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# CONSIDERATIONS ON THE EVOLUTION OF THE NUMBER OF PENSIONERS AND PENSIONS

**Prof. Constantin ANGHELACHE PhD.**

*Bucharest University of Economic Studies, "Artifex" University of Bucharest*

**Assoc. prof. Aurelian Diaconu PhD.**

*"Artifex" University of Bucharest*

## Abstract

*This paper describes the evolution of the retired people and pensions in Romania. This segment of the population and their incomes represent a particular situation of the national demo-economic system. The authors develop on the evolution of retirees, the level of pensions, the state social insurance system's pensioners, the territorial aspects.*

**Key words:** *population, retirement, social insurance , age, compensation*

## Evolution of the category pensioners

Starting with the year 1990, under the circumstances of a number of economic and social steps related to the restructuring of the Romanian economy, essential modifications occurred in the socio-economic structure of the population from our country.

The demographic evolution of the last years followed the same direction, when the birth rate decreased alarmingly while the mortality is placed on an up warding curve.

## Grouping the number of pensioners by levels of pensions at 30.06.2015

Levels of pensions	2015
<b>TOTAL – thousand persons</b>	<b>5.307</b>
	Of which, in %
under 171	1,9
between 171-210	1,6
between 211-250	2,0
between 251-290	2,7
between 291-350	6,1
between 351-500	16,2
between 501-1000	49,9
Over 1000	19,6

**Data source:** National Institute of Statistics, Statistical Bulletin no. 7/2015.

In the conditions of an obvious regression of the natural increase of the population and on the ground of the marked demographic ageing process, correlated with the steady diminishing of the number of jobs, the persons taking part of the category of pensioners and beneficiaries of social assistance holds an increasingly higher weight in the total of the country population and, mainly in the total of the inactive, their number following also an up warding trajectory.

Thus, by the end of the second quarter of the year 2015, one can remark a constant course of the number of pensioners. In absolute figures, by July 31<sup>st</sup>, 2015, a number of over 5,307,000 persons was recorded by the category pensioners.

To note the fact that, as from the year 2000 on, the number of pensioners is steadily decreasing from one period to another. Thus, in 2000 there were 6,154,000 pensioners recorded, which number went down to 5,307,000 pensioners in July 2015. This reduction of approximately one million persons is based on two causes.

The first one is thee on connected to the fact that ages pyramid diminished at its basis. The second one refers to the fact that the process of the population ageing is going to have two effects. In the first place, the number of pensioners will get reduced. The second one will consist of the movement of the population on groups of full age, due to the decrease of the birth rate.

Of course, it is difficult to take into consideration the increase or the modification of the pensioners of social security from agriculture where the increase is insignificant.

The outputs from the payment system of pensions were reasonable, being generated to a large extent, by deceases.

At this point, we must notice that during the last years the number of deceases increased and the average life expectation of the population shortened.

It would be interesting to analyse also the way in which the structure and the distribution of pensioners and beneficiaries of social assistance developed depending on the system in which those categories have been included.

Thus, in July 2015, the number pensioners of social security counted for 5,303,000, of which 4,679,000 are pensioners of state social security while 468,000 are pensioners of social security of the employees coming from agriculture.

In the first half 2015, the number of pensioners of social security counted for 5,303,000 persons, of which 4,679,000 persons are pensioners of state social security.

The other pensioners are represented by the beneficiaries of social assistance and pensioners IOVR.

To underline the fact that presently, when the industry and the other branches of the national economy make the subject of a restructuring process, the persons observing the conditions of non-interrupted length of service and age would get retired with anticipation.

Under the circumstances, obviously the number of pensioners will increase.

#### Average number of pensioners and average monthly pension by 30.06.2015

Indicators	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
TOTAL	6154	6351	6378	6306	6233	6067	5806	5745	5701	5694	5661	5597	5531	5413	5357	5307
-social security	6110	6311	6342	6274	6205	6042	5785	5726	5685	5683	5451	5588	5523	5407	5352	5303
- state social security	4246	4426	4535	4570	4597	4611	4633	4643	4664	4716	4777	4744	4720	4679	4677	4679
- agriculture workers	1751	1767	1677	1572	1474	1292	1005	932	866	790	714	684	642	570	518	468
TOTAL	72	104	134	156	204	246	298	389	572	708	724	754	766	807	846	892
-social security	72	104	133	156	204	246	298	389	573	708	719	755	767	808	847	893
- state social security	91	131	163	187	232	267	311	399	593	734	741	775	777	812	845	886
- agriculture workers	19	27	34	38	74	88	117	159	253	307	309	311	313	328	342	361

Data source: National Institute of Statistics; Statistical Bulletin no. 7/2015.

The annual ration between the number of pensioners and that of the employees counted for about 1.3 pensioners per one employee.

The number of pensioners of social security increased as well, mainly on the account of retiring for the performed activity and age limitation with integral length in service.

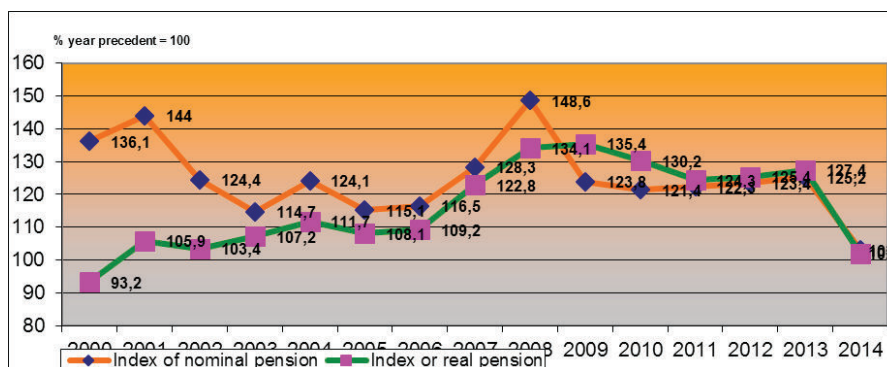
### Study concerning the evolution of the pensions' level

In the context of the increase of the number of pensioners, finding out sources for the amounts required by the payment of pensions and social assistance becomes a must.

Meantime, there is one issue to consider, namely, under the circumstances of the increase of the consumption prices index, to find out those possibilities to increase the pensions by means of compensations, up-dating or indemnities, granted in accordance with the legislation in force.

I point out the fact that, in 2011, the pensions have been diminished or increased through recalculation, subsequent to the successive increases made in 2009 aiming a better covering against the inflation effects. After 2015, the pensions reached a relatively suitable level and keep on increasing.

### Evolution of the nominal and real pension during the period 2000-2015(%)



Data source: National Institute of Statistics; Statistical Bulletin no. 7/2015.

Apparently, these figures relative might underline a significant increase of the amounts being paid to the pensioners.

But the respective figures are not entirely convincing as, in many situations, the increases have been made starting from basic amounts extremely low.

Thus, there are still persons having pensions of some tens or hundreds lei in which case, on the ground of the crisis deepening and the shortage of financial resources, even increases of 100% do not mean practically nothing. The quantum of the monthly indemnity increased comparatively with all the previous years.

Another element of analyses is given by the average monthly pension of the pensioners and beneficiaries of social assistance. These amounts also, in comparable terms, are showing an increase of the resources the pensioners took advantage of but this situation was not entirely satisfactory if considering the index of the consumption

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price of the population which has been superior to the level of the pensions increase and, meantime, represented, in absolute figures, an increase almost insignificant if to consider the levels to which this increase applies. The average of the pension of social security counted for 808 lei/month, being negatively influenced by the level of the pensions due to the agriculture workers. Although, comparatively with the period 1999-2009 (in 2010-2011 the pensions stagnated practically) the average pension of the agricultural workers increased, the ratio comparatively with the level recorded by the pensions due to those of the state social security system, keeps on maintaining too high. A pronounced difference is also marked between the categories of pensions. An analysis from this point of view is underlining that for the performed work and age limit a pensioner from the ranks of the agricultural workers is getting, averagely, 415 lei/month. This situation emphasizes a gap unfavourable to the level of the pensions of the employees from the agricultural system as against those from the state social security system. The situation is difficult also because the amount received as pension is insufficient for a person to pay the obligations concerning the rent or taxes (if owner of an apartment), gas, electricity telephone, thermic agent etc. All these, mainly in the context of galloping adjustments of the prices and tariffs for the main goods and services for the population, depending either on the rhythm of the depreciation of the national currency or on the needs for incomes to the state budget, do not represent anything in the sense that the entire amount, if not even more, is consumed by these obligations. Not to consider the discussion on the fact that this category, respectively the pensioners, is representing also the category the most affected by certain illnesses for which care they must compulsory save the necessary amounts for buying the necessary medicines, either compensated or non-compensated when the respective medicines are not included in the category of compensated, not to mention the fact that out of the discussion is also the issue of securing an adequate alimentation.

In these conditions, the eventual needs for rest, recreation, balneary and climatic treatment or spiritual requirements are, for the pensioners of Romania, virtually SF. That is why, the pensioners, people of the third age, are becoming after a working lifetime, one of the most unfavoured categories from Romania and, in comparison with the possibilities of some similar categories from other countries, they are the very example of one of the most sad, frustrating and joyless modes of living by the time of the old age. We are making this global evaluation although in the period 2001-2009, but mainly in the years 2008-2009, the government made a series of concessions (see facilities) for the pensioners and other persons in acute need for means of subsistence, view that covering their needs is still far away from a normal surviving level. The efforts meant to increase the pensions, mainly for the agricultural workers, have been based on electoral interests, without analysing the concrete budgetary possibilities for covering out of the incomes.

#### **The present situation of the pensioners from the state social security system**

As already mentioned, in the category of pensioners, the most important weight is held by the pensioners of the state social security system. This is why it becomes necessary to submit a short presentation of the mode in which the pension received by this category of pensioners evaluated. Thus, per total the average pension in 2011 counted for 775 lei/month, in 2012 767 lei/month, in 2013 808 lei/month, in 2014 847 lei/month and 893 lei/month by 31<sup>st</sup> July 2015, representing an increase

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comparatively with September 1999. In 2011, no increases were granted while in 2012, 2013, 2014 and 2015 they were adjusted with the inflation rate. The slight increase is based on the modification of the pensioners' structure by level of size of the pensions and not on governmental decisions. The ratio between the average pension of state social security for the performed work and age limit with integral length of service and the average net salary in 2014 counted for 42.7%. Consequently, we can state out a certain keeping up of the gap between the average pension of state social security and the average salary paid in the frame of the national economy but at a superior absolute value degree.

This modification is based, first and foremost, on the more accelerated rhythm of increasing for certain pensions, as well as on the reduction of the number of the pensioners from the category of those benefiting of a modest pension. After 2011, the increase of the average state social security pension for the performed work and age limit with integral length of service almost levelled up with the increase of the average net wage gain. For the subsequent four years, the pensions have been increased with the inflation rate.

Consequently, we can ascertain that, despite some efforts done, with outcomes mostly symbolic because of the limits constraining the social security budget, the level of the increase of the pensions has been a reduced one, far away from covering the gap recorded in connection with the alarming level of prices increase for those goods/services vital for the activity and life of the pensioners. I am referring here to the consumption of gas, thermic agent, servicing, duties for phone, poste, radio etc., which are not sized according to the pensioners' incomes but according to the recorded consumption.

#### **The evolution of the additional pension**

A significant element of analysis as to the average number of state social security pensioners is given also by the situation faced by this category of persons as regards the way of benefiting of the additional pension.

Thus, in 2015, the additional pension went to a number of over 3.09 million beneficiary persons. The amounts being paid as additional pension increased from one year to another, as from 1999 on.

#### **The evolution of the pensions in territorial profile**

In the frame of the analysis of the situation of the pensioners from our country, the variation in territorial profile of the pensions they took advantage of seems to be significant as well. From this point of view, we note that there is a large variation of the levels of the state social security pensions from one district to another. Thus, the lowest level is recorded in the districts Giurgiu, Ialomița, Călărași, Botoșani, Bistrița.

Pensions a little bit higher are recorded in the municipality of București, and districts wise, in Hunedoara, Brașov, Cluj, Prahova. These data are showing that, even in the case of the districts considered as having a high level of the pensions, their quantum is small in comparison with the normal living requirements. The above sketched picture is emphasizing, in fact, a worsening of the situation of this category of persons, respectively the pensioners, if considering both the maintenance of a low level of the pensions and other categories of granted facilities and the fact that, year by year, the number of pensioners increases simultaneously with the diminishing of the employees number.

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Unfortunately, under the present conditions, when besides the successive increases of prices for electric and thermic energy,, telephone, public transportation,, medicines etc., it is unavoidable that new increases of prices for fuels (oil and derivate products) are to be considered, of the kind to generate a spiral of prices increase for other goods and services as well, it is hard to assume that those resources meant to increase the budget of the social security could be found out for the period next to come.

However, we must underline the fact that, out of the analysis of the increase levels, such an increase seems to be insignificant, mainly for the category of pensioners with very low present levels, who cannot rely on the recent decision meant to apply a monthly indexation and reconsideration of the pensions as potentially bringing them a minimum relaxation of the material situation they are facing. In the context of the decrease of the occupied active population, as a result of dismissal or passing to unemployment of a significant number of employees, it is to be expected that the values or sums recorded as contribution for the social security and contribution for the additional pension remain relatively constant as absolute figures or slightly increasing. In the conditions of the economic crisis, most probably, it will be difficult to find out alternative resources meant to increase the incomes for social security, so that this category of the pensioners, the most un-favoured or among the most un-favoured ones from Romania can take advantage of improvements of their situation through some increases even only symbolic

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