

Analysis of the evolution of the number of pensioners and pensions in Romania

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Abstract. *The active population is in three hypostases, occupied population, labor, population above the working age limit, i.e. retired people and the unemployed. An important category is pensioners. This is because, even if they receive a contributory pension, they have to get their rights from the national budget, and thus they can also represent a state of financial impossibility to meet. In the analysis of pensioners, the authors use a series of data, graphs, which they compare and conclude that, at least in Romania, there are some difficulties that put pressure on the status of pensioners. In the study, the authors referred to the evolution of the number of retirees that is sufficiently high compared to the active labor force and, if other categories not involved in the workforce are taken into account, there is a greater difficulty for the population are doing their job, and who through the results of their work have to secure funds, all that is needed for an increased number of the population. The study of the social security pension and pensions in general is another element in correlation with the new pension law that must ensure a precise and constant algorithm in this area that appears to be the most important for the third-age population. European Union directives also refer to the fact that the third-generation population has to be further used, especially in areas where it is highly specialized and can deliver tangible results in certain areas of social and economic life. The analysis is carried out monthly, quarterly, and annually, taking into account the fact that the slightly decreasing workforce due to lower population continues reaching the legal age of being able to work and the number of pensioners who are part of the higher contiguous which increase the number of pensioners in Romania. The situation is also specific because the natural movement of the population is also analyzed on a structural fund, discussing the pyramid of the ages, we can discuss about an elderly population in Romania.*

Keywords: pension, pensioner, population, generation, contingent.

JEL Classification: H55, H75, J26.

Introduction

In the study, the authors focused on defining the concept of retired people, on establishing the criteria for realization of pensions, with reference also to pension pillars II and III, resulting in the end that a stable legislative system, which will ensure the possibility for all who fall into the category of pensioners to solve the problems raised by the level of living and health of the third-age population on the basis of their income.

A quarterly analysis in 2017 shows that the population in this category of pensioners increased slightly year by year due to the higher age-related contingents than that of the younger labor force contingents. The authors also focused on the level of living of the third-age group, showing the level still low compared to that in the European Union of the pensions received by the population in this category. There are also references to the fact that Romania's pension system is far from perfect, with some controversy also regarding the second pension pillar, which is or is not efficient but especially the third pillar that needs to become active, to become an important element in increasing private pension income when people reach the third age, the structure of pensioners is analyzed, with the result that the number of those who receive social benefits should not fall into the category of pensioners and, from this point of view, the number of pensioners would be reduced, but there would be too many people being assisted, which is a problem for the government in our country.

The authors' study also focuses on the data presented by the National Institute of Statistics, being comparative and related to the situation in other EU Member States. Data series and graphical representations are used that are suggestive of the interpretation that authors have given in the analysis made in this article.

1. Literature review

Anghelache and Anghel (2016) presented the theoretical and applicative notions of statistics.

Anghelache (2017) analyzed the evolution and results of the Romanian economy in the ten years since joining the European Union.

Anghelache, Voineagu and Anton-Carp (2011) presented a number of aspects related to the methodology for calculating pensions.

Anghelache, Anghelache, Armeanu and Anton-Carp (2011) investigated an insurance model applied in the public pension system in Romania. Anghelache (2008) is a reference work in the field of economic statistics.

Anghelache, Isaic-Maniu, Mitruț and Voineagu (2006) studied the indicators that are applied in the measurement and assessment of poverty.

Börsch-Supan, Ludwig and Winter (2006) considered that the aging of the population and the reform of the pension system will have a major impact on international capital markets.

Bouchet, Marchiori and Pierrard (2017) conducted a simulation of the evolution of the pension system in unfavorable conditions.

Buyse, Heylen and Van de Kerckhove (2013) have shown that the positive effects on employment and growth are the strongest when giving importance to the labor income earned as an elderly worker to calculate the pension assessment base.

Cai and Stoyanov (2016) have shown that the aging of the population leads to specialization in industries that have a strong use of age assessment abilities.

Castro, Maria, Félix and Braz (2017) studied aspects of population aging and fiscal sustainability in an economy in the euro area.

Catalan and Magud (2012) have shown that mixed pension reforms that prolong working life and reduce retirement benefits can simultaneously increase production and current account.

Chen, Beetsma, Ponds and Romp (2016) investigated the benefits of risk sharing between generations, both through private pensions and through public debt.

De la Croix, Pierrard and Sneessens (2013) investigated the effects of aging populations and pension reforms.

Hairault, Langot and Sopraseuth (2010) examined the correlation between remaining time to retirement and elderly employment.

Poterba (2014) addressed issues related to retirement security strategies for the aging population.

Staveley-O'Carroll and Staveley-O'Carroll (2017) studied how the structure of the pension system influences the international financial allocation of capital.

Vogel, Ludwig and Börsch-Supan (2017) studied some possibilities for alleviating the harmful effects of aging, namely investing abroad, forming endogenous human capital and increasing the retirement age.

2. Research methodology, data, results and discussions

The data subject to processing and analysis are obtained from the statistical reports completed by self-registration, by the staff in the specialized departments of the pension houses. The statistical reports are supplemented by the National House of Public Pensions (for pensioners, pensioners from the former insurance system for farmers), the Ministry of National Defense, the Ministry of Internal Affairs, the Romanian Intelligence Service, the Ministry of Culture and National Identity and the Insurance House lawyers.

The main indicator of the analysis is the total average number of pensioners comprising the total pensioners in Romania, irrespective of the pension system, namely the public pension system (including social assistance – pension type, IOVR – invalids, veterans and war widows) and systems not integrated in the system pensioners (social security pensioners from the Register of Lawyers' Insurance House, their own statutory social insurance systems). The indicator is calculated by adding up the number of retired payees each month, relative to the number of months in the reference period.

Then, the average number of pensioners in the social insurance system includes state social security pensioners; from the former farm insurance scheme; social security of the Ministry of National Defense, the Ministry of Internal Affairs and the Romanian Intelligence Service; social security records of the Ministry of Culture and National Identity and social security pensioners from the records of the Lawyers' Insurance House.

Another indicator used in the analysis is the monthly average pension, which is calculated by reporting the outstanding amounts (according to decisions) of existing pensioners in the quarter/year of reference to their average monthly number multiplied by three (months) and 12 (months) respectively.

An enhancing element of the pension level analysis is the level of pension by category, i.e.:

- old-age pension due to persons who cumulatively meet, at the retirement age, the conditions for the standard retirement age and the minimum contribution period or the specialty, after case, provided by Law no. 263/2010;
- the anticipated pension, which is due, at most five years before reaching the standard retirement age, to persons who have completed a contribution period of at least eight years higher than the full contribution period provided by Law no. 263/2010;
- the partial early retirement benefit granted to those who, up to five years before reaching the standard retirement age, to full-time and full-time employees of up to eight years of age;
- invalidity allowance for persons who have lost total or at least 50% of their work capacity due to illnesses specified by the legislation in force and survivors to surviving children and spouse if the deceased supporter was retired or fulfilling the conditions for obtaining a pension.

Regarding other categories related to the pension system we mention: IOVR pensions are granted to invalids and accidents, the survivors of the dead or missing in the war, as well as to the survivors of former invalids and injured pensioners and are established according to the provisions of Law no. 49/1999 regarding IOVR pensions. Another category of population receives social assistance type of pension paid from the State Social Insurance Budget, granted under the legislation on state social insurance pensions and supplementary pension.

From a methodological point of view, the pension is the right to money established by the pension decision; the average net nominal pension for the calculation of the actual pension is determined by deducting the tax from the amounts due as pensions and the social health insurance contribution. According to Law no. 2/2017, the monthly taxable income from pensions is determined by deducting from the pension income the non-taxable monthly amount of 2,000 lei and for the individuals with pension incomes, the social health insurance contribution is borne by the state budget.

There are also retired beneficiaries of social allowance for retirees, this category includes retirees from the pension system for which the amount of the pension due or paid is below the social allowance. According to Government Emergency Ordinance no. 2/06.01.2017, the level of social allowance for pensioners is 520 lei as of 1 March 2017. According to Government Emergency Ordinance no. 6/18.02.2009, updated on 1.03.2017, social indemnity and military system are instituted.

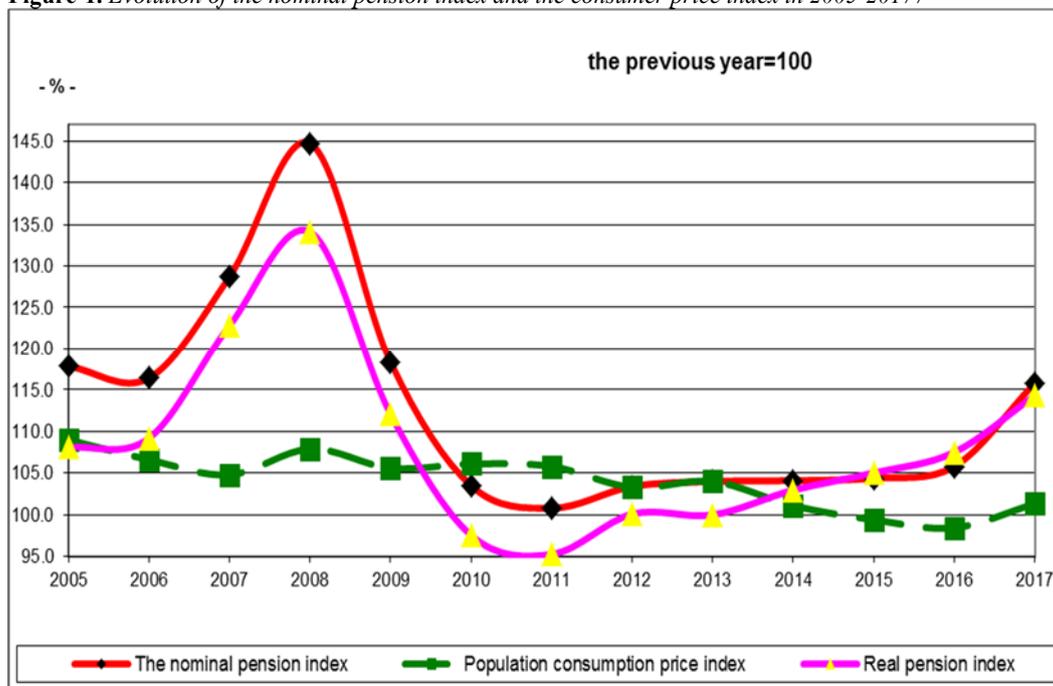
From a statistical point of view, the real pension expresses the value of the goods and services that can be bought or used with the average net nominal pension over a certain period of time, compared to another period, taking into account the evolution of consumer prices and service tariffs.

The real pension index is calculated as the ratio between the nominal pension index (for real pension calculation) and the consumer price index.

In 2017, the average number of retired persons was 5,228,000, less by 29,000 compared to 2016. The ratio between the average number of state social security pensioners and employees was 9 to 10. The average monthly pension was 1,069 lei, higher by 12.8% compared to 2016, and the average state social insurance pension was 1026 lei, and the ratio of the average old-age state social insurance pension with full contribution period and net average earning was 52.8%, compared to 53.3% in 2016, so it fell by 0.5%.

As regards the evolution of the real average pension index recorded in 2017 compared to 2016, calculated as the ratio between the nominal pension index for the calculation of the real pension and the consumer price index, it was 114.3%.

Figure 1 presents for a longer period the comparative evolution, the way in which the three indicators developed: the nominal pension index, the consumer price index and the real pension index.

Figure 1. Evolution of the nominal pension index and the consumer price index in 2005-2017

Source: National Institute of Statistics, Press release no. 74/28.03.2018.

The ratio between the average number of state social security pensioners and employees shows significant variations in the territorial profile, from only 5 pensioners to 10 employees in Bucharest and Ilfov, 17 to 10 in Teleorman County, 16 to 10 in Giurgiu County and 15 to 10 in Vaslui County.

The average state social insurances pension varied with significant discrepancies in territorial profile, the difference between the minimum value and the maximum value exceeding 400 lei (825 lei in the Botoșani County, 827 lei in Giurgiu County, 850 lei in Vrancea County versus 1,304 lei in Bucharest Municipality, 1,282 lei in Hunedoara County, 1,226 lei in Brașov County).

Social security pensioners hold the majority weight (99.9%) in the total number of pensioners, and the state social security pensioners represent 89.5% of the total of social insurance.

On pension categories, the number of old-age pensioners was predominant (76.0%) among social security pensioners. Retirees included in the early and partly anticipated pensions categories accounted for 1.9%. The situation of the average number of pensioners and the monthly average pension is summarized in Table 1.

Table 1. Average number of pensioners and average monthly pension

	Average number - thousands of people -		Average pension - Monthly lei -	
	2016	2017	2016	2017
Total	5257	5228	948	1069
of which, according to the retirement level:				
Social Security	5254	5225	949	1069
of which, state social insurance	4678	4678	931	1026
of which, social insurance by categories of pension:				
• age limit	3946	3971	1077	1208
• anticipated pension	23	23	1114	1220
• partially anticipated pension	75	79	643	825
• invalidity	633	590	582	617
• survivorship pension	577	562	508	594

Source: National Institute of Statistics, Press release no. 74/28.03.2018.

The total number of beneficiaries of the provisions of GEO no. 6/2009 regarding the establishment of the minimum guaranteed social pension (social allowance) in the year 2017 was 828,500 persons, out of which: 660,200 persons from the state social insurance system, representing 14.1% total pensioners in this category; 160,300 people from pensioners coming from the former system for farmers, which means 42.7% of their total and 8,000 persons from the military system, which represents 4.8% of the total of this category.

Conclusions

From the study of this article, a series of conclusions can be drawn, first of all on the category of pensioners. A first conclusion is that there is not a sufficiently harmonized pension law in Romania that has a complex algorithm and which ensures a calculation and an offer of the rights of each person in accordance with the efforts made in the labor market during the period when worked. We can also conclude that the pension law in Romania is incoherent and there are problems of harmonizing it, and there is a possibility that the new law that will come into force probably next year will ensure stability over a long period of time so that some correlations between the activity carried out and the contribution made by the persons who have reached the retirement category. We can also conclude that according to the European directives for certain categories of employees reaching the age of third, society must provide conditions for the effective continuation of their activity in areas that are of great importance to the national economy such as education, medicine, arts and much more.

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*** National Institute of Statistics, Press release no. 74/28.03.2018.