
THE SITUATION OF PENSIONERS IN 2023

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Abstract

Romania is currently facing an increasing number of pensioners. Of course, the study shows that taking into account the unemployed population, the number of unemployed and the number of pensioners, it follows that one employee works to provide income for about 2.5 people. In the context in which salaries are also quite low for a significant number of employees, especially in the private sector who obtain the minimum wage in the economy, the problem becomes more and more delicate. Analyzing the situation in 2023, we find that the number of pensioners has decreased by an appreciable number in the context in which the health status of elderly people has had its say. The average pension index of state social security pensioners, calculated as the ratio of the net nominal pension index for the calculation of the real pension and the consumer price index was 102.9%, which means an insignificant increase taking into account the inflation rate. In this article, the authors sought to highlight the precarious situation of pensioners in Romania using some of the most controversial data related to the average pension situation, the average monthly state social insurance pension or the real average pension index. In a series of graphs, data were presented compared to the previous year, the year 2022. The official data communicated by the National Institute of Statistics were used in the study. These data are nominal data recorded at the time. Using a series of procedures and statistical methods based on the data provided by the INS, it was possible to make a good presentation of the situation of this category of people in Romania. In a way, the decrease in the number of pensioners compared to stillbirths explains a decrease in absolute numbers, but not in relative numbers. We must not associate the number of deaths in very old people with the effects of vaccinations and others, but we must associate them with the ability of the Romanian authorities to be able to find the most appropriate formula by which they can achieve an improvement or at least maintain the current level of pension for the entire population. A large number of pensioners receive a rather low pension, which compared to the consumer price index, the cost of living index and others shows an insufficiency of the population. In the article, I have extensively presented tables and some graphs, which refer to the situation of pensioners.

Key words: pensioners, pension, age, deaths, indices, developments.

JEL classification: P10, P40

Introduction

The problem of pensioners has become a major problem in Romania. Pension calculation laws have changed over time. The calculation formulas were increasingly diversified and easier to control from the point of view of these pensioners. Of course, the situation is a dedicated one, which can have major social effects.

The analyzes of all kinds that are being carried out and which seek to highlight how the pensions will be recalculated in their entirety from September 1st are met with some questions, maybe even smiles from many people who listen to this topic.

In the article we referred extensively to the average number of pensioners, how it evolved in 2023, to the average monthly pension, taking into account the amounts for the pensions of all categories of pensioners from social insurance, disability, survivor or paid by pension houses, which were 2,113 Ron with an increase of 13.9% compared to the previous year. This increase is primarily due to the very high pensions, especially the so-called special ones, which fuelled a much more substantial increase in these pensions.

The average monthly state social insurance pension has always been the focus of the legislator, but we have to say honestly that every time, taking into account the complexity of the problem, a way was found with great difficulty to eliminate all the inconsistencies, to to all the problems that ensure an insufficient correlation of pensions depending on the years worked, the place of work, the importance of the work, which is very rarely talked about, or the additional time in years expressed in the activity that was the basis of the retirement. It is appreciated that the data we have should be considered more widely and with more persistence in order to eliminate the differences, the disproportions that exist between the pensions that are currently applied to them.

Literature review

The situation of pensioners is a topic that has been studied over time by many researchers. Thus, Anghel and Anghelache (2018) emphasized the increased difficulty for the employed population considering the large number of pensioners existing in Romania. Anghelache, Voineagu and Anton-Carp (2011) addressed the pension calculation algorithm in Romania. Barr and Diamond (2009) showed that different pension systems bear risks differently and experience different effects by generation and gender. Chen, Beetsma, Ponds, and Romp (2016) and Draper, Westerhout, and Nibbelink (2017) focused their research on identifying the advantages of intergenerational risk sharing through privately funded pensions and public debt. Novy-Marx

and Rauh (2011) presented a calculation of the present value of public sector employee pension liabilities.

Methodology

From a methodological point of view, data collection is carried out through statistical reports completed by self-registration, by the staff from the specialized departments of the pension houses. The statistical reports are completed by the National House of Public Pensions (for state social insurance pensioners and pensioners from the former insurance system for farmers), the Ministry of National Defense, the Ministry of Internal Affairs, the Romanian Intelligence Service, the State Secretariat for Religions and the House of Lawyers' Insurance.

From the point of view of the total average number of pensioners, it includes all pensioners in Romania regardless of the pension system, respectively the public pension system (including social aid - pension type, IOVR - invalids, veterans and war widows) and the systems not integrated into the system public pensions (social insurance pensioners from the records of the Lawyers' Insurance House, the own social insurance systems of the cults recognized by law). The total average number of pensioners is determined by adding up the number of existing pensioners in payment each month, compared to the number of months in the reference period.

The average number of retirees from the social insurance system includes: state social insurance retirees, retirees from the former insurance system for farmers, social insurance retirees from the Ministry of National Defense, the Ministry of Internal Affairs and the Romanian Intelligence Service, social insurance retirees from the records of the State Secretariat for Cults and social insurance pensioners from the records of the Lawyers' Insurance House.

The average monthly pension is determined by taking into account the amounts for the pensions of all categories of pensioners - social insurance, disability, survivors, etc. - paid by the pension houses mentioned above and is calculated by reporting the amounts due (according to the decisions) to the existing pensioners in payment in the quarter/year of reference to their average monthly number divided by 3 (months) and 12 (months), respectively.

By category, pensions are classified as follows: old-age pension, early pension, partial early pension, disability pension, survivor's pension, pension-type social aid and IOVR pensions.

The old-age pension is due to persons who meet, cumulatively, on the date of retirement, the conditions regarding the standard retirement age and the minimum period of contributions or in the specialty, as the case may

be, provided for by Law no. 263/2010 with subsequent amendments and additions.

Anticipated pension is due, at most 5 years before reaching the standard retirement age, to people who have contributed at least 8 years longer than the full contribution provided by Law no. 263/2010 with subsequent amendments and additions.

The partial early pension is due, at most 5 years before reaching the standard retirement age, to people who have completed the full contribution period, as well as to those who have exceeded the full contribution period by up to 8 years.

The disability pension is due to people who have lost all or at least half of their working capacity, due to ailments specified by the legislation in force.

The survivor's pension is due to the children and the surviving spouse, if the supporter, on the date of death, was a pensioner or met the conditions for obtaining a pension.

Children have the right to survivor's pension: until the age of 16, if they continue their studies in a form of education organized according to the law, until they finish, without exceeding the age of 26 and for the entire duration of the disability of any degree, if this occurred during the period in which they were in one of the first two situations from Law no. 263/2010 with subsequent amendments and additions.

IOVR pensions are granted to the disabled and injured in war, the descendants of those who died or disappeared in the war, as well as the descendants of former pensioners disabled and injured in war and are established according to the provisions of Law no. 49/1999 with subsequent amendments and additions regarding IOVR pensions.

The pension-type social aid is paid in accordance with the legislation in force from the state social insurance fund.

The pension represents the monetary right established by the pension decision; the average net nominal pension for the calculation of the real pension is established by deducting the tax from the amounts due as pensions. The pension income tax will be determined by deducting from the pension income the non-taxable monthly amount of 2000 lei.

Social health insurance contributions are no longer withheld for pension income, for the part that exceeds the monthly amount of 4,000 lei, by Decision CCR 650/2022, published in the Official Gazette of December 28, 2022.

The number of pensioners receiving social allowance for retirees (minimum guaranteed social pension) represents the number of pensioners

in the pension system for whom the level of the amount of pension due or payable is below the level of social allowance according to GEO no. 6/2009. GEO no. 168/2022 sets the level of the social allowance for retirees at 1125 lei starting from January 1, 2023. According to art. 7 of Law no. 118/2010 ... within the normative acts in force, the phrase minimum guaranteed social pension is replaced by the phrase social allowance for retirees, and starting March 1, 2017, GEO no. 6/18.02.2009 was updated, with the establishment of social allowance also in the military system.

Issuance of social vouchers in the amount of 250 lei, through the Support for Romania package, for pensioners from the public pension system, pensioners registered in sector pension houses and beneficiaries of rights provided by special laws, paid by territorial pension houses / sectoral pension houses, whose net monthly income is less than or equal to 1700 lei. Social vouchers will be awarded once every two months.

Financial aid granted to pensioners of the public pension system, pensioners of the state military pension system and beneficiaries of rights provided by special laws paid by territorial pension houses/sectoral pension houses whose monthly income is less than or equal to 3,000 lei according to GEO 168/2022.

The real pension expresses the value of the goods and services that can be bought, respectively used, with the average net nominal pension in a certain period of time, compared to another period, taking into account the evolution of consumer prices and service tariffs. The indicator is determined by taking into account the corresponding amounts for pensions paid to state social insurance pensioners, MApN, MAI, SRI pensioners.

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

Data, Results and Discussion

According to the data available to us in 2023, the average number of pensioners was 4,980 thousand people, down by 24 thousand people compared to the previous year; the average number of state social insurance pensioners was 4,601 thousand people, down by 6 thousand people compared to the previous year. Also, the average monthly pension (determined taking into account the amounts for the pensions of all categories of pensioners - social insurance, disability, survivor, etc. - paid by the pension houses) was 2113 lei, an increase of 13.9% compared to the previous year.

At the same time, the average monthly state social insurance pension was 2006 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 50.2% (compared to 51.6% in the previous year);

The real average pension index of state social insurance retirees, calculated as the ratio between the net nominal pension index for calculating the real pension and the consumer price index, was 102.9%.

Graph number 1 shows the current situation regarding the evolution of the net nominal pension index, the consumer price index of the population and the real pension index of state social insurance pensioners in the period 2013-2023.

Evolution of the net nominal pension index, the consumer price index of the population and the real pension index of state social insurance pensioners in the period 2013-2023

Chart 1

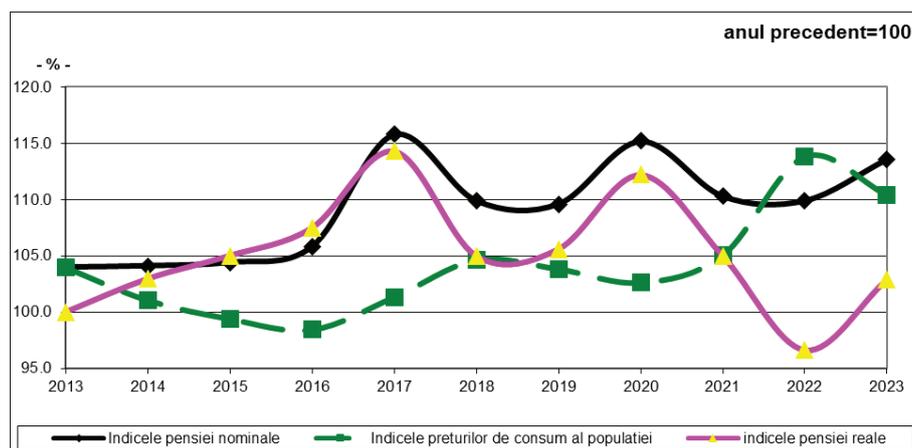


Table number 1 shows the data on the average number of retirees and the average monthly pension in 2023 compared to 2022.

The average number of retirees and the average monthly pension

Table 1

	Average number of retirees		Average pension	
	- thousands of people -		- monthly lei -	
	2022	2023	2022	2023
TOTAL	5004	4980	1855	2113
<i>of which, according to the retirement system:</i>				
Social Security	5003	4980	1855	2113
of which, state social insurance	4607	4601	1775	2006
<i>of which, social insurance by pension category:</i>				
A) Age limit	3984	3982	2061	2346
B) Early retirement	9	7	2480	2828
C) Partial early retirement	102	102	2108	2522
D) Disability	409	402	815	888
E) Followed	499	487	996	1127

Source: INS press release

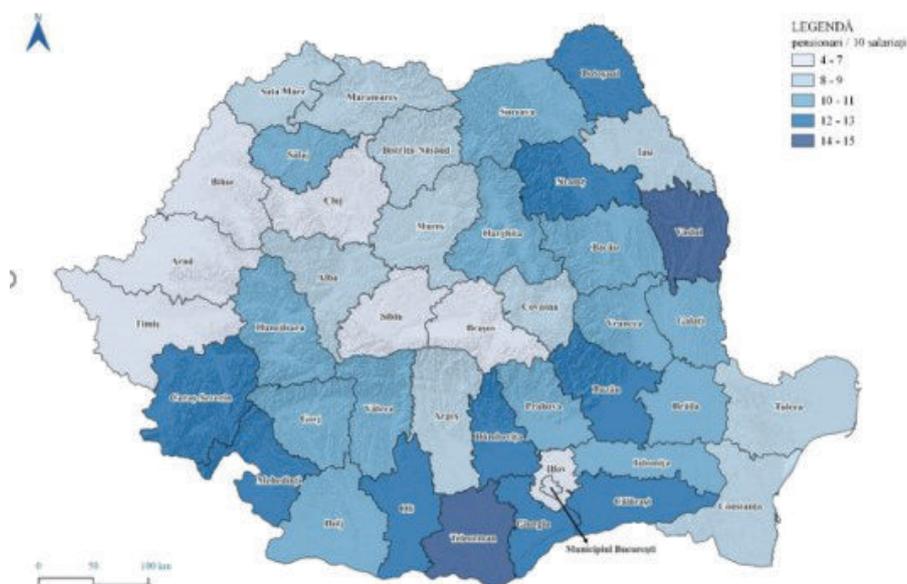
Analyzing the data, we find that in 2023 compared to 2022, the average number of pensioners decreased in 2023 by 24 thousand people, and that of state social insurance pensioners decreased by 6 thousand people compared to the previous year. At the same time, the average monthly pension and the average monthly state social insurance pension increased compared to the previous year, by 13.9% and 13.0%, respectively.

In 2023, social security pensioners hold the majority share in the total number of pensioners. State social insurance pensioners represent 92.39% of all social insurance pensioners. By pension category, the number of old-age pensioners was predominantly (79.96%) among social insurance pensioners. Pensioners included in the categories of pensions - anticipated and partially anticipated - represented 2.19%.

Graph number 2 shows the ratio between the average number of state social insurance retirees and that of employees.

The ratio between the average number of state social insurance retirees and that of employees

Graph 2



The overall ratio between the average number of state social insurance pensioners and that of employees was 8 pensioners to 10 employees. This report shows significant variations in the territorial profile, from only 4 pensioners to 10 employees in Bucharest Municipality and Ilfov County, to 13 pensioners to 10 employees in Botoșani and Giurgiu Counties, to 13 pensioners to 10 employees in Vaslui County and to 15 pensioners to 10 employees in Teleorman county.

The average monthly state social insurance pension varied with significant discrepancies in the territorial profile, the difference between the minimum and maximum value being 1079 lei.

The lowest values of the average monthly state social insurance pension were recorded in the counties: Botoșani (1588 lei), Vrancea (1600 lei) and in Giurgiu (1603 lei), and the highest values of the average monthly insurance pension state social benefits were registered in the counties: Hunedoara (2667 lei), Bucharest Municipality (2545 lei), Gorj (2360 lei) and Brașov (2351 lei).

The total number of beneficiaries of the provisions of GEO no. 6/2009 regarding the establishment of the minimum guaranteed social pension (currently - social allowance), in 2023, was 1148.2 thousand people. Among them, people from the state social insurance system had the largest share,

90.0%, followed by pensioners from the former system for farmers, 9.5%, and people from the military system, 0.5%.

Conclusions

The main conclusion that emerges from the study of this article is that the situation of pensioners remains difficult enough, there are few chances to eliminate all the shortcomings that were manifested in the previous legislation. Secondly, including the proposed procedure for the analysis of pensions on September 1, 2024, it is not one that is likely to eliminate all these disproportions, which have manifested themselves and are still manifesting themselves in the calculation and allocation of pensions.

Another conclusion is that for the situation of pensioners, at least for the younger generations, it would be important to implement the second, third and even fourth pillars, which would ensure additional income and the increase in this way of the pensions of people who reach this age. It is probably being overlooked at the moment that there are certain jobs where they should not be treated as activities that require a special pension and rather be interpreted as activities that should be calculated on a contributory basis taking into account some very high wages. In reality, only the calculation methodology should be established, without any interference in the level of salaries, to take into account all the bonuses, premiums and everything received during this period and make a fair assessment for each person who retires in the position of the activity carried out, the income obtained and the contributions made.

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