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Socio-Economic Characteristics of the Elderly Population in Romania

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Abstract: Europe is currently facing the highest ageing rate worldwide. Romania, a EU-member country since 2007 has to cope with its own demographic difficulties, e.g. an overall population decline, an increased proportion of elderly and a longer average life-span, a majority of female elderly, etc. The ageing process had a progressive course, which began in the latter half of the 20th century, particularly in the countryside, where certain settlements appeared to be at greater demographic risk. The situation had also significant socio-economic implications. In 2012, people aged 60 and over represented 22% of Romania’s population, with 25.5% living in the village and 19% in town. According to forecasts, the next few decades will witness a rapid and massive growth of elderly people, from 4.5 million in 2012 to 6.5 million in 2050. As the elderly category, mostly retired and inactive, puts greater pressure on the active adults, social and economic problems become ever more acute, given that the existing pensions system cannot adequately sustain the older population; besides, neither is the health-care system ready to meet the increasing demands of this ever larger category. It follows that Romania should take the necessary steps now and start adjusting to these issues in order to avoid the risk of endemic poverty among elderly people. In view of it, a coherent medium-and-long-term development programme should be elaborated, capable to rebalance the demographic structure and solve many of the problems associated to ageing. The present study takes an in-depth look at all these issues and highlights regional disparities.

Keywords: elderly population; Romania.

JEL classification: J11; J14

1. Population Ageing – a Worldwide Problem

“Population ageing is one of the most significant trends of the 21st century. It has important and far-reaching implications for all aspects of society. Around the world, two persons celebrate their sixtieth birthday every second – an annual total of almost 58 million sixtieth birthdays. With one in nine persons in the world aged 60 years or over,

projected to increase to one in five by 2050, population ageing is a phenomenon that can no longer be ignored" [***, 2012, p. 3].

Human society has had a windy pattern of evolution characterized by permanently alternating ups and downs. As the most dynamic of all the 20th century was marked by several processes, some of them allegedly considered to have negatively impacted upon society; based on this, scientists concluded that our present-day society is a globalized "risk society" [Beck, 1992, ***, 2002].

Some of these risks were generated by the demographic evolution. Two hundred years ago the issue of the planet becoming overpopulated was a common topic brought up by many scientists, such as Malthus. He is the one who mentioned this risk in his "Essay on Principle of Population", where he dwells upon one of the most discussed topics in the past 50 years, namely the **ageing of population** (Nancu, Guran-Nica, Persu, 2010). Thus, based on the findings of various studies warning about the above-mentioned phenomenon, the *Second World Assembly on Ageing* held by the UN in Madrid in 2002, an *International Plan of Action on Ageing* was drawn which "emphasizes the crucial role of governments in 'promoting, providing and ensuring access to basic social services, bearing in mind specific needs of older persons'²; fully recognises the rights and contributions of older persons themselves; and draws attention to the urgent need for action on ageing worldwide, in line with the central concept of 'A Society for All Ages'³. Its main areas of action are: 1. Older persons and development; 2. Advancing health and well-being into old age; and 3. Ensuring enabling and supportive environments". [***, 2011, p. iv].

There are lots of geographical studies which analyse this phenomenon that "consists in the growing ratio of the elderly population (from 60 or 65 upwards) in the population total numbers"[Rotariu, 2006, p. 78; ***, 2013]. Scientists unanimously agree that the process started when the demographic transition took off about 100 years ago [***, 2005]. The first countries which felt the strongest impact of this process were the developed ones, with a prediction that the effect of the population ageing will be felt in the developing as well as in slightly developed countries [Epure, 2012]. There is also a possibility that a second demographic transition (featuring a strong decline in fertility) will spread from the developed countries towards the other states, especially the ones in Asia, and also a third demographic transition triggered by the international migration [Harper, Leeson, 2008].

The analysis of this phenomenon takes into account the two main causes, namely the *decrease in fertility and the decrease of the mortality ratio*[Rotariu, 2006; Weil, 2006; ***, 2005; ***, 2013], in which the latter causes an *increase in life expectancy*. The effects of the two demographic indicators combine with the ones caused by the indirect impact of some social and economic elements, as the level of people's education, their mentalities and traditions, the development of the health system, of the corresponding infrastructure, the living standard, and overall the general level of development, not to mention the economic behaviour of the state [Nancu, Guran-Nica, Persu, 2010].

The impact of the ageing process is also to be felt by all the components of the social-economic system. Thus the first areas to be impacted are the demographic components (the increase of the elderly population ratio, the decrease of the dependency factor and

² *** (2002), article 13

³ Concept adopted for the International Year of Older Persons in 1999, developed from a concept that has been formulated at the World Summit of Social Development in Copenhagen in 1995 – the concept of A Society for All (Sidorenko, Walker, 2004)

last but not least, the increase of the raw mortality rate)[Rotariu, 2006]. The next ones to be affected are the remaining socio-economic components especially the pension system and the health insurance one, representing in fact the impact upon the state's financial resources.

Nowadays, the ageing process affects all countries, but its impact is considerably stronger in the highly developed countries where the average age of the population is far above the world one, namely 40 years as compared to 29 [***, 2013]. The analysis of the ageing index⁴ conveys the same results, namely 44.6% worldwide, as compared to 147.4% in Europe (the fastest ageing continent) and 103.2% in North America [***, 2013]. The general overview focuses on the discrepancies between geographical areas regarding the ratio of the elderly population within the total population of the globe (figure 1). One can notice clear differences between the higher developed regions on one hand and the developing or less developed regions on the other hand. "Most western style countries have aged continuously over the past century [...]. Europe reached maturity at the turn of the millennium, with older people than younger" [Harper, Leeson, 2008, p. 1]. This phenomenon is already noticeable in less developed countries. „Already two thirds of the world's older population live in less developed regions with the absolute numbers of older people in these regions doubling to reach some 900 million within 25 years" [Harper, Leeson, 2008, p. 1].

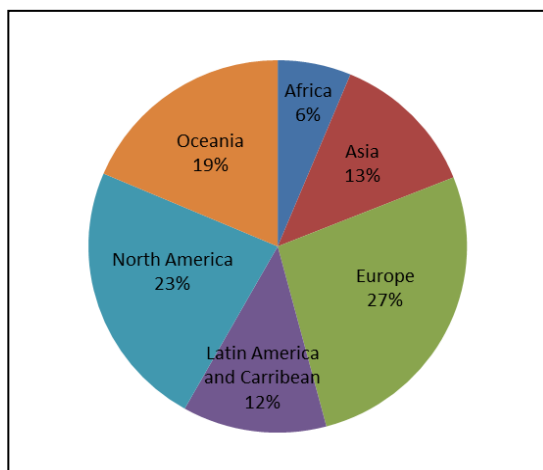


Figure 1: Proportion of old (60 years and over) in total population at continental level

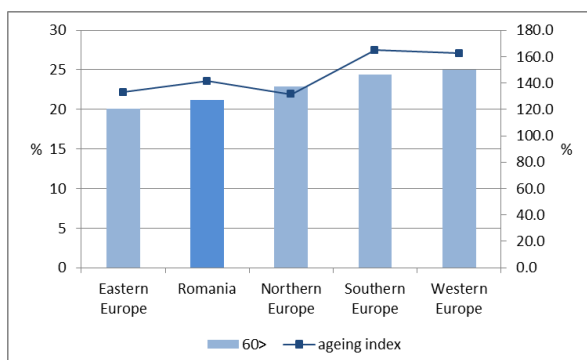


Figure 2: Population ageing in Europe (2013)

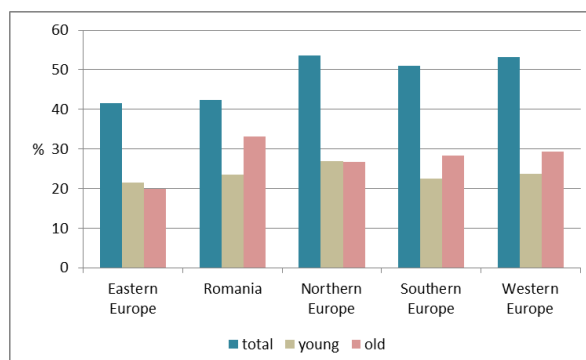


Figure 3: Dependency ratio in Europe (2013)

⁴ageing index=no. of persons aged 60 and over per hundred persons under 15

From this point of view Romania is a good example. As a developing country belonging to the European continent, it perfectly fits the category of the states where the population is ageing. A percentage of 21.2 of elderly population and a value of 141.5 of the ageing index place Romania among the ageing countries of Eastern Europe, but nevertheless on the higher end as compared to the other Eastern European states (figure 2). A similar situation can be identified in Romania regarding the dependency ratio with a particular mention that in this country the ratio is extremely high, placing Romania in a negative place as compared to the rest of the European states (figure 3).

2. Characteristics of the Ageing Process in Romania

The ageing process in Romania started in the 20th century. Towards the beginning of the century the younger population (<15 years old) represented over 30%, while the elderly population percentage was 6% of the total population numbers. Nowadays the situation is completely reverse as shown in figure 4. Therefore one can say that a shift in the age groups occurred, which has worsened the demographic situation. This negative change refers to a total shift of the ageing index from 22% to 140% (actually a change of 100% when considering population aged 65 and over). Thus, the current position that Romania holds is one of a European country with clear ageing tendency.

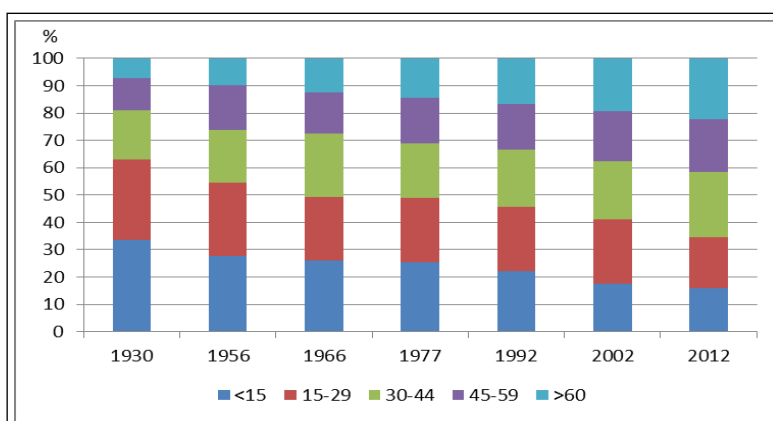


Figure 4: Age structure - evolution

Data source: INS

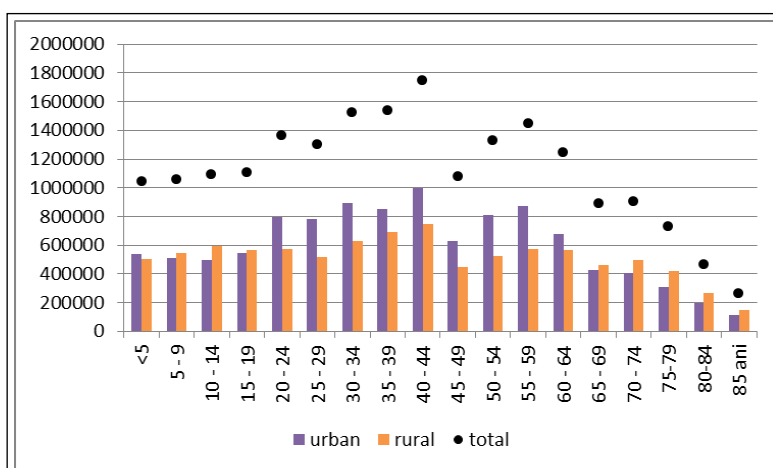


Figure 5: Age structure - 2012

Data source: INS

When examining the group ages as their data appear during the last census (figure 5) the situation is worrying, in the sense that one of the most numerous age groups (55-59) will soon reach pensionable age, which will dramatically increase the numbers of the dependent population and will result in higher pressure on the active population. The situation is even more difficult when the number of younger contingents become increasingly reduced, so the future generations of actives will have to support quite a high number of non-actives.

The demographic ageing is even more visible in the rural areas of the country. It began in the second half of the 20th century, gradually becoming more acute after 1992. In fact, this process marks the transition from the traditional trend of reproduction of population, characterized by high rate of natality and mortality, towards a more modern trend featuring low birth rates and low mortality rates, specific to present days [Nancu, Guran-Nica, Persu, 2010].

Lately, a decline in fertility can be considered quite worrying; the process started in 1990 and became quite strong after 2000. In Romania, the countryside has traditionally been viewed as the Romanian people's main source of vitality, since families in the countryside were larger than the city ones. Today, this demographic feature is no longer visible. Statistics reveal that for each child-bearing woman in the country there is a corresponding number of 1.3 children, less than the required number of 2.1 in order for the population to be replaced [Nancu, 2006]. Thus, the increasingly low values of the fertility index determine a slow rhythm of replacing the generations, and subsequently a decline in population numbers, as well as ageing (figure 6).

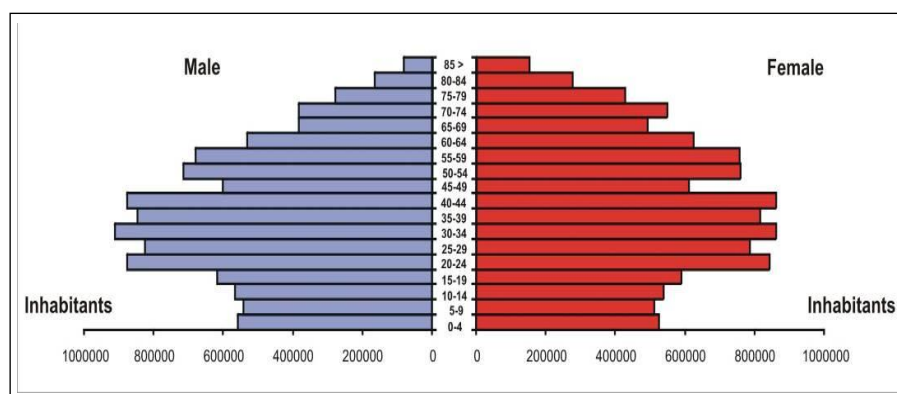


Figure 6: Population pyramid - 2012
Data source: INS

From a spatial point of view one can notice that the ageing process has spread in all developing regions of Romania, hence the corresponding graphic representation in the shape of a pyramid has a narrow base in all cases. The only revitalising tendency is represented by a wider base of the pyramid in the region București-Ilfov, corresponding to a higher natality rate.

The ageing process has manifested itself at different times in various areas (figure 7). Some counties in the West of the Romania (such as Timiș, Arad) and also in the centre (Sibiu, Harghita, Covasna), have kept the tradition of small families, with few children, which meant a low natality rate, namely a constant ageing of the population, or lower ageing rhythm. The opposite is represented by the majority of the counties in Moldova and the Romanian Plane, where higher ageing rhythms can be witnessed due to the fact

that the fertility rate and implicitly the natality rate have dramatically decreased lately. Moreover, these areas which were former high-natality areas in the past, have a big number of elderly population, although one must take into account the process of migration for work purposes which happened in these regions over the years.

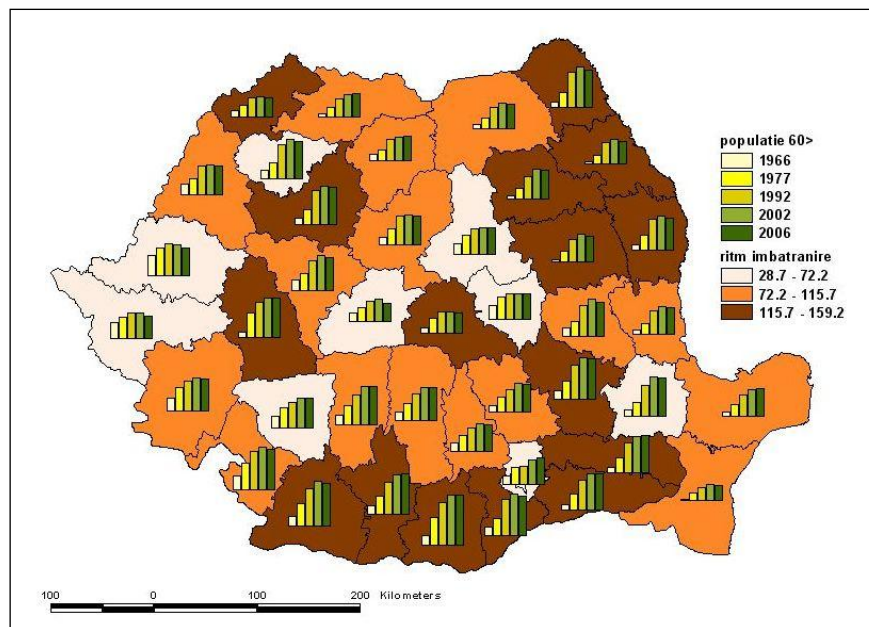


Figure 7: Old population (%) and the rate of ageing (1966-2010)
Source: Nancu, Guran-Nica, Persu, 2010

3. Socio-Economic Impact

One of the most reliable indicators for the impact of the ageing process of the population is the **degree of demographic dependency**. When it comes to the ratio between the inactive population groups (both young and elderly) and the active population (15 to 59), this indicator provides valuable information regarding the economic burden placed on the productive population. This is based on the concept of "dependent" being understood as active, while the able population can also be viewed as maintained (namely economically dependant).

From this point of view, the place that Romania holds within the EU is not a privileged one. With a degree of dependency of 56.2% (the average being 50.2 within the EU) our country is placed at the bottom of the list, while only a few countries such as Czech Republic, Poland, Slovakia, Slovenia are ahead of it. Importantly, the values of the degree of dependency have generally gone down during 1930-2012, but this feature can also be explained by referring to a decline in the numbers of the young population. The evolution itself was a windy one, with natality reaching a peak in 1977, after a sharp increase following the law regarding births. The decrease of natality up to 2002 was due to the fact that the youths of the 70's joined the active able population, thus contributing to an increased ratio of the active population within the total numbers. During the past ten years the tendency of the degree of dependency to go up is undoubtedly determined by the ageing of the population: this is clearly shown in the age pyramid as well as by the indicators mentioned above.

The geographical differences are significant (figure 8). As expected, the dependency factor in the urban area is much lower than in the rural area, since towns are centres that

concentrate the majority of the work force. The increased values in the rural areas are strictly determined by the process of demographic ageing. The most affected are the counties in the North-East, South-East, South and South-West (over 60%). The region Bucharest-Ilfov is the most privileged one, since the dependency factor doesn't exceed 50%. In this area, the index corresponding to the rural region is slightly higher, but never exceeding 60%; the higher numbers of the younger population are also a strong influence.

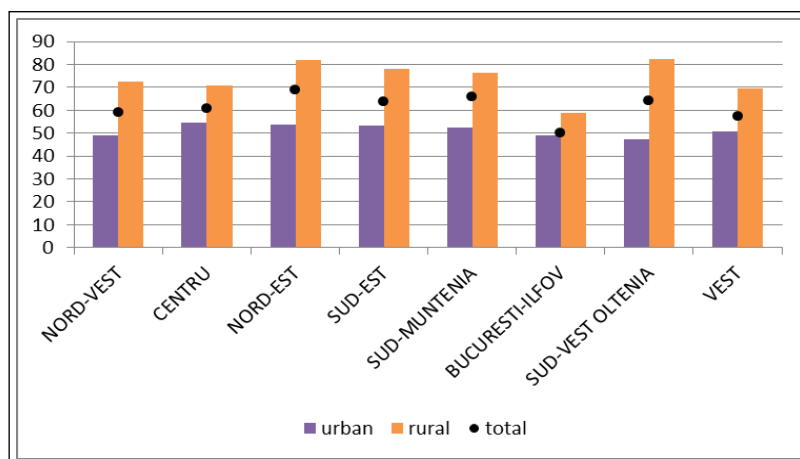


Figure 8: Dependency ration by development regions - 2012
Data source: INS

4. Basic Approaches of Population Ageing

Facing a problem means always to have a problem solving approach, looking at the best ways to get the problem solved is not simple, several alternatives can be explored and the scholars (***, 2012b) that have been studying population ageing suggest the following four approaches:

- *Workers save more and consume less in order to prepare better for their retirement.*
- *Workers pay higher taxes (and consume less) in order to finance benefits for older people.*
- *Benefits (and thus consumption) for older people are reduced so as to bring them in line with current tax and saving rates.*
- *People work longer and retire later, raising their earnings and national outputs.*

Policy-makers should address all four options depending on the country level of population ageing. It is time to act; any delay can generate difficulties in the future decision- making process (Epure, 2012).

There are various assumptions about retirement age, healthcare costs increase, public support for older persons, the effects of increased national savings on investment returns. No matter what paths will be chosen a coherent and global approach should be set up in the near future.

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The references to literature should be noted in the main text in the following form: [Barr, 2012]; [Blake, 2006; Barr, 2008]; [Barr & Diamond, 2008]; [Casey et al., 2003]; [IMF, 2014]. **Footnotes should be avoided.**

List these in alphabetical order at the end of the paper in the reference section as in the examples:

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