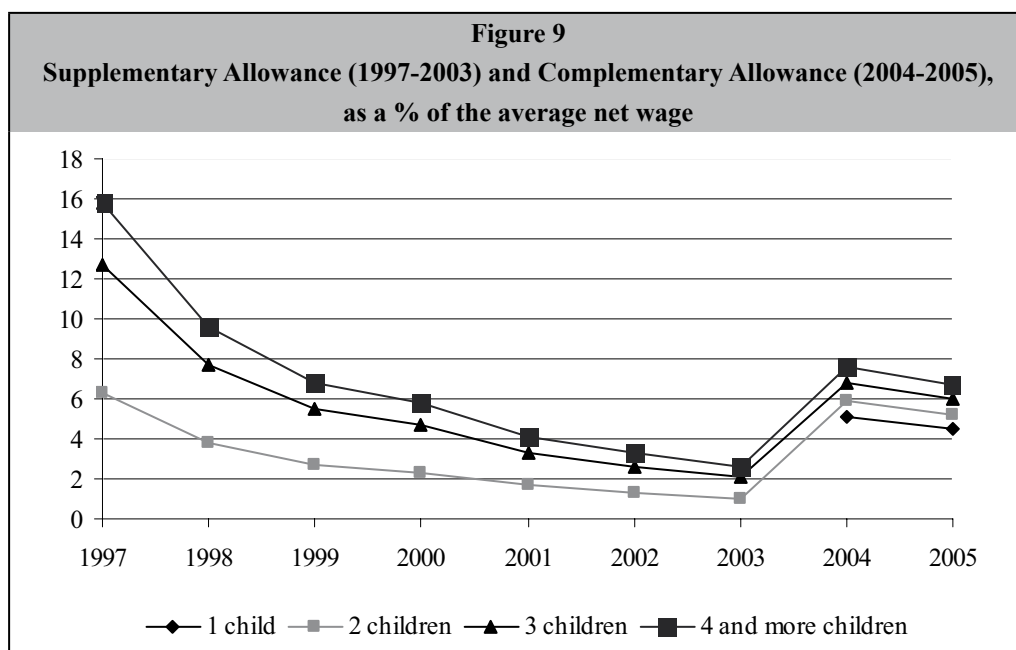
As shown in Figure 8, expenditure on this benefit rose sharply from 1997 to 1998, then fell continuously between 1998 and 2003, and rose again following the reform. This is due to the heavy dependence of the Supplementary Allowance on indexation adopted via Governmental Decisions.



Source: MLSSF, *Yearly Social Assistance Reports*, 1998-2005, Table A.2 for Social Assistance Indicators, and Table A.3 for Complementary Child Allowance, paid sums; and NIS, *Romania - Statistical Yearbooks* (NIS), 1991-2004, Section 9.1 for National Accounts: GDP by category of resources, electronic version; [www.insse.ro](http://www.insse.ro); authors' calculations.

The level of the Income Support Allowance for single-parent families is now 1.5 times that of the Complementary Allowance. This means that a single parent who relies totally on this allowance is better off than a two parent family in the same economic situation.<sup>10</sup>

<sup>10</sup> Thus, in 2004, a single parent with four or more children received an amount equal to 11.5 percent of the national average net wage. This is only slightly less than what the predecessor benefit, the Supplementary Allowance, provided in 1997, at the point in time when it was first instituted and did not yet target the low income population.



Source: National Institute for Statistics, *Romania - Statistical Yearbooks*, 1993-2004, Section 4.1.8; and Governmental Decisions stipulating the level of Complementary Child Allowance and Support Allowance for single-parent families; authors' calculations.

Figure 9 shows the level of the Complementary Allowance, depending on the number of children, as a percentage of the average net wage. As shown, the level of the two targeted family allowances was increased significantly prior to 2004 and has declined modestly since then.

(5) *The newborn allowance.* Between 1995 and 2001, a lump sum Birth Benefit was paid (under the Social Assistance Law) for second and subsequent children, regardless of the family's income. During the first two years (1995-97), the number of payments rose, but this was followed by a sharp drop. The decline was due to a more general problem, the breakdown of the means-tested social assistance scheme in the aftermath of its financial decentralization. From 2002 onwards, the Birth Benefit was replaced with the Newborn Allowance, provided under the new Law on the Guaranteed Minimum Income (Law No. 416/2001). The Newborn Allowance is paid in a fixed amount for the first four births, regardless of the child's rank or the family income. Like the previous Birth Benefit, expenditure on the Newborn Allowance as a percentage of GDP remains largely insignificant. It does not surpass its 1990 value, when it was only 0.03 percent of GDP.

Until 2002, the Birth Benefit was the equivalent of five monthly Child Allowance payments. From 2002 onwards, the Newborn Allowance equalled 8.5 of such payments, which represents approximately 83 percent of the national gross minimum wage. In 2005, its value decreased in relative terms, to only 60 percent of the national gross minimum wage. Interviews and focus groups carried out as part of this study (approximately 30 individuals) suggest that families assign considerable importance to this lump sum allowance.<sup>11</sup>

## **B. Social assistance for the family**

(6) *Social assistance scheme / Guaranteed Minimum Income.* In 1995, when a law authorizing means-tested social assistance was first adopted, the eligibility threshold was set so as to cover the poorest ten percent of households in the population.<sup>12</sup> Yet actual participation fell far short of this. The highest portion of households ever found eligible was three percent (and the number of those found eligible has always exceeded the number of those actually receiving payments).<sup>13</sup>

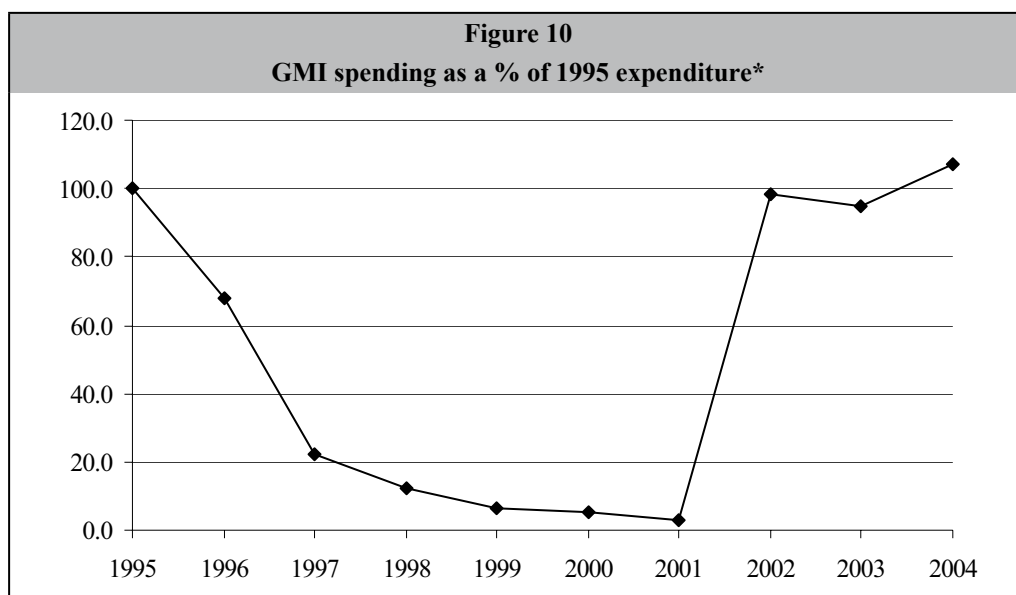
Beginning in 1996, the financing of this benefit was decentralized, but without providing local governments with any additional resources. At that time, the central government had not even adopted a Law on Local Public Finance. In this situation, a majority of town halls simply decided to stop paying the benefit, even when applications had been approved. Only before local elections was this benefit paid to all eligible families. Thus, the total number of eligible beneficiaries registered at the end of the year fails to provide any indication of the actual reach of this benefit.

---

<sup>11</sup> Interviews and focus groups were carried out with parents (both mothers and fathers) with incomes that were average and below. In all, there were three focus groups (two with mothers and one with fathers) and six individual interviews. The number of participants in each focus group was between five and eight. All mothers agreed on the usefulness of this allowance and suggested that it ought to be enhanced with a number of additional in kind benefits immediately after a mother gives birth.

<sup>12</sup> Law No. 67/1995.

<sup>13</sup> Even taking into account that the size of the poorest households in Romania exceeds the size of the average household, the portion of households covered by this system never exceeded five percent.

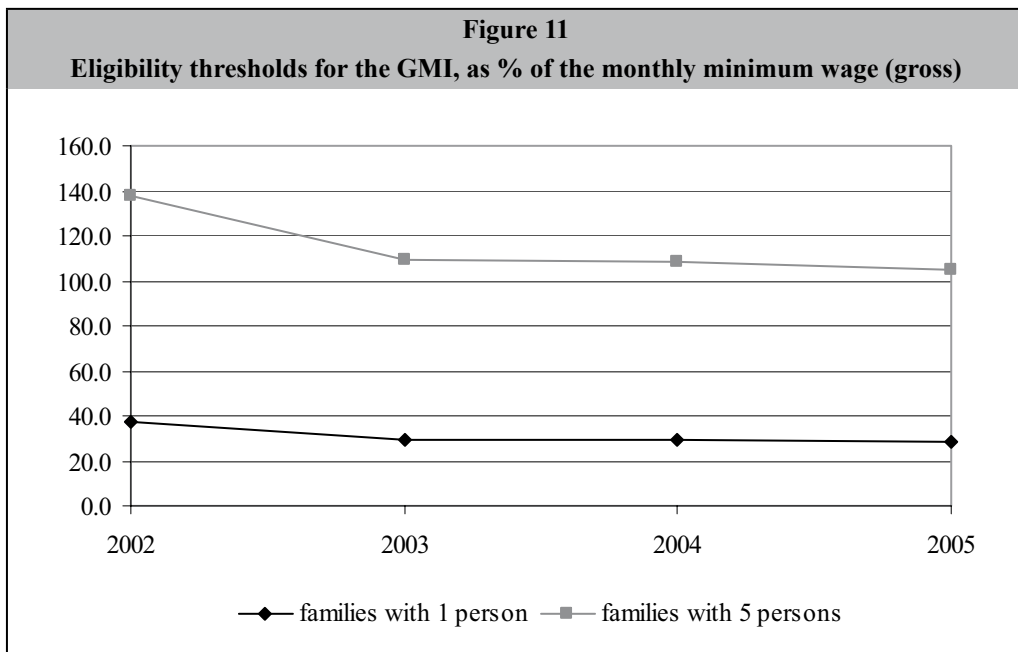


\* In 1995, the GMI was paid only from August, for five months. In this figure, spending for 1995 has been inflated to what it would have been if the GMI had existed all year and spending throughout had been at the same average level.

Source: MLSSF, *Annual Social Assistance Reports*, 1996 -2005, Table A.6; authors' calculations.

In 2001, the Law on the Guaranteed Minimum Income (Law No. 416/2001) was adopted and came into force the following year. It fundamentally changed the financing of social assistance, while rectifying a number of shortcomings in the previous law. The GMI is still awarded by the local authorities, but from earmarked transfers from the State Budget, in order to ensure that payments are made. Under the previous financial arrangement, local councils had the obligation to pay from local budgets. But because most of the local budgets could hardly cover current expenditure of the city hall, GMI payments were stopped by about 95 percent of the city halls in 2000.

By 2004, the number of families registered as eligible was 5.3 times higher than in 2001 (representing six percent of the total number of households in Romania), and expenditure on GMI was, in real terms, about 35 times higher than in 2001. See Figure 10. Remarkably, this program growth occurred while eligibility thresholds dropped. See Figure 11. This may be the most telling indication of the low take-up rates under the previous law.



*Source:* Authors' calculations based on legislation setting the GMI level and the minimum wage.

One can observe in these changes a tendency to replace categorical benefits that were available to all those who had certain characteristics with benefits targeted on the low-income segments of the population. Such an approach could be justified if it resulted in higher benefits for the neediest persons. However, despite a major increase in spending on the GMI, social assistance spending still fell below two percent of GDP during the entire transition period.<sup>14</sup>

In conclusion, the poverty reduction power of the means-tested social assistance benefit up to 2002 was practically zero. Once the GMI was introduced, assistance to those in severe poverty has been increasing, positively affecting especially single-parent households, and households with three or more children.

<sup>14</sup> In addition to the GMI, this figure includes the allowance for children in foster care, birth benefits, heating subsidies, and the payment of health contributions for social assistance beneficiaries.



### C. Maternity and child care benefits

(7) *Maternity leave & benefits.* When Government Decision No. 880 first authorized maternity leave and benefits in 1965, the leave period was 112 days, and the benefit was 85 percent of the previous wage. In 1992, the benefit was differentiated according to the woman's length of service and the child's birth rank. In the major social insurance reform of 2000 (Law No. 19/2000), maternity benefits were paid only to those who had made social insurance contributions for at least six out of the past 12 months.<sup>15</sup> The benefit level was again set at 85 percent of the previous wage, regardless of the length of service and/or the number of children. The length of the leave was set at 126 days, of which a minimum of 42 days had to be post-natal leave.<sup>16</sup>

In 2003, an additional 120 days of leave was provided as further protection for pregnant women in the workspace and mothers with newborn children. During this additional period, the benefit is 75 percent of the woman's previous wage.<sup>17</sup>

(8) *Child care leave and benefits.* Beginning in 1997, benefits for child care were provided separately, no longer as part of maternity leave.<sup>18</sup> The benefit level was set at 85 percent of a woman's previous wage (80 percent for women in the agricultural sector). In 2000, the law provided for the first time that either parent could take this benefit. In 2003, eligibility was tightened by an increase from 6 to 10 months in the period of required contributions prior to application. In addition, the 85 percent benefit rate was continued only for those persons with wages below the gross average wage. For those with higher wages, the benefit was fixed at 85 percent of the gross average wage.<sup>19</sup> For 2004 onwards, the benefit was made completely flat-rate: everyone received 85 percent of the gross average wage. (In 2005, this equalled 7.83 million ROL, or about 220 EUR per month.) At the same time, the requirement for previous contributions was eliminated.

---

<sup>15</sup> This entitlement was extended to cover women who give birth to a child within nine months of becoming redundant.

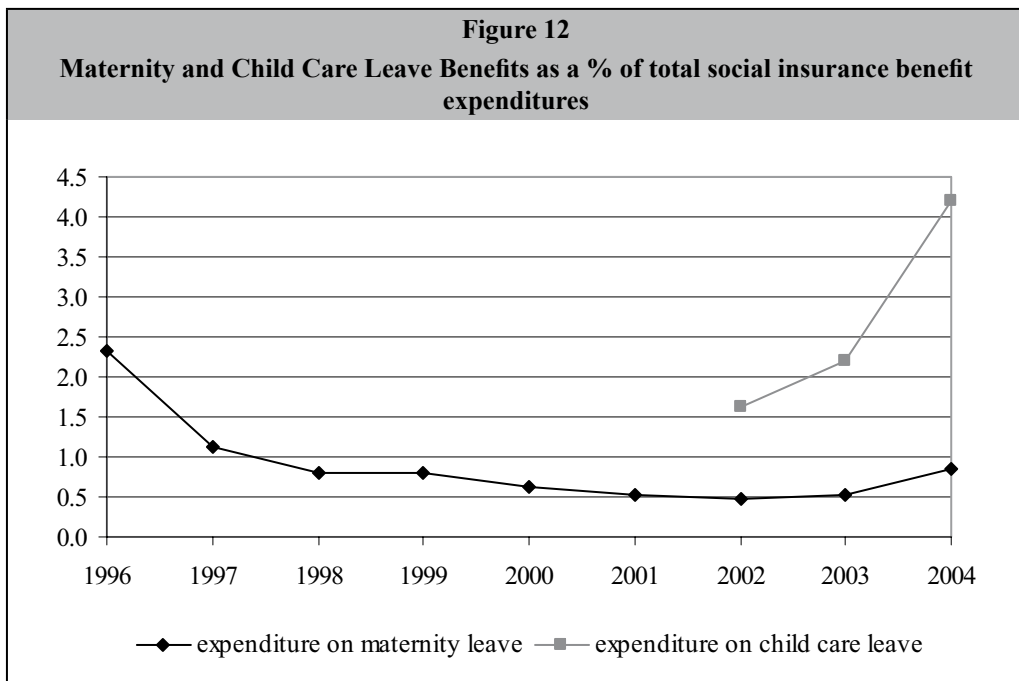
<sup>16</sup> Emergency Government Ordinance No. 96/2003 (Maternity Protection in the Workplace) provided that women with disabilities may take maternity leave beginning in their sixth month of pregnancy.

<sup>17</sup> This is calculated based on a woman's earnings during the previous ten months.

<sup>18</sup> Law No. 31/1990 set the benefit level at 65 percent of the earlier wage. Law No. 120/1997 provided paid leave to care for children through the age of two (until the child's third birthday).

<sup>19</sup> EGO No. 9/2003, which amended Law No. 19/2000 on public pensions and other social insurance rights.

These changes created a strong incentive for low income women to claim this benefit. At the same time, women whose wages are higher than the national average have tended to regard the changes as inequitable. All efforts to decrease the benefit rate for this group have been met with forceful resistance.<sup>20</sup> At the same time, higher take-up rates by low-income women led to a substantial rise in costs, to the point where the benefit system had to be redesigned in the midst of heated discussions about its equity.



Source: National Institute of Statistics, *Romania - Statistical Yearbooks*, 1997-2004, Section 17.3; and webpage of MLSSF ([www.mlssf.ro](http://www.mlssf.ro)); authors' calculations.

Among the many reform options that received consideration, the two most important were as follows:

<sup>20</sup> The *National Journal* reported that, "The EGO No. 9/2003 raised vocal protests from the Women's Organization of the National Trade Union Confederation, as well as the wrath of many Deputies from the National Liberal Party and the Democratic Party, who organized a meeting with the participation of many men affected by this Ordinance. Two years ago, DP Deputy Anca Boagiu launched the "Blue Scarves" initiative because she was unhappy with the downgrading of the child care benefit. Yet, today Anca Boagiu agrees with the White Paper." The *National Journal*, "The indemnity for mothers is slashed by 5 millions," 28 June 2005.

1. the introduction of a non-contributory benefit equalling 35 percent of the gross national average wage, to be paid for the first three children through age two;<sup>21</sup>
2. the maintenance of the current Child Care Benefit for insured parents who choose it, while creating a new flat rate benefit equal to 35 percent of the gross national average wage for those parents who return to work before the child's third birthday.

The idea was that this new benefit would eventually be extended to non-insured families as well.

Finally, after much debate, in November 2005 a new law was passed. The Child Allowance was increased almost 10-fold for a child's first two years, while the Child Care Benefit was decreased to 6 million ROL (165 EUR, or about 65 percent of the actual average monthly wage on the economy) for all recipients. This change will become effective in 2007. This arrangement preserves the total benefit amount for working mothers (about 8 million ROL/month), while changing the philosophy of the program: 25 percent of the benefit is now granted on a universal basis and 75 percent is conditional upon work, but without being insurance-based. Payments for both benefits are made from the state budget.

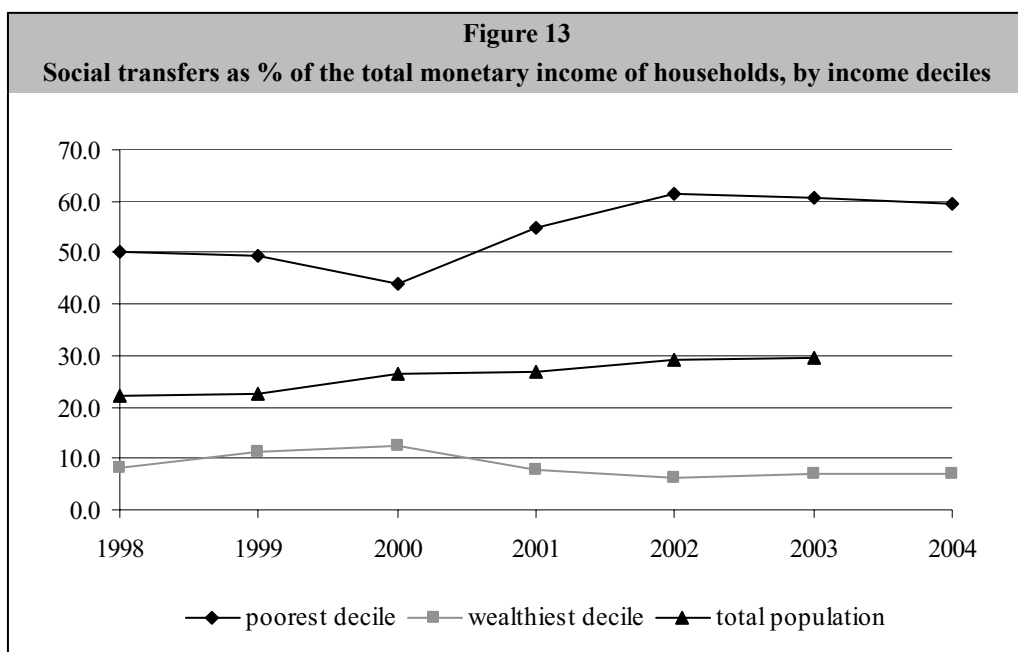
As for the level of spending on these benefits, maternity benefits never exceeded 2.3 percent of total social insurance expenditure, and from 1998 onwards it fell below one percent (see Figure 12). Conversely, expenditure on the Child Care Benefit increased in relative terms, reaching 4.2 percent of the total expenditure on all insurance benefits in 2004. Significantly, this increase occurred despite the decreasing number of women contributing to the social insurance system.

## **2.2. The impact of family benefit reforms on household income and behaviour**

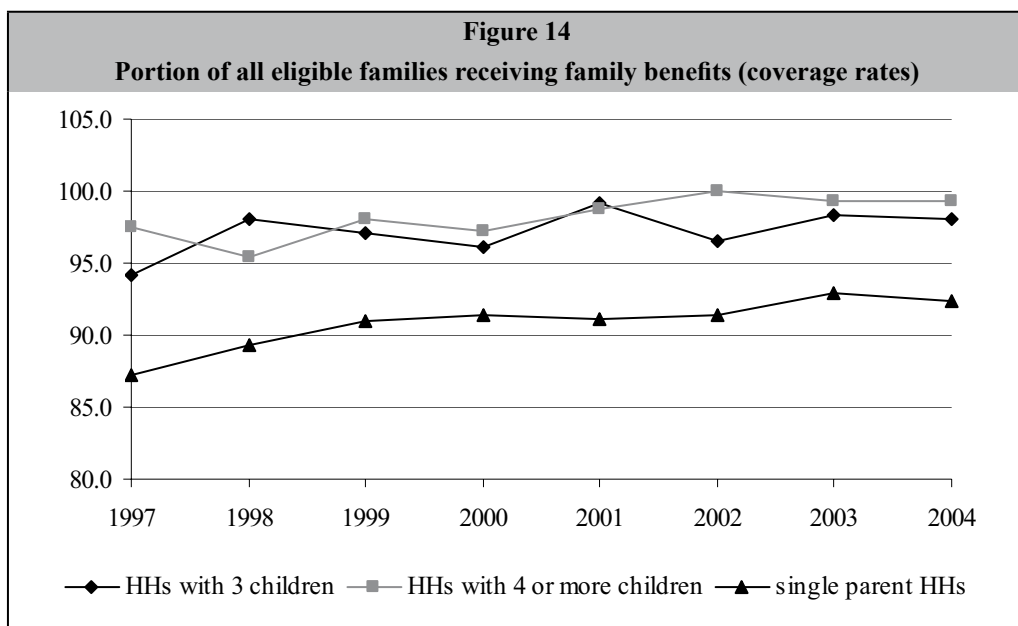
Since 1998, social transfers have been growing as a portion of families' total monetary income. At the same time, a polarization between high and low income households can be observed: while the weight of social transfers in the income of the wealthiest households decreased, its weight increased for the poorest households. For the lowest income decile, we can observe a rise by 10 percentage points over the last 6 years, causing social transfers to reach 61.5 percent of family income for this group in 2003. See Figure 13.

---

<sup>21</sup> Defending this approach, the president of the National House for Pensions and Social Insurance repeatedly used the slogan, "Child care is not a social risk".



Source: National Institute of Statistics, *Romania - Statistical Yearbooks*, 1999-2004, Section 4.1.3; NIS, 2005, Table 15; and NIS, 2004, pages 126-127; authors' calculations.

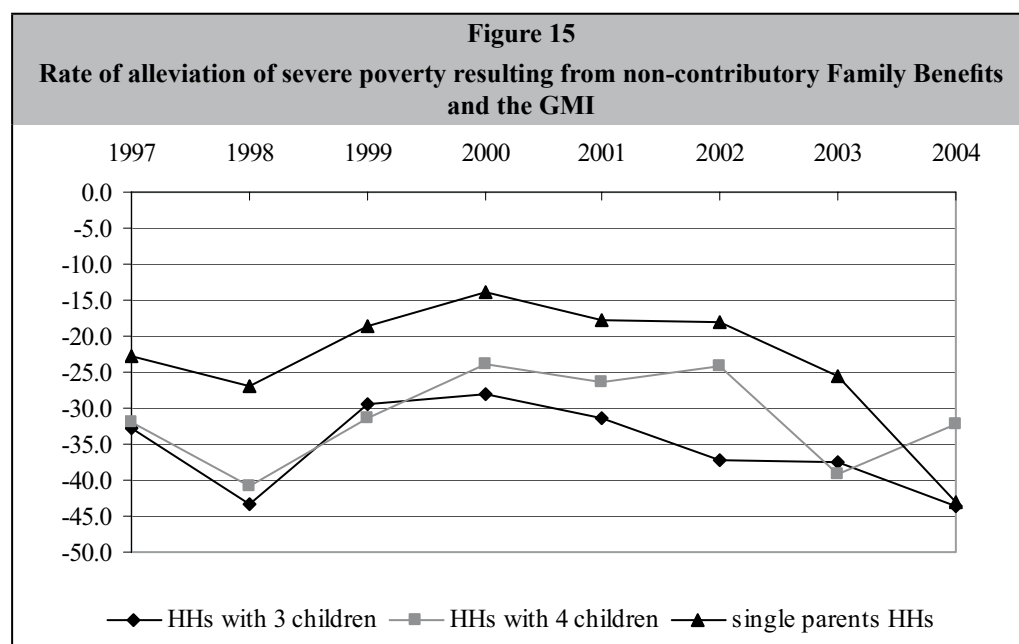


Source: CASPIS, based on the *Household Budget Surveys* (NIS), 1997 - 2004, unpublished data.

As shown in Figure 14, the coverage rate of non-contributory family benefits (excluding the social assistance benefit) tends to be high among families with three or four children and also, but to a lesser extent, among single-parent families.

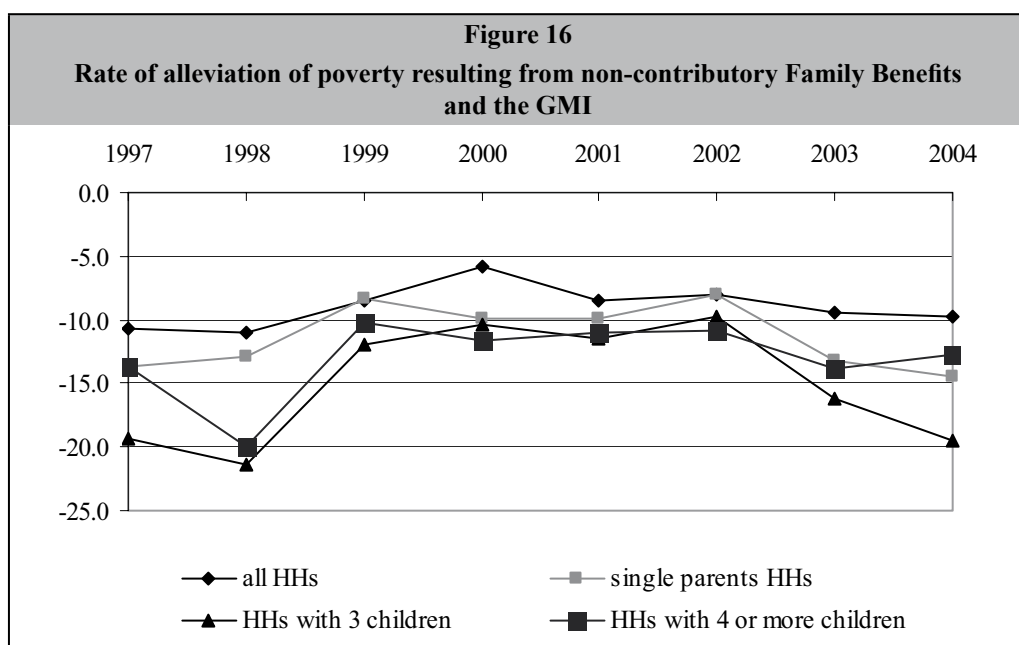
The existence of households with children under age 14 that do not receive any Family Benefit or Child Allowance could have several explanations: school abandonment, missing identity papers, self-exclusion, lack of interest, and/or lack of information on the part of potential beneficiaries. While the Child Allowance was restricted to those families with children in school in 1998, its coverage rates started to increase only after 2000, especially for those households with three or more children. This suggests a higher impact of the in-kind benefit Milk and Pastry Program upon school attendance.<sup>22</sup>

As shown in Figures 15 and 16, the greatest reduction resulting from both types of benefits (non-contributory Family Benefits and GMI) combined can be found among larger households.



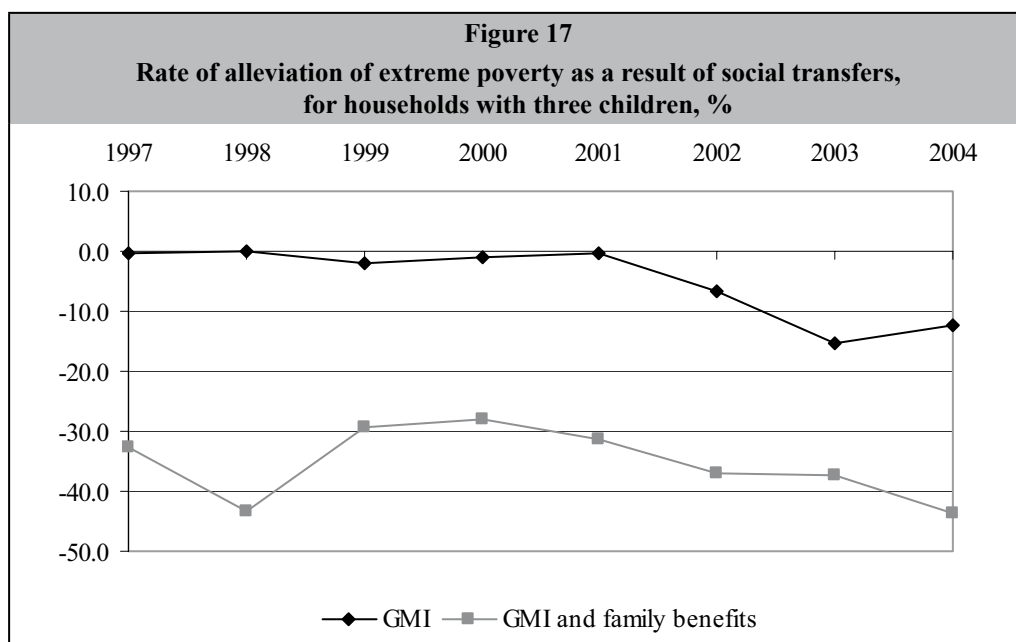
Source: Calculations by World Bank and CASPIS, based on the HBS (NIS), 1997-2004, unpublished data.

<sup>22</sup> The Milk and Pastry Program is a universal in-kind benefit for kindergarten and primary school children. It consists of a pastry and a glass of milk, provided daily.



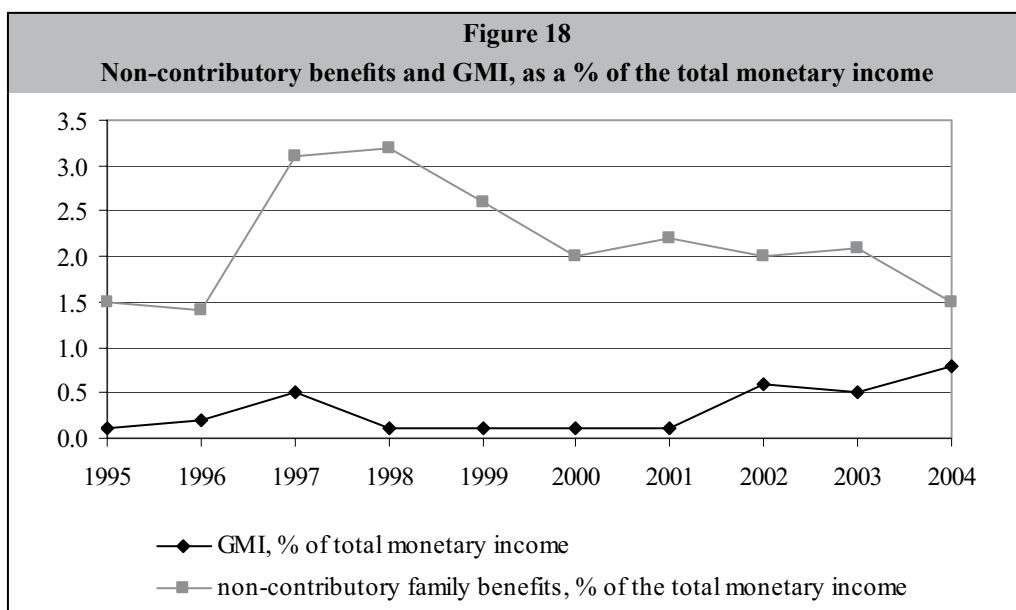
*Source:* Calculations by World Bank and CASPIS, based on the HBS (NIS), 1997-2004, unpublished data.

It is significant that non-contributory family benefits have proven more effective in reducing poverty than the GMI, as shown in Figure 17. While the rates of severe poverty reduction owing to the GMI have not exceeded the 15 percent mark, the non-contributory Family Benefits have actually reduced severe poverty somewhere between 22-43 percent over the period 2000-2004.



*Source:* WB and CASPIS calculations, based on the HBS (NIS), 1997 - 2004, unpublished data.

As shown in Figure 18, Family Benefits and social assistance (the GMI) together comprise only a small share of the total income of households. This share was highest in 1997, at 3.6 percent. Thereafter, it decreased until 2000, when a slight recovery is discernable. Nevertheless, in 2004, it dropped again, most likely due to the income-testing of Family Benefits.



*Source:* NIS, *Romania – Statistical Yearbooks*, 1996-2004, section 4.1.3 Population income: Total income of households, by deciles; Coordinates of living standards in Romania. Population income and expenditure. NIS, *Romania – Statistical Yearbook*, 2005, Table 11: Income and other financial resources, by HH size in 2004; authors' calculations.

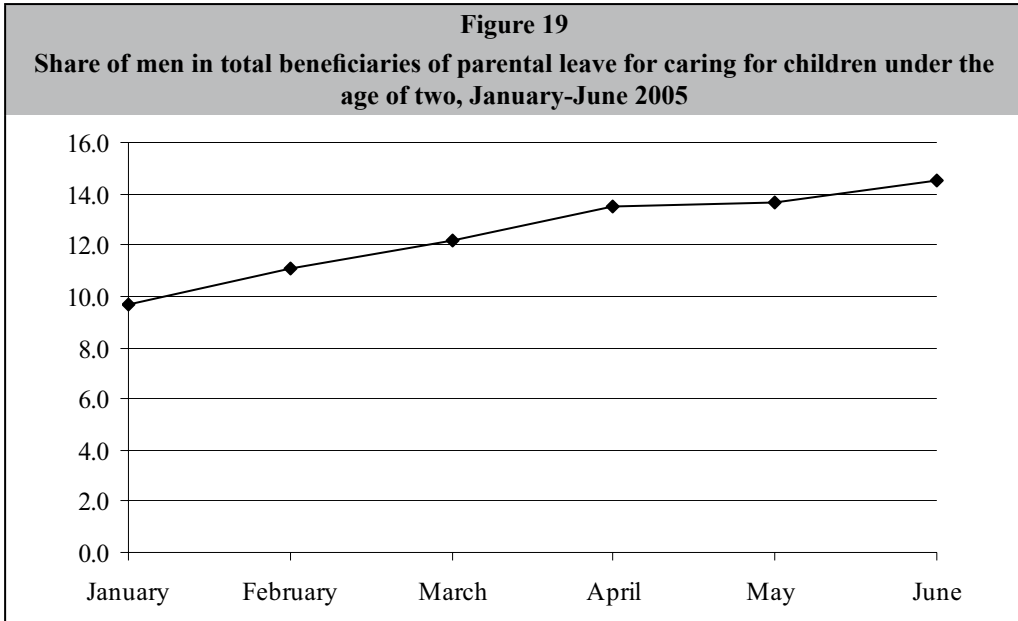
With Child and Family Allowances having at last become efficient tools for poverty alleviation, at least severe poverty, a question arises as to whether these benefits are creating work disincentives. Existing evidence suggests that they do not currently represent a sufficient financial incentive to induce people to quit working in large numbers. However, their current level probably maintains/encourages unemployment of persons with low skills, a limited or problematic work history, and a large family (ICCV, *Urban and Rural Poverty*, 2004). This appears to be especially true of the GMI.

As explained previously, until 2000, only mothers were eligible to take child care leave and consequently receive the Child Care Benefit for raising children through age two. Even after the law extended the right to both parents, men very rarely claimed insurance rights for raising children.

However, recent years brought an increase in the number of fathers receiving such benefits. In the first half of 2005, there was a 50 percent increase, although their percentage within the total number of parents (14.5 percent) is still relatively low. There is no research on the reasons for this but, based on our focus groups with poor fathers with children, it seems that fathers' decisions to take paternal leave have an economic rationality for the family: their earnings were



significantly lower than the average national wage (the level of the benefit) and lower than the wage of the wife (mother). Since the role of grandmothers in raising children in Romania is still significant, we speculate that these benefits could also be resulting in fathers working on the black market or even abroad to earn extra money.



Source: NHPSIR, unpublished data.

We do not find evidence that changes in child and family benefits have had a significant impact on the sharing of domestic tasks. Research carried out in 2005 on roles within Romanian households shows that a majority of the domestic tasks tends to fall on a single person, almost always a woman, while small repair work and utility maintenance are usually the male's preserve.<sup>23</sup> Thus, role segregation is still a strong feature of Romanian family life. Further still, the jobs given to children reinforce this type of gender-differentiated education. Even for young couples with a more egalitarian distribution of domestic tasks, it seems that the moment children appear in the household, men cease to share general housework and the traditional gender segregation reasserts itself.

According to one prominent study, decisions concerning the time to have a child are democratically taken by the majority of couples regardless of age, education, type of residence, or economic situation.<sup>24</sup>

<sup>23</sup> Berevoiescu, I. and M. Stănculescu (2004), section 6.1.

<sup>24</sup> Berevoiescu, I. and M. Stănculescu (2004), section 6.1.

A stereotype held by many employees in many local administrations is that Roma families have children in order to obtain benefits, regardless of minimum income security. The logic is that, in many poor families, the only monetary income comes from family allowances; hence, the more children the household has, the more money it obtains. However, existing qualitative surveys provide little support for this stereotype.<sup>25</sup> In the cases we examined, it seems that other factors are much more significant, i.e., the availability of services that enable families to care for a child, maternity and child care leave, and other in-kind benefits. Significant reductions in the costs of educational and health services for children, especially the elimination of informal charges (so-called gratitude payments), were cited as priorities by our sample of families with children. Yet, the option of a significantly larger investment in child care facilities and services, coupled with a shortening of the child care leave, was not favoured by most mothers whom we interviewed. Their view was rather that children ought to spend at least one year of their lives with them.

Those men who participated in our focus groups expressed willingness to claim child care leave if this would bring more money to the family than the mother's doing so. The most common reasons offered by men for avoiding taking child care leave were their lack of experience on the one hand, while on the other, discrimination by employers. From their partners' perspective, the father role does not seem to be incompatible with a man's social status, yet this is not true for many employers. It was reported in our focus groups that small and medium sized enterprises that tend to "negotiate" – sometimes to the outer limits of legality – to keep their female employees after child care leave, utterly refuse to give those rights to a father who tries to claim them.

Recent public debates on the level of the Child Care Benefit have emphasized the lack of fairness of a flat rate benefit, especially towards women with higher incomes. The sentiment has frequently been expressed that women should be given the choice of receiving a social insurance benefit based on their higher contributions. Concerning individuals without any social insurance whatsoever, the general opinion of our focus groups was that they should also benefit from some form of Child Care Benefit, even if small. This perspective is quite consistent with newly passed law substantially modifying Child Care Benefit and Child Allowance.

The precise impact of the current level of benefits on fertility and birth rate is hard to ascertain. The birth rate has been in a freefall since the beginning of the

---

<sup>25</sup> These conclusions are supported by our focus groups, as previously described, as well as by interviews with poor families (of which many were Roma families) undertaken within the research project on Rural and Urban Poverty (ICCV, 2004).

1990s, and the total fertility rate has been constant since 1995, i.e. 1.3 children for every woman of reproductive age. This is below the ratio for most Western European countries but still above that in Central and East Europe.

### Proposals

- Non-contributory family benefits represent the most important instrument of (severe) poverty alleviation for households with three or more children and single parent households, even after the improvements in the GMI beginning in 2002. In addition, family benefits – i.e., Child and Family Allowances – enjoy overall popular support. Adjusting these benefits regularly for inflation is essential to increase their effectiveness in addressing poverty.
- Targeted family benefits and the GMI produce work disincentives for unemployed individuals with low qualifications. Thus, there is need for some real financial inducements to find work and stay on the job for those individuals who are at a high risk of social exclusion. For example, the wage they earn could be supplemented for a limited period by benefits such as those that existed before the creation of the GMI (i.e., benefits for the long-term unemployed, for single parents, etc.).
- Though only a lump sum, the Newborn Allowance was highly valued in our focus groups. As was suggested by these families, this benefit might be enhanced with certain in-kind supplements, such as milk, nappies, clothes, etc.
- While the families that we interviewed placed a high priority on affordable educational and health services for children, the possibility that an investment in services for children could be accompanied by a shortening in the child care leave was quite unpopular. A closer relationship between the Child Care Benefit and the parent's previous wages was supported by most of our 30 interviewees, including those with low incomes. Supporting parents who wish to return to work before the child's third birthday, as well as those who are not covered by the social insurance system, was considered equitable and useful. As described earlier, this is the approach taken by the newly adopted legislation on Child Care Benefits.
- To encourage earlier return to work by parents taking child care leave, it would be useful to:
  - diversify child care alternatives and benefits for parents of children under age three; and
  - reduce the real, out-of-pocket costs for crèches, kindergarten, schools, and medical care.

- To encourage greater involvement by fathers in the case of young children, it would be useful to establish a minimum two-month period of child care for both mothers and fathers, available on a use-or-lose basis, such as done in Sweden. This should be accompanied by a strong public awareness campaign.

### **3. Social services reform**

Social assistance services are the most vulnerable part of the entire social protection system in Romania. If social security cash benefits can be said to be reasonably effective – with broad coverage of the population, despite low benefit levels – the same thing cannot be said of social services. Here coverage, both geographically and by target groups, is severely restricted.

Following passage of the Social Assistance Law in 2001, the Government initiated a restructuring of the system of social services. This reform is still not complete, and the pace continues to be slow. Despite significant efforts in recent years, a coherent system of social assistance services has yet to emerge throughout Romania's approximately 3,000 municipalities. This is partly due to a severe shortage of qualified personnel (e.g., social workers, therapists) in villages, towns, and small cities.

One major part of this reform effort has been aimed at reducing Romania's heavy reliance on residential institutions to provide care for persons in need, such as abandoned children, persons with disabilities, and the elderly. However, community alternatives – e.g., day care centres and family placements – are still in short supply.

This section will focus on four social groups: (1) women at risk of abandoning their children, (2) the elderly, (3) persons with disabilities, and (4) victims of domestic violence. In analyzing the second and third groups, we will look at the problems of women and men collectively, with occasional gender comparisons. This is in part because of a shortage of statistical data disaggregated by gender, and partly because, in our experience, the needs of the elderly and persons with disabilities bear important similarities, whether they are male or female. We expect that, with improvements in social security record keeping over time, subsequent studies will be able to delineate gender differences in these two groups.

### 3.1. Women at risk of abandoning their children

Among all poor children, those who must live without either parent arguably face the worst conditions. Thus, there is a need for social services to assist those parents – overwhelmingly mothers – who are the sole care provider of children and who are at high risk of giving up this role.

A 2004 study of approximately 350 mothers who abandoned their children in health institutions identified the following characteristics as relevant to their decisions.<sup>26</sup>

**Table 4**  
**Characteristics of mothers who abandoned children in health institutions, 2004**

	Characteristic	Indicator, prevalence
1	Extreme poverty, lacking basic goods for the household	<ul style="list-style-type: none"> <li>• 76% had no TV (compared to only 2% of all Romanian households)</li> <li>• 80% had at most one of the following seven basic goods : TV set, refrigerator, washing machine, telephone, cleaner, gas stove, car</li> </ul>
2	No regular source of income	<ul style="list-style-type: none"> <li>• 15% had regular earnings and 10%, a pension</li> <li>• 34% received Minimum Guaranteed Income</li> <li>• 7% were street beggars</li> </ul>
3	Many children	<ul style="list-style-type: none"> <li>• 43% had more than four children</li> <li>• only for 28% was this the first abandoned child</li> </ul>
4	Youth	<ul style="list-style-type: none"> <li>• 99% were under 30 years old</li> <li>• 64% were 15-19 years old</li> </ul>
5	Illiteracy or low education	<ul style="list-style-type: none"> <li>• 42% had no education</li> <li>• only 30% had graduated from primary school</li> </ul>
6	Illness or disability	<ul style="list-style-type: none"> <li>• 20% were severely ill</li> <li>• 15% were disabled</li> </ul>
7	Ethnic minority status	<ul style="list-style-type: none"> <li>• 57% were Roma</li> </ul>
8	Poor quality residence/homelessness	<ul style="list-style-type: none"> <li>• only 11% lived in a block of flats</li> <li>• 45% lived in an improvised house/shelter</li> <li>• 1.4% were homeless</li> </ul>

<sup>26</sup> Elisabeta Stativă (coordinator), 2005, *Situatia abandonului copiilor in România* (Child abandonment situation in Romania), UNICEF, IOMC, MLSSF. The study, while useful and revealing, had some methodological limitations: (1) it was not representative geographically (only two counties and two sectors from Bucharest were included), and (2) a high proportion of mothers who abandoned children within that area and time period were not identified afterwards to be interviewed. However, the 350 mothers who were interviewed provided important insights into their problems and motivations.

Table 4 shows clearly that mothers who abandon their children tend to suffer from multiple problems, including severe poverty, illness, the financial demands of a large family, and a lack of education and experience (youth). Moreover, as also shown above, once a mother abandons a child, the chances of her abandoning another child are high. In order to prevent child abandonment as well as unwanted pregnancies, there is a need to identify excluded young women and provide them with intensive support.<sup>27</sup>

Two approaches should be emphasized. First, there is a need for more community day care centres, to provide mothers who are under great financial, medical, or other types of stress with a place to put their children in care for some hours each day. Such respite care can keep vulnerable families out of crisis situations that might result in their break-up. While the number of community day care centres has increased in recent years, most centres are located in large cities and developed communities. Thus, some of the women who are most at risk (principally those in rural areas) have the least access. There is an urgent need to expand community day care into smaller towns and rural areas.

Second, in those cases where the break-up of a household cannot be prevented, more resources should be devoted to keeping mothers and children together. This can be achieved in so-called maternal centres.<sup>28</sup> Though this is more expensive than foster care or institutional care of the child alone (see Table 5), it still offers the advantage of keeping the natural mother/child couple together, something that is highly beneficial to both. It would also be useful to explore other lower cost options for keeping mother and child together in public care.

---

<sup>27</sup> Part of this effort could involve creating a database to map the place of origin of these mothers and determine the extent of their geographic concentration. This would indicate the areas where more intensive support services could be offered.

<sup>28</sup> Maternal centers are residential care institutions providing short and medium term (usually not more than 6 months) accommodation and other basic services for mothers with children at risk (divorce, severe poverty, family violence, etc.).

**Table 5**  
**Monthly average costs of child care, per child, fourth quarter, 2004**

	ROL
Professional maternal assistants/ families (PMA)*	7,371,850
Public institutions	9,346,118
Day care centres	4,898,222
Maternal centres (both mother and child)	11,059,908

\* These are trained foster mothers/families. Mostly, they care for children under the age of two.

Source: National Authority for the Promotion of Children's Rights, [www.anpca.ro](http://www.anpca.ro), visited in September 2005.

### 3.2. The Elderly

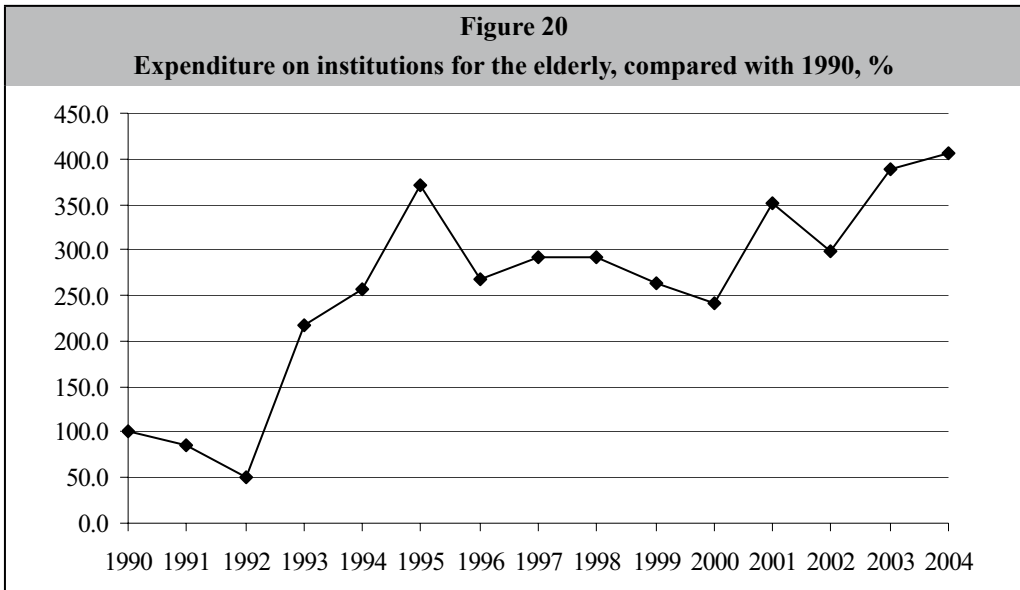
In Romania, elderly people face many difficulties, including very low incomes, restricted mobility, and high levels of social exclusion. While these problems are experienced by both women and men, they tend to be more serious for women as a group due to their lower average pensions (see section 4), their predominance in the elderly population (58.6 percent of those over age 65), and their higher concentrations in rural areas with fewer supports and services.

The failure to develop community based social services that would enable frail elderly people to remain in their homes is among the most serious errors made in the past 16 years. The severe lack of such services, together with steadily rising housing costs, has made social assistance institutions the only available option for many dependant and/or single elderly persons.

#### A. Social assistance institutions for elderly

The living conditions in these institutions are below any standard of decency – most often at the limits of human survival – and remain so despite the requirement that the residents contribute to their own maintenance costs. The problems of financing these institutions rest in part with the State's financial decentralization, which placed the institutions under the jurisdiction of local governments. In rural Romania, local budgets can hardly cover their own expenditures while providing a bare minimum of social and public services. Thus, the social assistance institutions have been chronically underfinanced and deprived of any investments in their infrastructure.

Yet reliance on these institutions to care for elderly persons continues to be high, and public spending on them has risen four-fold since 1991. See Figure 20.



Source: MLSSF, annual *Social Assistance Reports*, 1995-2005, Table B.2.

In 2000, the Romanian Government passed legislation aimed at promoting alternative living arrangements for the elderly in the community. Law No. 17/2000 on Social Assistance of Elderly Persons established the right to certain community-based social services, as well as placing obligations on local governments to provide these.<sup>29</sup> The required services must include home care, both temporary and long term; home visits for medical and socio-medical purposes; day care centres; social clubs; and social housing.<sup>30</sup> However, in reality, this law practically goes unnoticed because of heavy financial constraints on local budgets, due to decentralisation of many other social benefits and services. From 2001 onwards, several new statutes and regulations have placed increasing pressure on communities to organize and provide social services.<sup>31</sup> However, as will be shown, progress continues to be slow and limited.

<sup>29</sup> In that same year, it also passed Law No. 16/2000, which established the National Council of the Elderly Persons.

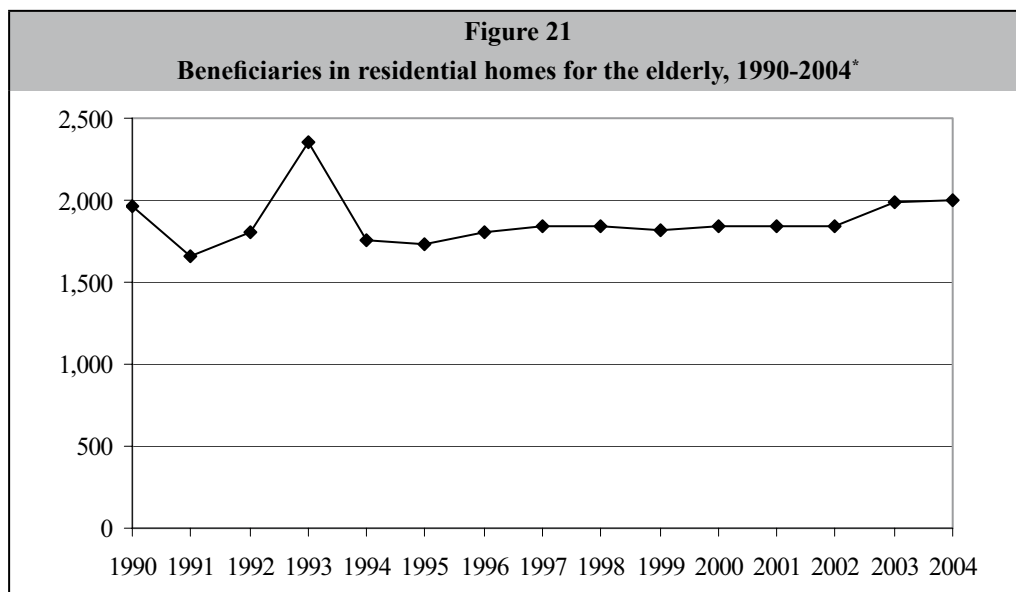
<sup>30</sup> In addition, as will be explained subsequently, elderly can also benefit from social canteen services for a small contribution, depending on their income.

<sup>31</sup> These include Law No. 705/2001 on the national system of social assistance, Law No. 116/2002 concerning the prevention of social exclusion, Government Decision No. 68/2003 concerning social services.



## B. Residential homes for the elderly

Compared to social assistance institutions, residential homes for the elderly require a contribution from the beneficiaries or their legal guardians. Today these homes meet only a tiny portion of elderly persons' needs for supported living arrangements. During 1994-2005, just 19-20 homes provided residence for 1,500-2,000 persons. Though the funds allocated to these homes rose in real terms in comparison to 1990, they never exceeded 0.01 percent of the GDP.



\* Monthly caseloads are averaged to arrive at annual figure.

Source: MLSSF, annual *Social Assistance Reports*, 1995-2005, Table B.2.

In addition to the publicly financed homes, some homes are sponsored and operated by NGOs. In 2002, there were 19 private homes (see Table 6), the same number as was financed by public revenues. However, the number of people assisted in private homes was only 800, or only about 40 percent of those in public residential homes, while the expenditure per capita for private homes was 1.5 times higher. As the private homes are decent but far from luxurious, this spending discrepancy is a telling indicator of the low standard of living in public homes.

**Table 6**  
**Residential homes for pensioners – NGO financed**

	1998	1999	2000	2001	2002
Number of homes	12	16	11	13	19
Capacity – number of places	404	461	341	506	767
Average number of residents/month	421	438	338	495	745

*Source:* MLSSF, annual *Social Assistance Reports*, 1998-2002, unpublished.

### C. Home care

These services expanded as a result of Law No. 17/2000 on Social Assistance of Elderly Persons, as described earlier.<sup>32</sup> During 2000-2003, local and state budget expenditure per capita on home care for the elderly increased nearly three fold, and the number of recipients rose by the same order of magnitude, from approximately 3,000 to 9,000. See Table 7. However, public financing fluctuated sharply, as can also be observed in Table 7; and during 2002-2004, most home care was financed by NGOs. Despite these increases in spending and coverage, home care services still reached less than 0.3 percent of the population over age 65.

**Table 7**  
**Numbers of elderly receiving home care, 2000-2004**

	2000	2001	2002	2003	2004
Average no. of beneficiaries/month, total, of which:	2,909	2,322	6,040	8,914	8,104
Local budget financing	974	980	2,088	2,968	1,756
State budget financing	463	696	797	1174	1,021
Subtotal, public financing	1,437	1,676	2,885	4,142	2,777
NGO financing	1,472	646	3,155	4772	5,327

*Source:* MLSSF, annual *Social Assistance Reports*, 2001-2005, Table C, unpublished.

<sup>32</sup> In addition, home care was encouraged by Law No. 34/1998, which deals with subsidies to NGOs.

## D. Social canteens

Elderly people are amongst the main beneficiaries of social assistance canteen services. These canteens provide hot meals for a small fee, depending on the monthly income of the person/family. However, the existence of canteens is spotty in urban areas (in 2004, they could be found in fewer than half of all cities); and there are virtually no canteens in rural areas.

\*

\*

\*

\*

In June 2005, the Romanian government approved the National Strategy for the Development of a Social Assistance System for the Elderly, focusing on 2005-2008. This document presents a forecast of an expanding elderly population, both in terms of absolute numbers and as a portion of the population. See Table 8.

**Table 8**  
**Forecasts of the percentage rise of the elderly population in Romania**

	Elderly population (65-79)	Senior elderly population (80 +)
2005-2010	+ 3.4%	+17.1%
2010-2030	+ 37.4%	+ 57.1%
2030-2050	+ 1.5%	+ 52.4%

*Source:* Romanian Government, *National Strategy for the Development of a Social Assistance System for the Elderly for 2005-2008*, 2005, page 2.

As the number of elderly persons increases, existing cash transfers alone cannot be expected to cover their health and other needs, especially if the inexorable rise in the price of utilities is taken into account. Moreover, it is unrealistic to expect that inadequacies in social assistance and health services for the elderly can be wholly compensated for by individual provision or new private services. A stronger role for the community in ensuring these services is essential. Thus, the National Strategy suggests approaches to cope with these increases, resting on the United Nations principles of fostering independence, social participation, personal care, individual fulfilment and human dignity. The strategy involves creating a “society for all ages”, respecting human rights, ensuring the fundamental liberties of the elderly, and promoting a healthy, active, safe and decent life. It argues that in the long run, this approach will serve to help the elderly

obtain access to housing, minimum income, health services, integrated domestic services, and full participation to the community's life and long-life education. It can only be hoped that this strategy will provide new momentum to address the elderly population's enormous unmet needs for community-based social services.

### **3.3. Persons with disabilities**

In Romania, disability is strongly associated with poverty, as was shown in section two. Poverty rates for the group of households with at least one disabled person are 50-60 percent higher than the overall poverty rate.<sup>33</sup> With regard to severe poverty, the rate is 1.8 times higher for households with a disabled member than for the general population. These statistics reflect both the cost of disability and the great unmet need for services by this group.

Traditionally, services for persons with disabilities were provided by network of social assistance institutions that was partially or wholly supported financially by the State. The chances for a person with a disability to lead an autonomous life outside one of these institutions were practically nonexistent. Yet the institutions were unable to offer any therapeutic or rehabilitation services whatsoever, due to chronic and severe financing deficits. Thus, life in institutional care meant nothing more than survival. The location of these institutions in the countryside made them unlikely to attract specialized personnel, even if they had provided an adequate financial compensation package.<sup>34</sup>

Beginning in 1993, the Romanian Government adopted a series of measures aimed at diversifying services for disabled adults and children and at making these services available in community settings. These measures included:

---

<sup>33</sup> CASPIS, based on the Household Budget Survey, NIS, unpublished data.

<sup>34</sup> Several efforts to improve funding to these institutions were initiated but have had little impact. In 1992, the Risk and Accident Fund was created, funded by a one percent employer contribution deducted from the Wage Fund. The revenues were allocated exclusively for the social protection of disabled people, but they did not change the quality of services offered significantly. In 1999, the financing of these institutions was decentralized, further decreasing the chances to recruit specialized personnel, such as medical staff, speech therapists, etc. In 2000/2001, the National Fund for Social Solidarity exceeded the total expenditure for the social protection of disabled, but this too did not improve the quality of life of institutionalized disabled persons, due to the relatively low capacity to allocate and manage funds, as well as a complicated financial flow system.

*Prevention of institutionalization /deinstitutionalization:*

- Establishing day care centres for recuperation and therapy;
- Regulating employment conditions for persons with disabilities; extending to persons with severe disabilities the right to a personal assistant (Government Decision 427/2001, amended by GD 463/2005); and placing issues affecting the disabled under the direct jurisdiction of the City Councils and their employees;
- Supporting sheltered production units in enterprises operating in the open labour market in order to increase the integration of persons with disabilities into mainstream society; and
- Setting adequate standards to ensure disabled persons' access to all types of public buildings and urban infrastructure.

*Restructuring social assistance institutions for disabled persons:*

- Diversifying/re-defining the purposes of these institutions in order to better address specific needs of various kinds of disabilities (Emergency Government Ordinance No. 102/1999, as subsequently altered and then codified by Law No. 519/2002);
- Establishing minimum quality standards for residential institutions, day care centres, and protected housing developments (Order no. 205/2005); and
- Establishing standards for the competencies of personnel working in these institutions.

Following the passage of the first of these laws in 1993, the number of persons classified as disabled increased three fold compared to the previous year, rising from about 75,000 to about 225,000 persons. This was due to the legislative and institutional changes in the way disability was defined and assessed, as well as in the way that data were gathered. By 1996, the number had almost doubled compared to the 1993 level, reaching a yearly average of 463,000 persons. As of 30 June 2006, there were nearly half a million persons officially classified as disabled in Romania (446,144).

Since 1995, the percentage of institutionalized disabled persons has fluctuated at around five percent of the total number of persons with disabilities. The number of adults in institutions has risen and then fallen but is still above the 1992 level: 15,044 in 1992, rising to 19,219 in 2003, and then decreasing to 17,815 in 2005.<sup>35</sup> As these numbers demonstrate, no success has been achieved so far in reducing the numbers of institutionalized persons with disabilities, neither women nor men, despite these efforts.

---

<sup>35</sup> National Agency for Persons with Handicaps, [www.anph.ro/statistici/iunie](http://www.anph.ro/statistici/iunie), visited on 15 September 2005.

**Table 9**  
**Gender composition of disabled population, by living arrangement**

	2002	2003	2004	2005
Total of persons with disabilities, of which:	100	100	100	100
women %	53.19	51.56	52.88	53.58
men %	46.81	48.44	47.12	46.42
Persons with disabilities living outside institutions, of which:	100	100	100	100
women %	53.3	51.6	52.99	53.73
men %	46.7	48.4	47.01	46.27
Persons with disabilities living in institutions, of which:	100	100	100	100
women %	50.88	50.76	50.64	50.12
men %	49.12	49.24	49.36	49.88

*Source:* National Agency for Persons with Handicaps, [www.anph.ro/statistici/iunie](http://www.anph.ro/statistici/iunie), visited on 15 September 2005.

It is noteworthy that over half (53.58 percent) of the roughly half million persons with disabilities is female, while the portion of disabled women in institutions is slightly lower, 50.12 percent.<sup>36</sup> Among women with disabilities living outside institutions, the largest group is 45 years old or above. Of women who are living in institutions, the largest age groups are below 30 and above 70.

So far, the efforts commenced in 1993 to diversity services have produced only limited results. While some of the old social assistance centres for the disabled (where clients were undifferentiated by age or disability type) have been transformed into centres for recuperation and rehabilitation, non-residential therapy and rehabilitation are still in their infancy in Romania. In 2005, the number of persons in institutions for integration through occupational therapy represented just 8.7 percent of all institutionalized persons.<sup>37</sup> At the same time, home support services reached less than 10 percent of the total number of non-institutionalized persons. See Table 10. Day care centres for disabled adults living with their own families benefited just 312 persons.

<sup>36</sup> National Agency for Persons with Handicaps, [www.anph.ro/statistici/iunie](http://www.anph.ro/statistici/iunie), visited on 15 September 2005.

<sup>37</sup> National Agency for Persons with Handicaps, [www.anph.ro/statistici/iunie](http://www.anph.ro/statistici/iunie), visited on 15 September 2005.

**Table 10**  
**Home support services for persons with disabilities – number of beneficiaries**  
**by financing source**

	2000	2001	2002	2003
	1,206	4,892	4,343	2,597
Local budget financing	132	2,896	2,880	1,211
State budget financing	919	1,914	464	1,287
Subtotal, public financing	1,051	4,810	3,344	2,498
NGO financing	155	82	999	99

Source: MLSSF, annual *Social Assistance Reports*, 2001-2004, Table C, unpublished.

At present, personal assistance for severely disabled persons is provided by town hall employees. This is the only type of service for persons with disabilities available in most rural areas. In 2005, about 155,800 persons with severe disabilities received the services of a personal assistant.<sup>38</sup> Because of the very low remuneration levels offered by town halls, a majority of the assistants are family members. Balancing the need to ensure at least a minimum quality standard in the services provided with the need to limit wage costs has been a real challenge in these past years.

**Table 11**  
**Number of severely disabled non-institutionalized persons**

	2002	2003	2004	31/06/05
Total	146,516	142,867	152,855	155,804
Children	26,338	26,285	27,431	27,759
Adults	120,178	116,582	125,424	128,045

Source: National Agency for Persons with Handicaps, [www.anph.ro/statistici/iunie](http://www.anph.ro/statistici/iunie), visited on 15 September 2005.

In recent years, new concerns have arisen about maternity protection of disabled women at work. Until recently, disabled mothers received no special privileges compared to other mothers. Governmental Emergency Ordinance No. 96/2003 provided them with pre-natal leave beginning from the sixth month of pregnancy.

<sup>38</sup> National Agency for Persons with Handicaps, [www.anph.ro/statistici/iunie](http://www.anph.ro/statistici/iunie), visited on 15 September 2005.

In 2004, the total expenditure for services and social security/welfare benefits for disabled persons was just 0.28 percent of GDP (excluding the wages of personal assistants, which are paid from local government budget, directly allocated from the state budget).<sup>39</sup> Aggregate public expenditure on residential homes for the elderly, home care services (including home care for children and the disabled), and social canteens (including, but not exclusively for the elderly) rose between 2000-2003 by 30 percent in real terms. Yet even this considerable increase never caused spending to exceed 0.04 percent of GDP.

While these figures go beyond the disabled population, they leave little doubt that previous commitments to improve community-based services for the disabled have had very limited impact. However, several recent government commitments hold some promise for better results in the future. First, in 2005, the National Agency for Persons with Handicaps (NAPH), under the auspices of the Ministry of Labour, Social Solidarity and Family (MLSSF), drafted a National Strategy for the Protection, Integration, and Social Inclusion of Handicapped Persons for 2006-2013, entitled “Equal Chances for Handicapped Persons – Towards a Discrimination-Free Society”. This Strategy renounces passive income support and residential care for persons with disabilities in favour of measures to assist them in reaching their full potential for independence and self-sufficiency – especially a higher coverage rate of education and training for the disabled. Second, Romanian Government’s partnership strategy with the World Bank, drafted at the beginning of 2005, includes objectives concerning education, health, and financial self-sufficiency of vulnerable groups – in both the elderly and persons with disabilities. These same objectives, relating to the social inclusion of both the elderly and disabled, are also part of the Joined Inclusion Memorandum, which was signed in June 2005 by the Romanian Government and the European Commission.<sup>40</sup>

It is hoped that these visible Government commitments to more active policy measures will finally force a retreat from residential-type social assistance, while at the same time increasing the involvement of the non-governmental sector in providing complementary/alternative services that enable people with disabilities to reach their full potential in their own homes and communities.

---

<sup>39</sup> National Agency for Persons with Handicaps, [www.anph.ro/statistici/iunie](http://www.anph.ro/statistici/iunie), visited on 15 September 2005.

<sup>40</sup> This document was based on the Anti-Poverty and Social Inclusion National Action Plan, drafted by CASPIS in 2002, and on the first version of the Joined Inclusion Memorandum, drafted in 2002.



### 3.4. Victims of domestic violence

Domestic violence became a public policy issue in Romania only after 1996, when the first Pilot Centre for the Assistance and Protection of the Victims of Domestic Violence was established.<sup>41</sup> Set up only as a pilot centre, this was the single State-run Centre that offered support for the victims of domestic violence until 2003. All other services to victims of domestic violence – the majority of whom (99 percent) are women – during this period were provided by non-governmental organizations.

Upon intense pressure from the civil society, the Parliament finally passed a Law on Preventing and Combating Domestic Violence. Law No. 217/2003 established a legal framework for dealing with many aspects of domestic violence, and it established a new government agency with this mandate, the National Agency for the Protection of the Family (NAPF). It is subordinated to the Ministry of Labour, Social Solidarity, and Family. In 2004, the NAPF mapped out the entire network of institutions that were actively engaged in preventing and combating domestic violence nationwide.<sup>42</sup> It found a total of 60 units/institutions working in this general area, of which nine were financed from public budgets, 17 were operated as public-private-partnerships, and 34 were non-governmental organizations.

Nationwide, there are some 25 shelters with a total capacity of 217 places (four public shelters, 13 public-private partnership shelters, and eight shelters financed from private funds). Given the size of the country, these numbers are clearly insufficient. It is estimated that, by the end of 2005, an additional seven shelters will have commenced operation.

The NAPF reported that for 2004, there were 8,799 known cases of domestic violence. Of these, only 28 were *directly* reported to the Agency, the rest being compiled from data provided by the Police County Inspectorates, Public Health Offices, NGOs, Pilot Centres, etc. During the first and second trimesters of 2005, an equal number of cases of domestic violence, 3,621, were registered. There can be no doubt that these numbers are only the tip of the iceberg and that many more cases of domestic violence, probably the vast majority, continue to go unreported. An additional obstacle to obtaining reliable statistics is that NAPF has not yet provided a standardized format for registering incidents.

---

<sup>41</sup> Government Decision (Hotărârea de Guvern) No. 852, effective from September 1996.

<sup>42</sup> This mapping is laid out in the Romanian Government's report in implementation of the Beijing Declaration and Platform for Action, which was adopted by the Fourth World Conference on Women, in September 1995.

In 2003, the Centre for Partnership for Equality carried out a comprehensive study of domestic violence and violence in the workplace.<sup>43</sup> The study examined five types of family violence (psychological, physical, social, economic and sexual violence) and described 18 forms of violence that constituted a “frequent occurrence”. The results were startling: they showed that, during July 2002 - July 2003 (the last 12 months before the study), some form of domestic violence occurred in an average of 14.3 percent of all households.

Hence, in Romania, during 2003, approximately 800,000 women were subjected to family violence in different shapes and forms; and more than 340,000 children (0-14) witnessed scenes of physical violence between the two parents. In this same year, 4.7 percent of Romania’s adult population declared knowledge of one acquaintance who, during the previous two years, was subjected to sexual harassment. In 90 percent of cases, the victims were women.

In sum, domestic violence is a problem whose full dimensions are just beginning to come to light in Romania. Though statistical evidence is limited, it leaves no doubt that services to assist the victims are inadequate. But further social changes will be required to create an environment in which all but the most endangered women can feel free to come forward to accept services. Thus, in this area, there is a major need for public consciousness raising as well as expanded service provision.

---

<sup>43</sup> Centrul Parteneriat pentru Egalitate, *Cercetare națională privind violența în familie și la locul de muncă* (National Research on Family and Workplace Violence), Romania 2003, Bucharest, CPE, 2003.

## Conclusions

Delaying the development of community-based social services was one of the major strategic errors made in reforming the social security system in post-communist Romania. Unheard of during the communist regime, social work was also largely ignored in the early 1990s when the new social assistance system was devised. It is only during the last few years that legislators have begun to support the development of social services and to cooperate with social workers and NGOs in achieving this.

Beginning in 1999, a legislative and institutional framework began to take shape, enabling the development and diversification of social assistance services at the community level. The passage of the Social Assistance Law in 2001 was an important landmark. As shown, however, the system for social assistance services is still the weakest link in the entire social security system, with plenty of gaps in terms of the territorial and numerical coverage of the target population. The system is still unable to compensate for the negative effects of the transition on the most disadvantaged segments of the population, such as children, mothers at risk, elderly persons, disabled, and victims of domestic violence. Social and medical care services remain concentrated around large cities, and even there they fail to address many basic needs.

The Government's strategic plans in the social area tend to support self-help measures for the vulnerable groups in society, such as the disabled, and to a smaller degree, the so-called "young pensioners". This approach is to be applauded. However, the development of community-based social services is an absolutely essential prerequisite for the success of such self-help programs.

## Recommendations

- *Place stronger reliance on socially beneficial and financially efficient placements of children who cannot live with their natural parents, or stay with them full time. The options include day care centres for children with working parent(s) who, with this support option, could care for them at home, and maternal assistants, who care for the child within a family-like environment. Even maternal care centres are preferable to institutionalizing a child without the mother, and the extra cost is very small compared to the benefit of keeping the mother and child together.*
- *Develop new services that are structured as social enterprises, so that members of vulnerable groups are given new tasks (with specialized support and under the supervision of local authorities) that provide effective solutions to*

community needs and problems while at the same time increasing their own autonomy and developing job skills. Possible approaches include:

- Intergenerational and intercommunity bridges:
  - \* “Grandparents’ house” to support abandoned children and victims of family violence (women and women with children) in aged rural communities. Small rents would be paid to the elderly as part of the project, which could in turn give roles to abandoned teenagers and victims of family violence in helping “landladies” with housework.
  - \* Small community centres to support the elderly, abandoned children, and mothers with children, to be developed by NGOs in partnership with local authorities. The staff of each project might consist of community social workers and a medical doctor (not available in many rural communities) that would provide care for both the elderly and the children. The community centres would also provide support/activities such as sports, toys, games, and books, other cultural and leisure activities, and training and health services.
- Victims of abuse of various forms, working together with specialists, could help to raise awareness of the damaging consequence of domestic violence in school age children and youth (e.g., through movies and movie-making).
- Activities such as bio-organic vegetable gardens could be undertaken by disabled persons, with help from local authorities to promote and sell services/ products.

To obtain resources to carry out such projects, it may be possible to tap discretionary funds at the central, county, and local government levels. However, it will also necessary to increase the capacities of service providers to manage and make use of the funds. For this it would be useful to adopt a unitary system of monitoring and assessment indicators for every type of available service.

## 4. Pensions

**Introduction** – The Romanian pension system, like those of other Central European countries, is shaped by several legacies of the past period of communism. These include:

- The requirement that everyone work – This produced high national employment rates, including high rates of labour force participation among women. As a result, older workers have rather full earnings records for past periods

on which to qualify for pensions; and the pension system has heavy financial obligations from the past.

- A relatively flat wage structure – This contributes to homogeneous pension payments based on years worked under communism.
- A preferential retirement age for women (five years earlier than that for men) – This differential continues in existence today in Romania.

In addition, changes that occurred in the transition years shaped the pension system in ways that are broadly similar to pension trends in other CEE countries:

- Romania adopted an earnings related benefit formula in 2000 (implemented in 2001), which relates each worker's pension benefit level much more closely to his or her lifetime earnings.
- A significant difference in the average wages of men and women as groups (i.e., a gender pay gap) produces unequal pension benefits for women and men, despite the gender neutrality of most pension scheme rules and even the existence of some compensatory rules that give women an advantage.
- The Government has created special pension systems for several groups with high salaries (i.e., the defence and intelligence services and lawyers) that overwhelmingly benefit men, while women are disproportionately represented among farmer pensioners, whose benefits are meager.

Alongside these similarities, the Romanian system also has two noteworthy features that are not so common in other countries:

- While the new EU member countries introduced or encouraged private pensions in early 1990s, the Romanian system continues to be based almost exclusively on the public scheme (the so-called first tier). The introduction of mandatory individual savings accounts has been delayed repeatedly, largely due to controversy about financing this by diverting contribution revenues from the public system, where benefits are low and financing is strained already. Voluntary private pensions have also failed to gain popularity as hoped. This is because the low wages in Romania provide little latitude for additional savings and because weak governance has created an uncertain business climate for private providers. It is now planned that mandatory individual savings accounts will be introduced on 1 January 2008, financed by a diversion of contribution revenues from the public pension system.
- The administration of the pension system has been heavily politicized. This has resulted in policy incoherence over time, with many stops, starts, and mid-course changes of reform directions. Another consequence was the

extension of coverage to elderly people from the agricultural sector (former workers in co-operative or state farms), who had never contributed to the pension fund or other insurance funds.<sup>44</sup>

#### **4.1. An overview of pension reform**

Romania first enacted a national pension law in 1912, making it one of the first European countries to take this historic step. By 1933, an integrated pension system covered the entire population. This system was taken over by the communists after 1945. They quickly incorporated its financing in the State Budget, causing it to lose independence and fiscal integrity. Pension policy decisions became purely political. The most significant change during the communist era was introduced in 1977 through a Pensions Law. Its major provisions were three-fold:

- The contribution period required for entitlement to a full pension was increased by five years, to 30 years for men and 25 years for women.
- A pension was introduced for members of collective farms and some other farm workers.
- Separate insurance systems/funds were set up for lawyers, artists, church workers (priests, nuns, etc.), the military, secret services, and the police force.

The main features of the pension system after the 1977 reform are presented in Table 12, first column.

---

<sup>44</sup> The pension coverage of farmers has fluctuated significantly since 1989. Their coverage was mandatory under a special pension fund until 1992, with benefits financed by state subsidies and a tax on agricultural produce. Participation in this fund was made voluntary in 1992. In 2000, the farmers' fund was abolished and they were mandatorily covered by the main pension scheme. However, this mandatory coverage was repealed soon thereafter due to the government's inability to enforce the contribution requirement on large numbers of farmers who declined to register. See Toma, "Collection of Pension Contributions in Romania," in Fultz and Stanovnik (2004), section 3.

**Table 12**  
**Pension parameters before and after the 2000 reform**

	Prior to 1 April 2001 (1977 - 2000)	After 1 April 2001 (implementation of Law No. 19/2000)
1. Statutory retirement age (full pension is received).	<ul style="list-style-type: none"> <li>• 62 for men and</li> <li>• 57 for women</li> </ul>	<p>Gradually rising by 3 months/year until 2014, when it will reach:</p> <ul style="list-style-type: none"> <li>• 65 for men</li> <li>• 60 for women</li> </ul>
2. Contribution period for entitlement to a full pension.	<ul style="list-style-type: none"> <li>• Minimum 30 years for men and</li> <li>• Minimum 25 years for women</li> </ul>	<ul style="list-style-type: none"> <li>• Rises by six months per year until 2014, when it will reach:</li> <li>• 35 years for men and</li> <li>• 30 years for women.</li> </ul>
3. Early retirement age (before statutory age) with full contribution period	<ul style="list-style-type: none"> <li>• 60 years for men and</li> <li>• 55 years for women;</li> </ul> <p>The pension was reduced by 0.3% per month of early retirement, or 3.6 percent per year.*</p>	<p>Early retirement pension without any penalties is allowed 5 years before statutory retirement age if contributions were paid for at least an extra 10-year period beyond the full contribution period.</p> <p>A partial early retirement pension is awarded five years before reaching the statutory retirement age to those who have exceeded the full contribution period by up to ten years. (For more than ten years, there is no benefit reduction, see above.)</p>
4. Special conditions for reducing the age of retirement	<p>For the Working Groups I and II, respectively (i.e., the mining industry and construction work) reduction in the age of retirement.</p> <p>For women whose length of service was more than 25 years and who had more than three children and were required to stop working to care for them, 1 to 3 years before early retirement age, depending on the number of children.</p>	<p>People working under special or hard conditions can receive an early retirement pension when they complete the required qualifying period and reach the standard retirement age, reduced in proportion to the number of years of difficult work.</p> <p>Women who have satisfied their complete contribution period and have given birth to at least three children and raised them to age 10 have their retirement age reduced (one year for three children, two years for four or more children). The reduction cannot be combined with another reduction and cannot cause the retirement age to drop below 55.</p>
5. Period of work counted in the pension formula	Best five years of the last 10 worked.	Full career, with benefits based on a pension point system.

\* Law No. 2/1995 extended the period during which early retirement applies from two to five years.

During the communist period, early retirement was used extensively to absorb excess employment in state enterprises that were in need of restructuring.

As shown in Table 12, pensions were based on contributions paid in the best five years of the last 10 years worked by the insured person.<sup>45</sup> This rule allowed some people to manipulate the system by paying in very large contributions at the end of their careers, while severely penalizing workers whose earnings dropped in the years before retirement. This was a particular problem during the transitional shocks of the 1990s.<sup>46</sup> Nevertheless the main statutory provisions of the 1977 law were preserved until 2000.

Political interference continued after 1989, and the State Social Insurance Fund, placed under the Ministry of Labour and Social Protection, lacked independence. The most blatant interference occurred in the early 1990s, when the pension fund balance was used by the Government for other purposes. The “borrowed” funds were subsequently repaid, but with negative interest due to severe inflation. Meanwhile, weak enforcement of the contribution requirement (only around 80 percent of owed contributions were actually collected) further weakened pension financing, as did the Government practice of writing off the contribution debts of large public enterprises that were closely associated with the state.

During the early 1990s, a significant number of early retirements was approved via successive Government Ordinances, expanding the number of pension beneficiaries. In this way, the pension system was again misused to absorb excess unemployment, a problem that should have been dealt with by other branches of the social security system (i.e. unemployment insurance). The increase in the number of pensioners from a total of 3.5 million in 1990 to 6.21 million by 2002 is one of the most severe consequences of the Romanian period of transition. See Figure 22.

As shown, the rise in the number of pensioners ground to a halt in 2002. Hence, during the past three years, the total number of pensioners has declined overall, particularly due to reductions in the agricultural sector and survivor categories. Farmer pensioners have been transferred to the State Budget, and survivors’ pensions are declining due to lower birth rates. As a result, the ratio between pensioners and employees has improved to about 1:1.

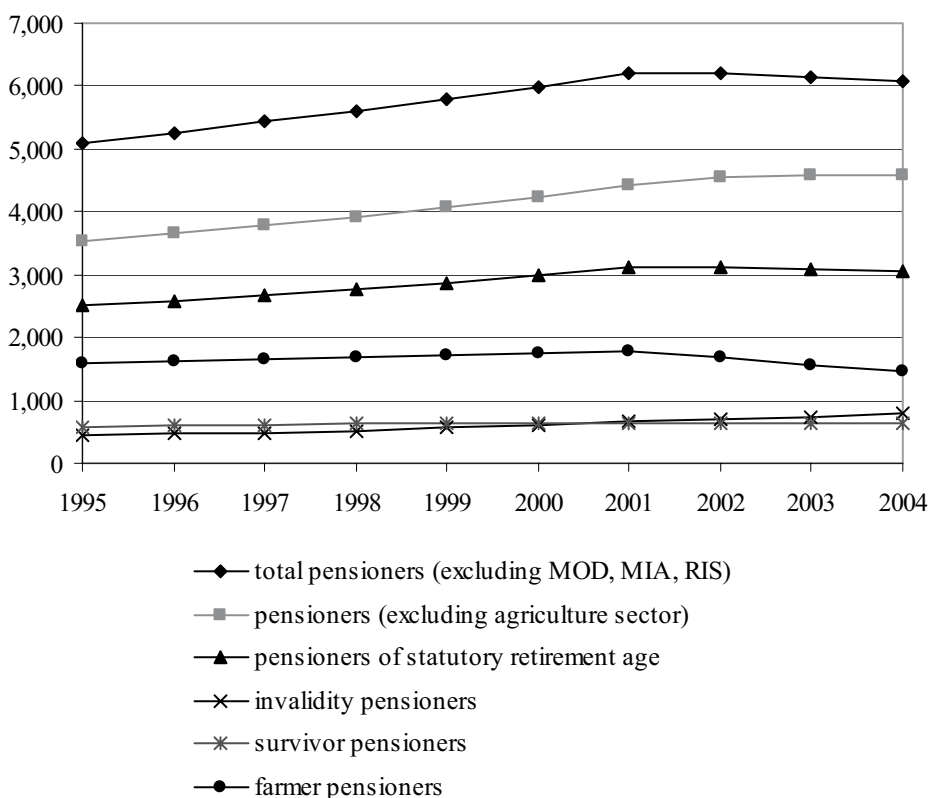
---

<sup>45</sup> A similar procedure was used in Hungary. See Lukacs and Frey in Fultz, Ruck and Steinhilber, eds. (2003), p.77.

<sup>46</sup> Due to the gender pay gap, women were overrepresented in the group of those with low pensions.



**Figure 22**  
**Number of pensioners, 1995-2004**



Source: National House of Pensions and Other Social Insurance Rights, unpublished data.

During 1990-2001, farmers, who had paid very low contributions, benefited from a special Farmers' Fund. While their benefits were originally financed by a combination of state subsidies and a tax on agricultural products, the number of pensioners increased sharply – to about 1.7 millions in 2000-2001. This situation required subsidies from the NHPSIR, indirectly reducing non-farmer pensioners' benefits.

Finally, after extended deliberations, a new Pensions Law (Law no. 19/2000) came into effect on 1 April 2001. The most important changes are presented in Table 12.

The new pension formula is based on a point system. Points are calculated according to the ratio of an individual's wage to the national average wage in a particular year. A person who has worked exactly the number of years in the Complete Contribution Period (30 years for men, 25 years for women), receives

the average wage each year, and retires at the statutory age receives one pension point. At retirement, the sum of annual points is divided by the 30 years for men and 25 for women, and the result is adjusted for specific situations (early or late retirement, survivorship, etc.). The final number of pension points is then multiplied by the value of the pension point that is officially announced annually. The resulting pension is then adjusted for inflation annually. The pension formula is presented in Box 1.

As shown below, the value of a pension is based on the sum of contributions paid by a worker during his/her career, relative to those paid by other workers. Two main elements influence this sum: the number of years worked and the value of that person's earnings relative to those of other workers for each work year.

Obviously, the length of the contribution period is strongly influenced by the retirement age. Yet while the statutory age is increasing as a result of the 2000 reform, the average actual retirement age has been declining. According to the National House of Pensions, the actual average retirement age was approximately 53.3 years in 2004; and the average difference between men and women groups was one year. Data for invalidity pensioners show average retirement ages of 50 for men and 48 for women. For total number of pensioners, the average age was about 54 years, or a full five years earlier than the statutory retirement age.<sup>47</sup> This pattern of very early exit from the work force is one of the major sources of pressure on public pension financing in Romania.

Currently, all the pensions calculated before 2001 are being recalculated based on the new formula, with the declared objective of boosting pensions that were undervalued due to the use of the old formula, but without diminishing anyone's benefit.

In 2005, the new Government adopted a policy of "cleansing" the public pension system of the non-contributory benefits, such benefits for parental leave to care for a child under age two. The Government supported the National House of Pensions and other Social Insurance Rights (NHPSIR) in shifting responsibility for such benefits to other government agencies. This restructuring also involved transferring the financing of farmer pensions (a sort of social pension that is extremely low, as it is not based on any prior contributions) to the State Budget.

---

<sup>47</sup> Moreover, many early retirement pensioners had relatively short periods of contribution: 1.67 million (40 percent of the total number of pensioners) had incomplete contribution periods in August 2005 ([www.cnpas.org/portal/media-type/html](http://www.cnpas.org/portal/media-type/html), visited on 12 September 2005).

**Box 1****Pension benefit formula, Law No. 19/2000**

The Pension Value =  $[\Sigma(\text{annual points}) / \# \text{ of years for Complete Contribution Period}] * \text{specific coefficients} * \text{the Pension Point Value}$

$$P_v = [\Sigma (Igi(y) / Nagi(y)) / Ccp] * A * E * V_{pp}$$

Where,  $P_v$  = the Pension Value;

$Igi(y)$  = the insured person's gross income for year "i";

$y$  = the year which the insured person worked;

$Nagi(y)$  = the National Average Gross Income during the year "y"  
(monthly salary multiplied by 12 months)

according to the National Institute of Statistics (INS);

$Ccp$  = the Complete Contribution Period

(30 years for men and 25 for women);

$A$  = the Access Coefficient

(according to the pension type i.e. invalidity, survivors etc);

its value is 1 for the "normal" pension;

$E$  = the Elasticity Coefficient

(subject to 0.3% increments for months worked after retirement age, 3.6% per year for each supplementary year)

its value is 1 for those retired at the statutory age;

$V_{pp}$  = the Pension Point Value.

Restrictions on the pension maximum and minimum values create a ceiling, causing redistribution from those with very high contributions. Therefore:

- $Igi / Nagi < 5$ , consequently the annual point is maximum 5. Therefore, in case of a person who retires at the statutory retirement age with a full contribution period, the annual average point is also 5.

The Government also guarantees that the pension point value will not be less than 30% of the national average gross wage.<sup>1</sup>

- $30\% Nagi < V_{pp} < 50\% Nagi$ . So, the pension point cannot be less than 30% of the average salary.

Therefore, the maximum pension in the aforementioned conditions cannot exceed 2.5 times the average gross wage.

What is not provided in this formula is a minimum pension.<sup>2</sup> Thus, the current formula lacks a mechanism for ensuring a decent standard of living for those with the lowest earnings, which are disproportionately women.

<sup>1</sup> For 2005 the value of pension point was approximately 31 percent of the average gross wage for 2005 in Romania.

<sup>2</sup> It is important to note that the guarantee of the minimum value of a pension point (30 percent of the national average gross wage) does not provide such protection. This instead refers to the *average* pension; it is not a minimum benefit since there are pensioners with more less than one pension point. A minimum pension could be related either on minimum wage (e.g., 40 or 50 percent of it) or the Guaranteed Minimum Income (GMI). Unfortunately there are pensioners today whose benefits are lower than GMI.

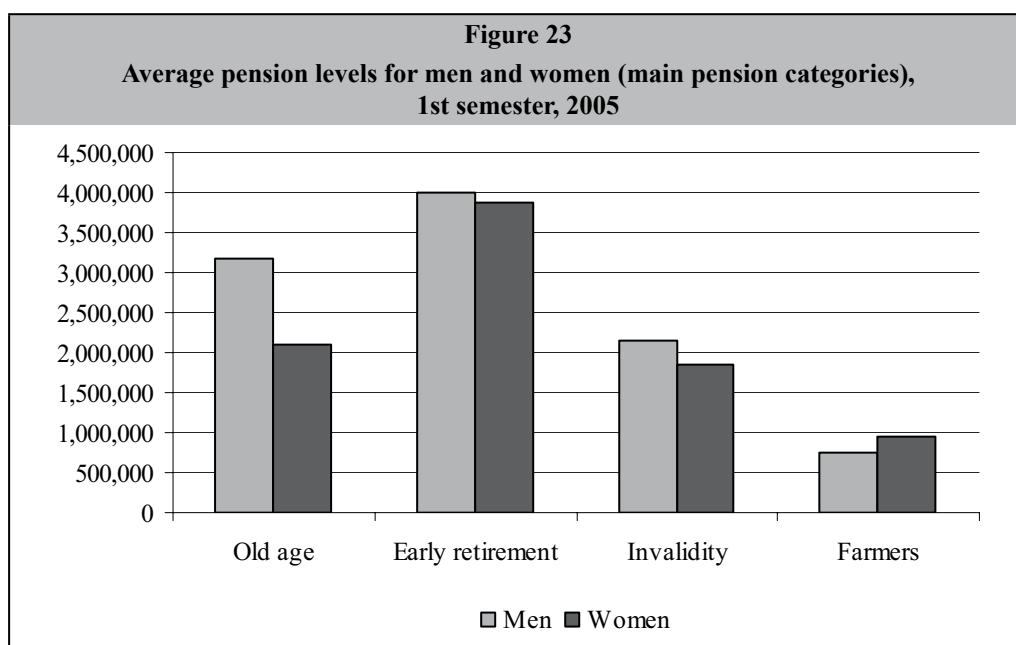
## 4.2. Gender impact of changes in the pension system

### 4.2.1. *The new pension formula for old age*

The new formula compensates women for having worked fewer years than men on average (due to time out of the work force to care for young children and the continuing five year differential in the statutory retirement age) by defining their Complete Contribution Period as five years less than for men – 25 versus 30 years. Consequently, a woman who receives the same wages as a male colleague throughout their careers can receive an identical pension benefit with five fewer years of work.

As shown in Figure 23, for those women who take early retirement, average pensions are of almost the same level as for men. This is also true for disability pensions. For old-age pensions based on the Complete Contribution Period, however, the average pension for women is only 66 percent (!) of that of an average man. Thus, in Romania, women's benefits are more equal to those of men when both groups retire early. When both retire at the normal ages (providing a five year differential), the woman's average benefit falls far below the man's average in terms of adequacy.

Why this curious pattern? Here it should be noted that the number of persons included in early retirement category is relatively small (about 4,000 men and 8,000 women in first semester of 2005). The small number is partly explained by the fact that workers who opt to retire early are included in this category only temporarily, until they reach the normal legal retirement age. Nor does this category include any invalidity pensioners or any of those from special pension schemes with those with lower retirement ages (military, miners, pilots, etc.). The high and almost equal benefits could suggest that there is a level of pension that for both men and women looks acceptable and induces them to apply for early retirement. Those not able to reach this adequacy level are "forced" to stay employed in order to obtain more decent pensions. This is somewhat speculative, however, and our research was not able to explain this pattern more definitively. This question should be a high priority for further research on gender and pensions.



Source: NIS, Romania – Statistical Yearbook, 2005, pp.10-11.

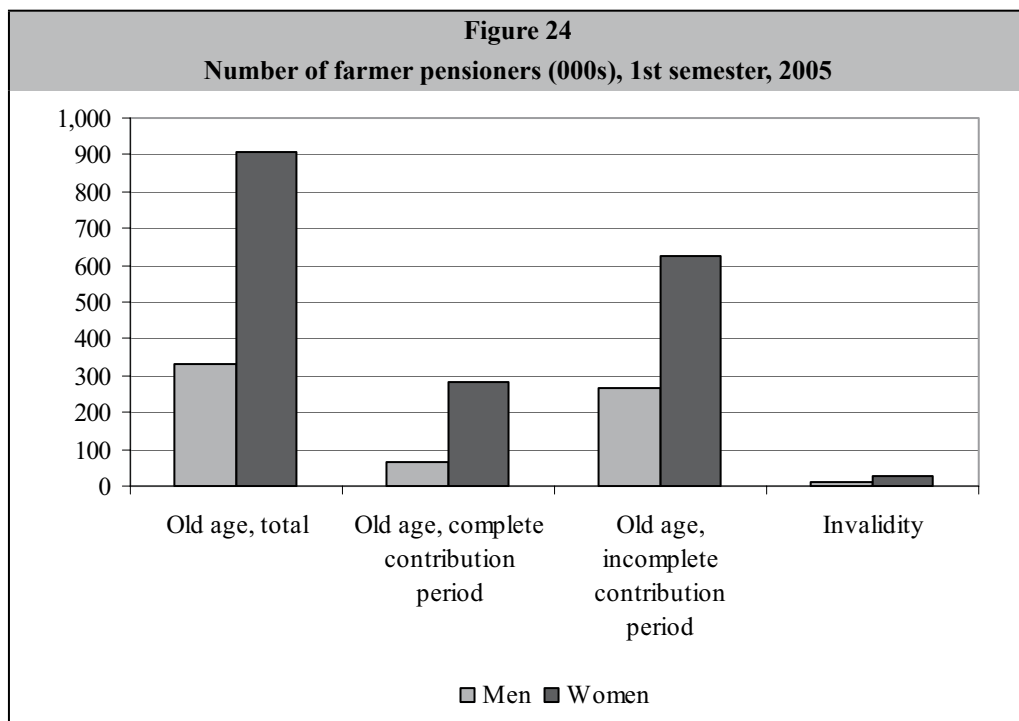
Table 13 presents the number of beneficiaries by pension category. As shown, women are overrepresented among old-age pensioners with incomplete contribution periods, as well as among farmer pensioners.

Table 13					
Recipients of different types of pensions, by gender					
	Old-age pension with full contribution period	Old-age pension with incomplete contribution period	Early retirement pension	Disability pension, first degree of invalidity	Total invalidity
Women%	44	64	70	36	51
Men%	56	36	30	64	49

Source: NIS, Romania – Statistical Yearbook, 2005, p.10, Chart 5.

If we correlate the larger percentage of women in certain pension categories with the ratio between women's and men's average pensions in those categories, we see that overall women have far smaller pensions than men. The only exception lies in the agricultural sector (farmers), where the average pension for women is 25 percent higher than for that for men. But what might look like

an advantage at first glance turns out to be, in fact, a huge disadvantage: The approximately one million women who are retired from agriculture (representing 73 percent of farmer pensioners) have very low pensions, while men are disproportionately represented in categories with higher pensions.



Source: NIS, Romania – Statistical Yearbook, 2005, p.10, Table 9.

It is striking that farmer pensions equal only about one third of the national average pension. Moreover, those receiving this category of pensioner tend to live in rural areas, where access to social and health services is restricted and living conditions are very poor. As contributing to the pension system has been largely optional for farmers and their hired help since 1989, it seems that in the future most of the working population in rural areas will not be covered by the pension scheme.<sup>48</sup> Unless reforms are introduced, rural women, who are heavily overrepresented among agricultural workers, will soon trade a low pension for no pension at all.

By contrast, among those receiving the highest pensions, women are only symbolically represented. See Table 14.

<sup>48</sup> As noted previously, farmers were covered mandatorily by the pension system for a short period after passage of the 2000 reform. See Toma (2004), as previously cited.

**Table 14**  
**Number of beneficiaries of high pensions, by gender (October 2005)**

	Men	Women
Pensions exceeds 900 RON (EUR 295), before tax	7329	2008
Pensions exceeds 4600 RON (EUR 1,300), before tax*	24	3

\* This equals the maximum ceiling after Law No. 19/2000 placed limit on countable wages of 5 x the gross average income. See Box 1.

Source: NHPSIR, unpublished data.

The main factor that explains the observed gender differences in the high pension group is employment sector. Most of these pensioners worked in economic sectors such as mining, heavy industry, the army, the police, and the intelligence services, where salaries are much higher than average. Such differences can be rectified, regardless of the computation formula, only through political will to promote a strategy for increasing the presence of women in more advantageous wage categories of the labour market.

#### **4.2.2. Survivors' pensions**

The dependent survivor of an insured person who dies is eligible for a survivor's pension. For children, this pension can continue up to the age of 26, if they are full-time students. Benefits are also payable to a surviving spouse when he/she was married to the deceased worker for at least five years. Depending on the number of survivors of a deceased worker, a survivor's benefit is 50 percent (for one survivor) to 100 percent (for 3 or more survivors) of the benefit to which the worker would have been entitled.

Data on survivors' pensions are not disaggregated by gender in Romania, providing a major barrier to gender analysis. However, considering that the average life expectancy at birth for a woman is seven years longer than that for a man, and that large numbers of wives do not work outside the home in Romania and thus do not qualify for pensions in their own right, it is highly likely that the great majority of survivors' pensions are paid to women.

This being the case, the low level of the survivor's pension for a spouse with no entitled children (50 percent of the benefit to which the worker would have been entitled) can be considered as one cause of the gender differences in pension levels.

While the number of disability pensions has risen dramatically since 1989, the same cannot be said for survivors' pensions. Here lower birth rates have caused the number of beneficiaries to decline. In the first trimester of 2004, there were 825,000 beneficiaries of survivors' pensions. Exactly one year later, the numbers had fallen by 3 percent to 802,000 beneficiaries. By August 2005, they had dropped a further 8 percent compared to the first trimester of 2004, to 762,000 beneficiaries.

#### 4.2.3. Invalidity pensions

The number of retirements due to disability has increased fourfold during the past 15 years, while the total number of pensioners in all categories "only" doubled. Currently, 860,000 persons (14 percent of the total number of pensioners) receive invalidity pensions. Though it remains hard to prove, some of these people were probably fraudulently pensioned; and others may have only minor health ailments that do not justify their disability classification. The sharp rise in disability pensions in a period of economic hardship is consistent with this hypothesis. See Table 15.

**Table 15**  
**Number of disability pensioners, 1990-2005**

	1990	1995	2000	2005
Total number of pensioners (excluding pensions paid to the military, defence, and intelligence services)	3.5 m.	5.1 m.	6.0 m.	6.1 m.
Invalidity pensioners	0.22 m.	0.43 m.	0.61 m.	0.86 m.
Invalidity pensioners as a portion of the total number of pensioners	6.3%	8.4%	10.1%	14.0%

*Source:* NHPSIR, unpublished data for 1990-2000 and National Institute for Statistics, 2005b, p.10, Table 7, for 2005.

There are three degrees of invalidity, reflecting an individual's capacity to perform various tasks. The First Degree is the most severe, meaning that the person is completely dependent on others' care. Among those in the First Degree group, there are nearly twice as many men as women. For the Second and Third Degree pensions, which make up over 97 percent of all invalidity pensions, the gender ratio is almost equal: 49 percent are women, compared to 51 percent for men.



#### 4.2.4. The pension systems of the Ministry of Defence, Ministry of Internal Affairs, Romanian Intelligence Service (MOD, MIA, and RIS)

The pension systems for persons working in the MOD, MAI, RIS and the other intelligence services are usually excluded from official statistics.<sup>49</sup> The institutions manage the pension systems separately, and they refuse to make public statistical data that would allow a relevant comparison of pension costs and benefits.

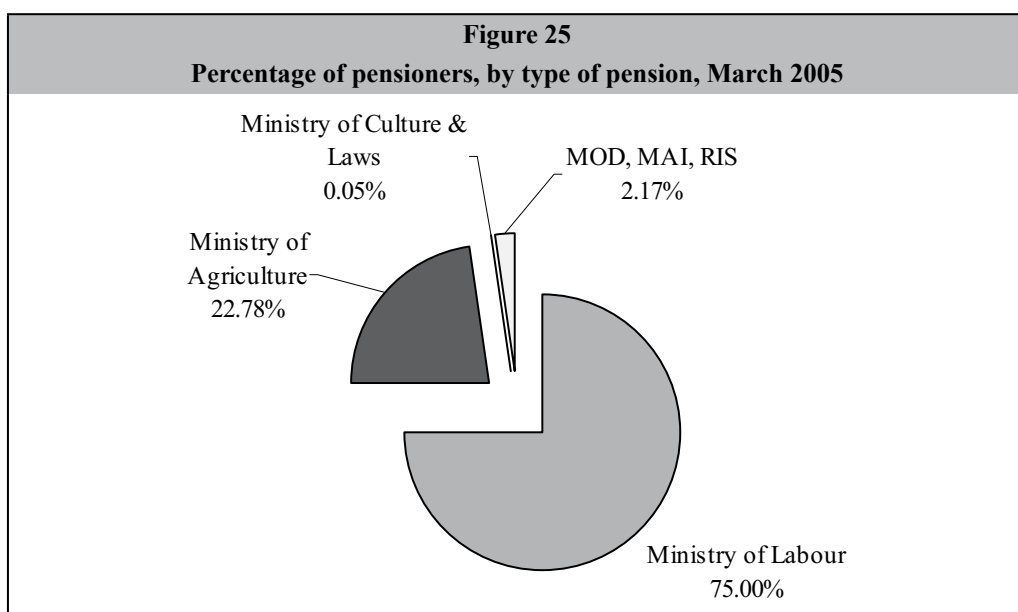
However, using indirect methods, we were able to estimate the number of beneficiaries in these parallel structures. Considering that the total number of pensioners in March 2005 was 6,173,214, if we subtract the number of pensioners from the Ministry of Labour, the Ministry of Agriculture, the Ministry of Culture (includes artists, clerics, etc.), and the Lawyers' Insurance Fund, the remainder is 133,791, which is approximately 2.2 percent of the total number of pensioners (see Table 16 and Figure 25).

**Table 16**  
**Number of pensioners, by pension type**

Total number of pensioners	Labour Ministry	Agricultural sector	Ministry of Culture and Lawyers Insurance Fund, combined	Pensioners MOD, MAI, RIS
6,173,214	4,629,925	1,406,196	3,302	133,791

Source: NIS, Romania – Statistical Yearbook, 2005, p.26.

<sup>49</sup> These are the State Military Pensions and the Social Insurance System in the field of national defense, public order, and national security.



Source: NIS, Romania – Statistical Yearbook, 2005, p.26.

We were not able to take the next step and estimate the cost of MOD, MAI, and RIS pensions. However, there are strong reasons for assuming that this cost is high, since the wages received by these 134,000 individuals were far above average, while their contribution periods were shorter, due to a lower retirement age.

At the other extreme of the pension system are those persons who retired after working in agriculture, over 70 percent of which are women. Here the average pension is a little in excess of EUR 25. The number of farmer pensioners peaked at nearly 1.76 million persons between 2000 and 2001, then fell to 1.51 million in January 2004 and to 1.42 million during the first trimester of 2005. This attrition results mostly from a declining number of new pensioners.

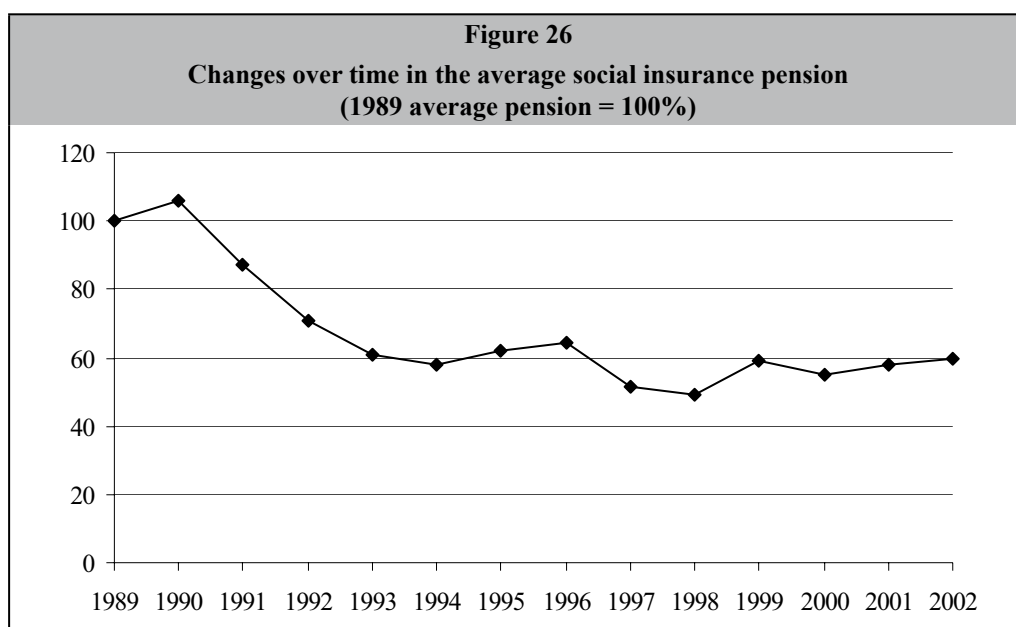
#### 4.3. Broader economic and social impact of the reforms

The Government projected that the earnings related benefit formula in the 2000 reform would improve compliance with the contribution requirement. However, this goal remains largely unrealized.<sup>50</sup> Currently, less than half of the active pop-

<sup>50</sup> In 2001, the NHPSIR predicted that, as a result of Law No. 19-2000, mandatory coverage would be extended to 1.1 million self-employed and farmers, as well as to 500,000 persons working exclusively on a civil contract and to the unemployed. However, these estimates proved

ulation is insured for public pensions (under 5 million of the total of 10 million economically active persons), which is likely to generate long-term social and economic problems. In 25-35 years time, those who are currently working on the black market or are long term unemployed will reach the retirement age without having adequate pension insurance. Most of these persons will have no alternative but to rely on the social assistance system, where they will pose a heavy burden for the State. This is a problem that affects both women and men.

A second problem is that the pension replacement rate has still failed to recover from the early shocks of transition. As shown in Figure 28, the real value of pensions increased only slightly after 2001; and it remains far from their level at the beginning of the transition period. The ratio between employees and pensioners (excluding agriculture) continues to hover around 1:1, and the average pension is only a little over 30 percent of the national average wage level.



Source: National Institute for Statistics, unpublished data.

However, pensions remain the most important social security benefit in Romania, as shown in Table 17. They comprise about 80 percent of all social transfers to households and about 15 percent of total household income. The percentages held steady after the 2000 reform, with only small fluctuations.

---

highly unrealistic. Only 45,000 self employed and 8,500 farmers registered with the system. See Toma, in Fultz and Stanovnik (2004), p.225.

**Table 17**  
**Pensions as a portion of social transfers and household income**

	Year		
	2001	2002	2003
Social transfers % of household income	19.5	19.6	19.2
Pensions as a % of social transfers	81.1	81.1	79.1
Pensions % in total household income	15.8	15.9	15.2

Source: NIS, Romania – *Statistical Yearbooks*, unpublished data.

#### 4.4. Private pensions – the gender dimension

In December 2004, the Romanian Parliament passed legislation to establish mandatory and voluntary individual savings systems for retirement, thus creating a second and third pillar for the pension system. These new systems will have important effects on women as a group, given gender differences in average earnings levels, lifetime contribution periods, and life expectancy.

A savings system based on individual accounts has no solidarity dimension in the accumulation period. Rather, the main determinant of benefit levels is an individual's own contributions. Thus, the gender differences in all three elements that influence individual contribution are clearly disadvantageous for women:

1. According to National Institute for Statistics, the average earned income for women as a group was about 86 percent of that for men in 2004. Thus, if a man and women with average earnings for their sexes work the same number of years and retire at the same time, the woman will receive a private benefit that is smaller by about 14 percent.
2. However, the average contribution period is shorter for women as a group than for men. This is due to the generally earlier retirement of women, as well as to the time they spend out of the workforce for maternity and raising children. This difference too will be reflected directly in a lower private benefit amount.
3. Life expectancy at the age of 60 is 3.4 years longer for women than for men in 2004 (source: National Institute for Statistics, unpublished data). Thus, if gender specific life expectancies are used for computing private annuities (as is the general practice of private savings funds when left on their own, without government regulation of this decision), a woman who had the same earnings, made the same contributions, and worked the same number of years as a male colleague would receive a significantly lower pension benefit.

Overall we estimate that these three factors would reduce the average woman's pension benefit by about 34 percent, if they are applied to the present situation. To be more accurate, these estimates should be applied only to the generation under age 35 that will be required to participate in the mandatory second pension pillar. We do not have the data required for this calculation, but it is reasonable to expect that women's disadvantage will be reduced due to long term policy and labour market changes, such as equalizing the retirement age, reducing the gender pay gap, and the tendency for women to have fewer children and thus take off less time from work. However, these improvements cannot be assumed. Certain changes should be adopted in order to reduce gender differences in the new system:

1. Attack the gender pay gap through anti-discrimination laws, public awareness raising, and affirmative action policies.
2. Equalize the statutory retirement ages for men and women.
3. Require the use of gender neutral life expectancy tables for the computation of private annuities in the second pension pillar.

Achieving the first change requires a long term strategy and systematic monitoring; the last one is a political decision that can be taken immediately if there is the political will. (In fact, the governments of Hungary and Croatia have already mandated equal gender treatment for their second pension pillars.) For the second change, equalizing the retirement age, there is neither support among women, especially those of middle age, nor political interest due to the electoral costs of voting for such changes. For this reason, public information and public awareness campaigns on the consequences of equalizing the retirement age are highly recommended and would be to the benefit of women regarding both the new supplementary pension system and the existing public system.

## **Recommendations**

- The gender wage gap is the main cause of women's lower pension benefits. In order to provide more equal pensions for men and women, this should be tackled as a high priority.
- In order to extend pension coverage to excluded women, a major public policy initiative should be taken to bring more housewives (25% of inactive women) into the labour market and pension system.
- As shown in this report, there are compelling reasons for equalizing the retirement age for women and men, but also strong resistance at present. Over time, with the aging of the population, the pressures for this change

can only be expected to grow. The increase must be carried out equitably, by phasing it in gradually and providing compensatory measures for those women who would experience particular hardship.

- It may be useful to consider a swifter increase in the retirement age in sectors where higher wages are available towards the end of the career. In this situation, the Romanian pension point formula will ensure an increase in the average pension level. The best example of such a sector is higher education, where the retirement age is set at 65, equalling the retirement age for men.
- The introduction of a minimum pension in the public system would be beneficial, in the same way as was the introduction of a guaranteed minimum income for the social assistance system. The level of this minimum pension ought to be at least 30 percent of the minimum wage but not less than the guaranteed minimum income (GMI). Such a measure would be highly beneficial for people from the agricultural sector where pensioners (the majority of whom are women) continue to have unconscionably small pensions.
- It is necessary to tighten eligibility criteria for disability pensions, thus reducing fraudulent retirements and cases where full benefits are awarded for minor disabilities. Such measures could help to preserve scarce pension resources for those most in need. As has been shown, women are disproportionately represented in this group.

## **5. General conclusions**

The reform of the social security system in Romania requires confronting many of the same problems and challenges as in other former communist countries in Central Europe. These countries are still heavily influenced by legacies from communism, in terms of structures and relationships that plague both the economy and the social security system. They also exhibit common patterns in transition: the economic shocks after 1989, social polarization, the explosion of poverty, the drop in the birth rate, etc.

At the same time, several aspects of the Romanian situation are not common in other countries: the great drop in social expenditure as a percentage of GDP (occurring elsewhere only in the countries in the former USSR), a higher ratio of social assistance benefits along side an undeveloped social services system, a strong reliance on residential institutions rather community based social services, and delays in the introduction of certain components of the social security system, such as services in rural areas and supplemental private pensions.

In terms of the gender aspects of social security reform, we cannot conclude that the reforms themselves made women worse off. Rather they exposed, or failed to address, the disadvantages of certain population segments that are overwhelmingly female, especially the elderly and single parents.

Women continue to be underrepresented on the labour market (in particular, due to the large number of housewives and to women's earlier retirement), to receive lower pay as a group, and to have many fewer senior management positions. These patterns are not due to legal barriers, since the formal provisions regulating their access to the labour market contain no gender discrimination. They are due rather to cultural norms and attitudes that disadvantage women.

As explained, the 2000 pension reform maintained the five-year gender difference in the retirement age, while giving women a more advantageous benefit formula that partially offsets the effect of fewer years of work. Nevertheless, early retirement deprives women of high wages at the end of their careers, thus pulling down the average pension paid to a woman to a little over 30 percent of her average wage over her working life. This is far below the minimum standard of a 40 percent replacement rate after 30 years of work, as mandated by ILO Convention 102 and the European Code of Social Security.

National statistics show that households headed by women (in particular, by elderly women and single mothers) were poorer than those headed by men throughout the period 1995-2004. This was due in large part to the fact that women predominate in household units where there is only a single adult. Thus, a single income – be it a pension, wage, or social benefit – leaves the household far worse off than a household with two adults. Where the single household head is working, the lower wages paid to women as a group further exacerbate this problem. To assist these individuals, social policies ought to target single adult households for special assistance, whether they are headed by wage earners or recipients of public benefits.

Moreover, families with children at risk are in need of special support. Though the overall birth rate has dropped alarmingly after 1989, the number of abandoned children has remained high. This is not an easy problem to solve, but it merits much greater policy attention.

Finally, an improved focusing of social security policies is called for, both territorially and in terms of individuals in need. Certain communities, like rural and remote ones, and certain population segments, like those with higher incidences of domestic violence, unwanted pregnancies, and risk of child abandonment, should be given high priority in future social security reforms.

## References

Anusic, Z., P. O’Keefe and S. Madzarevic-Sujster (2003). “Pension Reform in Croatia”. *Social Protection Discussion Paper*, No. 0304. Social Protection Unit, Human Development Network, World Bank.

Autoritatea Nationala pentru Persoanele cu Handicap (National Authority for Persons with Disabilities). [www.anph.ro/statistici/iunie](http://www.anph.ro/statistici/iunie).

Barr, N. (1995). *Labour Markets and Social Policies in Central and Eastern Europe. Volume 2*. World Bank.

Berevoiescu, I. and M. Stănculescu (2004). *Households, Work and Flexibility – National Survey Report Romania*, carried out via the European Programme bearing the same name, [www.hwf.at](http://www.hwf.at).

CASPIS (2002a). *Anti-Poverty and Social Inclusion National Action Plan*. [www.caspis.ro](http://www.caspis.ro).

CASPIS (2002b). *Joined Inclusion Memorandum*. [www.caspis.ro](http://www.caspis.ro).

CASPIS, World Bank (2003). *Poverty Assessment in Romania – 2002*. [www.caspis.ro](http://www.caspis.ro).

Centrul Parteneriat pentru Egalitate (2003). *Cercetare națională privind violența în familie și la locul de muncă* (National Research on Family and Workplace Violence). Bucharest: CPE.

Disney, R. (1999). *OECD Public Pension Programmes in Crisis: An Evaluation of Reform Options*. Social Protection Unit, Human Development Network, World Bank.

Fultz, E., M. Ruck and S. Steinhilber (eds) (2003). *The Gender Dimension of Social Security Reform in Central and Eastern Europe: Case Studies of the Czech Republic, Hungary and Poland*. Budapest: ILO.

Fultz, E. and T. Stanovnik (eds.) (2004). *The Collection of Pension Contributions in Central and Eastern Europe: Trends, Issues, and Problems*. Budapest: ILO.



Kinsella, K., V.A. Velcoff (2001). *An Ageing World*. Washington, DC: US Government Printing Office.

Lambru, M., B. Chiritoiu and J. Gregoire (2003). *The Romanian Social Insurance System – Acceding to the European Union*. Bucharest: European Institute in Romania.

Lukacs, E. and M. Frey (2003). “The Gender Dimension of Social Security Reform in Hungary”. In: Fultz, E., M. Ruck and S. Steinhilber (eds) (2003), *The Gender Dimension of Social Security Reform in Central and Eastern Europe: Case Studies of the Czech Republic, Hungary and Poland*. Budapest: ILO.

Ministry of Health (2005). *Studiul sănătății reproducerii: România 2004* (Reproductive Health Survey: Romania 2004). Bucharest.

Ministry of Labour, Social Solidarity and Family, and Birks Sinclair & Associates, (2003). *Evaluation of the Implementation of the MIG (Law 416/2001)*. Funded by DFID and World Bank. [www.caspis.ro](http://www.caspis.ro).

Ministry of Labour, Social Solidarity and Family (2005). *Yearly report on social assistance activities, 1996-2005*. Internal publications. [www.mmssf.ro](http://www.mmssf.ro).

Muller, K., A. Ryll and H.J. Wagener (1999). *Transformation of social security. Pensions in Central-Eastern Europe*. Helderberg: Physica-Verlag.

National Authority for the Promotion of Children’s Rights. [www.anpca.ro](http://www.anpca.ro).

National House of Pensions and Other Social Insurance Rights (NHPSIR). [www.cnpas.ro](http://www.cnpas.ro).

National Institute for Statistics (2002). *Household Budget Survey*. Bucharest: NIS.

National Institute for Statistics (2003). *Romania in Figures 2003*. Bucharest: NIS.

National Institute for Statistics (2003). *The Household Workforce Enquiry* (AMI-GO). Bucharest: NIS.

National Institute for Statistics (1990-2005). *Anuarul statistic al României: seria 1990-2005* (Romania Statistical Yearbook: 1990-2005). Bucharest: NIS.

National Research Council (2001). *Preparing for an Ageing World*. Washington DC: National Academy Press.

Palacios, R. and E. Whitehouse (1998). *The Role of Choice in the Transition to a Funded Pensions System*. Social Protection Unit, Human Development Network, World Bank.

Pensions and other Social Insurance Rights Law (2003). Bucharest: Meteor Printing House.

Preda, M. (2003). *Bringing ICDP and MDGs at County and Community Levels in Romania Through Regional and Local Statistics and Case Studies*. Bucharest: UNFPA.

Preda, M., V. Grigoras and C. Dobos (2004). *Romanian Pension System during the Transition: Major Problems and Solutions*. Bucharest: The European Institute of Romania.

Rother, P.C., M. Catenaro and G. Schwab (2003). *Ageing and Pensions in the Euro Area Survey and Projection Results*. Social Protection Unit, Human Development Network, World Bank.

Stativă, E. (2005). *Situatia abandonului copiilor in România* (Child abandonment situation in Romania). UNICEF, IOMC, MLSSF.

Toma, C. (2004). "Collection of Pension Contributions in Romania". In: Fultz, E. and T. Stanovnik (eds) (2004). *The Collection of Pension Contributions in Central and Eastern Europe: Trends, Issues, and Problems*. Budapest: ILO.

Zamfir, C. (1999). *Social Policies in Romania*. Bucharest: Expert Printing Press.

World Bank (2001). *Local Social Service Delivery in Romania*. Washington DC: World Bank. [www.worldbank.org](http://www.worldbank.org).

National Institute of Statistics, [www.insse.ro](http://www.insse.ro).



## Annexes

**Table A1**  
**Numbers of registered unemployed and rates of unemployment, by gender, 1998-2003**

	1998	1999	2000	2001	2002	2003
The number of registered unemployed (000s), of which:						
	1,025	1,130	1,007	827	761	659
women	485	530	472	381	340	286
Unemployment rate – total	10.4	11.8	10.5	8.8	8.4	7.4
Unemployment rate – women	10.4	11.6	10.1	8.4	7.8	6.8
Unemployment rate – ILO definition	6.3	6.8	7.1	6.6	8.4	7
Urban	9.2	10.3	11.2	10.4	11.2	9.5
Rural	3.5	3.5	3.1	2.8	5.4	4.3
Men	6.5	7.4	7.7	7.1	8.9	7.5
Women	6.1	6.2	6.4	5.9	7.7	6.4

Source: NIS, Romania – Statistical Yearbooks, 1999-2004.

**Table A2**  
**Gender differences in earnings, by field of activity (October 2004)**

Economic activity	Average gross salary (Thousand ROL*)			Women's average wage, % of men's average wage
	All employees	Men	Women	
All activities, from which:	8,022	8,579	7,383	86.1
Agriculture and forestry	5,935	5,970	5,806	97.3
Industrial activities	7,686	8,810	6,241	70.8
Constructions	6,298	6,265	6,496	103.7
Commerce	7,014	8,208	5,805	70.7
Hotels and restaurants	4,753	4,902	4,657	95.0
Transportation and communication	10,696	10,863	10,324	95.0
Financial services	23,769	27,772	21,935	79.0
Buildings and land transactions	8,191	7,846	8,957	114.2
Public administration	8,057	8,650	7,680	88.8
Education	9,085	9,791	8,767	89.5
Health and social assistance services	7,616	8,346	7,417	88.9

\* ROL (Romanian Lev) was the currency valid until mid 2005, when it was replaced with RON (Romanian New Currency). In 2004, 1 EUR was equal to approximately 40,000 ROL.

Source: NIS, *Romania – Statistical Yearbook*, 2005, Table 14, pp. 138-145.

**Table A3**  
**Extent of gender segregation of employment (October 2004)**

Activity (occupation)	Total employees	Male	Female	% Females
Total	4,439,388	2,358,896	2,080,492	46.9
Senior officials legislators and managers	253,884	155,309	98,575	38.8
Professionals	559,246	246,391	312,855	55.9
Technicians and associate professionals	556,509	203,194	353,315	63.5
Clerks	293,820	81,835	211,985	72.1
Service workers and shop and market sales workers	549,578	225,213	324,365	59.0
Skilled agricultural and forestry workers	37,785	27,947	9,838	26.0
Craft and related workers	813,310	634,253	179,057	22.0
Plant and machine operators and assemblers	870,051	501,808	368,243	42.3
Elementary occupations	505,205	282,946	222,259	44.0

*Source:* NIS, *Romania – Statistical Yearbook*, 2005, Table 6, p. 89.

**Table A4**  
**Annual poverty reduction rates, by residential areas, 1995-2004**

	National		Rural		Urban	
	Poverty	Severe poverty	Poverty	Severe poverty	Poverty	Severe poverty
1996/95	-21.1%	-33.2%	-22.5%	-35.9%	-18.2%	-25.5%
1997/96	50.8%	79.1%	45.0%	76.2%	62.2%	86.3%
1998/97	1.8%	0.8%	1.6%	1.5%	2.1%	-0.9%
1999/98	7.8%	10.4%	7.8%	8.0%	7.7%	16.2%
2000/99	8.0%	10.3%	3.1%	3.2%	16.3%	25.0%
2001/00	-14.8%	-17.6%	-6.5%	-7.9%	-27.4%	-34.6%
2002/01	-5.5%	-4.0%	-5.2%	-1.4%	-6.1%	-10.2%
2003/02	-13.2%	-21.5%	-10.4%	-20.5%	-22.0%	-28.8%
2004/03	-25.1%	-31.4%	-28.2%	-36.1%	-15.9%	-14.0%

*Source:* World Bank and CASPIS calculations, based on the *HBS* (NIS), 1997-2004, unpublished data.

**Table A5**  
**Women in education, 2002**

Level of education	Women as percentage of the total
Primary	48.83
Secondary	48.70
Professional and apprentices	40.29
College	53.17
Post-college and master	65.03
Higher education	53.80

*Source:* Calculations based on basic data from *Population and Buildings Census*, 2002, Table 60, pp. 886-894.

<b>Table A6</b> <b>Average pensions benefit for men and women, first semester 2005 (ROL*)</b>				
	Old-age pension (full contribution period)	Early retirement pension	Invalidity pension	Farmer pension
Men	3,185,666	3,992,772	2,152,691	750,447
Women	2,108,487	3,862,540	1,859,660	938,473
Women/Men	66%	97%	86%	125%

\* At this point, 1 EUR was equal to approximately 3.6 RON, or 36 000 ROL.

Source: NIS, Romania – Statistical Yearbook, 2005, pp.10-11.



**Table A7**  
**Number of pensioners, by category, 1995-2004**

Category	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
1. Total Pensioners (1.1 + 1.2) [w/o MOD, MAI, RIS]	5,106	5,263	5,431	5,605	5,787	5,997	6,193	6,212	6,141	6,070
1.1 Social Insurance Pensioners w/o the agriculture sector	3,519	3,651	3,782	3,923	4,074	4,246	4,426	4,535	4,569	4,597
1.1.1 Statutory Age Pensioners	2,505	2,587	2,680	2,776	2,877	2,998	3,112	3,116	3,072	3,053
1.1.2 Disability Pensioners	431	467	491	524	564	606	657	702	746	785
1.1.3 Survivor Pensioners	583	598	611	623	634	642	652	650	650	642
1.2 Farmer Pensioners	1,587	1,612	1,649	1,682	1,713	1,751	1,767	1,677	1,572	1,473

*Source:* NIS, unpublished data for 1995-2003, and NIS, Romania – Statistical Yearbook, 2005 for 2004.

**Table A8**  
**The real value of the average pension, 1989-2002 (1989 = 100)**

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Social insurance average pension	100	106.1	87.0	70.7	61.1	58.0	61.9	64.1	51.4	49.3	59.3	54.8	58.2	59.6
Average pension for agricultural workers	100	181.7	78.1	40.8	48.5	64.9	65.3	74.3	77.0	72.5	70.0	62.6	67.0	69.2

Source: NIS, unpublished data.

**Table A9**  
**The number of employees in Romania, 1989-2004**

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Employees no. (000s)	7,997	8,156	7,574	6,888	6,672	6,438	6,160	5,939	5,597	5,369	4,761	4,623	4,619	4,559	4,384	4,439
1989=100	100.0	102.0	94.7	86.1	83.4	80.5	77.0	74.3	70.0	67.1	59.5	57.8	57.8	57.0	54.8	55.5

Source: For 1989-1995, NIS, *Romania – Statistical Yearbook*, 1996, Table 3.1.6. For 1996-1998: NIS, *Romania – Statistical Yearbook*, 2002, Table 3.10; for 1999-2004: NIS, *Romania – Statistical Yearbook*, 2005, page 124.

**Table A10**  
**Beneficiaries of parental leave for caring for children under age two (January-June 2005)**

	Total number of parents on leave for raising children	From which men	
		Number	Percentage
January	131,270	12,675	9.7
February	134,803	14,967	11.1
March	137,626	16,759	12.2
April	138,768	18,745	13.5
May	140,470	19,198	13.7
June	135,971	19,719	14.5
Monthly average	136,485	17,011	12.5

Source: NHPSIR, unpublished data.

**Table A11**  
**Earned income and total income (earnings and benefits, including the GMI, family benefits and heating subsidies) as a % of the national net average wage, winter 2004/2005**

	No earned income	Minimum wage	Two minimum wages	One minimum wage
A couple with two children	0 → 73.7%	39.2% → 75.9%	78.3% → 100.4%	
Single parent family with one child	0 → 60%	39.2% → 65.9%		100% → 103.1%
Single parent family with two children	0 → 69.7%	39.2% → 69.1%		100% → 110%

Source: Calculations by authors, based on relevant legislation.

**Table A12**  
**Percentage of severely disabled non-institutionalized persons**

	2002	2003	2004	31/06/05
% of severely disabled persons from the total no. of non-institutionalized disabled persons	36.3	36.8	37.6	36.4
% of severely disabled children from the total no. of non-institutionalized disabled children	47.0	47.3	49.1	49.4
% of severely disabled adults from the total no. of non-institutionalized disabled adults	34.6	35.1	35.8	34.4

Source: [www.anph.ro/sataistici/iunie](http://www.anph.ro/sataistici/iunie), visited on 15 September 2005.



# Chapter 2

## The Gender Dimensions of Social Security Reform in Slovenia

*Tine Stanovnik and Nataša Kump,  
with Mitja Čok*

## 1. Introduction

Gender studies can differ with regard to the relative emphasis they place on normative versus positive issues. A normative study would analyze the formal legal framework, and within it specific laws and provisions, to identify unequal treatment. A positive analysis, on the other hand, would be concerned with the actual effects of social security systems in generating, exacerbating, or alleviating gender inequality in labour markets and societies more generally. Clearly a blend of both approaches – the normative and positive – is most revealing and therefore most useful for policy purposes.

Our study takes this approach, dealing with three closely interrelated areas:

1. The labour market, especially differential rates of remuneration for women and men;
2. The social security benefits paid to families (family benefits) that are particularly relevant for women during the active period (some of which are also of importance to fathers); and
3. The pension system, including benefits to cover risks associated with old-age, disability, and other causes of loss of income in old-age.

In general, our analysis shows that family benefit and pension systems function rather well in Slovenia, providing income to replace lost wages and cover additional costs associated with child rearing. Slovenia's overall favourable "scorecard" on gender equality is further confirmed by studies on personal values and cultures (Zagoršek, 2005). These studies have shown not only that gender equality is highly valued by Slovenian men and women, but that the society has realized these values in its institutions and practices to a large extent. If this is so, then it can be hardly surprising that there is very little systemic (negative) and direct discrimination toward women in Slovenia. Rather, the contentious issues are mostly normative ones, for example, whether child benefits should be more targeted, or whether younger women of child-bearing age should be given greater job-protection. However, even these normative issues, dealing with equity and fairness, have a clear positive connotation, namely that birth rates in Slovenia are low, and that a comprehensive population policy is lacking. It appears increasingly that this is the central and overarching issue of the Slovene society. With clear signs of population decline, it will be more and more difficult to generate the economic prosperity necessary to maintain a relatively generous social security system, such as exists at present.

Our study closely follows the structure of country reports presented in the book *The Gender Dimension of Social Security Reform in Central and Eastern*

*Europe*, edited by Elaine Fultz, Markus Ruck and Silke Steinhilber and published by the ILO. This book explores three arenas where unequal treatment can occur: the labour market, the system of family benefits and the pension system for three countries: Poland, the Czech Republic and Hungary. This deliberate similarity in focus and format can facilitate cross-country comparisons.

The main authors are Nataša Kump, who wrote section 2 (“The labour market”), and Tine Stanovnik, who wrote section 3 (“Family benefits”) and section 4 (“Pension benefits”). Mitja Čok prepared the demographic and pension projections that are presented in section 5.

Finally, such a study would not have been possible without ready provision of information, candid conversations, valuable insights, and help from a number of persons. We are sincerely indebted to Jože Sambt, Tanja Salecl, Anjuta Bubnov Škoberne, Andreja Črnak Meglič, Nataša Belopavlovič, Dušan Kidrič, Drago Čepar, Nada Stropnik, Helena Bešter, and Marko Štrovs. Needless to say, for any error of omission or commission, the authors assume full responsibility.

## **2. The labour market**

### **2.1. Changes in employment since 1990**

Slovenia underwent vast political, economic and social changes in the 1990s. The transition to a full-fledged market economy resulted in a major transformation of the labour market. The figures are telling: the number of labour active persons decreased from 909,000 in 1990 to 743,000 in 1997. Since then, there has been a gradual increase, to 782,000 in 2004. Registered unemployment increased from 45,000 in 1990 to the peak value of 129,000 in 1993. A gradual decrease followed, so that by the end of 2004 there were some 90,000 registered unemployed. As in other countries in the region, much of the labour withdrawal was absorbed by the pension system through generous early retirement benefits.

Though changes in the 1990s did not affect men and women to the same degree, Slovenia managed to preserve preexisting low gender gaps in employment, unemployment, and wages. Thus, for Slovenian women, the long tradition of engagement outside the home was not disrupted by the large societal changes in the 1990s. A high level of labour force participation achieved by women under socialism is also evident for most other new EU member states. The socialist regimes had supported their work ideology by equating emancipation with employment (Fultz et al., 2003).



New challenges now appear on the horizon. These are caused by demographic changes, resulting in an ageing population and a shrinking work force. In Slovenia, as well as in other EU member states, the tension between combining family and professional life, partly due to lack of child care and insufficiently flexible working conditions, appears to be contributing to the postponement of having the first child and to low fertility rates. Experience shows that EU member states with comprehensive policies to reconcile work and family life for both men and women show higher fertility rates as well as higher labour market participation of women (Commission of the European Communities, 2005). One can say that the reconciliation of these two conflicting goals remains the most important and demanding societal challenge.

As seen from Table 1, labour force participation (i.e., the activity rate) for women is quite satisfactory, and even increased between 1993 and 2004: the employment rate for women rose from 56.6 percent in 1993 to 61.3 percent in 2004, in contrast with the employment rate for men, which only returned to its 1993 level in 2004. The unemployment rates (based on Labour Force Surveys) differ, and the unemployment rate for women has decreased by much less (from 8.4 percent in 1993 to 6.6 percent in 2004) than that for men. Part of the explanation is that some labour intensive industries with a large female workforce were under very strong competitive pressure, resulting in considerable downsizing and plant closures.

**Table 1**  
**Activity measures of the population aged 15–64, by gender, Slovenia, 1993–2004**

Year	Activity rate (labour active plus registered unemployed as % of all active age)			Employment rate (employed and self-employed as % of all active age)			Unemployment rate (unemployed / employed + unemployed)		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
1993	67.0	70.0	61.8	60.8	70.0	56.6	9.2	10.0	8.4
1994	66.4	71.7	61.2	60.3	64.7	56.0	9.2	9.7	8.6
1995	68.0	73.5	62.5	62.9	67.7	58.0	7.5	7.8	7.2
1996	66.8	71.6	62.0	61.9	66.2	57.7	7.3	7.5	7.0
1997	68.3	72.9	63.6	63.4	67.7	58.9	7.3	7.2	7.4
1998	69.1	73.3	64.7	63.6	67.6	59.6	7.9	7.8	7.9
1999	68.0	72.5	63.4	62.8	67.2	58.4	7.6	7.4	7.8
2000	67.7	72.0	63.4	62.7	66.8	58.6	7.4	7.2	7.6
2001	67.7	72.6	62.7	62.7	66.8	58.6	6.1	5.7	6.5
2002	67.7	72.0	63.4	62.7	66.8	58.6	7.4	7.2	7.6
2003	66.9	71.6	62.1	62.5	67.2	57.6	6.7	6.2	7.2
2004	70.0	74.3	65.6	65.7	69.9	61.3	6.2	5.9	6.6

*Note:* The Labour Force Survey was introduced in Slovenia in 1993. Since 1997 it has been carried out quarterly, but all LFS data refers to 2nd quarter of the year, to insure comparability.

*Source:* Labour Force Survey, published in *Rapid Reports* of the Statistical Office of the Republic of Slovenia, 1993–2004.

As shown in Table 2, the overall activity rate in Slovenia – 69.8 percent – is comparable to the EU, which had an average activity rate of 69.6 percent (2004).<sup>1</sup> However, the activity rates for men and women differ from the EU averages. In Slovenia, the activity rate of women was 65.0 percent in 2004, exceeding the average female activity rate in the European Union – 61.8 percent – by more than 3 percentage points. Higher activity rates can be found only in Scandinavian countries (Denmark, Finland and Sweden) where the rate for women exceeds 70 percent, as well as the Netherlands, Portugal, and the Baltic countries.

<sup>1</sup> Activity rates differ in Table 1 and Table 2. The rates in Table 1 refer to the 2nd quarter, whereas those in Table 2 refer to the annual average.

In contrast, the male activity rate in Slovenia is lower than the EU average. In 2004, 74.5 percent of Slovenian men were active as compared to 77.4 percent of men in the EU. Male activity rates were lower only in Belgium, the Baltic States, Hungary, and Poland.

These patterns are reflected in gender gaps in employment and unemployment in Slovenia. Due to relatively high employment rates among women and relatively low employment rates among men, the gender gap in employment rates (the difference between men's and women's employment rates) falls well below European average; in 2004 it amounted to 8.6 percent, compared to the EU average of 15.2 percent. Only Denmark, Estonia, Lithuania, Finland, and Sweden had lower gender gaps in employment. Between 1993 and 2004, we see that the Slovenian gender gap in employment actually decreased by 4.8 percentage points, from 13.4 to 8.6 percent.

**Table 2**  
**Activity measures of the of the population aged 15-64, by gender, EU, 2004**

Country	Activity rate (labour active plus registered unemployed as % of all persons of active age)			Employment rate (employed and self-employed as % of all active age)			Unemployment rate (unemployed / employed + unemployed)		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
EU (25 countries)	69.6	77.4	61.8	63.0	70.6	55.4	9.4	8.7	10.2
Belgium	65.9	73.4	58.2	60.5	67.9	53.0	7.4	6.7	8.3
Czech Republic	70.0	77.9	62.2	64.1	72.1	56.1	8.3	7.1	9.7
Denmark	80.1	84.0	76.2	76.0	79.9	72.0	5.3	5.1	5.5
Germany	72.1	79.0	65.1	64.3	70.0	58.5	10.8	11.4	10.2
Estonia	70.0	74.4	66.0	62.9	65.8	60.3	10.4	11.7	9.0
Greece	66.5	79.0	54.1	59.6	74.0	45.5	10.4	6.5	16.0
Spain	68.7	80.4	56.8	60.9	73.6	47.9	11.1	8.2	15.3
France	69.2	75.0	63.6	63.2	69.1	57.5	8.7	7.9	9.7
Ireland	69.5	79.9	59.0	65.5	75.2	55.8	4.6	5.1	3.9
Italy	62.7	74.9	50.6	57.7	70.3	45.2	8.0	6.4	10.3
Cyprus	72.6	83.0	62.8	69.4	79.9	59.7	4.4	3.6	5.5
Latvia	69.7	74.3	65.3	62.2	67.4	57.4	10.1	9.4	10.7
Lithuania	69.1	72.8	65.6	61.4	65.2	57.8	11.4	11.2	11.6
Luxembourg	64.7	74.8	54.3	61.6	72.4	50.6	4.8	3.3	6.9

**Table 2 (continued)**  
**Activity measures of the of the population aged 15-64, by gender, EU, 2004**

Country	Activity rate (labour active plus registered unemployed as % of all persons of active age)		Employment rate (employed and self-employed as % of all active age)		Unemployment rate (unemployed + unemployed)		
	Total	Male	Female	Total	Male	Female	
Hungary	60.5	67.2	54.0	56.6	63.1	50.5	5.9
Malta	58.3	80.3	36.0	53.8	75.5	31.9	7.9
Netherlands	76.6	83.9	69.2	73.1	80.2	65.7	5.0
Austria	71.3	78.5	64.2	67.7	75.1	60.3	5.4
Poland	64.0	70.1	57.9	51.4	56.8	46.1	20.0
Portugal	73.0	79.1	67.0	68.0	74.4	61.7	7.6
Slovenia	69.8	74.5	65.0	65.6	69.9	61.3	6.5
Slovakia	69.7	76.5	63.0	56.7	62.9	50.6	19.6
Finland	74.2	76.4	72.0	68.3	70.3	66.2	10.6
Sweden	77.2	79.1	75.2	72.4	74.0	70.8	6.2
United Kingdom	75.2	82.0	68.6	71.5	77.6	65.6	4.2

*Note:* Data on activity rates refer to annual average, while data on the employment and unemployment rates refer to 2nd quarter of each year.

*Source:* Eurostat, *Labour Force Survey*.

Up to 1996, unemployment was lower for women than men; since then, female unemployment has been consistently higher than that of men. It seems that the first wave of transition affected men in the labour market more than women, partly because male-dominated industries (such as metallurgy, heavy industry) were hardest hit in the first years of transition. In the following years, female-dominated industries (especially the textile and footwear industries) became more exposed to competitive pressure, and this was reflected in a larger increase in female unemployment.

In 2004, the gender gap in unemployment in Slovenia stood at only 0.7 percent, compared to 1.5 percent in the EU. As shown in Table 2, in 2004 the Slovenian female unemployment rates were also well below the European average: 6.1 compared to 9.4 percent in 2004.

A more detailed picture can be developed by examining the activity and unemployment rates by age groups. Table 3 shows a considerable increase in activity rates for women and men in the age group 50-54. In 1993, only 40.4 percent of women aged 50-54 were active; but by 2003, this share had increased to 59.9 percent. The increase of male activity rate in this period was much smaller: from 76.4 to 82.9 percent. However, for men in the 55-59 age group, one can observe a large increase, from 38.4 to 48.2 percent. One must bear in mind that massive early retirement occurred in the beginning of the 1990s, up to 1993, causing a large withdrawal of this age group from the labour market. Following the transition shock, activity rates among persons in the “elderly” age group increased. This can to a large degree be ascribed to the tightening of eligibility conditions for retirement, following the passage of the 1992 Pension and Disability Insurance Act (PDIA) and the 1999 PDIA.

**Table 3**  
**Activity rates by age groups and gender, Slovenia, 1993-2003, (%)**

Year	Total	15-24	25-49	50-54	55-59	60-64
Total						
1993	67.0	41.6	92.2	58.6	29.6	13.2
1994	66.4	39.5	91.7	61.5	29.8	15.9
1995	68.0	41.7	92.6	62.5	32.1	16.0
1996	66.8	38.0	91.8	64.7	30.6	16.1
1997	68.3	47.6	90.4	61.5	28.8	18.2
1998	69.1	45.3	91.5	63.4	34.1	17.8
1999	68.0	41.5	91.3	65.0	29.6	17.9
2000	67.7	38.2	90.9	70.0	31.4	14.9
2001	67.7	36.5	91.3	70.1	34.7	14.4
2002	67.7	36.7	91.4	73.2	36.7	15.7
2003	66.9	33.8	91.0	70.7	33.8	13.5
Male						
1993	70.0	44.8	95.1	76.4	38.4	17.3
1994	71.7	42.2	94.7	78.1	44.7	20.3
1995	73.5	45.6	94.7	77.8	48.6	19.4
1996	71.6	40.2	94.2	79.2	43.1	20.4
1997	72.9	51.6	92.2	73.9	37.1	24.1
1998	73.3	48.0	93.4	79.1	44.5	21.0
1999	72.5	42.6	93.2	79.8	43.2	23.4
2000	72.0	41.6	92.0	84.7	44.2	19.2
2001	72.6	40.5	93.1	82.1	48.7	19.0
2002	72.0	40.3	93.0	82.9	53.3	21.4
2003	71.6	38.3	92.6	80.6	48.2	17.5

**Table 3 (continued)**  
**Activity rates by age groups and gender, Slovenia, 1993-2003, (%)**

Year	Total	15-24	25-49	50-54	55-59	60-64
Female						
1993	61.8	38.2	89.3	40.4	21.6	9.6
1994	61.2	36.6	88.7	45.8	16.4	12.0
1995	62.5	37.6	90.3	47.1	16.6	13.3
1996	62.0	35.8	89.4	50.7	18.4	12.6
1997	63.6	43.4	88.4	49.5	20.6	13.5
1998	64.7	42.5	89.5	48.8	23.3	14.9
1999	63.4	40.4	89.3	50.2	16.7	12.8
2000	63.4	34.6	89.7	55.5	18.5	11.4
2001	62.7	32.4	89.3	58.3	20.2	10.5
2002	63.4	32.6	89.7	63.6	19.9	10.6
2003	62.1	29.0	89.4	59.9	20.1	10.1

*Note:* Data refer to 2nd quarter of each year.

*Source:* Labour Force Surveys, published in *Rapid Reports* of Statistical Office of the Republic of Slovenia (1993- 2004).

In contrast to the older age groups, the activity rate for the youngest age group, those who are 15-24 years old, decreased considerably, from 41.6 in 1993 to 33.8 percent in 2004. The decrease was even more pronounced for young women. The drop in labour supply in this age group is also evident in other European countries.<sup>2</sup> In Slovenia, the main cause for this decline is the large increase in the number of students; the number of undergraduate students more than doubled, rising from 33,565 (55.6 percent were women) in 1990/91 to 87,205 (58.2 percent were women) in 2003/04. The young (age group 15-24) also face an increasingly difficult transition from education to work. This transition seems to be more difficult for women, as data in Table 3 show that the gender gap in activity rates for this age group increased from 6.6 to 9.3 percentage points (1993-2003).

Table 4 presents unemployment rates by age groups and gender. The gender gap is largest for those in the 15-24 age range, amounting to 5.6 percentage

<sup>2</sup> Between 1999 and 2004, only the Czech Republic, Lithuania and Hungary experienced a greater decline in activity rates for women aged 15-24 than Slovenia.



points in 2003. Clearly labour market conditions are less favourable for younger women. It seems that absences due to maternity leave and leave for child-care represent a disadvantage for younger women entering the labour market. Even if these absences are fully covered by social insurance and do not impose direct additional costs for employers, the employers have to find suitable replacement.

**Table 4**  
**Unemployment rates, by age groups and gender, Slovenia, 1993-2003, (%)**

Year	Total			15-24			25-49			50-64		
	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female
1993	9.1	9.9	8.3	24.2	26.8	21.3	7.3	7.9	6.7	4.8	4.8	4.7
1994	9.0	9.5	8.4	22.2	21.2	23.4	7.6	8.5	6.6	5.6	5.5	5.9
1995	7.4	7.7	7.0	18.8	18.1	19.7	6.0	6.7	5.3	4.3	3.7	5.5
1996	7.3	7.5	7.0	18.8	18.9	18.6	5.9	6.3	5.4	3.8	3.7	3.9
1997	7.1	7.0	7.2	17.4	15.6	19.7	5.9	6.1	5.7	2.9	3.2	2.5
1998	7.7	7.6	7.7	18.2	17.7	18.8	6.5	6.5	6.4	4.2	4.5	3.8
1999	7.4	7.2	7.6	18.2	16.6	19.8	6.1	6.2	6.1	5.1	5.5	4.5
2000	7.2	7.0	7.4	16.6	14.8	19.0	5.8	5.7	5.9	7.9	8.0	7.7
2001	5.9	5.6	6.3	16.1	15.1	17.5	4.9	4.7	5.1	4.4	3.6	5.8
2002	5.9	5.7	6.3	15.0	13.7	16.7	5.2	4.8	5.6	4.3	4.5	3.8
2003	6.6	6.1	7.1	15.4	13.1	18.7	6.0	5.6	6.4	4.4	4.6	4.1

*Note:* Data refer to 2nd quarter of each year.

*Source:* Labour Force Surveys, published in *Rapid Reports* of Statistical Office of the Republic of Slovenia (1993- 2004).

However, reconciliation between work and family life might be somewhat easier for Slovenian women in comparison to other EU members. In 2004, 7.2 percent of inactive Slovenian female population quoted family or personal responsibilities as a cause for inactivity. In European Union, by contrast, this share amounted to 23.1.percent. It is interesting that seven years earlier (1997), this percentage was even lower: only 2.0 percent of Slovenian women declared themselves inactive due to family or personal responsibilities. Thus, while the numbers are still relatively low, this increase indicates a clear trend toward more difficulties in balancing of professional and family life.

## 2.2. Occupational segregation

As shown in Table 5, Slovenia is experiencing a long-term trend of declining employment in agriculture and industry, coupled with increasing jobs in services. This affects both men and women, though not in the same degree. In 2004, 66.1 percent of all employed women worked in services, whereas the corresponding share of men was “only” 45.1 percent.

**Table 5**  
**Employment by broad economic sectors and gender, population aged 15-64, Slovenia, 1993-2004**

Year	Agriculture		Industry		Services	
	Thousands	%	Thousands	%	Thousands	%
Total						
1993	80	9.6	372	44.7	380	45.7
1994	82	9.9	358	43.1	390	47.0
1995	79	9.1	380	43.9	406	47.0
1996	76	8.9	369	42.9	415	48.2
1997	88	10.1	363	41.6	421	48.3
1998	87	9.9	357	40.6	434	49.5
1999	74	8.6	336	38.9	454	52.5
2000	68	7.9	333	38.4	466	53.7
2001	69	7.8	349	39.6	463	52.6
2002	69	7.7	354	39.6	471	52.7
2003	59	6.7	329	37.8	483	55.4
2004	74	8.1	339	37.1	501	54.8

**Table 5 (continued)**  
**Employment by broad economic sectors and gender, population aged 15-64, Slovenia, 1993-2004**

Year	Agriculture		Industry		Services	
	Thousands	%	Thousands	%	Thousands	%
Male						
1993	45	10.2	232	52.2	167	37.5
1994	47	10.6	226	50.8	172	38.6
1995	43	9.3	242	52.0	180	38.7
1996	43	9.3	236	51.5	180	39.2
1997	48	10.1	237	50.3	186	39.5
1998	47	10.0	231	49.0	193	41.0
1999	41	8.8	222	47.6	204	43.6
2000	37	8.0	217	46.5	212	45.5
2001	39	8.2	229	47.8	210	44.0
2002	38	7.9	234	48.3	212	43.8
2003	33	7.0	224	47.2	217	45.8
2004	40	8.2	230	46.7	223	45.1
Female						
1993	35	8.9	140	36.0	214	55.0
1994	35	9.2	132	34.2	219	56.6
1995	36	9.0	138	34.5	226	56.5
1996	33	8.3	133	33.1	235	58.6
1997	41	10.1	126	31.4	235	58.5
1998	40	9.8	126	30.9	241	59.3
1999	33	8.3	114	28.7	250	63.0
2000	31	7.8	116	28.9	254	63.3
2001	29	7.3	120	29.8	253	62.9
2002	30	7.4	120	29.4	258	63.2
2003	26	6.5	106	26.6	266	66.9
2004	34	8.0	109	25.9	278	66.1

*Note:* Data refer to 2nd quarter of each year.

*Source:* Labour Force Survey, Statistical Office of the Republic of Slovenia.

In spite of the above mentioned shifts, Slovenia has not yet reached the European average, where only 5.2 percent persons are employed in agriculture, 25.6 percent in industry, and a full 69.1 percent in services.<sup>3</sup>

Table 6 shows the distribution of persons in employment by broad professional groups. Almost two thirds of all clerks are women, and they are over-represented among occupations requiring low levels of skills, as well as among service and sales workers. The shares of women are high also in professional occupations that demand high skills. Though the share of women in the highest place a professional occupation – legislators and managers – is still considerably below average, their position has clearly improved in the period 1997-2003.

<b>Table 6</b> <b>Distribution of employed men and women and women's share in ISCO-88 Major Groups, EU and Slovenia, 1997 and 2003, (%)</b>						
	Male Distribution		Female Distribution		Women's share	
	1997	2003	1997	2003	1997	2003
Legislators and managers	6.9	7.4	3.1	4.4	27.9	33.2
Professionals	6.6	9.7	12.0	17.3	61.3	60.0
Technicians	12.3	14.0	12.8	18.4	47.4	52.3
Clerks	6.3	6.4	18.1	14.9	71.2	66.2
Service and sales workers	7.8	7.6	17.7	16.2	66.2	64.2
Agriculture and fishery workers	11.0	7.4	11.5	7.4	47.4	45.7
Craft and related trade workers	22.5	22.7	2.4	2.3	8.5	7.9
Plant and machine operators and assemblers	22.2	19.0	14.7	12.5	36.3	35.5
Elementary occupations	3.6	4.0	7.4	5.7	63.9	54.4
Armed forces	0.5	0.7	-	-	-	-
Not stated	0.4	1.2	0.3	0.9	39.1	39.2
Total	100.0	100.0	100.0	100.0	46.3	45.6

*Note:* Data refer to 2nd quarter of each year.

*Source:* Labour Force Surveys, published in *Statistical Yearbooks* 1998 and 2004.

<sup>3</sup> Data for 2003, 2nd quarter (Eurostat).

### 2.3. The gender wage gap

The reasonably satisfactory position of Slovenian women on the labour market (high participation rates and shares in professional employment) gives rise to a rather small gender wage gap. Table 7 shows that this gap decreased from 14 percent in 1997 to 9 percent in 2002, compared to a stable EU average gender wage gap of 15-17 percent in this period.

Table 8 provides a finer disaggregation, showing the wage gap in the private and public sectors in Slovenia during 1993-2002. Here we see that the gender wage gap was increasing till 1995 and then started to decrease. There are some discrepancies between Tables 7 and 8, due to different data sources.<sup>4</sup> However, both tables clearly show that the gender wage gap in Slovenia is small, with a decreasing trend. A plausible explanation for this is the higher education attainment of Slovenian women in comparison to men. Table 10 shows that in 2002, 18.7 percent of women had at least university education, compared to 14.0 of men. Also, 56.0 percent of men had less than secondary education, compared to 40.6 percent of women. As the returns to education have increased quite significantly in Slovenia in the 1990s, as shown by Stanovnik (1997) and Oražem and Vodopivec (1995), this might also result in a decreasing gender wage gap. The increasing return to education is a broader phenomenon. For example, Rutkowski (1996) has shown that the “educational premium”, i.e., return to education, also increased considerably in Poland during the 1990s, benefiting mostly those with university education.

As shown in Table 8, differences between women’s and men’s wages were more pronounced in the public sector. In 2002, women in the public sector earned only 78.7 percent of male gross earnings, whereas women in the private sector earned 84.4 percent of male gross earnings.

---

<sup>4</sup> Table 7 is based on the Labour Force Survey, whereas Table 8 is based on the Personal Income Tax database. The LFS includes employees aged 15-64 who worked at least 15 hours per week. The PIT database includes persons who were employed full time (meaning at least 36 hours per week) and who did not change employers during the year.

**Table 7**  
**The gender wage gap, EU, 1997-2003, (%)**

Country	1997	1998	1999	2000	2001	2002	2003
EU (25 countries)	16	17	16	16	16	16	15
Belgium	10	9	11	13	12	-	-
Czech Republic	21	25	22	22	20	19	19
Denmark	13	12	14	15	15	18	18
Germany	21	22	19	21	21	22	23
Estonia	28	26	26	25	24	24	24
Greece	13	12	13	15	18	17	11
Spain	14	16	14	15	17	21	18
France	12	12	12	13	14	13	12
Ireland	19	20	22	19	17	-	14
Italy	7	7	8	6	6	-	-
Cyprus	27	26	27	26	26	25	25
Latvia	-	20	20	20	16	16	16
Lithuania	23	22	16	16	16	16	17
Luxembourg	19	18	17	15	16	17	15
Hungary	24	23	21	21	20	16	14
Malta	-	-	-	11	9	6	4
Netherlands	22	21	21	21	19	19	18
Austria	22	21	21	20	20	-	17
Poland	-	-	15	-	12	11	11
Portugal	7	6	5	8	10	8	9
Slovenia	14	11	14	12	11	9	-
Slovakia	-	-	23	22	23	27	23
Finland	18	19	19	17	17	20	-
Sweden	17	18	17	18	18	17	16
United Kingdom	21	24	22	21	21	23	22

*Note:* The wage gap (in unadjusted form) is defined as the difference between men's and women's average gross hourly earnings as a percentage of men's average gross hourly earnings. The population consists of all paid employees aged 16-64 that are at work 15+ hours per week.

*Source:* Eurostat, *Labour Force Surveys*.

**Table 8**  
**Gender wage gap, by sectors, Slovenia, 1993-2002, (%)**

Year	Total		Private sector		Public sector	
	Wage gap	Women's share in employment	Wage gap	Women's share in employment	Wage gap	Women's share in employment
1993	13.9	49.6	17.2	43.8	26.1	70.7
1994	17.8	49.4	20.0	43.7	27.3	68.8
1995	18.1	49.2	19.5	43.7	29.9	68.4
1996	16.4	48.5	18.1	42.5	29.7	67.9
1997	15.1	48.7	18.2	42.5	26.5	67.7
1998	14.2	47.9	16.3	41.7	26.7	67.1
1999	13.9	48.1	16.3	41.7	27.0	67.6
2000	13.0	47.3	16.5	40.6	25.3	68.0
2001	11.9	47.4	16.2	40.8	23.0	66.0
2002	10.5	47.1	15.6	40.3	21.3	68.5

*Note:* Wage gap is defined as the difference between men's and women's average gross earnings as a percentage of men's average gross earnings.

*Source:* Personal Income Tax (PIT) database, own calculations.

It is interesting to observe that the overall wage gap is smaller than the wage gap in the private sector and the wage gap in the public sector. This is due to the fact that wages in the public sector are higher than in the private sector, so that women employed in the public sector earn more than men in the private sector. This fact, combined with the relatively high share of women in total employment in the public sector contributes to the rather small overall wage gap.

Table 9 shows the net wage gap by age groups for 2002. The highest gender wage gap was in the age group 25-34, when most women have their first child and do not focus exclusively on their professional career. The gender wage gap then decreases in each consecutive age-group, with men's and women's average wages in the age group 55-64 being virtually equal. In this age group only women with higher wages remain active in the labour market, as the more generous retirement conditions for women enable those with lower wages to retire and withdraw from the labour market.

**Table 9**  
**Average net monthly earnings by age groups, Slovenia, 2002 (in thousand tolar)**

	15-24	25-34	35-44	45-54	55-64	Total
Thousand tolar						
Male	87.2	128.6	154.5	156.8	187.0	145.3
Female	78.0	114.3	140.7	148.1	186.6	133.0
Total	83.6	121.7	147.4	152.7	186.9	139.5
Net earnings as % of male net earnings						
Male	100.0	100.0	100.0	100.0	100.0	100.0
Female	89.4	88.9	91.1	94.5	99.8	91.5

*Source:* Personal Income Tax (PIT) database, own calculations.

As already noted, two key factors that contribute to a low gender wage gap in Slovenia relative to other EU member states are women's higher average educational attainment and higher average level of professional skills. In 2002, the average monthly gross earnings of women as a group equalled 90.5 percent of male average, as shown in Table 10.<sup>5</sup> If we assume that wages are fully determined by professional skills, we can estimate female wages under the assumption that women have the same level of professional skills as men. In this case, women's average monthly gross earning would amount to 206.612 SIT, which represents only 83.8 percent of male gross earnings. Clearly, the relatively low gender wage gap can be ascribed to women's higher education attainment and higher professional skills.

<sup>5</sup> Thus, the gender wage gap is 9.5 percent, which is somewhat less than the gender wage gap of 10.5 percent in Table 8.



**Table 10**  
**Persons in paid employment by level of professional skills, Slovenia, 2002**

Level of professional skills	Share (%)			Average monthly gross earnings (in tolar)			Female earn. as % of male earn.
	Total	Male	Female	Total	Male	Female	
University	16.2	14.0	18.7	461,294	512,888	411,936	80.3
Ph. D.	0.4	0.5	0.2	626,907	641,013	590,719	92.2
M. Sc./M. A.	0.5	0.5	0.4	569,105	600,801	529,684	88.2
Non-university	7.3	6.6	8.1	304,771	319,695	291,757	91.3
Secondary	27.7	23.4	32.6	218,037	228,060	209,273	91.8
Lower	1.0	0.8	1.2	159,533	165,065	149,993	90.9
Highly skilled workers	1.1	1.6	0.6	182,238	194,811	155,847	80.0
Skilled workers	28.2	35.6	19.9	164,196	179,392	136,703	76.2
Semi-skilled workers	5.7	5.4	6.0	143,822	151,729	133,692	88.1
Unskilled workers	12.8	12.6	13.0	128,443	137,513	122,181	88.9
Total	100.0	100.0	100.0	235,882	246,985	223,456	90.5

*Note:* Non-university level refers to three-year college schooling.

*Source:* Annual Report on Wages and Salaries, published in *Statistical Yearbooks* 2003 and 2004. This data source shows a different disaggregation of wage gap: by level of professional skills.

Yet another reason for the low gender wage gap in Slovenia compared to EU members is the low share of Slovenian women employed part-time. Though part-time jobs enable easier balancing of family and professional life, it is very likely that they hinder promotion and attainment of higher paid positions. Table 11 shows that, in 2004, only 10.7 percent of Slovenian women were employed part-time, compared to 31.1 percent of women in European Union, whereas the share of part-time employed men was near the EU average. The share of part-time employment among women in Slovenia is surprisingly low, as parents with children under the age of three are legally entitled to opt for a part-time job, even if employers do not favour this. Furthermore, social security contributions for the difference in hours between part time and full time work are paid by the state.<sup>6</sup> However, in spite of legal rights, women often do not take advantage of

<sup>6</sup> Social security contributions are paid up to full working time. However, this “topping up” is based on the minimum wage.

this option because of the lower take-home pay that results from fewer working hours.<sup>7</sup> Women also face stiff competition on the labour market, which often forces them to work full time if they want to get or keep a job. According to Cazes and Nesporova (2003), employers prefer full-time employment and hold that part-time contracts do not bring sufficient cost reduction to counterbalance the negative effects of the unavailability of part-time employees to their colleagues and clients during regular working hours, while job sharing in fact poses additional costs. This assertion is quite relevant for Slovenia, as part-time employees are entitled to the same employer-provided fringe benefits as full time workers, including half an hour lunch break, full reimbursement of cost for meals, and full reimbursement for commuting.<sup>8</sup>

Temporary employment is another work category where women may face unequal treatment. As seen from Table 12, in 2004 19.6 percent of employed women between age 15 and 64 were in temporary employment, as compared to 16.2 percent of temporary employed men. The percentage of temporary employed persons and the difference between men's and women's shares were smaller in EU where (in 2004) 12.9 percent of men and 14.3 percent of women were employed on a temporary contract. If we consider only the younger group, i.e., the employed between age 15 and 39, when women are of child-bearing age, the share of temporarily employed women in Slovenia was even higher, 30.2 percent, and in fact is among the highest in EU, apart from Spain and Finland. The difference between the male and female shares of temporarily employed persons in the age range 15-39 amounted to 6.6 percentage points. It reflects the unwillingness of employers to offer women permanent employment contracts. The Office for equal opportunities registers many anonymous complaints by women who contend that their employer would not extend their contract after their maternity leave. Though not illegal, this termination of work contracts is morally questionable, as the employment contracts were typically extended several times before maternity leave was taken, and the maternity leave apparently triggered this sudden redundancy. The likely explanation for this attitude is that the financing of benefits due to employee sickness leaves of up to one month (including sickness leave because of the sickness of a child) fall on the employer.

---

<sup>7</sup> In spite of equal treatment of both parents under the law, we refer to women, as they usually take over child-rearing responsibilities and therefore in most cases they opt for part-time employment due to family reasons.

<sup>8</sup> All employees in Slovenia have their meals and commuting expenses paid by employer. These expenses are subject to government regulation. For example, commuting expenses are not based on actual expenses, but on expenses calculated according to the cost of public transportation.

We also note that the share of temporary employment among Slovenian employees exceeds the European average: in 2004, 17.8 percent of all employees between age 15 and 64 were employed on a temporary basis compared to 13.5 percent in the EU. These differences are surely related to labour market rigidity, given the relatively long and costly employment terminations for employees with contracts of indefinite duration.

**Table 11**  
**Part-time employment as percentage of the total employment, age group 15-64,**  
**by gender, EU, 1997 and 2004**

Country	1997			2004		
	Total	Males	Females	Total	Males	Females
EU (25 countries)	-	-	-	17.2	6.3	31.1
EU (15 countries)	16.5	5.3	32.1	19.0	6.6	34.9
Belgium	14.6	3.1	31.4	21.5	6.5	40.9
Czech Republic	5.5	2.3	9.7	4.4	1.7	7.9
Denmark	22.1	11.7	34.4	21.9	11.6	33.7
Germany	17.1	3.8	34.9	21.9	5.9	41.3
Estonia	9.6	7.5	11.7	6.9	4.4	9.5
Greece	4.3	2.2	7.7	4.5	2.0	8.4
Spain	8.0	3.1	17.3	8.8	2.7	18.3
France	-	-	-	16.5	5.0	30.0
Ireland	12.3	5.2	23.1	16.6	5.6	31.6
Italy	6.9	3.0	13.9	12.4	4.4	24.7
Cyprus	-	-	-	7.5	3.6	12.5
Latvia	-	-	-	9.8	7.3	12.6
Lithuania	-	-	-	8.4	6.7	10.2
Luxembourg	8.2	1.0	20.1	17.7	2.3	40.2
Hungary	3.4	1.8	5.3	4.3	2.9	6.0
Malta	-	-	-	7.8	3.7	17.5
Netherlands	37.7	16.4	67.8	45.2	21.6	74.7
Austria	-	-	-	19.8	4.5	38.6
Poland	9.3	7.1	11.9	9.6	7.1	12.5

**Table 11 (continued)**  
**Part-time employment as percentage of the total employment, age group 15-64,**  
**by gender, EU, 1997 and 2004**

Country	1997			2004		
	Total	Males	Females	Total	Males	Females
Portugal	8.0	3.6	13.2	8.1	3.9	13.0
Slovenia	7.1	5.9	8.6	8.3	6.3	10.7
Slovakia	-	-	-	2.5	1.3	4.0
Finland	11.1	7.1	15.4	12.8	8.2	17.8
Sweden	24.0	8.4	41.2	23.1	11.2	36.0
United Kingdom	24.1	7.7	44.3	25.2	9.3	43.6

*Note:* Respondents in all countries except the Netherlands, Iceland, Norway, and Sweden indicated whether their job was full-time or part-time. In those four countries, work is considered to be part-time if the usual work week is fewer than 35 hours and to be full-time if the usual hours are 35 hours or more. In Sweden, this criterion is also applied to the self-employed.

Data refers to 2nd quarter of each year.

*Source:* Eurostat, *Labour Force Survey*.

**Table 12**  
**Temporary employees as percentage of the total number of employees,**  
**by gender and age group, EU, 2000 and 2004**

Country	2000				2004			
	15-64		15-39		15-64		15-39	
	Male	Female	Male	Female	Male	Female	Male	Female
EU (25 countries)	11.9	13.3	16.9	18.4	12.9	14.3	18.9	20.2
Belgium	6.6	12.1	9.8	15.6	6.3	11.6	10.1	14.8
Czech Republic	6.0	8.6	6.2	9.0	7.2	10.6	8.2	11.9
Denmark	8.7	11.7	13.6	16.4	9.1	10.6	14.3	15.6
Germany	12.5	13.1	19.8	19.7	12.7	12.2	22.2	20.5
Estonia	3.2	-	-	-	4.0	2.1	5.3	-
Greece	12.2	16.3	16.2	19.2	11.0	14.5	15.0	17.1
Spain	30.9	34.7	41.2	43.2	30.2	34.9	40.0	43.0

**Table 12 (continued)**  
**Temporary employees as percentage of the total number of employees,**  
**by gender and age group, EU, 2000 and 2004**

Country	2000				2004			
	15-64		15-39		15-64		15-39	
	Male	Female	Male	Female	Male	Female	Male	Female
France	-	-	-	-	11.7	14.2	18.0	20.3
Ireland	4.3	6.6	5.7	7.5	3.0	3.9	4.3	5.2
Italy	8.8	12.2	11.7	16.0	9.7	14.9	13.7	19.8
Cyprus	7.6	14.3	9.9	17.3	8.2	18.2	11.0	20.9
Latvia	8.9	4.5	9.7	5.2	11.5	6.8	14.1	9.1
Lithuania	5.0	2.7	7.5	3.7	9.8	3.5	10.1	4.1
Luxembourg	2.6	4.4	4.2	5.5	4.1	6.0	6.7	8.1
Hungary	7.3	6.3	8.4	8.7	7.8	5.9	9.0	8.0
Malta	3.4	5.1	4.6	4.9	2.4	4.9	3.1	5.5
Netherlands	11.3	17.1	16.8	21.0	13.0	16.1	20.0	21.3
Austria	8.4	8.9	13.2	12.5	10.0	8.7	14.4	12.1
Poland	6.4	4.7	7.5	6.0	23.6	21.3	29.9	30.1
Portugal	17.8	22.2	23.4	27.9	18.7	21.2	25.4	28.6
Slovenia	12.1	13.4	17.2	18.4	16.2	19.6	23.6	30.2
Slovakia	3.7	4.3	4.4	4.7	5.7	5.0	6.7	5.6
Finland	14.5	20.9	21.9	33.3	13.2	20.9	20.6	34.3
Sweden	12.1	16.5	17.8	25.9	13.5	17.5	20.7	28.6
United Kingdom	5.7	7.6	6.8	8.7	5.0	6.1	6.1	7.1

*Note:* Data refers to 2nd quarter of each year.

*Source:* Eurostat, *Labour Force Surveys*.

In conclusion, the Slovenian labour market is characterized by a high level of gender equality in terms of wages, employment, and unemployment. However, this overall favourable position is marred by some less positive developments. As we have observed, young women (aged 15-24) show lower activity and higher unemployment rates as compared to men. Also, the low share of women in part-time employment and their relatively high share in temporary employment might not be conducive to a pro-natal policy, as women are faced with a greater insecurity on the labour market.

### 3. Family benefits

#### 3.1. Introduction and overview

Social security reform has been incremental in Slovenia, resulting in a remarkable continuity over time in the benefits provided. This overall trend applies strongly to family protection, where most of the major benefits that exist today were in place in the pre-1990 period. Of course, changes in the coverage and entitlement rules occurred during the 1990s. Also, some new benefits were introduced, mostly targeted to families with special needs.

While family benefits remained largely intact during the transformation period, the institutions that administer them were radically restructured. Prior to 1990, the whole system of social security was extremely decentralized, with a myriad of contribution rates earmarked for the relevant municipal “self-managed communities of interest” (*Samoupravna interesna skupnost*), as well as to the relevant community at the level of the Republic.<sup>9</sup> Both types of institutions – municipal level and the level of the Republic – were involved in delivering family benefits, with a fairly clear delineation of responsibilities.<sup>10</sup>

When the self-managed system was dismantled in 1990, the tasks of the Republic’s self-managed communities were transferred to the central government institutions and the two “new” social insurance institutions – the Institute for Health Insurance (IHI) and Institute for Pension and Disability Insurance (IPDI). In actual fact, these were simply preexisting institutions with new labels – the Health Community of Slovenia (*Zdravstvena skupnost Slovenije*) and the Pension and Disability Community of Slovenia (*Skupnost pokojninskega in invalidskega zavarovanja*). In addition, some tasks of the municipal self-managed institutions were transferred to local governments, and others to the central government or to one of the two “new” social insurance institutions.

Following the dismantling of this comprehensive decentralized system, the number of different social contribution rates was slashed. In effect, only three social contribution rates, for (a) pension and disability insurance, (b) health

---

<sup>9</sup> However, it is interesting to observe that the institutional organization of pension and disability insurance was centralized from the outset. In other words, there were no “self-managed communities of interest” for pension and disability insurance at the municipal level, but only a single community at the state level.

<sup>10</sup> Specifically, maternity leave benefit (known as parental leave compensation), parental allowance (a non-contributory benefit), and assistance for a new-born child were disbursed from the level of the Republic, whereas child benefits (a cash payment) and childcare subsidies were administered at the municipal level.

insurance, and (c) unemployment insurance were retained, with a fourth one – to finance maternity leave benefits – introduced in 1994. The other social and family benefits were tax financed directly from the central government budget. Even maternity leave benefits could hardly be categorized as social insurance, since collected contributions represent only some 13 percent of total benefit costs (2003).

Continuity does not of course imply lack of change, and important revisions in family benefits did occur. However, these never represented a drastic departure from the previous system. If anything, the system of family benefits was almost continuously expansive, increasing the number of persons eligible for entitlement, introducing new benefits, and increasing the size of certain benefits. This can be observed both of the two major subcategories of family benefits, parental leave benefits and in child allowances, as is illustrated below.

- *Parental leave benefits* – Prior to the transition, the duration of these benefits increased in two major leaps, from 105 to 246 days in 1975 and from 246 to 365 days in 1985. A fixed allocation of 105 days for the mother was labelled “maternity leave wage compensation”. The remaining part – 141 days (up to 1985) and 260 days (since 1985) was labelled “compensation for child care”. In 1977, discretion was provided for this part to be used either by the mother or father. In actual fact, it was used almost exclusively by the mother. It is noteworthy that these increases were made without any decreases in benefit levels, i.e. the worker’s wage continued to be fully (100 percent) compensated during qualified leave periods.

Further important changes were made at the end of 2001, with the introduction of fathers’ compensation, a non-transferable right available only to fathers. The duration of fathers’ leave is 90 days, of which wages are fully compensated for 15 days. For the remaining 75 days, the government pays only social contributions.<sup>11</sup> The introduction of fathers’ leave was doubtlessly strongly influenced by the European Council directive 96/34/EC on the framework agreement on parental leave, which requires that parental leave be an individual right for men and women workers, with a minimum duration of three months.

- *Child benefits* were on a similarly expansive path. Up to 1993, this benefit was of a social assistance type, i.e. recipients were mostly low-income families with children. In July 1993, Državni zbor (Parliament) passed a resolution on family policy which stated that universal child benefits were

---

<sup>11</sup> These contributions are paid from the minimum wage.

a national goal. Later that year, in December 1993, the Family Benefits Act was passed.<sup>12</sup> Article 35 specified the amounts of this universal benefit (distinguishing among three age groups), but another article in the same law, article 57, “temporarily” suspended this universalism, and introduced a provisional scale, with the amount of benefit dependant on income per family member. Families whose income per member exceeded 50 percent of the average wage in Slovenia were not eligible.

In December 1995, amendments to the Family Benefit Act increased the number of beneficiaries significantly by lifting the ceiling for entitlement from 50 percent of the average wage in Slovenia per family member to 110 percent.<sup>13</sup>

Further changes occurred in April 1999, when new amendments were passed by Državni zbor.<sup>14</sup> These lowered the ceiling from 110 percent to 99 percent of the average wage in Slovenia (per family member), at the same time raising the benefits for low income families, thus considerably increasing the progressivity of the system. This same amendment also differentiated benefit levels depending on whether the child was the first, second, third or subsequent in the family.

As a result of these changes, child benefits for low income families were considerably greater than the minimum income, which serves as a numeraire for allocating social assistance. Some experts argued that this was inappropriate (Stropnik, 2002). However, this child benefit scale was retained virtually intact in the 2001 Family Benefits Act.<sup>15</sup>

In sum, one could say that after the initial strong support for universalism, fiscal realism stepped in, and child benefits, though expanded considerably, have retained an important element of their previous character as social assistance.

It should be mentioned that this path of “expansionism” includes one effort that did not materialize. This related to parental leave benefits. Initiated in 1994, the aim was to increase considerably the duration of both leave and benefits, for up to three years. A resolution on family policy, passed by the Državni zbor in July 1993, suggested an extension of parental leave for up to three years, “in accordance with the material possibilities of the society”.<sup>16</sup> This was revisited in early 1995, when three members of Parliament from the Christian Democrat Party (SKD – Stranka krščanskih demokratov) proposed a draft law to accomplish

---

<sup>12</sup> Official Journal of the Republic of Slovenia, 65/93.

<sup>13</sup> Official Journal of the Republic of Slovenia, 73/95.

<sup>14</sup> Official Journal of the Republic of Slovenia, 26/99.

<sup>15</sup> Official Journal of the Republic of Slovenia, 97/01.

<sup>16</sup> This was point 3.3.3 of the resolution.



this.<sup>17</sup> The benefit for the first year was to remain at 100 percent of the worker's wage, while in the second year it would decrease 75 percent and in the third year, to 50 percent. This proposal did not even pass the initial legislative hurdle, i.e. the first parliamentary reading. Opposition was expressed by certain experts (see Stropnik, 1996), who argued that this increase would have negative effects on women's position on the labour market.

### 3.2. Reasons for reform

The preceding description highlighted the main post 1990 legislative landmarks in the reform of family benefits. Clearly, the aforementioned resolution on family policy passed by Državni zbor in 1993 both reflected and signalled an "expansive mood". However, this was subsequently kept in check by fiscal considerations, i.e. concerns over a large increase in expenditures that such an expansion would cause. This "reality check" halted the reform of child allowances in mid course, so that this benefit retains universality-cum-means-testing features.

The expansive mood is also visible in the increase in coverage and benefits for the non-insurance based parental allowance, as well as in the introduction of a new allowance for large families. All this was introduced by the 1993 Family Benefits Act (FBA), though the expansion of child allowances had a delayed effective date. These changes are part and parcel of Slovenia's move toward a more comprehensive and inclusive family benefits policy. One can surmise that policymakers also hoped that these changes would be conducive also for family-formation, and improve – in the long run – the low fertility rates in Slovenia.

As for the 2001 FBA and its introduction of a separate benefit – fathers' leave – one clearly discerns the strong influence of EU legislation. In the pre-accession phase, the relevant national legislation which incorporated the EU directives was virtually rubberstamped by Državni zbor. This pre-accession fervour was very similar in other countries.

---

<sup>17</sup> Poročevalec Državnega zbora, 5/1995.

### 3.3. Family benefits in Slovenia<sup>18</sup>

The family benefits in existence today are as follows:

- parental leave benefits (known as parental leave wage compensation in Slovenia),
- parental compensation for forgone income,
- payment of social contributions for shorter working time due to parenthood,
- the parental allowance,
- the child allowance,
- the birth grant,
- the large family allowance,
- the allowance for nursing a child,
- sickness benefit, and
- the childcare subsidy for day-care centres.

These are cash benefits, though the birth grant can also be disbursed in kind. They are outlays of the central government budget and are disbursed through centres for social work.<sup>19</sup> However, a very important subsidy is also present at the municipal level: most parents pay only a small share of the actual cost of day-care centres, with the remainder being covered from municipal budgets.

#### 3.3.1. Parental leave benefit

The total leave associated with childbirth (parental leave) in Slovenia is one year, of which approximately three months (105 days) can be used only by the mother. These three months are termed the maternity leave. Either the mother or father can use the remaining nine months, which are termed child care leave. In fact, this right is used almost exclusively by the mother, so in common parlance we simply refer to this joint benefit (maternity leave and child nursing leave) as “maternity leave wage compensation”. Return to the former job is guaranteed by law.

---

<sup>18</sup> This section draws heavily from Stropnik and Stanovnik (2002) and Stropnik et al. (2003).

<sup>19</sup> Centers for social work are established by law, with the primary task of providing social assistance and disbursing social benefits. There are 62 such centers in Slovenia, representing an average of one center per three municipalities.

The benefit level is 100 percent of the insured persons' average monthly gross wage.<sup>20</sup> Up to December 1995, this benefit was subject to a floor set at the level of the guaranteed wage.<sup>21</sup> It was then changed to minimum wage, which represented a considerable increase.<sup>22</sup> At the same time, a ceiling was set at the level of the highest wage possible under the law. The Parliament set new bounds in the 2001 Family Benefits Act: the floor on this benefit was 55 percent of the minimum wage and the maximum, at 2.5 times the average wage in Slovenia.<sup>23</sup> Obviously the lower bound represented a significant decrease. However, these bounds (upper and lower) are not applied during the first three months of maternity leave.<sup>24</sup>

As noted in section 3.1, the 2001 Family Benefit Act introduced a new individual right, fathers' leave. It also introduced adoptive parents' leave and benefits. The duration of fathers' leave is 90 days, of which 15 days are fully wage-compensated; for the remaining 75 days the government pays only social contributions.<sup>25</sup> The maximum duration of the adoptive entitlement is 150 days, and the compensation is the same as for child nursing leave (see below).

### ***3.3.2. Partial compensation for forgone income***

This social right was introduced in the 2001 Family Benefit Act and came into force with a time lag, on January 1, 2003. The beneficiary is one of the parents of a child who is severely handicapped or seriously ill.<sup>26</sup> To qualify, the parent must leave work completely or partly to take care of the child. In the latter case, the compensation equals (a) the difference between full-time hours and hours actually worked, times (b) the minimum wage rate per hour. The state pays social contributions.

---

<sup>20</sup> The "average monthly wage" refers to the average wage of the insured person during the 12 months prior to the leave.

<sup>21</sup> The concept of guaranteed wage is a relic of the 1980s and is still retained as a numeraire for various entitlements – mostly social assistance benefits and family benefits. However, it is being slowly replaced by the minimum wage. The guaranteed wage amounts to some 21 percent of the average wage, whereas the minimum wage amounts to some 39 percent of the average wage.

<sup>22</sup> Official Journal of the Republic of Slovenia, 73/95.

<sup>23</sup> Official Journal of the Republic of Slovenia, 97/01.

<sup>24</sup> The limits were set in order to prevent excessive fraudulent behaviour. For example, a self-employed husband could "employ" his wife, who would receive a very high wage prior to maternity leave. She would then be eligible for 100 percent wage compensation during the year of parental leave.

<sup>25</sup> These contributions are paid from the minimum wage.

<sup>26</sup> The medical status of the child is ascertained by a medical commission.

### ***3.3.3. Payment of social contributions due to parents' right to shorter working time***

If a parent of a child (younger than age three) decides to work part-time, social contributions are paid for the time spent in child care (up to full time hours) by the state. However, here too the contribution base is set at the level of minimum wage. This right has been in force since January 1, 2003.

### ***3.3.4. Parental allowance***

Parental allowance is granted to persons who are not eligible for the insurance-based parental benefit (wage compensation) during parental leave. Until the end of 1993, this benefit was termed social assistance to mothers. Eligibility was limited to female secondary school and university students and the registered unemployed; housewives and farmers' wives were excluded. The duration of disbursement was also quite limited: the benefit was received for only 84 days. The 1993 Family Benefits Act included a large expansion of this benefit. Parental allowance is now available to mothers of Slovene nationality, who are permanent residents of Slovenia and are not receiving any wage or wage compensation benefit. The duration of disbursement has been significantly extended and is the same as for the parental leave benefit – i.e. one year. However, the amount of parental allowance is quite low and, unlike the wage compensation benefit for parental leave, it is a flat benefit.

### ***3.3.5. Child allowance***

During the early 1990s, children in families with per capita incomes of up to 43 percent of the average net wage in Slovenia were entitled to this benefit. Following the adoption of the Family Benefits Act in December 1993, the income ceiling for entitlement was raised to 50 percent of the average gross wage in Slovenia. The benefit structure was also made progressive: Children in the lowest income bracket (up to 25 percent of the average wage per family member) were entitled to a child benefit amounting to 22 percent of the guaranteed wage, as compared to 7 percent of the guaranteed wage for children in the highest income bracket (which was from 45 to 50 percent of the average gross wage per family member).

From May 1996 to April 1999 the income ceiling was raised to 110 percent of the average gross wage in Slovenia; consequently, the number of children receiving this benefit increased by 70 percent. This was part of the wave of expansion of family benefits described previously. Child allowances remained the same for the lowest income brackets, while those for children from middle-income families (with income per family member amounting to 35-50 percent of the average wage) were increased. The benefit for the top income bracket (50-110 percent of the average wage) amounted to 7 percent of the guaranteed wage. These changes resulted in a large increase in child benefit expenditures.

Further changes were introduced in May 1999. The income ceiling was decreased from 110 to 99 percent of the average gross wage in Slovenia. Benefit levels were differentiated with regard to the birth order (child allowance for the second child is greater than for the first child) and with regard to income per family member (eight income brackets). The differences in child allowances have thus become much greater: a child allowance for the first child for families in the lowest income bracket is some five times greater than the child allowance for the first child for families in the highest income bracket.

Some more recent changes include marginal increases for certain types of families. For example, if a child is not in a subsidized childcare program, the child allowance is increased by 20 percent (effective from January 2003). Also, the amount of child allowance is increased by 10 percent for children in single-parent families (effective from January 2004).

A child allowance is granted to children up to age 18 and can be extended to age 26, provided the child continues with full-time education.

### **3.3.6. Birth grant**

The birth grant can be paid either as an in-kind or cash benefit, depending on the choice of the mother. If in-kind, it is a package given at birth. Most parents opt for the in-kind benefit, because the actual market value of the basket of goods received is considerably higher than the cash benefit. It is not subject to means testing.

### **3.3.7. Large family allowance**

This benefit was introduced in the 2001 Family Benefits Act and is paid lump-sum, once a year. Families with three or more children are eligible, provided they fulfil the age and status condition for entitlement to the “ordinary” child allow-

ances. The large family allowance is not subject to means testing.

### ***3.3.8. Allowance for nursing a child***

Up to 1996, the child allowance for a severely ill child or a physically or mentally handicapped child was 50 percent higher than the regular allowance. In 1996, a new social benefit was introduced, which was not linked to child allowances. Children treated, trained, or educated in institutions with free nursing are not eligible to receive this allowance during their stay in the institution. It is a flat monthly cash benefit, amounting to some 30 percent of the guaranteed wage (some 11 percent of the average wage net of contributions and taxes). Changes introduced in 1999 extended the duration of this allowance – it can be disbursed up to the age of 26, on the condition that the child is in training.

### ***3.3.9. Sickness benefit***

Sickness benefit is a social insurance benefit, to which insured persons are entitled, mostly in case of sickness and injury (at work or out-of-work). However, this benefit is also granted in case of care of a family member – and most cases concerns mothers who care for their children. The personal physician is authorized to grant this benefit for the first 7 or 15 days of sick-leave for the parent, depending on the age of child.<sup>27</sup> After that, it is the responsibility of a medical commission to grant a prolongation. The benefit amounts to 80 percent of the worker's average monthly wage.<sup>28</sup>

### ***3.3.10. Childcare subsidy for day-care centres***

Since the end of the 1970s, pre-school childcare services have been widespread and highly subsidized in Slovenia. The easy availability along with affordability of organized childcare was an important precondition for extensive female employment which, during socialism, was considered as one of the elements of gender equality. Throughout the socialist period, public day-care centres were the only legitimate, formally organized, and subsidized providers of pre-school childcare.

---

<sup>27</sup> For children up to age 7 it is 15 days, for children above age 7 it is 7 days.

<sup>28</sup> The “average monthly wage” refers to the average wage of the insured person during the 12 months prior to the leave.

Family day-care (“guest families”) existed as well, but were legal only if associated with day-care centres and allowed only for children up to three years of age.

Slovenia has managed to retain most of the advantages and achievements in pre-school child-care that it attained in the socialist period, while also rather successfully reforming these services. Changes were gradually introduced, and the first private day-care centres were established in 1991. However, it was not until 1996 that the new pre-school child-care act was introduced, with legal provisions concerning the role of private institutions and programs.<sup>29</sup>

Child-care services are widely affordable, due to high subsidies from public sources. Not much has changed in the size of the public subsidy for pre-school child-care during the 1990s. In 1990, the average subsidy amounted to 75 percent of the costs per child, and it decreased to about 69 percent in 1998. All approved programs of public and private day-care centres/providers are entitled to a subsidy.

Parents pay from 15 to 80 percent of the calculated (“reduced”) price of day-care service; the percentage depends on family income per member. This subsidization is substantial, as only some 4 percent of all parents pay the full parent fee; these are families in which the gross monthly income per family member is greater than 110 percent of the average gross wage in Slovenia. We note that the reduced price, which serves as a basis for calculating parents’ fee, includes only the costs of education, care and meals; it does not include depreciation and maintenance costs. The difference between the total costs and fees collected from parents is covered by a subsidy to the day-care centre, paid from the municipal budget. At present, existing day-care facilities almost fully meet the demand for pre-school childcare; this is due to the continuous decrease in birth rates and the resulting smaller age cohorts.

### **3.4. Family benefits: coverage, amounts disbursed, and impact on household income**

Table 13 shows the average number of recipients of family benefits between 1992 and 2004. As was described earlier and can be seen in the table, the allowance for nursing a child was introduced in 1996; the large family allowance, in 2002; and partial compensation for forgone income and payment of social contributions due to parents’ right to shorter working time, in 2003. The falling trends in the

---

<sup>29</sup> The term “private” is used in the meaning of “non-public”. It encompasses private firms and physical persons, as well as different forms of voluntary and other non-governmental organizations.

number of recipients of parental leave benefits and birth grants are clearly caused by the decreasing number of births. Legislative changes, i.e. increasing coverage, caused a large increase in the number of recipients of child allowances and parental allowances. The parental allowance is a minor benefit, and the increase by almost 600 recipients in 1994 is in absolute terms small, though in relative terms quite high. As for child allowances, the strong move toward universal coverage is clearly visible.

**Table 13**  
**Average number of recipients of family benefits, Slovenia, 1992-2004**

Year	Parental leave benefit*	Child allowance	Birth grant	Parental allowance	Allowance for nursing a child	Large family allowance	Partial compensation for forgone income	Payment of social contrib.
1992	19,182	149,435	19,812	1,599	-	-	-	-
1993	18,873	147,478	19,632	1,899	-	-	-	-
1994	19,257	187,639	18,432	2,474	-	-	-	-
1995	17,261	222,634	18,408	3,015	-	-	-	-
1996	17,080	342,443	18,420	2,822	2,619	-	-	-
1997	16,916	408,536	17,916	2,734	3,705	-	-	-
1998	16,374	410,864	17,637	2,616	4,132	-	-	-
1999	16,181	405,040	17,295	2,563	4,424	-	-	-
2000	16,343	411,397	18,083	2,452	4,731	-	-	-
2001	16,617	412,495	16,101	2,317	4,806	-	-	-
2002	15,944	408,051	18,308	2,175	5,219	24,653	-	-
2003	17,443	400,680	16,746	2,498	5,263	24,363	164	828
2004	16,972	392,538	17,811	2,808	5,325	24,419	280	2,970

\* Parental leave benefit includes maternity leave benefit, fathers' parental leave benefit, compensation for child care, and adoptive parents' leave benefit.

Source: *Rapid Reports* of the Statistical Office of Slovenia, no. 141/2003 and *Statistical Yearbook* of the Republic of Slovenia, 2004.

It is noteworthy that the parental leave benefit for fathers amounted to less than four percent of the total amount disbursed for this benefit in 2004.

Table 14 shows the amounts disbursed for various types of family and child



benefits, as well as their share in GDP.<sup>30</sup> In 2003, parental leave benefit – mostly consisting of benefits for mothers – and child allowances together accounted for 95 percent of the total amount disbursed for family and child benefits. Also to be noted is the increase in the amounts disbursed, measured as percentage of GDP. In 1992, family and child benefits amounted to some 1.23 percent of GDP, whereas in 2004 these benefits amounted to some 1.59 percent of GDP. These figures do not include the amount of subsidies for day care centres for children.

**Table 14**  
**Expenditures for family benefits, Slovenia, 1992-2004 (in million tolar)**

Year	Parental leave benefit*	Child allowance	Birth grant	Parental allowance	Allowance for nursing a child	Large family allowance	Partial comp. forgone income	Payment of social contrib.	Family benefits as % of GDP
1992	7,986	4,193	270	42	-	-	-	-	1.23
1993	11,852	7,311	316	79	-	-	-	-	1.36
1994	14,865	10,778	343	423	-	-	-	-	1.43
1995	16,826	14,033	381	557	-	-	-	-	1.32
1996	18,892	21,104	399	556	26	-	-	-	1.48
1997	21,202	25,117	433	566	495	-	-	-	1.52
1998	22,570	26,705	429	574	568	-	-	-	1.45
1999	24,542	35,939	452	603	641	-	-	-	1.59
2000	27,730	44,904	531	608	723	-	-	-	1.73
2001	31,646	48,131	462	622	829	-	-	-	1.70
2002	32,918	51,462	921	782	1,175	599	-	-	1.64
2003	33,911	55,217	902	1,128	1,398	1,306	195	167	1.62
2004	37,035	56,061	1,023	1,282	1,411	1,915	336	300	1.59

\* Parental leave benefit includes maternity leave benefit, fathers' leave benefit, compensation for child care and adoptive parents' leave benefit.

Source: *Rapid Reports* of the Statistical Office of Slovenia, no. 141/2003 and *Statistical Yearbook* of the Republic of Slovenia, 2004.

<sup>30</sup> We do not include sickness benefit, as only that small part of sickness benefit that is disbursed for caring of a family member should be rightly included among family and child benefits.

The large increase in child allowances is also visible in Table 15, which shows the structure of household income sources by income deciles.<sup>31</sup> Thus, in 1993 child benefits (child allowance) amounted to 0.7 percent of household income; in 2001-2003 child benefits (child allowance, birth grant and allowance for nursing a child) amounted to 2.1 percent of total household income. Clearly, child benefits represent a greater share of household income in the lower income deciles; in 2001-2003 these benefits accounted for a full 7.3 percent of household income in the bottom (first) income decile, and only 0.4 percent of household income in the top (tenth) income decile.

In stark contrast to child benefits, parental leave benefit is mostly disbursed to insured persons living in middle-income families. This is a social insurance benefit, and thus only persons (women) included in mandatory social insurance are entitled. It is therefore not surprising that the share of this income source in the total household income of those in the lower income deciles is modest, as mothers situated in these low income deciles mostly do not have regular employment.

The weaker targeting of child benefits during the 1990s, i.e. greater move toward universal coverage, is also quite clearly visible in Table 16. In 1993, children living in households belonging to the first income decile accounted for 5.9 percent of all children, but received 16 percent of all child benefits disbursed. In 2001-2003, children in the first decile households accounted for only slightly more – 6.1 percent – of all children, but received “only” 10 percent of all child benefits disbursed. However, these 10 percent of total disbursed child benefits accounted for some 7.3 percent of the income of households situated in the first decile.

---

<sup>31</sup> “Household income” refers to current household disposable monetary income. The decile groups are formed according to household income per equivalent adult, and the equivalence scale used is the modified OECD equivalence scale (first adult = 1, each other adult = 0.5, child (under age 15) = 0.3).

**Table 15**  
**Household income sources by income deciles, Slovenia, 1993 and 2001-2004**

Decile	Income from employment	Income from occasional work	Income from self-employment	Income from agriculture	Capital income and property rights	Unemployment benefits	Pensions	Other social insurance benefits*	Child benefits	Social assistance**	Interfamily cash transfer	Total
1993												
1	22.9	1.7	0.1	7.5	0.3	4.5	49.3	0.2	4.1	6.8	2.4	100.0
2	38.1	2.3	1.6	4.6	0.0	4.7	41.7	0.4	2.4	2.7	1.5	100.0
3	47.3	1.1	2.2	5.4	0.0	2.8	34.0	0.5	1.9	3.2	1.5	100.0
4	60.2	1.7	2.1	3.3	0.0	2.5	25.0	0.4	1.5	1.9	1.4	100.0
5	59.7	2.4	2.2	3.9	0.0	2.3	24.1	0.6	0.8	2.0	1.9	100.0
6	61.9	2.3	2.1	3.8	0.4	1.5	23.0	1.0	0.7	1.4	1.9	100.0
7	60.9	3.2	3.8	2.3	0.0	1.1	22.5	1.1	0.5	1.6	2.7	100.0
8	65.0	1.9	6.0	1.5	0.2	0.7	19.7	0.8	0.3	0.7	3.1	100.0
9	63.5	3.3	8.3	2.1	0.6	0.8	17.0	0.3	0.1	0.9	3.0	100.0
10	60.3	3.7	15.0	1.7	1.9	0.2	9.2	0.2	0.1	0.4	7.1	100.0
Total	58.6	2.7	6.6	2.8	0.6	1.4	21.1	0.6	0.7	1.4	3.4	100.0

**Table 15 (continued)**  
**Household income sources by income deciles, Slovenia, 1993 and 2001-2004**

Decile	Income from employment	Income from occasional work	Income from self-employment	Income from agriculture	Capital income	Unemployment benefits	Pensions	Other social insurance benefits*	Child benefits	Social assistance**	Interfamily cash transfer	Total
2001-2003												
1	17.0	3.6	2.4	5.5	0.2	5.0	48.0	0.6	7.3	9.1	1.3	100.0
2	29.2	3.8	4.7	3.3	0.4	3.1	44.9	0.4	5.5	4.5	0.3	100.0
3	47.6	2.4	4.8	2.3	0.1	1.5	31.7	0.8	4.9	3.1	0.9	100.0
4	50.2	2.1	4.2	1.8	0.3	1.4	32.0	1.3	3.8	2.4	0.5	100.0
5	54.3	1.5	5.8	1.4	0.1	1.0	29.1	1.5	2.8	1.9	0.5	100.0
6	58.7	1.4	4.7	1.1	0.5	0.7	27.9	1.0	2.1	1.3	0.5	100.0
7	67.7	2.5	4.5	0.6	0.3	0.8	19.5	1.1	1.5	1.1	0.4	100.0
8	65.0	1.4	5.1	0.8	0.5	0.5	23.0	0.9	1.3	1.1	0.5	100.0
9	69.2	1.2	5.1	0.1	0.6	0.4	20.7	0.6	0.6	0.7	0.7	100.0
10	69.4	1.8	6.4	0.0	2.4	0.2	17.4	0.8	0.4	0.8	0.3	100.0
Total	59.8	1.9	5.1	1.1	0.8	0.9	25.2	0.9	2.1	1.7	0.5	100.0

\* Other social insurance benefits: in the 1993 Household Expenditure Survey (HES) this term included some disability related allowances, health insurance related allowances and maternity leave wage compensation. In the 2001-2003 HES, it included maternity leave benefit and parental allowance.

\*\* Social assistance includes social assistance proper and educational grants.

Source: Household Expenditure Surveys, 1993 and 2001-2003, own calculation.

**Table 16**  
**The distribution of children and child benefit expenditures across income deciles, (%)**  
**Slovenia, 1993 and 2001-2003**

Decile	1993		2001-2003	
	Children*	Child benefits	Children*	Child benefits
1	5.9	16.0	6.1	10.0
2	7.3	15.4	8.0	12.8
3	10.0	16.2	11.5	15.8
4	11.5	14.9	12.0	14.4
5	10.7	9.6	11.5	12.2
6	11.5	8.9	11.8	10.6
7	10.4	7.8	11.5	8.4
8	11.0	4.8	10.8	7.9
9	10.8	2.9	8.7	4.3
10	10.8	3.5	8.2	3.7
Total	100.0	100.0	100.0	100.0

\* Children include all persons up to age 26 with status dependant.

Source: Household Expenditure Surveys, 1993 and 2001-2003, own calculation.

### 3.5. Impact on gender division of household and child care work

In spite of the very favourable attitude toward gender equality in Slovenia, time-use surveys still show strong gender imbalances between paid and unpaid work. Since these surveys were introduced only fairly recently in Slovenia, it is not possible to trace differences over time. The results of the only survey conducted so far are presented in Table 17.

**Table 17**  
**Time use of full-time employed persons, by gender, Slovenia, April 2000 - March 2001\***

	Men	Women
TOTAL	1,440	1,440
Sleeping	483	484
Eating	84	78
Personal Care	67	62
Employment	329	282
Study	4	6
Household care and informal help to other households	125	214
Family care	16	39
Participatory activities, religious activities	7	7
Culture, sport, hobbies	45	30
Social life	56	53
TV	123	87
Other mass media	21	22
Travelling	78	74
Other, unspecified	2	2

\* Computed as average time of all persons, in minutes.

Source: *Statistical Yearbook* of the Republic of Slovenia, 2005.

Clearly, women spend much more time on household and family care than men. They are not only heavily engaged in paid work (employment) but also in unpaid work. This, together with the fact that parental leave is hardly used by fathers and that even the benefit earmarked for fathers – the fathers’ leave – is not taken up in full, shows an unequal share of burdens.<sup>32</sup>

<sup>32</sup> In 2004, only the take-up ratio for the fully wage compensated part of the leave, i.e. the 15 days, was high. Some 12,700 men received this benefit, as compared to some 17,000 women who received the parental leave benefits (*Rapid Reports* of the Statistical Office of Slovenia, No. 224/2005).

### **3.6. Wider social and economic impact of the family benefits reform**

Ideally, the family benefit reform ought to improve the income position of families with children (in order to compensate for the cost of children) and provide means for a greater sharing of the burden of child-rearing and caring. Yet legislation geared toward greater gender equality can do only so much, i.e. only provide a basis (“necessary conditions”) or stimulus for actual changes in behaviour and patterns of paid and unpaid work. These changes appear to be slow.

The changes in the coverage and entitlement to family benefits were certainly conducive toward gender equality and did not worsen the position of women in the labour market. In this sense, one cannot speak of a welfare trap for low-income women. Though employment and increased family income might result in decreased child allowances, these disincentives are rather small. Also, the disincentive effects of parental allowance are negligible, as the amount of this benefit is small and it is disbursed only for one year. It is interesting to note that the 1993 Resolution on Family Policy was widely perceived as a threat to the strong position of women on the labour market. This resolution advocated an increase in maternity leave; however, when the Christian Democrats proposed the relevant draft legislation in 1995, it was strongly opposed by various organizations of civil society, which made the argument that such an increase would be harmful to the women’s position in the labour market. In other words, in a very short time span there was a complete reversal of positions, with the realization that increasing maternity leave would harm women’s work prospects and – in effect – serve to exclude them from the labour market.

As in Hungary (Lukács and Frey, 2003), there are no hard statistics in Slovenia on discrimination against women of child-bearing age, yet there is clear evidence that employers offer them much higher portions of short-term contracts. This is a troubling pattern that requires much closer scrutiny and monitoring.

## **4. Pension benefits**

### **4.1. Overview of developments since 1990**

Following independence, achieved in 1991, the pension system of Slovenia underwent a number of changes. In 1992, the Pension and Disability Insurance Act (PDIA) was passed into law. While it did not produce sweeping changes, it was a comprehensive act in the sense that it sought to establish full national

sovereignty in social insurance.<sup>33</sup> The 1992 PDIA gradually tightened eligibility criteria for pensioning. Thus, under the 1983 PDIA, a person could retire if he/she accumulated a sufficient number of pension qualifying years – 40 for men and 35 for women; the 1992 PDIA introduced an additional requirement for this group – retirement age.<sup>34</sup> The lowest retirement age was set at 58 years for men and 53 years for women, subject to a pension qualifying period of 40 and 35 years respectively. This increase was gradual, so that the final values (58 and 53 years) were to be reached in 1998. Early retirement was possible at age 55 for men and 50 for women, provided certain conditions were met.<sup>35</sup>

The tightening of conditions for early retirement came somewhat late in the day, as the large wave of early retirees already entered the pension system in 1990 and 1991. Preparations for a full-fledged reform started soon after the passage of the 1992 PDIA, and the reform was finally enacted at end of 1999. This very long “gestation” period was – in no small degree – caused by opposing and irreconcilable views held by the three main groups – the trade unions, the employer associations, and the government.<sup>36</sup> Their diverging positions concerned not only the extent of parametric reform within the public PAYG pension system, but also the design of private pension saving schemes. In the end, the reform of the public pension tier was less radical than the original proposals emanating from the government. As for the private pension saving schemes, the government and the employer associations were strongly in favour of a new system of mandatory privately-managed individual savings, to be financed by

---

<sup>33</sup> In effect, this meant complete decoupling from the corresponding Yugoslav legislation. Under the previous arrangement, the legal acts passed on the federal (Yugoslav) level provided mandatory guidelines for relevant legislation at the level of the republics.

<sup>34</sup> A number of terms are used in describing the relevant periods for acquiring eligibility conditions. Years of service refer to the period during which a person (or worker) was actually insured. Purchased period is an insurance period that is credited, based on retroactive payment of contributions, either by employer or employee. Insurance period includes years of service and purchased period. Special period refers to years that are credited, according to law, regardless of whether contributions were paid or not. Such periods include, for example, the period of child-caring (first year following birth), provided that the person was not insured. Added period is relevant only for achieving eligibility conditions, but not for the calculation of a pension, i.e. the accrual rate is 0 percent. Such periods include years of university education, military service etc. These years can also be purchased, in which case they become a purchased period. The pension qualifying period is the sum of: years of service, purchased period, special qualifying period and added qualifying period.

<sup>35</sup> Similarly to the 1983 PDIA, the 1992 PDIA required, besides the age condition, also a condition of minimum pension qualifying period – 35 for men and 30 for women. However, the 1992 PDIA added some further conditions, such as bankruptcy of the firm, long term unemployment, or disability.

<sup>36</sup> The reform process is described in greater detail in Stanovnik (2002).



a diversion of contributions from the public pension system. However, due to fierce and unyielding opposition of the trade unions, this proposal was discarded and voluntary pension saving schemes were introduced.

Some basic features of the 1992 and 1999 PDIA are presented in Table 18.

Table 18	
Basic characteristics of the 1992 and 1999 PDIA (eligibility criteria and benefits)	
1992 PDIA	1999 PDIA
Eligibility criteria	
Men <sup>1</sup> : age = 58, p.q.p. = 40	Men: age = 58, p.q.p. = 40
Women <sup>1</sup> : age = 53, p.q.p. = 35	Women <sup>2</sup> : age = 58, p.q.p. = 38
Men <sup>1</sup> : age = 63, p.q.p. = 20	Men: age = 63, p.q.p. = 20
Women <sup>1</sup> : age = 58, p.q.p. = 20	Women <sup>2</sup> : age = 61, p.q.p. = 20
Men: age = 65, ins.p. = 15	Men: age = 65, ins.p. = 15
Women: age = 55, ins.p. = 15	Women <sup>2</sup> : age = 63, ins.p. = 15
Minimum insurance period	
15 years	15 years
Pension base	
Best 10-year average of net wages <sup>3</sup>	Best 18-year average of net wages <sup>3</sup>
Accrual rates	
Men: 35% of pension base for first 15 years, then 2% for each additional year, up to 40 years of p.q.p.	Men: 35% of pension base for first 15 years, then 1.5% for each additional year of p.q.p.
Women: 40% of pension base for first 15 years, 3% for each additional year up to 20 years, then 2% for each additional year up to 35 years of p.q.p.	Women: 38% of pension base for first 15 years, then 1.5% for each additional year of p.q.p.
Pension indexation	
Growth of net wages	Growth of net wages
Minimum pension base	
64% of national net wage	Set nominally, but effectively at approx. 64% of national net wage
Maximum pension base	
310% of national net wage	4 times minimum pension base

**Table 18 (continued)**  
**Basic characteristics of the 1992 and 1999 PDIA (eligibility criteria and benefits)**

1992 PDIA	1999 PDIA
<b>Early retirement</b>	
Men: age = 55, p.q.p. = 35 Women: age = 50, p.q.p. = 30 and other required conditions <sup>4</sup>	No special provisions, but certain categories of workers can obtain a pension without deductions for retirement before full pensionable age <sup>5</sup>
<b>Deductions for early retirement</b>	
1% for each "missing" year of insurance. Deductions temporary and lifted when age criteria fulfilled.	n.a.
<b>Purchase of insurance period</b>	
Employer can purchase (for employee) up to five years, under certain conditions. <sup>6</sup> Employee can purchase years of university education and military service.	Employer can purchase (for employee) up to five years, under certain conditions. <sup>7</sup> Employee can purchase years of university education and military service.

*Abbreviations:* p.q.p. = pension qualifying period; ins.p. = insurance period; n.a. = not applicable

*Notes:* 1. The increase in pensionable age under the 1992 PDIA was gradual, and was completed in 1998. All figures refer to final values.

2. The increase in the pensionable age and pension qualifying period for women is very gradual. Figures refer to the final values, which will in some cases be achieved in 20 years.

3. Indexation is quite nontransparent as the "revalorization coefficients" are decreed by IPDI.

4. "Other conditions" include bankruptcy of firm, disability, long-term unemployment.

5. Article 55, 1999 PDIA.

6. Article 214, 1992 PDIA.

7. Articles 195-199, 1999 PDIA.

*Source:* Kuhelj (2000), and the 1992 and 1999 PDIA.

As can be seen in Table 18, the basic structure of the 1999 PDIA is similar to the 1992 PDIA. Most significantly, the 1999 PDIA retained dual requirements for retirement: age and pension qualifying period. As a general rule, retirement with a lower than normal retirement age is possible only if a person has accumulated more years of service. In comparison to the 1992 PDIA, the preferential treatment of women has narrowed considerably. This preferential treatment in the 1999 PDIA involves three pension system parameters (in addition, see Table 18):

- a. lower retirement age for women. For example, men with a 20 year pension qualifying period cannot retire before age 63; women with a 20 year pension qualifying period can retire at age 61;
- b. lower requirement for years of service (“pension qualifying period”). For example, women 58 years old can retire provided they have a 38 year pension qualifying period, while men of the same age can retire only if they have a qualifying period of 40 years; and
- c. higher accrual rates for women. For example, for the first 15 years of pension qualifying period, the accumulated accrual rate for women is 38 percent, whereas for men it is 35 percent.

It is quite clear that this preferential treatment of women is rather small. However, to achieve this narrowing of preferences, some additional “bonuses” targeted for women came through the back door. Certain special provisions within the 1999 PDIA serve to counterbalance or slow the pace toward equality of retirement conditions. For example, the values shown in Table 18 are being introduced very gradually, so that the large increases in – for example – the statutory retirement age for women will be spread over some 20 years. The original reform proposals included a much quicker pace, i.e. increases in retirement age and increases in required pension qualifying period to be six months per year.<sup>37</sup> However, the trade unions strongly opposed this. After long and difficult negotiations between them and the government, an agreement was reached on April 28, 1999 on some pension reform parameters, with a special section being devoted to the pace of change of pension system parameters for women. In effect, the retirement age increase was set to be four months per year, and the increase in required pension qualifying period, three months per year.

The trade unions were also effective in imposing another measure with a clear gender impact: for women, employment before age 18 is not only counted

---

<sup>37</sup> One is reminded of the excellent IMF study on the Slovenian social insurance system (IMF, 1995), which suggested relatively fast increases in retirement age and pension qualifying period.

as years of service, but also entails lower retirement age. This – supposedly – stemmed out of the concern of trade unions for women workers in various labour intensive industries (textiles etc), who could have great difficulty in reaching the required retirement age.

Another “bonus” clearly targeted toward women concerns child-caring. A person who has raised a child is entitled to a lower retirement age.<sup>38</sup> This measure was introduced into the 1999 PDIA in response to strong lobbying by the Slovene Peoples’ Party (SLS – Slovenska ljudska stranka), which was then a member of the ruling coalition. It seems that other parties were not keen on opposing this measure, so that it was introduced in the PDIA without opposition.

Apart from these very gender-specific changes, the 1999 PDIA introduced some quite important changes which affect all insured persons, though not all to the same degree. Actuarial fairness is now more closely observed, since there are “maluses” or penalties for retirement prior to the full pensionable age, which is at present (in 2005) 61 for men and 55 for women, and bonuses for retirement after full pensionable age. Penalties for retirement prior to the full pensionable age do not apply to certain categories of insured persons, such as persons with sufficient years of service, persons with disabilities, persons laid off because of firm bankruptcy, and long-term unemployed.<sup>39</sup>

The actuarial fairness of the system was also strengthened through extending the period of work that is counted in calculating pensions: it has moved from the best consecutive ten-year period to best consecutive 18 year period.

Under the 1999 PDIA, greater emphasis is given to the redistributive or solidarity element within the public pension system. The ratio between two comparable pensions is now capped at 4:1, a considerably narrower spread than the previous 4.8:1.<sup>40</sup> Here “comparable pensions” refer to pensions granted to insured persons who satisfy the same entry condition (i.e. have the same number of years of service). If the person’s computed pension base is lower than the minimum pension base, his/her pension is computed using the minimum pension base. Since women have lower wages and less stable wage trajectories, this rule mostly benefits them. It is important to mention another important redistributive element: though the maximum value of a pension is capped, there is no wage ceiling for pension contributions. It seems that the decrease in the ratio (from 4.8:1 to 4:1) was strongly influenced by the opposition, particularly the Social Democratic Party (SDS – Social-demokratska stranka Slovenije) of Janez Janša,

---

<sup>38</sup> As will be explained subsequently, the parents of a child can choose which one will take this benefit.

<sup>39</sup> In 2005, the required years of service were 40 for men and 36 for women.

<sup>40</sup> The narrowing of this spread was produced by decreasing the value of the maximum pension; the minimum pension remained virtually unchanged.

which demanded a very narrow spread, 3:1 and even 2:1.

Indexation is an extremely important element of pension systems. It refers to two different things: (a) the method of adjustment of nominal wages, used to arrive at the pension base, and (b) the method of adjustment of pensions in payment. If both methods are, for example, based on indexation according to the growth of average nominal wage, this ensures that the value of pensions is maintained in relation to average national wage levels. It also ensures the strict observance of the principle of horizontal equity, i.e. persons with a similar wage history have similar pensions, regardless of the date of retirement. Thus, this approach provides simplicity, transparency, and stability of the replacement rate.<sup>41</sup> Disruptions in the method of indexation can result in non-transparent adjustments and horizontal inequities among pensioners, which are then difficult to change.

For example, in Slovenia pensions were “frozen” during the first half of 1991 by an emergency law which capped the average net pension/average net wage ratio; no indexation was to be performed until this cap was reached.<sup>42</sup> This cost containment measure was necessitated by extremely high replacement rates and sharp increases in pension expenditures. In order to preserve parity between pensions of new entrants and pensions of existing pensioners, the method of indexation of a worker’s nominal wages for the calculation of his/her pension base also had to be adjusted.<sup>43</sup> To add to the confusion, a new method of indexation of pensions was introduced shortly after the passage of the 1999 PDIA. In other words, article 150 of the 1999 PDIA which described the indexation rule was amended, so that the rule was spelled out in much greater detail. This reduced transparency, setting the indexation boundaries to be not less than the increase in prices and not greater than the growth of wages. On top of this, pensions of existing pensioners were subject to downward adjustment, in order to coincide with the gradually declining accrual rates applicable for new pensioners.<sup>44</sup>

---

<sup>41</sup> Of course, we completely ignore the possible macroeconomic effects and effects on pension expenditures which such a method of indexation can produce.

<sup>42</sup> This cap was set at a respectable 85 percent. The ratio was obtained by recalculating all old-age pensions “as if” they were old age pensions for full service period (40 for men, 35 for women). If this ratio between calculated pensions and actual wages (all net values) was greater than 85 percent, no indexation was to be performed. Taking into account that the actual ratio between average old-age pension and average wage in 1990 was 89.2 percent, this measure in effect meant a considerable decrease in real pensions: nominal pensions “stood still” until the calculated ratio (85 percent) was reached. Consequently, the ratio between average net old-age pensions and average net wages dropped to 73.8 percent in 1991.

<sup>43</sup> This was done through the use of revalorization coefficients, which took into account the pension “freeze” in 1991, i.e. the value of these coefficients was lower than the growth of net wages.

<sup>44</sup> This downward adjustment is described in article 151 of the 1999 PDIA. The adjustment

These hotchpotch measures were the target of serious protests by pensioners and the Pensioner Party (DESUS) and demands for a more “equitable” method of indexation. A new government was installed in December 2004, with DESUS joining the governing coalition. In July 2005 an amendment to the 1999 PDIA was passed, which required that pensions be indexed in accordance with changes in the average net wage. Given that demographic aging is on the horizon, such a change – obviously favourable for pensioners – might prove to be fiscally unsustainable in the long run.

In assessing the gender aspect of the 1999 PDIA, one must consider the strong influence of the Council directive 79/7/EEC (“On the progressive implementation of the principle of equal treatment for men and women in matters of social security”). Though it is not widely recognized, this directive in fact permits different retirement ages for men and women, as well as certain advantages for persons who have brought up children. The directive also demands periodical review, in order to ascertain whether there is justification for maintaining such advantages. However, it was the general thrust of this directive, rather than these specific exceptions, that was influential in Slovenia, as elsewhere. In view of Slovenia’s negotiations for accession to the EU during the late 1990s, the drive toward greater gender equality within the pension system seemed an overriding concern. The pension reform clearly worsened the position of women more than that of men, and that is why there was strong opposition expressed by women’s organizations and trade unions; however, the deal was – as we have seen – “sweetened” by slowing the pace of change and by granting special privileges to certain groups of women.

It must be stressed that the move toward equalization of pension system parameters was opposed mostly on the grounds that women still assume a disproportionately large burden for family care, child care, and care for the elderly family members, so that “compensation” in the form of more favourable pensionable conditions is still required (Urad za žensko politiko, 1998).

---

factor is obtained by dividing the accumulated accrual rate for a man with 40 years of service in year  $t$  with the accumulated accrual rate for a man with 40 years of service in year  $t - 1$ . Thus, in 2000, the multiplying factor (downward adjustment) was  $84.5 / 85 = 0.994$ .

## 4.2. Changes in the pension system with a gender impact

### 4.2.1. *Benefit Formula*

As already observed in section 4.1, there is a very clear move toward greater gender equality in the Slovenian benefit formula. While the new benefit formula parameters are clearly less favourable for both sexes, the changes are more pronounced for women.

### 4.2.2. *Retirement Age*

As shown in section 4.1, the move toward greater gender equalization of eligibility conditions will result in larger changes for women. However, these increases are very gradual, with some important offsetting measures. The earliest possible retirement age for women will increase from 53 in 1999 to 58 in 2014. The minimum pension qualifying period will increase from 35 years in 1999 to 38 years in 2013. The full pensionable age for women will increase from 53 years and 4 months in 2000 to 58 years in 2014 and 61 years in 2021. This means that penalties for women (for retirement prior to full pensionable age) will commence only in 2015, when a gap between the earliest possible retirement age and full pensionable age will emerge. This gap will be increasing till 2021, when the final value of the full pensionable age will be reached. We note that penalties for men for retirement prior to full pensionable age took effect immediately in 2000, and the final value of full pensionable age (63 years) will be reached in 2009. In effect, this means that up to 2014, women will not be subject to negative accruals (penalties for early retirement), because there will be no gap between the minimum possible retirement age and full pensionable age. However, they will still have a financial incentive to stay active, as they can obtain larger cumulative accrual rates and bonuses for retiring after the full pensionable age.

As noted, the retirement age can be decreased for child-rearing. For one child the reduction is 8 months, for two it is 20 months, and for three it is 36 months; thereafter for each additional child, the decrement is 20 months. These are the final values, which will be reached in 2015. Parents can decide among themselves who will benefit from this decrease. This provision was introduced in the 1999 PDIA. However, there is a lower limit: the decrease in retirement age due to child-rearing cannot result in actual retirement age less than 56 (for women) or 58 (for men).

There is an additional benefit available only to women. As stated in section

4.1, employment before age 18 entails a lower retirement age; this was also introduced in the 1999 PDIA.

### 4.2.3. *Caring credits*

The Slovene pension system takes a very restricted approach to providing credit toward a pension for periods when contributions were not paid. The rules seem to be based on an assumption that all persons are insured, and that during certain short periods of inactivity these persons receive benefits to replace lost wages (for maternity leave, sickness leave etc), from which social contributions are paid, meaning that they are deducted from these benefits prior to disbursement. Of course, in such a world, crediting would not be necessary.

In the 1992 PDIA, the only relevant caring credit was for insured persons who cared for their child up to age three, or who cared for their handicapped or disabled child. This crediting involved only persons who were in mandatory pension insurance, and who were insured only for half of the full working period, because they did not work full time. The insurance period was computed “as if” they were insured for full time, i.e. for the full working period (art.204, 1992 PDIA).<sup>45</sup> The 1999 PDIA retained this provision (art. 188, 1999 PDIA).<sup>46</sup>

The 1999 PDIA somewhat expanded the concept of crediting, distinguishing between two different types of credits. Under normal crediting, certain periods of inactivity are counted as insurance periods and are credited. A different kind of crediting is provided for some other periods of inactivity: these are counted as pension qualifying periods, but with a 0 percent accrual rate. This means that these periods serve only to satisfy the qualifying condition for entry into the pension system, but do not contribute toward a higher pension. Of course, for persons with short work histories who must therefore count this year, averaging in a “zero year” would produce a lower pension. Such periods are periods of military service, university schooling and periods during which a person was registered (at the National Employment Service) as unemployed.<sup>47</sup>

---

<sup>45</sup> This means that the employer paid contributions only from the actual wages disbursed. If a person worked for only half of the full-time work, he would receive half of the full-time wage and contributions would be paid from half of the full-time wage. In computing the pension qualifying period, this “low density” contribution period would be honored as a full contribution period, i.e. credited as full-time work.

<sup>46</sup> There is a subtle difference (not stated in the 1992 and 1999 PDIA), in that the government now explicitly pays contributions for the “missing portion” of wages to the Institute for Pension and Disability Insurance.

<sup>47</sup> These “credits” can be purchased ex post, in which case these periods are counted as



#### ***4.2.4. Other periods of inactivity***

Persons who care for their child (up to age seven) can be voluntarily included in the public pension system. To do so, they must pay contributions from at least the minimum contribution base. This provision was first introduced in the 1992 PDIA, and retained in the 1999 PDIA.<sup>48</sup>

Periods of unemployment are counted as insured periods only if unemployment benefits are disbursed. With this insurance-type disbursement, social contributions are also paid by the state. However, a period during which a person receives unemployment assistance, which is a social assistance disbursement, no contributions are paid and the period of receipt is not counted as insurance period.

#### ***4.2.5. Survivor's and widow's/widower's pensions***

The distinction between a survivors' and widows' pension was introduced in the 1999 PDIA.

According to the 1992 PDIA, a widow was granted a survivor's pension if, at the time of death of her husband, she – (a) was at least 50 years old; (b) was not capable of work; or (c) had a legal duty to care for at least one child who was entitled to a survivor's pension.<sup>49</sup> Meeting any one of these three criteria entitled her to a survivor's pension. The conditions under which a widower could be granted a survivors' pension were the same, except condition (a), where a higher age threshold, 55 years, applied. The level of the pension depended on (a) the actual pension that had been received by the spouse (or computed pension, if the deceased spouse was an active insured person) and (b) the number of survivors. If two persons were entitled to a survivor's pension on the same worker's wage record, the joint amount would be 80 percent of the pension of the deceased; if only one person were entitled, the amount would be 70 percent.

The 1999 PDIA introduced two changes: it eliminated the gender difference in the minimum age, roughly splitting the difference between the two. The threshold is now age 53 for both men and women, and the pension has been renamed widow's/widower's pension. Moreover, the 1999 PDIA made this a separate entitlement, apart from survivors' pensions to which children and other kin are

---

insurance periods (with appropriate accruals).

<sup>48</sup> Information on the number of persons who are voluntarily insured on account of child-rearing is not available.

<sup>49</sup> This can be up to age 26, if the child is in regular schooling.

entitled.<sup>50</sup> A widow's/widower's pension amounts to 70 percent of the pension of the deceased person. If the widow/widower is already receiving a pension in her/his own right (old-age pension or disability pension), she/he can choose between (a) a widow's/widower's pension, or (b) her/his old-age or disability pension augmented by 15 percent of the computed widow's/widower's pension. However, should she/he choose option (b), the total amount of this augmented pension could not exceed the average pension disbursed in the previous year. An amendment passed in July 2005 slightly changed option (b), imposing a ceiling on this pension. However, the ceiling that it imposed is a truly high one!<sup>51</sup> The widow/widower benefit is used almost exclusively by women.

#### **4.2.6. The State Pension**

The 1999 PDIA introduced a new entitlement, the state pension, which is a means-tested benefit. This pension is disbursed to persons who do not have a pension in their own right, are at least 65 years old, and have resided in Slovenia for at least 30 years (between age 15 and 65). The amount of this benefit is only slightly less than the minimum pension for a 15 year insurance period. Formally, it was possible to justify this pension based on the fact that persons with fewer than 15 years of service were previously not entitled to a pension. Actually, this benefit was introduced on the insistence of the Slovene People's Party (SLS – Slovenska ljudska stranka), catering to its rural electorate.<sup>52</sup> Some 94 percent of all recipients are women. The state pension was strongly opposed by social insurance experts. One leading expert, Anjuta Škoberne Bubnov (1998), argued that it is difficult to justify that a person must work and pay contributions for at least 15 years in order to qualify for a minimum pension, while others would, without any paid contributions, be entitled to a state pension. Given that most of the recipients are wives or widows, it would, she argued, have been better to grant an income supplement for the dependants of pensioners.

---

<sup>50</sup> The conditions for eligibility for survivors' pension are not of particular relevance for purposes of gender analysis.

<sup>51</sup> The augmented part (15 percent of the computed widow's/widower's pension) cannot exceed 15 percent of the average monthly pension disbursed in the previous year, and the total amount of this "two-part" pension cannot exceed the maximum amount of an old-age pension for men with a 40 year pension qualifying period.

<sup>52</sup> The SLS was member of the ruling coalition at that time.

#### **4.2.7. Annuity rates in the second tier**

At present, there are no clear guidelines, rules, or regulations regarding the new Slovenian annuity market. When Kapitalska družba was about to start disbursing annuities from its First Pension Fund in August 2004, these were to be based on separate gender mortality tables. Thus, individual men and women with identical work histories and contribution records would have received different benefit amounts, due to women's longer average life expectancy. However, under strong pressure from the regulatory body, the Insurance Supervision Agency, Kapital-ska družba was forced to recompute annuities based on unisex mortality tables. Obviously, such non-transparent and "arm-twisting" procedures are not acceptable and a set of clear rules needs to be established.<sup>53</sup>

#### **4.3. The gender dimension: the pension system, activity rates of the elderly and retirement income**

Like the reformed Czech pension system (see Kotynkova et al. 2003), the reformed Slovene pension system has retained some gender specific features and introduced new ones. As described in sections 4.1 and 4.2, the overall preferential treatment of women with regard to retirement age, pension qualifying period, and accrual rates was considerably narrowed by the 1999 pension reform. However, the transition period for reaching these new values is quite long. In addition, a new reduction in retirement age for child rearing, though gender neutral in principle, will mostly benefit women. The 1999 PDIA also provided a pension preference for women only, in the form of a reduction in the retirement age for work before age 18.

A longer insurance period relevant for calculating one's pension – from best ten year period to best 18 year period – is clearly less favourable for all insured persons, though women will most likely be worse off than men.

Certain new measures aim to improve the income position of some categories of the elderly. The introduction of a means-tested benefit for persons aged 65

---

<sup>53</sup> In actual fact, Kapitalska družba had a tacit approval from the Insurance Supervision Agency (ISA) for using separate, gender specific mortality tables. However, when it actually started sending information on computed benefits to its clients, there was a public uproar. Understandably, virtually all protesters were women. The Insurance Supervision Agency then stepped in and demanded that these preliminary computations be retracted and the original terms, set out in the general conditions for enrolment into the First Pension Fund, be honored. Namely, in the original general conditions, there was no specific mention of using gender specific mortality tables in computing one's annuity.

and over (“state pension”) is mostly beneficial to women. Also, while changes in entitlement rules for widows/widowers are “in principle” gender neutral, they will mostly benefit women.

These normative elements, i.e. legal provisions, exert an important influence on the actual income position of elderly women. Long-term projections of their income position will be presented in section 5. Here we will look at recent trends, not only in activity levels among elderly men and women, but also at the differences in retirement income between men and women pensioners as groups. Table 19 shows that the activity levels of both women and men are increasing, and that the share of elderly women without own income sources is decreasing. Thus, in 1993 only 14.9 percent of all women in the age group 50 to 59 years were employees, and a full 58.6 percent were pensioners! In the period 2001-2003 the situation has improved, and the share of women employees in the age group 50 to 59 was 27.2 percent, whereas the share of women pensioners was 48.0 percent, more than 10 percentage points lower than in 1993.

The decrease in the share of female dependants is due not only to the introduction of the state pension in 1999, but also to increasing activity levels, which help to enable women to retire with their own pensions. Also noteworthy is the fairly large increase in the share of unemployed among the elderly age groups. In 1993, some 5.7 percent of all men in the age group 50 to 59 years were unemployed; in 2001-2003 this increased to 11.0 percent. A similarly large increase in unemployed women was also recorded. This is – in large part – due to the fact that there are no more provisions for early retirement and that the elderly, once they lose employment, have difficulty in finding a new position.

The risk of poverty for pensioners living in pensioner households is considerably higher than the average poverty risk (i.e. the poverty risk for all persons).<sup>54</sup> As can be seen from Table 20, the poverty risk for elderly women is still somewhat higher than that for elderly men; these gender differences have not substantially changed in the period between 1993 and 2001-2003. In 1993, 25.9 percent of elderly women (aged 60 and above) lived in households whose equivalent income was less than 60 percent of the median household equivalent income, while the corresponding figure for elderly men was 20.8 percent. In 2001-2003, the poverty risk for elderly women decreased to 20.8 percent, but the gender gap did not diminish, as the poverty risk for elderly men also decreased, to 15.6 percent.

---

<sup>54</sup> Pensioner households are households in which the head of household is a pensioner, and no member is labour active or unemployed.

**Table 19**  
**The socioeconomic structure of households, by age groups and gender, Slovenia,**  
**1993 and 2001-2003**

	1993							
	50-59		60-69		70-79		80+	
	M	F	M	F	M	F	M	F
Employees	41.3	14.9	1.6	0.5	0.3	0.3	0.0	0.0
Self-employed (agriculture)	6.5	4.2	2.1	2.6	1.6	1.2	1.6	0.8
Self-employed (other)	4.7	0.6	0.9	0.0	0.0	0.0	0.0	0.0
Persons engaged in occasional work	0.8	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Unemployed	5.7	2.2	0.3	0.0	0.0	0.0	0.8	0.0
Pensioners	40.6	58.6	92.8	78.9	96.1	82.7	96.3	80.5
Dependants	0.2	18.8	1.6	18.0	0.9	13.4	1.3	15.2
Other	0.3	0.3	0.7	0.1	1.1	2.4	0.0	3.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	2001-2003							
	50-59		60-69		70-79		80+	
	M	F	M	F	M	F	M	F
Employees	48.2	27.2	2.3	0.4	0.0	0.0	0.0	0.0
Self-employed (agriculture)	3.2	2.5	1.9	0.4	0.0	0.0	0.0	0.0
Self-employed (other)	10.7	2.7	0.8	0.0	0.0	0.0	0.0	0.0
Persons engaged in occasional work	0.8	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Unemployed	11.0	7.2	2.0	0.2	0.0	0.0	0.0	0.0
Pensioners	24.7	48.0	92.6	85.6	99.5	93.6	99.0	93.0
Dependants	0.1	11.9	0.3	13.4	0.0	6.4	0.0	7.0
Other	1.3	0.2	0.1	0.0	0.5	0.0	1.0	0.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Kump and Stanovnik (2005).

**Table 20**  
**Percentage of persons with equivalent household income below 0.4, 0.5, 0.6 and 0.7 of the median equivalent household income, Slovenia, 1993 and 2001-2003**

	0.4 median	0.5 median	0.6 median	0.7 median
1993				
All persons	3.6	6.7	12.0	18.8
Pensioners	4.6	10.6	17.7	27.1
Pensioners in pensioner hh.	5.3	13.1	21.5	32.5
Persons aged 60+	7.3	15.1	23.8	34.6
Male aged 60+	6.3	12.5	20.8	29.7
Female aged 60+	7.9	16.9	25.9	38.0
Children <=18	3.1	5.4	10.1	16.9
2001-2003				
All persons	3.4	6.1	10.9	17.2
Pensioners	4.8	8.5	15.2	22.8
Pensioners in pensioner hh.	6.8	11.8	21.1	31.0
Persons aged 60+	6.5	10.8	18.8	27.2
Male aged 60+	5.8	9.5	15.6	21.5
Female aged 60+	7.0	11.7	20.8	31.1
Children <=18	2.2	4.5	9.1	16.4

*Source:* Household Expenditure Surveys (1993, 2001-2003), own calculations.

It is important to observe not only gender differences among all pensioners, but those that characterize new entrants into the pension system. Table 21 shows the gender difference in the pension base and actual pension received by persons who retired in 1997 and 2002. It shows that the gender difference in the pension base has actually increased during this period. As the pension base is computed using a portion of the wage history of the individual, the gender differences which exist in the active period are manifest and condensed in one single measure, the pension base.<sup>55</sup> It would be interesting to explore the causes for the gender gap in the average pension base. These might be due not only to the (relatively small) gender wage gap, but also differences in the wage trajectory

<sup>55</sup> In 2002, the best consecutive 12 year average of wages was used in computing the pension base. By 2008, it will extend to best 18 year period.

ries of women and men (for example, women might have larger wage dispersion around the mean) and to differences in periods of temporary exit. Though the present rules for benefit compensation for these periods (parental leave, child-care leave) are favourable, the indexation rules for these benefits in periods of high inflation in the 1970s and 1980s were less so.

**Table 21**  
**Gender differences in the pension base and old-age pension for new pensioners, Slovenia, 1997 and 2002**

Year	Pension base		Old-age pension	
	Male	Female	Male	Female
1997	100.0	81.8	100.0	84.0
2002	100.0	76.8	100.0	82.2

*Source:* Institute for Pension and Disability Insurance, unpublished data.

The gender differences in pensions are somewhat smaller than those in pension bases. This is due to the pension formula, which grants higher accrual rates for women, thus offsetting some of their disadvantage due to lower average wages.<sup>56</sup> However, for years after the 1999 pension reform, the accrual rates are becoming more equal. In other words, for years of service before 2000, the old accrual rates are applied, whereas for years from 2000 onward new (reduced) accrual rates are applied. This means that over the long run, women's pensions will decrease relative to those of men, all other things being equal.

So, even in Slovenia, where labour market conditions for women are quite good, the move toward greater formal gender equality in the pension system is "unmasking" labour market differences between men and women as groups, reflecting these differences more strongly in the pension system.

<sup>56</sup> The pension amount is obtained by multiplying the pension base and the accumulated accrual rate.

## **5. Demographic and pension projections**

### **5.1. Demographic projections**

The ILO Social Budget Model was used for a set of projections of the long term performance of the pension system and particular gender aspects. The base year for projections is 2002. The figures presented below include original data from 2002 and estimated values for selected years up to 2030. In effect, these projections are obtained using certain assumptions about fertility and life expectancy, and also taking into account the characteristics of the pension system (statutory retirement age, accrual rates, etc.).

The total population of Slovenia was 1,995,718 (976,111 male and 1,019,607 female) in the year 2002, and it is assumed to drop to 1,904,002 by 2030. The population projection is based on the assumptions of increasing total fertility rate from 1.21 in 2002 to 1.68 in 2030 and on the ILO age-specific fertility pattern for Western Europe. Another assumption used is the increase in life expectancy: from 72.7 to 75.4 years for men and from 80.3 to 81.4 for women. It is justified by the general socio-economic development of Slovenia and higher life expectancies in other developed countries. The size of total labour force in 2002 is based on the Labour Force Survey (LFS) conducted by the Statistical Office of the Republic of Slovenia. The projected labour force grows up to 2015, especially due to the increased female retirement age (introduced by the 1999 IPDA), while it drops thereafter due to population decline. The results of demographic projections are presented in Table 22.



**Table 22**  
**Demographic projections for Slovenia**

	2002	2005	2010	2015	2020	2025	2030
Population (age groups)	1,995,718	2,000,620	2,003,798	1,996,451	1,976,192	1,944,120	1,904,002
0-19	433,884	406,145	375,192	364,890	360,556	354,733	342,654
20-64	1,269,800	1,284,311	1,295,857	1,272,946	1,213,049	1,152,575	1,098,849
65+	292,034	310,164	332,749	358,615	402,586	436,811	462,500
Male (age groups)	976,111	979,731	983,436	981,839	973,079	957,247	936,181
0-19	222,647	208,229	191,844	186,144	183,219	180,222	174,242
20-64	644,778	652,917	659,468	647,159	615,685	584,593	557,822
65+	108,686	118,584	132,124	148,535	174,174	192,432	204,118
Female (age groups)	1,019,607	1,020,889	1,020,362	1,014,613	1,003,113	986,873	967,821
0-19	211,237	197,916	183,348	178,745	177,337	174,511	168,413
20-64	625,022	631,393	636,390	625,787	597,364	567,982	541,027
65+	183,348	191,580	200,625	210,080	228,412	244,380	258,382
Total fertility rate	1.21	1.27	1.36	1.45	1.54	1.61	1.68

**Table 22 (continued)**  
**Demographic projections for Slovenia**

	2002	2005	2010	2015	2020	2025	2030
Life expectancy – male	72.7	73.0	73.5	73.9	74.4	74.9	75.4
Life expectancy – female	80.3	80.4	80.6	80.8	81.0	81.2	81.4
Labour force -total	971,136	987,567	1,000,308	991,464	945,250	893,730	846,201
Labour force - male	525,619	530,292	526,412	509,602	485,357	459,094	434,505
Labour force – female	445,517	457,275	473,896	481,862	459,892	434,636	411,696

*Source:* Own calculations, based on assumptions specified in preceding paragraph.

## 5.2. Pension projections

In our model only those types of pensions that are based on social security contributions are simulated. These are: old-age, disability and, family pensions (widow and survivors' pensions together).<sup>57</sup> The state pension which is mean-tested is not taken into account. The number of pensioners is calculated on the basis of demographic assumptions (see above) and characteristics of the present pension system, including the transition period to full implementation of the reform. This will be reached in 2024. Projections of the number of pensioners are presented in Table 23.

**Table 23**  
**Number of pensioners, present and projected, Slovenia**

	2002	2005	2010	2015	2020	2025	2030
All pensioners	496,088	514,854	549,513	566,203	571,901	592,369	600,102
All pensioners – male	209,761	217,833	235,718	240,448	231,047	235,775	234,056
All pensioners – female	286,327	297,021	313,795	325,755	340,853	356,594	366,047
Old-age	304,452	307,877	319,173	317,083	311,568	326,760	332,112
Old-age – male	139,020	140,638	149,122	146,671	132,636	134,735	131,788
Old-age – female	165,432	167,239	170,051	170,413	178,933	192,025	200,324
Disabled	98,272	103,531	111,696	118,993	124,119	127,158	128,642
Disabled – male	59,450	62,405	66,705	69,924	71,626	72,107	71,853
Disabled – female	38,822	41,126	44,992	49,068	52,493	55,051	56,790
Family	93,364	103,446	118,644	130,127	136,213	138,451	139,348
Family – male	11,291	14,789	19,891	23,853	26,786	28,933	30,415
Family – female	82,073	88,657	98,752	106,274	109,427	109,518	108,933

Source: Own calculations, using the ILO Social Budget Model.

<sup>57</sup> Family pensions refer to widow's and survivors' pensions. Prior to the 2000 pension reform, there were only survivors' pensions, which also covered widows. See section 4.2.5.

As Table 23 shows, the number of pensioners is increasing in all three categories. This is due to ageing population (especially accelerated by the retirement of “baby boom” generations born after the WWII) and to increased life expectancy. The latter effect is especially evident in category “family pensioners”, where the number of female (mostly widows) increases from 82,073 to 108,993. At the same time, the number of male family pensioners increases more in relative terms (from 11,292 to 30,415) than female family pensioners. The reason for this is that widowers opt for a pension based on their wife’s wage record instead of their own in cases where the latter is higher. In our projection the relative difference between male and female average pension decreases during the period (Table 23), and thus there are more widowers who chose family pension instead of their own.

Overall, there is an increase of about 20 percent in all pensioners over the projection period (line 1 in Table 23), which is a consequence of population ageing. The size of the age group 65+ increases from 108,686 to 204,118 (Table 22). However, in spite of ageing there are differences between male and female old-age pensioners. The number of male old-age pensioners drops due to assumptions built into the projection of future male retirement at 63 years (the full retirement age) and/or an insurance period of 40 years. In the case of female old-age pensioners, two effects influence the size of the group: the general ageing of population and certain other assumptions build into the model. According to the 1999 pension reform, the length of the average female insurance period increases during the projection period; therefore, we assume in the model a higher rate of female activity.<sup>58</sup> This also contributes to a relatively larger increase of female old-age pensioners compared to male old-age pensioners, because higher activity enables more women to meet the qualifying conditions for an old-age pension.

The projection of the gross average national wage is based on the assumptions of a constant share of labour income in GDP and a gradually declining growth rate of the real GDP (decreasing from 3.4 percent in 2002 to 2.9 percent in 2030). The estimated nominal pensions, as presented below, also include the recent change in indexation. Namely, starting with 2006, pensions will be fully (100 percent) adjusted to the growth of the average national wage. Table 24 presents average gross pensions for all pensioners and several pension subgroups expressed as a percentage of the gross average national wage. It must be stressed that because net and gross pensions are nearly the same in Slovenia, the table seriously underestimates the actual replacement rate.<sup>59</sup>

---

<sup>58</sup> This is a crucial assumption and one that is very much under debate in pension policy discussions today. If increases in the retirement age do not lead to higher work force participation rates as assumed, they pose a threat of increased rates of poverty among pensioners.

<sup>59</sup> The difference between the gross and net pension is very small, because only high pensions are actually taxed and even in this case the effective rate of taxation is quite low.

**Table 24**  
**Average pensions as a percentage of the average gross national wage, Slovenia, (%)**

	2002	2005	2010	2015	2020	2025	2030
All pensions	42.1	40.2	40.2	39.9	39.6	39.5	40.2
All pensions – male	44.0	42.0	41.9	41.5	40.9	40.8	41.5
All pensions – female	39.5	37.8	37.9	37.7	37.9	37.9	38.7
Old-age	46.1	44.4	44.9	44.9	44.8	44.8	45.5
Old-age – male	51.6	49.7	49.9	49.9	49.9	49.8	50.5
Old-age – female	41.5	40.0	40.5	40.6	41.0	41.3	42.2
Disability	37.2	35.8	36.3	36.8	36.9	36.5	37.0
Disability – male	38.7	37.4	38.3	39.0	39.3	39.1	39.6
Disability – female	34.8	33.3	33.4	33.7	33.6	33.2	33.6
Family	33.9	32.1	31.2	30.5	30.0	29.7	30.4
Family – male	26.5	25.8	25.7	25.6	25.3	24.9	25.2
Family – female	34.9	33.2	32.2	31.5	31.1	30.9	31.8

*Source:* Own calculations, using the ILO Social Budget Model.

As can be seen, average old-age pensions dropped in the first period (before the introduction of full indexation in 2006), while afterwards they remain relatively constant. This is due to full indexation. There is also a large, constant difference of some 8-10 percentage points between male and female old-age pensions. Disability pensions reveal a similar gender pattern with a rather smaller relative difference. On the other hand, family pensions decrease not only at the beginning of the period (before the introduction of full indexation in 2006) but also later on due to the increase in female retirement age and assumed prolongation of female labour activity. Namely, the replacement rate for specific age cohorts (i.e. age cohorts in their late 50s need to work longer due to pension reform to achieve the same replacement rate) declines due to the 1999 pension reform, while the probability of receiving family pension changes only because of demographics.

Pension expenditure as a percentage of GDP is presented in Table 25. These figures include only “pure” pensions, without deducting the administrative costs of the system or pensioners’ social security contributions (for health insurance). In the case of full indexation, pension expenditure as a percentage of GDP increases from 11.1 percent in 2002 to 14.1 percent in 2030. In other words, the replacement rates are constant, but aging drives up costs.

<b>Table 25</b> <b>Pension expenditure as a share of GDP, Slovenia, (%)</b>							
	2002	2005	2010	2015	2020	2025	2030
All pensions	11.1	10.5	11.0	11.4	11.9	13.0	14.1
Old-age pensions	7.5	6.9	7.2	7.2	7.3	8.1	8.9
Disability pensions	1.9	1.9	2.0	2.2	2.4	2.6	2.8
Family pensions	1.7	1.7	1.8	2.0	2.1	2.3	2.5

*Source:* Own calculations, using the ILO Social Budget Model.

### **5.2.1. Pensions without full indexation to wages**

With demographic aging on the horizon, full indexation with wages is fiscally unsustainable; and it is only a matter of time until it will be abolished and less than full indexation resumed. Therefore, in the following part, we present results of three other projections with less than 100 percent indexation which also assume the gender equalization of retirement conditions.

These projections are shown in Tables 26-31.

#### **A. Projection 1: pension indexation to 60 percent of wage growth, or inflation**

In this projection, we assume that pensions increase by 60 percent of wage growth or the rate of inflation, whichever is higher. We do not change any other assumption.

**Table 26**  
**Average pensions as a percentage of gross average national wage, Slovenia (%)**

	2002	2005	2010	2015	2020	2025	2030
All pensions	42.1	40.2	37.4	35.2	33.7	32.9	32.0
All pensions – male	44.0	42.0	39.0	36.6	34.6	33.5	32.3
All pensions – female	39.5	37.8	35.2	33.4	32.6	32.2	31.6
Old-age	46.1	44.4	41.8	39.7	38.3	37.6	36.6
Old-age – male	51.6	49.7	46.5	44.1	42.1	40.9	39.4
Old-age – female	41.5	40.0	37.6	35.9	35.4	35.3	34.8
Disability	37.2	35.8	33.9	32.9	31.9	31.0	30.0
Disability – male	38.7	37.4	35.7	34.9	34.1	33.3	32.5
Disability – female	34.8	33.3	31.1	30.0	28.9	27.9	26.9
Family	33.9	32.1	28.9	26.5	24.8	23.5	22.7
Family – male	26.5	25.8	23.9	22.4	21.1	20.1	19.3
Family – female	34.9	33.2	29.9	27.5	25.7	24.4	23.6

*Source:* Own calculations, using the ILO Social Budget Model.

**Table 27**  
**Pension expenditure as a percentage of GDP, Slovenia (%)**

	2002	2005	2010	2015	2020	2025	2030
All pensions	11.1	10.5	10.3	10.0	10.1	10.8	11.2
Old-age pensions	7.5	6.9	6.7	6.3	6.3	6.8	7.1
Disability pensions	1.9	1.9	1.9	2.0	2.1	2.2	2.3
Family pensions	1.7	1.7	1.7	1.7	1.8	1.8	1.8

*Source:* Own calculations, using the ILO Social Budget Model.

With less than full indexation with wages, the pension system shows a higher level of fiscal sustainability: pension expenditures as percentage of GDP remain

fairly constant during the projection period. The price for this sustainability is born by pensioners, however, as the ratio between pensions and average national wage is decreasing for all three types of pensions. The relative gap between the male and female pensions still persists, due to assumptions built into the projections that preserve the relative difference in income by gender from the base year 2002.

**B. Projection 2:** pension indexation to 60 percent of wage growth or inflation and equalization of retirement age for male and female

In this projection, we assume that pensions increase by 60 percent of wage growth or the rate of inflation, whichever is higher, and that the retirement age is equalized for males and females. Thus, we assume that the full retirement age for males remains 63 years and the full retirement age for female increases from 61 to 63 years, while the pension qualifying period remains constant (38 years for females and 40 years for males), as do accrual rates.

Table 28 Average pensions as a percentage of gross average national wage, Slovenia (%)							
	2002	2005	2010	2015	2020	2025	2030
All pensions	42.1	40.2	37.4	35.2	33.5	32.8	31.9
All pensions – male	44.0	42.0	39.0	36.6	34.6	33.5	32.3
All pensions – female	39.5	37.8	35.2	33.3	32.2	32.0	31.5
Old-age	46.1	44.4	41.8	39.8	38.2	37.7	36.7
Old-age – male	51.6	49.7	46.5	44.1	42.1	40.9	39.4
Old-age – female	41.5	40.0	37.6	35.9	35.1	35.2	34.9
Disability	37.2	35.8	33.9	32.9	31.9	31.0	30.0
Disability – male	38.7	37.4	35.7	34.9	34.1	33.3	32.5
Disability – female	34.8	33.3	31.1	30.0	28.9	27.9	26.9
Family	33.9	32.1	28.9	26.5	24.8	23.5	22.6
Family – male	26.5	25.8	23.9	22.4	21.1	20.0	19.2
Family – female	34.9	33.2	29.9	27.5	25.7	24.4	23.6

Source: Own calculations, using the ILO Social Budget Model.



**Table 29**  
**Pension expenditure as a percentage of GDP, Slovenia, (%)**

	2002	2005	2010	2015	2020	2025	2030
All pensions	11.1	10.5	10.3	9.9	9.9	10.6	11.0
Old-age pensions	7.5	6.9	6.7	6.2	6.0	6.6	6.8
Disability pensions	1.9	1.9	1.9	2.0	2.1	2.2	2.3
Family pensions	1.7	1.7	1.7	1.7	1.8	1.8	1.8

*Source:* Own calculations, using the ILO Social Budget Model.

With the higher retirement age for females, the share of pensions in GDP slightly decreases, mostly due to old-age pensions which are projected to drop from 7.5 percent of GDP to 6.8 percent during the period, since there are fewer female pensioners. It is noteworthy that the equalization of retirement age does not exert a major influence on the average size of female pensions. This is partly because we assumed no change in the current accrual rates, which favour women.

**C. Projection 3:** pension indexation to 60 percent of wage growth or inflation, equalization of retirement age, pension qualifying period, and accrual rates

In projection 3, we introduce two additional assumptions – equalization of accrual rates and pension qualifying periods – which effectively mean the same pension formula for male and female.

As can be seen, pension expenditures are further reduced compared to projection 2. This is in line with expectation, since females are subject to lower replacement rates and have a longer qualifying period in this projection. The effect of the same pension formula for both genders is especially evident for the average old-age pension paid to women as a group: under this projection, this represents 33.5 percent of gross average national wage for both sexes in 2030, compared with 34.9 percent in projection 2. This reduction is rather modest. Its small size confirms that gender differences in pensions derive mainly from differences in wages (the gender wage gap) during the active period which, as described in section 2, are rather small in Slovenia.

<b>Table 30</b> <b>Average pensions as a percentage of gross average national wage, Slovenia (%)</b>							
	2002	2005	2010	2015	2020	2025	2030
All pensions	42.1	40.1	37.2	34.9	33.0	32.2	31.3
All pensions – male	44.0	42.0	39.0	36.6	34.6	33.5	32.3
All pensions – female	39.5	37.7	34.8	32.6	31.1	30.7	30.2
Old-age	46.1	44.3	41.5	39.4	37.6	36.9	36.0
Old-age – male	51.6	49.7	46.5	44.1	42.1	40.9	39.4
Old-age – female	41.5	39.8	37.2	35.1	33.8	33.8	33.5
Disability	37.2	35.7	33.6	32.5	31.5	30.5	29.5
Disability – male	38.7	37.4	35.7	34.9	34.1	33.3	32.5
Disability – female	34.8	33.1	30.6	29.2	28.0	26.8	25.8
Family	33.9	32.1	28.8	26.5	24.7	23.4	22.5
Family – male	26.5	25.7	23.7	22.1	20.6	19.4	18.5
Family – female	34.9	33.2	29.9	27.5	25.7	24.4	23.6

*Source:* Own calculations, using the ILO Social Budget Model.

<b>Table 31</b> <b>Pension expenditure as a percentage of GDP, Slovenia (%)</b>							
	2002	2005	2010	2015	2020	2025	2030
All pensions	11.1	10.5	10.2	9.8	9.6	10.3	10.6
Old-age pensions	7.5	6.9	6.6	6.2	5.8	6.3	6.6
Disability pensions	1.9	1.9	1.9	1.9	2.1	2.2	2.2
Family pensions	1.7	1.7	1.7	1.7	1.8	1.8	1.8

*Source:* Own calculations, using the ILO Social Budget Model.

## References

Bubnov Škoberne, A. (1998). "Pasti pokojninske reforme: težko predvidljivi učinki". *Delo*, April 4, Ljubljana.

Cazes, S. and A. Nesporova (2003). *Labour markets in transition: Balancing flexibility and security in Central and Eastern Europe*. Geneva: ILO.

Commission of the European Communities (2005). *Report from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions on equality between women and men*. Brussels.

Employment Service of Slovenia (2005). *2004 Annual Report*.

Eurostat, available at <http://epp.eurostat.cec.eu.int>.

Fultz, E., M. Ruck and S. Steinhilber (2003). *The Gender Dimensions of Social Security Reform in Central and Eastern Europe: Case Studies of the Czech Republic, Hungary and Poland*. Budapest: ILO.

IMF (1995). *Republic of Slovenia: New challenges Confronting the Social Insurance System*. Washington, D.C.

Kuhelj, J. (2000). *Zakon o pokojninskem in invalidskem zavarovanju, z uvodnimi pojasnili*. Uradni list Republike Slovenije. Ljubljana.

Kump, N. and T. Stanovnik (2005). *Vpliv pokojninske reforme na socialno-ekonomski položaj upokojencev in starejšega prebivalstva v Sloveniji*. Ljubljana: Inštitut za ekonomska raziskovanja.

Oražem, P. and M. Vodopivec (1995). "Winners and Losers in Transition: Returns to Education, Experience and Gender in Slovenia". *World Bank Economic Review*, vol. 9, no. 2, pp.201-230.

Rutkowski, J. (1996). "High skills pay off: the changing wage structure during economic transition in Poland". *Economics of Transition*, Vol. 4, No.1, pp.89-112.

Stanovnik, T. (1997). "The Returns to Education in Slovenia". *Economics of Education Review*, vol.16, no.4, pp.443-449.

Stanovnik, T. (2002). "The political economy of pension reform in Slovenia". In: Fultz, E. (ed.), *Pension reform in Central and Eastern Europe*. Volume 2. Budapest: ILO.

Statistical Office of the Republic of Slovenia (1994-2004). *Statistical Yearbook*.

Statistical Office of the Republic of Slovenia (1993-2004). *Rapid Reports*.

Stropnik, N. (1996). "Porodniški dopust – pogoji, oblike in posledice podaljšanja". In: *Intergenerational income transfers in Slovenia*. Ljubljana: Institute for Economic Research.

Stropnik, N. (2002). *Review and Analysis of Social Benefits*. Report prepared for BASNET, p.106.

Stropnik, N. and T. Stanovnik (2002). "Combating Poverty and Social Exclusion: a Case Study of Slovenia". Budapest: ILO.

Stropnik, N., T. Stanovnik, M. Rebolj, and V. Prevolnik-Rupel (2003). "Social Protection in Slovenia". In: *Social Protection in the Candidate Countries*. Köln: Aka.

Trbanc, M. (2005). "Zaposlovanje in brezposelnost mladih". In: *Otroci in mladina v prehodni družbi*. Maribor: Ministrstvo za šolstvo in šport, Urad Republike Slovenije za mladino.

Urad za žensko politiko (1998). *Pokojninska reforma in ženske*, p. 43, Ljubljana.

Zagoršek, H. (2005). "Kulturni profil Slovenije ter implikacije za poslovanje podjetij – primerjalna značilnost slovenske delovne kulture". *Kadri*, pp. 46-52, November.



## Annexes

**Table A1**  
**Population aged 15-64 by activity and gender, Slovenia, 1993-2004**

Year	Employed		Unemployed		Inactive	
	000s	%	000s	%	000s	%
Total						
1993	833	60.8	85	6.2	453	33.0
1994	831	60.3	84	6.1	462	33.6
1995	865	62.9	70	5.1	440	32.0
1996	862	61.9	68	4.9	462	33.2
1997	873	63.4	69	5.0	436	31.7
1998	881	63.6	75	5.4	428	30.9
1999	867	62.8	71	5.2	442	32.0
2000	873	62.7	69	5.0	449	32.3
2001	890	63.6	57	4.1	452	32.3
2002	873	62.8	69	5.0	449	32.3
2003	877	62.5	63	4.5	464	33.0
2004	924	65.7	61	4.3	422	30.0
Male						
1993	445	65.0	49	7.2	190	27.8
1994	445	64.7	48	7.0	195	28.3
1995	465	67.7	39	5.7	182	26.5
1996	460	66.2	37	5.4	197	28.4
1997	471	67.7	36	5.2	188	27.1
1998	474	67.6	40	5.7	187	26.7
1999	469	67.2	37	5.3	192	27.5
2000	470	66.8	36	5.2	197	28.0
2001	485	68.5	29	4.1	194	27.4
2002	470	66.9	36	5.1	197	28.0
2003	477	67.1	32	4.5	202	28.4
2004	499	70.0	31	4.3	183	25.7

**Table A1 (continued)**  
**Population aged 15-64 by activity and gender, Slovenia, 1993-2004**

Year	Employed		Unemployed		Inactive	
	000s	%	000s	%	000s	%
Female						
1993	388	56.6	35	5.2	262	38.2
1994	386	56.0	36	5.3	268	38.8
1995	399	58.0	31	4.5	258	37.5
1996	403	57.7	30	4.3	265	38.0
1997	402	58.9	32	4.7	248	36.4
1998	408	59.6	35	5.1	241	35.3
1999	398	58.4	34	5.0	250	36.6
2000	404	58.6	33	4.8	252	36.6
2001	406	58.7	28	4.0	258	37.3
2002	404	58.6	33	4.8	252	36.6
2003	400	57.7	31	4.5	262	37.8
2004	425	61.2	30	4.3	239	34.4

*Note:* Data refer to 2nd quarter of each year.

*Source:* Labour Force Surveys, published in *Rapid Reports* of Statistical Office of the Republic of Slovenia (1993- 2005).

**Table A2**  
**Registered unemployment rates, Slovenia, 1988-2004 (%)**

	1988	1991	1993	1997	1999	2001	2002	2003	2004
Average unemployment rate	2.2	8.2	14.4	14.4	13.6	11.6	11.6	11.2	10.6

*Source:* Employment Service of Slovenia, *Annual Report 2004*.

**Table A3**  
**Absolute gender gap in employment, age group 15-64, EU, 1997 and 2004 (%)\***

	1997			2004		
	Male	Female	Gap	Male	Female	Gap
EU (25 countries)	-	-	-	70.6	55.4	15.2
EU (25 countries)	70.3	50.6	19.7	72.4	56.6	15.8
Belgium	67.1	46.7	20.4	67.9	53.0	14.9
Czech Republic	77.1	60.2	16.9	72.1	56.1	16.0
Denmark	81.3	69.4	11.9	79.9	72.0	7.9
Germany	71.8	55.2	16.6	70.0	58.5	11.5
Estonia	70.1	61.0	9.1	65.8	60.3	5.5
Greece	71.9	39.1	32.8	74.0	45.5	28.5
Spain	64.1	34.5	29.6	73.6	47.9	25.7
France	-	-	-	69.1	57.5	11.6
Ireland	68.0	44.7	23.3	75.2	55.8	19.4
Italy	66.3	36.5	29.8	70.3	45.2	25.1
Cyprus	-	-	-	79.9	59.7	20.2
Latvia	-	-	-	67.4	57.4	10.0
Lithuania	-	-	-	65.2	57.8	7.4
Luxembourg	74.3	45.4	28.9	72.4	50.6	21.8
Hungary	59.6	44.8	14.8	63.1	50.5	12.6
Malta	-	-	-	75.5	31.9	43.6
Netherlands	77.9	56.9	21.0	80.2	65.7	14.5
Austria	-	-	-	75.1	60.3	14.8
Poland	66.2	51.6	14.6	56.8	46.1	10.7
Portugal	71.9	55.5	16.4	74.4	61.7	12.7
Slovenia	67.1	58.4	8.7	69.9	61.3	8.6
Slovakia	-	-	-	62.9	50.6	12.3
Finland	64.5	59.2	5.3	70.3	66.2	4.1
Sweden	69.8	66.8	3.0	74.0	70.8	3.2
United Kingdom	76.3	63.0	13.3	77.6	65.6	12.0

\* Absolute gender gap in employment is the difference between men's and women's employment rates. Data refers to 2nd quarter of each year.

Source: Eurostat, *Labour Force Surveys*.



**Table A4**  
**Absolute gender gap in unemployment, age group 15-64, EU, 1997 and 2004, (%)\***

	1997			2004		
	Male	Female	Gap	Male	Female	Gap
EU (25 countries)	-	-	-	8.7	10.2	1.5
Belgium	7.1	11.6	-4.5	6.7	8.3	1.6
Czech Republic	3.6	5.1	-1.5	7.1	9.7	2.6
Denmark	4.6	6.5	-1.9	5.1	5.5	0.4
Germany	9.4	10.7	-1.3	11.4	10.2	-1.2
Estonia	11.3	9.6	1.7	11.7	9.0	-2.7
Greece	6.4	15.1	-8.7	6.5	16.0	9.5
Spain	16.2	28.1	-11.9	8.2	15.3	7.1
France	-	-	-	7.9	9.7	1.8
Ireland	10.5	10.2	0.3	5.1	3.9	-1.2
Italy	9.5	16.5	-7.0	6.4	10.3	3.9
Cyprus	-	-	-	3.6	5.5	1.9
Latvia	-	-	-	9.4	10.7	1.3
Lithuania	-	-	-	11.2	11.6	0.4
Luxembourg	1.9	3.7	-1.8	3.3	6.9	3.6
Hungary	9.8	7.8	2.0	5.8	5.9	0.1
Malta	-	-	-	6.9	7.9	1.0
Netherlands	4.4	7.2	-2.8	4.4	5.0	0.6
Austria	-	-	-	4.4	5.4	1.0
Poland	9.5	13.3	-3.8	18.8	20.0	1.2
Portugal	6.2	7.9	-1.7	6.0	7.6	1.6
Slovenia	6.5	7.2	-0.7	5.8	6.5	0.7
Slovakia	-	-	-	17.8	19.6	1.8
Finland	14.9	15.2	-0.3	10.3	10.6	0.3
Sweden	11.2	9.7	1.5	7.3	6.2	-1.1
United Kingdom	8.2	5.8	2.4	5.0	4.2	-0.8

\* Absolute gender gap in employment is the difference between men's and women's employment rates. Data refers to 2nd quarter of each year.

Source: Eurostat, *Labour Force Surveys*.

**Table A5**  
**Structure of economically inactive population aged 15-64, by reason for not seeking employment and by gender, Slovenia and EU, 1997 and 2004, (%)**

Reason	1997		2004		
	EU 15	Slovenia	EU 25	EU 15	Slovenia
Male					
Awaiting recall to work (on lay-off)	-	-	0.4	0.4	-
Own illness or disability	11.7	1.6	15.6	13.5	8.7
Familiar or personal responsibilities	2.2	2.1	1.3	1.5	1.6
In education or training	40.9	2.1	34.4	30.9	46.4
Retired	23.6	39.8	24.8	26.5	38.8
Think no work is available	1.1	2.1	4.1	4.0	1.6
No reason given	13.5	50.8	13.1	16.5	-
Other reasons	7.0	1.6	6.4	6.7	2.2
Total	100.0	100.0	100.0	100.0	100.0
Female					
Awaiting recall to work (on lay-off)	-	-	0.2	0.2	-
Own illness or disability	5.7	1.6	9.0	7.7	6.4
Familiar or personal responsibilities	33.1	2.0	23.1	23.7	7.2
In education or training	21.9	2.0	20.9	18.2	38.1
Retired	11.1	40.5	15.8	14.1	44.5
Think no work is available	1.6	2.0	4.5	4.7	1.3
No reason given	13.8	50.4	12.6	15.5	-
Other reasons	12.7	1.2	13.9	16.0	2.1
Total	100.0	100.0	100.0	100.0	100.0

*Note:* Data refers to 2nd quarter of each year.

*Source:* Eurostat, *Labour Force Surveys*.

**Table A6**  
**Activity rates, age group 15-24, EU, 1999 and 2004 (%)**

Country	1999			2004		
	Total	Males	Females	Total	Males	Females
EU (25 countries)	-	-	-	45.0	48.4	41.4
Belgium	35.7	38.4	32.8	35.3	37.7	32.8
Czech Republic	46.7	51.4	42.0	35.2	38.7	31.5
Denmark	72.3	74.9	69.7	67.9	69.7	66.0
Germany	50.8	53.9	47.6	47.5	50.5	44.4
Estonia	37.0	43.0	31.0	34.7	41.6	27.8
Greece	39.8	42.1	37.5	36.7	40.0	33.4
Spain	43.1	47.2	39.0	45.1	50.2	39.8
France	-	-	-	38.1	42.1	34.0
Ireland	50.6	54.3	46.8	52.4	55.9	48.8
Italy	38.3	42.8	34.0	36.1	40.5	31.7
Cyprus	37.0	39.7	34.8	42.4	46.3	39.0
Latvia	42.3	49.6	34.8	37.2	43.3	31.0
Lithuania	43.1	48.4	37.6	26.2	30.9	21.4
Luxembourg	34.0	36.0	31.9	26.2	27.0	25.5
Hungary	40.1	45.0	35.0	27.9	31.4	24.3
Malta	-	-	-	56.8	61.4	52.0
Netherlands	67.7	67.4	68.0	71.6	72.0	71.1
Austria	59.2	63.9	54.7	57.4	61.7	53.3
Poland	34.5	37.7	31.4	35.9	39.7	32.0
Portugal	46.8	51.2	42.5	43.8	47.9	39.5
Slovenia	41.3	43.2	39.4	40.3	45.1	35.4
Slovakia	46.8	50.9	42.7	39.3	42.9	35.7
Finland	50.9	52.8	49.1	49.7	50.5	48.9
Sweden	42.3	43.1	41.4	47.2	47.1	47.3
United Kingdom	63.0	66.8	59.2	62.9	65.4	60.5

Source: Eurostat, *Labour Force Surveys*.

**Table A7**  
**Mean age of women at birth of first child, EU**

Country	1991	1993	1997	2000	2003
EU (25 countries)	-	-	-	-	-
Belgium	26.5	26.9	27.6	-	-
Czech Republic	22.4	22.6	24.0	25.0	25.9
Denmark	26.8	27.1	-	27.7	-
Germany	26.8	27.1	27.8	28.2	28.8
Estonia	22.6	23.2	23.4	24.0	-
Greece	25.7	26.2	27.0	-	-
Spain	27.2	27.8	28.7	29.1	-
France	27.2	27.6	-	27.9	-
Ireland	26.6	27.0	27.5	27.6	28.3
Italy	27.1	27.4	-	-	-
Cyprus	24.8	25.0	25.8	26.2	26.9
Latvia	22.9	22.9	23.8	24.4	24.6
Lithuania	23.1	23.2	23.3	23.9	24.5
Luxembourg	26.8	-	28.5	28.4	28.7
Hungary	23.2	23.4	24.3	25.1	25.9
Malta	-	-	-	-	-
Netherlands	27.8	28.2	28.6	28.6	28.8
Austria	24.9	25.1	26.0	26.4	26.9
Poland	23.3	23.5	24.1	24.5	25.3
Portugal	25.1	25.4	26.0	26.5	27.1
Slovenia	24.0	24.5	25.5	26.5	27.2
Slovakia	22.5	22.7	23.1	24.2	25.0
Finland	26.6	26.8	27.4	27.4	27.9
Sweden	26.5	27.0	27.5	27.9	28.5
United Kingdom	27.5	27.9	28.6	29.1	-

Source: Eurostat, fertility indicators.

**Table A8**  
**Total fertility rate, EU**

Country	1991	1993	1997	2000	2003
EU (25 countries)	1,60	1,52	1,44	1,48	1,48
Belgium	1,66	1,61	1,61	1,66	1,64
Czech Republic	1,86	1,67	1,19	1,14	1,18
Denmark	1,68	1,75	1,75	1,77	1,76
Germany	1,33	1,28	1,37	1,38	1,34
Estonia	1,79	1,45	1,24	1,34	1,37
Greece	1,38	1,34	1,31	1,29	1,28
Spain	1,33	1,27	1,19	1,24	1,30
France	1,77	1,65	1,71	1,88	1,89
Ireland	2,08	1,90	1,94	1,90	1,98
Italy	1,31	1,25	1,22	1,24	1,28
Cyprus	2,33	2,27	2,00	1,64	1,50
Latvia	1,86	1,51	1,11	1,24	1,29
Lithuania	2,01	1,74	1,47	1,39	1,26
Luxembourg	1,60	1,70	1,71	1,76	1,63
Hungary	1,88	1,69	1,38	1,32	1,27
Malta	2,04	2,01	1,95	1,72	1,46
Netherlands	1,61	1,57	1,56	1,72	1,75
Austria	1,51	1,50	1,39	1,36	1,38
Poland	2,05	1,85	1,51	1,34	1,22
Portugal	1,57	1,51	1,47	1,55	1,44
Slovenia	1,42	1,34	1,25	1,26	1,20
Slovakia	2,05	1,92	1,43	1,30	1,20
Finland	1,79	1,81	1,75	1,73	1,76
Sweden	2,11	1,99	1,52	1,54	1,71
United Kingdom	1,81	1,75	1,72	1,64	1,71

Source: Eurostat, fertility indicators.



