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# ANALYSIS OF THE SITUATION OF PENSIONERS AND PENSIONS

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## Abstract

*In Romania there is a large number of retirees compared to other age groups of the population. Thus, the population over 60 years, compared to the population aged 1-15 years, is favourable to the older generation. This means an aging population and changing the age pyramid in which the basic generations, ie children and youth, represent a little less each time due to lower birth rates and higher mortality.*

*In the analysis performed, the basic element, as a research objective, was the use of data we have in connection with the evolution of pensions and the number of pensioners, the population as a whole, to highlight the degree of impoverishment of this age group.*

*Using statistical-econometric methods (index method, dynamic series method, graph method, correlation tables and others), we aimed to highlight the deterioration of pensioners' quality of life and the delicate outlook for the next period in which pension growth was abandoned and now frozen, while the inflation rate will reach quite high levels (about 7% this year), a situation that will continue in the next period.*

*From the data we have, provided by the National Institute of Statistics and Eurostat, in the article we sought to highlight the fact that the situation of pensioners is delicate in other European countries, but not at the negative level recorded in Romania.*

**Keywords:** *retirees, pensions, quality of life, evolution, crises, inflation.*

**JEL classification:** *I10, P44*

## Introduction

In the research conducted on this topic we started from the study of the situation of the number of retirees, their structure by age groups over 65 years, taking those who are retired at the age limit, in order to highlight the deterioration of the situation of these pensioners.

In this context, we revealed the fact that the period we are going through, of deep sanitary and economic-financial crisis, had destructive effects and will have even deeper effects in the next period.

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In this regard, we presented the evolution of the consumer price index, comparing the situation in the first two quarters of 2021, compared to similar periods in 2020. In all these situations it was revealed the increase of the two inflation measurement indices.

We also used a series of data in the analysis on the structure of population consumption (food, non-food and services), noting that especially prices for non-food have exploded and it greatly affects the situation of retirees.

Then, we continued by presenting the structure of the pension level, highlighting that a very large number of these people, in this category, have small pensions.

We highlighted the fact that, by not applying the Pensions Law, which is in force at the moment and by freezing the increase of pensions, the real level of incomes of this category of staff, pensioners, has been profoundly diminished.

We used, as much as we could and had data, graphical representations and tabular presentations of the data series precisely to highlight, on the one hand the structure of pensioners, categories of retirees, but also the structure of the level of pensions by value, income which can be obtained from this category.

We pointed out that this category will have a particularly difficult situation, especially in the current context in which the freezing of pensions and non-blocking of rising gas, electricity, oil and agri-food prices will be totally unfavourable to the situation of this category of people from Romania.

This analysis is limited to the proposed objective, but it can be further deepened by the use of econometric models that highlight how, over time, the level of pensioners' incomes has deteriorated and, consequently, their quality of life.

I suggested that probably wave four of the pandemic could be followed by wave five and, who knows, maybe others, a context in which the quality of life of retirees will be particularly serious.

The article is a research and not a suggestion or a criticism to the authorities, it being understood that at a macroeconomic level a particularly difficult period is going through, but we considered it necessary to emphasize some aspects resulting from data processing and not from opinions absolutely personal, precisely in order to try to take measures to somewhat alleviate the level of income available to retirees.

We believe that it is necessary to put into practice, at least some provisions of the Pension Law that is in force in order to succeed in attenuating the level of pensions. We are considering at least the need to update on the inflation of the last two years, which would, however, represent an increase for this category of the population.

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### **Literature review**

A significant number of researchers have focused on the elderly and the level of pensions they receive. Thus, Anghelache, Voineagu and Anton-Carp (2011) presented the algorithm for calculating pensions in Romania. Barr and Diamond (2009) showed that different pension systems bear risks differently and have different effects depending on generation and gender. Cai and Stoyanov (2016) focused on the study of demographic differences between countries. Censolo, R. and Colombo, C. published a study on the effect of population growth on economic growth. Chen, Beetsma, Ponds and Romp (2016) focused their research on identifying the benefits of intergenerational risk sharing through privately funded pensions and public debt. A similar theme is addressed by Draper, Westerhout and Nibbelink (2017). Kroli, K. and Notowidigdo, M.J. (2016) refer in their study to income, salaries, unemployment, etc., depending on the income obtained. Novy-Marx, Rauh (2011) who presented a calculation of the current value of pension debts of employees in the public system. 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.

### **Methodology**

In order to facilitate the understanding of the study, we further reproduced some methodological aspects used by the National Institute of Statistics and Eurostat. Thus, the data collection was done through statistical reports completed by self-registration, by the staff from the specialized departments of the pension funds. In this context, 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 Ministry of Culture and National Identity and the Insurance House of Lawyers.

Regarding the average total number of pensioners, it includes all pensioners in Romania regardless of the pension system, respectively the public pension system and the systems not integrated in the public pension system. Also, the average number of pensioners in the social insurance system includes: state social insurance pensioners, pensioners from the former insurance system for farmers, social insurance pensioners from the Ministry of National Defence, Ministry of Internal Affairs and Romanian Intelligence Service, pensioners of social insurance from the records of the Ministry of Culture and National Identity and the pensioners of social insurances from the records of the Lawyers' Insurance House.

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With regard to the average monthly pension, this is determined by taking into account the amounts for pensions of all categories of pensioners paid by the above-mentioned pension funds and is calculated by relating the amounts due to existing pensioners in payment in the quarter / year to the average monthly number multiplied by 3 (months) and 12 (months) respectively.

Pensions fall into the following categories: old-age pension, early retirement pension, partial early retirement pension, invalidity pension, survivor's pension, pension social assistance and IOVR pensions. Thus, the old-age pension is due to the persons who meet, cumulatively, at the date of retirement, the conditions regarding the standard retirement age and the minimum contribution period or in the specialty, as the case may be, provided by Law no. 263/2010. The early retirement pension is due, at most 5 years before reaching the standard retirement age, to persons who have completed a contribution period at least 8 years longer than the full contribution period provided by Law no. 263/2010.

The partial early retirement pension is due, at most 5 years before reaching the standard retirement age, to persons 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 invalidity pension is due to persons who have lost all or at least half of their work capacity, due to certain conditions specified by the legislation in force.

The survivor's pension is due to the children and the surviving spouse, if the deceased supporter was retired or met the conditions for obtaining a pension. Children have the right to a survivor's pension: up to the age of 16, if they continue their studies in a form of education organized according to the law, until their completion, without exceeding the age of 26 and for the duration of the disability of any degree. IOVR pensions are granted to the disabled and war injured, to the descendants of those who died or disappeared in the war, as well as to the descendants of the former pensioners disabled and injured by the war and are established according to the provisions of Law no. 49/1999 regarding the IOVR pensions. The social assistance type pension is paid from the State Social Insurance Budget, this category of pension being granted based on Law no. 27/1966 regarding the state social insurance pensions and the supplementary pension, repealed normative act.

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 and the social health insurance contribution. The number of pensioners

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receiving social allowance for pensioners represents the number of pensioners in the pension system for which the level of the amount of pension due or in payment is below the level of social allowance according to GEO no. 6/2009.

The real pension expresses the value of goods and services that can be bought, respectively used, with the average 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 taking into account the corresponding amounts for pensions paid to state social insurance pensioners, MAPN, MAI, SRI pensioners, and the real pension index is calculated as the ratio between the nominal pension index and the consumer price index.

### **Data, results and discussions**

Analysing the data series we had, we find that the average number of retirees was 5,085,000 people, down 14,000 people compared to the previous quarter, and the average number of state social insurance retirees was 4,657,000 people, down 8,000 people from the previous quarter.

Regarding the average monthly pension, determined taking into account the amounts for pensions of all categories of pensioners of social insurance, disability, survivor, etc., paid by pension funds, was 1,661 lei, increasing by 0.7% compared to the previous quarter.

At the same time, the average state social insurance pension was 1,601 lei, and the ratio between the average net nominal state social insurance pension for the age limit with full contribution period (excluding tax and the contribution of social health insurance) and the average salary net was 53.2%, compared to 54.6% in the previous quarter.

The data regarding the evolution of the nominal pension index and the consumer price index in the period 2019-2021 are structured in table number 1.

**Evolution of the nominal pension index and the consumer price index in the period 2019-2021 (%) - previous quarter = 100**

*Table 1*

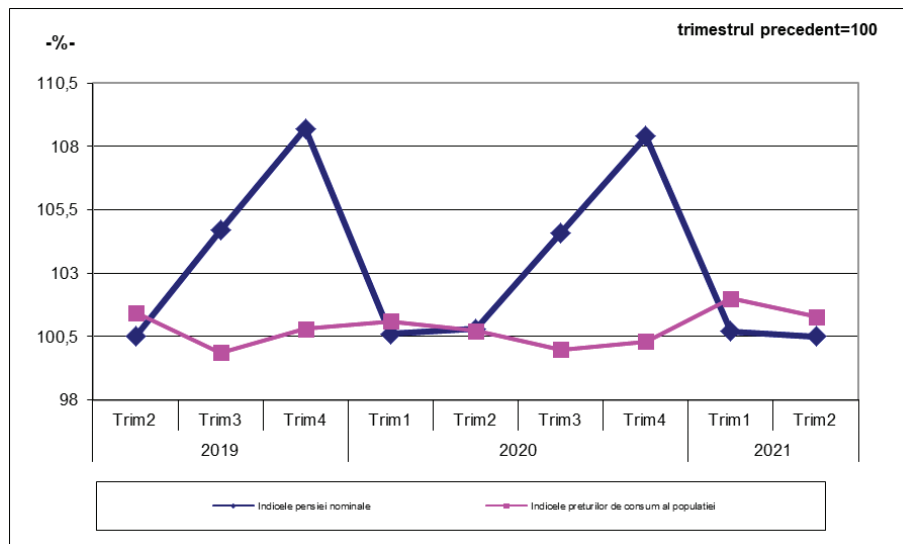
| Year | Quarter | Nominal pension index | Consumer price index of the population |
|------|---------|-----------------------|--|
| 2019 | Q1      | 100,2                 | 101,60                                 |
|      | Q2      | 100,5                 | 101,44                                 |
|      | Q3      | 104,7                 | 99,86                                  |
|      | Q4      | 108,7                 | 100,80                                 |
| 2020 | Q1      | 100,6                 | 101,10                                 |
|      | Q2      | 100,8                 | 100,73                                 |
|      | Q3      | 104,6                 | 99,99                                  |
|      | Q4      | 108,4                 | 100,31                                 |
| 2021 | Q1      | 100,7                 | 102,01                                 |
|      | Q2      | 100,5                 | 101,29                                 |

Source: INS communiqué number 234 / 13.09.2021

For an easier interpretation of the evolution of the two analysed indicators, graph number 1 was sketched.

**Evolution of the nominal pension index and the consumer price index in the period 2019-2021**

*Chart 1*



The average real pension index compared to the previous quarter, calculated as a ratio between the nominal pension index for the calculation of the real pension and the consumer price index was 99.2%.

Data on the average number of pensioners and the average monthly pension were structured in table number 2.

### Average number of pensioners and average monthly pension

Table 2

|  | The average number<br>- thousands of people - |             |              | Average pension<br>- lei per month - |             |              |
|--|---|-------------|--------------|--------------------------------------|-------------|--------------|
|  | Q II<br>2020                                  | Q I<br>2021 | Q II<br>2021 | Q II<br>2020                         | Q I<br>2021 | Q II<br>2021 |
|  | <b>TOTAL</b>                                  | <b>5132</b> | <b>5099</b>  | <b>5085</b>                          | <b>1436</b> | <b>1650</b>  |
| <i>of which, by retirement level:</i>                    |   |             |              |                                      |             |              |
| Social Security  | <b>5131</b>                                   | <b>5098</b> | <b>5084</b>  | <b>1436</b>                          | <b>1651</b> | <b>1661</b>  |
| of which, state social insurance                         | 4676  | 4665        | 4657         | 1380                                 | 1597        | 1601         |
| <i>of which, social insurance by pension categories:</i> |   |             |              |                                      |             |              |
| A) Age limit   | 4015  | 4028        | 4023         | 1610                                 | 1842        | 1852         |
| B) Early retirement                                      | 17  | 14          | 14           | 1706                                 | 2132        | 2171         |
| C) Partial early retirement                              | 91  | 96          | 98           | 1361                                 | 1685        | 1751         |
| D) Disability  | 483   | 444         | 435          | 706                                  | 775         | 768          |
| E) Follower  | 525   | 516         | 514          | 785                                  | 889         | 893          |

Source: INS communiqué number 234 / 13.09.2021

We find that in the second quarter of 2021, compared to the second quarter of 2020, the average number of retirees decreased by 47,000 people, and that of the category belonging to state social insurance decreased by 19,000 people.

At the same time, the average monthly pension and the average state social insurance pension increased compared to the same quarter of the previous year, by 15.7% and 16.0%, respectively.

In the second quarter of 2021 compared to the first quarter of the same year the average number of retirees decreased by 14,000 people and the average number of state social insurance retirees decreased by 8,000 people.

Regarding the average monthly pension and the average state social insurance pension increased compared to the previous quarter, by 0.7% and 0.3% respectively.

Social insurance pensioners hold the majority share, respectively 99.98%, in the total number of pensioners. Also, the state social insurance pensioners represent 91.6% of the total social insurance pensioners.

By categories of pensions, the number of pensioners for old age was mainly among social insurance pensioners, respectively 79.1%. Retirees

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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 9 to 10. In territorial profile this ratio shows significant variations from only 4 pensioners to 10 employees in Ilfov County, from 16 pensioners to 10 employees in Teleorman County, of 15 pensioners for 10 employees in Giurgiu County and of 14 pensioners for 10 employees in Botoșani and Vaslui counties.

Regarding the average state social insurance pension, it varied with significant discrepancies in territorial profile, the gap between the minimum and maximum value being 850 lei, respectively 1,272 lei in Botoșani county, 1,279 lei in Giurgiu county, 1,298 lei in Vrancea county compared to 2,122 lei in Hunedoara county, 2,024 lei in Bucharest and 1,889 lei in Brașov county.

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 the second quarter of 2021, was 932,000 persons, of which 792,600 persons from the state social insurance system, representing 17.0% out of the total number of pensioners in this category, 134,800 persons among the pensioners from the former system for farmers, representing 57.9% of their total and 4,600 persons from the military system, representing 2.5% of the total in this category.

### **Conclusions**

Research conducted on the evolution of the situation of pensioners and the analysis of pensions leads to some precise conclusions. First of all, the freezing of pensions, especially very small ones, has led to a reduction in the real level of income of this category of people.

Secondly, the non-application of the Pension Law and the non-taking of adequate measures, at the same time as the growth freeze, will determine a special situation for pensioners. Around 2 million retirees are at the level of very low pensions, and can be considered in the category of absolute poverty.

Another conclusion regarding pensions would be that the explosion in prices for gas, electricity, oil, agri-food products and other goods and services will put even more pressure on the incomes of these categories, which will hardly be able to go through the vicissitudes. a winter, which can be very harsh.

Another conclusion is that this category of the retired population, although it has contributed throughout its activity to Romania's economic achievements in all branches of activity, is neglected and disregarded, in the sense that no attention is paid to it.



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The non-application of the Pensions Law in force, simultaneously with the freezing of the pension increase is the most obvious attribute of the disinterest shown towards this category, which has its merits in the achievements obtained by Romania, regardless of the existing political and social system.

The conclusion of the conclusions is that the revision of pensions must be accelerated at the same time as the adoption of a law endorsed by Parliament, the one chosen by the population, including pensioners.

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