

TRENDS IN THE EVOLUTION OF THE PENSION SYSTEM IN IN ROMÂNIA

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Abstract

In terms of demographic aging, falling employment rates, the economic and financial crisis, many European countries have problems in ensuring the sustainability of the pension system. In the case of Romania, between 1990 and 2017 there was a sharp increase of the number of pensioners, from 3679 thousand persons in 1990, to 5257 thousand persons in 2017, while the number of employees, who currently support the pension fund, decreased from 8156 thousand persons in 1990 to 4759 thousand persons in 2017. It has thus come to the fact that in Romania the number of pensioners exceeds the number of employees, which raises serious questions about the sustainability of the pension system. The paper highlights some aspects regarding the dynamics and structure of the number of pensioners in Romania during 1990-2017.

Keywords: pensioners, public system of pensions, employees/pensioners ratio

Introduction

Ensuring, currently and in the future, adequate and sustainable pensions for EU citizens represents a priority for the Member States of the European Union [1]. In the conditions of aggravating of the demographic aging process that manifests in most European countries, reaching these goals is a major challenge. Member States have tried to prepare for this by reforming pension systems. The financial and economic crisis since 2008 has aggravated and amplified the impact of the strong aging trend on the public pension system.

The regress in terms of economic growth, difficulties in setting up public budgets and employment have led to the need to improve the retirement practices and the modalities of set up the pension rights. The crisis has shown that more efforts are needed to be done to improve the efficiency and security of pension schemes, which not only provides elderly

people the means for a decent life, but also represents a rewards for a lifetime work. In the case of Romania, the pension system has faced a number of problems in recent years, its sustainability being questioned [2].

The unfavourable dynamics of the employees/pensioners ratio in Romania

Starting with 1990, on the background of economic and social measures aimed at restructuring the Romanian economy, there have also registered significant changes in the dynamics and structure of the number of pensioners [3]. In the context of a negative natural increase of the population, amid the sharpening of demographic aging correlated with the constant decrease of the jobs, the persons in the category of pensioners registered upward evolutions especially during the period 1990-2002. As we say, the Romanian pension system has faced multiple problems over the last two decades. According to some authors [4], four periods can be identified in the evolution of the Romanian pension system after 1990:

- *the period 1990-2000*, characterized by contradictory, isolated actions, which seriously affected the sustainability of the public pension system. The measures taken during this period had the effect of:

- doubling the number of pensioners;
- significantly reducing of the number of taxpayers to the public pension system;
- reducing the ratio between the number of employees and the number of pensioners.

- *the period 2001 - 2005*, when in the context of the restructuring of the economy, a complex reform of the pension system started, based on Law 19/2001. Its main features were:

- raising the standard retirement age to 60 for women and 65 for men gradually, until 2014;
- the introduction of the points system in the determination of the pension, which makes a direct link between the contributions and the level of benefits;
- increasing the minimum contribution period to 15 years, gradually until 2014.

- *the period 2005-2010*, characterized by the implementation of:

- the multi-pillar pension system (pillar 1 being PAYG state pensions, pillar 2 of privately managed pension funds and pillar 3 of private facultative pensions);
- introducing the guaranteed social pension;
- the spectacular increase of the pension point and, implicitly, of the average pension etc.

- *the period 2010-2017*, which focused mainly on ensuring the sustainability of the pension system under the conditions of financial, economic and demographic constraints.

The evolution of the number of employees and pensioners, between 1990 and 2017

Table 1

	Average number of employees	Average number of pensioners Total (I+II+III)	Employees/pensioners ratio (%)
	thousand pers.		
1990	8156	3679	221.7
1991	7574	4131	183.3
1992	6888	4292	160.5
1993	6672	4476	149.1
1994	6438	4995	128.9
1995	6160	5258	117.2
1996	5939	5417	109.6
1997	5597	5583	100.3
1998	5369	5755	93.3
1999	4761	5941	80.1
2000	4623	6153	75.1
2001	4619	6351	72.7
2002	4568	6378	71.6
2003	4591	6306	72.8
2004	4469	6233	71.7
2005	4559	6067	75.1
2006	4667	5806	80.4
2007	4885	5745	85.0
2008	5046	5701	88.5
2009	4774	5689	83.9

Data sources: Information from Data base TEMPO-on line, NIS Bucharest [6].

Thus, Law no. 263/2010 on the unitary pension system [5] was adopted, focusing mainly on the following:

- raising the standard retirement ages for men and women;

- the procedure for determining the value of the pension point;
- increasing the number of contributors to the unitary pension system with those who earn income from liberal professions, family associations, managers, etc.

It follows from the above mentioned situation the difficult situation of the pension system in Romania caused by the alarming increase of the number of pensioners after 1990. According to the National Statistics Institute [6], in the case of Romania the number of pensioners and employees registered in 1990 -2017, an inadequate evolution (Table no.1).

The evolution of the number of employees and pensioners, between 1990 and 2017

Table 1-continued

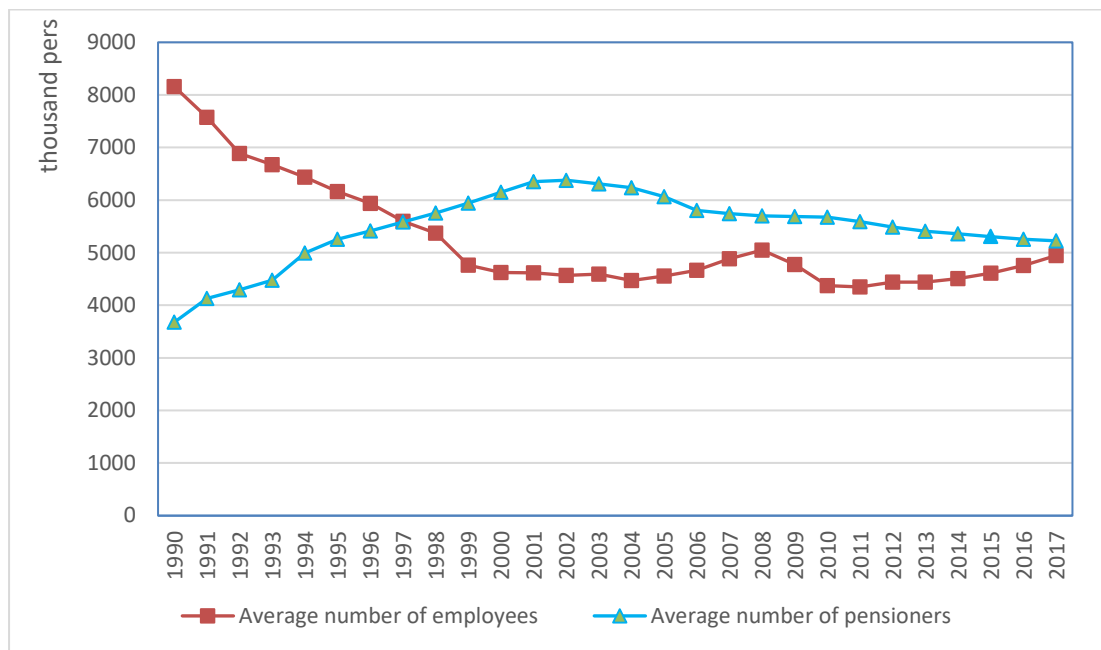
	Average number of employees	Average number of pensioners Total (I+II+III)	Employees/pensioners ratio (%)
	thousand pers.		
2010	4376	5675	77.1
2011	4349	5589	77.8
2012	4443	5487	81.0
2013	4444	5410	82.1
2014	4508	5357	84.1
2015	4611	5306	86.9
2016	4759	5257	90.5
2017	4946	5228	94.6

Data sources: Information from Data base TEMPO-on line, NIS Bucharest [6].

The statistical data from Table no.1 highlights an increasing trend of the number of pensioners in Romania from 3679 thousand persons in 1990 to 5228 thousand persons in 2017 (an increase of 42.1%). The most important increases of the number of pensioners were registered, as shown in chart no. 1, during the period 1990-2002, 2002 being the year with the largest number of pensioners, respectively 6378 thousand persons (Chart no.1).

The evolution of the average number of the employees and pensioners between 1990 and 2017

Chart 1



Data sources: Information from Data base TEMPO-on line, NIS Bucharest, [6].

Starting with 2003, the number of pensioners is in a continuous process of reducing, the situation being determinate both by the changes in the age structure of the population (shorter generations of pensionable numbers), and especially by the change of the pension legislation.

Both Law 19/2001 and Law 263/2010 set out measures aimed at raising the standard retirement age, which contributed to the reduction of entry into the public pension system. Even if the number of pensioners decreased significantly in 2017 compared to 2002, their number is quite high, taking into consideration the number of the employees currently contributing to the social insurance funds needed to pay pensions. The statistical data from the Table 1 and Chart 1 highlight a negative phenomenon with profound implications, namely a significant decrease of the number of employees, from 8156 thousand persons in 1990 to 4946 thousand persons in 2017 (a decrease of 39,4%).

The decrease of the number of employees was caused by the restructuring of the national economy, the decline of some activities of the economy, the changes in the age structure of the population (lower generations of working age) but also the external migration of the labour force.

This situation, has important negative consequences, especially if accompanied by an increase of the number of pensioners. Thus, in 2017 the number of pensioners (5228 thousand persons) exceeded the number of employees (4946 thousand persons), which led to a great pressure on the public budget.

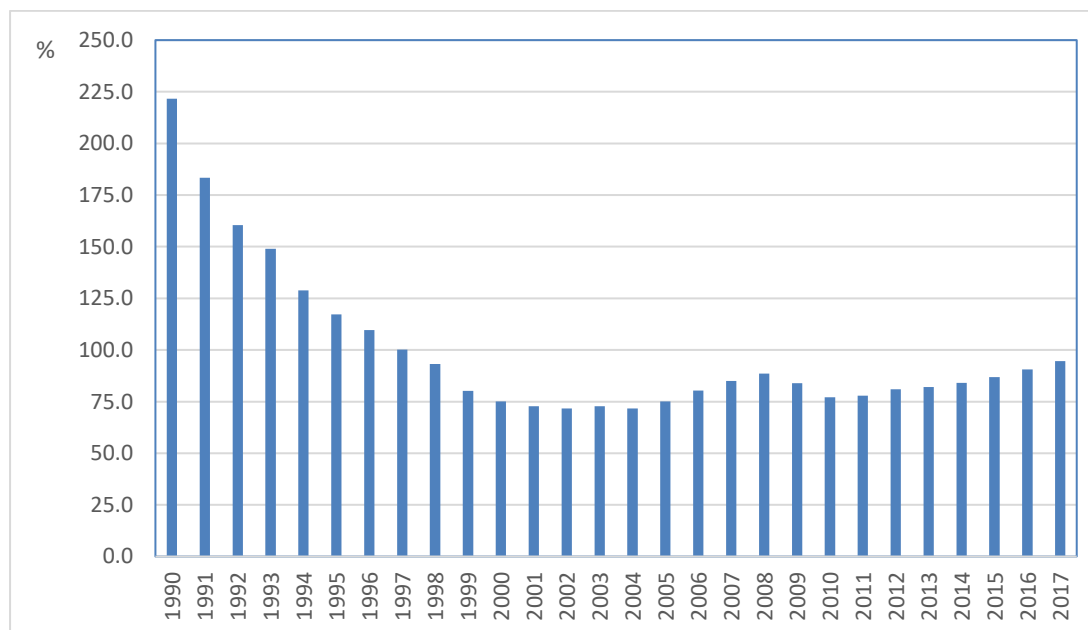
In this respect, a suggestive indicator is the ratio between the number of employees and the number of pensioners, an indicator that expresses the economy's ability to ensure the sustainability of the pension system.

Unfortunately, in the case of Romania, this ratio registered an unfavourable evolution in the last 18 years, decreasing from 221.7% in 1990 to only 94.6% in 2017 (Table no.1 and chart no. 2).

It should be mentioned, however, that over the last 7 years, there has been a slight increase in the number of employees / pensioners ratio, especially as a result of the increase in the number of jobs.

The evolution of the employees/pensioners ratio between 1990 and 2017

Chart 2



Data sources: Calculated data based on the information from Data base TEMPO-on line, NIS Bucharest, [6].

The chart no.2 emphasize the sharp decrease of the ratio from the beginning of the analysed period, until 2002 (when it reached its lowest level, respectively 71.6 employees to one hundred pensioners) after which followed a period of stabilization.

Changes in the structure of the number of the pensioners between 1990 and 2017

In the analysis of the pensioners' situation not only their dynamics is important but also their structure and the share of the different categories of pensioners in total. In Romania, the statistical data for the characterization of the social pension insurance system are obtained through a quarterly statistical survey aiming to assess the average number of pensioners and the average monthly pension, by the retirement system and pension categories at national and territorial level (regions and counties).

The collection of data is done by statistical reports filled in by self-registration, by the staff of the specialized departments of the pension houses and the technical and methodological assistance is provided by the statisticians from the National Institute of Statistics. The statistical reports are supplemented by the National House of Public Pensions (for state social insurance pensioners and pensioners from the former system for farmers), the Ministry of National Defence, the Ministry of Internal Affairs, the Romanian Intelligence Service, the Ministry of Culture and the Bar Association [7]. The categories of pensioners for which statistical data are recorded are:

- social insurance pensioners;
- beneficiary of social benefit - pension type;
- war invalids, orphans, widows pensioners (IOVR).

Regarding the evolution of the weight of the three categories of pensioners, we highlight the fact that the share of social insurance pensioners has increased from 97.2% in 1990 to 99.9% in 2017, a situation determined by the significant reduction of the number of beneficiaries of social benefit - pension type and especially those in the category of invalids, orphans, widows of war [6].

Further, we will analyse the changes during the period 1990-2017 in the structure of the main category of pensioners, namely social insurance pensioners. According to the

statistical data, the number and structure of the social insurance pensioners evolved according to the data in Table no.2.

The evolution of the average number of social insurance pensioners, between 1990 and 2017

Table 2

Category of pensioners	1990		2017	
	Average number (thousand persons)	Structure (%)	Average number (thousand persons)	Structure (%)
I. Social insurance pensioners - total	3577	100,0	5225	100,0
<i>A. Social insurance pensioners (excluding social insurance pensioners from the former system of farmers)</i>	<i>2570</i>	<i>71,8</i>	<i>4849</i>	<i>92,8</i>
- State social insurance pensioners	2493		4678	
A.1.For age limit	1859	51,9	3629	69,5
- Whit due complete stage	1160	32,4	2753	52,7
- Whit due incomplete stage	699	19,5	876	16,8
A.2.Anticipate pension	:	-	23	0,4
A.3.Partial anticipated pension	:	-	79	1,5
A.4.Invalidity pension	208	5,8	587	11,2
A.5.Survivor pension	503	14,1	531	10,2
<i>B. Social insurance pensioners from the former system of farmers</i>	<i>1007</i>	<i>28,2</i>	<i>376</i>	<i>7,2</i>

Data sources: Information from Data base TEMPO-on line, NIS Bucharest, [6].

An important change in the structure of the number of pensioners is the significant increase of the share of the number of non-farmers social insurance pensioners, from 71.8% in 1990 to 92.8% in 2017, accompanied by a corresponding decreasing of the number of social insurance pensioners from former system of farmers, from 28.2% in 1990 to only 7.2% in 2017. This situation is due to the fact that the number of pensioners in this category decrease from year to year by the abolition of agricultural production cooperatives, where most of the pensioners came from.

During the analysed period there is a significant increase both of the number (from 1859 thousand persons in 1990 to 3629 thousand persons in 2017) and of the share of age

limit pensioners, from 51.9% to 69.5%, a situation determined also by the fact that in the last years the number and share of non-farmers pensioners included in the above mentioned category has increased. It should also be mentioned that for the age limit pensioners the share of the pensioners with complete due stage has significantly increase (from 32.4% to 52.7%) while the share of those with incomplete due stage decreased from 19.5% in 1990 to 16.8% in 2017.

We can also highlight the increase of the share of pensioners with invalidity pension from 5.8% in 1990 to 11.2% in 2017, which is quite high compared to the other categories of pensioners.

Conclusions

Like other European countries, Romania faces the issue of ensuring the sustainability of the pension system. This situation is caused by the unfavourable evolution since 1990 of both the number of employees and the number of pensioners.

The reduction of the number of employees with 3210 thousand persons (-39.4%) in the period 1990 - 2017, while the number of pensioners increase with 1549 thousand persons (+42.1%), led to an unfavourable evolution of the employees/pensioners ratio, this registering a decrease from 221.7 in 1990 to 94.6 in 2017. The lowest level of this indicator was reached in 2002, when for 100 pensioners there were only 71.6 employees. The emphasized situation, clearly highlight the incapacity of the public pension system to provide the funds needed to pay decent pensions, according to the work done and contribution.

The increase of the employment rate, of the number of contributors to the public pension system, of the collection rate of social insurance contributions, the extension of the active life of people who have reached retirement age, are just a few measures that could ensure the sustainability of the pension system.

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