THE SITUATION OF PENSIONERS HAS BECOME INCREASINGLY DIFFICULT

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Abstract

Starting with the year 1990, against the background of some economic-social measures, which aimed at restructuring the Romanian economy, some essential changes occurred in the socio-economic structure of the Romanian population.

In this direction, the demographic evolution since that time, but especially in recent years, has reduced the birth rate carefully, the mortality rate has increased, and on another background the still-birth rate is negative.

Pensioners, the third age group, get their main financial income from pensions. These pensions are quite important, but they do not cover the requirements for at least a decent life.

The age pyramid has decreased at the base, in the sense that the contingent of young people is smaller than the convincing number of people of the second and third age, which foreshadows an even more pronounced aging process of the population.

Pensions are the essential element especially since they are the result of the contribution of each person who is in this situation in a number, according to the law of at least 35 years, from which very few can benefit. There are people over the age limit who are still working today, giving up their salary, but there is also the prospect that these pensions will grow quite a bit because of the income that is available.

In writing this study, I used the data provided by the National Institute of Statistics and Eurostat. It is noted that Romania is far from some situations in this field compared to the countries of the European Union.

We have made extensive use of graphs, tables and other ways of highlighting how the state of pensioners has evolved in terms of number and structure by income, compared to the level of prices, incomes and the like.

For highlighting, we used statistical procedures to compare and graphically represent these data.

Keywords: retirees, standard of living, population aging, crises, data series.
JEL classification: C10, I10

Introduction

In this study we started from some aspects regarding the evolution of the category of pensioners and related pensions. It is necessary to say that unfortunately the number of pensioners increased slightly as a result of the reduction in the birth rate and from this point of view the number of pensioners remained at a constant level in 2021, 2022 and so on, but it was also constant for many years before.

Also, the pension as a structure has undergone very few changes, almost insignificant increases in recent years, and if we compare with the level of inflation (of prices) they have decreased. The evolution of the level of pensions is below the level of living conditions. In the coming years, it is anticipated that the level, as a number of pensioners, will be approximately constant, but pensions will not increase realistically, so that the possibility of ensuring living conditions appears.

We mention the fact that currently, when industry and other branches of the national economy are undergoing a restructuring process, people who meet the conditions of uninterrupted work experience and age will probably retire early. That is why the annual ratio between the number of pensioners and that of employees was about 1.3 pensioners to one employee. It is expected that in the next period this ratio will increase.

In the context in which the number of pensioners increases, it is necessary to find the resources for the amounts necessary to be paid as pensions and social benefits.

An analysis from this point of view highlights that for the work performed and the age limit, a pensioner from the agricultural sector receives an insufficient pension (aid) to ensure living conditions.

More serious is the fact that at the level of rural households, they have decreased as a result of some restrictions imposed by the pandemic regarding the situation of some animal species (pigs, birds), so that the population's income in kind has decreased.

In the period 2015-2022 there were more significant increases, but still below the requirements of a peaceful life, because the public debt is particularly high, and currently the level of satisfying the requirements for a decent living has worsened.

An important element in the analysis of the average number of social security pensioners is also the situation in which this category of people found themselves, in terms of how they benefited from the additional pension. At the same time, in the last period 3.09 million people benefited from additional pension, but this became insignificant along the way.

We also carried out an analysis of the level of pensions in total and in a territorial profile, highlighting the evolution of the nominal pension index,

compared with the consumption index in the period 2020-2022, resulting in an even greater impact on living conditions.

I ended this article with clarifications regarding the average number of pensioners and the average monthly pension, from which it follows that the number of pensioners is increasing to some extent, and pensions are evolving particularly slowly, these two indicators compared to the consumer price index attesting a worsening of the quality of life of pensioners in Romania.

Literature review

A significant number of researchers have focused their attention on the third-age category and the level of pensions received by them. Thus, Anghel and Iacob (2020) conducted a study regarding the categories of pensioners and the size of pensions in Romania. Anghelache, Voineagu and Anton-Carp (2011) presented the pension calculation algorithm in Romania. Cai and Stoyanov (2016) focused on the study of demographic differences between countries. Chen, Beetsma, Ponds, and Romp (2016) focused their research on identifying the advantages of intergenerational risk sharing through privately financed pensions and public debt. Kroli, K. and Notowidigdo, M.J. (2016) refer in their study to income, wages, unemployment, etc., depending on the income obtained. Novy-Marx and Rauh (2011) presented a calculation of the present value of public sector employee pension liabilities. St. Clair and Martinez Guzman (2018) studied the determinants of triggering pension reform. Vogel, Ludwig and Börsch-Supan (2017) addressed a number of issues related to the employment of older workers and the extension of the retirement age.

Data, Results and Discussion

The analyzed data reveals that the average monthly pension increased by 0.3% in the third quarter of 2022 compared to the second quarter of the same year. Regarding the average number of pensioners, this was 4,996,000 people, down by 7,000 people compared to the second quarter of 2022. The average number of state social insurance pensioners was 4,603,000 people, down by 1,000 people compared to the previous quarter.

Graph number 1 shows the evolution of the nominal pension index and the consumer price index in the period 2020-2022.

Evolution of the nominal pension index and the consumer price index in the period 2020-2022

Graph 1
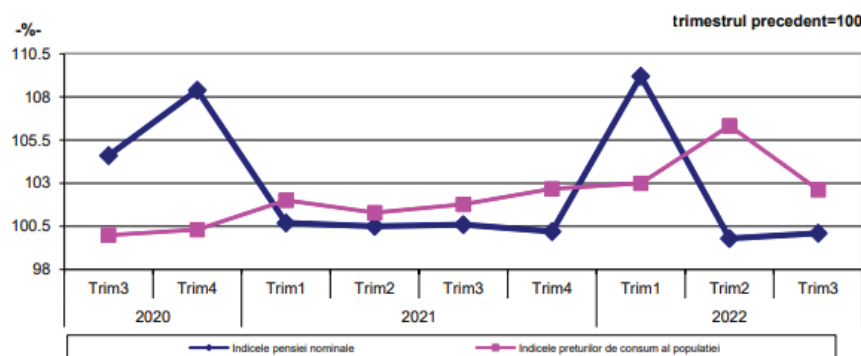
Source: INS. Data processed by the authors.

The average monthly pension, determined by taking into account the amounts for the pensions of all categories of pensioners - social insurance, disability, survivor, etc. - paid by the pension houses, was 1,856 lei, an increase of 0.3% compared to the previous quarter. At the same time, the average state social insurance pension was 1,776 lei, and the ratio between the average nominal net state social insurance pension for the age limit with full contribution period (without tax and social health insurance contribution) and the salary net average was 51.6% (compared to 51.8% in the previous quarter);

The real average pension index compared to the previous quarter, calculated as the ratio between the nominal pension index for calculating the real pension and the consumer price index, was 97.5%.

Table number 1 shows the situation regarding the average number of pensioners and the average monthly pension.

The average number of retirees and the average monthly pension

Table 1

	Numărul mediu - mii persoane -			Pensia medie - lei lunar -		
	Trim.III 2021	Trim.II 2022	Trim.III 2022	Trim.III 2021	Trim.II 2022	Trim.III 2022
TOTAL	**5073**	**5003**	**4996**	**1673**	**1851**	**1856**
din care, după nivelul de pensionare:						
Asigurări sociale	**5072**	**5002**	**4995**	**1674**	**1852**	**1857**
din care, de asigurări sociale de stat	4652	4604	4603	1604	1774	1776
din care, asigurări sociale după categorii de pensii:						
A) Limită de vârstă	4020	3982	3982	1865	2057	2062
B) Pensie anticipată	13	10	9	2189	2480	2482
C) Pensie anticipată parţial	99	102	102	1800	2100	2120
D) Invaliditate	427	409	405	761	818	811
E) Urmas	513	499	497	897	995	997

Source: INS. Data processed by the authors.

We find that the average number of pensioners in the third quarter of 2022 decreased by 77,000 people compared to the third quarter of the previous year, and that of the category belonging to state social insurance decreased by 49,000 people. The average monthly pension and the average state social insurance pension increased compared to the same quarter of the previous year, by 10.9% and 10.7%, respectively.

In the third quarter of 2022, social insurance pensioners hold the majority share (99.98%) in the total number of pensioners. State social insurance pensioners represent 92.2% of all social insurance pensioners. By pension category, the number of old-age pensioners was predominantly (79.7%) among social insurance pensioners. Pensioners included in the categories of early and partially early pensions represented 2.2%.

The total ratio between the average number of state social insurance pensioners and that of employees was 8 to 10. This ratio shows significant variations in the territorial profile, from only 4 pensioners to 10 employees in Ilfov county, to 15 pensioners to 10 employees in Teleorman county, 14 to 10 in Vaslui county.

The average state social insurance pension varied with significant discrepancies in the territorial profile, the difference between the minimum and maximum value being 950 lei (1,409 lei in Botoşani county, 1/419 lei in Giurgiu county, 1,426 lei in Vrancea county compared to 2,359 lei in Hunedoara county, 2,251 lei in Bucharest and 2,085 lei in Braşov county).

The total number of beneficiaries of the provisions of GEO2 no. 6/2009 regarding the establishment of the minimum guaranteed social pension

(currently - social allowance), in the third quarter of 2022, was 1,153,400 people, of which 1,025,100 people from the social insurance system state, representing 22.3% of all pensioners in this category; 122,100 pensioners from the former system for farmers, representing 64.5% of their total and 6,200 people from the military system, representing 3.2% of the total of this category.

Apparently, these relative figures would highlight a significant increase in the amounts paid to pensioners. However, the respective figures are not entirely telling, since, in many cases, the increases were carried out starting from extremely small basic amounts. Thus, there are still people who have pensions of several tens or hundreds of thousands of lei for whom, against the backdrop of the deepening crisis and the lack of financial resources, even 100% increases mean practically nothing. The amount of the monthly allowance has increased compared to all previous years.

Another element of analysis is the average monthly pension of retirees and beneficiaries of social assistance. And these amounts, in comparable terms, show an increase in the resources that pensioners benefited from, but this was not fully sufficient, taking into account the consumer price index of the population, which was higher than the level of pension growth and, it also represented, in absolute terms, an almost insignificant increase if one considers the levels at which this increase was applied.

Conclusions

The analysis carried out in this article highlights some rather precise practical conclusions. In this sense, the increase in the degree of aging of the population is observed as a result of the increase in the stillbirth indicator.

The structure of the population by age categories has shifted to the majority of the population born between 1968 and 1989. These categories have reached retirement age today. Comparing the stillbirth with this annual structural change in the population, we realize that the number of pensioners has increased from one year to the next. Currently, there are 1.3 pensioners per employee. Even if we also take into account the fact that almost 2 million of the employees have the minimum wage in the economy, so a minimum contribution to the wage fund, we realize the situation in which this category finds itself.

We do not pretend to be the authors of those who believe that certain measures taken during the pandemic, Covid 19, can affect the health of the population, but it is obvious that in the last period of time the category of expenditure on medication and health has increased, especially among the retired population.

The second conclusion is that since the system that existed was not maintained, the accumulated pensions remained in the field of insurance of the fund for the payment of pensions and entered the general fund of the state. It is always difficult to find the necessary sources to increase pensions, especially small ones. In the PNRR, some guidelines, some allocations, are provided for the following years regarding the increase of pensions, but these will be insufficient compared to the way in which the state of the pensioners' situation has worsened.

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