

**“GAMBLING WITH THE STATE”: UNDERSTANDING RETIREMENT AND  
PENSIONS IN CONTEMPORARY BELARUS**

by

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## **ABSTRACT**

In Belarus, the only post-Soviet country in the Eastern European region with unreformed pension system, the fact of the largest cohort approaching the official age of retirement not only sees an increasing burden on the system of state pension provision, but also brings considerable change to state-society relations. Qualitative study of these relations explores understanding of retirement through interviews with Belarusians approaching pension age. Lefebvre's theoretical framework is used to present the findings.

Through the years of socio-economic transition the retiring generation of Belarusians have preserved a “socialist” understanding of pensions - of it being a state’s responsibility and a deserved reward for the years of service. Yet in contemporary Belarus the average pension’s monetary value does not correspond to people’s expectations and hence, as a way of dealing with perceived injustice, the majority of Belarusians plan to work in retirement in order to provide a decent living for themselves and their families, thus undermining the essence of pension as a period of discontinued work. The research’s conclusions suggest that analysing pensions as a social contract for retirement is very important for finding an appropriate approach to changes in pension provision and communicating the direction of proposed pension reform.

**TO MY PARENTS**

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## **LIST OF ACRONYMS**

BISS	Belarusian Institute for Strategic Studies
BSM	Budget of Survival Minimum
CEE	Central and Eastern Europe
CIS	Commonwealth of Independent States
DB	Defined Benefit
DC	Defined Contribution
EBRD	European Bank for Reconstruction and Development
FSPB RB	Fund for Social Protection of the Population of the Republic of Belarus
GDP	Gross Domestic Product
IIEPS	Independent Institute of Socio-economic and Political Studies
ILO	International Labour Organization
IMF	International Monetary Fund
MCB	Minimal Consumer Budget
MLSP RB	Ministry of Labour and Social Protection
MSA RB	Ministry of Statistics and Analysis of the Republic of Belarus
NSC RB	National Statistical Committee of the Republic of Belarus
OECD	Organization for Economic Co-operation and Development
PAYG	Pay-as-you-go
PPA	Pensions Provision Act
WB	World Bank

# CHAPTER 1

## INTRODUCTION

### 1.1 Introduction of the research problem

“Have you thought about retirement?” - With a lot of confidence it can be said that everybody have given it some thought, at least when the news of reform appears in the newspaper headlines. Although for some it might be foreseen further in the future than for others, retirement is a period that everyone is associating with the time later in life and constructing certain expectations as to what it is going to be like. Retirement as a period in later life is not only of concern for people nearing it, but is increasingly influencing the middle-aged , who are facing uncertain futures due to the changes in pensions that are taking place all over the world. Yet, how much do we know about it, its conditions? The answer will definitely vary from country to country, as the geography of retirement, like a patchwork blanket, demonstrates a lot of variation in pension arrangements. Although there are similarities, there is no uniformity in retirement policies, just like the expectations from retirement would vary despite those similarities.

The retirement policies of the countries of Central and Eastern Europe (CEE) is a highly debated topic due to dramatic scale of ageing of populations in the region (Chawla *et al*, 2007) and the echoing significant changes in terms of retirement in order to adapt pension systems to socio-economic conditions and realities of modern life style that have been taking place there (Hoos 2004; Ruzik, 2008). Having had socialist legacy as the common starting point in the late 1980's and early 1990's, the routes of post-Soviet transformation took peculiarly different impetus and directions (Manning, 2004). In relation to changes in pension

systems, the region is sometimes compared with the Latin America for the enthusiasm and scale of taking on/engaging in reforms (Muller 2003; Rutkowski 1998). Having become a laboratory of pension change in Europe, the variety of reform scenarios and paths have spurred in place of a single socialist model that existed here before, and even having provided a testing ground for a new form of pension system organization/principle (Notional defined contribution).

The changing relationship of responsibility among the state, non-state agents and individuals during the transformation from the socialism to market has been part and parcel of the change in pension regulations. That is why socio-economic transformation and the dramatic change in forms of social security provision that took place in CEE countries draws attention to the repercussions of state-society relations in these societies. Changes in paradigms and shifts in principles of pension system towards increase of individual responsibility for financing retirement, implying change in the delivery/balance of social justice, was aimed at invoking/development of new attitudes and expectations and more importantly new patterns of behaviours among the public (Hoggett, 2001; Rowlingson, 2002). Yet, this perspective was largely ignored by academics. Policy changes are likely to be studied by political economists and financial analysts that deal with the numeric characteristics of the system, as pension reforms are highly political issues. Preoccupied with rescaling of welfare states and reforms of pension systems and leaving aside improvement of provision of well-being for people in old age as a secondary goal, it is not surprising that analysts from international organizations have underestimated the social component of pensions change. Qualitative studies of impact that pension reforms in CEE had on lives of people, not solely on the economic and welfare

indicators, are less common, perhaps also due to the fact that they are being published in local languages. This is why for better understanding of retirement as a social institution in the new environment of CEE it remains important to enrich the knowledge about the progress of pensions change with the research of social consequences of these reforms.

Belarus seems to have been left out of the pension debate, partially due to its rare participation in international and comparative research are conducted in CEE and its lack of openness for study. The country has been absent from the map of pension reform also because no large-scale pension reform has been launched there. The changes that have taken place in order to update legislation to the needs as seen by the state government did not involve participation of international agents and were not radical in scope. Therefore, it turns out that Belarus remains a blank spot on the landscape of CEE pension transformations. Yet, it makes the topic of what it is like to retire in Belarus no less interesting: how did it stay out of the wave of the pension reforms, and has nothing really changed there?

Figures from official statistics can not tell us much about the reality of retirement in the country, as they present generalized information and average numbers. Besides, the official estimations of needs in old age, such as Minimal Consumer Budget of a pensioner, do not stand the “reality-check”, in other words, have little in common with the cost of necessities in real prices. Apart from policy analysis (Murashkevich, 2001) the only study of public opinion about retirement was presented by researchers of IPM research centre (Chubrik, 2008), which focused on grounding the necessity of pension reform in Belarus. Its main limitations were in adopting the paradigm of “pension reform orthodoxy”, suggested by the World Bank (WB),

and in its quantitative nature, which did not leave much space for explanation of some observed phenomena. The complexity of pension relations, embedded in the logic of everyday life, has not been addressed in Belarus before by the means of qualitative study.

Peculiarity of the research subject in Belarus stems already from the linguistic difference in understanding the main terms used in this research - the concept of “retirement” - in Belarus and in existing academic literature. Retirement in “western” European and English-speaking writing refers to a process associated with discontinuation of work later in life and with life transition. “Pension” is usually used in a meaning of a benefit and one of the main sources of retirement income. For defining retirement the main criteria usually employed is participation in labour market, where retirement has a commonly accepted meaning of discontinuation of work and withdrawal from full employment. In this sense retirement is virtually opposed to work. Although, definition of retirement is becoming more flexible than it used to be, when the main purpose was to establish if the person is involved and actively contributing to the economy (Bowlby, 2007; Denton and Spencer, 2009; Schulz, 2002; Smeeding and Quinn, 1997). Retirement at present may mean not discontinuation of activities, but rather switching to a spectrum of activities other than a full time paid employment, that nevertheless are not opposed to work, neither they can be assessed as “rest”. Social and economic contribution of these types of activities, such as voluntary work, household work, mentoring, advising, or other forms of gradual withdrawal from work, are difficult to estimate. Registering retirement in research is also controversial, as a better indicator of retirement – being officially registered as a pensioner, drawing pensions or self-reporting – is determined in accordance with the goals of research and often based on a combination of indicators rather than one. Being in a

receipt of retirement income (pension), for instance, was used in research of Wannell (2007) for Canada and Banks and Smith (2006) for the UK as an indicator of retirement.

In Russian language, used in the research of retirement in Belarus, the word “Пенсия” stands for both “retirement” as a process of retiring (the life transition) and being in retirement, and also in a meaning of a “pension” as a benefit. There is no separate word for “retirement” as a process and lifestyle, and to refer to it a combination of a verb with the word “pension” are used. For example, “to retire” would mean literally “to go on a pension”. In the context of the Belarusian pension system, the determinant factor for a “pension” as a period, or what would be defined as “retirement”, is the fact of eligibility and receipt of pension benefit, that usually comes with reaching an official retirement ages<sup>1</sup>, regardless of continuing working (employment status). For the people interviewed for this research a pension had direct reference to money benefit and a period associated with eligibility to receive this benefit, whereas a lifestyle associated with living on a pension and being retired was secondary and derivative from the former, and not necessarily associated with rest.

This difference in vocabulary provides the initial hint of a difference in understanding the meaning of retirement and pensions in Belarus and suggests the necessity to further research it, which points to originality of the study of retirement and pensions in Belarus. Ultimately, this research addresses a very topical issue that concerns everyone, but from a different perspective. Not only it inquires into socio-economic and policy change, but it looks at how the state-society relationship has been altered by it. Research employs theoretical tools of human geography to shed light on retirement as a relationship between the state and the

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<sup>1</sup> Except cases when eligibility for retirement comes earlier than official retirement age, for certain professions.



people, and to engage with the complexity of the social space in Belarus. In focus of such approach is the inquiry into how social context is translated in practices of life, particularly with experiences of approaching retirement and old age. Contribution of this research is in addressing the gaps in knowledge, that have been pointed out, by means of a qualitative study of the social aspect of retirement, social relations that are being built regarding provision for later life.

The opening question for this thesis was also an opening question for the interviews with Belarusians conducted for this research. People of different professional occupations and both genders who were soon expecting to take on official retirement were interviewed about their understanding of retirement as a social institution and life transition, also asking about their feelings, expectations and preparations for it. As the main source of primary data, interviews were used together with the study of literature and interviews with experts, representing the views of the state and independent researchers about pension system and retirement in Belarus. Hence, the methodological approach adopted for this study is trying to bridge the macro-and micro perspectives of retirement, in bringing in the logic of everyday lives, opinions and expectations in their relevance together with embeddedness in the space of political rationing constructed and shaped by the state. This research brings in the views, expectations, and strategies of response to state construction of social space of social security provision in old age.

## 1.2 Why Belarus?

Belarus, as one of the most prosperous republics of the Soviet Union, upon its collapse was in a comparatively good shape – with strong industries, good technological development and high human potential, although dependent on its eastern neighbour for resources. The priorities established by the first elected president soon became a “strong social policy” and politics of continuity<sup>2</sup> of what was best in the Soviet state – which are sometimes seen enviably by the country's eastern neighbours whose life was to a larger extent subjected to turmoil of reforms of transition. The reference to the past and the role of a strong paternalistic state – are two features Belarus is known for. In Belarus the relevance of state-society relations on the institution of retirement is amplified by emphasizing the policy and ideology of state protectionism versus the one of state withdrawal from superfluous social security provision. However, after twenty years since independence, from within the state the “stronghold” of newly-socialist welfare state does not look so attractive: for instance, with regard to pension system, sporadic academic and independent research accounts (Chubrik, 2008) are urging for pension reform because of its unsustainability, especially in face of demographic trend of ageing population and increasing number of pensioners. In addition, a pilot study revealed that it is a common knowledge in Belarus that a person can hardly manage to live on a pension, small as it is, which made the life of elderly people in the republic far from being enviable, as state pensions remain the primary source of income that a Belarusian pensioner can rely on in old age. These contradictions called for research into what retirement in Belarus really is about and what it means to the people as well as to

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2 The main principles of the state policy of the Republic of Belarus (Главные принципы государственной политики Республики Беларусь) (п.а.) (2001-2011) Official Internet-portal of the President of the Republic of Belarus [online] Available from: <http://www.president.gov.by/en/press10663.html>

representatives of the state. These contradictions make the country case of Belarus particularly interesting with the socio-economic model it adheres to among the wave of reform and transformation in the neighbouring countries.

It is important to say that the concept and word “transition” applied to Belarusian context is not used in this work in uncritical manner. The transition in Belarus has been piecemeal and dubious, as will be discussed in the following chapter. Whereas transition reports (for instance, EBRD, 2008) classify Belarus as slow reformer, in Belarus the transition period is believed to be overcome and an era of stable growth and development was declared. In this research the term “transition” is used to generally refer to the time of socio-economic transformation that has been happening in the post-Soviet period in the country.

The co-existence of controversies in presentations of the life in the country has determined the choice of a theoretical framework (Brenner et al, 2003; Elden, 2004; Lefebvre, 2003a) for this study, that helps to deliberately separate the layers of state space to demonstrate the complexity of construction of the social space within the physical space of a country. The case of Belarus provides an original example of how a space of obligations and responsibility, both normative, perceived and existing, is shared and important insights in the way pensions are both regulated/administered and lived.

The research has taken place in the capital of Belarus – the city of Minsk . It is the biggest and most populous city in the republic (1,8 million people). Minsk hosts many industries, large, medium and smaller scale enterprises, public organizations and private businesses. People of

different professional and income groups are represented there which was helpful for the composition of a pool of interviewees. Although representation is not necessarily a goal of a qualitative research, it was decided to reflect the distribution of different professions and social statuses in the composition of the interviewee pool. It was also assumed that in the city life transitions are more pronounced, which was important for the study of retirement.

### **1.3 Research objectives**

The gaps in the literature that have been pointed out, helped formulate the aims of this study. This research is aimed at exploring what pensions and retirement are and what they mean in contemporary Belarus. It involves: analysing the change in the pension system that occurred since Belarus became an independent state after the collapse of Soviet Union; researching the understanding of the transformation of the pension system, conditions of retirement and retirement relations by people. Initially this research was aimed at filling the obvious gap in knowledge about pensions in Belarus, as previous information on this topic was sporadic and inconclusive, and sometimes contradictory – state and private media published almost opposing views, whereas the micro-perspective, the voice from public, was barely heard. The perspective of research became more focused on presenting attitudes to retirement and pension expectations of a generation approaching retirement as a reflection on, and important part of, state-society relations.

The study aims to contribute to both macro and micro levels of the pension debate: by expanding the research of geographies of pension reform and challenging previous analysis of

pension change by presenting a case of pension progress in Belarus; and by contributing to the discussion and body of literature about pension change by bringing in the public perspective on the role of the state in social security provision in this transitional economy. Henceforth, the aims of the research are as follows:

- to explore how understanding of retirement was changing in the conditions of socio-economic transition. Here also, to introduce the age group/generation of Belarusian ‘future retirees’ and make projections about the evolution of meaning of retirement.
- to understand how the people of Belarus individually make sense of the relationships and social context of a transition to retirement, how retirement and pensions are perceived by people, what are their plans, expectations and ways to prepare for retirement.
- to understand retirement within the context of changing state-society relations.

#### **1.4 Outline of the thesis**

Whereas the first chapter has been concerned predominantly with presenting the research and outlining the context, presentation of the main body of this research is organized in the following way.

Second chapter gives introduction to the research context of this study. It introduces the country in which the research was conducted and provides the background for explanation of the direction of Belarusian post-soviet transformation. The chapter gives overview of the

Soviet pension system and drivers and directions of pension reforms in countries of former Soviet Union and Eastern Europe and situates Belarus within this broader context. The chapter also engages with the implications of the post-soviet changes in state pension security on the life of pensioners and the elderly in these countries.

In the third chapter the main theoretical grounds for this research are presented and questioned, the debates to which this work is related are explored. In the chapter the critical analysis of several theories engaging with state-society relations and their influence on the everyday life of people is made. Theoretical framework for the analysis and explanation of the material presented in the empirical chapters is crystallized and elaborated.

The fourth chapter is concerned with methodology of research, explaining the choice and repercussions of use of methods, progress, and difficulties of conducting research in Belarus and how they were overcome. In description of interviewee pool, this chapter introduces the studied generation and draws attention to the peculiarity of its relationship with the state. The analysis of the stages of the process of conducting interviews provides the first account of public attitudes towards talking about pensions. In this chapter some reflections about the identity of the researcher during the progress of the study are shared.

Chapter five will take a closer look at the aspect of state-society communication, questioning the knowledge prerequisites for participating in the state pension system and generally living in Belarusian society. The chapter informs the reader about the main features and problems of the pension system in Belarus and relevant demographic and statistical data, and goes on to

investigate how much people approaching retirement age know about pension system in Belarus, identifying barriers for disseminating and digesting information. The chapter gives the first account of the parallels and continuous importance of understanding pensions provision and calculation in Soviet Union to the present day. The chapter finishes with the discussion about how a participant in Pay-As-You-Go (PAYG) is expected to know about pensions.

In-depth analysis of the evolution of the meaning of pensions in Belarus, from the Soviet era until the present, is presented in chapter six. Adding to the linguistic peculiarity of the definition of retirement, it will concentrate in depth on explaining and illustrating that pensions were and to certain extent continue to be used in both meanings of a right and a reward. The issue of social justice is introduced in this chapter by bringing to attention the levelling of pensions and through introducing the notion of dignity. The chapter engages in presenting a stereotypical view of Belarusians about pensions abroad and how this influences their perception of the relationship with the state at home.

Chapter seven continues exploring the meaning of pensions by addressing the controversies of state-society relations actualized in modern time and formed as a response to challenges of transformation. In this chapter closer focus is placed on working pensioners and the fact that many pensioners in Belarus work, and have a strong intention to continue working. This will re-address the argument about the meaning of retirement as a time of discontinuation of work and will explore it in the Belarusian context. The reasons and popular rationale between retiring and continuing working will be in focus, which will again question the definition of

retirement in Belarus and the components of the pensioner's lifestyle. The chapter touches upon pensioners' contribution to society by continuing working. An important controversy of state-society relations will be presented, that either links together or opposes the facts of pensioners working and pensions being small, depending on the perspective taken by the state or the people.

Chapter eight will engage with perspectives of state-society relations and will be dedicated to exploring the possibility, opportunity, necessity, demand for the change in pension relations in Belarus, inspecting the factors that could un-balance social justice. It will inspect public attitudes to the possible measures for reforming pension system, such as partial privatization, or some of its features, such as increase of statutory age of retirement. It is going to depict again the controversial relations between the state and its ageing population, the expectations that people have towards the state pension provision and their correlation with the possible change in pension system.

The last chapter brings together the main findings of the research and draws upon the contribution of this study to existing knowledge about retirement.



## **CHAPTER 2**

### **RESEARCH CONTEXTS**

#### **2.1 Introduction**

The break-up of the Soviet Union was the starting point of the new histories of the former Soviet republics that gained independence. This period was commonly referred to as a “transition”, presuming that the breakdown of socialism would mean a move towards democracy and a market economy. However, it didn't take too long to realize that in fact this transition refers to a structural transformation towards a more 'market-led' economy and has multiple pathways with varied outcomes (King, 2000; King and Szelenyi, 2005), and should not be thought of as a process having a clearly defined end point (Round, 2008a). In this sense, when talking about social processes it would be more appropriate to talk about transformation rather than transition (Burawoy, 2001), “post-socialism” (Stenning, 2005), or more recently, “post-post transition” (Buyandelgeriyn, 2008) or “post-postcommunism” (King, 2000). The common argument against “theories of transition” is that it does not recognize the variety of outcomes of the reform processes and wrongly assumes a uniform path to market and equal starting points. With relative success the countries of CEE managed to incorporate market institutions, as well as democracy and the ethics of market liberalism (Orenstein, 2009). However, in Belarus many market mechanisms are not yet in place (EBRD, 2008). The Belarusian economy is still predominantly state-run and in many ways resembles more a planned economy, with price controls, state ownership of major industries, etc., than a market economy. Having advanced little on the path towards economic and political liberalisation, Belarus is an example of preservation, rather than transformation, with

the elements of its socialist past, the main principles of its state policy, being guided by a plan-based approach, consistency, gradualness and continuity (The main principles of the state policy of the Republic of Belarus for 2001-2011, Official Internet-portal of the President of the Republic of Belarus).

Transition brought about the need to rescale state obligations and to reassess the liabilities inherited from the Soviet past. These decisions had to be made at a time when public expectations of the state remained high. At the same time, the outcomes of transition saw confusion and growing disappointment in its side-effects, such as growing inequality, poverty and increased level of corruption. The processes accompanying transition caused swings in public perceptions towards a wish for more state control, although against the background of a low level of trust in the government and its institutions (Denisova *et al*, 2010). Understanding the complex meanings and mixed roles of “new” institutions, and changes in the social security, including pensions, has thus become of vital importance when considering the social impacts of transition. Hence, an inquiry into pension relations in Belarus provides a vivid, and highly relevant, example of the new realities that have formed during Belarus’ continuing transformation. In fact, Belarus is a case of constrained and stagnated transformation, that provides an interesting example of what can happen in a modern state that tries to preserve many socialist features virtually unchanged.

This chapter, therefore, introduces the context in which research finds itself. It presents the country of Belarus, and the historical background relevant to the research, its similarities of the social context of post-socialism and the uniqueness of Belarus' transformation path. The

chapter presents accounts of research into ageing and retirement in the post-socialist context which contextualises the research done for this thesis. The chapter discusses the geography of pensions and pensions transformation from the Soviet model and touches upon the most important issues of the pension debate in the CEE region.

## **2.2 Post-socialist Belarus: country context**

Having kept the territory of the former Soviet Republic of Belarus, a new Belarusian state appeared on the European map in 1991 (Figure 2.1), positioning itself as a “strong and prosperous” state in the heart of Europe and as a “the state for the people” – where the ultimate goal and criteria of state policies is improving lives of its citizens<sup>3</sup>.

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<sup>3</sup> Excerpts from president.gov.by – main principles of state policy

*“Strong and efficient state power, political stability in our country are the essential conditions for a policy line geared towards evolutionary and progressive development of the national economy, towards further integration into the world’s economy”.*

*“Belarus has chosen to follow the path of evolutionary development and rejected the prescriptions of the International Monetary Fund like shock therapy and landslide privatization. Over many years of creative work, the Belarusian model of socio-economic development has been put in place – the model which combines the advantages of market economy and efficient social protection. Our development concept has been elaborated in keeping with the historical continuity and people’s traditions. The Belarusian model aims to improve the existing economic basis rather than to make a revolutionary break of the former system. The Belarusian economic model contains the elements of continuity in the functioning of state institutions everywhere it has proved effective”.*

Figure 2.1 Map of Belarus in Europe



Source: [www.hotels-europe.com](http://www.hotels-europe.com)

After the collapse of Soviet Union Belarus found itself highly dependent on Russia for its energy supply and for demand on country's produce. Due to this the “multiple-vector” of Belarus' international relations has an obvious eastern bias. The geopolitical image that had formed, almost ironically, on the basis of president's words and is popularised within the country is that of a “small but proud and independent country” that won't comply with rules that other countries or organizations want to impose on Belarus, such as liberalization, democratization, privatization and economic reform (Antsipenka and Bulhakau, 2003; White *et al*, 2005). Such rejection of the European values and denial of their relevance for Belarus has led to the country's isolation from European politics and complicated its relations with the

European Union.

According to Lefebvre, “the state binds itself to space through a complex and changing relation that has passed through certain critical points” (Lefebvre, cited in Round, 2005, p.714), that are better seen in their historical perspectives. With continuity being one of the state's priority principles, Belarus is a peculiar example of post-Socialist transformation. References to a not so distant past are characteristic of Belarusian context. Therefore, in order to understand a phenomenon or a process taking place in contemporary Belarus, one needs be familiar with some of the landmarks of the country's historical background. The ‘modern’ period since independence accounts for almost twenty years, stemming from the Soviet Byelorussia, a republic situated at the western frontier of the Soviet Union. For the newly independent Belarus, the state that formed after the collapse of Soviet Union, its “critical point”, was to become a presidential republic (from being a parliamentary republic) and accept a new constitution in 1994. Independence came to Belarusians somewhat unexpectedly, without struggle, as a consequence of the collapse of a grand union of Soviet Republics. It took three years for Belarus to adopt a new constitution due to extensive dispute over the form and direction of the future government, the debate over the contours and amount presidential power (Gonenc, 2002). In 1994 the first presidential elections took place, when Alexander Lukashenko was elected president, who remains in power until the present day. The beginning of the presidential era marked the time when the new state started “binding” itself to the social space, building a new Belarusian society, and setting the distinct arena for its development.

A year later, in 1995, a national referendum was held, regarding the power of the president to dismiss the legislative body, and also containing questions about national symbols and language, the results of which were highly disputed. It symbolized a turning point for Belarus' development – towards a stronger presidential power and return to Soviet emblematic (the same flag, crest, anthem). The proclamations of international political preferences, like special relations and Union with Russia, declarations of the direction of internal politics towards “market socialism” with an emphasis on social protection, and a myriad of smaller-scale events and manifestations contributed to creating the body and image of the country as it is at present. One of the state's pronounced principles is one of continuity and building upon the heritage from the past, which reveal themselves in numerous references to the part of Soviet Belarusian history – like military parades on the State Independence day and Victory Day, existence of ‘kolkhoz’-agricultural farms, Belarusian Republican Youth Union analogous to Soviet KOMSOMOL (youth organization), and the Belarusian KGB. What also remained from communism is the gap between the state rhetoric and the reality in which people find themselves on their daily life. The authoritarian control and regulation of all spheres of life, although in the new state it comes in the name of “order and stability”, imposes old odd forms of social organization, where a person is a little bolt in the big state machinery. Those forms are usually not enjoyed by the population, but represent the way in which the state sees and constructs its social space.

In terms of economic development Belarus positions itself as taking “the third way” between socialism and market, broadly referred to as “socially oriented market economy” (see Nuti, 2001). The state government maintains a firm view that Belarus has passed the period of

transformation and is now at the phase of stable development, consistently implementing the chosen model of socially oriented market economy (Transcript of speech by Lukashenko, 2002). Yet, Belarusians have not been able to fully appreciate the regime they live in and seem somewhat confused about whether it is really working for them. In Belarus, where transition reforms has been low-scale and much smoother, it was characteristic that the number of supporters of a “refined” socio-economic system was quite low, whereas many choose some kind of mixture between state-centred and market-led form of governance (see Table 2.1).

Table 2.1 Dynamics of answers to the question “What would you prefer for Belarus?”

	June 1997	September 2007
Market economy with minor state regulations	30.4	37.9
Market economy with major state regulations	35.0	24.2
Plan economy	30.3	18.5
Other type of economy	1.3	3
No answer/Difficult to say	3	16.4

Source: ISEPS, 2007 Ekonomicheskie predpochtenija Belorusov: chto izmenilos za 10 let (Economic preferences of the Belarusians: what has changed in 10 years). Independent Institute of Socio-Economic and Political Studies

The Social orientation of Belarus’ economic model is denoted as “always protecting the interests of the people, guaranteeing support for everyone who can not manage without it” (The main regulations of the social economic development policy program of Belarus in 2011-2015). Yet, maintaining a good balance between market liberalization and social protection has been difficult and controversial – Belarus has rather demonstrated the slip towards socialist principles, with more market approaches declared on paper than implemented (Korosteleva, 2007; Nuti, 2005). To some extent the tight regulation of the economy found support in the name of “order and stability”, but this could hardly facilitate

progress and development. The leaders of the Belarusian model of development, reluctant to recognize its failure to provide stability and prosperity and a shield from negative effect of globalization, hesitated to admit to its limited capacity and sustainability in the global economy.

In the sphere of social security the Belarusian state has established a paternalistic image that dwells on the fact that the majority of population was covered with benefits of some kind. By not reforming the Soviet security system for years, the country's system of social security and social provision grew extensively redistributive and ineffectively generous, with majority of population receiving little (Social protection and social inclusion in Belarus, 2009). The state tries to portray itself as paternalistic and protective by being "rewarding" and loyal to those who are loyal to it in return for the reason of being dependent on its benefits payments and subsidies. Concerning pensions, until 2007 pensions and minimal wages were raised consistently in line with the rising inflation rate, and although there were times when payments of pensions were delayed, the state never withdrew from its obligations to pensioners. Lukashenko's electorate was thus believed to be composed of grateful aged citizens who appreciated pensions being paid and state obligations for older citizens recognized and held, unlike in some other neighbouring countries where aged citizen became marginalized (Round, 2006). In fact, within the country this comparison was emphasised as one of the advantages of the socio-economic regime chosen by the Belarusian leader. This is not only for pensioners, but for all groups of population, "the regime's propaganda portrays as worse and deteriorating the economic conditions of ordinary Poles and Lithuanians, Belarus' neighbours who joined the European Union in 2004. This strategy is effective, as most



Belarusians rely largely on state-run electronic media as their sole source of information. The actual economic situation in Belarus, however, is rather difficult to assess due to the lack of reliable data” (Ohana, 2008, p.11). Since the economy of Belarus is mostly state-run, the majority of Belarusian workforce are employees of the state. As candidly mentioned further in the same report “Lukashenko is almost everyone’s boss” in Belarus. The president is a strong and authoritative leader of the country, which makes an impression that within the country the president is associated with the state (Lukashenko=state). He is also impersonated a mission of a state patron, for which he is mockingly referred as “Bat’ka” (“Father” or “Dad” in Belarusian).

Since 2007 the state has started taking steps to gradually withdraw from paternalism, by changing the system of redistribution of benefits that had been assessed as too generous even in the time of stable economic growth that the country managed to achieve in between 2000-2006, mostly due to the support of Belarusian economy by Russia with cheap prices for gas and oil. The measure was aimed at “organizing benefits” or “bringing benefits in order”. By 2007, as estimated by Ministry of Labour and Social Protection of the Republic of Belarus, there were about a hundred types of benefits and about fifty categories of eligible beneficiaries, rounding up to about 2/3 of population of the Republic receiving them – 6.5 million of nearly 10 million people. As a result, the criteria for qualifying for support were restricted and benefits became more means tested. A law was passed that cancelled benefits (льготы) for transportation, utility payments and medicines for certain social categories of former beneficiaries that were not considered in need of state support any more. Such measures, it was said, would spare the state budget unnecessary expenses that could be re-

directed to fund different social projects wherein support would become more targeted to those who are really in need.

Whether such measures really achieved their goals is, however, questionable as budget expenses were not reduced as much as was predicted. Also some of the benefits, such as subsidies for medication and discounted charge for inter-city transportation for pensioners, in order for them to get to their dachas<sup>4</sup>, although only for the duration of “dacha season”, were returned. The measure financially affected the transport industry, as the number of passengers travelling at a discounted rate (like pupils and students, pensioners, etc) fell and at the same time the unhappiness was growing due to the limitations imposed on the movement of most vulnerable groups that has negative effects on their well-being. At the same time, utility payments still remain heavily subsidized in the Republic, although rates keep slowly increasing. Currently households pay around 30% of the real cost of utilities.

That many people’s income and economic security have been affected by such changes, and the fact that some benefits had to be returned, demonstrates that many people still need the state to support them as otherwise in the existing economic conditions the wage would not be enough to cover all living costs at the market price. There is a demand for a certain extent of state intervention. Yet, the existing state support is also controversial. Based on the survey data from 2007, before the legislation had been passed, the social groups that the state cares most about, in the opinion of Belarusians, were the police, civil servants (officials), special “services” (Belarusian KGB) and special division squad, and the military. This is due to the

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4 “Dacha” is a plot of land where a household can grow food. In the post-soviet time dachas gained particular importance for the support and even survival of people and keeping out of poverty . The use of the concept is wide (for example, Caldwell, 2011; Round (2005 and 2006b)

privileged treatment and high state spending on the programs involving these groups. Noticeably, the groups that the state official media declared the most protected – like pensioners, students, young families, workers and unemployed – were not among the top protected groups in the list of those taken care by the state in the view of public opinion (Chubrik and Haiduk, 2009; Rakova, 2008b). Such an effect is the reflection of the “too little for too many” approach to distribution of social benefits that is characteristic for the “socially oriented economic model” of Belarus. The cut in benefits for these groups was not seen as an act of care either. As a result, to its citizens the state does not look like “the state for the people” (Haiduk and Chubrik, 2007), or at least not for all the people.

### **2.3 Pensions and pensioners in the Soviet Union and after**

Pension systems are one of the most inert and inflexible structures of the modern state (Pierson 2000). Therefore the analysis of recent pension developments in the countries of CEE logically goes back to the evaluation of the past and socialist heritage, using it also as a departure point of the changes that took place after the collapse of Communist system. Socialist pension systems were organized as a single tier public pay-as-you-go systems, where pensions were granted almost universally and based on full employment (Barr and Rutkowski, 2005). The level of substitution of income by pension was quite high (at around 70% of the pre-retirement wage). They were paid on an egalitarian principle, so everybody received virtually equal pensions (except for certain privileged groups). The most important criteria for qualifying for a pension was working, but since the employment in the USSR was virtually total the payment of pensions was universal. Pensions in the Soviet Union were not

differentiated and were based on the final salary, well characterized by Holzmann as “too little for too many too early” (cited in Schmahl and Horstmann, 2002, p.6). In many cases the salary in the year or two preceding retirement were boosted with additional rewards and top-ups in order to increase the base for future pension. Pensions were not indexed because there was little need for that (Porket, 1983). Pensions could be considered small, but pension money was a part of a more extensive socialist package of benefits, such as free medicine, transportation and the reduced costs of utilities, etc (Fajth, 1999). Pension contributions were made by employers to the state budget; pensions were linked to the number of years of service rather than on the level of contributions. There were accounts that it was enough to work for only a few years before the official retirement age in order to be eligible for a pension. Generally, “in the way that the Soviet state framed and dispensed social security, it presented itself as a benevolent and paternalistic caretaker of its citizens, especially its elderly” (Caldwell, 2007, p.70). It can be said that pensions were a part in the bigger picture that was sought to be created by the Soviet government - the image of the prosperous and effective communist state, the ideal system and impeccable society.

Pensions in the Soviet Union were characterized as a period in life when the pensioner was taken care of by the state and received back from society, and the state, a benefit. In a socialist society a pension was a reward for the years of work and input in the state's development towards communism. The pension allowed a person to maintain almost the same lifestyle as before the retirement and many used it without needing to work. Together with many other things that were guaranteed to a Soviet citizen, like guaranteed employment and “free” services, in the late years of socialism it was taken for granted that the provision in old age is

also guaranteed for everyone and that it will be taken care of.

The space for uncertainty that was created by transition is the common feature of most post-socialist societies (Alexander 1998; Standing, 1996). Changes have altered the routine of everyday life, and the perspectives, the norms, the relations and social habits. Changes occurred to the institution of retirement as well, ahead of any projected pension reforms. A pensioner's lifestyle was no longer guaranteed, as many benefits and services got cancelled due to lack of financing by the state or became paid, etc. All savings were lost to inflation and therefore pension as a promised benefit payment became very important, even though its monetary value decreased as well for the same reasons. Together with that, social landscapes were changing very fast. Although informal social networks existed before the collapse of the Soviet Union, they acquired new forms and meanings in post-socialism. For instance, informal networks of support among the older people have filled the gap of inadequate and insufficient state support in Russia (Caldwell, 2004a; Round, 2006b). Forms of care giving have undergone significant changes, with private and religious organizations offering support delivered by strangers, often foreigners, whereas family links have been losing strength partly due to increased migration of family members, thus rearranging the balance from intergenerational support towards transnational (Caldwell, 2007). Elderly and pensioners were likely to be most disadvantaged by the cuts in state spending on benefits, facing poverty and hardships of regime change at the period of their lives when they were expecting rewards and maximum support. It was perhaps most difficult for these age groups to grasp the changes and find new identity in the changing social landscape. Such changes were particularly distressing for the elderly, as they involved devaluation of other moral categories such as inadequate

respect for the elderly, deflated reward and recognition of their achievements and contributions that manifested themselves in practices that no longer existed or changed their form. Certain relations, such as links with the former workplace that were maintained in the socialist organizations and symbolic gestures of appreciation for pensioners were no longer supported by these organizations, and neither encouraged by the state (Thelen, 2005 and 2007b). Change in veteran care in Eastern Germany gives an example of how important maintaining the link with the former job is to a pensioner, and especially how significant are the attention and recognition to pensioners from the micro-network of their former colleagues, how important are the ties that link a pensioner with the world he/she retired from and symbolic reward for their work (Thelen, 2007b). Similar non-material components remain very important for Belarusians who are preparing to retire, as this research found. For the new generation of pensioners, who have lived in the post-socialism for about twenty years, the pension still remains a moral reward for the working contribution, even though its material value has decreased to be hardly enough to live on. Understanding of what a pension is has changed, alongside other relationships and institutions, but some connotations and meanings remained, although in a modified manner. Having lost some of its former definitive features, the pension has mirrored reformulations of notions of social justice – like raising demand for individualization of pensions and their privatization. Influenced by what is still expected and provided and what is no longer taken for granted, what practices have replaced the benefits that are no longer in place, the new meanings of being a pensioner and what a pension is take shape.

Senses of insecurity and instability was a recurring theme in the interviews conducted for this

research, when people were talking about retirement in Belarus. It was expressed in the ways people talked about the near future, their attitudes to information about the pension system and towards changes in pension regulations, their strategies of approaching future retirement. “Living by the day” («жить сегодняшним днем»), not being able to grasp the constantly changing regulations of labour relations and pensions, struggling to understand formulae of pension calculation are among the many indicators of the insecurity of life in transition. As one of the interviewees described:

*“We have more stress (we live under more stress), than they do [-people in western developed countries]. We are always fighting with something (overcoming something- «мы все время с чем-то боремся»). They have got crisis only now, but we always have crisis of some kind (вот у них кризис только сейчас наступил, а у нас постоянно какой-то кризис)». (57 year old man, director of a theatre).*

This quote demonstrates the extent of insecurity of living in the conditions of transition, that people experience as a state of continuous crisis that is becoming a condition of everyday life. Lacking a sense of stability, Belarusians don't have long-term plans. It is very common to “live by the day”, especially among the generation nearing the age of retirement due to experiences of inflation, instability of national economy and national currency, instability of (insurance) savings, unpredictability of changes in pension legislation and of government actions in general (Rakova, 2008a). Non-linearity and the complexity of transformation revealed itself in simultaneous observation of contradicting tendencies: an aversion to cuts in social spending and the liberal preferences in social policy. For instance, in the very disadvantaged position that pensioners find themselves, they still have to rely on the state for the main source of their income – state pension. With little control that they have over their lives in old age, the relationship of ageing people, particularly of pensioners, with the state is

very topical. Those for whom retirement is in the near future, realize that their ambivalent relationship with the state. The lack of trust in the state and the level of pension that is barely enough for survival on the one hand co-exists with having to rely on the state to fulfil its obligation of paying pensions and need for more support that, in the view of many, only state is able to provide. In changed circumstances neither state reliance remains unquestionable nor liberal ideas are adopted without being “domesticated” (Caldwell, 2004b) and made “more tolerable” (Smith and Rochovska, 2006) in everyday life. Yet, in Belarus many problems that worry people are those denied by the state government, as the state propaganda of “strong and prosperous state” never touches upon instability and unpredictability.

## **2.4 Progress of pension reform in CEE and Belarus**

### ***2.4.1 Demographic aspect of ageing populations in CEE and Belarus***

Post-communist countries of Eastern Europe simultaneously faced multiple challenges in the 1990s. The rapid ageing of populations (Figure 2.2) together with a increasing depopulation (Table 2.2) in post-Soviet countries are the common features of the so-called demographic transition that they are experiencing (Chawla *et al*, 2007). In addition, the demographic transitions were happening during the socio-economic transformation, alongside attempts to restructure economy from plan to market. These multiple transitions posed unique challenges for these countries in their attempts to reform their social security systems. The pension systems of CEE were facing a dual challenge in transition (Schmahl and Horstmann, 2002): of securing the elderly against poverty, and making the system more market-oriented (minimum



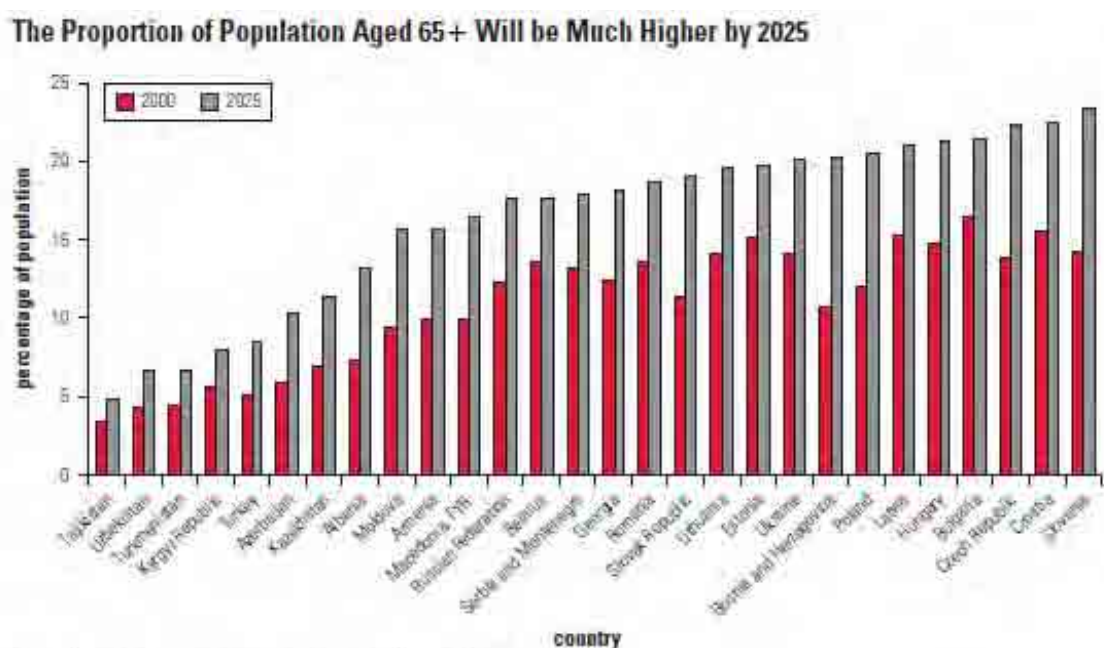
protection instead of universal guarantees, reflecting the increased differentiation of income, etc).

Table.2.2 By 2025, many more countries in the region will have their population shrink rather than rise

Population gained (millions)		Population lost (millions)	
Turkey	22.3	Russian Federation	17.3
Uzbekistan	9.3	Ukraine	11.8
Tajikistan	2.6	Romania	2.3
Turkmenistan	1.6	Poland	1.6
Azerbaijan	1.5	Bulgaria	1.5
Kyrgyz Republic	1.3	Belarus	1.4
Albania	0.4	Georgia	0.8
Macedonia, FYR	0.1	Hungary	0.8
		Czech Republic	0.5
		Lithuania	0.4
		Latvia	0.3
		Moldova	0.3
		Serbia and Montenegro	0.3
		Kazakhstan	0.3
		Croatia	0.2
		Armenia	0.2
		Estonia	0.1
		Slovak Republic	0.1
		Bosnia and Herzegovina	0.1
		Slovenia	0.1

Source: Chawla, et al, 2007

Figure 2.2 Dynamics of change of proportion of population aged 65+ by 2025 in selected Eastern European and Former Soviet countries



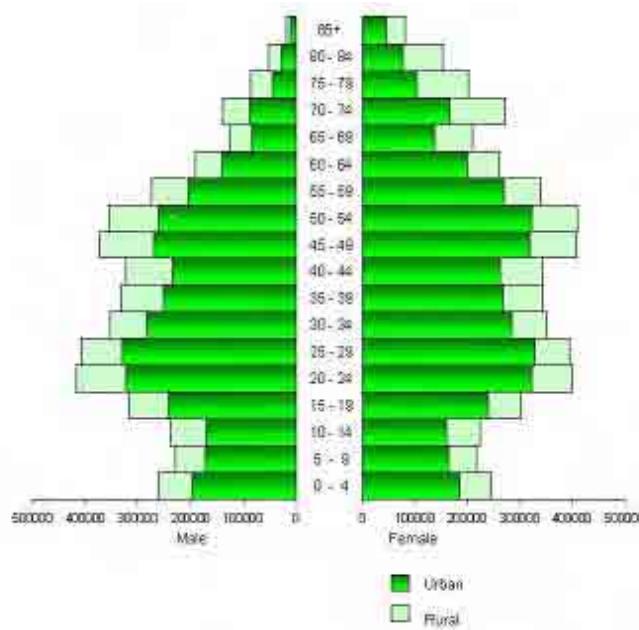
Source: World Bank staff calculations, based on United Nations 2005.

Source: Chawla, et al, 2007

The trend of population ageing is shared by most European countries and globally, and the challenges of this trend are widely discussed (Christensen *et al*, 2009; Tinker, 2002; among others). It has been rightfully noticed that it is not the demographic trend of population ageing as such that affects pension systems, but rather the ratio between/of its contributors and beneficiaries (Avgusztinovics, 2002) and trends on the labour market. In their turn, these are later affected by changing demographics. For the last 15 years, according to official statistics (National Statistical Committee of the Republic of Belarus)<sup>5</sup> the process of depopulation was on the way in Belarus (See Figure 2.3). Besides sharp fall of fertility in the 1990s (Shakhot'ko, 2007), life expectancy in Belarus, as in many post-Soviet countries, had fallen during years of transition and has slowly started recovering only in 2000s (Table 2.3).

<sup>5</sup> Home page (in English): <http://belstat.gov.by/homep/en/main.html>

Figure.2.3 Population Pyramid (as of 1<sup>st</sup> of January, 2010)



Source: National Statistical Committee of the Republic of Belarus, (<http://belstat.gov.by/homep/en/indicators/population.php>)

Table 2.3 Male and female life expectancy at birth in Belarus

Year	Men	Women
1990	66,3	75,6
1991	65,5	75,5
1992	64,9	75,4
1993	63,8	74,4
1994	63,5	74,3
1995	62,9	74,3
1998	62,7	74,4
2000	63,4	74,7
2003	62,7	74,4
2004	63,2	75,0
2005	62,9	75,1
2006	63,6	75,5
2007	64,5	76,1

Source: Republic of Belarus in Figures: short statistical yearbook, Minsk 2008.

Until 2008 these processes did not have a big effect on the rate of age dependency of the population structure as a large cohort of younger people (born in the 1980s) were entering the

labour market. Recently the situation started to reverse and Belarus is facing 15-20 year period of decrease of new young entrants on the labour market, and hence the number of taxpayers and contributors to pension system, that will coincide with a large cohort of older generations entering the phase of retirement (Listopadov, 2009).

For the pension system of Belarus, as it is organized on the principle of pay-as-you-go generational solidarity, demographics matter. In this system, money paid to the Fund for Social Protection as contributions from the working population is being paid out as pensions for current pensioners. Participation in this social security system is obligatory for all economically active members of society. In accordance with legislation, pension contributions to the Fund for Social Protection are mandatory for workers in all forms of employment and sectors/industries. The amount of contribution to the Fund is 36% of gross wage, with 35% paid by the employer and 1% by the employee, one of the highest in Europe. Provided that contributions have been paid, pension coverage is universal, regardless of citizenship. Yet, pensions are widely recognized as being too small to live on and therefore remain “too little for too many too early”.

The demographic forecast made in the Ministry of Economics of Belarus in 2003, suggests that the absolute number of population in working age could go down by 19.8% and the population above working age will increase by 6.8% and become 28.1% of total population by 2026 (Snytko, 2008). By the estimations based on UN data on population in Belarus made by IPM research centre, its population will age and decrease (Chubrik and Shymanovich, 2008). By all the three scenarios that were built on the numbers on life expectancy, rates of

migration and fertility – optimistic, medium and pessimistic – in 2050 the age group 60-69 is projected to be the largest in the population pyramid, and the percentage of people aged 60 and above will increase from 18,1% in 2005 to 35,8% in the medium scenario or even up to 43,3% in the most pessimistic scenario. On the condition that the pension system is not changed, by 2030 the number of workers and pensioners will equal. For a pension system based on generational solidarity it will mean that the number of contributors to the pension system will be decreasing whereas the number of beneficiaries will be increasing. With such trends of ageing population it will be difficult for a pay-as-you-go solidarity pension system to remain sustainable.

According to the Pensions Provision Act, the financial governance of state pensions since 1993 is the responsibility of the Fund for Social Protection of the Population of the Republic of Belarus (Further - Fund for Social Protection). Until 2001 the Fund for Social Protection was accountable to the Council of Ministers, later by presidential decree it became accountable to the Ministry of Labour and Social Protection of the Republic of Belarus. Although the Fund for Social Protection is a separate unit from the state budget, its deficit is partially financed by it. Social pensions, pensions of military personnel, government employees and victims of Chernobyl disaster are being regulated by separate Acts and are financed from the state budget. As the cost of pensions payment is going to increase, with all conditions unchanged, it puts a pressure on the state government to decide how pensions are going to be financed.

#### ***2.4.2 The pensions debate***

Demographic factors are usually named to be the most common causes of ‘pension crisis’ in the popular media. According to the research on attitudes to population ageing and pension reform in Europe (Velladics *et al*, 2006), the debate on ageing in both Western and Eastern Europe tends to stress the consequences of the trend of population ageing rather than its causes, focusing on the negative financial implications of ageing on pension systems. The difference between debates is in that in the West the debates are focusing on coming challenges, whereas in the East it is current problems and challenges that receive more attention. This reflects on the dynamic and scale of policy change that have been happening or about to happen in those countries and the perceived urgency of the problems by these countries populations and governments.

An overview of Belarusian press coverage showed that the ageing of the population was named as the main reason for the need to change pension regulations. But demographic trends alone might not be a good predictor of problems in pension system due to the nature of these indicators. In a pension debate one should be careful in dealing with appropriate and correct numbers. For example, longevity is used to show why the age of retirement should or should not be increased, whereas it does not bear much relevance with the actual number of years people live on a pension on average or the actual age at which people retire. The indicator of longevity is calculated as a probability of reaching a certain age, and due to deaths at younger ages the average longevity is being brought down. At the same time the number of pensioners (as people that are receiving pensions) is high also because the rates of early retirement

(possibilities of retiring and starting to draw a pension earlier than the statutory retirement age) are significant. According to another view (Borsch-Supan, 2003), productivity of the economy matters for sustainability of pension system, and the effect of ageing of population on fluctuations of productivity should be considered significant, rather than demographics alone. However, this indicator is rarely mentioned, although it would not give much ground for optimism for the pension system of Belarus as the growth of the country's economy, has been judged unsustainable on the long run (in several reports, the most recent IMF, 2011).

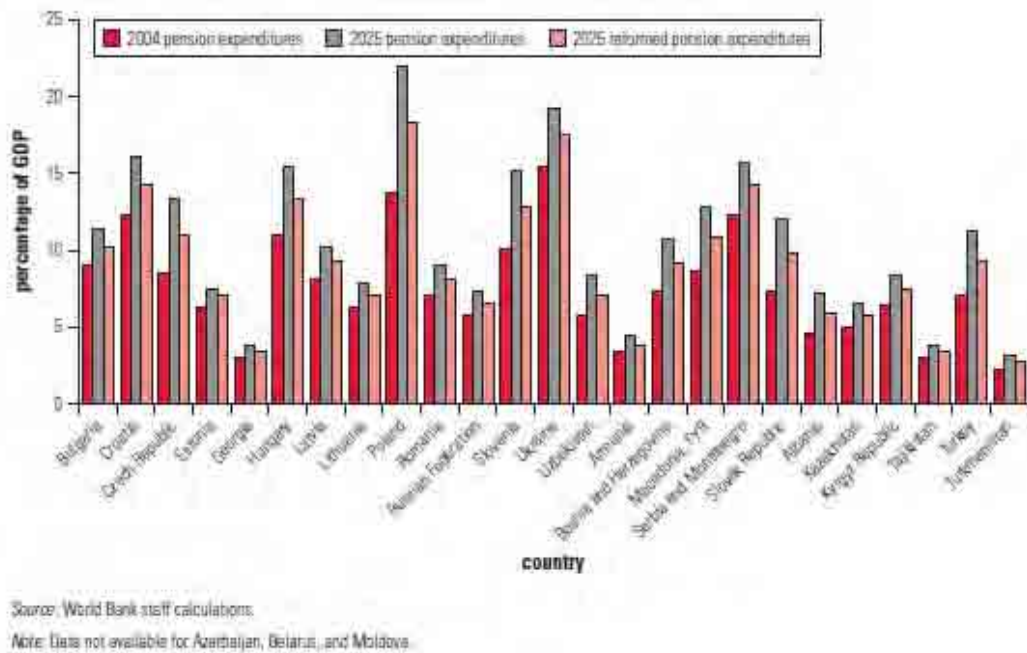
Population ageing has become alarming because of the substantial expected increase in pension spending and the outspoken “burden” on a budget that constituted itself in the proportion of those considered old in the whole population. Questions have emerged about which model of pension provision could sustain the new demographic and economic shocks and risks and how to deal with social justice in pension reform (Howse, 2004). A change in the social institution of pensions raised a lot of questions about justification of the mechanisms and conditions of retirement for people of different age groups. The problematic nature of pension justice received considerable attention from the academic community in search of adequate criteria for changes in pension provision. Scientists were trying to compare generations in terms of the shares of welfare they received throughout the cohort’s lifetime (Daniels, 1986; Thompson, 1989) or concentrate only on pension welfare (Kotlikoff and Burns, 2004), or analyse age biases of policies in different countries (Lynch, 2001; Preston, 1984), or create a framework for discussion about generational relations (Arts and Gelissen, 2001; Heller, 2003; Kessler, 1989; Laslett and Fishkin, 1992; Walker 1996). These underpinnings provided a broad basis for arguments for political debates regarding pension

changes, yet they were not decisive for the political will to engage in pension reforms. In the post-socialist countries at least another aspect can be added to the debate – that of valorization of contributions made during the Soviet period. These contributions need to be recognized and re-assessed in order to estimate the pension benefit paid under new system, regardless of whether pension reform has taken place or not.

The role of international organizations like the World Bank (WB) and International Monetary Fund (IMF) became known in the CEE region through the proposal of a strategy for pension reform. It was published in *Averting Old Age Crisis* (1994) and the main goals for changing pension systems it promoted were developing financial systems and achieving efficiency and growth. Later, having stumbled on the early examples of radical pension change in Latin America, the WB reconsidered its position and reformulated its goals towards a multiplicity of pension designs to fit different country-settings (Holzmann and Hinz, 2005), although they have not changed their principle beliefs (McKinnon and Charlton, 2000). Despite the fiasco of pension reforms in some Latin American countries and inconclusive outcomes of the reforms in Eastern European countries, the WB suggests that the implementation of reforms would improve the situation, compared to those that did not reform (see Figure 2.4).



Figure 2.4 Pension spending as a percentage of GDP in Eastern European and Former Soviet Countries, 2004, and projections for 2025 based on demographic trends and policy reforms



Source: Chawla *et al*, 2007

On the other hand the International Labour Organization (ILO) supported the opinion that the neoliberal approach of private pension funding in many cases might be a risky strategy because it shifts the risks to the individuals (Avgustinovics, 2002; Fultz and Ruck, 2001; McKinnon and Charlton, 2000). Yet, what bridges these two opinions together is the proposal of a mixed pension system, with both public and private elements, as neither of them alone would be able to ensure that pensions provide an adequate well-being. Both are important in order to cater to everyone's demands, not diminishing the role of the state because uncertainties and risks, in what concerns pensions, are not shrinking and need to be insured (Barr, 2001). Private pension insurance proved vulnerable towards economic shocks that occurred in the last twenty years and the recognition is strong that privatization can not

provide necessary pension guarantees. Hence, in the overall evaluation of pension reform assisted by the WB (Andrews, 2006) even those who belong to privatization supporters' ideological camp, are increasingly cautious about the possibilities and rationale behind it (Holzmann and Hinz, 2005).

### ***2.4.3 Pension changes in CEE***

The Soviet Union's collapse saw the spread of neoliberal ideas, and the CEE region became a unique testing ground for the adoption and conversion from socialism to market. It is because the search for solutions and reform decisions coincided with the wave of neoliberalism that the reform policies took inspiration from it. In general, assessing the results of neoliberal reforms has also been controversial and highly dependent on the criteria chosen for assessment of success. Considering that after the initial shock in the 1990s there was growth in post-communist countries in the 2000s, with varied success among the radical reformers and non-reformers, the current economic crisis plunged most of them back into meltdown (Orenstein, 2009) suggesting that progress was unsustainable<sup>6</sup>

Pressures for pension reforms in CEE "have also been the result of a new consensus found on new economic ideas and discourses that saw in the privatization of the economy a new

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6 "It is unclear how much suffering could be placed at the door of neoliberal economic policies. Liberal economists have pointed out that CEE countries that went farthest with neoliberal policy reforms did better economically than their neighbours. Poland, one of the most radical reform countries, reached 127 percent of its 1989 economic level by 2000, while non-reformist neighbouring Belarus was still at 62,7 percent. ... Rapid growth that started in the region after 2000, however, began to unravel this seemingly clear relationship between neoliberal reforms and economic growth. Most CEE countries experienced rapid economic growth after 1998-2000, whether or not they had imposed radical reforms. ... This suggests that while neoliberal reforms cannot be burdened with all the responsibility for collapse, neither they can claim credit for the return to growth". (Orenstein, 2009, p.484-485)

modernization paradigm” (Cerami, 2010, p.2). When the internal political attitude to reforms were favourable, reforms happened faster and were more radical (Chandler, 2001b; Muller, 2002b). Due to the collapse of the previous system, political eagerness and the opportunity to try a new model on the ruins of the one that came down, led to engagement of governments of many in CEE countries in reforms of their pension systems and welfare systems generally (Deacon, 2000). In particular, demographic and financial pressures were high, but also the ideology of privatization and free market sounded very appealing. The research evidence (Chlon-Dominczak and Mora, 2003) shows that countries with different age pyramids have engaged in pension reforms, both “young” and “old” countries, and the probability of radical pension reform taking place was independent of the age structure. In different countries reforms of pension systems took different paces and scenarios, which could be classified as parametric or paradigmatic (Holzmann *et al*, 2003). Pension reforms in CEE were transition-induced, in a sense that change of the system of social security and protection was instigated by changes in other spheres of economy and life, and to certain extent facilitated by external political factor.

The neoliberal view that dominates the pension debate states the inevitability of introducing funding elements into pension system, aimed at making it more efficient and fair. But although PAYG systems in ageing societies are recognized to be failing to sustain their obligations to a growing number of pensioners and to provide similar retirement conditions for future generations, it does not mean that radical systemic reforms are necessary and are going to better address the fiscal problem of ageing populations (Barr, 2000). It is easier to reform pension schemes with private and occupational components already in place towards

the 3-pillar system promoted by the World Bank, than restructuring PAYG solidarity system to accommodate pension privatization (Myles and Pierson, 2001). It is not an easy financial and economical decision, even more difficult it is to "habitualize" privatization, or in other words make population embrace and get used to the changes. It involves breaking the conditions of one social contract and introducing another one, it requires a changing of the understanding of responsibility for old age provision (Rowlingson, 2002; Taylor-Gooby, 1999), the meaning of pensions, the relations between state and society and generations within society. Warnings have been made that the move from collective to individualized strategies and solutions of welfare provision may leave behind some social groups (Fajth, 1999; Heron and Dwyer, 1999). As the micro-effect of reforms can jeopardise the macro-effect, it is essential to study the micro-context of the social landscape and tailor make the reform scenario.

The blueprints of the reform recommendations suggested for CEE were taken from the models tried in Latin American countries at the beginning of 1980s, of which the most prominent examples were the radical pension privatization in Chile and more moderate one in Argentina, known for their relative success (Muller, 2003; 2001). The number of countries in the CEE region that engaged in pension reforms on a smaller or larger scale was significant, compared to the difficulties more modest reform attempts have had in Western European countries (Muller, 2002a) and the pension systems ended up being more diverse there. However, the countries that started paradigmatic reforms (Hungary, Poland, Kazakhstan, Latvia, Russia) still suffer from significant implementation problems. Also, due to resistance to this kind of reform in some countries, like the Czech Republic and Slovenia, they were not radical (Muller, 2002b) or were shelved/postponed, stumbling with implementation to a

different extent in Lithuania (Morkuniene, 2004) and Ukraine. Belarus, for better or worse, has been left out of this wave of reforms. These implementation problems deserve more attention and should be aiming at finding the appropriate ways and means for improving well being of pensioners. In the context of socio-economic transformation the changing relations between state institutions and the group that finds itself dependent on them should come into spotlight. This research is taking on of the first steps to addressing the nature of these problematic relations.

The most commonly used classification of pension systems is based on the criteria of the financing of the pension system: whether it is pay-as-you-go or capital funded. However, this is not the ultimate criteria for differentiation, as with the variety of pension arrangements the distinctions between the two paradigms is blurred. As was rightly pointed by Horstmann and Schmahl (2002), institutional and organizational reform dimensions have rather been neglected. In transition countries organizational changes were taking place in the first year and stages of reforms, yet they were considered “unreformed” if the changes in financing system have not been happening. Also, the authors notice that the timing (“time horizon”) of reforms is an important aspect in classifying changes that have been happening in countries of Central and Eastern Europe. During the first years of transition pension system, although not yet “reformed”, was involved/affected by institutional change that emphasised and used the poverty prevention function of pension system, that was called to compensate for the income distortions of the early years of transition. In a similar manner, Belarus is considered “unreformed” due to the fact that the financing of pensions hasn't changed almost at all during the years of independence, however small-step changes to policy instruments (such as pension

formula and its variables, restrictions of access and change in regulations and financing of early retirement pensions) have taken place. The introduction and implementation of changes in pension act have been spread over time. The Soviet pension system was taken aboard as a basis for pension regulations in Belarus, with a few transition induced changes being made on the way: some earlier, like indexation, some later, like introduction of individual accounts.

Reforming pension systems and social security in transition countries was not a priority (Guardiancich, 2004; Muller 2002a) and, hence, was postponed until after economic restructuring, as the “second wave” of reform, when other “market” institutions were supposedly set in place. However, in what concerns the institution of pensions, the unsustainability of reformed funded pension systems in several cases called for institutional “degeneration” and return to the similar logic of action although in a “reformed” system (Guardiancich, 2009). The reform success in progress can hardly be evaluated as in most countries the “reformed” systems are yet to commence payment of pension benefits to their participants (Fultz and Ruck, 2001). However the irrefutable criteria or parameters of the reforms that have the most effect for the well-being of future pensioners, such as the role of the state in the reform progress, the state capacity to manage reform, to extract contributions and to finance shortfalls, have become clear.

Belarus and Turkmenistan are clear “neo-Soviet” exceptions among many post-socialist countries that went along the neoliberal economic route (Cornia, 2009). Belarus deliberately didn't go down the neoliberal path of transition, proclaiming stability and order as its main values. The Belarusian government labelled privatization as unfair and barbarian, mostly

drawing on the Russian example of chaotic privatization, and retained state ownership of most enterprises in order to avoid their “plundering”. The social security system was for a long time left virtually unchanged from how it used to be in the Soviet era; the “second wave” that brings pension reform has not arrived because there hardly was the “first wave” of market transformation. State expenditure on social security was only growing for the past decades, the percentage of GDP spending on pensions have almost doubled – from 6,1% in 1990 to 11% in 2008. The Belarusian pension system is still a single pillar pay-as-you-go system, administered by the state. A range of problems of the pension system in Belarus stem from the Soviet system (Morova, 2000), among which are small size of pensions and their calculation that does not help improve well being of pensioners, extensive systems of privileges and categories allowing early retirement, a tendency of “equalization/levelling” that distorts connection between input and benefit and brings closer the minimum and maximum pensions, large share of different types of surcharges (extra payments) in the final pensions, absence of non-state/private supplementary pension security and the difficult financial stance of the Fund for Social Protection. Many of these still remain intact. However, less than transparent measures have been taken, among which: stretching the number of base years for pension calculation and having regressive coefficient built-in pension calculation formula, having a limiting coefficient for the receipt of pension also for working pensioners, change in the provision of early retirement pensions.

Belarus has been repeatedly called a non-reformist on the map of CEE pension change. Whereas most of its neighbours have implemented (or at least legislated, for as in the case of Ukraine) structural changes to their pension systems (Table 2.4) and Table 2.5), Belarus has

not yet made significant steps towards pension reform. Having remained one (of very few) non-reformist, Belarus represents an interesting example, making it a unique case for comparison with those who have engaged in the reforms. Belarus appeared to be, perhaps crudely, the only European country that tries to live in a “global village” by its own old socialist rules.

Table 2.4 Overview of recent pension system reforms

Country	Year of change	Details of the reform	Retirement age
CZ	2001	Change in benefit formula, Bonus-Malus system for early and deferred retirement	M63 F 59 to 62
ES	2002	Three-pillar system introduced, with a compulsory funded pillar for persons entering the labour market from 2002 onwards	M 63 F62 (from 2016)
HU	1998	Three-pillar system (reduced first pillar and an obligatory second pillar)	M 62 F 62 by 2009
LV	2001	Entire mandatory pension system based on individual accounts (NDC+FDC)	M62 F62 (from 2008)
LT	2004	Funded obligatory pillar introduced	M62.6 F 60
PL	1999	Entire mandatory pension system based on individual accounts (NDC+FDC)	M 65 F60
SK	2005	Three-pillar system introduced, second funded pillar compulsory for persons entering the labour market after the reform	M60 F 53-57 (62 from 2014)
SI	2000	General social insurance reform, funded DC pillar obligatory only for certain professions	M 63 (from 2008) F 61 (from 2022)

Source: Ruzik, 2008



Table 2.5. Status of mandatory funded systems, selected Eastern European and Former Soviet Countries

Country and status of system	Starting date	First pillar	Size of second pillar as percentage of payroll	Switching of strategy to new system
Bulgaria, operating	January 2002	PAYG defined benefit	2, growing to 5	Mandatory for age <42
Croatia, operating	January 2002	PAYG defined benefit	5	Mandatory for age <40, voluntary for age 40-50
Estonia, operating	January 2002	PAYG defined benefit	6	Voluntary (opt-out +2 percent)
Hungary, operating	January 1998	PAYG defined benefit	8	Mandatory for new entrants, voluntary for others
Kazakhstan, operating	January 1998	Guaranteed minimum for existing workers; social pension	10	Mandatory
Kosovo, operating	January 2002	Minimum pension	10	Mandatory
Latvia, operating	July 2001	PAYG notional accounts	2, growing to 9	Mandatory for age <30, voluntary for age 30-50
Lithuania, operating	January 2004	PAYG defined benefit	2.5	Voluntary, but one-way switch
Macedonia, FYR, operating	January 2006	PAYG defined benefit	7	Mandatory for new entrants
Russian Federation, partially legislated and operating	January 2002	PAYG notional accounts	2(age <35) to 6(age 36-50)	Mandatory for age <50
Romania, partially legislated	—	PAYG defined benefit	8	Mandatory for >20 years from retirement
Slovak Republic, operating	January 2005	PAYG defined benefit	9	Mandatory for new entrants
Ukraine, partially legislated	—	PAYG defined benefit	2, growing to 7	Mandatory for new entrants

Source: Holzman and Hinz, 2005

## 2.5 Conclusion

This chapter sets the scene in which the main topic of this research finds itself. The formation of the social space of contemporary Belarus has been traced back by pointing out the landmarks from its recent past and characteristics of the existing institutions and relations. The pension changes that were taking place in CEE were sketched and the situation with pensions in Belarus was presented against that information. Yet both the discussion of feasibility of pension reform on the macro-perspective and the analysis of the relations that take place on the micro-level bring up several important points.

Firstly, in terms of pensions reform, as was explained, it is difficult to say whether it was a good thing not to launch paradigmatic reforms. Whereas there is no correct answer or single best solution for all, the criteria that could be appropriate for this type of judgement may be provided by evaluating the need for reform from within the country, by taking a closer look and constructing an understanding of a social relations, which this research picked up as a primary goal. As the empirical chapters suggest, although transformation in Belarus has been slow, the realization that the change of pension relations is inevitable has developed on both macro and micro levels.

Secondly, the specifics of the state-society relations in post-socialist states, and the formation of the new state, are central to the understanding of phenomena such as pensions in contemporary Belarus. Besides, the relationship with the past in the Belarusian state can not be underestimated for the fact that there are constant references to the past on all levels,

starting from the state political ideology and trickling down to diverse forms of state-society relations, pensions being one of them. Transformation in Belarus is peculiar because on the one hand, social processes bear similarities with other post-socialist states to the extent that the similar changes in social institutions have called for similar social responses. Many of post-Soviet experiences people in Belarus can relate to. On the other hand, due to the specificity of Belarusian transformation it is interesting to follow how old institutions like pensions have acquired new meanings and how old meanings were merged with the new ones. Relationships with the state, preserving many of the old forms as a part of the politics of continuity in Belarus, is especially interesting, and in many ways unique to Belarus, as a “natural preserve” of the Soviet values in the midst of liberalizing eastern Europe.

Addressing these issues puts up a bigger question, regarding the role and credentials of the state. It has become evident that the state is in flux and there is need for the approach that would illustrate the complexity of the state-society relations and re-scale the state as a social institution. This will be tackled in the following chapter.

## **CHAPTER 3**

### **THEORETICAL FRAMEWORK**

#### **3.1 Introduction**

In the previous chapter it was argued that regardless of the principle on which pension security is organized, the role of the state cannot be underestimated. That is true for every state with a social security system and is especially relevant when the state is the ultimate welfare provider, as was the case in the Soviet Union. After 1991 this state ceased to exist in the form of a grand Union of Soviet republics, and for Belarusians the state territory shrank to the scale of the territory of modern Belarus. The dismantling of the Soviet empire marked the end of Soviet guarantees of social provision and security. Yet, the state's role in post-soviet transformation did not shrink, as the expectations that it would remain the main provider of social security still prevailed. The change was rapid and large in scale, which made it difficult both to understand and to adapt to. The old Soviet roles were projected onto the new state, especially in terms of welfare. At the same time the new rules of state withdrawal were slowly changing the public understanding of state-society relations.

In the Belarusian context, where the state outwardly presents itself as strong and protective, the references to pension provision as one of the state's main responsibilities are highly relevant. Moreover, the meaning of pensions cannot be adequately understood outside of state-society relations. Therefore, this chapter will identify a theoretical approach to analysing this relationship and to explain the current situation with regard to pensions in modern Belarus. The chapter begins with a general review of the state as a institution and as an agent

of socio-economic policy, and its role in social security provision in modern societies. It will touch upon the debate over protectionism versus liberalism in social security and welfare that question the state's capacities. Theories of state dynamics and state-society relations will be explored in order to develop the theoretical framework for the analysis of pensions in Belarus. Belarusian pensions, as a lens for state-society relations, will then be further analysed, through the prism of these state theories.

### **3.2 Post-neoliberalism and Welfare State retrenchment in question (“...long live the state?”)**

Put schematically, the problem is this: given that the state has changed from a guarantor of progress to a manager of destiny, charged with providing a form of security whose cost weighs even more heavily on the economy, while being faced with a citizenry whose liberty has been widened by the decline of traditional forms of authority which the state itself has helped to displace, and yet been emptied of content by the state's monopoly of the levers of change – what is the state to do? (Donzelot, 1991, p.177)

Only in the late nineteenth and twentieth centuries did the state appropriate the “welfare” prefix in reference to the policies that it started providing in the social sphere, such as poor relief, social assistance and social insurance. With time the range of functions multiplied and the state became involved with numerous dimensions of social life, such that understandings of the state and modern society have become indistinguishable from its function of social provision (Mann, 2003). The state as an institution, and a form of social life, is now ingrained in people's thinking and everyday life. However, the twentieth century has seen many swings of political and economic paradigms from the liberal market-led to the socialist dominating state and back. After the Second World War state-interventionist ideas, deriving inspiration

from Keynesian economic approaches, started to gain support, as a recipe for recovery from the Great Depression of 1930s. It was a time of social liberalism, with an increasing realization that the salvation of economies depends, to a large extent, on the state, not the market, as the market itself is not able to provide, for instance, full employment and create all of the necessary stimulus for economic growth. The need for state regulation and intervention policies became evident and was taken on board in the US and widely in Europe (for example in the UK, Germany, Sweden among others). Market policies and entrepreneurial activity became entangled in a web of policies that constrained and regulated them, while, at the same time, providing a social safety net by means of state social security policies, which marked the rise of the welfare state.

In the late 1970s such interventionist approaches were seen to have their own flaws, and economic thought took a new turn – neoliberalism (Brenner *et al*, 2010; Harvey, 2005). Market neoliberal reforms were set in motion by US and UK governments, and later in China. Ideas of privatization and the free market, as a “hegemonic restructuring ethos” (Peck *et al*, 2009; Peck and Tickell, 2002), were picked up by international organizations (such as the World Bank and the International Monetary Fund) and transposed to other countries – most notably of Latin America and later, as was touched upon in previous chapter, to post-communist Europe. Neoliberals believed that state decisions were flawed because the information available to the state and the state's reaction to it was slower and less effective compared to the market signals. It was an attempt to swing towards a free market and a minimization of the state's role in the economy, as well as creating perfect conditions for the market. Individual freedom was propagated as of great value, along with rule of law, and

respect for private property rights. Alongside these freedoms came the rhetoric of individualization of responsibility for one's own well-being, for example, individual responsibility for old age provision. Free markets led to the commercialization of virtually everything, including everyday life, including, for example, the introduction of private pension insurance.

Neoliberalism was taken on board in response to the 'failures' of the state, however, over the past decades the critique of neoliberal ideas of economic development has become pronounced, once again re-examining the role and capacity of the state in administering and sustaining progress as well as providing necessary social security (Onis and Senses, 2005). Yet around the same time it has been argued that the state failed to fulfil the extensive promises of the past because society has changed and globalization has led to calls for new answers to emerging issues (Giddens, 2000; Hemerijck, 2002; Myles, 2002; Siems, 2004; Taylor-Gooby, 2004). It was characterized as welfare state retrenchment – a concept that is difficult to define due to its uneven timing, unclear targeting, its extent and other qualitative indicators of change (Clayton and Potusson, 2000); and a process that is politically uneasy (Bonoli 2001; Kitschelt 2001; Pierson, 2000; Starke, 2004). The state was found to have become the main institution dealing with the issues beyond the sphere of its influence that prompted it to change in order to correspond to the realities of modern life.

Welfare state retrenchment, and other neoliberal reforms, in CEE countries were driven by many factors. These include the pressures of globalization and the influence of external international actors/agencies (WB, IMF) and pressures on the priorities of national

governments and their perception of need to rescale social provision (Deacon, 2000). Nevertheless, these countries maintained a strong welfare state commitment during a period of rapid economic liberalization and globalization, which casts into doubt whether the rescaling of social security provision that shaped the formation of new welfare states in CEE in 1990 and early 2000s can really be considered welfare state retrenchment (Orenstein and Haas, 2005). This process was turning into a cycle that ensures the restraint of state withdrawal (Ferge, 1997) – the weakening of the welfare state posed dangers, that in their turn pointed out the necessity of the strong and efficient state.

In order to understand the modern state we need to step outside the concepts that view the state from a distance and accentuate only one of its roles – the one of the welfare state or a container and administrator of a certain type of social policies. Re-scaling of the state is about re-visioning its capacity to deal with the problems arising, and to maintain its entity and unity. For instance, some geographers metaphorically compare the state with a “leaking container” – one that in contemporary times is struggling to simultaneously maintain its territorial and social entity (Taylor, 2003). Dealing with the ‘leakages’ involves re-scaling the state (Jones *et al* 2010; Lee *et al*, 2009), taking on board a new approach that would analyse and explain the state's new capacities. It is important to view the state not only in its unity as a holistic institution, but also the state's functions, roles, the ways in which the state relates to its social space and the ways in which state-society relations work. A more complex approach needs to be taken to the analysis of pensions in Belarus as a state-society relationship, in order to demonstrate and analyse the contradictions of Belarusian reality. For example, the Belarusian state is positioning itself as strong and prosperous. From the many social programmes it is



managing and sponsoring, one could not conclude that any retrenchment is happening. However, because these theories cannot tackle the complexity of state space, or differentiate its representations from the realities of living in the state and the state-society relationship, another theoretical framework needs to be applied for the analysis of the institution of pensions in Belarusian state.

### **3.3 Re-scaling state space**

Unlike the aims of theories of the welfare state or international political economy, analytical attempts by geographers to get away from the metaphor of a state as a closed container and avoid the so-called “territoriality trap” (Agnew, 1994; Brenner and Elden 2009) are underpinned by a vision of the state as a container of society and territory, and drawing sharp boundaries between internal and external affairs. But whereas others focus on the “container”, geographers work with the “leakages” and try to derive the diagnosis of the framework with which to approach analysis of contemporary state (Cameron, 2006; Cameron and Palan, 1999; Jessop *et al*, 2008). Emerging practices challenge and reorganize state spatiality and change the meaning of the state. Such a view does not diminish or disregard the importance of the state, but rather calls for re-scaling of the analysis of state space (Brenner 1999).

There are at least as many variations of the definition of the state as there are disciplinary frameworks. The role and meaning of the state has also changed with time. It is, however, through the strategies of dealing with the “leakages” that state-society relations reveal themselves. With the global processes of ageing populations, migration, changes to work and

family relations/structure, one of the state's very problematic "leakages" becomes pensions; adjusting the terms of this long-term social contract to modern realities with respect to social and individual justice appears to be very difficult. Countries are still in search of the most suitable proportions of public-private mix in pension provision that would fit a specific country context (Queisser *et al*, 2007; Tamburi and Mouton, 1986). The answer to the question "What is the state to do?", and the ways in which it is rescaling state-centred expectations in accordance with the urge to scale down state liabilities and relocate responsibility for pension provision to the individual and private domain, is decided and implemented differently in each country. For the path of pension change both the legacies of the past as well as the imperatives of liberalisation are important (Cerami, 2006, 2009; Manning, 2004). For example, categories and institutions such as private security funds, developed financial institutions and their embeddedness in western social life cannot be taken for granted in the eastern context (Round, 2005; 2008b).

The concepts of state withdrawal do not capture the multiple ways in which public and private spheres are interacting and the levels at which they are experienced (Read and Thelen, 2007). The notion of state withdrawal implies a rather one-dimensional view of the state with state spaces and boundaries clearly defined, and thus not being able to unveil "the dynamic post 1989 reconfigurations of public and private spaces, institutions, moralities, and subjectivities" (Read and Thelen, 2007, p.9) . It is very important to notice those continuous reassertions and reconfigurations of state boundaries and flexibility; reshaping of social space (Brenner and Elden, 2009; Mann, 2003; Taylor, 2003). With a closer look, the way the state structures the social space is not necessarily how it functions on the micro level; through myriads of

different practices people are re-scaling social space and making sense of the social reality. Those practices compose and define people's everyday life (De Certeau, 1984), with its internal logic and sequence of actions that, sometimes unconsciously, draw a somewhat different map over the structure proposed by institutions and organizations. By comparing how strategies of institutions and organizations, producing a grid of rules and social norms, and tactics of individuals who navigate social space in their own way, correlate and co-exist, a full analysis of phenomena could be given and better understanding of the relations between state and society. This is why the framework for this research defines the state through its relationship with the state space, and why analysis of pension relations in Belarus needs to look closely at state-society relations.

### **3.4 Theories of the state addressing state-society relations**

Neoliberalization made its input by turning state government into governance, which implies a broader configuration of the state and key elements of civil society (Harvey, 2005). In the modern world there are different forms of state organization and of state relations with territory, not necessarily by exercising centralized power, but by having multiple loci of power, and revealing themselves by creating circumstances in which a person finds it difficult to think/act other than how he/she is expected to (Allen, 2004).

In terms of governmentality theory the issues of rescaling state space and state power in the modern state and the techniques of governance of individual conduct receive special attention, and are useful in social policy research (McKee, 2009). Theorists of governmentality

(Burchell, 1991; Defert, 1991; Donzelot, 1979; Foucault, 1991; Rose and Miller, 1992; among others) do not offer a new theory of the state as such; rather their perspective concerns “the dimension of our history composed by the invention, contestation, operationalization and transformation of more or less rationalized schemes, programs, techniques and devices which seek to shape conduct so as to achieve certain ends” (Miller and Rose, 1995, p.593). The use of these multiple techniques of government by the state, but not only by the state, is being “translated” in terms of governmentality to uncover the process, means, methods and effects of governing and being governed (Callon,1986; Callon, and Latour, 1981). Ultimately, they show how political rationalities become individual practices; the different ways in which the state exerts agency over the way we construct our thinking about reality, creating “power that exercises us” (Allen, 2004).

At the same time, where previously the state was expected to provide an answer for society’s problems, now due to re-scaling power relations, and the division of responsibility between public and private, the problems of the state “rebound back on to society, so that society is implicated in the task of resolving them” (Donzelot, 1991, p.178). Jessop (1990) similarly describes the nature of state-society relations when he talks about the “part-whole paradox” of state-society relationship:

“This paradox emerges from the fact that the state is just one institutional ensemble among others within a social formation; but it is peculiarly charged with overall responsibility for maintaining the cohesion of the social formation of which it is a part.... in pursuing these responsibilities, state managers can only employ the strategic capacities available to the state and these are always limited relative to the tasks facing them”(Jessop, 1990, p.360).

In this framework the state is an integral part of society, all institutional parts of which are

very interdependent. In this arrangement the state is charged with the responsibility of managing this interdependence with the means (institutions, organizations, procedures) available to it. The state is thus doomed to fail to provide an ultimate solution to social problems on the territory it governs, as is expected by those who have diagnosed the crisis of the state. The expectations from the state adequately correspond to the understanding of the state only as a *part* of the system, with its limited capacity to deal with the social, to amend the problematic areas, that are nevertheless still being explored and exploited.

The limited capacity of the state to see and to rationalize, its inability to find the optimal solution could be determined by the nature of the state's rationality (Scott, 1998). The state cannot help but simplify the reality it deals with, whereas the reality is much more complex. Hence, the clash of the two perspectives - the one of state rationality, that excludes local knowledge, and individual "on the spot" rationality – can hardly be resolved. Radically simplified designs of social organization are admittedly both the feature and the main flaw of the state, which calls for a different approach to analysis of the state and state-society relations, that does not draw a sharp line between macro and micro processes, but instead views their dynamic relations.

The image that people have of the state is one of a single actor, whereas the practices of the state actually involve diverse actions and interactions of the organs representing the state, with non-state actors, thereby separating the *images* of the state from *practices* of the state (Midgal and Schlichte, 2005). The image of the state is a representation of a state as an integral single organization, located on the territory of the state, occupied by the people of the

state. The practices of the state are formed by the actual encounters of the people with the numerous organs of the state, and those produced by the state officials in their roles acting in the name of the state. The dynamics of states is about the struggle to exercise the power vested in the state. In the power relations, the image of the state is that of a primary rule-maker therefore, “a key to this conception is the lack of any necessary unity or coherence to the combination of state image and state practices. ... It is the ongoing relationship of image to practices, how they reinforce each other and how they undermine each other, which our conception seeks to capture” (Midgal and Schlichte, 2005, p.15).

In a similar way the dimensions of the state are separated in the works of Lefebvre (Brenner 2001; Brenner *et al*, 2003; Elden 2004; Elden *et al*, 2003; Lefebvre, 2003), who proposed to analyse the relationship between state's space and territory. His approach suggests separating the physical, social and mental state spaces in order to reveal the essence of the problem of the state-society relations, which cannot always be deconstructed when the dynamics of the state are seen as power relations for the shift of power. All three of these dimensions together constitute state space, in their totality and complexity. Importantly, the notion of everyday life is also crucial in Lefebvre's work, bringing in the category of “lived” space. As Lefebvre says: (Elden, 2004, p.187) “space needs to be understood not in two ways – as conceived abstract thought of space, or perceived, concrete reality of space – but in three ways, with the additional of space as lived, which resolves the conflicts between the previous two, without being reducible to either”. The category of “lived” space appears to test the parameters of both notions of conceived and perceived, against reality. The “lived” is somewhat similar to the understanding of tactics of everyday life by De Certeau (1984), as it brings to attention the

real life of people, accentuating the possibilities and restrictions existing in society, articulated in practices and routines of the everyday. This approach will be used in the analysis of the pension relations in this thesis, because it combines the important re-scaling of state space, that helps to demonstrate the complex state-society relationship, and also utilizes the category of “lived” space as a criteria of validity of the conceived and perceived visions of the state against everyday life.

Firstly, the level of production of space offers a means to understand the way the state shapes its physical space, territory and borders, manages its natural landscapes and networks of communication connecting its different points, its entire complex infrastructure. The second dimension of state space, suggested by Lefebvre, is social space, with its rules and norms, represented in laws, institutions, values, the apparatus and networks of social interactions, etc. It is analogous to De Certeau's strategies of the state, the way the state creates a structure or a grid for the navigation of its space by its citizens. Finally, the third dimension of Lefebvre's state space is the level of “mental” space that reflects how the state is perceived; represented and recreated in people’s minds, - the imaginary state space. This understanding is close to Midgal' and Schlichte's (2005) category of image of the state, that is created through interactions with the state, through the practices of state. The representations of the state by people, the “mental state”, is constructed in conjunction with the “lived”. It is from dealing with issues in everyday life, making sense of the workings of the state’s regulations, laws, rules and norms, through the application of normatives and prescriptions that the “mental” state space takes shape.

Midgal' and Schlichte's category of image of the state could be further divided into the image that is created as the understanding of the state by the people populating it, and the self-image that the state is *trying* to create by organizing the social space and by interacting with other formal entities and people. Seeing these two separately can provide important insights into how the Belarusian state works. Lefebvre's way of separating state spaces seems most appropriate for analysing this problematic. The category of “lived” space also has particular importance in tackling the experiences when the state's self-image does not correlate with its image in “mental” space. It also helps to understand state-society interactions, where myths and misunderstandings are created, where rumours become channels of communication, where the encounters with the state are problematic and where everyday life gets squeezed into unusual forms (such as “pension scam”, see chapter 8), where dissatisfaction and feelings of injustice grow, and where the ability to access information and to digest it are restricted. Re-scaling the state space in the way Lefebvre suggests can help explain how the self-created image of the strong state proves, in fact, to conceal a weak state, that is not able to deliver on its image and its promises. This idea is conveyed here through the analysis of state-society relations, through the lens of pensions in Belarus .

### **3.5 Pensions as a lens of state-society relations**

Pensions are one possible lens through which state-society relations can be analysed. They can be understood as a relationship between the state and society in which the state both plays the role of guarantor of the terms of transition from work to retirement, but at the same time it is also empowered to change those terms at any time. In this way it deeply affects both



individual life planning, and expectations of later life. This relationship mirrors changes in the landscape of responsibility for old-age provision regulated by state pension policy and institutional arrangements.

Having declared the country as strong and prosperous, the state government of Belarus is trying to create this impression in the ‘mental space’ both of outsiders and of their own people. State mass media popularizes state ideology, creating a virtual state as a better version of itself, a version of what the state is that the state thinks people would like to see. This comes at an enormous cost, as the validity of this statement is continually confronted by the country’s economic problems and is always contested by the “lived” experience of everyday life. It is on precisely this contradiction and inconsistency that the problematic of state-society relations rests; the incoherence of the state's self-image and the image of the state created the “mental” space, based on lived experiences, on everyday life. This goal of creating a positive self-image has seen increased attempts to present only good statistics and cover only good news, or to give a one-sided perspective of life in the country in the state media that shows the state as prosperous, strong and just, an island of stability surrounded by those challenged to maintain economic and political balance. For example, according to official statistics, proudly publicized through state media, Belarusian pensioners are comparatively better off than their comrades in other countries of the CIS (Commonwealth of Independent States). It is not surprising that the state comparison is made with the countries where pensions are smaller in real value, amongst which Belarus had one of the highest levels of pension provision (Table 3.1).

Table 3.1 Pensions in countries of CIS, 2008

Country	Average amount, 2008, in USD		Ratio, %
	Pensions	Wages	
Azerbaijan	116.63	333.98	34.9
Armenia	69.46	298.5	23.3
Belarus	181.2	403.96	44.9
Georgia	46.03	362.07	12.7
Kazakhstan	153.53	504.85	30.4
Kyrgyzstan	36.94	148.27	24.9
Latvia	325.31	999.29	32.6
Lithuania	346.05	927.59	37.3
Moldova	62.22	243.38	25.6
Russia	183.24	696.90	26.3
Tajikistan	25.48	68.16	37.4
Uzbekistan	75.49	172.44	43.8
Ukraine	170.56	342.95	49.7
Estonia	383.71	1198.73	32

Source: Bespalov, G. (2009)

However, it is not the level of pensions with which Belarusian people are comparing themselves. Chapter 6 discusses the aspirations of Belarusian people towards a “Western European” type of pension and lifestyle, that secures a better level of life in retirement than currently observed in many post-Soviet countries. The state media is full of positive propaganda-like statements about the improving standards of living in the country, the growing industrial production and success in agriculture, construction of cities and metro lines, progress in developing new technologies, etc. But state propaganda fails to impress even those with very little understanding of statistics, as the notorious “lived” experience demonstrates the incompatibility of information coming from the state mass media with the realities of life in Belarus. The virtually-created image of the state's “social” space cannot displace the ‘real’ life on the other side of the TV screen. Unfortunately for the state it is impossible to “plug the TV to the fridge” – the metaphor referring to the dislocation between

the reality that is created in/transmitted through state mass media and the reality of well-being of ordinary citizens (Zlotnikov, 2007) estimated in the most simplistic way by the contents of their fridges. The construction of “social space” clashes with the parameters of “mental space”, that maintains strong ties with real life. One such clash was described by an interviewee in the following way: *“There cannot be a rich country with poor people/citizens. However, our country is rich, but all the population is poor”* (56 years old man, director of vocational training club). This indicates the disruption between the paradigm of the “social” space and reality, between the way the state is portraying itself, and the realities of living in it. It can be argued that one of the reasons that pension reform was not on the political agenda for a long time was because it contradicted state principles of socio-economic politics promulgated by the Belarusian authorities. The state is reluctant to take unpopular measures that would contradict its own manifesto. At the same time, it is more difficult for the state to maintain the level of social provision it declared – the state’s dilemma is therefore between its conceived self-presentation and its real possibility.

Interestingly, in writing about social space, Lefebvre pays serious attention to political leadership, speaking about the state as a “pyramid that carries at its apex the political leader – a concrete abstraction, full of symbols, the source of an intense circulation of information and messages, “spiritual” exchanges, representations, ideology, knowledge bound up with power” (Lefebvre, 2003, p.84). In Belarus the figure of president is correspondingly powerful and meaningful for understanding country’s internal affairs. Perhaps, even more so, as Belarus is ruled by the president’s decisions and directives, and everything in this sense “depends” on his will. In reference to the relations between the people and the state administration, a

Belarusian saying was brought up in one of the interviews conducted for this research: “where the head turns, the feet will walk” ("куда галава паверне- туды й ногі пойдучь"), where in the social body a president is the head and people are metaphorically the legs.

In addressing issues of centralization and decentralization of state power, the relationship between logic and the state, Lefebvre was trying to understand how the state encourages people to act in a way that produces homogeneity and to de-construct state impositions into private strategies of everyday life. “Lefebvre contends that the production of abstract space entails transformations not only in political practices and institutional arrangements, but also in political imaginaries: it involves new ways of envisioning, conceiving and representing the spaces within which the everyday life, capital accumulation and state action are to unfold” (Brenner and Elden, 2009, p.359). Paraphrasing Lefebvre, Elden (2004) re-poses the questions of the state’s role in organizing homogeneity, “the production of entirely similar individuals (identical, identified, identifiable)”. In this way he picks up on the “possibility of a revolt of the lived against abstractions, of the everyday against economicism, of the social and civil society against high growth and its requirements maintained by the state”. In this the parallels with the modern Belarusian state are clearly visible: the authoritarian manner of government employed in Belarus seems to work with similar means (standards, plans, minimal consumer budget) to produce the described uniform effect with little variation around the “average” – wage, pension, lifestyle. A “revolt” of the lived against abstractions in a form of recognizing and pointing out the disruption between the two has revealed itself in the interviews conducted for this research, when explaining that the real value of pensions is too small to survive on, or disagreeing with the statement about economic stability in the country:

*“In our state pensions are miserable (нищенская), you know it very well yourself. It is impossible to live of this pension, not physically, not practically, not theoretically. If anyone tells you different – don’t believe them, he/she is not an honest person” (57 year old man, sports coach).*

*“I think that there is no stability. Although we are being told, loudly, that “there is, there is”, and we are supposed to believe. But it is like a spell (заклинание). Because all of it, I think, can collapse in one moment. This is such a thing, can just happen and that’s it” (55 years old woman, individual entrepreneur)*

Pensions are a reflection of the situation in the country. The amount of pension that is paid by the Belarusian state is considered too small. The state’s calculations of the minimal consumer budget of a pensioner and, based on that, of an average pension are inadequate compared to the approximations of living costs and usual regular expenses that were provided by those interviewed. With the state catering only for basic minimal necessities and underscoring the real needs and living costs of a pensioner/older person, people’s expectations about what a decent living on pensions should be like become juxtaposed to the state’s “social” space. In the “mental” space such neglect to acknowledge real needs of the people is interpreted as disrespect for the state’s older population and their working input into the state’s development.

The “mental” space ends up being distorted with the contradictory visions of people’s aspirations, the state’s projected image of itself, and the reality. Disruption in the “mental” space is caused by the non-correspondence of the expectations from the state that cannot withstand the ‘reality check’ of people’s lived experience. Therefore expectations of the state regarding pensions and retirement are no longer based on the self-portrait of the state, but rather on the extrapolation of the current relationship between the state and its elderly citizens.

Thus “lived” space, as was described by Lefebvre, becomes a crucial parameter that the conceived and perceived spaces are checked/compared against. Even though aspirations of people are influenced by the image of the state that is being imposed by state propaganda, the lived experience has a stronger effect on their expectations.

The propaganda of the Soviet state, the idea(l) of the protective state, that the post-Soviet Belarusian state later appropriated and employed in “market socialism” promised a lot, but provided little. The “high” expectations from the state for social security provision have some socialist roots, but they are also, and perhaps mostly, based on the declaration of the new Belarusian state, the promises that poured out through the mass media, the rhetoric of the caring state that promises security and wants to be trustworthy. This new post-Soviet state bonded itself with the liabilities inherited from its predecessor and gave enough ground and time for the build-up of corresponding expectations. However, “when encountered with the failure of the government's real actions to conform to their expectations, people start relying primarily on themselves without reducing the levels of expectations from the state (which turn into a sort of stereotypes about what the state must do)” (Chubrik and Haiduk, 2009, p.35).

The situation of transition accentuates the change from the old forms to the emerging new ones, and in this sense it is fruitful to pay attention to people's relationships with the past, since these are very relevant for understandings of present. Discussions of continuity, paternalism, and state-provided social protection, draw attention to the ways in which the liabilities from the Soviet state are appropriated by the post-Soviet state and dealt with by its people. It is important for understanding of pensions in contemporary Belarus to understand

the references to the Soviet pensions that are voiced in public, and their role in describing the present. The analytical and instrumental value of reminiscences about Soviet pensions is the way in which they show that:

“Rather than a case of collective amnesia or even nostalgia, this should be partly taken as an invocation of a past in order to contrast it with, and thereby criticize, the present. Social memory is selective and contextual. When people evoked the “good” socialist past, they were not denying the corruption, the shortages, the queues and the endless intrusions and infringements of the state; rather, they were choosing to emphasise other aspects: economic security, full employment, universal health care and education” (Pine, 2002, p.5).

As suggested by much research into post-socialism (Oushakine, 2007; Pickering and Keightley, 2006; Todorova and Gille, 2010), it is not for praising or devaluing the past that people bring up their memories about the past. Rather, it is through these references to something known and understandable that people attempt to explain something that is current and perhaps not well understood; it is a tool for making sense of the present. In the same way the relationship with the contemporary state also does exist in a vacuum, but it is based on previous knowledge about state functions. The work of mental space reflects this fusion of the past forms with the new, the relationships with the present and the past, a complicated mixture of understanding of the one with elements of the other.

Responses to the uncertainty of transition cannot be interpreted by purely distinguishing and dividing life during transition into the legacies and remnants of the socialist past on the one hand, and sprouts of market-like phenomena on the other (Burawoy and Verdery, 1999; Caldwell 1998). Rather, the responses to the new reality, even though they can be expressed in old forms, are instigated by new circumstances and therefore are fairly novel, since they are

generated in the uncertain context of the new era. Reactions and changes at the micro-level that follow regime changes at the macro-level are varied and mixed, inclusive of supporters, opponents and sceptics, compliant and resistant to those changes (Rose and Mishler, 1994). As this research confirms in later chapters, the Belarusian public combines the aspired-to elements of private pension insurance with the existing mechanisms of state control and guarantees of social security; the wish for an increase in the state pension without reform if the conditions of pension benefits (such as increases in pension age and level of contribution, etc). This almost dialectic dualism between paternalistic dependency and self-reliance is a good example of the progress of transformation, as both notions coexist in the post-Soviet mentality (Rose and Makkai, 1995). The paternalistic dependency stems from the demand for a strong state, yet self-reliance is due to the failure of the state to deliver on its promises in the recent past and in the present. These are all spurs to changing state-society relations instigated by the challenges of market conditions, such as increasing inequality, individualization, and emergence of private sector, regardless of the attempts of the state government to minimise their effect on Belarusian economy and society. A shift of social justice from socialist “to everybody according to their needs” to post-socialist “to everyone according to their input” has become observable in Belarus, and is most visible in the sphere of social security in general, and in pensions in particular.

Dealing with the past incorporated into the present, and dealing with the forms that acquired new meaning in transition happens on both micro and macro levels. The new dilemma of the post-socialist state is that it needs to keep up with its past and present populist promises, at the same time realizing that it cannot provide such extensive support in the future due to growing



costs. In fact, the gradual fall in living standards points out that the state often fails to check its normative indicators of “minimal consumer budget” against those which more accurately reflect real life experience. At the same time the space for individuals to ‘provide for themselves’ has not materialised. Support for private initiative and entrepreneurship is very limited, as evidenced by numerous restrictions imposed on small-scale business and on individual entrepreneurship. People are finding themselves “locked up” in the relations with the state that no longer correspond to reality and to the needs of new pensioners. The Belarusian system of social security finds itself at the brink of the need to change, if it is to function effectively, in order to create space for the private and public mix of provision in old age, and to accommodate the necessary alterations

### **3.6 Explaining the metaphor “gambling with the state”**

Relationships with the state were described by people interviewed for this thesis as a peculiarly risky game, or using the metaphor of 'gambling'. Such a comparison, first of all, points to an element of uncertainty, characteristic of the time of economic transformation. The role of the state was usually described by those interviewed as pro-active, with the people as re-active, or responding to, the actions of the state, where the state sets up the rules and conditions, and the goal of an individual is to survive in that context.

A specific metaphor often used in the interviews described this relationship as a gambling game. Saying “we don’t gamble with the state” likens state space to a casino, and hints at the truism of gambling that the “casino always wins”; it being impossible either to either cheat the

system or to hope to win. The gains that casino allows come at no great cost for the casino, and overall the casino always wins. When people said in reference to pensions that they didn't want to gamble with the state, what they meant was that any effort they made or knowledge they gained about pensions and the pension system would not increase their chances of receiving better pensions (this argument is explored in more detail in chapter 5). It is impossible to play by the rules and win. It is also widely acknowledged by the Belarusian public that state pension policy will never be reformed in a way that would be beneficial for people or improve their conditions: if the state gives something with one hand, it is surely taking something else away with the other. For example, news of an increase in pensions is seldom good news for pensioners; they anticipate price rises for consumer goods which will negate the increase (see chapter 5). In a similar way "gambling" reflects on people's expectations from the state – pension policy change is always a "losing game" for an individual. A law-abiding citizen cannot withdraw from the game – in the pension's pay-as-you-go solidarity system, in this particular reference. Although forms of full or partial tax avoidance exist in real life, it is a risky, unlawful and in many cases undesirable option of discontinuation of "the gambling game".

The gambling metaphor also reflects the lack of trust in the state - the aims, methods and timing of state politics. It characterizes state-society relations well – the social space of an institution that plays by its own rules and never allows others to win, reflected in the mental space of dealing with the state as a dominating and coercive organization that despite promising much, does not deliver. For the most part, it refers to the risks incurred in living in Belarus in general, including worries about price increases, low wages, the instability of the

national currency, unemployment, and so on.

*“Of course I doubt/mistrust (сомневаюсь) what tomorrow will bring. Who can trust who nowadays? Especially the state. In my opinion, one should never gamble with the state. It is a saying, it is a folk wisdom. Because you will always lose, always. It is even an axiom”.* (по-моему с государством никогда нельзя играть в игры азартные)». (54 years old woman, designer (constructor) at machines plant)

*“With our politics... One day there can be some kind of inflation... I don't gamble with the state”.* (... в один день может быть какая-нибудь инфляция. я с гос-вом в азартные игры не играю)». (58 years old man, driver-collector in bank)

Besides, the Belarusian state itself is gambling: it builds its image as a strong state, yet many of its citizens have realized that the appearance is fake, they disapprove of the means the state uses to control internal affairs, are disappointed with the way the state (doesn't) keep its promises. In this sense the state is a shiny casino, built on sand.

The metaphor of “gambling with the state” was suggested from “local knowledge”, and fits the framework of state-society relations; it could be stretched further to understand projections of pension relations in the modern world. The nature of the retirement contract is such that the time to pay liability to the participants of a pension plan/scheme, however organized, always comes in the future, which brings an inevitable element of uncertainty. In addition, due to recent and on-going changes in pension relations in many western European countries and CEE, scepticism about the sustainability of the long-term pension contract and obligations is growing. For new entrants to the system of pension security, pensions are to a certain extent a type of gamble, as it is not guaranteed that the conditions of retirement are not going to change by the time when liabilities will have to commence. Such conditions of uncertainty for the social arrangement of security in old age, questioning the state as a

guarantor of social contract, undermine (trust in) the future of pensions as a social institution and social guarantee. However, the meaning of the gambling metaphor is perhaps very provocative and intuitive.

### **3.7 Conclusion**

Pension relations in Belarus need to be viewed as state-society relations and as a part of wider spectrum of processes of socio-economic transformation, specifically taking place within the context of one country that chose to refrain from market reforms. Relating the Belarusian case to the experiences of other countries enables us to better understand the common and unique features of the Belarusian path. Following the protectionist model of development, Belarus demonstrates that in the modern world the form and delivery of state old age security cannot be simply borrowed from the Soviet socialism, but needs to be reconsidered and re-scaled.

This chapter has developed the theoretical framework for analysing the state-society relationship in Belarus which will be used to explain the changes that have happened to the institution of pensions. Specific to the analysis of Belarusian state-society relations is the necessity to differentiate between the different dimensions of the state space in order to understand the interactions and institutions. Through a few examples it has been demonstrated that distinguishing between different understandings of state space can help to account for the peculiarities of context, where expectations of the state are taking shape and where it is necessary to separate the landscape of social regulations from the mentality of everyday life. From people's thinking about pensions and understanding of pensions it is clear how

important the state is as a regulating body of the pension system in Belarus, as in this context it is virtually the sole provider of old age security. Yet, the state's self-representation is almost the polar opposite to the image of the state that has been shaped through its own practices.

In the following chapters, pension-related issues are analysed as components of state-society relations. The theoretical frameworks suggested by Lefebvre and by Midgal and Schlichte (2005) will be used to uncover these relations and explain them. De-constructing state-society relations in the ways suggested by these theories helps to reveal the problematic areas within pensions in Belarus. The following chapters will explore the understanding of pensions and apply the suggested framework to explain the findings of this research.

## CHAPTER 4

### RESEARCH METHODOLOGY

#### **4.1 Understanding the context**

The aim of this chapter is to present the methodology of research and explain how the data for this research was gathered and analysed. The chapter focuses on detailing the choice of methods of data collection and analysis, and the process of interviewing. The chapter finishes with the reflexions on the progress of the field stage of the research and discussion about how the data has influenced the choice of theory for its interpretation and explanation

It has been suggested by Burawoy and Verdery (1999) that in the post-Soviet region the processes in the countries undergoing socio-economic transition should be seen in their unique and ever- changing context as created by the collapse of a big Soviet state. They stress that the familiarity of the institutions remaining from the previous system is apparent and that the new conditions of socio-economic transformation have determined the unstable nature of the newly forming institutions. They write: “[r]epeatedly we find that what may appear as “restorations” of patterns familiar from socialism are something quite different: direct responses to the new market initiatives, produced by them, rather than remnants of an older mentality” (Burawoy and Verdery, 1999, p.2). It can be argued that in Belarus pensions are one of those seemingly unchanged old forms, however, they acquired new meanings, connotations, provoked new reactions and changed expectations of this social institution. One of the first puzzles this research sought to understand was what a pension is in contemporary Belarus and how it has changed since the Soviet period. While little pension policy change has taken place, changes have occurred that affected the social institution of pensions,

attitudes to it and understandings of it. In other words changing of circumstances have changed people's perception of pensions.

Accounts of post-soviet transformation emphasize that a common failure when studying countries in transition is the use of the West as a criterion for comparison, rather than taking a more insightful country-specific historical account of the development of a specific issue (Haney,1999; Round, 2005; among others). As Haney's research about maternity policy in Hungary illustrates: “[b]ecause these analyses take West as their point of comparison they fail to explore the dynamics of welfare state development within Hungary; they leave untheorized the historical reconfigurations and re-conceptualisations of Hungarian welfare itself” (Haney, 1999, p.152). Such a view of transformation renders inappropriate questions such as where Belarus is on the track of pension reform or whether the country is “behind” in terms of pension reform. This research undertaken for this thesis thus explores Belarus’ ‘progress’ with different criteria in mind. It thus instead asks not just what has been happening with Belarusian pensions but also how they are understood by the population. In this framework could it be possible that abstaining from reform is not such a “bad thing”? In other words, attention needs to be paid to how the situation was evolving within the country, how the expectations at micro-level and changes at macro-level correlated, what were the drivers of the policy change and responses to it.

The aim of this research was to investigate the development of pensions as a social institution of a country that took its own model of socio-economic transformation. Although no wide ranging reform of the pension system has been undertaken in Belarus, the changes that were

introduced to the inherited system of Soviet pension provision, in response to the new demands posed by socio-economic transformation, have influenced public understanding of what 'pension' is, and shapes attitudes towards the state as the sole provider of social security. Thus the relations between state and society, public understanding of pensions, responses to implemented and future changes, the logic of public understanding of social justice in provision for old age and retirement were the focus of this research.

#### ***4.1.1 Addressing the gap in knowledge about pensions in Belarus***

The sphere of social security in transition has not had much attention from either the policy makers administering the reforms, or academics (Manning, 2003; Standing, 1996). Initial research revealed a significant gap in the knowledge about developments in the pensions sphere in Belarus. Information about pensions consulted before the fieldwork was scarce and somewhat confusing. In English, few accounts (Murashkevich, 2001; White and Korosteleva, 2005) analysed pension policy in Belarus and the country's social security sector. A review of Russian language sources did not provide any ample debate either as academic publications were few and mostly descriptive (Bobkov *et al*, 2004; Golubev *et al*, 2008; Morova, 2000; Shavel *et al*, 2004). Resources in Belarus's national library discussing retirement and pensions were quite scarce. A review of media coverage on the topic was also undertaken to see what aspects were considered topical in the printed and electronic media, and what ideas and arguments were "roaming" in the society. However, media attention on the issue was occasional and often populist. Rare accounts in the news regarding pensions were confined to information about government action or intention of pension indexation reflecting upon



changes in prices and minimum wage.

The most comprehensive account of public opinion about pensions based on survey research was conducted in 2008 by the IPM research institute and was released as a working paper (Baturchik and Chubrik, 2008). However, the analysis of the surveys' quantitative data in the working paper has its limits. It does not discuss the question of what pensions mean to people and how people perceive and understand pensions as social relations and it does not provide a framework and context important for understanding the opinions expressed. Such issues cannot be analysed using survey data alone.

#### ***4.1.2 Choosing a qualitative method***

The reasons outlined above have predetermined the choice of qualitative method for this research. The focus of this empirical research were people's expectations from retirement, their knowledge and understanding of pensions and mechanisms of social security system and life strategies regarding retirement based on logic of everyday life. The task of understanding the drivers of people's behaviour, motivations and meanings made the choice of the qualitative method (Crang, 2003; Jaffe and Miller, 1994) unambiguous in this research. The strength of qualitative methods is that they give a richer understanding of processes, behaviour, motivations that can be obtained by statistics.

The interview method was chosen as the most suitable for the research objective of understanding people's expectations for retirement and social relations about pensions in

Belarus. Interviews were semi-structured in form, which allowed flexibility for the interviewer to ask clarifying and follow-up questions and gave freedom for interviewees to express their opinions, describe the circumstances and expound their considerations (Barriball and While, 1994; Longhurst, 2010; Wengraf, 2001). Narratives that were acquired from people explaining their attitudes, behaviour and insights into their lives provided captivating stories that uncovered the multiple ways state-society relations are constructed and the way issues are communicated between them. The context in which pension relations were embedded brought up new connections, topics and explanations for the understanding of retirement in a meaningful way (Smith, 2010).

#### ***4.1.3 Doing research in Belarus***

Having established the gap in knowledge about old age security in Belarus, special attention needs to be paid at the peculiarities of doing research in Belarus and working with available research and statistical data. Firstly, it needs to be mentioned that there is only limited data freely available. Much information either does not exist or is not available, which presents a difficulty for doing research in or about Belarus. National statistical yearbooks, for example, are published and available, but they contain only general information. More detailed information is not openly published and such data is rarely released through citations in newspapers and appendices in books. Due to the lack of funding and because of the restrictions imposed by the licensing policy needed to undertake social research in Belarus, international cooperation and participation of Belarusian researchers in European and international studies is extremely limited.

Secondly, there is another characteristic of Belarusian informational/research space that complicates doing research in this country. In Belarus a clear divide has been formed in all spheres of life between the public and private spaces, as state governed and non-state private (Ohana, 2008) in many ways opposing one another, with the state sphere trying to dominate and determine public life. There are state and private media, state and “independent” research centres, which reflects on the specifics of their work and subjects of their study. With regards to sociological data research has been conducted by both private and state centres but most of them keep their information “top secret” (Titarenko, 2004). Private organizations tend to have a narrow focus of research topics and only few of them make their findings freely available. In addition, there also exists research centres outside of Belarus (such as Belarusian Institute for Strategic Studies (BISS), and Independent Institute for Socio-Economic and Political Studies (IISEPS) that conduct survey research in the country or who release analytical publications based on first hand research data. The peculiarities of the access to data is described by Titarenko as follows (from the web page):

*“On the one hand information collected by private firms is either in limited access or in the access of the organizations, that have financed the projects. The availability of data-sets of private centers is miserable. On the other hand the access to the data sets collected by state financed organisations which are incomparably bigger in size is also very measured. Institutes do not allow to use their data for any other research institutes or persons from outside. Even within the same institute there is a problem to have free access to the data for someone who does not directly participate in this particular project. Otherwise the empirical information will be kept as a “top secret” from any other researchers for ever.”*

The divide of informational field, based predominantly on political reasons, and imposed dominance of the state ideological perspective can explain the lack of academic and social debate on many topical issues. Pensions and pension relations are one of those under-

researched and neglected topics in public debate due to lack of attention from the state owned media and widely published data. Also the difficulty in funding such research could explain the lack of such statistical or sociological data in Belarus. Furthermore, the researcher should also be aware of the distortions of data in publications, as that depends on the ethics of the organization conducting it and authors writing it up. For instance, some academic texts (such as the analysis of social reforms presented by Shavel, et al 2004) reveal their clear bias through the rhetoric of their arguments and by basing their analysis and findings on the president's statements and declarations about the positive direction of social reforms and ignoring statistical data that could disprove their arguments. Such “ideologically verified” accounts are not rare in the literature and published academic (or pseudo-academic) releases in Belarus and should be considered with a large degree of scepticism. This helps explain why any pluralistic debate about directions of social change failed to take shape and why analysts do not always provide analysis. As Sokolova (n.d.) put it:

*“Actually a purely academic debate among sociologists failed to take place. That does not mean there was nothing to discuss. Rather, that means there was little public interest in these issues, and no appropriate empirical data for the professionals to confirm or disprove possible views and positions on the subject. ... The official social role prescribed for Belarusian sociology is to serve the government’s social policy, and the authorities expect empirical data either to confirm the correctness of their past political decisions or to provide an empirical basis for new ones. This message was clearly understood by some state and private firms: they are monitoring society for governmental needs, including elections.”*

This not only sheds some light on the scarcity of social research, but also gives a hint to the fact commonly known in Belarus – that the source of information may strongly affect its content. Whereas “independent” researchers and centres emphasise problems in social and

economic development of the country, the “state” centres widely popularize through “state” media only the data in support of the socio-economic and political regime in the country. As a result, there exist two countries: one is 'struggling Belarus' or 'Belarus in crisis', soberly facing difficulties of socio-economic transition and alert to the dangers of ignoring these problems, and another one is “strong and flourishing” Belarus (Prudnikova, 2010). The task of a researcher is to be ware of such constructions of knowledge and information in Belarus and critically assess the sources used. It can also be argued, that this phenomena is one of the building bricks in the duality and disruptions between the social and mental space in Belarus, constantly referred to in this research. The implication of this divide is the loss of trust amongst a large amount of population towards the media and research in general as well as to their “state” agencies.

## **4.2 Description of interview pool**

### ***4.2.1 The “Transition generation”***

The research fieldwork took place in Minsk in autumn 2008. The interviews were conducted with the group of people from the pre-retirement age cohort that have at most 5 years before retirement<sup>7</sup>. There were several considerations for choosing this age group for interview. Firstly, a few years or months before actual retirement people become more aware of it than in any other younger age group (Baturchik, 2008) as my research confirmed. It is a time of life when, voluntarily or involuntarily, lifestyles alter due to changes in social and working status.

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<sup>7</sup>In Belarus retirement age for men is 60 years old and for women it is 55. Most of the interviewees were not eligible for early retirement schemes and hence they were of the age cohort of women 50-55 years old and men 55-60 years old.

Closer to the time when retirement becomes a choice or necessity, people start thinking about the consequences of these life changes. They are in a good position to judge the pension system as they are already trying to envision their life in retirement and gathering food for thought about its benefits and limitations. Secondly, at the age closest to the official retirement age people become serious about preparing for retirement, reflexive of the state-society relations regarding state security provision for aged citizens. It is the time when people's expectations and attitudes towards pensions and social security system are most pronounced.

According to a study of social contracts, individuals of this generation are described as “better [than other groups] aware of the “active role” of the state in their lives,... and concerned over state influence” (Chubrik and Haiduk, 2009, p.38). It is their nearness to retirement that has a special impact on this awareness. Moreover, this study reveals that the largest share (more than 50% of that cluster) of pre-retirement persons was found in the cluster of “dependent paternalists” - those, who indicate that their life, except for health, depends on the state rather than on themselves. This latter finding is strongly related to the results of my research, shows the dominant pattern of state-society relations in the studies age group and has strong implication on the perception of retirement and pensions.

The people of the age group chosen for the study in this research were born in the years following World War II and constitute a large cohort. The interest to them is not purely demographic. This age cohort of Belarusians is especially interesting also due to the fact that their life and work histories were divided between two historical periods and country regimes: between Soviet Belarus and independent Belarus, between socialism and “market socialism”.

They are witnesses to the change of socio-economic paradigm as they were brought up and educated to be Soviet citizens, but later had to survive and adjust to the hardships caused by the instability arising from the socio-economic transformation. The changes of their retirement conditions are also discussed – understandably instigating anxieties and a lack of confidence in future. This historical context partly explains the disappointment and sometimes bitterness with regards to state-society relations. These complicated circumstances of their lives had impact on their understanding of all social institutions, including pensions, which make this subject and this age cohort very interesting to study.

#### ***4.2.2 Composing the interviewee pool***

Overall I conducted interviews with more than a hundred people – about a hundred from the targeted age cohort (50-55 years old women and 55-60 years old men) and a few who have recently retired - in order to pilot that age group as well and out of curiosity about whether expectations about pensions have been adequate for these respondents. It was done during the pilot stage of the project in order to see if any topics would be raised by the pensioners in the retrospect that could be relevant to people thinking about pensions before the age of retirement. However, this information was not used in the analysis as it did not provide any insights different from the ones raised in the main set of interviews. In order not to distract from the main research focus this line of interviews was discontinued.

The number of interviews was decided upon as it enabled the fulfilment of the criteria of “representation”/stratification: both genders in different professions and work statuses and at

the same time be a feasible number of interviews to be conducted by a single researcher. Doing the fieldwork itself also set conditions and limits as well regarding how many people I could approach for interview and how many interviews would give an understanding of what pensions mean in Belarus. The progress of fieldwork showed that the number of the interviews planned was adequate, as the information I was obtaining from interviewees was becoming more repetitive and the answers more predictable after around two thirds of the targeted number of interviews.

Whereas age was a primary criterion for the selection of interview participants other parameters were also considered, such as gender, occupation, sector of employment and job position, and education. It was important that people working in both public and private sectors and of different work statuses were represented as these factors could play a role in determining a person's position in the "social contract" for pensions. The occupational range included people working in sectors such as education, medicine/health, industrial production, engineering and technology, business and commerce, retail, culture, sport, etc. (see Appendix 1). The interviews were all conducted in the city of Minsk, driven by the assumption that urban life transitions are sharper and arguably better articulated. Although I realize that the experiences of pensions might be somewhat different for those who reside in small cities from the residents of the capital, the research was planned to be conducted in Minsk because all trends are more pronounced in the capital and because it was a feasible task for a one person. Besides, the purpose of research is not in strict representation of all possible occurrences of pension experiences, which could be implemented by a survey, but rather to understand why the observed tendencies take place and what considerations stand behind them.



According to “Republic of Belarus in Figures” (2008) the distribution of workforce by sector in 2007 was as follows: 50,9% - state, 47,6% private, 2,7% - mixed with foreign share and 1,5% -foreign. But according to an expert view (Chubrik and Haiduk, 2009), employment in Belarus’ private sector is quite low due to the fact that although officially the share of private sector in Belarus stands at about 47 percent, “this figure covers the workers employed by joint-stock companies (which in fact may be regarded as former state enterprises) to a greater of lesser degree controlled by the state via stock ownership” (p.28). The data about employment distribution by ownership (state or private, or mixed) within the targeted age group was not available in the published sources. Finding people of the targeted age employed in the private sector turned out to be not an easy task. The search suggested that workers near retirement age tend to be employed in the state sector. It might be the case that private firms prefer to employ young and middle-aged people sometimes due to the nature of their business that requires qualifications and skills that people of the cohort of pre-retirement age do not possess or stereotypically cannot perform. Also it might be the case that the number of pre-retirement workers in private sector is indeed less than it is in public sector due to a strategy to “change jobs” before retirement and get a job in public sector in order to “guarantee oneself a pension”. It can be suggested that such tendency can be explained due to the legacy of Soviet pensions: in the Soviet Union pensions were calculated based on final income (or average of the last five years, whichever a worker chooses) at retirement, which was a stimulus to “inflate” the income in the last year of work with different bonuses and top-ups, whereas at present it makes people “secure” a pension by working in state sector. Technically the form of employment should not matter for the future pensioner as any employment

guarantees a pension on the condition that contributions have been paid regularly and in full amount by the worker's employer to the Pension Fund and worker's wage record reported on worker's behalf on a regular basis to the corresponding authorities. Whereas this is done without exception for those employed in the state-sector, it is not always the case in the non-state sector due to the practices of receiving "wages in envelopes"<sup>8</sup>, and thus under-reporting of the real wage, reducing taxable wage amount. Therefore, working in private firm is sometimes perceived as "insecure for pensions". These reasons, although somewhat speculative, were supported by comments from my interviewees that spoke more confidently about preparing for retirement, their prospective pensions and their work histories when they were employed by a state organization rather than one from a private sector.

#### ***4.2.3 Expert Interviews***

The aim of the research was to understand the meaning of pensions and pension relations from the perspectives of all the parties involved. Besides the interviews with the Belarusian public of pre-retirement age, the intention was to take into account the positions from the respective state administration and from researchers that have studied the issue. Unfortunately, despite great efforts to find colleagues working on related topics it proved

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<sup>8</sup>Wages or parts of wages that are received illegally and unaccountably directly from the employer, the phenomenon existing in private sector and used for the reduction of taxable payments, at the same time reducing the amount of social security contributions, that are extracted only from the reported wage. Its scale is difficult to estimate, however repeated accounts of revealing such schemes appear in the media. For instance, Ben'ko (2009) informs that the analysis of wages of workers of about 19 thousand firms in Minsk showed that 20% of private companies pay their workers wages less than a budget of survival minimum (250 thousand roubles, approx. £55), another 10% of companies pay between 1 and 2 budgets of survival minimum. It is concluded that in the capital, where average wage is estimated around 1,5 million roubles, a wage can not be as small as reported, meaning that the "rest" of the wage people receive "in envelopes". In addition, the tax control department correlates people's income against their expenses to reveal the unreported income. Recently penalties for such cases have doubled.

extremely difficult. I was not able to find academics neither through the academic networks nor by tracing from their publications. For instance, the current Dean of Department of Philosophy and Social Sciences at Belarusian State Univeristy, Professor Rubanov, who published an article about living conditions and subjective well-being of pensioners (in Bobkov, et al, 2004), refused to comment on the topic by saying that he no longer is researching in this area and could not identify anyone else who could be helpful in my investigation. The only other researcher on the topic of pension relations I have been able to reach was the leading researcher from IPM centre, Ms.Baturchik, whose quantitative analysis of pensions (Baturchik, 2008; Baturchik and Chubrik, 2008) is widely referred to in this thesis.

The “State’s” point of view in this research was represented by state officials/professionals working in pension system at different levels. I spoke with the leading specialist at the Department of Pensions Allocation and Payment from the Administration for Work and Social Protection of the city of Minsk, with the head of Department of Organization of individual accounting of the Minsk branch of the Fund for Social Protection, and with the Head of the Division for Development of the Pension System of the Ministry of Labour and Social Protection of the Republic of Belarus. Due to the nature of their work, they were in a good position to interpret and translate the “state” point of view that is coded in the words of Pension Act, laws and decrees, speak from the state perspective, in the name of the state. However, only at the highest level of administration was I able to discuss the directions of pension change and perspective on state-society relations, whereas at the municipal level and in the Fund for Social Protection I could only clarify the technicalities of state-society

interaction and establish the perspective of the state administrators about the limits of their responsibilities. They said it was out of their competency range to advise about the developments of pension system as these issues were dealt with at the level of the Ministry and National Assembly. They only helped by providing guidance about Pension Act and explanation of the principles of pension calculation, as those routine tasks were their job.

The conversation with the Head of the Division for Development of the Pension System of the Ministry of Labour and Social Protection of the Republic of Belarus took place at the later stage of the fieldwork, when about two thirds of the planned interviews had been conducted. Therefore, I was able to address and discuss the topics and concerns that emerged during fieldwork and were voiced in the interviews in the conversation with this authority. It allowed a dialogue to develop where I was delivering opinions that circulated in the public and my interlocutor was “responding” to them from the point of view of the state macro-perspective. This dialogue of opinions existing in the society and lines of arguments were later “reproduced” in the empirical chapters.

## **4.3 Interview**

### ***4.3.1 Recruiting interviewees: the Snowball sample technique***

The snowball technique was used to reach and recruit interviewees for participation. Having started by using my contacts from pilot interviews, I asked them to recommend me to some of their friends/colleagues/extended family or network from the required age criteria. It was my

responsibility to keep attention to the overall composition of the pool of interviewees by professional status and sectors of employment, and later on I was looking for people with more specific demographic and social parameters in mind.

Ideally, the snowball technique is used when the interviewees are not directly accessible for interview or are hard to reach (Hughes *et al*, 1995; Rankin and Bhopal, 2001). It helps expand the pool of interviewees and find people from the specific group that is being researched, of which there is no official record/catalogue. With this method the required randomization of the final sample of interviewees can be achieved, if simultaneously control for specific variables is done. One of the strong points of the snowball technique is that recruiting by recommendation establishes a basic level of trust to researcher and agreement for participation is gained easier. For these qualities it seemed to be well suited for the purpose of my research.

The method also seemed to be the approach that would see the least refusals because it presupposes recommendation from one person to another. Asking for participation using the snowball method was in many cases easier than approaching people randomly in their homes or at workplaces. Drawing from my previous experience of conducting surveys and interviews in Minsk when I was approaching people in their homes on randomly selected addresses (with rules of randomization set by the research organization – “route sample”), I was aware that it would be difficult to persuade people to participate in the interviews and I would encounter a high percentage of refusals. Still, using snowball/cascade I somewhat underestimated that number.

The fieldwork demonstrated the difficulties of using the snowball technique in Minsk: I encountered many refusals to participate in my research towards the end of my fieldwork. A certain rate of non-participation was expected before the beginning of the interview process (Mandel, 2003). Thanks to my previous experience in doing sociological surveys in Minsk this type of risk was assessed, even if somewhat underestimated. My interviewees sometimes did not cooperate as much as I expected and the chain of recommendation broke. Nevertheless, I have achieved the planned goals by using this method of recruiting participants for my interviews, by extending my network further and reaching distant connections. Sometimes it involved returning several times to people and asking for their contacts and sometimes I just had to start another chain from scratch.

#### ***4.3.2 Pilot Study***

In the qualitative study, when previous information is sporadic and scarce, it is not uncommon that the research design goes through several iterations. Planning a research project is not a linear process, as components of research design influence one another and might be reconsidered and modified during the research (Maxwell, 2005). There are many reasons for conducting a pilot study (Teijlingen and Hundley, 2001), but most important for me as a researcher was the opportunity for early critical reflection on the research design. Although thorough planning was made to prepare for the fieldwork stage of the research, it was decided to test it during a short pilot study: the initial assumptions and the interview instrument (interview guide).

“The aim in the pre-fieldwork phase, and one of the tasks in the early stages of data collection, is to turn the foreshadowed problems into a set of questions to which an answer could be given...” (Hammersley and Atkinson, 2007, p.24). With this view in mind, the fieldwork began with piloting of the interview questionnaire (interview guide). This was done in order to practice interview techniques and check the questions for inconsistencies, preconceptions, and the whole guide/questionnaire for internal logic. In semi-structured interviews the questionnaire is a guide of a conversation, and the questions need to be meaningful for both the participant as well as the interviewer. The initial guide was composed of the questions based on the research questions and hypotheses formed after the preliminary study of literature. Yet, it needed to be “adopted” using the words and avoiding overly complicated terms and concepts in a way that everybody would equally understand the question. The pilot study helped reformulate some questions and saw some added or deleted in order to find the right words that would be understood and be answered (See Appendices 2 and 3 for the initial and final Interview Guides).

In addition to the changes to the interview guide, the pilot study brought to attention aspects that were underestimated such as the level of general knowledge about the pension system. It soon became obvious that the researcher assumed that people of the age nearing retirement would be knowledgeable about the mechanisms of pension distribution and its calculation. This assumption was overturned at the pilot interview stage and the section about knowledge about the pension system was added in order to explore this finding further.

Trialling the interview guide may be not only a technical question but also a deeper one. The order of the questions is a matter of a standard logic of a conversation that can develop, for instance, from one block of questions about an aspect to another block about another aspect of the problem, or from more general questions to more specific ones. But the situation when certain questions “don't work” requires deeper reflection: were researcher's assumptions not correct, is the language/wording of the question too complicated, does interviewee lack certain knowledge or confidence to answer the question and why it does not make sense to an interviewee? In my research I have soon discovered that asking interviewees to compare pension systems and principles was only puzzling the participants of the pilot interviews. I now understood that they lack knowledge to make a judgement of abstract pension principles. In response, I changed the order of the questions, starting the interview with the questions about knowledge about pension system and pension calculation. In what concerns questions about knowledge and judgement about pension system as a whole, I rephrased or split up several questions into smaller ones that could be easily answered, and the pilot study helped me formulate them with the first interviewees. (discussion about knowledge and value-judgements about pension system is presented and analysed in chapter 5).

#### ***4.3.3 The interview and what happened “around” it***

Before the start of an interview I presented myself and talked about the purposes and topic of research, explained about anonymity and confidentiality and asked for person's consent to participate in the interview. It was very important in the recruitment process for my potential interviewee to establish my identity and also to establish how I found, and selected, him/her



for participation. Recommendation of the interviewer by another person in many cases predetermined the agreement to participate.

Interviews were conducted in Russian which is one of the official languages in Belarus and it is commonly spoken. It is my native language so using it was not a barrier for having a conversation. On average interviews lasted from thirty minutes up to an hour. The location for interview was chosen by the interviewee, wherever was comfortable for him/her. The venues varied from a workplace to a public space of a cafeteria or a park, with rare exceptions of choosing to have an interview at their home. The time was chosen by the interviewee as well, and sometimes a lot of reschedules occurred before we could find a suitable time for the interview.

Having had their doubts and preconceptions about participating in the interview, and the kind of information they might be asked to disclose during it, after the interview my respondents commented that the participation was less “scary” than they expected. Generally people were not familiar or not used to being interviewed. I tried to let them talk as much as possible without interrupting and inserted my questions when they logically followed from something that was previously said by them. I kept repeating that there are no “right” or “wrong” answers but that there are just different views/opinions on the same thing which gave my respondents more confidence. Sometimes after the interview the participants asked me if they helped me at all with their answers and discussion. It allowed me to think that they felt free during the interview and my role/position as an interviewer was not putting pressure on them. It happened that sometimes people agreed for an interview with me hoping that as a

researcher, having studied this problem at a doctoral level, I would clarify it for them and clarify confusions they have about how pension system works. Remembering that researcher's role should not be confused with the one of advisor or counsellor (Lewis, 2003), I only agreed to answer such questions after the interview, after they have answered my questions and shared their opinions and considerations.

#### ***4.3.4 Non-participation: Refusals***

The biggest problem encountered was to persuade a person to devote some time and participate in my research. A problem of “non-cooperation” is addressed by Drzwiecka (2007), where the researcher points out some of the accounted and unaccounted difficulties of doing research in Eastern Europe, in particular the issues related with setting up an interview with experts. Yet, academic literature does not present accounts about difficulties of getting hold of ordinary people and how it might affect the research findings. People’s everyday life is filled with activities that sometimes leave little time for an interview. Or, the situation of interview may appear too outstanding or unusual for everyday activities that a person might rather chose to not participate at all.

I started by interviewing people from my social network but as soon as I touched upon its limits I realized that it is not going to be easy to snowball beyond it. Sometimes snowballing stopped because an interviewee could not recommend anybody else for an interview. If any reasons were given for not helping me use respondent’s possible contact for interviews, they ranged between “I don’t know people of the necessary age group, all my friends have either

retired already or are yet younger than needed” to “I will try but I am sure he/she will disagree”. For example, one of the explanations for refusal to help me “snowball” further, one of my interviewees said:

*“You know, I had three very good friends, but all three of them are buried by now. Literally, in the past 2-3 years. Those who have not just reached pension by a little bit. But I don't want to introduce you to strangers. I could recommend you, but I don't want to ask whoever there is”* (56 years old man, engineer)

In the course of preparations for the interview I had to deal with issues of research ethics (Kayser-Jones and Koenig, 1994), like ensuring the interview takes the proper form, the confidentiality of interviewee is secured, having conversation on sensitive topic. Knowing ethical principles in social research, I was struck by a few situations that I was confronted with. A few times I was suggested to “fill out your questionnaire yourself”, or make up those responses, assuming that I was a carrier of the same “common knowledge” or as a sociologist had even more information about the subject than my potential respondent might have had. It was not a single occurrence, but this quote is the one that got recorded: *“You can tick those necessary boxes automatically for everyone by yourself, at least in this category”* (54 years old woman, receptionist in polyclinic). Perhaps, my interviewees thought that what they tell me is known to everyone. It might also be the case, which would be very sad and worrying if it was true, that such attitude stems out of the thinking that violating ethical principles and methodological rules in social science is normal. Unfortunately, such thinking takes place because trust in sociology and statistics among the people had been undermined by regularly occurring falsifications and propaganda.

#### **4.3.5 “What is there to talk about?”**

I have tried to classify the reasons for refusals to participate in the interview judging on my observations and limited explanations given to me by people. The generic answer in a form of a question that I received in response to the invitation for an interview was “But what is there to talk about?” or a straightforward “I don’t want to talk about it”. When probed again to recruit an interviewee by explaining in more detail research objectives and importance of interviews for collecting first-hand information, the reasons for possible refusals fell into three groups.

The first group of reasons adhered to the fact that people were not used to participation and living in a civil society<sup>9</sup>. People were not used to anybody wondering about their personal opinions on any issue and treated it with a large amount of suspicion. If it wasn’t for a recommendation by a common acquaintance (a contact from common network), it was very difficult to get someone to talk with me. I was always asked not only about my professional affiliation but also more informally “who had sent me” or why I chose that person. Personal recommendation was the most important thing in establishing the contact and the first most important icebreaker.

That this study was a part of a doctoral research project was respected. I was sometimes asked

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<sup>9</sup> It showed not only in recruiting people to participate in my research. From the facts of everyday life, disclosed to me in private conversations by people of different ages, I learnt that in contemporary Belarus people’s lives are strictly regulated, independent thinking and decision making is sometimes suppressed and ruled out. As an example, participation in a country-scale public donations or organized work (“subbotniki”) or in massive public celebrations is compulsory and mostly calls for public anger rather than joy. Information from independent international organizations is more extensive regarding tense political situation in Belarus, the absence of civil society is recognized: “The regime has practically made independent civic life and civic society organization impossible and illegal” (Ohana, 2008, p.10). Surveys and social research is losing credibility in the eyes of public due to its improper use and interpretation in ideological propaganda. Mass media are almost monopolized and taken over by state ideology. Such atmosphere is not very favourable for conducting social research.

to show my questionnaire or interview guide, which made me think that people are more used to filling in survey questionnaires handed out to them rather than devoting their time to a face-to-face conversation. Hence, this type of refusals was because people are not used to the role of an interviewee, didn't quite understand the method, the format, and didn't feel knowledgeable enough to "give interviews". The second reason for refusals to participate was the sensitivity of the topic - pensions. Some refusals, I felt, were caused by the fact that pension was seen as problematic issue, and with little chance of improvement, which sometimes led to an aggressive or pessimistic refusal. These mainly came from men somewhat along these lines: "I am not waiting for anything good to happen, so why talk about it?" This probably concealed something that a person did not want to share with me and reveal, a personal fear or a problem that a person avoided to think about. Clearly, retirement expectations were very unpleasant and miserable for male breadwinners and this fact deter many men from further conversation.

"Why talk as if it could change anything?" – The sense of disempowerment that people in Belarus demonstrate also partially explains the lack of interest in discussing situations they could not change. The question "But does anything depend on people?" or "Is there anything we could change?" was asked of me numerous times. Often people narrow their concern to the issues of their own immediate well-being – a feature which makes civil society problematic. They prefer to shift the responsibility of thinking, having an opinion and decision making to others (state) because their social environment for many years has left them disempowered. They choose to deal with the current problems while not giving too much thought about future.

Fourthly, people sometimes felt incompetent to talk about pensions because of the scarcity of information/knowledge they thought they had about it. A very common response was “I don’t think I can help you, I haven’t thought about it yet, I don’t know much”. I was prepared that people might have little information about the mechanism of pension. One of my goals, in fact, was to reveal how much people actually know. So I usually said that the only criterion for participation was their pre-pension age and what matters for me is their view/opinion – something that anyone and everyone are entitled to have. Indeed, I was interested how people discuss the matter having as much knowledge as they had, what kind of knowledge they relied upon. As it turned out, many of those who initially said they didn’t think about pensions, have in fact given it some thought and moreover could discuss the problematic issues.

This factor was a possible strong reason for refusal for an interview when one of my interviewees, summarized/generalized it in the middle of an interview:

*“So, at this point, I have to confess, I am absolutely illiterate in what regards pensions. I don’t know this and that, I never wondered before. So I am ashamed at my age to confess that I know so little. Write down my words: “She is absolutely illiterate”. And I can tell you that people don’t like to talk about pensions because they are uncomfortable to admit that at their age they know so little about pensions. They are grown ups and some of them might be respected specialists, and it is not easy for them to say that they know so little about this important subject”. (50 years old women, teacher)*

It was a strong point to disagree with. Having heard so many times an “I don’t know” or “I am not sure” responses to some of my questions about pension accounting or principles of pension system, this argument seemed valid.

Although I tried my best in recruiting participants for interviews, I knew that refusals to

participate were unavoidable. I was aware of that and I tried to be reflexive and analytical about it. Refusals are a part of the interview process and means to decrease their number are limited. An attempt to investigate possible correlation between the non-response and phrasing/wording of some questions from the questionnaire (Nazarova, 1999) have been made. I have noticeably improved my interview skills with the experience I had during the time I have spent in Minsk as I have constantly been working on my own interviewer's techniques. I proceed to present my reflections on the progress of my fieldwork research.

## **4.4 Reflexions**

### ***4.4.1 Positionality***

It is important to be reflexive during the whole period of fieldwork. Doing research is a fascinating experience on obtaining information about the research topic; it is also a very interactive process that may alter researchers' skills, attitudes and beliefs. Being reflective means being aware of the field, of oneself as a researcher and the context of research and the boundaries between them (England 1994; Gold 2002; Katz 1994; McDowell 1992 and 2001).

I have been analysing, during the whole time of conducting interviews and after it relying on my fieldwork diary and recordings, how my position in the interviews was becoming more confident by how my voice sounded, how much information I had collected, how I professed in asking questions. The experience of doing interviews has definitely changed my ability to acquire knowledge in a conversation, monitoring the flow of the interview.

After the pilot interviews my interview guide somewhat changed. I omitted, or rephrased, a

few questions that didn't make sense to respondents or were too complicated and changed the order of asking questions. I had to think over the transition between different blocks of questions, I was looking for better ways of asking about what I wanted to find out (For initial and final interview guides see Appendices 2 and 3). Soon it became evident that it was unwise to ask if the amount of pension was enough for living because the majority of my respondents said it themselves in one way or another before I even asked about it. The question itself, whether pension could be enough to live on, sounded ridiculous to my respondents and was not taken as a serious in any of interviews. I learned to alter the sequence of questions depending on the flow and logic of discussion and not ask questions if the answers to them were already given in an extensive response to a different question.

It is no less important to be reflexive to the extent as to understand the limits of reflexivity and the fact that "knowledge is produced in specific circumstances and those circumstances shape it in some way" (Rose, 1997, p.2). In other words, that knowledge is situated - shaped and determined with the context in which it was formulated and existed. As the time of my fieldwork coincided with the outbreak of the world financial crisis in 2008, it got a lot of attention and was widely discussed in mass media and over kitchen tables. The position of the Belarusian media was sceptical about this issue, popularising a belief that crisis will not be as hard in Belarus as it was in many other countries. At the time interviews were taking place – autumn 2008 - the crisis had not hit Belarus much yet. Rumours existed that the effect of crisis will outbreak later in winter and spring 2009 and it did become more obvious at that time indeed. But at the time of interviews my respondents did not comment much on the crisis, as they could not yet figure out how the financial mechanisms work and how crisis



could touch upon them personally. With the account of my self-reflexivity, my position as a researcher could be defined as “somewhere in between” (Katz, 1994). I could see myself as a leader and facilitator and also as a tool of my research, trying to be flexible and adjust to different situations and difficulties, “optimizing” the process of interviewing.

I was equipped with theoretical frameworks that tuned me to looking out for something specific. And yet at the same time I was advised by other researchers that I should be open for unexpected twists and novelty that my theoretical equipment did not account for. However one might attempt to construct the field, in the end it does construct the researcher because it is the unique experience in the field that is the knowledge that is obtained. My fieldwork experience has proved that research in Eastern Europe alters many textbook rules and assumptions.

In this way, the fieldwork altered the research design by prioritizing some topics over others, by pointing out to the issues and linking them together. In these terms it could be claimed that the grounded theory approach was used, as the fieldwork has been driving the choice of the theory to illustrate and explain retirement in Belarus and understand it (Corbin and Strauss, 1990). The choice of topics analysed in this thesis on the one hand was premeditated, but also to a certain extent altered by the discoveries of the fieldwork, which is also characteristic of openness of the grounded theory research to the ideas coming from the field (Charmaz, 2003). Due to the exploratory character of this research, in the attempt to understand the phenomenon of retirement, the choice of the theoretical framework followed the fieldwork, and shaped up when the data was collected. For the analysis of data, in resemblance with the

choosing categories in grounded theory, themes were selected that are central for understanding the phenomenon in focus, the ones that were problematic, the ones whose understanding changed with time to alter the meaning of the central categories of pension and retirement.

#### ***4.4.2 Combining methods***

The important lesson of fieldwork research is that one needs to be self-reflexive but avoid too much of self-censorship, enacted by the research context or participants (Ho E, 2008; Katz, 1994). It is advised to use a combination of methods, wherever possible and necessary (Kemper *et al*, 2003). Although my study was qualitative, I employed the triangulation technique (Denzin, 2006; Flick, 1992; Jick, 1979) – a combination of qualitative and quantitative methods - by relating and supporting findings of my research with the findings and data from the IPM representative survey. At the same time, findings of my research have a rich explanatory value that can complement quantitative data. In addition to interviewing the pre-retirement cohort, I have discussed issues and development of Belarusian pension system in person with state experts and city executives working at different levels of pensions provision in Belarus. Interviews with experts and policy makers were conducted for this research in order to hear the “both sides” of the pensions story (Sayer and Morgan, 1985). In addition, I participated as an observer at one of the “open door” consultation events concerning issues of social protection and pensions, administered by the city council (executive committee), in order to see one of the examples of state-society communications “in process”. I also met with the lead researcher from IPM research group, the author of the

IPM report on pension attitudes that I cite in many of my chapters, and discussed findings and important conclusions of their quantitative research. Needless to say, I conducted library research in the Belarusian National library and did an overview of mass media highlight of the related to the subject of my study. I was trying to be observant and gather information from all possible sources, like grounded theory approach teaches, treating all information as data

#### ***4.4.3 Splitting the identity: native or foreign?***

Accounts of doing research in Eastern Europe by foreign researchers illustrate how difficult it might be to obtain information at all levels: from high-rank elites and politicians to obtaining data from libraries and statistical offices (Drzwiecka 2007; Matless *et al*, 2008). While reading these accounts I thought that I would avoid many of these problems as before this research I was very familiar with the social and academic environment and the ways of doing things in Belarus. However, as I already said, the virtue of being a native does not make a researcher immune to difficulties and does not open all doors to grant access to all necessary information.

My identity consisted of two halves that made my representation while in the field somewhat controversial: as a Belarusian citizen I am a native/insider but from of my professional affiliation I am a researcher working for a foreign institution and, hence, an outsider. Sometimes I had to use one or the other part of this combined identity, more often using the one of a native citizen for the fact that it helped me gain trust and understanding with the Belarusians. However, specifics of doing research “at home” (Gilbert, 1994), does not always

make relationship with the researched group easier: it could be a new experience for a researcher due to other factors. In my research I was dealing with an age group considerably older than myself (Bengtson et al, 1985), so in some way I still was an outsider for the people of this age cohort.

It should have given my respondents more confidence to be older as they were supposed to be more competent to talk about pensions than I was. However, since I introduced myself as a researcher, they understood that I have studied the subject thoroughly enough to have knowledge about pensions, especially pension system and laws – issues that, as it turned out, my respondents had the weakest knowledge of. I overcome this position by the manner of asking questions and trying to mask the questions about knowledge as a formality of the interview and less accentuated than the questions about opinions about pension justice. My interviewees still tended to address the questions that they had little knowledge of back to me as they expected me to be an expert in the field. Needs to be said, it stimulated me to improve my own knowledge about some of the aspects of pensions relevant to individual life circumstances.

It somewhat struck me at first that I was advised by many people from my social network to present myself as a native and avoid mentioning my foreign affiliation in order to avoid suspicion, reduce the rate of refusals to participate, and generally “make things easier for myself”. When I asked why my interviewees preferred to conceal my foreign affiliation I didn’t receive any more logical explanation except the intention to “not make it more complicated” or dubious response “you better don’t, if you know what I mean”. I didn’t fully

understand the conspiracy, but I went along with it as long as it gave me interview opportunities. It might be that by being native I gained access to social networks easier whereas a foreigner might have called a different reaction and would not be trusted and “helped” by revealing some personal information easier than a “native”. Such attitudes might be attributed to the atmosphere of surveillance and ungrounded fears of “doing something wrong” or being overheard and have unpredictable yet negative consequences for a respondent in the future. Yet, as I could judge, my presentation didn't alter the responses much, but only provoked interest of the interviewees to ask about life and retirement in the UK.

#### ***4.4.4 Analysing data***

Despite that interviews in most part were recorded, I was taking my own notes in alongside, in order to register responses and make my own notes on the progress of interview and also in order to back up the recorder. Recordings from the interviews were transcribed during the field work period to allow for analysis which would shape future interviews, which took longer than expected. Later, these transcriptions of interviews were re-read, and the sections relevant to the research questions selected and sorted into separated thematic files. Themes of these files were predetermined by the topics discussed in interviews or based on the issues that emerged during the fieldwork. Although preliminary sorting and organizing the data from the interviews started already during the process of data collection, re-reading the interview transcriptions helped me review all the data collected, and sorting it into thematic files helped me organize the information for future use during the write-up of the thesis. I chose not to use

Nvivo or any other computer software, as I judged my way of organizing the information was suitable and has served the purpose of my research well. I have familiarized myself with the Nvivo program at a postgraduate course run by the University of Birmingham. Yet, I decided to not spend additional time coding and cutting my data to make it suitable for Nvivo. In principle, the program helps organizing the data, which can aid the analysis, but not substitute it. In my case, I estimated that the time spent on inserting my data in the program and using it would not have paid off with the effectiveness of such different usage of data. I admit that the program can be useful, especially when the information needs to be processed and used in the uniform way by a group of lead researchers. My decision against using it was based on the wish to avoid overcomplicating analysis with unnecessary manipulations with the data, that would only mimic my way of organizing it, only in a frame of a computer software. During the writing up of thesis chapters the work involved using the thematic files, rather than files with full interviews, for evidence to support the described phenomena and for letting voices of real people be heard.

Aspects of pension problem chosen for the discussion and analysis in this thesis were the ones that were raised during the fieldwork stage of the research and were raised or assessed as most controversial and topical. Understanding of pensions in Belarus, changing its meaning in the interpretations of different people and state officials, was given a detailed analysis by taking a closer look at these most controversial issues. Principles of grounded theory approach were used in acquiring and selecting the data for further analysis and for finding theories for its presentation and explanation. Empirical chapters unveil how retirement and pensions are understood by the people of Belarus and how this understanding relates to the state's view of

pensions, represented by the authorities working in the state pension system and the Pension Code. In each empirical chapter the question is posed regarding the meaning of pensions in Belarus through focusing on a one particular aspect that is considered topical or problematic, and it is being answered by providing the views from both the people and the state on this subject matter.

The theoretical framework used for the analysis of data gathered during fieldwork was chosen based on the following considerations. The understanding of pensions through most topical issues which concerned people approaching pension age has a strong reference to the state as the operator of the pension system, the organ that “gives out pensions” and establishes legal rules of pension calculation and distribution. Review of the literature pointed to it, and this fact found strong support in fieldwork for this research. Hence, theories of state and conceptualizing state-society relations were considered an appropriate theoretical framework for this research. Concepts that deal with complex state space matter was chosen to be the most suitable for presenting and analysing the problematic relationship that composes the meaning of retirement as the one that allows to view the state-society relations' dynamics and complexity.

#### **4.5 Conclusions**

Being reflexive is also a way of obtaining information, sometimes very important information about the context in which researcher is situated. To be able to fully understand what respondents were saying about pensions and their references to relations with the state

demanded a lot of attention to the details and sensitivity to separate between the reasons and the context. My role as a researcher was to gather information from all sources, but at the same time to assess it critically while combining all the pieces into a bigger picture and story that would answer my research questions.

The reflexions on the interviews made me think about how free people in Belarus feel about discussing issues of social justice and how they perceive their personal opinions were valued and counted. It was one of the most powerful indicators of the time and country context and I think was also characteristic of the generation studied. A very illustrative quote of one of my interviewees, when he cautioned me to be careful in presenting my data: *“I am telling you things, but you need to be very careful in what you are going to use and how you are going to phrase it. Because, you know, if you don't conform with the presidential line... [не сойдешься с линией президента]”*. The silences and unfinished sentences have come across interviews a few times, mostly when it was about one or another aspect of the relationship with the state. The context of interviews and the way they went influenced the presentation of research results and the choice of theoretical tools for presenting them in this work. The role of the state in understanding pensions was enormous, determining the choice of the theoretical framework with which the data of this research was approached.

It has been found how much aware all interviewees were about the state and the big role it played in their understanding of pensions. The state was indispensable from their lives as a body regulating and structuring the everyday life. Interview situation helped observe how talking about pensions had numerous references to the relations with the state. This finding in



fact became one of the central arguments discussed in the next chapters.

## CHAPTER 5

### “IN THE DARK”: KNOWING PENSIONS IN BELARUS

#### 5.1 Introduction

Perhaps, it is not surprising for sociologists to appreciate that people form opinions and make judgements on subjects that they have limited knowledge of (Bourdieu, 1995). The topic that “concerns everyone” - pensions – is not an exception. In the preoccupation about the choice of pension plans and sharing obligations for old age between a person and social institutions, it escapes our attention how much people actually know about pensions. It is assumed that knowledge about the pension system is a part of basic financial education or common knowledge. Yet, the source of a person's information about pensions, whether driven by personal curiosity or inquiry related to obligation to pay taxes and social security contributions, should not be underestimated by researchers. Knowledge about pensions is needed for life-time planning, for preparing for life transitions and hence building appropriate expectations about retirement. An understanding of what a pension is requires knowing how pension systems work, what principles it is based on, what pensions depend on and how they are calculated. This knowledge is especially important for people soon approaching retirement – the age group that was the focus of this study – and is vitally important for those who will count on pension as the only income after retirement.

The research revealed that many people learned about pensions from the experience of their family members and friends – this knowledge was obtained most easily through social interactions and the informal sharing of information. In stable social systems such knowledge was thus “embedded” in society for long time, it was a part of common knowledge. But when

the system of social security undergoes changes, the rules of retirement become less familiar for new generations of retirees and the 'cost' of obtaining new information increases. The more personalized the pension responsibility is, the more effort one needs to put into obtaining information about it in order to make an informed choice of pension plan. This is why pay-as-you-go systems generally require less educational effort from a person, especially when participation is mandatory. In solidarity systems the burden of responsibility for old age is shared among people from the same age cohort. Participation in privately funded pension schemes demands better awareness of risks and responsibility from an individual about managing their own pension money.

This chapter starts with the facts about Belarusian pension system, describing the legislative institutional setting that foregrounds the awareness about pensions. It continues with the findings of this research into what people of Belarus actually know about their pension system – the knowledge that they then build their judgements and expectations on. From there it is explained why people know as little as they do about pensions based on their own arguments and ideas about pension system and mechanisms of social security. Here an important finding that concerns state-society relations is presented and discussed: on many occasions people of the studied age group have more confidence talking about Soviet pensions than the pensions of present time. The chapter closes with a discussion about how much people know about pensions in comparison to how much they are expected to know and on what basis knowledge decisions and judgements about pension system and pensions are made.

## 5.2 Belarus' pension system: description and structural problems

Pensions in Belarus are calculated in the following way. The wage of a worker for every month of work when contributions had been paid to the Fund for Social Protection is compared with the average wage in the Republic on that month and the ratio of these two numbers is calculated. An individual pension coefficient is then composed as the average ratio for the number of years of working life. This coefficient was created in order to objectively estimate an individual's earnings and contributions regardless of inflation. Fifteen consecutive years are chosen for calculation of the coefficient out of any 25 years of work history.<sup>10</sup> The number of years in employment required for eligibility for an old age pension is 20 for women at the age of 55 and 25 for men at 60.<sup>11</sup> However, a right for minimal pension, which is set for at least 50% of the amount of minimal old-age pension, can be acquired already after just 5 years of paying contributions to the Fund for Social Protection (Article 5 of Pensions Provision Act). Only the years when contributions to the Fund for Social Protection have been paid count for pension eligibility and pension calculation. Working history also includes years of military service, maternity leave and university education. Since January 2003 the record of the contributions and its ratio to the wage received by workers (commonly referred as "coefficient") that employers are obliged to report, is being kept centrally at an "individual

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10 The number of years for pension calculation has been increasing since January 2000 by one year for both the total number of years of work history and the number of chosen consequent years. For example, in the year 2000, any best 5 consecutive years were chosen from the last 15 years of work, regardless of any gaps in work history; in the year 2008 when the research had been conducted, in pension calculation any best 13 years out of the last 23 years of work were included.

11 For each additional year of working history, pension is being increased by 1% of the amount/value used for pension calculation, but no less than 1% of the amount of minimal pension, up until 20% of the amount /value used for pension calculation in total. Different rules apply to workers retiring from the job with special working conditions, such as harmful productions, etc. The total number of required working years for certain professions is lower, on condition that certain number of years a person had been working in "special conditions". Pensions for military servants is calculated differently as well.

personified account” in the Fund for Social Protection. For the time before 2003 the record about received wages was supposed to be kept by the employer, and provided upon request.

Pension legislation in Belarus contains a few articles that make the pension mechanism highly redistributive. The amount of wage that does not exceed 130% of average wage in the republic is counted in the pension calculation and whatever is received in wages above this amount is counted proportionately. For example, the following 10% of the wage above 130% of average wage is accounted in full, and for the next 10% of wage only 90% is counted, decreasing respectively by 10% for every other 10% above the average wage (Article 56 of Pensions Provision Act). The pension coefficient also can not be higher than 4. (For an example of pension calculation in contemporary Belarus see Appendix 4). This means that pensions are “standardized” or “equalized” by this mechanism, or that income substitution by pension is high for those who have been receiving smaller wages and lower for those who have been receiving high wages. This constitutes a problem for existing pension system that people find particularly distressing. (This will be discussed in more detail in chapter 6).

In addition to other merits<sup>12</sup>, working in certain professions allows retiring before reaching the official retirement age. The list of these professions is quite wide and includes more than 20 categories, ranging from miners to workers in agriculture and teachers. If people of these professions have worked a certain amount of years on the jobs that are classified as special working conditions in the overall working history, they are allowed to retire and become eligible for a pension, on the condition that they discontinue work at the workplace with hard conditions. Due to the extensive list of professions that qualify for early retirement the scale

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<sup>12</sup> Also eligibility to retire earlier than the statutory retirement age have: women who have brought up five or more children, parents of children with disabilities, mothers of soldiers who have died at war ,etc.

of it is significant. Since 1990 the number of “early retirees” in pension system has tripled and continues to grow due to the fact that a large cohort of people is nearing the age of retirement, many of who work in these professional occupations. About one in three new pensioners, according to the Assistant Minister in the Ministry of Labour and Social Protection Valentina Koroleva (cited in Naviny.by, 2006), retires earlier than the official retirement age. Until 2009 the pensions for those who retired “early” were paid out from the Fund for Social Protection. In accordance with the law about Professional Pension Insurance, from January 2009 these “early” pensions become the responsibility of employer organizations whose working conditions are classified as “hard” with the purpose to relieve the Fund for Social Protection from the additional pension burden of early retirees for the period between their actual retirement and the official retirement age. The Professional Pension Insurance act suggests that the pension benefit for the period of “early retirement” or the new employees is paid out of finances that have been paid by the employer, and saved and accumulated on a separate part of worker’s individual account in a bank certified to finance government programs.

Nominal average pension currently amounts to around 41% of average nominal wage and has been fluctuating around that level during 2000s (NSC RB: Republic of Belarus in figures, 2008). Pensions are re-adjusted in accordance with the increase of the indicator of “Budget of survival minimum”(see Appendix 5) four times per year and in accordance with the growth of average wage (Articles 69-70 of Pension Provision Act). This was done in order to bring pensions in correspondence with the change of a minimal wage normative/standard and generally to keep pensions in line with inflation and change in prices and wages. However, pensions are always catching up with other rises and are always last to be raised, which leads

to many complains from pensioners:

*“Pensions are raised, yes. But when pensions are raised you know that a price for bread is going to go up too. This is how this raise goes, you can’t see it. If only pensions were raised and the prices were stable/still...”* (50 years old woman, shop assistant).

Socio-economic stability still remains a target in contemporary Belarus whereas instability and inflation are noticeable even on the basis of monthly changes in prices.

The indexation of pensions during transition was necessary in order to improve the ratio of pensions to the average wage and the minimal wage in the republic and in order to provide for a minimal standard of life for pensioners. In the early nineties pensions lost its value due to abrupt inflation and devaluation and it was only in 2005 that the average old age pension reached the level of the minimal survival budget. However in fact the real growth of pension is much slower than the nominal growth, as it only just about compensates for inflation and price increase (Table 5.1).

Table 5.1 Dynamics of the amount of average old age pension (calculated in USD at the rate existing on each year)

Year	2001	2002	2003	2004	2005	2006	2007	2008
Nominal Pension (USD)	37,7	45,4	52,7	70,4	93,7	120,8	142,5	179,3
Real pension (Nominal pension as a percent of minimal consumer budget), ratio	0,635	0,63	0,64	0.754	0,879	1,009	1,072	1,125
Growth of real pension compared to previous year, %	+25,5	-0,8	+1,7	+17,6	+16,6	+14,8	+6,2	+4,9
Price index compared with previous year, %	+25,1	+21,6	14	+13,6	+14,1	+12,3	11	+13,2

Source: IISEPS, Statistics. Available from: <http://www.iiseps.org/pensia2.html>

Comment: Calculation by other agencies may slightly vary depending on the exchange rate BRB/USD accepted for calculation

Yet, the difference between real living expenses and their standardized estimations remains big. The indicators of budget of survival minimum (BSM) and minimal consumer budget (MCB, see Appendix 6) do not reflect the real needs of people in general and pensioners in particular. For a pensioner the value of these indicators are smaller than the average and smaller than for all other groups except only children younger than 6 years old. Bitterly, one of interviewees commented:

*“Somehow exists such opinion that “pensioners don't really need much”, as if they only want milk and bread. But I say excuse me, how about soap? And shampoo? And slippers? Are you saying that I need to buy all of that while I am still working and then later in retirement use it all and wear it all off until torn? But they are normal people too!” (52 year old woman, hairdresser).*

It is difficult to think of possible justification behind these numbers. Rather, it can be noted that these standards reproduce the discrimination of elderly by underestimating their needs and assigning small value to their needs and necessities.

During this research, in autumn 2008, the average old-age pension in the republic was 408 321 Belarusian roubles (BRB), which was equivalent to approximately £123 at the existing rate, with the average wage 950 000 BRB (approximately £244). At the same time, prices for many goods in Belarus are comparable with average European costs, except “socially important” foods, like milk and bread, for which prices are strictly brought down and production subsidized. (see Appendix 7 for estimations of living costs). When about half of a pension, according to popular estimations, goes to cover payments for accommodation and utilities, the other half of the pension remains too small to live of, even if restricting one's self to essentials. The following interviewee explains how the pension does not cover basic living expenses;



*“Payment for the flat is around 100 thousand roubles, more or less. Even if it was 70 thousand, plus TV antenna, plus electricity another 10 thousand, telephone another 5. And for the remaining 300 thousand – try to live of them. How is it possible to live of them? Say, 30 days in a month, by 10 thousand roubles per day. Try to live of that! It is not enough even for food. But your underwear can tear off, you will need to buy toothpaste, washing powder, all that you need for living, and how do you do that? Turns out that a pensioner can not afford anything. It is a survival, to keep alive. Good if you have children who have enough money to help you out” (50 years old woman, operations manager in a bank).*

Although the average pension is estimated to be around or higher MCB, it does not seem to be able to cover even basic necessities. Here it is important to note that the planned “consumer basket” is composed of goods made in Belarus and accounts for their respective prices. Imported goods, that might be of better quality, are likely to be more expensive with prices that grow more rapidly.

Another problem with pensions is that, although it is a universal obligation of employers to make contributions, there exists a practice of paying a part of wages “in envelopes” and paying pension contribution only from the taxed legal part of the wage (Kunyavskaja, 2010). Despite the fact that such practice is illegal and is always fought against by the state revenue services, it was nevertheless mentioned as a widely spread occurrence in private sector. According to the information by IPM, (cited in Spasiuk, 2011a) for the 4,9 million of registered employed the contributions to the Fund for Social Protection are made by employers of only 3,7 million of workers. The fact that the part of the wage that is paid legally is small, sometimes rising just above the minimal wage, can later have its implications on calculating pensions.

### **5.3 What do people know?**

It is common sense that the closer to retirement the more thought a person gives to it. However, when I approached people with a question if they have thought about pension, many said they hadn't given it a proper thought yet (this reason accounted for a part of refusals to participate in research as interviewees, as mentioned in chapter 5). It turned out that many people were not thinking about perspectives of life after retirement even at the brink of reaching pension age. According to the representative national survey conducted by IPM, about 15% of the age group reaching 50 years old are not thinking about pensions (Baturchik and Chubrik, 2008), although among my respondents the percent was much higher. The reasons for this were not given by the survey, but some of the reasons could be deduced from the findings of this qualitative research. Firstly, the change of life style and well being associated with retirement, as well as the stigma attached to old age, are the issues that some people want to avoid thinking about, and be interviewed about. Besides, pensions are taken as a given, over what a person has virtually no control. It is a period that comes inevitably and eventually to everyone, yet is characterized with some degree of uncertainty that the future always brings. And lastly, this can be seen as a part of more general approach to dealing with future by Belarusians, the side-effect of living in transition and instability, where most of planning is short-term.

Another worrying aspect that became clear from the conversations with my interviewees was that, in addition to not giving it a thought, people who are soon approaching retirement know little about pension system. This finding echoes the one discovered by IPM research group too

(Baturchik and Chubrik, 2008). It was uncommon for the respondents to know the amount of monthly contributions to the Fund for Social Protection, the proportions in which contributions were shared with the employer, about how pension was calculated and where money for it came from, about organization of pension system generally. The knowledge was partial (incomplete) and sporadic: those who have been aware of the fact that contributions were being extracted from their wage rarely knew the amount; those who knew that the wage and number of years of work matter for pension calculation, rarely knew how exactly they were included, etc. And although people generally knew that pensions are paid by the state from the “state” money, they found it harder to say which of the state's “pockets” the pension money come from.

#### **5.4 Explaining the lack of knowledge - barriers**

Admittedly confusion, scarcity or lack of knowledge about pensions could be due to the barriers that people saw to obtaining this information and/or the lack of motivation for obtaining it. Although newspapers occasionally published articles about pensions, they tended to focus on the crisis of the system rather than explaining the reasons for it and how the system works. In popular publications about issues related to pensions not enough attention was given to explaining how the system works, where pensions come from and why they were as small as they were. Usually they would start from demographics and stating the problem of population ageing and then went to projected pension system failure/bankruptcy to cater for increasing number of pensioners and hence gloomy perspectives for pension future in Belarus. Other problems of pension system, such as of it being overly redistributive, were

not touched upon. The conclusion that can be made from the review of printed and electronic media was that information about pensions available to the general public was very limited and not illuminating. It dwells on popular beliefs and fears of a coming pension crisis, and doing little to explain the laws, but instead spreading pessimism about the future even further.

During the interviews the interviewees tended to re-create the logic they saw in the newspapers in the most general way: the pension system has problems because the population is growing old and the number of pensioners is increasing. Although they realized that there was a range of other problems in the pension system, they did not have a good understanding of why it was so. Information about poor demographic and ecological situation was also well supported/evidenced in people's everyday life: chronic illnesses, deteriorating living conditions, bad nutrition, short life expectancy, the Chernobyl ecological disaster and its consequences, among others – occurred to either themselves, their family, or wider social circle. Among family, neighbours, friends, and workmates those issues were always brought up and thus were more appealing than the abstract logic of pension demographics. On the other hand, information about pensions that outlined the mechanisms and laws of pension provision were overcomplicated and unavailable for wide public.

The mass media has highlighted the perspectives of pensions in Belarus sporadically, publishing interviews with state pension authorities and a few pension experts, depicting whether when and what kind of changes are necessary for the pension system and which are likely to happen. The information flow in these articles is directed towards population and does not imply public discussion or negotiation. Interest groups and organizations are non-

existent because civil society is virtually non-existent in Belarus; a workers' union is technically in place, but remains silent about this topic. Situations like that can hardly be classified as a social debate, although there is a demand for filling in the vacuum. As one of my interviewees described:

*“May be there is no need for more information, but it has to be available and more intelligible/understandable, so it should be announced in headlines, and it should be an interesting one. On TV it should be at convenient time, and not monotonous, like it is sometimes done, when two old ladies sit down and in bored/monotonous voices start telling how it will be good if we all switch to private pension insurance and how it would be even better when pension age will be increased – nobody is going to listen to that. There should be a dialogue, it all should be interesting and lively, then public will read it. Everything that I read so far mainly implies that “privatization is good” and “increase of pension age is good”, it is good for the country. But they don't speak about the people, if it would be good for people, there is no dialogue, so to speak. Even if they give quotes from the quick opinion polls of people on the street, they also give single-sided view/perspective: out of seven or eight people they show seven would be “for” what they propose and some one would be “undecided”. It is single-sided representation”. (56 years old man, director of a vocational training club)*

The emptiness of social space from the debate is being currently filled by rumours (an example of rumours about possible increase of pension age see later in chapter 8) and “discussions over the kitchen table” that are based on little information or even worse on misunderstandings and gossip. As a result suspicions, mostly negative, are growing about the state's plans. As the state's agenda is not clearly publicized and articulated to the public, it is unlikely to receive support and approval. As the representative of state's view, the authority recognized that:

*“Here people imagine that the state wants something from them, that it pursues its own interests – taking away, cutting. It is not viewed as a rational measure. But one should look from the position of society as a whole – how many of you are, how many are able to work. But they view it*

*personally, as personal dispossession. At the same time, when I say that they should understand it adequately I mean that a person should not start lamenting out of the blue (с нелюбопытства) that “I haven’t read it, but it sounds bad”... It just has to be delivered that it is done in the sake/for the pensioners. It should not be so much opposed. And this private pension system... it seems like our people have found a holy grail, but the government doesn’t want to give it to them – the attitude is about the same” (from personal conversation with Chair of the division of development of pension system)*

The understanding about the individual accounts and their purpose was confused mostly due to the fact that nothing was actually being accumulated in the individual accounts, as some interviewees thought. Individual insurance accounts were created in order to optimize and personify accounting of pension contributions and to keep records in an organized way of the contributions that have been paid by the worker (in case of self-employed) and by the employer on worker’s behalf to the Fund for Social Protection. This record was later used in pension calculation and in this way the process was centralized and strictly organized. Employers were also responsible for starting individual accounts and filing contributions to them. It became less surprising that people didn’t understand the meaning of the individual accounts when in a conversation with the assistant of the Head of the Department of Organization of individual accounting of the Minsk city branch of the Fund for Social Protection I found out that the Fund only worked with employers' representatives, like offices for human resources and accounting, on explaining the logistics and the paperwork necessary for filing pension contributions. It appears that it is nobody’s official responsibility to explain the meaning of these accounts to people. Offices for human resources, in their turn, did not directly deal with pension system, they did not calculate pensions, but only reported necessary data about wages, and therefore, as the interviewees explained, did not like to consult on pensions as if that information was “top secret”. Usually these offices did not welcome public

inquiries and were not the primary preferable sources of information about pensions either, as interviewees discussed;

*“This information is very complicated, one can obtain it only from the accounting office [HR office], and only having approached the age of retirement. So, I can’t say it is a closed information, but nobody intends to share it. And also, it changes to frequently, some kind of orders and acts are coming out and so on...extremely difficult re-calculations. For a citizen that doesn’t have anything to do with accounting, it is very difficult to figure it out, what, how and why. And also, the system of coefficients is difficult too – which group you belong to and how you are being evaluated. It (the information) turns out to be “for office use only”. (53 years old woman, school teacher)*

*“We were told to come a month in advance and they’ll tell us. It is so that we don’t go asking and bothering them [the office for human resources]. Because nowadays it is done quickly”. (54 years old woman, nurse)*

Hence, the barrier for obtaining information is contained in the simple negligence of the importance of working with people and addressing their inquiries. With some of the doors “closed” and unwelcoming behaviour of potential informants at their workplaces, people find it complicated to look for such specific advice further.

The “assignment” of a pension is mediated by the HR office, that deals with the reporting of all data from the employment history needed for the calculation of pensions, and the preceding monthly contributions to the Fund for Social Security. An individual is not practically involved in the process of pension formation at any point. Contributions are paid on the worker's behalf and the final result is calculated and assigned as a pension payments once the eligibility is reached. But it should not matter when a person starts thinking about pension. It is a popular expectation that a person should be able to obtain all necessary information. Yet, a person can only obtain this information through an encounter with the

state official, organization or unit representing the state. The working of bureaucracy is known for creating barriers and distances (Herzfeld, 1992) which raises the costs of getting the information up to the point of giving up on it altogether. And, although with pensions in Belarus, the encounters with the “state” through its representatives is minimized, it is by virtue of these communications with the state and practices of state (Midgal and Schlichte, 2005) that the mental space (Lefebvre, 2003) or image of the state (Midgal and Schlichte, 2005) is created. The missing communication, the lack of explanation about how pensions are calculated creates the view that the pensions are “given out” at the discretion of the higher authority that is unaccountable and that is acting on its own will, without any reference to the person's contributions or efforts.

In order to reach the public, information needs to be “unpacked” and presented in acceptable form. In other words, not everyone can read the Pension Act and its amendments and make sense out of such reading. A person could buy a brochure with the pension provision Act or read it in a library, but we should not have illusions about how many would actually do that. Moreover, it becomes virtually impossible to individually calculate it because a lot of data is needed, that is often not available, such as the record of all monthly wages of a person over a long period of working history, together with the average wage in respective months for comparison, etc. More confusion into this may also be brought by the fact that during the years of work that would be taken into account for pension calculation, a change of currency (from Soviet rouble to Belarusian rouble) and several currency denominations took place. As one of my interviewees, who is an accountant, confessed:



*“One probably has to be very smart to be able to understand/make sense of (разобраться)the system. So much is written there! One has to sit down and start figuring out. If only there was interest to do it and if it made sense to prove for example that somebody’s pension was calculated incorrectly.. one could sit down and figure out, but one has to take a pencil and paper and read thoroughly (вчитываться), write everything down. But this system...I took a quick look last year, these years and these years, then there are some coefficients, then in some years we had denomination....All in all, everything is so complex that it seems to me that even a very smart person would have it difficult to understand. Where did those coefficients come from? Why so?..”(50 years old commodities expert working in a shop).*

It makes the whole process not worthy the time and effort spent. Yet, the leading specialist of the Department of pensions allocation and payment of the Minsk city Administration for Work and Social Protection of population, in conversation with me about the availability of information to people named libraries as one of the main sources of information about pensions, together with a few state-published specialized newspapers where official documents are published, and internet. Such opinion from the professional could mean that in the state administration (on a city level at least, in this case) there is no understanding of public concern and little intention to inform people about the mechanisms of pensions system. As noted in Herzfeld's “Social production of indifference” (1992), it is one of the features of bureaucratic alienation that the easy and handy ways of finding information or solution for a problem are not in place. State newspapers are not helping by re-printing the code of laws without properly explaining them; the internet is not widely recognized as a source of information in Belarus yet<sup>13</sup>; and libraries – people just do not have time to go there:

*“I simply don’t have time for that – going to the library. I came across an article in the newspaper, where a question was asked “how pensions are calculated, the coefficient” and the system they described was so complicated! If you are planning to retire you take these years, and then something is*

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<sup>13</sup>According to the data published by ISEPS (Independent Institute for Socio-Economic and Political Studies) in 2008 only 35,9% of population of Belarus could say they were using internet (with varied frequency), of which almost half (44,3 %) were people under 30 years old (<http://www.iiseps.org/9-08-09.html>).

*multiplied by something, and something else by something else and as a result you get this. And as a result you get nothing. You know, whatever you do (как ни крути), the result is very small". (50 years old woman, operations manager in a bank)*

As with other social norms ascribed by the state, the routes and agencies that provide information are inadequate to those that people use. People's convenience does not seem to be a factor or a goal for any state organization.

In this context, it is not surprising that the most popular and available sources of information about pensions for people are their family and friends, their colleagues and rarely popular media like radio and newspapers. However, information of this kind does not always have an explanatory value. As a result, people know just how to approximate the amount of their future pension by asking their retired colleagues with comparable wages and work histories, or pensioners from their social network, about the amount of their pensions, and relating these pieces of information. But such sporadic gathering of information sometimes raises more questions (about pension justice and differentiation of pension calculation, for example) than provides answers. The information is spread "by word of mouth" which makes it susceptible to various interpretations. Hence, confusion, puzzles and the creation of public myths about pensions based on patchwork information at hand is ongoing (more on public communication patterns in chapter 8). This has become the specific feature of the Belarusian "mental" space. This is also why many of my interviewees confessed they had "some understanding" of pensions but no certainty, which did not allow to call it "knowledge".

The Administration for Work and Social Protection also holds "open day" consultations once

every three months in a district of Minsk, selected on rotating basis. All are welcome to have their questions answered by the specialists from the Administration for Work and Social Protection during the open day at certain hours or send their inquiry to the committee in writing. Having visited one such “open day” consultation, I noticed that the atmosphere there happened to be welcoming and helpful. Although the time was limited to around 2-3 hours for all, it was possible to get a first-hand professional advice about personal case regarding pensions or other social security issues at such event. However, the public turnout to these consultations, as was observed and according to the consulting specialists, was small, which could be due to poor advertisement of these events, inconvenient timing or else.

### **5.5 Explaining lack of knowledge - motivation**

What seemed to be “very little” knowledge to me was “just about enough” for some of my interviewees and I prompted to find out why they thought so. In the research report done by IPM (Baturchik and Chubrik, 2008) a conclusion was made that having little knowledge about pension system could be explained by the fact that people were not thinking about pensions. They argued that if pensions were not a topical issue for many, people would not be trying to obtain information about it. However, this research argues that this is not the real reason, or at least not the only one, for not seeking information, because concern about pensions is high on the list of public opinion issues. The barriers for learning about pensions and obtaining information that were discussed above do not fully account for the lack of knowledge and interest in pension system. Importantly, a lack of motivation for obtaining this information stands out as another factor and is, as a matter of fact, derived from a general understanding of

the state-society relations. Many of my interviewees explained that they rather didn't see a reason for investigating into pension mechanisms as the cost of obtaining this information was too high and the use of this knowledge was negligible. Moreover, with retirement age being so close, many found it was too late to search for information and subsequently far too late to act upon it. According to many of interviewed people:

*“It is not important if I read it [pension act/legislation] or not. I won't have a bigger pension if I do. Even if I read it and will know – so what? And also, I have 5 years until retirement, we don't know what can change.”* (50 years old woman, operations manager in a bank)

*“To be honest, I haven't really tried too hard to understand, (не вникал) for one reason: I knew that if I tried to understand I could not have changed anything. I will get what I have deserved (заслужил) according to the state. Whatever is set (устаноовлено) for me, for the 25 years they will select and determine what I will receive, and that's it. Why wondering, I won't change anything. How can it be changed? – one has to be a deputy, sit there [in Parliament] and ask questions and seek for reasonable alternatives of what is now. I am an ordinary citizen who gets what he/she deserved, what the state gives. Nothing can be changed here. I understand, one should be inquiring...”* (59 years old man, worker at an advanced electronic equipment enterprise)

The lack of motivation explains not only the lack of knowledge about pension system, but reflects the relationship between people and the state. When people understand that little can be done with information and therefore the value of having information is small, they defer state to assign a pension for them according to the state rules as only few state agents can make sense of.

The main damaging factor for motivation that my interviewees named was disempowerment to use information to make changes. It is true that in the solidarity system the amount of pension does not depend much on the individual knowing the details of its calculation. Information in such system is useful for having an adequate estimate of the income in

retirement that comes from participating in a state security plan for personal use and planning family finance. If the link between previous wage and pension was pronounced then a person would be able to influence future pension by increasing income during the working life. Yet the observed fact that pensions are not differentiated (equalization/levelling will be further discussed in chapter 6) becomes another very demotivating factor for gathering information about pensions. As another interviewee said:

*“My knowledge – what will it give me? Nothing but disappointment.. If I know and have all the calculations and coefficients – it won’t change the sum. And I anyway can not disprove something or add something. I won’t be able to change anything, I won’t get what I would like, having worked for all these years. In principle, we take it with humility, as something unavoidable, independent of us”.* (53 years old woman, school teacher).

In terms of Lefebvre's theory, this attitude marks the distance and little interaction between “social” and “mental” state spaces, and their alienation. The elements of “social” space such as rules of retirement and the amount of pension are taken for granted due to barriers for understanding them and lack of motivation based on the distances created by bureaucracy. The perception of humility results in resignation from looking for additional information and clarification of the mechanisms on which state-society relations are built in the sphere of old age security. In Belarusian context this knowledge is considered of little use.

It is important to make a reference to a more general sense of instability and uncertainty in everyday that people in transition countries express, including Belarusians. And although state ideology has long ago proclaimed the end of transition and emphasised growth, people continue “living by the day” and being insecure of what tomorrow brings. People that I interviewed were discouraged to learn about how pensions were calculated because they saw

the system as unstable, because rules of pension calculation have changed before and could be changed again by the time they retire:

*“It is unstable, indeed. I’m telling you, those laws about pensions could change during these 30 years 5 times: today so, tomorrow another way, and the day after yet another way. That is why nothing depends on me. When my time comes to retire, it will be calculated and that would be it. I will accept it as granted. Why would I make plans for 5 years ahead if in 2 years it is going to change?”. (53 years old woman, human resources officer at a plant).*

Such uncertainty as also powered by the rumour about coming change to the rules of retirement, the increase of retirement age, etc. (addressed in more detail in chapter 8). When long term planning and thinking ahead are obstructed, “living by the day” remains the only feasible strategy with which old age and retirement are approached.

## **5.6 Knowledge about Soviet pensions**

For the age cohort of people reaching statutory pension age within the next five years the Soviet pension was not a “lived experience”. Having lived in socialism and post-socialism, people from the studied generation have learnt about pensions in the Soviet Union from their parents who started drawing pensions in the late Soviet years. It has been 18 years since the collapse of the Soviet Union, but the memory of it is surprisingly persistent. In some instances the topic of Soviet pensions in the interviews was brought up by my interviewees ahead of me asking. Although it was not generally easy to compare times, pensions, and pensioners, it was remarkable that interviewees spoke about Soviet pensions with no less (and sometimes even more) confidence and familiarity than about the pensions in contemporary Belarus. Everyone knew that a “maximum” pension in the Soviet time was 132 roubles, and it was higher than

the average by about 30 roubles. The level of substitution of wage income by pension was quite high, also due to the fact that the wages were small as they were complemented with the number of free services and supplementary benefits and socialist state subsidies, etc. Overall a general feeling was that a pensioner in the Soviet time was more protected and could do more on a pension than a current Belarusian pensioner can.

*“It used to be like this. Say, having worked for 30 years or more a person had a pension of 132 roubles. My father had a pension of 132 roubles, my mother received a high pension too because she was an honourable donor. And this was the money that you could live of and could stop working. For a comparison, in those years I received a wage of 160 roubles and my father received a pension of 132 roubles. And now I can’t even imagine what it is going to be like. I was told, when I was in the hospital together with one driver, I don’t know what his wage was, but now he has a pension of 420 thousand roubles and it is an increased one because he has an invalidity. I have no idea how it was calculated, no idea at all. I can’t imagine how to live of this money. I keep thinking all the time what it will be like, what is going to happen...”* (57 years old man, director of a theatre).

People of the interviewed generation were at the beginning of their careers when their parents started retiring. Their wages at that time were not considerably larger than their parents’ pensions, as Soviet pension substituted average wage by at least 60 and on average by 75 percent (The example of Soviet pension calculation see in Appendix 8). When they will be retiring, the pensions they are going to receive will be just above the minimal consumer budget and only substitute about 40% of average wage in the republic. The real value of pensions had fallen. In addition, the two pensions do not compare only on this nominal criteria, because Soviet pension was supported with a package of benefits and social services that used to be available and highly subsidized in the Soviet state but are not in place in the independent state. Instability of present day conflicts/contrasts with the confidence and predictability of the past. It is not surprising, in this light, that the studied generation feel

cheated in the chain of generational solidarity with the prospect of small pensions. However, they have been living and working in the post-Soviet state for more than the last 19 years and due to this fact the claims for welfare in old age are with the new state.

Although the situation has changed the memory of the past is still very vivid. At least for a short period of time, people of the generation under study imagined, at the start of their working careers, that by the end of their life they would be granted a similar lifestyle like the one granted to a soviet pensioner. The era has changed and those expectations are long gone. The memories are being brought up merely for the reference to the socialist model, with some characteristics that a modern Belarusian pensioner still aspires for. At the same time, it would be incorrect to say that people are nostalgic about Soviet state and its social security provision and would like to go back to the past. The study of popular opinion showed that people of Belarus would not like to go back in time in order to live in the USSR (Table 5.2).

Table 5.2 Dynamics of answers to the question “Would you like to restoration of USSR?”

Option/year	11'93	11'97	11'99	04'02	06'04	04'06	06'08	12'08
Yes	55,1	49,9	38,0	38,8	39,5	26,7	36,7	21,5
No	22,3	25,5	30,1	42,6	50,8	63,4	51,4	63,3
Don't know/hard to tell	22,6	24,6	31,9	18,6	9,7	9,9	11,9	15,2

Source: IISEPS, Dynamics of Belarusian Public Opinion. Available from: <http://www.iiseps.org/trend.html>

As it was pointed out by one of interviewees:

*“We have a lot of changes all the time, since 1991 there were constant changes. And we were hoping to get some stability in old age. Because we were raised in Soviet union when we inspired that “the state will take care of you” and you can rest. At that time we broke, but haven't changed (мы тогда сломались, но не перестроились). It is psychologically difficult to change into new way. But we try. That's why trust is now gone and one doesn't know what to expect” (51 years old woman, design engineer on a machines plant).*

As the research on Soviet nostalgia points out, references to the past are not necessarily



related to the reminiscences for the Soviet state (Pine, 2002; Todorova and Gille, 2010). What people missed most were the feelings of stability and predictability of the future in a broader sense, and of pensions in particular, in Soviet times, the high income substitution of wage by pension and other benefits that made pensioner's life “decent”. The generation that has ‘tried the fruits’ of both regimes, although at different stages of their life cycle, no longer have illusions about the Soviet past. It is with the reference to certain things in the past that the relationship with the new state is constructed, the expectations from the new state are formed. The image of the new state, for as much as it takes over the liabilities for pension provision from the Soviet state, takes part in shaping up the relations with the contemporary state.

### **5.7 Discussion: how much do we need to know?**

The issue of having little knowledge and being confused about principles of pension system by individuals exists in many countries with different pension regimes (Barr, 2006), although the amount and kind of information necessary for understanding pensions in these systems are different. It has been argued (Sunden, 2006a) that understanding how defined benefit scheme works is somewhat easier than understanding defined contribution, if formula for calculating pension benefits in the former is not too complicated. Little information could be satisfactory for an individual in pay-as-you-go solidarity system because the control of one’s future benefit is negligible and the cost of acquiring information incomparable to the reward from it. Simply put, in pay-as-you-go defined benefit pension system financed by the state benefits are usually determined by a combination of earnings and years of service and are expressed as a wage replacement rate. The information that is necessary to know in this system is the age of

retirement and the determinants of the benefit. Compared to the private and occupational pension plans that require more financial education to manage one's savings, in pay-as-you-go system risks are shared collectively, among people of the retiring generation.

In addition to barriers to obtaining information, there exists an element of uncertainty connected with pensions being a long term contract with dividends received for an indefinite period in the future. Whereas in pay-as-you-go systems this risk is spread across generations, it is inherent in defined-contribution pension scheme, related to the imperfect information that an individual is bound to have regarding the financial planning of pension (Barr, 2000), and those that can be solved by having more information. However, when considering the balance of individual and collective responsibility it is important to differentiate social policy assumptions from actual behaviour of public (Rowlingson, 2002). For instance, it is dangerous to assume that people are informed, interested and knowledgeable in long-term planning, that everyone has resources for planning ahead, whereas in reality it is often observed that people find it difficult to make projections into the future. This factor should be especially emphasized in studies of populations of transition economies, as here the feelings of insecurity and uncertainty are magnified. Breaking out from the paternalism and collective responsibility of socialism, when the state guaranteed provision of social security “from cradle to grave”, is not happening easily due to lack of habit to do so and lack of resources during the turmoil of transition. The format of “living by the day” has become the emergency strategy that replaced the myopic safety of the past.

In the existing system in Belarus individuals acquired “comfort in not knowing” about how

the pension system works. It turns out that the little information as they have is enough to live in the system, to be its member. Because contributions into the Fund for Social Protection are extracted from the gross wage by the employer, responsibility for paying out pensions is associated only with the state, and because all other options for provision for one's old age are limited, people have nothing else left but to rely on the state as a security provider and patron. Yet it does not mean that in public pay-as-you-go systems people do not need to know the terms of the new rules of state-society relations/social contract. On the contrary, it is very important that people understand the principles and have that knowledge in order to make adequate planning for their old age, being aware of respective risks. In contrast to the private pension provision schemes, where information is used by individuals in choosing a private pension plan (Bernheim and Garrett, 2003; Duflo and Saez, 2003) or estimating incentives to retire (Chan and Stevens, 2008), in pay-as-you-go an individual needs this knowledge, as is true for Belarusians, in order to plan additional and back-up strategies of income provision in old age.

Experience of the countries that reformed their PAYG systems demonstrated the importance of working with population, informing them of changes and explaining the new system (Perek-Bialas *et al*, 2001; Vanovska, 2004). It influences/motivates participation in the system, and articulates that tax avoidance and avoidance of paying contributions is disadvantageous for the person's future pension. Importantly, it is not only availability of information and its amount that matter, but the appeal of it, being able to “process” it and use in making decision about choosing ways of securing for the old age (Barr-Diamond, 2006; Sunden, 2006a). It is important for policy-making in any system to make it (system) more

transparent and understandable and to not take for granted that individuals are informed about the possibilities and risks of the system.

In this light, it becomes very important to make the terms of “new”/changed social contract clear for its participants where state's responsibilities and ability to provide for pensioners have changed from what they used to be in Soviet time. Although public attitudes to social security were changing under effect of socio-economic transformation and as a response to internal policy-making, it should not be assumed that the expectations from the state have changed automatically. The change in mentality, when tax money is being thought of as state's money, has transformed and understanding that “what one receives the other person pays” has to come instead of treating all benefits as state's generosity (Csontos *et al*, 1998).

## **5.8 Conclusions**

Information campaigns in transition countries were launched before and during pension reforms, but in Belarus no effort on informing public has been made by the state about the alterations that took place in retirement regulations in the past twenty years. However, many people from the studied generation have observed how retirement changed in the way it is lived. This widens the gap between social space and mental space in what applies to understanding of retirement and pensions in Belarus. Whereas the state tries to maintain its paternalistic image, the guarantees and provision for elderly have been scrapped off the state's practices. It was for the pensioners to figure out on their own, the hard way, that the social space has changed, even though it has taken much more time to understand the new rules of

retirement, by which the social space of the state works. In the mental space the references to the old social forms persist, and interpretations of new relations are largely intuitive. Knowledge about the social space is valued little as it is not useful. The invaluable knowledge in the axis of Belarusian social security would be about finding alternatives to it, which can help an individual be less dependent on the state “protection”.

In Belarus pension administrators work with human resources managers in organizations and neither of them properly communicate information about pension system and pension benefits to people and consequently are not considered by people among primary sources of such information. Learning from peers is an alternative source of information as people exchange information and share their considerations about pension planning with their colleagues. Exchanging information with people from the direct network – colleagues, friends and family members - were reported by interviewees in Belarus as the most common source of information about pensions. Yet, as has been pointed out, it is not the most effective way of obtaining information, due to the fact that the quality of such information is dubious and only multiplies/spreads confusion and myths (also discussed in chapter 8).

The link between contributions paid and benefits (received later) is weak which gives more ground to the popular myth that pension is “given” by the state at the state's discretion. By accepting that the state's calculations are correct, one has to fully rely on the state to do it which disengages an individual and kills motivation for learning, turning an individual into a uninformed participant in the social solidarity scheme. Moreover, people see barriers for obtaining information about pensions to be artificially constructed by the state in order to

cheat them on how much a pension actually should be, corresponding to their needs and to what they deserved. The gap that sets far apart the real life and the state model of social space thus manifests itself in inadequate social indicators that bear little relation/reflection of everyday life. The feeling of disempowerment and lack of motivation also stem from the small differentiation of pensions that is seen as unfair, and from the inability to re-establish social justice – the issues addressed in the coming chapters.

## CHAPTER 6

### PENSION AS A RIGHT AND AS A REWARD

#### 6.1 Introduction

Pension systems have a number of objectives, including “insurance (e.g. in respect of the longevity risk), consumption smoothing (i.e. enabling people to redistribute to themselves over their life cycle), poverty relief and redistribution. Some writers argue that an additional objective is to promote economic growth” (Barr 2006, p.2). But put crudely, pension systems are usually organized to have two main sets of roles – of social insurance and social assistance. In multi-pillar pension systems, the first/basic pillar is usually organized as social assistance (universal or means-tested) and the ones that are built on top of it are usually social insurance (PAYG generational solidarity or private funding). The goal of social assistance is the reduction of poverty in old age, whereas social insurance aims at income substitution in retirement. Different pillars serve different objectives better. For example, public pay-as-you-go is redistributive and provides poverty relief, whereas only to a certain extent it does social insurance and income smoothing. Sometimes these two roles are mixed, which results in the lack of transparency of the pension system (Avgustinovics, 2002). It has been observed (Arza, 2006) that the trend pension reforms are taking is directed towards separating these two layers/roles and redefining distributional logic.

The goals of the Belarusian pension system are mixed. It is unclear what a pension in Belarus is aimed at providing – a subsistence minimum to support an individual in old age, or a life provision at a higher percent of income substitution. It is a single pillar system, pensions are small and undifferentiated, which are signs of it being a social assistance in fact. However, at

the same time, the mechanism of its calculation, the systems of individual accounts and personal pension coefficients make an impression, although unpronounced, that pensions have an income related social insurance component. This duplicity is a result of the incremental changes brought to the old system (with blurred goals of its own) during socio-economic transformation. The lack of transparency between the purposes that pensions serve has contributed to the confusion and duplicity of understanding in the meaning of pensions.

In interviews, the understanding of pensions was described by means of two categories – that of pension as a right and pension as a reward, in a peculiar mixture of the two. In this chapter, the meaning of pensions as they were understood by Belarusians is de-constructed and it is argued that analysis of this kind hasn't had appropriate attention by social scientists despite its importance for (possible future) policy reform in transition countries, including Belarus. In the “mental space” pensions are understood as 1) a right provided by the law and based on participation in the solidarity system and paying social security contributions; and at the same time as 2) a reward for work/labour participation in contributing to country's wealth/prosperity. In the “social space” the definition of pensions is more pragmatic and does not have the moral connotation of being a reward. The problem of state-society relations lays in the incongruity/discrepancy of the two spaces, both of which stem back to the meaning of Soviet pensions. In the end of this chapter, I test what kind of knowledge people have about pensions outside Belarus and how it influences their opinions about pensions within the country.



## 6.2 The evolution of the meaning of pensions. Soviet pensions

The notion of pension as a “right” dates back to Soviet Belarus. The Soviet act “About state pensions” dated 1956 can be seen as a landmark in pension provision that broadened pension eligibility and eased conditions of its attainment, increased the amount of pension benefits, and most importantly, separated pension legislation into a new sphere, thus building foundations for the system of universal state pension provision.<sup>14</sup> Earlier, old age pensions were a part of a broader social insurance, organized on the voluntary basis by People’s Commissariats and cooperatives to provide support for the categories of people unable to work (Grigoryev, 2000). With the named pension act its main features included universality, mandatory contributions from factories and establishments that constituted the main part of state budget, and also legitimized benefits for certain categories of the employed such as maternity benefits, length of service pensions, etc., and provided certain recreational and medical types of assistance. In general, social insurance provision came in two forms: money payments and services and benefits free (or subsidized) for individuals, such as trips (путевка) to vacation houses, medications and health improvement trips to sanatoriums, food packages/provision, etc.

With an exception for the Soviet elite (Matthews, 1978) pension differentiations were small. Although years of contribution mattered for the final pension, especially the amount of time worked in one job (continuity and loyalty were rewarded), the calculation of pensions was

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<sup>14</sup> This law did not make pensions universal, as they did not cover collective farmers, who amounted to about a third of the population. A few years later a special program regulating assistance and pensions for collective farmers was launched. Since then pensions for collective farmers are being regulated separately from all other old age pensions. For this main reason, this type of pensions is excluded from analysis of this research, and the focus is maintained on old age pensions for urban workers.

based on the final salary, received on the last few years on the job and in this way not reflecting on the whole working history. Pensions were the responsibility of the state, paid from the state budget, partially drawing on the compulsory contributions from enterprises and were the only income security in old age for most citizens (Lillian, 1993). Workers didn't make any contributions as these were done for them by their employers, which were all state institutions. Hence, pensions were not very differentiated and were dependent on years of service rather than level of contributions. Since Soviet ideology propagated universal employment, and placed an emphasis on the pride and importance of work, having a job was one of the main components of being a good citizen and a guarantee of a pension in later life. In the Soviet planned economy labour participation was high, sometimes characterized as "overfull employment" (Granick, 1987). There is not enough evidence to affirm that growth of participation rates was instigated by the pressure from soviet authorities defined as "obligation to work in the socialist sector" or could partially be due to the changes in taste among population (Granick, 1987). But the emphasis that every job was important as an input into prosperity of the Soviet state and the fact that having a job guaranteed other benefits over the life course has been very persistent and survived long after the collapse of Soviet state.

The notion of pension as a "reward" also goes back to the time of Soviet Union. In the Soviet state a pension was considered as a "*hard-won fruit of revolutionary struggle*" (Chandler, 2001a). Pensions in Soviet Russia were initially introduced as a reward that later became universal to signify the prosperity of socialism:

*"In theory, citizens were supposed to have a basic right to an old-age pension. In practice, the pension system operated to reward those who, in the estimation of Soviet authorities, had made recognized contributions to the success of*

*socialism. Pensions were not unequivocally guaranteed but were rather conditioned on the material prosperity that supposedly accompanied socialism”*(Chandler, 2001a, p.411).

The aim of the Soviet pension system, which all eastern European post-communist countries took as a model when expanding their social security systems, was “*not to guarantee the minimum income to all aged citizens, but to reward long service records in a state-controlled economy*” (Fajth, 1999, p.418). The reward in a form of a pension came from the revenue generated in the state, into which every Soviet citizen contributed with his/her labour and thus gained the “right” to be “rewarded” (deserved a reward). As already mentioned, loyalty and long service at the same working place was rewarded by a top-up to the pension which could also be seen as “deserving” a pension.

Although pension legislation of the Republic of Belarus grew out of Soviet law that conceptualized pensions as a reward, the notion of pension as a right was later (by amendment of 1998) reinforced in it, incorporating a personalized pension coefficient into the calculations of the pension's amount, that was supposed to reflect on the working history. Pensions became seen not so much as government handouts, but as an earned right. However, the meaning of pension as a reward is still echoed in public understanding of pensions and, as research revealed, still both understandings - of pension as “right” and as a “reward” persist in the ways people think about pensions.

### **6.3 Post-Soviet pensions**

In the period of socio-economic transition pensions took up both functions of social insurance

and social assistance provision in old age. Those who were laid off work up to a year before reaching official pension age because of enterprise shut down, bankruptcy or job cuts, could claim retirement pensions earlier; claiming disability pensions were another way to “retire” early. These measures of allowing retirement were resorted to in order to keep people out of poverty. Hence in the difficult times of transition, pensions have taken up functions that were uncharacteristic for them and the pension system has been burdened by these excess function in addition to the pressures of a deteriorating demographic situation. Although the general amount of expenditures in Belarusian GDP fell in the early years of transition, the expenditure on social security did not, and pension expenditure even had a tendency to increase (Morova, 1998. see Table 6.1). Pensions were providing general social security for the elderly. Even though in the 1990s pensions were lower than the minimal consumer budget, it was a relatively stable<sup>15</sup> money income that pensioners received and thus provided some support for pensioners. At the same time the realisation that pensions were the only source of income and will not be enough to live off also dates back to this time – when pensions started losing their real (money) value as well as their meaning of a reward, and retirement no longer signified the discontinuation of work.

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15 In Belarus delays in payment of pensions were not long-lasting. Even delays in payment of wages in some organizations could last longer. Delays in payment of pensions in Belarus were also shorter than those in neighbouring Russia, for example.

Table 6.1. Share of social assistance and unemployment benefits, family and maternity allowances and state expenditure on pensions in GDP, in % (in Belarus)

Year	Social assistance and unemployment benefits	Family and maternity allowance	State expenditure on pensions
1990	--	1,6	6,1
1991	--	3,4	6,3
1992	--	3,8	5,7
1993	0,04	2,4	7,7
1994	0,2	3,0	5,1
1995	0,1	2,5	7,6
1996	0,1	--	--

Source: Morova, A. (1998)

At present, the Belarusian Pension Act defines pensions as a right. In the Article 1 of Pension provision Act of the Republic of Belarus it is said that “citizens of the Republic of Belarus have a right for state pension provision in old age...”.<sup>16</sup> The right for “worker’s” old age pension is granted to an individual that has reached retirement age set by the law, on a condition that an individual had been participating in the system, and/or his/her employer on his/her behalf, has been paying the obligatory pension security contributions. Further in article 26 it is said that “Old age pension is assigned for life, irrespective of the ability to work (трудоспособность)”. Considering that working histories of the majority of the population exceed the 5 years minimal contributions requirement for a minimal pension and usually exceed even the requirement for contributions for a regular pension (20 years for women and 25 years for men), old age ‘worker’s’ pensions are almost universal.

The first article, as can be seen, links the right of a pension foremost to reaching old age,

<sup>16</sup> The article also outlines further the cases in which pensions are being paid, including social, invalidity pensions, etc. and conditions for eligibility for old age pensions. Permanent residents in the Republic of Belarus citizens of other countries and individuals without citizenship have an equal right for pension with citizens of the Republic of Belarus, unless otherwise provided by law.

having set aside the “social pensions” that are supporting people in difficult life circumstances like illness or disability, or a loss of breadwinner or others. In Belarus, as follows later from Article 11, this age was determined to be 55 years for women and 60 years for men. Whether this statutory retirement age still reflects the ageing and becoming “old”, particularly “being too old to work”, is debatable. Life expectancy rates from birth have been growing worldwide, however in the countries of Eastern Europe they remain the lowest in Europe (Kinsella and Velkoff, 2001). Furthermore, even though the margins of the social category of “old age” have shifted further up in a life course - what used to be considered in society as “old age” a few decades ago is not likely to be considered “old” at present - this margin has been quite steady/stubborn in what concerns definition of being old as eligibility for a pension. This is one of the central arguments to retirement debate, questioning what would be the appropriate and socially fair age of retirement and whether it should be shifted due to the fact that many people continue working beyond this age (further discussion about retirement age in chapters 7 and 8).

In the years since Belarusian independence the principle of social solidarity in the pension system remained almost unchanged. The current law “About pension provision” (Pension Provision Act, based on the Soviet pension legislation) was accepted in 1992, although changes and amendments have been added to it almost annually since then. Among the most significant was the introduction of personified accounting (персонифицированный учет) that came into force in 2003 in order to simplify social security registration by having a personal record - individual social security account. These changes do not affect the system as such, the principles that its financing is based upon, and could be viewed as changes of

optimization of the existing system. The system remains highly redistributive, with a low differentiation between pensions. The relationship between contributions and benefits is not demonstrated by the pension's amount, it is too uniform to be reflective of them. Pensions have lost the components that constituted pension as a lifestyle in Soviet Union, with many more services and benefits unavailable. The legislation about personified/individual accounts reinforced the notion of pension as an earned benefit rather than a “gift”-benefit from the state. Pensions exist, more so in “mental” space, as a right to an almost flat-rate/levelled-out compensation/assistance with small percent of pre-retirement income substitution. As one interviewee described:

*“I understand that my pension should be based on the contributions that I have been making. But I haven’t thought this through... (я не вникала) may-be in 20-30 years it will reflect... Its just that our pension system is not very slick. Here pensions are somehow “averaged” (усредненные), I think. I have a feeling that they have set an average of 350 thousand for example, and manoeuvre around this amount, some receive a little more or a little less”. (54 years old woman, economist in a private firm)*

However, due to the fact that the Fund for Social Security is being administered by the state the understanding persists that pensions are paid by the state and from the “state money” (Baturchik and Chubrik, 2008) and pensions are at the discretion of state as social security is monopolized by the state. The meaning of pension as a reward is fortifying and supportive of the one of a right, although it has become rather secondary in contemporary society. It is being expressed as the demand for personalization of reward and the notion of “dignity”.

#### 6.4 The link between benefits and contributions

To a certain extent, the levelling of pensions occurred during the Soviet period. Since 1956 minimum pensions were raised twice, whereas maximum pension was not changed and thus the ratio between them changed from 4:1 in 1956 to 2.4:1 in 1981 (Porket, 1983). Although in Belarus income differentiation is not as drastic as happened in Russia, due to reasons such as the slow scale privatization process, restrictions and state policies that prevented accumulation of capital, increased income differentiation became a norm of post-socialism and became seen/accepted as fair. It is not surprising that since pensions were constructed in the “social space” as a right, in pension system growing income inequality actualized in the demand for differentiation of pensions and strengthening of a link between pensions and income before retirement. However, the preserved old solidarity mechanism of pension system was not able to fully reflect this differentiation. Growing dissatisfaction with the levelling of pensions and social injustice was voiced by interviewees.

*“It is insulting (обидно) that a person that worked as a cleaner, for instance, which didn't have education, didn't have professional tests on the regular basis, never had to know all those numerous instructions and work fast... Or a person that was enlisted somewhere, sat somewhere, did something, and received wages, like everybody in Belarus... will receive the same pension as me, having done all of that and having had all the qualifications. Is it fair? And although, the contributions to the Social Security Fund from my wage is a 35% of a different amount/sum. Why is this not returned to me?” (50 years old woman, operations manager in a bank)*

*“The state is used to communalizing and generalizing everything, in the same basket, like right now and like it did before – wage was the same, a hundred or 120 roubles, pensions as well. Now wages are different, but pensions are the practically the same. It is an absolutely wrong approach”. (58 years old man, head of the computing department on an enterprise)*

The demand for the re-construction of “social space”, for a new type of social justice that



respects inequality and rewards appropriately has been shaped, as it has been demonstrated, despite the inertia of the state government to respond to the marketization and engage in privatization.

It appears that in practice pensions in Belarus are not very differentiated, despite the inclusion of individual pension coefficients in the formula. The difference between an average pension in the Republic and an estimated maximum amount of pensions received by working pensioners is not bigger than £20. That is unless pensions of military servants or state employees are also included into the comparison, as they are usually 1.5-2 times higher than the average pension in the Republic. The low differentiation of pensions in Belarus occurs for the following reasons. Firstly, as mentioned in chapter 5, there are principles in the formula that bring the differentiation down, and there is a maximum pension coefficient. The minimal pension is always being topped up by 15% of the average wage in order to adjust factual income of pensioners to the growth of average wage in the Republic.<sup>17</sup> Thus, the minimal and maximal pensions are being brought even closer together, narrowing the corridor of differentiation. Secondly, the coefficient of income/wages differentiation in Belarus is not very big; in 2007, it was 5,6 which is near minimal by standards of market economy (Sokolova, 2009). Pension differentiation, that mimics it, is even smaller, as it is brought down by the coefficient. Thirdly, for those who continue working after retirement the coefficient is limited/capped at 1,3 (maximum 30% above average) and hence pensions of working pensioners might seem to be “equal” as that difference is negligible. For all categories of professions and ranks, except military and state administration for whom

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<sup>17</sup>Resolution of the Council of Ministers of the Republic of Belarus from 22.12.1999, № 1976, in accordance with article 70 of Pension Provision Act. Available from: <http://mintrud.gov.by/ru/pensia/infal> [Accessed 14April 2011]

pensions are assigned differently (as mentioned earlier in chapter 5), the difference in pensions received is small. As many new retirees continue working for some time after they start receiving their pension, pensions seem flat-rate. Quoting just a few from a number of people's expressions of discontent, and confusion, best describes the problem;

*“One person can work very hard (nauem) for all his/her life and later receive only 70 thousand more. And another person is lazing and receives 200 thousand. Of course, one has been lazing throughout his/her life, receiving 200 thousand, and now receives a pension, whereas I worked and worked, but anyway my salary was small and my pension is small”.* (51 year old woman, shop assistant)

*“Work history is counted, years of employment and somehow they take all those 24 years, they somehow put it into a computer and computer does the calculation, taking best years out of that...and some kind of coefficients... basically, they average out so that everybody gets the same, regardless the work place. Everybody get 320-330-340-350 thousand roubles or so. There is a special program there that makes it similar (equal) for everybody”.* (54 year old woman, administrative assistant in the municipal department for sports)

The problem of equalization/levelling of pensions for all was brought up in the majority of conversations with Belarusians during the research. In all occasions, it was a cause of distress and concern and an indicator of the unfairness of the Belarusian pension system. Negligible pensions differentiation, referred to as “equalization”/levelling by people, was not fully recognized from the “state point of view”, expressed by the leading specialist from the Department of pensions allocation and payment of the Administration for Work and Social Protection of the city of Minsk, based on a rather technical argument. She referred to the fact that the pension calculation formula technically reflects on previous income and therefore pensions cannot be “the same” for different people, although certain similarities are possible for the workers with similar careers:

*“If the difference in the salaries was not too big, then the coefficients will be similar. In principle, if there is the same number of years of service and approximately similar conditions of work payment, then pensions will be approximately the same. It is one digit and five more digits after comma[0,0000] and therefore there are lots of options, and it is difficult to find two absolutely similar coefficients. What they [people] say is nothing more than a small talk”.*

The Head of Division/department of development of pension system of the Ministry of Labour and Social Protection explained that the existing differentiation of pensions reflected on the differentiation of wages, following a similar distribution curve with the same amplitude, and hence was not surprising.

In addition, the connection between benefits and contributions was less evident for people because they only paid 1/35 of total contributions,<sup>18</sup> whereas the other 34/35 was being paid by employers from the gross wage. As many were not even aware of the bigger part of contributions paid by their employers, people found it difficult to evaluate if their money contributions was enough to pay pensions to existing pensioners in the existing pay-as-you-go system and if it was enough to accumulate a significant sum for retirement, if that money was accumulated on personal accounts. The wish that the link between contributions and future pension should be more emphasized was voiced by some of my interviewees who were seeking for social justice to be re-established by personalization of pension contributions and individual responsibility for old age security:

*“Where do I contribute to? The income tax we have is big, but I don’t know where and how it is redistributed. And also, my husband always tells me that we make 33% of social security contributions, our employers do, somewhere, but I don’t see where these contributions go. We don’t see it...” (50 years old woman, assistant head of school)*

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18 Individual entrepreneurs are obliged to pay their own pension contributions, and judging by individual entrepreneurs among my interviewees, they are usually aware of regulations regarding financial obligations and payments.

Yet, rarely were people's judgements about (un)fairness of the pension system, especially about the (in)adequacy of pension's amount, built on calculations or estimations of the money contributions they made during their years at work. In fact, when a few interviewees attempted to make those estimations on the spot, not taking into account capitalization, annual interest, and external factors such as inflation and currency denominations, the outcome/result didn't make much sense. It only demonstrated a misunderstanding by the individual of how financial institutions work and how the pension system works. And truly speaking, such calculations and approximations are of little use in the solidarity system where future pensions depend on other factors, reflecting rather the economic development and demographic situation in the country. It is impossible to single out personal contributions for the years at work, sum them up and pretend this could be a total amount that would have been accumulated on a personal pension savings account if a person had one. This type of calculations failed as an evidence to prove that a person has "earned" ("заработал") a particular amount of pension with their contributions.

*"Having worked for so many years... If we take 200 thousand, it is a minimum [wage] as can be, and multiply it by 35% and multiply it by 12(months) and multiply it by 40 years – it is 34 million roubles! And now let's say my pension will be 400 thousands and say I will live 10 years in retirement, we divide these 34 millions by 120 and.. the result is.. actually it is 288 thousand..." [less than the average retirement pension] (55 years old man, head manager of garage cooperative).*

Calculations of this sort are too complicated and need to account for too many parameters that even a specialist wouldn't risk to crudely make them. In fact it is actually impossible to make, as the relationship between pensions and contributions have not been the same: in the Soviet Union the right for a pension was granted by the lifetime of work input, and it is only in the post-socialist system that pensions became more tied up to contributions in money form.

Valorisation of contributions into social security systems in post-communist countries has been affected by the transition/transformation: *“granting pensions today are a way of passing judgement on the Soviet Union. It is possible that pensioners' bitterness stems from a sense that their life experiences, difficult as they were, have been devalued”*. (Chandler, 2001a, p.435). With several denominations and unsteady economic development the valorisation of contributions to social security system and assigning value to the input into society's development overall during Soviet period is left to the discretion of the state. For the generation of people whose working life was split between Soviet and post-Soviet regimes, the valorisation of their contributions into society and social security systems is a very topical and important issue, although barely understood:

*“In the last 10 years the ratio of a rouble to the consumer goods changed a lot. I don't understand how do they calculate all that... it is very different – what a rouble was 10 years ago and what it is now, when it is non-existent, I don't understand it. And also, my contributions, this 1%, it is also somehow... When I will retire in 5 years may be those 60 thousand roubles that I am contributing now will be nothing... I can't imagine that ”*. (50 years old woman, assistant head of school).

Such a state of affairs influences the perception of pensions as state-society relations by the citizens. Perhaps, due to these reasons – that pensions are being administered and paid out by the state and that amount of pension is “evaluated” on complicated grounds that seem to not be based singularly on money value of contributions – the meaning of pensions as a reward has not died out.

## 6.5 Pension as a reward

This logic brings us to the other understanding of pension – that of a reward. The issue of pensions “equality” changes dimension when formulated in such ethical terms rather than purely economical. It becomes obvious that pensions for people of Belarus are not just a compensation of lost income or a “minimal consumer budget of pensioner”, but a deserved reward for years of service. It is in this other meaning of pension as a reward that pensions lose connection with money contributions. Pensions are something a person “earned”, but also “deserved” for the years of work that at the brink of retirement people look back to. As has been explained by one of interviewees: *“I have contributed, I am worked out (я выработала), so reward me, let me live up normally, let’s say. I was contributing, so scoop from this bucket what I have put in it. I laid myself out”* (я старалась) (50 years old woman, an engineer). For many interviewees it was a different link between benefits and contributions that mattered: that of an unjust reflection by pension benefits of the input of workers, that included both money contributions but also, very importantly, their labour efforts, their contributions into the growth and prosperity of the country. It is because of inadequacy of pensions to this second type of input, not solely money contributions, that the pensions were seen as unjust/unfair.

In fact, in the post-Soviet “social” space pensions have evolved into rather an assistance and no longer it has a “reward” connotation as a state benefit. The income relatedness of pension is not postulated as a “reward”. Other “roles” that the institution of pensions was loaded with during transition, were all serving a goal of avoiding poverty in old age and providing basic

support for pensioners. In the western European countries the meaning of reward has been lost a long time ago when pension became a right and it is no longer treated as a reward for good service (Jacobs *et al*, 1997; Li and Wei, 2008). There the meaning of reward usually refers to money and additional in kind benefits and refers to corporate pension schemes that compensate for the loss of income after discontinuation of work (Bagehot, 1972; Mitchell and Luzadis, 1988).

When talking about pensions many interviewees used the word “dignity” (Достоинство) to explain why pensions are unfairly/undeservedly small and pension system unfair. Pensions were commonly referred to as “undignified”. As a moral category, it points out to the lack of correspondence between the “mental” image of what pensions should provide and cover, and the “social” normative of pension that is hardly related to real living standards and is rather measured against minimal consumer budget of a pensioner (touched upon in chapter 5). Unrealistic size of pensions that provide mere survival thus humiliate pensioner's dignity and demonstrate depreciation of the aged population: *“I think the state has to take care of its pensioners. When we work it needs us, but when we retire nobody needs us”* (54 years old administrative assistant in municipal unit for sports). Pensions are not dignified because they are an inadequate reward for a person’s working contribution during many years, and because they don’t provide decent living in retirement, which was clearly pointed out by another interviewee: *“Can one live off that? I think, it is an insult to a person's dignity”* (57 years old director of a theatre). This again shows that the value of pensions is also a moral category. Although, it is not clearly spelled out what a “decent” pension should be in the system of generational solidarity, in the public understanding it is not tied to the indicator of “minimal

consumer budget of a pensioner” or a minimal pension. In the opinion of interviewees the amount of decent pension should not fall much from the approximate amount of their wage at the time of interview and at best the amount of pensions paid in developed countries (more on the perception of pensions abroad later in this chapter). Necessity to live on less money than the current income appeared to be problematic for many.

## **6.6 Adequacy of reward**

Although pension is a universal right, the interviews showed, that to deserve a pension it is important to participate in the system of solidarity, in other words to have a job and do it properly. It is important to have a socially acceptable lifestyle – not be an alcoholic or beggar but to be a good worker. The situation when pensions are being received undeservedly is seen as unjust. If pension has a meaning of a reward then one has to deserve to receive it, by making a contribution to society. The following opinion was expressed by an interviewee:

*“Look at homeless and alcoholics now, they haven’t worked for all their lives and do not work still and can never work, but there are established norms that at least 250 thousands, if I remember it right, they have to receive, because if a person is poor the state has to provide for him/her. And what is the difference between these 250 thousand and the 350 thousand when a person is working hard for the whole life? And he [alcoholic] doesn’t pay for accommodation, we all pay for him/her”. (54 years old woman, assistant director of sports academy)*

It sounds like pension is losing its value as a reward due to the fact that it is rewarding those who might have not fully deserved it and because small differentiation and a little gap between it being an assistance in old age and a reward.



It has been suggested that in transition economies with the trend to marketization certain new welfare measures could become problematic, as happened with the social acceptance of unemployment benefits (Lipsmeyer, 2003). The author explains that on the one hand people accustomed to full employment are having a hard time going through problems like loss of jobs due to economic hardship. On the other hand, support for these groups in the form of unemployment benefits finds the least support of all social security policies, supposedly for the stigmatization of the fact of unemployment in Soviet times (again, due to the existing “full” employment at that time). Especially unreceptive to this policy measure remain people of “middle class” who have managed to struggle through rough times of transition without state support. Similar attitude has revealed itself in this research about pensions in Belarus. Pensions to those who have not worked during their lives for one or another reason, it is often believed, do not socially “deserve” to receive a pension.

On the other extreme attitudes are changing towards the adequacy of special professional pensions to army servants and state government workers. These are considerably higher in amount than the average. Although they are funded from the state budget (not from the Fund for Social Security) and therefore were initially excluded from this study, they could not be omitted in discussions about social justice. Those preferences existed back in the Soviet Union, and at present those special pensions remain that give preferential treatment for professionals of state service such as army and police, deputies and ministry workers, and high status state administration. Wages and pensions for these workers are categorized as “provision” for their service and paid directly from the state budget. But since by public they are still considered as “pensioners”/retirees, their pensions called for judgements and

controversy among my interviewees. Preferential reward of pensioners of these professions has come out on the agenda/become a cornerstone of social justice in the time of socio-economic transformation, which is also the time of transformation of social morale. The public are becoming more antagonistic towards the privileges that “special” pensioners enjoy, as those stand out as a contrast to the “equalization” of pensions for all other professions, and some of them are not very well justified for the public.

For instance, for army servants and militia (police), workers in these professions are perceived as deserving a higher pension due to the risks/dangers related to the working conditions. On the other hand, the issue of justice was revoked by some who saw these professions as reinforcing/fortifying the exercise of power by the state, the repressive and subordinative function of the state, that they can see as directed against them. Also, as in the case of military servants/army, their service in contemporary Belarus is not seen as risky anymore, as Belarus is not involved in any military activities and hence the preferential reward for this group should be cancelled. It was a recurrent opinion that:

*“Conditions in which a worker on a factory works are not better than those of military. And in retirement factory workers have health problems, etc. It turns out that retirement for military people is set unfairly earlier than for grinders, pressmen, casters (шлифовщикам, штамповщикам, гальванищикам, литейщикам). People are not happy about it”. (59 years old man, head of department for procurement in a private firm)*

*“But many of them are office workers! They sit from 9 till 6, like me, coming at 9 and leaving at 6, but their salaries are twice as high as mine, although the work we do is similar, we can tell. He has epaulettes, I am a private. And his pension is twice higher than mine. So, how fairly the work is evaluated? There are, of course, people who work in dangerous conditions, but there are others...They need to be separated. I understand if a precinct works days and nights, there are these kinds of jobs. But if he sits in the office and his service is*

*quiet, not stressful, he is a manager, collects some information, for example, and receives the same pension as a precinct... It is not right". (58 years old man, middle-range worker on a factory)*

Compared to Soviet times, when soldiers and military commanders could be sent to work and live together with their families in very remote, dangerous places, people of the army are believed to “have it easier” in modern Belarus – they serve the country from within its borders and their working conditions and demands of working effort are judged as “comparable” with those of others. Hence, the justification of their pensions being so high is questioned.

According to estimates<sup>19</sup> by the Chair of the division of development of pension system in the main administration of pensions provision and social insurance of the Ministry of Labour and Social Protection of Belarus (further – Chair of the division of development of pension system), there are around 140 thousand army retirees/pensioners. Compared to millions of “normal”/other pensioners in Belarus, this number does not seem too big. However, as the assistant minister put it, they are all “*on the surface*” - they are few but their pensions are big. And although due to special regulations that allow them to retire early those people start receiving their big pension younger than average pensioners which may provoke thoughts of injustice among general public.

The answer to the question about fairness of pensions for these professional categories was the most difficult to predict. Many people did not support such preferential and special status and the difference between those “privileged” pensions and “other” average ones. Some of interviews said: “*Officials/state servants – are a separate caste, they have different salaries,*

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<sup>19</sup> There are no statistics available on how many special pensions are being paid out as this information or at least certain parts of it (like the number of retirees from army) is deemed secret.

*they have different pensions” (55 years old woman, individual entrepreneur), or “(какие-то прилипы к власти). He worked as a clerk and receives a pension of two million – it is not normal! While a grandmother is getting 200 thousand or so...” (56 years old man, sports coach). At the same time, there were many people among the interviewed who thought that state servants deserved benefits they were getting because of the nature, difficulty of their work, because of the high ranking and respect to this work in society.*

Although there is a demand for the differentiation of pensions to better reflect the input of each worker in the society's development, the existing distribution is perceived as unjust and does not always find social justification. The existing inequality that includes preferential treatment of the state servants and the state apparatus workers is not the inequality that people see is just, as pensions for everybody else excluding those bureaucrats and law enforcement categories, are levelled up. However, only those increased privileged pensions are considered “decent” in the amount, as they sometimes exceed wages for certain types of work.

*“I find it shocking that army servants, who have sat in the army and wore off their pants (отсидели, штаны свои протерали) and at the age of 45 have retired, their pension is bigger than somebody's wage. You know, it wouldn't have hurt if all people received decent pensions, and if they had a bit more – for God's sake, it would have been fine. But all people resent the current situation because it is unfair. Really, how is a teacher different, whose pension is times smaller? And also, who is a civil servant (state administrator)?! It is a servant who exists at the expense of all taxpayers. But why is his/her pension bigger than that of all the taxpayers? Where is justice? What do they produce? - They produce nothing, their productivity is minimal and no input in GDP. And this is because they are writing laws and they have made it very convenient for themselves, and call for public dislike with such division of people into categories. Where is justice there? There is none.” (50 years old woman, operations manager in a bank).*

The heated opinions like the one above are not rare. With the recognition that different work should have differentiated reward, reorganizing inherited list of privileges is requested to go along with the increase of standard pension to the “decent” level.

### **6.7 “Pensions are small because the state is poor”**

That the pension is associated with the prosperity of the state, and it being a reward, the amount of which is at state's discretion, also explains why people still tend to draw the connection between the small amount of pensions and the ‘bankruptcy’ of the state. The perspective of receiving small pensions from the state was explained in the interviews with the fact that the state is poor, that it regrettably can not afford to pay larger pensions to its citizens because it does not have enough money and the economy is not in a good shape. This is just another example of the self-image of the state failing to build the desired image of the state as a mental construction. Despite the propagandistic caring by the state after its elderly population, everybody I spoke with said that they worked well and a lot to deserve a pension, but unfortunately knew their future pension would not be a dignified reward for this work, and will not be enough to provide a decent living in retirement. *“And it is not our fault of the generation of (pre)retirees that something is not going well in the country”* - concluded one interviewee (56 years old man, director of a vocational training club). The blame and bitterness were directed to state government who were not good managers of the country's resources. And although the state emphasises social orientation of its policies and care of its elderly citizen, the image in the “mental” space is based on facts from their lives rather than populist proclamations. In the logic of one interviewee: *“If pensions are not enough to live of*

*it means that our country is not so rich as to allocate a sum of money so that a person could live and not work [in retirement]. (50 years old woman, school teacher).* However, no less disappointing it is for the generation that had to bear the outcome of the transformation and change of the well-being conditions in retirement. People used to say:

*“If everything was fine in the country, pensions would be stable and everything else. But what can we do? So many years have passed, 18 years since the Union has collapsed, and what happened to the country in 18 years? It can not stand straight on its feet yet. (еще на ногах хорошо не стоим). And for the reason that there is a hole in the budget, there is no money to pay pensions, nowhere to get it from”. (58 years old man, middle-range worker on a factory).*

Regret and humbleness of the opinion presented by this interviewee, admitting to the misfortune of their generation, was quite common. Yet, it was not shared by those, who found it especially shameful that they can not have fruit of their labour in retirement due to maldistribution and bad state management. They saw their share in the state's property attributed to their participation in the building of economy, literally and figuratively.

*“Nobody knows how the state spends/disburses this Fund [Fund for Social Protection] and on what purposes. But suppose there are the most profitable enterprises in state ownership: chemical, petrochemical, ... they were built in 1960s-1990s. So those, who are retiring now, were building them, or they were built with their money, they have a share in those enterprises. So may be the state should be adding some benefit of those enterprises to pensions of these people rather than transferring this money to some kind of innovation and development funds, that are disposed/controlled (распоряжается) by president. So, we have the possibilities to raise pensions today, but everything is given out to officials, but officials solve their own problems, they do not serve the state. He will serve only when his chair underneath him starts to wobble/stagger – that’s how he works”. (59 years old man, head of department for procurement in a private firm)*

This opinion pointed to the problematic relationship with the representatives of power and bureaucracy, but also made an important appeal/claim to the valorisation of pension as a

reward. The generation in focus/study really has something to be rewarded for: their considerable/immense contribution to industries that were build in Soviet Belarus - the legacy that independent Belarus still depends upon. Modern Belarus's main pride and export were automobiles, tractors, big machine plants and enterprises producing high technology goods which were leaders of production in their own time and still manage to maintain production and export their produce. Considering that, the problem of valorisation and reward gain even more value and makes the situation with pensions in Belarus more socially problematic and unsettled: whether and how the claim that is latent in the generation of future retirees should and will be respected.

### **6.8 Popular myths about pensioners abroad**

“They retire and start living, we retire and start waiting...” -  
«Они выходят на пенсию и начинают жить,  
а мы выходим на пенсию и начинаем ждать...»  
(56 years old man, director of vocational training club)

For Belarusians, Europe still remains a dream rather than a place where they live (Dorokhov, 2010), as showed in the way people spoke about Europe and European standards of life. Findings of this research convey a similar idea: that people's aspiration regarding pensions, in other words, what pensions should be like, are taking as a guideline pensions abroad, more specifically pensioners' lifestyle and mechanisms of pension systems in developed European countries. Although interviewees reported little knowledge about pension systems and pensions abroad, and less than they have about pension system in Belarus, their conclusions/opinions were grounded on occasional observations of lifestyles of the aged people on rare accounts abroad and at home. The commonly held belief is that pensioners

abroad are well off, their pensions were big enough to provide for a good standard of living that includes travelling on vacations at least once or twice a year – something that a lot of Belarusian non-pensioners, not only pensioners, wish for. Especially common and characteristic was pointing out in the description of western pensioners' lifestyle the component of travelling. Moreover, it was used, as a good reflection of a stereotype, in the advertising of an insurance savings plan by one of the Belarusian insurance agencies (see Appendix 9). Even if interviewees did not know how pension systems abroad work and what secured pensions as big as they seemed to be, the impressions they made were that pensioners abroad lived happy wealthy lives, that in retirement they were adequately rewarded for their work contributions, and that they could afford to have a lifestyle that a Belarusian pensioner could only dream about (for the contrasting comparison of life of Belarusian pensioners see Appendix 10). One of the interviewees expressed a common opinion:

*“I heard it is common for pensioners abroad once retired to go and see the world, to travel, and they can afford it. I don't know how they can afford it, if their pensions allow or their state helps. But it is a fact that they can afford it, but we can not, can't even go to the near countries, not speaking of somewhere further. For example to go to Bulgaria for two weeks costs around 500 Euro per person. My wife is a pensioner and she took a loan this year to go there, otherwise she wouldn't have been able to pay, and now she is working to pay this back – all to just have a 2 weeks holiday. And we couldn't afford it even though I was receiving a wage”. (58 years old man, worker at a factory).*

As a reflection of a common stereotypical belief and also as a matter of fact, the nominal and relative value of pensions are bigger in developed countries. Yet, rumours do not pay attention to the details of how pensions are formed, pensions differentiation, etc. concentrating only on the ideal cases and almost mythologising them.



The myth about happy and wealthy foreign pensioners was supported with the stories told by people who went to live abroad and came to visit Belarusian family members and friends. The common lines of this type of stories spread further that life abroad was good, that the income that people received abroad was enough to sustain themselves and other family members on just one “pension”. The word of mouth could have been biased, though, to call “pension” any other social security compensation. Little competence in social security as Belarusians had, any money received from the state in old age they perceived as “pension” even though it could have been a “social pension” - income allowance or means tested benefit, unrelated to the previous working history and contributions. What mattered was that money received from the state by the migrant person was enough to provide a decent life for him/herself and his/her family.

*“Our pensions are a survival minimum, a margin of poverty. And for example in Europe a pensioner get a chance to travel of his/her pension and have a good life, like a new phase of life, they have an opportunity to travel. I mean, for the money they get, their pension, they can live more of less decent life”.*  
*(59 years old man, worker at an advanced electronic equipment enterprise).*

People easily believed that compared to Belarus pensioners in most other countries were better off. Here again we can see that pensions are measured with a criteria/moral category of “decency” - pensioners abroad, by this definition, live decent lives.

The standard of life for pensioners in western European countries is obviously different from those in Belarus. Pensioners live longer (longevity is higher) and can afford more. There are many factors of pre-retirement life and pensions that all together make it difficult to compare a Belarusian pensioner with a European one , that compose living and working conditions, such as for instance, ecology, nutrition, availability of services, etc.

*“Compared to our old people, they look elegant. Not many tourists come to our country, but if you go to Ukraine or to Moscow, or even in Paris, you can see how a bus opens doors and aged men and women start coming out. So it means they are active at this age. And take our men, at this age they are “worn out” from this life, because of course we have a different life, and different food (products) and we have to work more than they do” (57 years old man, director of a theatre)*

The understanding is that all western European pensioners live like that, which allows Belarusians to take this model for comparison and to think that as good workers in their country they should have deserved the equivalent reward. The general understanding is that abroad, particularly in the countries of western Europe, the state takes better care of the elderly, or they have mechanisms in place that ensure that a pensioner lives a decent life. Be it a better reward that they receive or the insured right for individuals to be able to save enough for their pensions through available schemes and pension plans, pensioners abroad are in a better position than Belarusian ones and the state in this situation is the one to be blamed for not effectively catering for the needs of its citizens.

The key words here is in the “country” - those who were lucky enough to have lived in western European countries have won the opportunity of living happy in retirement, whereas those who happened to live and work in the country that is no longer in place for the time of their retirement happened to be in a disadvantaged position, where their working contributions are not decently rewarded. This kind of thinking actualizes the importance of “physical” and “social spaces” and brings us back to the level of state-society relations, the form and contents of it. The meaning of reward that was ideologically relevant in the Soviet state had in the “social” state construction lost this connotation, whereas in the “mental” space it is dying out

slowly due to the de facto loss of such meaning. The rhetoric in the contemporary Belarus does not support understanding of pensions as reward, and propagates the pragmatism of state-society relations, offering support to its aged citizen, recognizing their achievements, but not reflecting on their contributions in pensions, and increasingly encouraging a do-it-yourself attitude among younger generations.

## **6.9 Conclusion**

It was revealed and explained in this chapter that pensions are understood as a right for state social security and as a reward for the years of work. It was emphasized in the interviews that as a reward pensions should bear reference to the previous work and be adequately, fairly and decently rewarding for the labour. The meaning and connotations that pensions had in Soviet time have survived to determine how pensions are defined in contemporary Belarus. In other words, the inertia of the mental space reflected that the institutions remain loaded with old meanings, like seeing pension as a reward, for a long time after the changes in the social landscape take place, like changes in legislation. This, in its turn, is reflected on the transformation of the state-society relations, in a form of inadequate expectations from the state for social security provision. Besides, the “end” of one state and the “beginning” of another, with the accompanying changes in provision of old age security is not an abrupt process. Transferring obligations and valorisation of pensions from the former to the contemporary state is problematic not only in economic terms, but also in terms of understanding the transformation of the reward into right that is happening in the mental space. The changes in the social space need to be processed, or settled down. in the mental

space, until the changes are reflected in the matrix of everyday life.

One of the very important findings of this research is that for those who lived during Soviet times the moral connotations and meaning of pension as a reward was one of the important characteristic in evaluating their pensions and referring to the relationship with the state. This was one of the illustrations of the importance of seeing transformation of the social institution in the “social” space and in the “mental” space, that uncovers the complexity of understanding of pensions – as a right and also as a reward. A symbolic account of the relationship between state and society would have been incomplete without an account of the shape of “mental” space. This chapter has demonstrated the significance of the “mental” construction of pensions that needs to be considered in the state-society relations.

## CHAPTER 7 WORKING PENSIONERS

### 7.1 Introduction

In the previous chapters it was explained that in Belarus everybody has a right for a pension in old age regardless of working ability. It means that a person is not denied the right to work after reaching the statutory retirement age, if he/she so desires. The reality, however, is more complex. Reaching retirement age for many doesn't mean retiring as discontinuing work. In real life some who would like to retire have to look for work in order to maintain certain level of income, others who might not want to retire are pushed to do so. It is the relationship between work and retirement as a period of rest from work will be in focus here, asking whether they are or should be mutually exclusive. In other words, it is a question of whether pension should not be received with wage and how much in the changing society the period of leisure, institutionalized a while ago, could be afforded and should be paid? In the framework of state-society relations theory the dilemma of work and/versus retirement reveals disruptions between social and mental spaces that will be analysed here.

The increase of the importance of state pension benefits in the 20<sup>th</sup> century is noted by virtually all researchers of pensions and European welfare states, especially the post-war period that saw rapid and significant change of attitudes towards retirement and old age (Harper, 2006; Johnson, 1989). Although support schemes for elderly were known before, it is in the period of industrial development after the second world war when spread and institutionalization of retirement in Europe has been wide and significant. It is at that time that the role of older workers in the labour force came into political agenda and the retirement

debate was instigated in many European countries, with many issues still having relevance today, like working ability and worker's participation, effects of retirement and early withdrawal of older workers from active employment on economic development and on individual health and well being of older workers (Harper and Thane, 1989). The institutionalization of retirement as a distinct phase of life was happening around that time and, due to the social construction of old age, drew distinctively on separation between biological and social ages. Introduction of public pensions was not meant to discourage people to continue working, yet it had a great impact on participation. Earlier withdrawal from work soon became a trend. Despite the preference that older workers capability should be a criteria for discontinuing employment rather than age alone, the paradigm that dominated among the employers was the one of older workers being redundant, about decreased capacity and ill health of aged workers to whom forced retirement would be an acceptable/ good alternative to remaining employed. Retirement was also advocated as a means for rejuvenating the labour force and giving way to younger workers. In this way full retirement from work soon became a norm and engrained into social structure as a distinct phase of life. Withdrawal from active labour participation remains a problem in most developed countries, as many citizens use their right to retire as soon as, or soon after the opportunity presents itself, regardless of the fact that due to increased longevity the age of retirement comes prior to the age of incapability/incapacity.

In the pre-second world war period in the Soviet Union establishing and changing the rules of eligibility and the payment of pensions was chaotic. Forms of old age support existed, but they were unsystematic and disorganized because they were not a priority of socialist rule.

Socialists were concerned/preoccupied with ensuring full employment and were for some time undecided about conditions on which pensions should be paid (Chandler, 2004). Already in Stalin's era pensions were paid regardless of continuing working and later, in 1956 the universal pension law was passed in order to unify and centralize regulations of pension payment in the USSR that clearly defined workers' rights for pension. Eligibility for pension was extended and its amount increased. If earlier pensions to those who continued working were paid in full, the situation had changed: they received only a fixed additional sum of 15 roubles on top of the wage if the wage was below 100 roubles, or if the wage was over 100 roubles pension was ceased all together (Porket, 1983). Besides, once rewarded, the amount of a pension stayed fixed, thus with years the ratio between it and the average wage would grow. Introduction of a right for pensions affected participation of older workers, similar to the effect it had in western European countries, the rate of withdrawal from work at older age started growing. Due to labour shortage in late sixties, pensioners were seen again as a strategic labour resource and pensioners were encouraged to postpone pension and retirement and continue working. In 1970, the restrictions on working after becoming a pensioner were relaxed in order to stimulate pensioners to continue working and pensions were paid in full again, with the ceiling of total sum of wage plus pension of 300 roubles per month. Until 1980 the Soviet government was slow to introduce stimuli for postponing retirement among older workers without drawing pensions (Porket, 1983). Pensions were treated as a fruit of socialist progress and state prosperity and hence any restricting measures regarding payment of pensions or eligibility would be unpopular. Instead, strong rhetoric was in place to stimulate older workers to stay actively employed, emphasizing the importance and good of work in tackling individual and social ageing (Soloviev, 1980). Since that time the

understanding of right to work and continue receiving a pension, and the right to receive a pension and continue working are persisting, for a duration of a lifetime and working life of at least one generation, and in their mental space these two (work and pensions) are not cancelling each other.

In contemporary Belarus, where Soviet pension system has been preserved unchanged for many years, working after reaching the statutory retirement age has become such a common phenomenon that people rarely think that the categories of work and retirement could be mutually exclusive. Even if the option of rest from work in later life is found very appealing, in Belarus rest in retirement is almost a luxury as few can afford it. Working in retirement has become a material necessity. It has been widely acknowledged by the majority of my interviewees that it would not be possible to live on a pension only and another source of income would be necessary – be it a part-time or full time job, growing one's own food at dacha, occasional or seasonal work. So, having reached the age that allows retirement and provides an opportunity to draw a state pension, all people do so, regardless of the fact that they might continue on the same job (when not forbidden by law) or be employed at a different working place, not speaking of the possibility of informal and therefore unreported jobs. Retirement *de jure* is, therefore, not always a retirement *de facto*, in a sense that it is not necessarily a discontinuation of work.

It needs to be emphasised here again that in this thesis I refer to retirement as a period after reaching a statutory retirement age when a person is entitled to receipt of a pension and that used to be associated with deserved rest, but nowadays does not necessarily mean that a



person stops working. It does not oblige a person to discontinue working, and statutory rights to work are not legally affected. But since the pension is a period of time that is assigned monetary value, that in a pay-as-you-go system comes out of a common social pocket (Fund for Social Protection), contemporary controversy concerns issues of social justice about a right to receive a pension if work is not discontinued – whether a pension should be paid to a person eligible to it by age, but who does not retire from work.

## 7.2 Working pensioners: who are they?

At least one in four pensioners continue working, according to numbers from official statistics: out of almost 2,5 million pensioners (2 468 900) about 608 500 or 24,6% continue working. The data regarding distribution of working pensioners by age is more mixed: sometimes data citing official sources did not add up to the stated total number of working pensioners; data presented on Table 7.1, shows that the percent of working pensioners is higher – almost one third of pensioners over 60 years old continued working in 2007.

Table 7.1 The dynamics of employment among elderly in Belarus

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
17-64	68.9	68.4	66.9	69.1	70	69.4	69.1	68.1	68.5	68.1	68.5	59.8	71.9
50-54	85.1	83.2	82.9	84.9	85	85.4	85.8	84.6	83.7	84.1	92.9	83.2	85
55-59	53.3	54.1	49	51.2	56.1	58	59.2	60.5	59.5	61	58.8	58.2	63.2
60-64	19.9	19	19.8	21.1	23.2	22	24.1	25.8	24.4	21.3	20.9	25.7	31.6
65-69	9.6	7.4	7.5	6.2	10.3	9.1	8.2	9.2	10.8	11.3	10.7	9.9	13.9

Source: Based on data from “Social protection and social inclusion in Belarus” (2009)

We can also see that pensioners are more likely to continue working straight after reaching age of retirement than those who have retired long ago and whose ability to work might have decreased with years. Also, it is important to remember that the number of working pensioners reflects that every fourth pensioner stays in official employment, but says nothing about partial, seasonal and informal types of work that pensioners engage in to top up their pensions that could take up a significant place in pensioners life (Williams and Round, 2007). More specific data on ageing and retirement in Belarus is not widely published, but according to information from newspaper articles publishing interviews with authorities, upon reaching age of retirement, on average people continue working for five more years (Spasiuk, 2008).

With the striking numbers of low longevity, especially for men, cited in earlier chapters (with retirement age 55/60 living until 76/64 years old) it might seem that men have only 4 years on average to live and work receiving a pension, and women would have 21 years to live and potentially work. According to the data from Ministry of Labour and Social Security<sup>20</sup>, on average Belarusian men live 14 years in retirement, Belarusian women live 23 years. Confusion comes from the fact that “popular statistics” and populist journalism tend to use longevity and retirement age as indicators for length of potential working time for pensioners. It needs to be explained how the number of working pensioners is big enough to constitute a problem. Firstly, life expectancy at birth takes into account mortality rates at all ages which brings down the average indicator of longevity, whereas life expectancy at the age of 55 or 60 for those who survived until that age is still overall higher than the average longevity. In

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<sup>20</sup>Belorusskie novosti (2008) Mintruda: oficjalnyh predlozhenij ob izmenenii pensionnogo vozrasta ne vnosilos' (Ministry of Labour: no official propositions regarding change of pension age have been made). Naviny.by [online] 20 May 2008. Available from: [http://naviny.by/rubrics/society/2008/05/20/ic\\_news\\_116\\_290791/](http://naviny.by/rubrics/society/2008/05/20/ic_news_116_290791/) [Accessed 13 May 2011]

addition, urban life expectancy is higher than rural by about two years; life expectancy in Minsk in 2007 was 67,4 years for men and 77,8 years for women<sup>21</sup>, and these were average numbers. Secondly, people in many professions are allowed to retire earlier on a condition that they discontinue working in the same job and the same working conditions. Once these people are eligible for an “early pension” they start receiving it and fall into statistical category of pensioners, where they remain longer and thus bring up the average number of years spent in retirement/receiving a pension.

Early retirement has presented itself as a problem in many OECD countries (Gruber and Wise, 1999). It has been revealed that pension systems had “built in” incentives for people to retire early: the age at which pension benefits became first available was lower than the official retirement age, this gave way to the escalating trend of retiring early (Blundell, Meghir and Smith, 2002). Whereas this research concerned state pensions, evidence was presented that occupational pension plans and private pension opportunities also/further increase incentives for early retirement (Blondal and Scarpetta, 1998; Stock and Wise, 1990b). The institutionalization of retirement at or around statutory retirement age in many European countries has resulted in “desire to retire early” registered in a few countries of both western and eastern Europe, which influences leaving active labour force for retirement, regardless of gender, country of residence or other factors (Vidovicova *et al*, 2008). Over the years early retirement has grown to become a real problem for Belarusian pension system as well. Here it was triggered by worsening demographic situation and economic transformation on the background of preserved from the Soviet time relaxed policy regarding eligibility for early

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<sup>21</sup>**Naselenie Respubliki Belarus: statisticheskiy sbornik** (Population of the Republic of Belarus: statistics book).(2008). Minsk: Ministerstvo Statistiki i Analiza RB

retirement for large number of occupational categories. Since 1990 the share of “early retirees” in pension system has tripled, in 2006 every third person retired before reaching the statutory retirement age and one in three of those continued working – the situation when state authorities had to introduce the condition for early retirees to quit from the job with special working conditions that allowed early retirement. It is no longer possible to do so, however, there is no regulation forbidding a person to work elsewhere after retirement and receive a pension.

It is not guaranteed that after reaching a pension age a person will maintain his/her previous job. In fact, many of those approaching retirement fear that their employer will not keep them at the workplace. It can be easily done by not extending a work contract (short-term working agreement/contract) with the worker who has reached the statutory retirement age. In 1999 Belarus began the process of transferring all workers to a short-term contracts<sup>22</sup>, with the idea of replacing permanent contracts with short-term contracts. Soon worker's unions and lawyers raised alarms that this move was unfair to workers as it allowed employers to fire employees without giving a reason when the short-term contract expired. It reduced workers' protection and left them insecure about their future when extension of working contracts was at the discretion and mercy of an employer, often on a yearly basis. Although a number of contracts are being carried out for 3 and even up to 5 years, it is common that with individuals approaching retirement age contracts are being extended year by year, - this fact had been widely confirmed by the people I spoke with. A working contract could be dated with the date of an individual's age of retirement and it was very likely that a contract would not be extended beyond that date; many workers of pre-retirement age are at risk of being pushed out

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<sup>22</sup> By presidential decree №29, dated 26/07/1999

of their jobs at the date of expiry of a contract before reaching pension age. This fact added up to the overall feeling of insecurity about future and “living by the day” (referring again to the notion mentioned in earlier chapters).

A range of jobs one can consider in old age is not wide. Keeping the same position/job after retirement that a person had before reaching retirement age is considered the best one can count on. In Belarus there are legal restrictions that oblige a person to discontinue working on high-managerial and administrative positions after reaching retirement age. Jobs that are available for those “pushed out” of their pre-retirement position are usually low(er) paid and low(er) skilled, although sometimes they give some time flexibility. Together with the possible decrease of income associated with retirement, in many cases it also means a decrease of work status.

During my research I have come across a few organizations that stimulate workers to retire straight after reaching retirement age by giving bonuses for leaving the organization right after reaching retirement age, - this condition was spelled in a working contract. In some organizations informal rules existed about up to how many years a person can remain employed by the organization after reaching retirement age. At other organizations keeping one’s job was a matter of administrative decision of work management based on tendencies in labour market and current work availability/work load.

### 7.3 Why continue working?

Individual decisions to retire or continue working is usually based upon a constellation of factors (Humphrey *et al*, 2003; Maule *et al*, 1996), that could be generalized under three main groups (Disney *et al*, 1997) – firm-instigated, health-instigated, and family-instigated.. The extent of participation in the economy and labour force after starting to draw a pension and acquiring a status of a pensioner can also be different: from continuing on a full time job, perhaps the same job as before, to working part-time, or occasionally, seasonally, to doing unpaid work and volunteering, to taking up a role of a carer in a family, (Cebulla *et al*, 2007).

Along the same lines with the findings by Kolev and Pascal (2002) for working pensioners in Russia, factors like health, gender and occupation also have relevance to the patterns in retirement decisions among Belarusians. However, the main reason named in the article and in my interviews as to why people continue working was because pensions alone do not provide a decent level of life. The fall of income in retirement is quite sharp, considering that level of average wage substitution by average pension is and for some time has been/settled around 40%. In a single-tier pension system, state pension becomes the main source of income in retirement if a person does not continue working. As one of my interviewees assured: *“Here everybody works, we don’t have a single person that would retire and not work. Because what to live of? Can one live on 300 thousand roubles...? (53 years old nurse in polyclinic)* According to the IPM research data (Baturchik and Chubrik, 2008), people admit that state pension is one of the main sources of income in retirement for many, but since it is not enough the main ways to provide better income are continuing working (full time and part time/occasionally (“podrabortki”) and to a lesser extent relying on products of dacha

(that also involve work input) and help from children (see Table 7.2).

Table 7.2 Distribution of answers to the question: “In your opinion, what sources of income you will have (you have) in retirement?”, by age, %

	18-24	25-34	35-44	45-54	55-64	65-75	Total
On a state pension	59.3	64	66.3	70.7	82.8	89.4	65.9
Will work while I can	51.2	55.8	50.3	47.1	27	10.8	38.6
Will have part-time work (podrabortka)	22	24.5	23.4	26.9	19	6.6	19.5
Help of children	12.8	6.5	7.1	5	11.2	15.4	15.3
My savings in a bank	17.7	10.4	5	6.3	2.6	2.6	8.4
Annuity from pension fund or pension insurance	2.1	2.5	1	0	0	0	6.7
Savings “in a sock”	4.3	8.4	4.1	3.2	2	1.4	3.8
Rent of property	4.3	2	1.5	1.3	1.4	2	1.8
Revenue/products from dacha (piece of land)	5.1	7.1	16.4	19	25.3	28.3	0.9
Will sell property	0	0	1	0	0.7	0.6	0.3
Other	1.4	2	1	0.9	1.3	0	1

Source: Baturchik and Chubrik, 2008

The majority of people in pre-retirement age that I have spoken with declare their intention to continue working after reaching the retirement age “until health permits so”. Among the factors that motivate to continue working in retirement, according to the opinion poll conducted by sociological centre “Zarkalo-Info” in Minsk, the two most common were the small amount of pensions (69%) and the wish to help children and grandchildren (64%). These two reasons were mentioned by the people of all professions, level of education and especially the age group of pre-retirement age (50+). (see Table 7.3). Remarkably, the same reasons, according to the survey of Soviet working pensioners conducted in the seventies, explained pensioners' participation (Porket, 1983). But back then it was more common that those pensioners who used to have smaller wages would work and hence smaller pensions

later on, whereas in modern Belarus all pensions are too small to live on.

Table 7.3 Reasons for working in retirement

Distribution of answers to the question: “What reasons that motivate pensioners to continue working are in your opinion more common than others? (Please give no more than three answers, %)”

Insufficient amount of pension	69
Intention to financially help children, grandchildren	64
Wish to avoid loneliness, be among people, in a working collective	37
Habit of working	18
Interest in work, will to work	10
Intention to remain in the “queue” for accommodation, car, trips, etc.	4
Don't know/no answer	4

Source: Sociological Centre Zerkalo-info, public opinion poll, September 2010 Available from: <http://www.zerkalo-info.com/investigations/98.html>

Although the most important and most common factor, need is not the only reason for keeping job when a woman reaches 55 years old and man reaches 60. Even though my research does not allow singling out factors that influence retirement with statistical significance (representation), as it was not the aim of this research, the ones that emerged as most common were gender and previous occupation. Women, for example, often considered taking full retirement/discontinuing work if their help would be/was needed as grandmothers in looking after grandchildren. The traditional role of a woman as a caretaker is far too common in Belarus and therefore there is no disagreement with women being allowed to retire earlier in order to engage in roles within the family (more on justification of lower retirement age for women in chapter 8) Besides, at the age of retirement (55-60 years old) people may have young children that are either finishing their university education or starting their careers and families and are in need of material support, or at least can not provide support for their



retiring parents yet, if those retired fully. Therefore, sometimes it is the case that pensioners work to help their children and grandchildren. Such intergenerational help and support is very common in Belarus, as shows also from the opinion poll results by “Zerkalo-info” cited earlier, and supported by my interviewees, saying:

*“We are waiting for this period [pension]. I am dreaming that we reach that time with my husband, so that we work in retirement for those three years that we are allowed/can at our workplace and so that we pay off the property loan for our children, because it is so difficult to do”.* (51 years old woman, process engineer at a chemical plant).

*“If my pension was enough I wouldn't have gone to work. But why am I going to work? Out of despair, because I don't have enough to live, because I want more, I'm going to get some money to help children, or to save. If I had a good pension, why would I do this?”* (58 years old middle-range worker on a factory)

It has also been argued that the creative nature and level of professionalism matter for person's understanding of work and retirement and hence influence the wish to retire (Parry and Taylor, 2007). It was not straightforward in my research that people in professions requiring manual labour would want to retire more than people whose job required more intellectual than manual activity. Wish to retire was more often expressed by those who were “tired” or “worn out” or due to health reasons found it increasingly difficult to continue working and wanted some rest. Self-evaluation of tiredness is of course subjective and does depend on the specifics of work (level of stress, level of responsibility at work, amount of concentration, etc) and does not straightforwardly draw a divide between manual and intellectual occupations. Some of my interviewees saw retirement as a possibility to take a temporary break from work in order to rest and improve health, but with the view of continuing working again later.

People work in order to compensate for the loss of income in retirement and possibly receive pension as a bonus to wage that could be spent on a postponed purchase or repair of a flat or accumulated as savings. Last but not least, many of my interviewees, said that their work was important for them for the reasons such as professional recognition, socializing, maintaining active lifestyle and bringing structure into days/life. At the age of retirement many do not feel “old” and sometimes reject the idea of being associated as “old” or “pensioner” with a stigma of dependence, ill health, incapability, and even poverty attached to it. Working in retirement is in this way a non-compliance with pensioners' lifestyle and social stereotype, even if nominally receiving pension together with a wage.

Last but not least, it needs to be emphasised that we need to differentiate the expressed intention to work in retirement and pursued intention. In my research I have only been able to register expressed intentions regarding the time after reaching the age of retirement. I do not know if the stated intentions were/will be pursued. It has been suggested that expected timing of retirement that people report in research is rather accurate, because individuals name the most likely date in their subjective life circumstances, i.e. mode rather than mean (Bernheim, 1987). Based on the fragments of research presented above, I draw conclusion that expressed intentions are likely to be pursued later, if only partially, especially in what concerns working after reaching pension age.

#### **7.4 Retirement rationale**

The financial effects of retirement, both on society and on personal life, is difficult to

estimate. Personal considerations take into account job satisfaction, health conditions, family relations/roles (need to care for someone, whether partner is still employed or not) and other subjective factors. It makes it difficult to say without inquiring in every particular case what is the rationale under individual decision to work after reaching retirement age or retire from work completely.

Although they provide a number of factors, studies of retirement decisions (Chan and Stevens, 2008; Coile and Gruber, 2007; Disney, 1996; Meadows, 2003; Stock and Wise, 1990a) do not fully fit into the Belarusian context for a number of reasons. Firstly, for the generation in focus understanding of retirement stems from the setting/tradition of a socialist state, where pension provision was not individual responsibility, through period of transformation that altered the life course, plans and everyday life. In other words, not all behavioural strategies can find relevance in this country context due to institutional setting and mentality. Secondly, the policy framework is different, as pension system in Belarus is single-tier only and does not have a private component. Retirement decision in Belarus boils down to the drawing/receiving of a pension rather than financial planning of future based on carefully calculated annuity from accumulated savings. The Belarusian pension system does not give a the possibility to voluntarily decide to stop working and start receiving a pension earlier than the entitlement rights apply. In other words, it does not give the relative flexibility that private pension plans do. As the pension has no relevance with contributions, eligibility for it comes only with certain age . One can postpone receiving a pension, which virtually nobody does, but can not speed up the start of receipt, as the right for a pension comes only at certain conditions, age being one of them. Hence, retirement decisions for Belarusians trickles down

to whether to stop working after becoming eligible for a pension or not.

The intention to continue working after reaching age of eligibility for a pension appeared to be a common tendency, and must have been seen as a rational decision by Belarusians. Such an intention has been stated regardless of the awareness that many people had about limit/reduction of amount of pension received if a person continued working. For pensioners that work payment of pensions in Belarus is limited by a coefficient 1,3 regardless that the personal pension coefficient could exceed it (article 83 of Pension Provision Act). It has been estimated that about 35% of working pensioners have pension coefficient higher than 1,3 according to officials cited in the news (Narodnaja Gazeta, 2011), and hence receive a pension smaller than their full pension could have been (more about pension ceiling was explained in chapter 5). This fact enhances the common view about pensions “equalization” even further for working pensioners (as discussed in chapter 6). Yet, receiving both a wage and a pension, if limited, was still economically more attractive than receiving a pension, even if full, only. The period when a person becomes eligible to draw a pension is never postponed, pensions are taken as soon as they become available. Not receiving a pension is characterised as wastefulness, or as one of interviewees put it:

*“A person has been giving away this money [contributions], they were circulating somewhere... And now why would he/she support the state and give away money that was earned by him/her?” (53 years old woman, a school teacher)*

The only pension act that was aimed at motivating workers to postpone retirement as a period of receiving pensions seems to not be effective at all. Pensions legislation in Belarus allows to postpone retirement and even offers a small incentive for doing so – pensions raise by 1% (of

wage) for every two months of postponement of retirement (Article 23, Pension Provision Act of Belarus). However, people do not know about this incentive and/or do not use it. Having learned about it at the interview, many consider against using such opportunity because it was not considered advantageous or providing worthy compensation. A few of my interviewees put their calculations regarding this option in simple terms: postponing receiving extra money right away would be unwise as it would only mean its loss, due to inflation or due to not using up/receiving all pension money that is “owed” by the state. Increase of future pension, if postponed, would be marginal and was not necessarily better than receiving a little smaller pension straight away. For instance, if a person was eligible for an average pension (400 thousand roubles) and decided to postpone taking it by a year, then it would be raised by 6% of pre-retirement wage (in our example, average wage), or by no more than 45-50 thousand roubles – a sum not considerable enough to refuse an annual total pension income of 4800 thousand roubles. The uncertainties of everyday life make this offer senseless: inflation diminishes all efforts for postponement, uncertainty about possible change of pension law as well as the number of years projected to be spent in retirement and receiving pension stimulates pensioners to rush to start taking advantage of pensions as soon as they become available. Such a state of affairs points to another disruption between social and mental spaces (similar account of disruptions also in Round, 2006a): whereas in social space, an incentive was created for postponing retirement and receipt of pension, in mental space this incentive is dysfunctional due to the challenges and circumstances of real life that downgrade possible advantages of using the opportunity presented in the social space.

Not drawing the pension equals to a loss of money because the pension period is seen as too

short to be able to take full advantage of it. For some it is a matter of principle to start “receiving back” from the state and “scoop off” the whole amount of reward for the years of contributions and labour, for others it is a material necessity, for yet others the driver is fear that the rules of retirement might be suddenly changed and this would jeopardise the goal of postponement of pension all together. With all these considerations in mind it is not surprising why people are “eager to retire”:

*“Of course I think everybody are happy when they start receiving pensions that at last you are receiving your own, earned from the state (заработанное у государства). It is pennies (копейки), but nevertheless it is pleasant that they are somewhere. But this is for those who work. Because for those who do not it is difficult, because a person can never survive on a pension. But while there is a possibility to work it is much easier. If you didn't have money before, now you have a pension on a certain day every month, your own money”. (54 years old woman, individual entrepreneur working at the market)*

A puzzle of the “eagerness to retire”, despite understanding negative effects of demographic risks for society ageing and awareness of drop of income in retirement has been addressed in the study in Czech Republic (Rabusic, 2004). Although the Czech pension system had been reformed after socialism, the author suggested that the driver to retire early among the pre-retirement generation could be certain “path dependency” in the attitude to work and work ethics - the persisting inertia to retire, that institutionalized during Soviet times. As one of the factors in the post-socialist context this factor, among others, is very important to take into account for any pension policy change, especially what concerns increase of pension age. Although this opinion has not been further researched and therefore we can not confidently say how much of early retirement could be attributed to it, such view finds some confirmation for Belarusians as well. It has been mentioned in a study of Belarusian pensioners (Bobkov *et al*, 2004), suggesting that some people might see pension and opportunity to retire early as a

compensation for the hard labour and unsatisfactory working conditions that existed on many Soviet enterprises and factories. Similar views were presented by some of my interviewees.

As one of them put it:

*“Of course, it is better to receive everything together, than waiting for something, that in the end you might even not get. A bird in the hand is worth two in the bush, you see” (56 years old man, head of Minsk region division on water sports).*

In this sense “eagerness to retire” refers to willingness to start receiving pensions, regardless of continuing or discontinuing working, as pensions and wages are seen as separate things that, as mentioned earlier, are not mutually exclusive.

### **7.5 Pension as additional income (payment “for” old age): is it unfair?**

Another aspect of social justice that rests in the relations between wages and pensions reveals itself in the view that receiving both pensions and salary puts working pensioners in a privileged position as they become “better off” compared to their non-retired colleagues in same jobs. A few times during interviews it was mentioned that such jealousy for receiving pensions and salaries for those who work in retirement is unjust and unreasonable because pensioners have earned their pensions and it is “owed” to them, and should come as a reward for lifetime working contribution. People were trying to convince me that by receiving both a wage and a pension, even if limited, pensioners were not positively discriminated against and their position was not fully advantageous if all the circumstances and risks of being a pensioner are taken into account. For example, one interviewee argued:

*“Here I hear a lot that people are jealous, but I don’t know why are you jealous? Go and work for 40 years and then be jealous. He earned a pension. Work for 40 years and you will earn it too. Secondly, he has the same working day as you do, 8 hours, he does his job thoroughly, what can you say? Some people are still jealous, but why? But he has earned it! And also works the same 8 hours and he wants to work like everybody. And he also brings a benefit to society (приносит пользу обществу) (51 years old manager in public sector organization).*

*“Why should a pension disappear somewhere? I’m 55, I have worked for 30 years, non-stop (не покладая рук). It is like an addition to my salary. Otherwise, what is there to look up to/wish for/aspire? (к чему тогда стремиться?) To reach this pension, these pennies, and not have a chance to work (подработать)? It gives a feeling as if you are being cornered (загоняют тебя в угол)”. (54 years old storekeeper on a factory).*

In other words, it was admitted that pensioners can realize their right to work regardless of the acquired status.

While for some who (manage to) remain in well-paid jobs a pension is an additional income, for others who take low(er)-paid jobs it constitutes the main part of income because salaries for certain jobs may not be/aren’t bigger than pensions. But one way or the other, a pension is a “security” in old age, in a sense that it is the money that is guaranteed, the benefit that nobody will take away regardless of what job one has. A pension becomes a subsistence that will save from starvation when the worst happens, a cushion when all other resources are exhausted, for instance, when one is “pushed” out into complete retirement or loses working ability due to health problems. It was said in several occasions that:

*“Of course, one can not live of pension in our time. But everybody try to earn it faster, in a sense of getting one more source of income. So, pension is already yours, nobody will take it away, but work is such a matter: today you have a job, tomorrow you don’t”. (54 years old woman, individual entrepreneur working at the market)*

and



*“When people say they want to retire, in fact they want to receive wages and pensions, catch their moment to solve their problems, not because they like working so much. They just want additional income in order to allow oneself something that one can not allow before retirement, for example”. (50 years old woman, an engineer on a machines plant)*

Besides, if wages were not big enough to allow to accumulate a list of necessities for which there was not enough money earlier, then a pension, coming in older age as an addition to wage, becomes a natural and justified addition to have.

As mentioned earlier, for pensioners working full time a pension is more likely to be an “additional income”, a bonus for reaching the retirement age. This is being looked at as spare money that a person can spend on something that was on the “wish list” for a while, like a repair of a flat, or else. In this case pension has a more symbolic meaning of a reward or pay back for the years of service (along the line of the meaning of reward, discussed in previous chapter 6).

*“Poor pensioners, they are waiting for this pensions, if they are not kicked out from work. I see, they have started doing repairs in their homes, at least. Oh, it is a revival (я отжила), you have an addition, you feel a bit better. Because, if we think (разобравшись), why would I have to give away this pension? And if they keep me, thank God, it will be easier for me. I think, if a pensioner can, let him work and receive pension, he has “curried his favour”( он выслужил свое)”. (50 years old woman, director of a shopping centre)*

*“I am waiting for pension. I am receiving here 300-350 thousand, the accommodation rent is 150 thousand, utilities, telephone, etc, how to survive on 200 thousand? When I retire I will work and receive a pension, I will be able to do repairs in my flat. I think, a person should receive what he/she deserved/to his/her merit (по заслугам). Get accordingly to how you worked (как ты работал- получи). I gave so many years to the state ( я отдала государству столько лет..). If those were imperial sums! But they take away the pennies (эти копейки и то отбирают)!”. (54 years old woman, receptionist in a polyclinic)*

It is dubious to presume that the period when pensions start being drawn is a “golden time”, as a pension is an additional source of income. Perhaps, it is only relevant to those who were capable to maintain their previous job, and wage, and receive pension in addition to it. However, the period after retirement can hardly be referred as such for all pensioners. Pension is considered too small to be an appropriate reward, and at the same time many people point out the insecurity with which they have to deal after reaching the statutory retirement age: working contracts are signed for shorter terms, job status is very often decreased, they are the first to be made redundant in case of job cuts, etc. The “eagerness to retire” is related/attributed precisely to the fact that pension gives this security that in case of loss of any other income it cannot be taken away. It is to receive this additional, although minimal, security that people are looking forward to, that people want to obtain upon reaching retirement age. It is like reaching a finishing line in the marathon does not require you to stop running in the future, but gives a sense of achievement and completion of certain stage, which also brings a small reward.

*“I think pensions should be paid in full. A person has earned a pension, it is one side of his/her life. And what concerns a job – he/she works the same at it as a non-pensioner. And don't go like “see, you have a pension and you are earning more”, don't sum it up. It is a duty that a person served in his/her life and receives back for it. This is how I think”. (59 years old man, worker at a advanced electronic equipment enterprise).*

*“It is like a gift, it can not be taken away. Besides, this gift is defined by the law, it should not be taken away, in my opinion” (50 years old woman, school teacher)*

Paradoxically, it was often pronounced that with the receipt of pensions people have a chance to save for the time when they will have to fully retire due to health conditions or else, will not be able to work any longer. Conventionally the time for saving for retirement comes

before one becomes eligible for pension, and savings are made from the wage. This topic will be addressed further in chapter 8, but here it has come up to note that it is not the savings in a full sense that my interviewees mean, but rather small safety savings, that would not provide the income later in life, but are aimed at helping out with a difficulty that had already appeared or is expected to happen.

## **7.6 “But who is going to do this work if not pensioners?” - Intergenerational justice in labour market**

There is a bigger social issue in the kinds of jobs pensioners do, that reflect their role in society. Since the era of scientific management and for half of the twentieth century, due to institutionalization of retirement and social construction of old age, the stereotypical view that older workers are redundant and incapable held quite strongly (Taylor and Walker, 1996). Although it is admitted that older workers are more loyal to the organization, are sometimes more reliable, experienced and trustworthy, these qualities are not always valued more than those of youth, with their flexibility, quick adjustments to change, ability to keep up with technological advancement, associated with it. Such attitudes to older workers persist in society, among employers and are partially internalized by workers themselves. Such generalizations about capabilities and skills of older workers are the roots of the main mechanism “pushing out” those workers into retirement.

An important point of the retirement debate is about the role of older workers in society and intergenerational justice on the labour market. It is political as it has reference to the

distribution of welfare (health care, social care, etc) and opportunities between age groups. Sometimes a problem of unemployment is presented as intergenerational problem, asking whether old workers should give way to university graduates. In Soviet time the slogan of intergenerational relations went “The way if for the young people, the honour/respect is for the old” («Молодым везде у нас дорога, старикам везде у нас почет»). In modern Belarus, there is a lot of rhetoric regarding respect and social protection/care for older people by the state. However, not only the amount of pension, but also the role allocated to the elderly in the labour market, gives a better understanding of the real situation. The insecurity on the labour market that the older workers have has been addressed earlier in this chapter, but to illustrate the feeling of injustice that people in pre-retirement age have, I will give a quote from an interview, where my respondent said:

*“If this pension is not enough to live of, how can a person be deprived of a piece of bread and be thrown away from society altogether? I suppose that a possibility to change qualifications could be provided, why not? Well, pensions are cut off... But why? If a person has earned it, why should someone take some of it away? If one is still capable to bring a benefit/favour (принести пользу) to the society – why? He has earned it, he has got all the rights for this money, why it is being taken away if he is still bringing benefit to society, if he is capable to work, why these limitations exist?” (53 years old woman, school teacher).*

It follows from here, that despite the rhetoric, in mental space it has been reflected that the role of older workers has become discredited.

Older workers whom I have spoken with are of opinion that the capability to do the job should matter more than the age of a worker. It also justifies keeping older worker on a job and non-discrimination in the amount of wage paid, regardless of the receipt of pensions.

They are aware of the arguments of intergenerational debate regarding retirement, the need to give way to younger workers. They even agree with some arguments, admit to tiredness and the fact that sometimes a bigger effort is needed from them to do the same job that a young person could do more easily. But nevertheless they don't want to be “pushed”/forced out of their jobs to live on a miserable pension, as their needs should also be recognized. Many of those who reached retirement age, especially as early as 55 such as women in Belarus, do not perceive themselves as old, although they might be socially seen as old. Once a pensioner, it is not possible to register as unemployed and seeking a job because they are officially retired and with such status are not considered by employment agency. They are left on their own with the problem of finding additional income to supplement their small pensions. It also deprives an older person of being able to contribute socially, of feeling needed and sense of fulfilment.

It holds true not only for Belarus that there is not much choice for pensioners on the labour market. Work for pensioners is associated with the decrease of status, salary and working conditions. Pensioners pick up jobs that are available, read: jobs that are usually unwanted, can be done by anyone but pay little. Pay for a range of such jobs – cleaners, nurses, cloak room attendant, porter, etc. – is very small, almost minimal. Only pensioners have “advantage” to be satisfied with the income these jobs bring because they receive a pension in addition to it. In this way pensioners fill the positions and do the work that is unpopular (least favourable) yet needs to be done. In one interview it was clearly put that:

*“We have certain categories of jobs, where if pensioners don't do that work, nobody is going to do it at all. At present they pay 300 thousand roubles. Which sane person will take this job? A pensioner will, because it will be as*

*an addition to a pension. Until such jobs and wages exist, of course we will need pensioners as workers (нуждаться в пенсионерах как работников)”. (52 years old woman, personnel manager at a factory)*

Working pensioners, figuratively speaking, fill the gaps in society by agreeing to do these jobs. Their work is being “subsidized” by the state in a form of pensions, if they were to choose between either a salary or a pension. The debate about whether pensioners should work and be allowed to receive both pension and wage is confronted by this fact that pensioners actually save the situation by doing jobs that due to their low pay or lack of prestige otherwise would not have found a volunteer to get done.

Besides, older workers think that they have a better attitude to work, that they are more reliable and willing to work than the workers from younger generation. Some suppose that the habit to work hard and such working mentality has been formed by the Soviet union and that makes older workers a unique asset. There is an opinion that their contribution in the society has been great and the fact that they still participate in the economy keeps the country going. It is difficult to argue with the opinion that one of my interviewees put like that:

*“I think, let pensioners work, at least while it still lives in us (по крайней мере пока еще это в нас живет). At least during the times of Soviet power people have learned to work. They are still working, but young people won't work. I don't see it in our young people, they only want money (у них в глазах только деньги стоят)” (57 years old man, director of a private firm)*

Or with the reasoning of this kind:

*“This is the situation: one million of people have left the country, young people don't want to work for those investors [that have come to some of Belarusian organizations]. In fact, there is no one to work (работать фактически некому). Only those people can work who have such habit, who found it difficult to change (перестроиться). Their way of thinking is still the same as during Soviet union, when you know that if you work in one place, in the end you will get everything – a pension and everything. This is what people of my*

*age are like, that's what they want". (55 years old woman, individual entrepreneur)*

It could be of a great benefit to the organization to employ both young and older workers and create an multi-generational collective, for learning and exchange of ideas and passing on experience. Older workers who continue working in such collectives are a valuable asset. It has been brought up in the interviews at certain organizations that pensioners are actually welcome to stay on working due to the fact that there were not enough younger workers with similar skills and knowledge that older workers had. Thus occurred because either wages did not attract enough younger people, or because getting appropriate qualifications was a hard and long process and in the time of economic transition the gap in continuity/succession had been formed, that now resulted in inability to let older workers freely retire before the new generation of workers matures professionally to be able to substitute them.

*"Young don't always want to take these places. And also, a clever person has worked in this field and can give advice is difficult to find. We need them. And when young don't go for these jobs too often, we need to manage somehow, and pensioners help out". (51 year old woman, manager in a public sector organization)*

*"We were in a serious, even critical situation after the collapse of Soviet union and we didn't employ new people because the amount of work dropped down. In fact, 10-15 years have been lost. We could not employ new people and at the same time make our workers redundant. We made some redundant anyway. We have kept the specialists that we really needed. And such gap has resulted in the fact that although we have employed in the recent years some young people, but the gap in the qualifications remained. In the construction business you need 5-8 and even up to 10 years to become a qualified specialist and this time was lost. And that is why now we have to ask people who have reached the age of retirement to stay and continue working, because we can not yet substitute them". (57 years old man, chief engineer in architecture)*

## 7.7 Pensions are small because pensioners are working?

The retirement debate in Belarus has another peculiar aspect that concerns the payment of pensions to working pensioners. The views of the state and people regarding this issue are completely different. This aspect of debate is another clear example of disruption between the “social” space and “mental” space of understanding the relations between retirement and work. If anybody was asked why pensioners work, by far the most likely response would be – “because pensions are small”. But this appears to be a micro-perspective. From the macro-level of state government, the logic goes in the opposite direction. In a few interviews the Chair of the division of development of pension system addressed how this argument is reversed, when in fact “*pensions are small because people continue working after reaching retirement age*” (Naviny.by, 2008). Remaining employed is an indicator that a person is still able to work and it is a question of social justice if he/she should receive a pension. By paying pensions to those 25% of working pensioners, pension system is giving a “bonus”/ rewarding those pensioners, at the same time underpaying other pensioners that do not work:

*“We let a cohort of people able to work in the labour market, they claim a piece of this common pension pie, eat 20% of it in pensions, and what is left for those unable to work? It is very simple, there are no secrets. Complaints begin when one can not work any longer and understand that can’t survive on a pension. But before that one did not give it a thought whose money one was receiving”* (from personal conversation with Chair of the division of development of pension system)

Both statements appear to be “correct”: pensioners work because pensions are small and pensions are small because pensioners are working. At the same time they link together in a vicious cycle. Even if pensions were 20% higher, people would still be working after



retirement because they are able to work and because pensions would still not be enough for living. The fact that pensions are small holds strongly for both (sides) arguments. It points out that something needs to be changed in the system, another equilibrium needs to be found that would not lock the situation in a controversy. Since pensions cannot be increased, perhaps dependency from a state pension needs to be relieved?

The micro and macro level visions of working pensioners and problematizing this situation are opposing to each other. The logic of thinking/understanding/problematizing differ perhaps due to the reason that Ministry does not have a barometer of people's dispositions and people rarely give a thought about the whole society outside one's doorstep, especially in need to provide living. An individual wants pensions to be personalized because on micro level pension are seen as a reward, and believes that paying a decent pension is a state's responsibility. An individual does not want to bear the costs of demographic loop or economic failure as long as he/she has made his/her fair share in society's development by working and to the solidarity system by paying security contributions. This system implies a sense of generational responsibility, meaning that one's benefits are someone else's obligations and payments. However, dealing with the failures of the system to account for all demographic and social problems is delegated fully to the state. Once the authoritative state took over the role of managing pensions, it is its responsibility to ensure that pensions are paid. The problem of pension is turned into a direction of state-society relations rather than the one of intergenerational solidarity. The principle of generational solidarity is such that although constructed to work "between generations" it is regulated and managed, and in this way "mediated", by the state. That is why it is not surprising that people tend to see it as between

the state and them, not between generations.

Presenting the problems as a matter of intergenerational justice and ethics of pensions were repeatedly addressed by academics. The discourse is well summarized by Howse (2004), who examines if intergenerational justice could be a good criteria for pension reform and what should be a goal of pensions. In Belarusian context in the real life, working pensioners are not seen by people as robbing other non-working pensioners. On the contrary, they are seen as continuing their contributions to society and the state in a form of work. Therefore the opinion that working pensioners are putting extra burden on pension system is seen by the studied age cohort as unjust – they receive smaller pensions than they could have if they discontinued working and they still make contributions from the wages they receive into the Fund for Social Protection. It is state not being able to cope with the amount of obligations that is seen a problem, as it is the state that pays pensions, not abstract generations. Besides, even though the money for paying pensions are taken from the current contributions by all other working people, the right for receiving a pension is seen as already have been won by lifetime of contributions prior to retirement and the state gave the guarantee to attend to this liability.

*“I earned it – you give it to me. I have socially contributed for this pension, why are you cutting it off today? Is it because I keep on working and bringing benefit/favour (приносить пользу)? From pensioner’s point of view it is not perceived well. The sum is not large, but the point is not in the sum, it is in the principle”. (60 years old man, retired, but working as a personal coach)*

In addition, if the intergenerational transfers are added to the debate, in material form or in form of care, work of pensioners could be more justified. Relating to this, a very interesting finding regarding role of working pensioners in households in Russia during transition is

remarkable: “The poverty rates of pensioners living with children are higher than for other pensioners, and the poverty rates of children living with pensioners are lower than for other children. Thus pensioners add to material security of children but at their own cost” (Kanji, 2009, p.383). That links to the named earlier one of the leading factors for pensioners wishing to continue working and to the importance of working pensioners in society.

A possible parametric reform option that is being considered in the Ministry of Labour and Social Protection involves means-tested restriction of receipt of pensions for working pensioners. At the moment, a pension is available to all after reaching pension age, regardless if they continue working or not and regardless the amount of income received. It is suggested that the payment of pensions becomes income-tested, up to cancelling payment of pension, for those who receive other income besides pensions. For example, if a person continues working in retirement and his/her monthly income is high (to a certain threshold), the payment of pension will be progressively scaled down or cancelled altogether. This is in consideration of social justice by the state, cutting pension expenses and making a person chose between work and retirement, or at least reconsidering conditions and age of retiring.

*“Our position is as follows. Limiting should be related to the current income, up to the stopping of payment of pension, and no limitations in payment for those who discontinue working. In many countries the equilibrium is set at the level of previous income, they let to get a wage up until the level of that used to be before retirement. If that level is exceeded, than pension is cut. The fact is, that when those rules and limitations were introduced there was no personal accounting (individual accounting), no new technologies, and counting incomes was unrealistic. Now the situation has changed”.* (from personal conversation with Chair of the division of development of pension system).

The rationale behind the considerations of the state will need to break through the “mental

space”, where pensions are understood as granted regardless of the individual decision to work in retirement. Only few of interviewees agreed that such means-test would be fair because there is an understanding that both pensions and wages are well deserved. The social habit of “eagerness to retire” together with the material/financial need make working pensioners such an ineradicable phenomenon. The right for a pension is stubbornly never questioned: how can a person be deprived of it if it was already deserved? The wage is also deserved by the work done. If receiving a pension is a matter of principle, the principle of “mental” space goes against the principle of the state-generated “social” space, where “pensions are small because pensioners are working”.

*“Why not? A person has worked for a pension! For example, my service started in 1972, I already have 36 years of service, and will have two more – I have earned that pension with my labour (своим трудом). But if I am allowed to work, why I can not earn more money into my piggy/money box?! Of course. Although, it is enough to have 25 or even 20 years of service to receive a pension, but we work for 40 years! Then why, haven’t I earned this pension with my work? (своим трудом) I have to receive it! And the fact that I work – it is because I am a good worker, my organization needs me, so why can’t I receive a wage as well? I think it is normal”. (53 years old woman, assistant paramedic)*

*“I wouldn’t say that we are such a healthy nation that women could work after the age of 55. But again, if a condition was to either work or sit at home, it would be a problem of who would replace/substitute those positions where only pensioners work?” (52 years old woman, accountant in state organization)*

Perhaps, work and pensions should not be exclusive of each other, but ways have to be found on how to alter their relations with maximum benefit for individual and society. This question has not received the deserved attention and has not been in the priority list of the state in transition. It has been shown that this problem is complex and linked with the broader

situation on the labour market. It is a problem and a characteristic of pension relations in Belarus, that at the moment is unfortunately stuck at the point of equilibrium that does not satisfy any of the participants.

## **7.8 Conclusion**

Working as a most common retirement strategy, drawing motivation primarily from the fact that pensions are too small to live on, has been discussed in this chapter, exploring the changing meaning of retirement that in Belarus is not defined through reference to the discontinuation of work. The relations between the state and working pensioners so far on the one hand look like a loose-loose situation: neither pensioners are satisfied with their pensions and the fact that they have to work after retirement, nor the state finds it economically viable to pay both wages and pensions to working pensioners. On the other hand, there are some advantages that exist for both: working pensioners fill in spare niches and vacant workplaces in the labour market, thus also contributing to the well-being of the state, and also satisfying their own wish to remain actively employed and busy in retirement. However, judging by the negative tone expressed during interviews, disadvantages of such situation outweigh seeming benefits.

It is the point in state-society relations where they clash: the individual perspective and the social, individual interest and state interest. The way this conflict is regulated depends on the state, that in this case is faced with the uneasy task of trying to merge the reverse arguments. One of the ways to do it could be by introducing options that would satisfy both, like in a

multiple tier pension system with voluntary participation in private pension schemes. In other words, to have a solidarity element for the basic pension and occupational/private option for individualization of benefits, that would also serve goal of pensions differentiation and linking benefits to previous contributions. However, so far the state has not taken steps for changing the situation that seems to be “locked-in”. It did pay the burden of pensions payment to the working pensioners in exchange for the favour of filling the unwanted vacancies. Together with this it paid the price of paying pensions and wages to all working pensioners and in doing so postponing and not addressing the pension problem. This problem will be further explored in the following chapter 8.

## **CHAPTER 8**

### **PENSIONS CHANGE**

“Where pension reform efforts stalled, they faltered in large part because of difficulties in matching the leaders’ pragmatic reform objectives to socially accepted understandings of the state’s obligations to its citizens”  
(Chandler 2001a, p.412)

#### **8.1 Introduction**

Pension reform has been stalled in Belarus at the legislative level, as the ex-assistant minister of social protection in Belarus explained in an interview to one of the newspapers (Ejsmont, 2008). Yet the anticipation of possible and needed change is in the air, small attempts are being announced and implemented, the preparatory work is being done for the changes to happen: personal accounts are already in function, early retirement pensions for workers in special and hard working conditions have been transformed into an employer-funded basis, possibility of increase of pension age is being discussed, among other changes that seem to be making their way at the Department of Pensions Provision. Researchers are urging for the need to transform the pension system to correspond with those in CEE countries by rescaling state responsibilities and adding a funded component. The mass media are speculating with these opinions and with the scarce information from the ministry about what actually is the “government plan”. The atmosphere is thick with anticipation, guesstimates and rumours about what is going to happen and is being measured against expectations of what should be happening. This chapter focuses on the space for pensions change, attitudes to most possible options of pension reform that constitute Belarusian pensions present and determine possible future paths. In conclusion some recommendations for policy change are discussed.

## **8.2 “Out of the (work) gates into the cemetery”: the increase of statutory pension age**

--Do you know anything about possible change in pensions?

--Actually, I haven't heard from the official sources, no.

But whispering to one another's ear, such social radio,  
like one grandma said to another – I have heard that”.

(50 years old woman, school teacher)

### **8.2.1 Rumour**

From the possible (parametric) changes of pensions and retirement the Belarusian public is most aware of the possibility of an increase in the statutory age of retirement. It was the most common answer to an open question about possible/expected changes in the pension system. It was also the most discussed issue in the mass media. Although at the time of interview it was already known that the closest change in the pension system would be regarding separating the pensions with “special conditions” into a category of professional pensions and shifting responsibility for securing payment of these “early pensions” onto the employer, it did not enjoy mass media coverage anywhere near the extent of that of the possible increase of pension age. And even though the increase of pension age was only a possibility with unknown probability of becoming reality, despite recurring messages from the President that it is not going to happen in the near future, such change was the most worrisome subject.

Moreover, my interviewees many times addressed this question to me as I was supposedly “in the know” as a researcher about the details of this measure coming into force. I have specifically asked specialists in administering and development of pension system about the terms and conditions of implementation of this reform measure, but the only definite answer I got was that this was a planned measure that was soon going to be discussed in the National Assembly. To become a law the policy proposal would need to go a long way through several



stages of discussion and approval: by the National Assembly, Council of Ministers, presidential administration, and the President. It was not yet clear when this may become a law, in what form, if at all. Legislative process is very slow, especially in issues that are politically unpopular. And yet at the end of the day, it seemed like the final decision only depended on President Lukashenko himself: if he facilitated or initiated this policy change, than all other stages of law enforcement would be passed in no time. As the president said a few times in his public speeches that the pension age will not be increased, the policy proposal was stuck in the corridors of politics. The impression was that although increasing pension age could be feasible and was proposed by the Department of the Development of Pension system, it was not enough to turn it into a law and it could not be easily predicted if it would be approved within next year or two. Still, two years after the fieldwork research the statutory pension age remains at the same level and discussions about it are chewing up on the same issue with the same arguments:

*“It is not a popular measure overall. Lukashenko yet has to decide on it. Because it is going to be his sole decision, in principle, he makes all decisions. In the Parliament, if he says so, no one has anything against. However, when he cut off benefits people grumbled-grumbled, but in the end got used to it.”. (57 years old man, chief engineer in architecture)*

and further:

*“I don’t know by how much it will be increased, if they are thinking of doing it at all. But for now, as Lukashenko said, in the near future it won’t happen. So, we shouldn’t worry”.* (59 years old man, worker at a advanced electronic equipment enterprise).

In none of the newspaper articles that I am familiar with, that spoke about the increase of statutory pension age, the implementation time line was identified. It was never said when

exactly the increase would be introduced. Regardless of that, after numerous media alerts about possible increase of pension age, people were already expecting it any day. In the interviews I heard numerous predictions by my interviewees regarding the dates of enforcement of this policy and its application, many of them voiced with the precision and reassurance as if the official documents about it have already been approved and released. Amazingly rumours were lavish in “decorating”/adding up and detailing the conditions of the policy. In the situation where no definite/official information was available, any information was considered, even if it was nothing more but rumour.

This style of “communication” of ideas to public and the circulation of them in the public is typical in Belarus. When state media are judged untruthful, the state government is not trusted and a certain vacuum of objective information is in place, rumours become a source of information and a mechanism of spreading/popularization of the information in wider masses. The head of the department of development of pension system was glad to hear that her newspaper interview regarding the possibility of increase of pension age had an “effect”, and that people have become aware and discussed changes to pension system that should be expected. But although her few interviews did not give any details as to when the changes are likely to take place, the reaction to them was unbelievable: people have started guessing what was going to happen and when. In the end, the rumour substituted reality, the guess turned into a pseudo-fact. As I heard from one of my interviewee: “If they are talking about it, it will happen. They are not talking for nothing (просто так у нас не говорят)” (54 years old woman, administrative assistant in municipal unit for sports). In conversations I heard several versions of the coming change: that pension age would be increased in 2009, that it will affect

those born in 1963 and later (this figure varied from interviewee to interviewee), that pension age will be increased by 5 years straight or that it would be increased by 1 year each year – people were generous on details that either themselves or gossips had given birth to.

*“Is it just a gossip? I don't know...they say... Here everybody scares everyone. (у нас все друг друга пугают). One of our doctors had been in the department of social provision, she took papers for pension application there, so she said that the next year 2009 will be a trial year, and on 2010 it will start...Or they say that it will only start for those born in 1960... Overall, I am telling you, it is like word of mouth (“казала-мазала”). I don't know anything else. So I have told them, you better don't tell me anything at all. But if, as they say, men will retire at 65 and women at 60 – it is outrageous! Not a single man here survives, they all die like flies at 60!”. (53 years old woman, nurse in a polyclinic).*

For those I interviewed who were not confident about the details of the possible change, the increase of pension age was not a possibility but rather a destiny, something unavoidable. The rumour seeded in society was believed to be there “for a reason”. Such reaction to any vague information has caused a sort of a panic also because the recent experience of cuts of some benefits that happened only a bit more than a year before happened in the same way - unexpectedly. Increase in the pension age was perceived as a matter of time. Before that actually was scheduled to happen, it was believed that the state authorities had let the idea out into masses for people to get used to it and accept it as an inescapable future. One of interviewees explained that:

*“We have difficult working conditions, it is a chemical enterprise. That's why for our workers the increase of pension age is fatal: out of the gates and straight to the cemetery (из ворот сразу на кладбище). Have you heard anything from your sources? Here they tell us that they will start increasing pension age for those born in 1960... Everybody says different year as a starting point. Well, they have let this thought for now (запустили пока такую мысль), to let it roam/ferment in masses (чтобы перебродила в народе), to make us get used to anything, and later they will do it. We*

*already know how it is. They have let this thought in, people will ferment, get used to it, and when it will be officially announced everybody will be kind of ready for it already. Although it is horrible.”. (51 years old woman, process engineer at chemical plant)*

It soon became clear that interaction between state and people is constructed in such way that people get used to being informed by rumours. This becomes very important as they inform individuals ahead of the official announcement of big state decisions, and the time lag is used to manoeuvre and adapt to the idea of the coming change. On numerous occasions I heard that:

*“It is not approved yet, I know. But gossips started. I think, they are intentionally/on purpose being thrown in to check our reaction. And later you will get used to it, and will be happy. Like with pensioners: they had transportation benefits, that were later cut off, and when in spring they will be returned again – they will be happy. And then they will see that it is ok, nothing to be scared of”. (50 years old woman, engineer at machines plant).*

The attitude to the increase of the age of retirement was brought up firstly through public gossip. I found this observation important as it was characteristic of state-society relations/communications. It helped understand how the “mental space” was shaped.

### **8.2.2 Arguments: should the pension age be increased?**

According to the estimations done by independent researchers from IPM research centre, (Haiduk *et al*, 2008) if pension age was not going to be increased, the pension system was going to start generating deficit by 2010. However, the authors argue, the increase of pension age would only have a short-term positive effect on the pension system. By their projections (Chibrik and Shymanovich, 2008) in cases where minor (“cosmetic”) changes are introduced,

such as an increase of retirement age for everyone below 40 by 5 years or increasing retirement age only for women thus equalizing it for men and women at 60, is only going to postpone the unavoidable collapse of the pension system until around 2020- 2025 by decreasing the ratio of pensioners per workers (the “load” of the system), considering that the ratio of average pension to average wage remains constant. Therefore, they call this measure “inert” and conclude that it is not going to make the pension system sustainable. Moreover, in the authors' opinion, introducing the policy of increasing retirement age in Belarus would be difficult because the longevity is not high enough and because the Belarusian population disapprove of this measure.

There is another opinion regarding the increase of pension age - that of state government. The reasoning of the government goes that if people retire early and “young”, spend so many years in retirement (14 years for men and 23 years for women) and still many continue working straight after reaching pension age when they start receiving pensions, means there is a “space”/opportunity for the increase of retirement age. Chair of the division of development of pension system gave a different type of reasoning for the increase of statutory age of retirement, seen as a period of rest paid by society as a whole. Regarding the necessary change of age margins of that period she said:

*“Strictly speaking, why the period, which would be correct to call “free time that is received as a gift from society”, or pension age, is untouchable? Since people uniquely (однозначно) consider that they remain on labour market, it means that the period of inability to work has not started yet, it is yet to come, it is somewhere there further ahead. So, why are we talking about pensions?”. (from personal conversation with Chair of the division of development of pension system)*

In other words, state government see objective necessity in increasing the official age of retirement for which there is a socially justified reason, and that would reduce state pensions expenses.

Among the population, on the contrary, this measure calls for a predominantly negative reaction as they see no “space” for such increase. Research on ageing provides evidence that people usually engage in the idea of retirement in advance (Ekerdt *et al*, 2000), prompting interim preparatory behaviours, to which an increase of retirement age is posing a threat. Considering the low life expectancy, especially among men, reducing the distance between statutory retirement age and the average age of mortality looks appalling and inconsiderate of population. It is viewed as depriving people of the years of rest they deserve by their many years of devoted labour. A very characteristic opinion could be described by a recurring metaphor from a few interviews about the outcome of the increase of pension age as it would lead people “out of the (factory) gates straight to the cemetery” («из ворот – на кладбище»).

*“And so it is going to be that men will go from machines (от станка и сразу на кладбище) straight to the cemetery, he won’t even need a pension. That’s it. And it turns out we are heading towards the situation when pensions won’t need to be paid. I don’t know what to say about such politics...”* (58 years old male, middle-range worker at a factory)

People of the studied age group find this policy unjust as this measure would change /restrict conditions for their retirement compared to generations just a little older who retired before the higher pension age was legislated.

In essence, the debate in Belarus is between social necessity for the raise of the age of

retirement and a highly emotional reaction and argumentation from the public pointing out the unfairness of this measure. In other words, the debate is situated at the crossfire of arguments between social and mental spaces. Demographic, ecological, health and well being, and other factors are evaluated and interpreted differently and used as grounds for justification of respective arguments supporting an increase of statutory retirement age or rejecting it as a possibility.

\* Population statistics

It is arguable exactly how much a statutory retirement age should depend on the average longevity. The correlation of these two figures had been historically a political matter of bargaining between workers' unions and the state. Demographic factor is, of course, significant, although in the dawn of social security pensions they were available only for the oldest people, for frail and needy. It has later institutionalized below the age of average mortality, making a privilege of pensions available to larger groups of aged workers (Harper, 2006). Hence, establishing the age of pensions has always been a political matter that used demographic indicators rather as guidelines, but not as a driving factor. Yet, guidelines set up by factors of health and longevity of population need to be accounted for, especially if people in the country are sensitive to these issues.

Current pension age is believed to be appropriate by the majority of population (by 74% of population, according to Baturchik and Chubrik, 2008) and by the majority of interviewees approaching retirement age that I have spoken with. Public opinion in Belarus ties retirement

age to the indicator of life expectancy, where one justifies the other<sup>23</sup>. Interviewees appealed to the fact that it was set at the level of 55 and 60 years old “for a reason” and had been justified scientifically by measuring productivity in old age, longevity and health, or other indicators. These factors, interrelated as they are, were recognized by non-retirees as playing a high role in the decision to retire and in the state's decision to establish the retirement age at a certain level. Although it is higher in the countries of Western Europe, the well being and living conditions there were not considered comparable to those in Belarus. One of my interviewees said:

*“Personally, I think that pension age was not set out of the blue. It is the age when a person already loses certain skills, becomes less able to work, sometimes for some kind of mental capabilities, I don't exclude that. Because the way of life has its impact/reflection, the effort that a person made... Maybe it is reasonable to do in the countries where longevity is higher and where the level of life is different and the quality of life is different”. (53 years old woman, school teacher)*

Therefore in Belarus raising the age of official retirement based on “average” longevity was thought as unreasonable.

The explanation of statistics of mortality and longevity and following justification of the feasibility of the increase of pension age that was given by the Chair of the division of development of pension system was different from that behind the logic of public opinion. She explained that since the 1960s, when the parameters of retirement were set up, the lifetime transitions have moved and should be reconsidered accordingly with new life circumstances and realities of modern Belarus. For instance, people spend longer in higher

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<sup>23</sup> In previous chapters 4 and 6 it has been discussed why the indicator of life expectancy is not appropriate for justification of retirement age.



education, which pushes up the age of entry into active labour relations. Therefore it is not fair to keep the age of exit from the labour force at the same level. Central to the pension system working properly is keeping productivity at the same level, and changes in entering and exit from labour force can affect this. As the expert explained:

*“Take this primitive, but very good example: supposedly, we have two citizens in a country. One had lived for 20 years, the other one had lived for 100 years. We add up, divide, and the average age would be 60 years. Don’t we have any pensioners in the country? But half of the population of this country had been receiving a pension for 40 years! This is to show how adverse it is to take this indicator [longevity] as a starting point. It just shows that we have problems there, among other age groups. But the fact is also that a quarter of our population are pensioners, two million people are older than 60 years, 14,6% are older than 65 years, considering that UN criteria for ageing population starts at 7%, meaning that we have exceeded it, doubled it”. (from personal conversation with Chair of the division of development of pension system)*

\*Health, well-being and ecology

What affects both life expectancy and productivity is health. Health problems were among the main factors/reasons mandating retirement age to not be increased by the people. Appeals to real life examples were numerous, drawn from interviewees’ personal experience and social network, saying that by reaching what is now a statutory retirement age people feel tired, the working rhythm becomes harder to handle, general health is deteriorating, and chronic illnesses take over. In addition, people from this age cohort are likely to know somebody who has already passed away at a similar age. This reasoning overwrites in their eyes the assumption that changing the age of retirement in Belarus is a good idea. Subjective perception of the individual's life expectancy can influence retirement behaviour and

perception of appropriate timing of retirement (Solinge and Henkens, 2009). As one of interviewees summarized it:

*“I have seen this information, that our average Soviet pensioner at the age of retirement, a 60-years old man, has 6-7 chronic illnesses, on average; it doesn't matter which ones, everybody have their own. A Norwegian or Canadian pensioner, when he retires at 67 years old has 3-4 chronic illnesses. It also tells us something. The age of retirement could perhaps be increased, but it is important to take into account life longevity, which is among the lowest in Europe. Why should we compare with them? He/she will retire at 67 and will live another 10 years, but when I retire at 67 I will live about a year, for instance – can you see the difference? And if I retire, my health would not be comparable to theirs, and pension will not be enough to improve it”. (56 years old man, director of a vocational training club)*

Besides, in highlighting the pensions “problem”, the media usually brought up the factor of population ageing and critical demographic situation as alarming. Due to increased appearance in the media of the topic of population ageing and pension changes that might follow it, the awareness among the population about demographic problems has increased. Many people have been aware of the fall of male life expectancy that during the years of transition has dropped almost to the level of pension age<sup>24</sup>.

In addition to that, the bad ecological situation is also an issue of common knowledge and concern, that influences the attitude to the increase of pension age<sup>25</sup>:

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24 Sometimes people cited the figures of male life expectancy for Russian men – 59 years old, which is a few years lower than Belarusian men – 64 years. This must be due to the fact that the two most popular newspapers like “Arguments and Facts”, “Komsomol truth” («Аргументы и факты», «Комсомольская правда») are reprinting Russian version of their content in their Belarusian newspapers, and only a section in them is about Belarus (“Arguments and facts in Belarus”).

25 Everybody in the country is aware of bad effects of the Chernobyl disaster on the ecology of Belarus, even if the knowledge of the detail of the effect may vary. Also, a few steps have been taken by media to increase consumer consciousness about the quality of food and general nutrition of Belarusians.

*“ In our country it is unreasonable to increase pension age, with the account that it is a post-Chernobyl state where everybody has received a dose and the consequences of it are yet unclear, especially for the young people”. (53 years old woman, school teacher)*

As it affects well being and the health of the population of virtually the whole country it was seen by some people as a complementary argument against increase of the age of retirement. Besides, the stress and difficulties of everyday life added to the arguments mentioned above make the comparatively low pension age justifiable in the specific country case of Belarus in the opinion of its people.

\*Social fairness

Consequences of an increase in pension age are going to affect the balance of justice between age cohorts, genders and people with different social statuses and professions. When a large age cohort becomes eligible for pension, as projected for the near future in Belarus, it will be burdensome for the system of pension provision to maintain its liabilities at the same level, if all conditions remain the same. The “burden” is described as increasing the ratio of pensioners to employed, or more precisely as the number of beneficiaries to the number of contributors to the pension system. Picturing the retiring cohort as a “burden”, although indirectly, is causing resentment among people of that cohort. The state measure of increasing pension age could postpone new beneficiaries from starting drawing pension and hence postpone and reduce the load on pension system that could have been placed if pension age and pension amount stayed unchanged. People see the increase of pension age in more extreme terms, as a measure to avoid paying pensions at all. By this logic, if pension age is increased and brought nearer the

age of average longevity, then many people would simply not survive to start receiving it, and even if they do, the time spent on a pension would be overall shorter. Such a crude way of tackling the state's problems at the expense of pensioners caused anger among most of my interviewees:

*“If they prolong to 65...Not everybody will survive until pension. Meaning that it is saving/economizing (экономия) for the state – no need to pay pensions. It would have needed to pay pension for 5 years, but if he survived only until 65... It has to be connected with the age of men and women, that some percent will receive pension only for a year or two. As an apparatus of repression and government, the state squeezes everything out of a person”.* (60 years old man, retired, but working as a personal coach)

Discontent was very pronounced in describing state-society relations concerning increase of retirement age:

*“Let me tell you what it all is being done for – to pay less pensions, because people will not survive/live until this time/age. It is rare that a person lives up till this old and receives pension for several many years. They do it... people will die and not survive until pension (не доживут до пенсии)”.* (53 years old woman, punch press operator at a factory)

Perhaps, it should not leave our attention that people are unhappy about the increase of pension age because this measure will deprive them of the option of receiving both pension and wage for another few years, as was discussed in previous chapter 7. It would be judged “unfair” compared to the current conditions of retirement. Bitterness against changing social contract is to some extent explained by the unavailability of benefits earlier, as was the case for several previous age cohorts, the cut of the “tasty” period of receiving wage and pension. This opinion was pointed out by the Chair of the division of development of pension system (interview): “In principle, they are irritated not because of the increase of pension age as such, but because they become deprived of this “tasty” piece”. People don’t deny that their discontent is about the loss of the opportunity to receive both pension and wage and instead

having to continue working without receiving a pension for a few more years. This fact is seen as unjust as it puts generations into different conditions of retirement and alters the rules of social contract to which their expectations have been built. The popular example that an “average man” (that is, “average life expectancy”) in Belarus would only receive pension for 4 years only magnifies the feeling of unfairness due to inadequacy of period of working contribution for men to a very short period of returns from the system. Often in the interviews the arguments went like this:

*“Imagine, male life expectancy is 64 years old. And they retire at 60. So, on average for three years you receive what you have worked for for your whole life... and you’re dead.” (53 years old woman, officer in a state organization)*

*“I am thinking how at 55 I will receive a pension and my wage and will live well and healthy and have butter on my bread. But if they increase, I will have just bread until 58, or even may be they won’t want to keep me at work. If pension age is increased for men, they will go “from the machines to the cemetery” (от станка сразу на кладбище), without any pension”. (50 years old woman, engineer at machines plant)*

It stands out that increase of pension age means prolongation of the period of insecurity, and postponing and reducing the period of reward.

### **8.2.3 Professional differentiation**

Increase of statutory age of retirement applies universally, with exceptions to the “rule” that are clearly spelled out, which have special regulations regarding retirement. Moreover, increase of retirement age goes together with cuts of categories of professions that allow early retirement legislatively and by giving a strong motive to employers to do so. Law about

Professional Pensions, enacted in 2009, that obliges employers to accumulate a pension fund and pay pensions for those who retire earlier than statutory retirement age for the period until they reach the official age of retirement and are eligible for old age pensions. This obligation puts pressure on employers who are not financially capable of providing those professional pensions to either reduce number of early retirees or improve working conditions. However, there exists a strong notion that the approach to increase the retirement age needs to be differentiated as it is widely acknowledged that different jobs require different effort and return. First of all, hard manual/physical work needs to be separated from intellectual work in terms of how it affects health and ability to work. Hence, not only material/financial reward, but conditions of retirement should differ as well. As one interviewee explained:

*“Do you want to know what hell is (like)? – Go to our radiator-factory, and you will understand there that is it true hell. How can you increase [pension age] until 62 years old for a worker that works there?! He is unlikely to live until 60, unlikely. And there are professional sicknesses among casters/moulders, they don’t survive until 60 either. What kind of increase of pension age until 62 can we talk about?! I can understand if there is a scale, different for different statuses and working life. I have never been a worker myself, so may be in my case and status it could be increased. But for the state, it seems to me, it will be so complicated to have such individual approach”. (58 years old head of computing department at an enterprise).*

Indeed, it deserves a special notice that working conditions on many enterprises in Belarus remain unchanged since Soviet times, when they were built. From the wear and tare of machines and equipment to the lack of conditioners and overalls; these all add to creating working conditions that ware out workers. And perhaps working for an additional few years in the case of increase of retirement age for workers on such factories would incur more effort than for the office workers, for whom prolongation of the working period would be desirable. Changes of retirement conditions, of which age of retirement is a component, with respect to

professional differentiation, needs to be justified not only politically and economically but also socially.

#### ***8.2.4 Equal retirement age for men and women***

Among working pensioners the number of women is almost twice as high as that of men (Spasiuk, 2011c). This is why the government sees the capacity for increase of pension age especially for women. The system that allows a woman to spend up to 23 years in retirement, according to “average numbers” of the time spent in retirement by women, when the period of officially required contributions for gaining eligibility for pension is at 20 years, according to the Pension Act, is unbalanced and change is needed towards increasing the period of contribution and decreasing the period of receipt of benefits by women. Besides, subjectively at the age of 55 women usually still do not perceive themselves “old” and don’t associate themselves with the stigma attached to old age and pensioners. Only few women among my interviewees, mostly on lower-skilled jobs, said they were waiting for retirement in order to take a break from work due to tiredness and health problems, although they admitted that their plan to do so might not work as they would need to have additional source of income to complement the pension. Many of the women in highly skilled professions, like teachers and doctors, said they would like to remain active and employed.

A low age of retirement is not always a benefit, but could be seen as discrimination: reaching the official pension age is used as a reason for discontinuation of working contract, hence putting women at risk of unemployment in old age against their will to continue working and

hence making pension be their main income rather than additional one. Therefore increase of pension age for women could be an acceptable opportunity, beneficial for both women and the state. State authorities expect that women realize the advantage from the increase of statutory age of retirement (Narodnaya Gazeta, 2008), whereas some women did not see how increase would benefit them. The possibility of having a job with a larger income that is also morally rewarding was more appealing to a segment of well paid professionals, of both sexes, intellectual/highly-skilled “office” workers, for whom not receiving a pension would be only marginally worse and who therefore would rather not be pushed out of their jobs, even if it comes at the cost of “losing” a pension. Yet, as was discussed in the previous chapter, the majority would prefer to be able to keep both – their jobs and pensions.

Conflicting with the increase of pension age for women is the common argument that regards women' roles both at work and in the families. Traditional roles of carers performed by women appeared to be very important for social stability. The workload and time dedication for household activities within a family is currently highly biased towards women as all housework and care work is predominantly performed by women. Besides, due to gendered distribution of professions, income and opportunities over the life course, women tend to have smaller pensions than men, which is a problem not in Belarus alone (Pascall and Manning, 2000; Price 2007a,b). Some women welcome the possibility to exit from employment into informal care, after their elderly parents or grandchildren, if their family needs it. The priority of family roles and grand-parenting over a career for women of older generations still remains very common across all occupations, according to my interviewees. I often heard from my female interviewees that after reaching pensionable age they would not mind



dropping off employment anytime their family needs their help as carers. Such social perception of women's roles in older age by both men and women approves and to some extent strengthens the justification for low retirement age for women. Surprisingly for myself, when asked if it would be justified for women to work longer and retire at the same age as men, most of men disagreed and said that women deserve lower retirement age for the hard work they do, not only at their official job but also in the household. Even when I probed further to describe the injustice of the fact that retirement conditions for genders are unequal, some men still didn't change their opinion that women were overloaded with household work all the time, in addition to the official employment, hence, they deserved to rest in retirement earlier. As some men said:

*“Perhaps, it is not right [that women would retire at the same age as men]. This is not to say that women are “the weak gender” [слабый пол], but in a sense they are mothers and they give up some of their health on giving birth and children's upbringing. Therefore, we have it right at the moment that men retire later. But even if the increase of retirement age is to happen, it should be proportional – if it is increased for men by 5 years, for women it should be by 3-4 years” (54 years old man, chief construction engineer)*

*“With all the flexibility of women, they are called “the weak gender” for a reason. It was in the Soviet Union that women were working hard and still are, alike with men. So, they forcedly appear to be strong. And secondly, women have their main job – giving birth to children. It is quite difficult work. Although pregnancy rejuvenates the body, but all that follows – upbringing and feeding – it strikes the body, so women have it harder in this sense. And so they deserve to retire earlier.” (56 years old man, director of a vocational training club)*

Such common attitudes towards gendered distribution of roles in society demonstrated that any change of retirement age needs to take into account the attitudes towards age difference and make smart choice of emphasis on the arguments regarding this difference.

The decision about raising the statutory age of retirement is political and the weight of public opinion in the debate about it is usually limited. Recent increases in retirement , despite demonstrations of protest in France (November 2010), was perhaps one of the most sensational examples. Age of statutory retirement was also increased as a part of reform in Baltic states, for example, but was left unchanged in Poland. The measure that restricts the benefits for the population can hardly ever be welcome by the public, although the fierceness of protests could be brought down by explaining the reasons and projected effects of state initiated acts. Concluding the discussion on this topic it is necessary to remind oneself that even if pension reform came tomorrow, the generation in focus, according to the common practice, would be left with the old/previous conditions of retirement, as they would have no time to accumulate adequate savings to top up the first tier pensions. The only change that could affect them, as it affects everyone, would be the increase of statutory retirement age, and that one indeed causes worry to the pre-retirement generation. People are already anticipating the shock of abrupt increase of the official age of retirement by a few years. However it is likely to happen gradually, like in the Baltic countries, by adding 6 months to the pension age every year. According to state pension authorities, the longer the postponement of this measure the less paced out the increase of pension age will have to be.

### **8.3 “Superstructure”**

All countries around Belarus have at some point in late 1990s or beginning of 2000s introduced a second tier into a pension system, and voluntary private saving for pensions became available. The size and management of the second tier pensions differs between the

countries and even within a country conditions for pension attainment are different for different age groups. For example, in Poland participation in mandatory savings plan is compulsory for who were under 50 years old at the moment when the reform was launched, whereas everyone older 50 years and current pensioners had retirement conditions unchanged. The costs and future ramifications of the reform, it is argued, are distributed differently not only between age groups, but also between genders and people of different social statuses (Zajicek *et al*, 2007).

Supporters of paradigmatic reforms of pension system in Belarus believe that private pension elements would stimulate economic growth and development of financial and investment sectors, stimulate efficient spending of social security funds, efficient and diverse distribution of risks in social security, stimulate workers to think independently, reveal and report all income they receive in order for pension contributions to be adequate (come out to light from the grey sector of economy), stimulate workers productivity, and satisfy workers aspirations for pensions differentiation (Haiduk and Slabchenko, 2008; Haiduk *et al*, 2008; Chubrik and Shymanovich, 2008; Rakova, 2008c). These researchers recognize the necessity of making reform steps towards pension privatization in the nearest future. They do not deny the importance of preserving the universal state basic pension in Belarus, and see privately managed tires to be complementary and necessary elements of pension system. A scenario that these authors (Haiduk *et al*, 2008) propose is redistribution of the current percentage of pensions contributions between Fund for Social Security of Population and obligatory pension savings scheme, managed by either state or private insurance organizations. However, the authors also admit that the model they present does not include other effects of ageing, such

as increase of expenses on medical care and change in stimuli on worker's behaviour due to change in pension system. Their conclusions are based on macroeconomic projections combined with the registered wish for private pension schemes by some categories of market-oriented and well-off citizen. Such approach treats the other part of population as deterrent and clueless, yet without addressing what changes would bring for them.

Although introduction of voluntary private pension saving was declared on paper in the Concept of reform of the system of pension provision back in 1997, legislative acts in 2002-2005 have only toughened the conditions for development of instruments and institutions of private pension saving. The intention was stated again in the Program of socio-economic development of Belarus in 2006-2010, but hasn't advanced much further than strategic intention with no deadline for implementation (Homiarhuk, 2008). Although the demand for restructuring system of pension provision and adding more options for pension savings has been identified among Belarusian public, it is limited and this information does not give enough grounds to believe that formatting the pension system for all will be appreciated and welcome, and most importantly have a positive effect. In fact, the experience of participation in private pension systems in the reformed countries is contradictory wherever participation is not mandatory it is very low, which leaves authors of the program to wonder the effects of small participation on future well being. Belarusian paternalistic political agenda and arguments that "society is not ready" for reform has ideologically and economically, for better or worse, stalled the reform. As Chair of the division of development of pension system explains (from personal conversation):

*“So far it is for the better. All these experiments with the change of financing are very costly/ come at high price. Secondly, it is risky, because you see what is happening to financial markets, which are the basis on which the pension system should be sat/put. What is it going to work on? On these financial poodles? What goes around comes around: why Argentinian crisis didn't alert anyone? It was local, in one country, but everybody there lost their pensions. Don't such catastrophes teach anything?”*

The experiences from the countries that have engaged in pension reform and introduced private pension savings shows mixed results. In Hungary and Poland (Fultz and Ruck, 2001) we seen examples of the underestimation of the numbers of workers who actually moved to the private pension funds once the pension privatization reform started, which happened due to a combination of factors:

*“extensive advertising campaigns by private firms; workers' hopes of earning substantial returns in the stock markets; their general receptiveness to new private, individualized arrangements of all types; and their lack of confidence in public pension schemes, due to the lack of transparency of the old socialist systems and the absence of any comprehensive plans for restructuring them to ensure long-term solvency”.*(Fultz and Ruck, 2001, p.34)

A disillusionment and lack of trust in the old Soviet states has played its role in popularizing the private pension funds, with whom people of the named countries were willing to “gamble”. However, Lithuania offers an example of a country where, with reform launched in the middle of 1990s, the private funded system failed due to the lack of public interest (Rys, 2001) or in Latvia participation stalled due to poor information and explanations of the reform by the government (Vanovska, 2004).

Despite the fact that the pension system in Belarus is still organized as in a single tier pay-as-you-go way, I have asked my interviewees about their opinions regarding introduction of a mandatory and voluntary savings elements. On several occasions conversation was led to this topic by interviewee, while making comparisons with western pension arrangements or when

talking about private savings in preparation for pensions. It was discussed what changes older workers would like to see in place for their ideal pension system and what their understanding is of the conditions for mandatory and voluntary savings in Belarus. All these discussions were deeply embedded in state-society relations, with constant reference to expectations from the state and the omnipotent role that the state was mandated to perform in the reform.

### ***8.3.1 What kind of “privatization”?***

The tendency of personalization/individualization and preference for differentiation in social (re)distribution are values that have become more pronounced during post-Soviet times and have now become embedded in understanding of social justice. Individualization comes in place of collectivization, social good is no longer justified to be individual good, people don't want to be equally rewarded for what they estimate as unequal input into the creation of common welfare. Aspirations for private pension provision, the consequence of increased transition-induced social inequality, are examples of those “private” elements people wish were in place in pension system, that would link benefits closer in line with contributions. It is therefore not surprising that people want the relationship with the state to be more personalized than the model of social solidarity allows. It is here that the spurs from “mental” space are being levelled by the state vision of “social” space, homogeneous and controlled, adhering to the distributional principles from the past. Relations between state and society are characterized by contradictory views on sharing responsibility of old age security which will be now explained. Propensity to make savings should not be confused with the wish for the pension to be provided on the principles of private social security. A paradox of “mental”

space consists in the following: at the same time when public do not trust state guarantees of savings security, the prevailing opinion is still that management of pension system needs to be operated by the state.

In the research report by IPM (Chubrik, 2008) similar contradictions are recognized. It is said that currently around half of Belarusians irrespective of age (45,5%) are not ready to make additional/complementary pension contributions. Also it is said that regardless of the mistrust to pension system around 40% of Belarusians have reported/stated an intention of making additional contributions, however, according to representative of the Ministry of Labour and Social Protection (Spasiuk, 2008), people do not use the opportunity to do so that the Belarusian pension system technically provides. Such contradiction points out that propensity to make pension savings is rather declarative, and that the possibilities spelled out in Belarusian pension legislation are not well-known and are not considered by public as realistic and secure/guaranteed way of pension savings. Judging on the basis of my findings from interviews with the people approaching retirement age, not all of those who suppose that pension privatization could suit them, fully understand all repercussions of private pension saving.

The already existing understanding that people have of the individual social security accounts and the way PAYG solidarity system works is misguidedly treated sometimes as a private element in social security. (As described in Chapter 5) The virtue of having an individual account and a “security card”, that looks like a bank card, makes many people think/assume that money of their contributions is accumulated on it. People see having this account as an

element of individualization of social security. As it became clear, people would like to have a more pronounced link/stronger relation between their contributions and pension benefits, which would, in their opinion, make a pension bigger and more adequate to the money and work contribution of an individual. In reality though, no money is accumulated on the individual accounts, only eligibility for pension is acquired by making contributions to the Fund for Social Protection while working, the record of which is kept at their individual accounts. Such understanding of individual security accounts and the wish that pension had closer relations with pension contributions indicates to the above mentioned private notion in pension provision. Under the terms of private pension provision pensions are strictly personalized and related to previous savings on individual's pension account (made by an individual or on his/her behalf). In the pay-as-you-go system regulations in Belarus a relation of pension with the previous income is spelled out, however the end effect of other regulations overruling this mechanism diminishes pension differentiation, that has gained support in times of transition.

Another element of privatization, that is not in place but was aspired by many interviewees, concerns the possibility of inheritance of pension money. Assuming the quantifiable pension reward had accumulated on personal accounts, people would want to be able to pass it on as inheritance to their children in case they don't survive until pension themselves, or to pass on the part of it that remained in case they were unable to "get back" all the deserved money during the short time of receipt of this benefit during their retirement. Such understanding of personal accounts would have been appropriate in private social security, but not in the PAYG system currently in place in Belarus. As one of my interviewees said:



*“I think that he/she should save for him/herself, and even if he/she doesn't survive until pension, it happens that somebody dies, then the money of his/her contributions should be accumulated at his/her account and sent to his/her relatives, children. I think this would be just. But now it turns out that we have a system where when I retire my son is feeding me/providing for me”. (57 years old man director of a theatre)*

As excerpt from another interview illustrates the point regarding rights for pension money in an even sharper way, by treating contributions in a personalized manner (against the reality of pension calculations in the country) that could be transferred to children rather than disappearing in the state's fund:

*“I wish it was like an account open on my name, I won't need it until retirement, but only, if something happens with me, this account would be passed to my heirs, because I don't want to give/grant this money to the state. I understand, that with inflation and everything this money will vanish anyway, as it did before, but anyhow, why would I give everything away to the state? I want to retire knowing that I have something (за душой), that the state will give me back some money”. (50 years old woman director of a shopping centre)*

It is becoming clear that solidarity as the main and only underlying principle of pension system does not fully correspond to the needs of new society and citizen that want personalized returns on their contributions, who want personalized relationship with the state. The enhanced notion of individual rights and private property, brought by transition, instigated the formation of demand for such individualization to which policy change have responded by introducing personal pension accounts – the most that solidarity principle can allow. Yet, it seems to be too early for personalization of responsibility – it remains unclear to what extent people are ready to make private pension savings.

### ***8.3.2 Trauma/phantom of transition***

The end of communism might have been associated with the hopes for better life and wide opportunities, but not for too long. The time of uncertainties has dominated the social life ever since. Although transition brought certain freedoms and exposed people to variety of choices in good and services, for some those choices were either unavailable or associated with greater risks.

The loss of trust in financial institutions came in early 1990s, when people lost all their savings due to the collapse of financial system and currency deflation. The scale of it was massive: every family had some money saved or had one or another kind of insurance savings and hence almost every family lost their money. The shock of this loss still echoes in contemporary Belarus and savings habits of Belarusians, especially among the generation in focus, who were directly affected. One of my interviewees recalls:

*“It so happened that when we had savings it all went busted (ляснулось все это дело). Everybody had 6 thousand roubles, and all of that went busted (накрылось медным тазом). I don’t remember what pinhead/little thing (мелочь) we have later bought with that money, but some kind of flimflam (ерунду). In the Soviet time it used to be a good sum of money, as a “security cushion”, but later it didn’t mean a thing”. (55 year old woman, individual entrepreneur).*

In addition to this major shock, the 1990s has seen other “relatively honest tools of taking off/detracting money from the people”<sup>26</sup> – short-term existing banks ('однодневки') and financial pyramids that affected people’s feelings of trust and stability even further. The

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26 An expression used by a very famous fictional character Ostap Bender, a con man, that appeared in the novel *The Twelve Chairs* by Ilya Ilf and Yevgeni Petrov, and is known as an archetype character in Russian literature.

memory of this negative experience with insurances and savings is still alive. Although no major incidents of private banks going bankrupt or financial pyramids like MMM in post-Soviet Russia happened in Belarus, the awareness about what was going on in Russia added up to general distrust to emerging institutions that managed finances. In conversations about pension savings many of my interviewees brought up the fact that they have lost their savings once already in 1990s and do not trust banks to manage their money, especially on long term. The spare resources, although available to few, are being spent or invested in improving well-being at present, in health, “in children” by paying for their education, in buying property, etc. These represent the alternatives for savings, such immediate spending oriented into the future, the purpose of which is precisely to not have big savings in money form. A drop of savings was registered in all transition economies (Schmidt-Hebbel and Serven, 1997). Although pension reform is justified on grounds other than saving, reformers around the world had underestimated its effects on savings as it turned out to be not so straightforward.

### ***8.3.3 Savings (generally are low)***

Belarusians do not like to talk about savings, and my research experience clearly demonstrated this. No assurance of anonymity or pledge of keeping this information secret would help attain this information from Belarusians unless they decide to be honest. It was not my purpose to reveal where exactly people keep their money or how much money they have, but many respondents were building up the invisible defence in anticipation of these questions. I don't exclude that some people might have lied about “not having” any savings, but there was no way to find that out, so I chose to trust my respondents as I have done what I

could to establish trust in me as a researcher, and I respected their way to keep their own secrets. In a qualitative research being discreet and telling “half-truths” could also be interpreted as information.

The idea was to establish people’s general attitudes towards private pension saving, their vision of the opportunities available for that. I have soon discovered that people in Belarus don’t separate pension savings from other types of savings. Mostly, they do not have savings that would be allocated for spending in retirement, to compensate for the lost wage income or top-up state pensions. The nature of savings was different. Belarusians are not used to saving for pensions, which implies setting money aside for long term to be used/lived of in retirement. Most of my interviewees said they did not have savings or their savings were not considerable to live of, that those were the “emergency” money to be used “in case something happens”. For example, according to my interviewee:

*“I am saving “for a bad day”/“на черный день”, you know, when something happens I will get this money. I have an account in a bank, where I can withdraw my money any time I want. There are accounts that do not allow to withdraw money anytime, but this is a deposit that in case something happens, an accident or something, I can go and withdraw money”. (54 years old woman, nurse in polyclinic)*

There is also research evidence to support my tentative conclusion. The data from the research conducted by the National Academy of Sciences of Belarus in November 1997 about public savings showed that 65% of respondents reported that they didn’t have savings, only 13% said that they had savings, and the rest 22% refused to answer this question (Buschik, 1998). The contradiction that the author of the article tackled was contained in the fact that at the same

time when people reported having no savings, the data released by the Ministry of statistics signalled, on first sight, the opposite – that the number of bank deposits from the population was increasing and the population share in popular expenses of the households on purchasing currencies and security deposits grew (tripled). However, meticulous analysis of Belarusians' savings by Buschik illustrated that the growth of deposits in population was not attributed to the facts that the people have become richer or that trust in banks grew. The author looked at the change of average length of a bank deposit of a rouble, according to the data from National Ministry of Finance of the Republic of Belarus, and discovered that between 1991 and 1996 it has decreased 10 times: from 361 days in 1991 to 37 days in 1996. To complete the picture, the data about population savings in other currency was provided: in 1998 population savings on deposits in USD was estimated to USD 151 millions. At the same time experts estimated that people's savings in USD can amount up to 2-3 billion dollars. Бущик concluded that such small amount could hardly be called "savings" which therefore explains why so many respondents in that research said they didn't have savings.

The recent data shows that Belarusians still have not considerably improved their saving habits, even though statistics reports about growing amount of deposits in banks made by population. A newspaper article (Lapina, 2009) gives an example of the following calculations: if we divide the total amount of money on private deposits by the number of population in Belarus, it would give 650 USD per person or approximately the amount of two monthly wages, which, in the opinion of the dean of economic faculty of Belarusian State University Kovalev, M., is too low and incomparable to some developed countries where this amount adds up to a yearly income. In 2009, echoing the world economic crisis, that was not

recognized by Belarusian authorities until late spring-summer 2009, the amount of savings dropped from 4,2 roubles from each 100 roubles to 3,1 roubles per hundred.

A new decree was signed by President Alexander Lukashenko in November 2008 that guaranteed return of all deposits by population with no limit on the amount of deposits. It was considered as a very serious step made by the state towards (ultimate) protection of all money on bank accounts, stimulating public savings in banks and adding to the trust in banks and the state as a financial guarantor as a reactive measure on the rapid extraction of money from deposits by the public following the information about global economic crisis of 2008. Since this decree was issued during the time of my fieldwork and attracted a lot of publicity in the news, I probed to ask my interviewees if it would influence their decision towards saving their money in banks and raise their trust in financial institutions now that the state has become a guarantor of safety of deposits. To my surprise, the effect of this policy was not big, at least it was not immediate. People still kept their doubts about the safety of keeping money in banks, some still keep their money “in a sock”, saying that the laws could be “changed back” easily.

People generally and especially of younger ages tend to postpone non-compulsory pension savings. Lack of knowledge could be a barrier to participation in pension saving scheme, whereas other needs and (aspired) lifestyle demands are the most common reasons that are prioritized before pension savings (Pettigrew *et al*, 2007). Barriers for saving could be informational and attitudinal, structural and behavioural (Wicks and Horack, 2009). In Belarus, structural barrier was foremost in the unavailability of institutions for making additional pension savings, multiplied by the effect of behavioural barrier of mistrust to

financial institutions and lack of custom of social security savings, that resulted in habit of “living by the day” (described in chapter 5). The reasons why Belarusians don’t have pension savings and reasoning of an average Belarusian nearing retirement age would be based on the following components. Firstly, wages of a large part of the population are not big enough to make savings or/and private pension contributions. Secondly, financial illiteracy and no habit of saving for long term, multiplied by negative attitude towards financial institutions, does not stimulate savings. In addition, the existence of a guaranteed state pension, which is small, but provides minimum survival, is named as one of the factors damaging the motivation to save for retirement.

#### \*Small wages

The problem of small pensions has direct relevance to a bundle of problems of small wages. It is clear that pensions, especially those paid from the state Fund for Social protection, cannot possibly be higher than wages, the pension cannot exceed a wage of a person in active employment. Low wages in Belarus, according to a president, are justified by the fact that prices for many services and goods are subsidized in Belarus, like medicine, utilities, transportation, etc (Cherniavskij, 2010). And when incomes are so low there is not much opportunity for setting anything aside for long term.

The evaluation of transition and social reforms in 1990s revealed the persistent falling of income of population. All the time during economic transition the government was fighting to increase the average salary, and it did rise in absolute numbers, but along rose prices for all

goods and services and at times disproportionately more than wages. For example, the difference (ratio) between the wage considered objectively fair by individuals and received average wage has increased from 1,4 in 1990 to 2 in 1999. This cannot be attributed to the raise of expectations towards level of salaries, but rather explained by the decline of the level of real wage compared to the costs of life, research reports (Shavel *et al*, 2004). The authors go on to argue that people’s claims/pretensions remain quite moderate and even shrink, especially when it concerns cultural demands, where the later are shifted to periphery and are satisfied “at the last call” (по остаточному принципу). Inflation was crossing out the effect of the raises of salaries for those employed in state sector and pensioners, and in the end of 2008 the consequences of world economic crisis devalued incomes drastically (See Table 8.1 for levels of income per head in Belarusian households).

Table 8.1 Average income per head in Belarusian households.

**Survey question: Please, indicate the average income (including salaries, pensions, other benefits and incomes from additional employment), calculated per one person in your household in the last month (all income divided by all members of the household):**

<b>Response:</b>	<b>%</b>
Below Budget of survival minimum (below \$ 110)	14.5
Between Budget of survival minimum and minimal consumer budget (between \$110 and \$ 170)	35.1
Between Minimal consumer budget and two minimal consumer budgets (between \$170 and \$ 340)	39.5
More than two minimal consumer budgets (more than \$ 340)	10.3
No reply	0.6

Source: Monitoring, IISEPS 09.2008

Comment: The data is for the Republic as a whole. In Minsk the incomes could be slightly higher than country’s average

It is true that many Belarusians simply do not make enough to make savings. The problems with pension savings are partially rooted in the fact that the wages do not allow to set money aside for long-term future. Even though my respondents were rather discreet about their savings, their responses and reactions uncovered the situation better.



*“I don't have money to live of, not speaking of savings. It was before, that people put money aside, and then everything “burned” (disappeared). My mother was setting money aside for funeral and then it “burned”. So, nowadays there is no point in putting money aside, in fact, nowhere, and no resources for putting aside”. (54 years old woman, administrative assistant in municipal unit for sports)*

Another dilemma is which currency to save – the Belarusian rouble is not considered trustworthy, especially after another unexpected devaluation of Belarusian currency in January 2009 by 20%, the choice clearly settled between Euro and dollars. Although the interest on deposits in roubles is more than double that of deposits in dollars or Euros, public choice falls on the later.

*“But there is no sense to make savings with inflation high like that, I don't see any sense in savings (hoarding).-- If I want something and if I have some money today, I'd better take it/buy it now. I could even borrow some, but I will have this thing now, because saving/setting money aside is impossible in our country. You are planning to buy something at one price today, but then it will change 20 times and you will be disappointed that you have denied yourself something else while saving for this. Nowadays people live differently”. (53 years old woman, doctor in the polyclinic)*

\*No ability to save

The mentioned IPM research revealed that certain group of well-off Belarusians stated their intentions to make retirement savings and for those citizen having the opportunity to have a funded pension plan could have been beneficial. Even though another step needs to be done between intention and acting upon it, where people demonstrate caution, it is relevant that the institutional setting does not allow for the option of private funded pensions to develop. Market of pension insurance is scarce and only slowly starting to develop. Out of 24 existing insurance companies in Belarus only 4 were working with life insurance plans – a category

which includes pension insurance. The changes in the policy about social insurance were changing several times in the past 10-15 years, every time constructing new barriers for providing this service. Insurance companies struggled through the years of transition with little space for development of their services, hence little range of services that attracted little consumers of their services, who in their turn had little incentive to use the services on offer. Also, the insurance companies that provide pension insurances usually work with corporate clients – organizations, enterprises, firms, etc.- and only very recently have started popularizing this service to individuals. Therefore people have very little information about individual private pension insurance, as my respondents indicated.

In the opinion of insurance experts - chairman of the observation committee of Belarusian people's insurance pension fund I.Kovalev and director of the insurance company "Stravita" O.Korota – in the same news article (Lapina, 2009) is that the reason for low pension insurance participation is in that most citizen of the republic got used to the traditional state pension and can not think of a possibility of private insurance. Market for insurance services is underdeveloped because of the cumulative effect: the wages of Belarusians are not high whereas state social protection is relatively high (wide coverage and guaranteed basic protection). Knowing that a person can count on state assistance later in life in the opinion of insurance experts means that the initiative to save privately for pensions is being thus brought down.

\*No habit?

In Soviet times the institution of life insurance was losing any purpose because an individual was secured by the state for the possible difficulties of life's transitions. Insurance was used as a form of saving (setting aside) money for the occasions like weddings, reaching adulthood or pension age, etc. The essence of insurance was not so much securing against risks, as those were covered as long as a person was a part of the system of the Soviet state. Having a job already meant a social package or welfare. Once the Soviet state collapsed, risks became real. In post-Soviet times the need for life insurance actualized, however it took longer for such service to appear and for the demand for it to sprout.

Not having a habit for making insurance savings is nowadays becoming an issue, especially exploited by the insurance agents who picture the short-sightedness as a life hazard in itself. The Dean of Economic Faculty of Belarusian State University Михаил Ковалев, and most people working in the sector of banking and insurance in Belarus, who register low interest in their insurance pension programs among population<sup>27</sup>, refer to the habit of “state dependency” among Belarusians that remained from Soviet times, when the state was “taking care of” its citizen. They point out that during years of transition Belarusians didn’t acquire the habit of saving, setting money off for the future. In Soviet times people did not have to save for pension as pensions, judging by people’s memories of it, were enough to live of. During the time of socio-economic transition, responsibility for self provision in old age did not become a habit. In common understanding the state is still seen as the main responsible body for pensions provision, hence there is no intention among people of both young and older age groups to think about pensions in advance and having a life/pension insurance. The state

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<sup>27</sup> From private conversation with the insurance managers in “Stravita” and “Belorusskij narodnyj strakhovoj pensionnyj fond” and from Guzovskaja, 2007.

pension is in itself an “insurance” from poverty, hence other complementary arrangements for old age provision find other forms (such as intention to continue working, expecting help from children, selling home grown food, etc). Understanding that state pension only will provide only a minimum, my interviewees noticed that they are not as capable and prone to set money aside as their parents used to do.

The fact that people have not acquired a habit of saving for old age is recognized by state pension authorities as well and it is considered one of the obstacles of paradigmatic reform of privatization. In a conversation, Chair of the division of development of pension system demonstrated caution to rely on private pension saving funds and confirmed the tendency of “state dependency” in population:

*“The trick that people eagerly/happily pay contributions in funded system, as if/ like “I am saving for my pension” – it is all lies/jazz. In Chile only 10% participate in this pension fund. Again, is tells about “living by the day”: if one can spend today instead of paying it to the fund, the majority will prefer the former. No sense of responsibility for tomorrow has been brought up, personal responsibility for his/her own future pension. There is a “but” – there is a state. A person thinks that he/she can run up to the state and it will help survive, right? But there is no understanding that it is foremost his/her own obligation to think what he/she is going to live of...”.* (from personal conversation with Chair of the division of development of pension system)

Thus the state is still coping with the role of preventing myopic behaviour of its citizen by preserving state pension and not introducing the options for mandatory savings, in this way solely controlling the sphere of pension provision.

\*Pension scam?

Not many people know why/how pensions in other countries predominantly of Western Europe are as large as they seem and generally say that they have no knowledge about pension systems in other countries. These factors combined give a perfect ground for speculating on the myth and stereotype of wealthy foreign pensioner and promoting unlawful schemes in the name of “saving for pension”. Those are not widespread, and I have been “lucky” to be introduced to one of them. I believe it was one of such dubious insurance schemes that I randomly came across during my research in Minsk. Although this company has been registered in Austria, it has not been registered in Belarus, the brokers do not have a licence to provide this insurance service on the territory of the Republic, but even if they had, selling foreign insurance in Belarus would be illegal. These facts jeopardise the probability of the Belarusian clients of this service to receive their insurance benefits, even though the brokers persuade the opposite. This scheme is not advertised and information is spread by “word of mouth” and the activity of “brokers” who recruit new participants into this scheme during informal meetings or on more public “presentations” of their product that they hold in different rented locations. I have been at a recruiting presentation and have later arranged to meet with one of the brokers in order to find out more about their work. Recruiting into the scam is based on speculation on people’s insecurity about old age, on the fact that state pension would not be enough to live off and the realization of the compulsive necessity to save little by little now in a “very safe insurance company in Switzerland, just like all other western pensioners do”. The final benefits are promised to be very high – the scheme looks very attractive at first sight. After the contract is signed, a person is expected to start making

regular payments to an account that the insurance company supposedly opened for him/her. From then on, after the initial payment, those payments/transfers look like voluntary donations to a scam and therefore scams like this one are difficult to prosecute also because participation in them is voluntary. So technically, there is no law breaking in participating in this scam. Besides, “brokers” have thought of the way of retrieving the accumulated contributions as a lump sum or as annuity from the foreign account so that the sum is not taxed as income in Belarus. Safety and benefits from this “insurance” was assured by broker’s personal example/word, by saying that Austrian insurance company which existed many years is trustworthy almost by definition. Only later I found a newspaper article about the same insurance scheme, dating back to 2004, so apparently it had existed in Belarus for a few years. No action has been taken to prosecute this scam yet because no victims have yet made a complaint and that’s because nobody yet has started claiming their money back or have no legal evidence to support that it is a scam.

Overall, this fact allows a conclusion about financial illiteracy of some Belarusians, and about their propensity to save for retirement in any other way than saving in Belarusian banks. Shame that some people, disappointed in the state pension provision and distrustful of the state financial/banking system chose to cheat the state in another risky and unlawful way, in a sense, “gamble” with another “casino” and thus likely to cheat themselves. To me it shows a sign of desperation to try and save for old age during the last years that a person expects to be capable of working and setting some money aside, a take of a fragile opportunity to make things differently and pursue by all means the opportunity, even a risky one, to get closer to the aspired well being in old age.

\* “Too late”

For the generation of the people at the 5-year brim of retirement it is too late, by their own confession, to save for pension. The opportunity time, when saving for old age was feasible, has long gone for them. They lost this opportunity in instability and insecurity of transition, not because of their own fault. Any savings they have accumulated they do not trust to banks and private funds, sometimes due to the instinct acquired in transition years. Privatization, if and when started, would not apply to the studied age cohort. It is also clear that conditions of well-being in retirement of this generation are not going to be close to their aspirations cultivated on the myth about their western fellow pensioners.

*“If we didn't change (неестроились) we would have still be working today at tractor factory, you know. We have changed. But anyway, most of my life I have lived in the Soviet union... Look, you can already cross out our generation. We are not used to being responsible for our own pension. I think a new generation has to be brought up so that they, (с молоком матери) just like they need to go to work in the morning, they need to start saving for a pension as soon as they start working. It is too late for me to think about my pension, I should have thought about it 30-35 years ago, right?” (55 years old man, owner and director of a private firm)*

#### **8.4 Still “statization”?**

Privatization in the strict sense aims at reducing state’s participation in the pension system finance. The risks of choosing a pension plan (public or private) and participating in it are with the individual. Contrary to these principles, my interviewees said they wanted to be informed about the money that got accumulated on their personal pension accounts, whereas at the same time it was crucial that the state retains control and full responsibility for security

of pension savings and guarantees their return. Only the state is believed to be the institution that can handle the risks and manage long-term finances in such important sphere like pensions.

*“I have given money to the pension fund and I should not be worried if it goes bankrupt or not. State should think about it, not me. That’s it. If I am giving my money to a bank – I take risks. But if it is a state pension fund, the state should secure the risks and the deposits. And if I decide to make contributions to private fund then it would be my own risk. That’s it”.* (57 years old man, director of a private firm).

Perhaps such feeling comes from the understanding that the state will always be there, as promised, and it might be difficult to imagine that state could ever withdraw from social contract. Although there used to be time when payment of pensions was delayed, in what concerns pensions Belarusian state never pronounced itself bankrupt. On the contrary, paternalistic as it is, over past years the state was using all possible ideological means to underline its social orientation/component and was giving promises to never leave those dependent behind, never forget to protect its elderly generations. Even though pensions are small, a promise to increase them was always a recognized political target and the fact that they are being paid serves a credit/trust that state will continue to follow its promises.

Besides, the new Belarusian state that “borrows best from the Soviet” predecessor, may give a sense of continuity of state existence, whereas private financial organizations cannot boast of such long and/or trustworthy history. Although it is paradoxical that even though the state has already failed to perform to public expectations in pensions and savings, it enjoys more trust generally and more loyalty for the fact that it had always been there and had always promised improvement. In essence, it was common to hear an opinion similar to this one:



*“Private companies – today they exist, tomorrow they are not there. They blow up and then what? I am left without my pants? Take a look at what is happening with mortgages. I advocate strong state, social state, where social guarantees will be provided for me. So that when I retire I am not thinking about this, what I have there and in what condition/shape. I know that during my life I have been saving up to a million dollars, for example, and it is mine. I can take it back from the state and never turn to the state again. Or may be some kind of system should exist that would limit me in order to not let me spend all money at once. And if I haven't spent all money, my children can have it after I die”. (57 years old man, director of a theatre).*

The aspect of pension saving that people want in place is having state responsible for all savings. Even when a few of my interviewees spoke about private saving for pension, they said it would be important to have state guarantee their savings, for which the state should be in control of all “conduct” of private pension funds and be responsible if they fail, guarantee that nobody's pension money is lost. Besides, the state is seen as the one that will have to compensate for the high inflation rate, make indexations of sums of money, whereas private company will not do so.

*“I am ready to contribute something every month, but this money should not shrink because of inflation. This money have to be effectively managed, but honestly I don't know how. I do not understand, I don't know, and that's why perhaps it has to be state.. I don't know if I can trust private company that much. If it existed for a hundred years, may be then. But today I trust state to do it, the Social security fund. At least, they won't cheat, they will give something to make a living”. (55 years old man, owner and director of a private firm)*

It is peculiar how the role of the state was re-considered during transition. Expectations about what state should provide are high, even though realistic estimations about quality of life in retirement among pre-retirees is low and trust in state's promises seems to be lost. What remained of “statization” is understanding and idealistic picture of how things should be.

When these principles are applied to reality, the contrast brings disappointment, because the gap between reality and normativity is wide. People usually don't have false expectations from the state, nobody counts on pension to provide desired level of life. But the situation in the country is such that providing for individual pension is a risky business that not everyone would dare to engage in, and there is a clear shortage of means to do so. In this situation state pension is the only "guaranteed" universal income security and the state is the main and only provider of it. That's why the state is an important actor in the social contract.

This is not to say that people's hopes for pension provision are with the state and the small pension that it gives, everyone realizes that it is miserable. Yet, people's hope for pension provision are with the state due to the nature of pension contract – the state "owes" and therefore has to fulfil its liabilities; the state's support in a form of pension is counted for as granted and deserved. At the same time, people know that they will have to continue working after official retirement because pension would not be enough to live off, and in this sense their hopes are adequate and correlated with reality.

Although, in my crude (unrepresentative) estimation there are more people who have their hopes with the state pension provision, even if the form of it is changed, who believe that the state will have to provide a living in old age and pay a pension. Pension can hardly be any smaller than it is at the moment and therefore this is guaranteed as a minimum and perceived as a given. Whatever happens, this benefit/sum will not be lost, and that is provided by the state. The loss of trust in state government and state institutions was addressed by Rose (1994), who pointed out to the importance of trust in post-socialist state-society relations that

needs to be re-gained by the new post-Soviet governments, and by Taylor-Gooby (1999), who emphasized trust in the growing trend of marketization of the welfare states, where the need still remains for collective/state provision. In Belarus the number of those who have lost trust in state is growing – from early 1990s when all savings were lost, through to unfulfilled promises of transition. Therefore the demand for the private pension provision is growing, and looking for alternative ways of fulfilment, not finding realization in the present state of affairs/circumstances. Yet, state's role in social security provision cannot be disregarded at any level.

It is not a goal of a pension system to develop savings in the country. The main goal of a pension system is providing support in old age or in other words eliminating poverty in old age. In what concerns state-society relations, there is little trust in state for managing personal savings, yet there still is trust in that the state should provide/pay pensions. In other words, people are cautious to bet/put/risk their money and “gamble” with the state, they give the state only as much credit as that it pays obligations – small state pension.

## **8.5 Conclusion**

“What concerns reforms in pension provision, as a rule it is related to toughening of norms. And this linkage is very well understood: if the country is starting pension reforms, the situation is bad. (дело-дрянь)”  
Chair of the division of development of pension system

As it turns out, the fact that Belarus hasn't started pension reforms does not mean that the “situation is good” (opposing to what might follow from the quote of the Chair of the division of development of pension system). The situation with pensions in Belarus could be described

as “lose-lose”: neither state nor people are satisfied with the current shape of pension system: pensions are low whereas state pension expenses are growing. Changes that either party would like to have in place are contradicting with each other. The ways to change pension regulations that the state foresees, like the increase of statutory age of retirement, look assaulting and unacceptable for people; the changes people would like to have in place are economically impossible to implement. At present, the situation has stabilized/stagnates at the margin point between the necessity but rejection of any change. Settling for minor or no change thus seems to have been the solution that in the short term, or for as long as it could be borne, satisfied all. When the choice was between “cuts now or later”, the immediate consequences and political costs of reform were pushed for later.

Change of pension system is hardly ever looked forward to by anyone else except experts and policy makers that realize and pursue the long-term goals that are projected to bring improvements in the future. As any policy that aims at reduction of state expenses and cuts of benefits, it does not have a massive public support. Although these measures are justified by the interests of social justice or modernization, the end criteria of their success should be the improvement of well being of pensioners, when the period of payment of benefits under the changed conditions start being paid out.

Pension reform is a “bitter pill to swallow”, politically and socially. And even if it seems that pension reforms are driven exclusively by politicians and policy makers whereas people don't have a say on the reform direction, public opinion seems to have a latent effect on the timing, scope, amount of changes that are decided for implementation. As the opening quote (by

Chandler, 2001a) for this chapter has it, communication of the idea and purpose of reform, correspondence of political action with public demands, its social acceptance can be crucial for the progress of reform. Political rigour is in explaining how a reform can have diversified effect to fit various aspirations. For example, in the case of Belarus, there is demand for income differentiation of pension income and private savings, but there also remains a wish for paternalism. Or, the lack of trust in state government, vividly expressed by no intention to “gamble” with the state, co-existing with expectations of generous social protection. It shows that before alterations to “social” space are to take place, the “mental “ space needs to be studied in order to find the right appeal for the proposed measures, for them to be understood and accepted. In this way what is at the moment a locked up “lose-lose” situation could be turned into a “win-win” situation.

For the generation in question, however, recognition of unavoidable and realization of the fairness of the proposed change does not diminish the bitterness of it. For this generation change would rather not be beneficial, as the only thing that affects this age group would be cuts in benefits and privileges and increase of the age of retirement, whereas they will not be able to benefit from the complementary component (second pillar and private savings) and unlikely to experience any substantial improvement of well-being when they retire. Considerations of social fairness will have to look out for the way to not leave out people of this age group.

*“Largely, (по большому счету) I think that it is a normal phenomenon/fact that pension age comes at 65, the whole America lives like that –and is allright. And not only America, but probably Europe as well somewhat like that, right? And how are we better than them?... But, ... It is offensive, when one gets all of that (обидно, когда попадает все на тебя): socialism, and*

*perestroika and now increase of pension age, and all of that on you, on you, on you. And what can you do? ”. (56 years old man, engineer at advanced electronic equipment enterprise)*

## **CHAPTER 9**

### **CONCLUSIONS**

In addition to knowledge about social policy construction, for the understanding of retirement it is important to acknowledge the experiences, expectations, views and aspirations of people. It also involves determining the margins of 'old age' such as the conditions of retirement, components of well being in later life, calculation of pensions, regulating and allocating responsibilities for provision for life in retirement, plans and strategies for retirement, etc. Retirement is not only about that time later in life that people build stereotypes about, but a richer concept that concerns every member of society. The study of pension reforms can not ignore the array of relations that compose an understanding of retirement processes. Any meaningful piece of research or policy decision should engage with the complex social issues besides pure pension economics as the intricate context may contain barriers or unforeseen elements that could downgrade reform efforts.

This study presented an aggregate and multidimensional picture of retirement relations in Belarus. The most important issues related to pensions in Belarus have been highlighted and some problems with pensions, that stem from the state-society relations that has formed in the country have been accentuated. The main message of this research was about the importance of having an understanding of complexity of the state space with its inherent contradictions, like, in Lefebvre's terms, the ones between the social and the mental space. Managing social space can only be attempted with a comprehensive analysis of the state-society relations.

It was not the goal of this research to give definitive answers regarding reforms of pensions.

On the contrary, it aimed at drawing attention to the parameters that described retirement in Belarus as a set of relations and pointing out that a deeper understanding of these relations, of the phenomena of retirement and its meaning are crucial for making decisions about progress of reform of any kind. The fact of the absence of reforms in Belarus can to certain extent be attributed to complications that stand on the way of political decisions and having to deal with the problematic state-society relations about provision for retirement. In this chapter the main findings of the research and its contribution to the theories and existing knowledge about retirement are summarized and the avenues for future research are suggested.

### **8.1 Summary of findings**

Retirement in Belarus can not be characterised as a time of leisure, as many pensioners continue working. Even more of those from the studied generation approaching retirement intend to work in order to increase their income in late life. Working pensioners, receiving both small pensions and wages (often equally as small), are a characteristic feature of retirement reality in Belarus. This is mostly due to the widely acknowledged fact that state pensions are too small to provide a realistic level of survival.

Retirement relations between the state and people are mediated only by employers, whose role in these relations is rather technical: the filing and keeping records of contributions for every employee. People from close social networks are seen as the only reliable source of information about retirement by those expecting to retire soon. Real life is the criteria against which this information is checked, as the state propaganda shows a detachment from real life



and does not resonate with the experience of everyday of the citizens.

Among the older generation of workers, who were the focus of this study, understanding of pensions is composed of legal and moral components: that the pension is a rather small allowance, but it has to be deserved. Pensions, whether the only source of income in retirement or not, have not only a monetary value. People that are approaching retirement age think of the pension as a reward from the state for their work contribution to the society and state's development. Although, it is not easy to assign a monetary value to the moral side of reward, neither it is straightforward to valorize past contributions; one thing is obvious - the existing level of pensions is not able to keep up with public expectations.

To understand the dynamics of change of retirement and pensions, two axis are important – the relationship with the socialist past and with the contemporary Belarusian state. For the state, the pension is a way to structure its social space, to regulate and standardize pensions, to spread and popularize the message suggesting how much liability in provision for retirement an individual can count on. For the people, the pension is a reflection of how well the state treats its elderly citizens, how it assesses and appreciates their input, how much it 'cares'. Explanations of the puzzles of retirement that this research came across, such as, for instance, the controversy about the lack of trust in the state, yet having high expectations for the state's role in providing a good level of life for the elderly citizen, are rooted in the dynamics of state-society relations and the unsynchronized changes in “social” and “mental” spaces.

## **8.2 Research process and main limitations**

To reach the goals set for this research, a combination of methods for collecting data was used: a review of statistical and policy data, semi-structured interviews with people approaching retirement age and consultations with administrators of pension system. An array of information for comprehensive analysis of retirement phenomenon in Belarus was collected. Several approaches to analysing state-society relations were considered in this thesis, yet only few were most suitable for explanation of the retirement relations that have developed in Belarus. Approaches to rescaling the state space had the most explanatory value as analytical frameworks for the problematic area with which this research engaged. For the analysis of relations it was most fruitful to consider the representations of state and practices of the state, in their influence on the everyday life. The framework that allowed the incorporating of the complexity of the studied phenomenon and the combination of macro- and micro- perspectives into a holistic understanding of retirement and pensions in Belarus was Lefebvre's theory of state space, that singled out physical, social and mental spaces. The approach by Midgal and Schlichte was useful in demonstrating the dynamics of the state-society relations. Employing this theoretical framework helped de-construct the complex composition of state-society relations in the state and reveal problems that find themselves in the ways these state spaces intersect.

Although the findings of this work help shed light onto the pension problem in Belarus and touch upon the similarities of it in the post-Soviet region, the limitations of the research and suggested approach need to be recognized. Firstly, the limitations of the qualitative method,

partially acknowledged in chapter 3, need to be reiterated. The author has been aware of the limitations of the method and therefore other methods and sources of information were employed in order to reduce possible biases. The choice of age cohort for study, along with the advantages for the study of retirement relations, has predetermined the range of issues of their concern, based to a large extent on their expectations and projections. Yet, the purpose of this research has been served – problems/issues have been identified and described in depth, which provided better understanding of retirement, allowed to shed light to potential difficulties of the forthcoming change and possible routes for it. Secondly, the limitations of the theoretical framework need to be acknowledged. Although the theoretical framework chosen for the analysis of pensions served as a good tool for presenting findings of this research, it was not comprehensive and could not account for all the specifics of the state space that has developed in Belarus. A theory offered explanations to the state-society relations, and like any theory offers a key to the certain mechanism, phenomenon, or aspect. And although one of the strong points of the theoretical framework was that it accounted for the dynamics of the subject, the spatial and temporal analytical axis, the reality always remains more complex. The background or context in which research was taking place is much richer. Therefore, other theories, like the ones de-constructing everyday life and post-soviet nostalgia, were complementing the chosen theories used for the analysis of state-society relations in order to account for the important details, deepen the analysis and extend the explanations.

This study would have benefited if more diverse statistical data was available and if there was more empirical data from previous research conducted in Belarus for comparison. Yet, the

research was limited to the study of urban retirement of the people in the capital of Belarus, and concentrated attention on the issues that were of most concern to the interviewees or were pointed out in the existing pension debate in Belarus. The research had to be selective in the issues it covered, regardless of the fact that many of the questions that it touched upon could be further explored in detail. However, the focus was kept on the burning issues that spark on the border of the overlapping 'social' and "mental" space, and highlighting the issues that are of immediate concern in contemporary Belarus.

### **8.3 Contribution to the field of knowledge**

Setting a study of retirement in Belarus into a broader context of global and European processes was one of the goals for this study. Obstinance in terms of recognising the challenge for pension system and submitting to global and common European trends is a characteristic feature of the Belarusian state that makes this country a peculiar and unique case. The Belarusian state's administration insists on state control over economic and social life in the country and the preservation of values and mechanisms of exercising power and constructing of social space from the Soviet past. However, reform of pension arrangements is not avoidable for Belarus, as postponing it might come at the price of having more radical measures in the future. So far, the state strategy worked to further isolate Belarusian socio-economic model from the reform processes that have been going on in the CEE region.

Thus, the Belarusian retirement system remained virtually unchanged. Although the pension reform orthodoxy is not the ultimate solution for all, pensions remain unsustainable in the

long run without the restructuring state-society relations, and Belarus sooner or later will have to face the problems that have been cultivated by the avoidance of change in pension relations. The necessity for change has developed at all levels, and with time it might be harder to bridge the growing disruption between the different perspectives on change held by the people and by the state. The balance between political advantages and socio-economic costs is becoming more volatile in the face of increasing global economic challenges and pressures and accumulating internal dissatisfaction with pensions that do not correspond to the perceptions and aspirations of the public. Welfare state retrenchment, although in itself a problematic concept, was substituted in Belarus by proclaiming social orientation of the economy and state paternalism, that were masking creeping cuts and tightening investment into restructuring the social sphere in the long run. Market socialism has been mostly declarative, and the model of 'the state for the people' did not shelter the elderly from instability, and fails to understand their needs.

In terms of understanding of the state as a container of its social space, Belarus is an exception, that proves the rule - no matter how hard it tries to maintain the integrity of its borders, the development of the pension system regulations in the Belarusian state is a showcase of the "leakage". It demonstrates how the state is struggling to control the situation and ensure the credibility of its authority in managing social space, precisely because it can not dictate mental space. At a time when all countries are trying to alter policies according to the challenges of contemporary reality, the Belarusian authorities deny the existence of the problem and pretend that old solutions are still suitable for addressing new challenges.

The difficulties encountered in the research of the country context of retirement and pensions in Belarus reiterate the questions and problems that all other countries are dealing with. Unfortunately, Belarus does not offer a successful example of addressing those difficulties. It rather suggests a lesson on the conduct of change of retirement regulations in post-communist setting, pinpointing important issues that need to be taken into account, possible barriers that need to be dealt with when the change of pension regulations is taking place. It has been an attempt to take a closer look at the components of the pension problem, the complexity of the questions asked, that need to be taken into account in search for the answers.

#### **8.4 Avenues for future research**

The category of retirement is now in flux, and therefore more research is needed in order to develop better knowledge about it. In the country like Belarus there is a shortage of information about this social institution and there is a particular necessity for further study, as the policy of retirement as well as relations around it are facing a dramatic change. The difficulties encountered during this research suggest the need for more information in order to have better understanding of certain processes. In particular, more detailed data is needed on employment and retirement patterns by age, as the crude generalizing of the age group 60 years old and over has limited use in ageing research. Together with the lack of statistical data, there is a need for more qualitative studies in order to improve the in-depth understanding of the drivers of retirement decisions and factors that influence them for people of different professions and genders. As mentioned earlier, patterns of retirement of the groups excluded from this research – those of military and rural workers - could be a topic of

a separate study that would shed light onto problems of ageing of this segments of workforce.

Research on retirement embraces the studies of preparations for retirement by people for whom retirement is in the future, and the challenges of being retired by those who have retired. It is fruitful to see by means of longitudinal studies if the expectations from retirement have realized or not and why. Another area of research needs to focus on older workers, their working conditions, attitude to work and satisfaction at work, productivity, ergonomics, working relations between older workers, employers and workers of other age groups. In the face of probable reform, it would be important to have more information on possibilities of gradual retirement and postponing of pensions, modelling/finding the mechanisms for institutionalization of voluntary pension saving.

## APPENDICES

Appendix 1. Table of participants.

		Women	Men
State sector	Education	9	1
	Industry - High skilled workers (engineers, programmers and technologists)	9	4
	Industry – general administration	8	2
	Industry – unskilled workers	3	11
	Medicine	8	
	Sports	2	4
	Administrative positions in city council	4	3
	Culture, media	1	1
Non-state sector	Business and service firms, bank	7	12
	Retail and services	6	
	Entrepreneurs	4	1
		61	39
Total		100	



## Appendix 2 Interview Guide (Initial)

### Interview Guide (Initial).

#### Invitation to the topic.

- How old are you at the moment?
- When did you start thinking about retirement?
- What feelings do you have when you think about pension? Why?

#### **Retirement plans:**

**In your opinion, would the amount of pension be enough for a decent live in retirement\*? What is a person going to do about it? Have you thought about what you will do in retirement?**

#### Problems of existing pension system

- What are the main problems of pension system?
- How difficult is it to make long-term (5-10 years ahead) pension plans?
- **Do you know anything about pension provision in other countries? How can you compare those arrangements with the ones in Belarus?**

#### **Pension plans:**

**What are the main differences between the distributive system and private savings system (DB and DC or распределительная и накопительная системы)? How do you estimate the differences in liability and responsibility for old age provision in both systems and which do you prefer?**

**If the mandatory funded element of pension system existed, would you prefer to save in the state-owned bank or in the private bank?**

**Would you work on a better paid job without security contributions at all?**

#### Pension savings (both mandatory pension contributions and private).

2. How much do you contribute for future pension (do you know what percent of your tax counts as pension contribution)? Do you think it is too little/too big/about right?
3. Are you making or planning to make any additional contributions privately? If yes, in what form and where do you keep your savings? If not, what are the main reasons for not making any complementary savings?
4. What can be other sources/help/support that you count on in retirement?

#### Knowledge about person's own pension:

3. Do you have an idea about how large your pension is likely to be? How do you estimate the amount of your future pension?
4. What do you ground your estimations on?
5. Pension calculations: what does pension consist of/how is it calculated? what does it depend on? Where did you obtain this information from?

#### Knowledge about state pension system.

- Do you know how pension system works in Belarus? Where does pension come from?

- Where do you get information about pension and pension system in the country? Do you get enough information or would you like to know more?

Relations with the state:

What are the expectations from the state for pension? In your opinion, whose responsibility is old age provision: individual's, state's, employers'?

Social and generational justice.

- How fair is the existing pension arrangement?
- Differentiation: is it fair that some receive bigger pension than others? (What the amount of pension should be primarily based on?) Here: Are higher pensions of the army/military/public administrators justified? Why?
- Should people be given a possibility to work in retirement and on what conditions? Should working pensioners be allowed to receive both pension and wage or one of the two?
- Is the difference in the retirement age for women and men justified? Would you support the increase of the age of retirement for women to the same level with men?

Pension reform:

- In your opinion, will any pension changes take place in near future? (specify, what exactly a person knows/heard/read about possible pension change?)
- What is your attitude towards the increase of statutory retirement age?
- If you were offered to postpone retirement on a condition that your future pension would increase by 1% every two additional months of your work after reaching the official retirement age (in total by about 6% percent per year), would you agree and continue working without receiving pension? Why? Did you know that such a possibility exists (Article 23 of Pension Provision Act)?

**How do you think pension regulations will change by the time you retire?**

**What should be done in order to provide better life for Belarusian pensioners?**

**Do you foresee your pension (as a lifestyle, as phase of life, as a social institute) be any different from the pension that today's pensioners have? Will you be a different kind of pensioner than your parents used to be/are, than the pensioners are today?**

Demographic data about the respondent

Profession

Amount of your monthly income

Level of education

Marital status

Thank you for your time!

## Appendix 3 Interview Guide (Final).

### **Interview Guide (Final).**

#### Invitation to the topic.

- How old are you at the moment?
- When did you start thinking about retirement?
- What feelings\* do you have when you think about pension? Why?

#### Knowledge about person's own pension:

6. Do you have an idea about how large your pension is likely to be? How do you estimate the amount of your future pension?
7. What do you ground your estimations on?
8. Pension calculations: what does pension consist of/how is it calculated? what does it depend on? Where did you obtain this information from?

#### Pension savings (both mandatory pension contributions and private).

5. How much do you contribute for future pension (do you know what percent of your tax counts as pension contribution)? Do you think it is too little/to big/about right?
6. Are you making or planning to make any additional contributions privately? If yes, in what form and where do you keep your savings? If not, what are the main reasons for not making any complementary savings?
7. What can be other sources/help/support that you count on in retirement?

#### Knowledge about state pension system.

- Do you know how pension system works in Belarus? Where does pension come from?
- Where do you get information about pension and pension system in the country? Do you get enough information or would you like to know more?

#### Relations with the state:

- What are the expectations from the state for pension? In your opinion, whose responsibility is old age provision: individual's, state's, employers'?

#### Problems of existing pension system

- What are the main problems of pension system?
- How difficult is it to make long-term (5-10 years ahead) pension plans?
- Do you know anything about pension provision in other countries? How can you compare those arrangements with the ones in Belarus?

#### Social and generational justice.

- How fair is the existing pension arrangement?
- Differentiation: is it fair that some receive bigger pension than others? (What the amount of pension should be primarily based on?) Here: Are higher pensions of the army/military/public administrators justified? Why?
- Should people be given a possibility to work in retirement and on what conditions?

Should working pensioners be allowed to receive both pension and wage or one of the two?

- Is the difference in the retirement age for women and men justified? Would you support the increase of the age of retirement for women to the same level with men?

Pension reform:

- In your opinion, will any pension changes take place in near future? (specify, what exactly a person knows/heard/read about possible pension change?)
- What is your attitude towards the increase of statutory retirement age?
- If you were offered to postpone retirement on a condition that your future pension would increase by 1% every two additional months of your work after reaching the official retirement age (in total by about 6% percent per year), would you agree and continue working without receiving pension? Why? Did you know that such a possibility exists (Article 23 of Pension Provision Act)?

Demographic data about the interviewee

- Profession
- Amount of your monthly income
- Level of education
- Marital status

Thank you for your time!

Appendix 4. Pension calculation in contemporary Belarus.  
 (Based on Kriuchkova, 2010)

In order to illustrate the way pension calculations are done, let us consider an example of pension of a Belarussian woman who has worked for a 35 years and has a coefficient for pension calculation 1,2 (ratio between a person's monthly wages and average wage in the republic for those respective months during a period of time counted for pension calculation). Average wage in the republic in September 2008 (when research was conducted) was BRB 942 941. Next, we calculate using the regressive scale the base pension amount as a sum of following components/addendums:

$942\ 941 \times 120\% \times 10\%$	100	113152
$942\ 941 \times 120\% \times 10\%$	90	101836
$942\ 941 \times 120\% \times 10\%$	80	90521
$942\ 941 \times 120\% \times 10\%$	70	79206
$942\ 941 \times 120\% \times 10\%$	60	67891
$942\ 941 \times 120\% \times 10\%$	50	56576
$942\ 941 \times 120\% \times 10\%$	40	45260
$942\ 941 \times 120\% \times 10\%$	30	33945
$942\ 941 \times 120\% \times 10\%$	20	22630
$942\ 941 \times 120\% \times 10\%$	10	11315
		Sum: 622332

Then the percentage of the base calculated pension is determined, in our example at the level of 70%, consisting of 55% for the 20 years of working history and additional 15% for the additional years. The final pension for our example case would be BRB 622322 x 70% = BRB 435 632.

## Appendix 5 Definition of Budget of Survival Minimum (BSM)

(Translated from the web site of Ministry of Labour and Social Protection:  
<http://mintrud.gov.by/ru/socnorm/norm1>)

Budget of survival minimum (BSM) is the cost/monetary value of minimal set/list of material goods and services, necessary for provision of a person's vital functions and maintaining health, and payment of obligatory payments and fees. It is calculated as an average per capita and for main socio-demographic groups and approved by the Council of Ministers of the Republic of Belarus quarterly. BSM as a social norm is used for analysis and prognosis of the level of life of population; for provision of state social support to needy/poor citizens and families; for justification/substantiation of minimal state social and labour guarantees.

## Appendix 6 Definition of Minimal Consumer Budget (MCB)

(Translated from the web site of Ministry of Labour and Social Protection,  
<http://mintrud.gov.by/ru/socnorm/norm2>) :

Minimal consumer budget (MCB) is composed of expenses/expenditures for purchasing a set of consumer goods and services for satisfaction of basic/main physiological and socio-cultural demands of a person. MCBs are approved quarterly by the decision of Ministry of Labour and Social Security of the Republic of Belarus in prices of the last month of the three and for 8 socio-demographic groups.

MCB is applied/used as social norm for prognosis of change of level of life of population, enhancement of social security of those in need, formation of the system of economic proportions and priorities that provide a gradual approaching of the consumption of population to the scientifically grounded/justified level.

At present average per person MCB of a family of four members serves as a basis for determining of citizens rights for receipt of subsidised credits and subsidies for building (reconstruction) or purchasing of accommodation (place to live). (MCB per person for the family of pensioners consists of about 0,89 of MCB per person for the family of four people). The structure of the MCB of a family consisting of 4 people in prices of June 2008 by items of expenses:

Food – 52%

Clothes, underwear, shoes (footwear) – 17,7%

Accommodation rent and utilities – 11,3%

Household services, transportation, communications – 7,2%

Items of cultural and household utilization – 6%

Cultural, educational events and rest – 2,3%

Appendix 7 Prices for selected consumer goods in Minsk, January 2009. Rate: £1=3900 BRB

Bread	1 200 – 2 000 BRB	£ 0,30 – 0,51
Milk (litre)	1 100 - 1 400 BRB	£ 0,28 – 0,36
Apples (kg)	3 000 – 4 000 BRB	£ 0,77 – 1, 02
Eggs (10)	2 600 - 2 800 BRB	£ 0,66 – 0,71
Beef (kg)	20 000 - 22 000 BRB	£ 5,64
Lamb (kg)	25 000 - 28 000 BRB	£ 7,18
Pork (kg)	16 000 - 18 000 BRB	£ 4,6
Liver (kg)	8 000 - 9 000 BRB	£ 2,3
Chicken (kg)	6 500 - 7 500 BRB	£ 1,92
Coffee (pack 0,5 kg)	15 000 - 19 000 BRB	£ 4,87
Tea (pack 200gr)	4 000 - 8 000 BRB	£ 1,02 – 2,05
Washing powder	10 000 - 12 000 BRB	£ 3,07

Utilities (water, electricity, etc) for 1 bedroom apartment for 2 people was around £50 (excluding telephone/communications)

Appendix 8. Pension calculation in Soviet Union.

(Used explanation by Крючкова, 2010)

As a base for pension calculation the average wage of a person over the last 12 months (or for the 5 out of the last 10 years before retirement, if the person chooses) was taken. Of that amount a fixed percent was taken, at the regressive level: for the wage over 100 roubles 50% was taken, for the wage 80-100 roubles 55% was taken, for the wage 60-80 roubles 65% was taken, etc. Pension could not be lower than 50 roubles and could not exceed 120 roubles (for those who used to work in hazardous conditions – 160 roubles). In addition to that, there existed addendums (top-ups): for more than 30 years (for women) or 35 years (for men) of total working history – 10%; for the uninterrupted work at the same enterprise for 20 years (for women) and 25 years (for men) – 20%; to pensioners who had dependants 10-15%, etc.

Appendix 9 Illustration of Belarusians' retirement dream



Source: A photo taken by the author of a part of a street banner by insurance company “Stravita” in Minsk, winter 2009



Appendix 10 Illustration of Belarusians' retirement reality



Source: photo taken by the author in Minsk, autumn 2008

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