

# PUBLIC POLITICS REGARDING THE PENSION SYSTEM

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## **Abstract**

*The said paper proposes to seek some answers regarding the long term sustainability of the pension system. Romania's pension system originates from the invalidity insurances and pension system designed by the German cancellor Otto Eduard Leopold von Bismark in 1889. From a European perspective, Romania has to fill an obvious gap regarding the reformation of the national public pension system. International experience, particularly of the last 130 years, indicates that, in actuality, multiple pension systems have been put into function in most of the world's countries and which are diferenciated by some elements (organizing and managing the system, defyning pension rights, method of forming the resources, the pension's level rappedorted to the average income etc.) and after the eficacity degree dependent on internal influences, social, economic and demographic environment, and last but not least by the political factor.*

**Keywords:** *public pensions system, social securities, public politics, economic sustainability, public expenditures.*

## **1. Introduction**

An increasing number of people are taking into consideration the probability of not being able to enjoy the advantages of a sufficient pension following a live's work. The affirmation: "I won't live to see any pension" is often encountered in Romania. The people's fear towards the pension period originates from two equally dark perspectives: on one hand the pension's age limit seems to gradually increase and, on the other hand, many consider the pension will be insufficient to fulfil the consumption requirements. For those directly involved in studying, calculating and awarding the pensions (National House of Public Pensions, Ministry of Public Finance, Ministry of Labor, Family and Social Protection, The National Prognosis Comission and even the Presidential Comission for the Social and Demographical Risks' Analysis) – the pension system implies a huge volume of material, technical and humanly-trained resources. In addition, the pensions are always a favorite topic in the political campaigns in which the politicians' continously promise higher pensions to an electorate that they reward or buy. Although everywhere in the world the pension problem and especially that of the high number of pensioners scares the authorities, in Romania the situation is really dramatic due to the multiple conditions that fragment the population that is able to work. Unfortunately, the politics' intervention in the economy's life and structure decisively influences this fragmentation of the population. Due to the precarious life conditions, the lack of working places and the diminished wages, many young people able to work prefer to leave the country and work abroad. Not all Romanians that leave contribute to the pension's system and social securities, although the incomes earned abroad enter the Romanian banks. Once every four years, the politicians speculate this fact by manipulating

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the electorate through modifying the pensions in accordance with their own interest. Consequently, the following have been modified: the retirement age, the age differences between men and women, the pension point size and the pension's taxing level. It is very difficult in these conditions to have an equitable and sustainable pension's reform in Romania. Such a reform is a sensitive subject for politicians (especially when only think as far as electoral cycles and we need politics that produce their effects after 3-5 electoral cycles) as well as for society. The pension-regarding public politics need to reconcile the interest for reducing expenditures with pensions from the public budget with the right of a decent pension for citizens.

Let us instead begin with defying the fact that the pensions represent<sup>1</sup> a certain monetary sum (a financial product), and obtaining it and paying the beneficiaries (pensioners) imposes the organization of a specific system which would allow procurement.

## 2. Content

### Theoretical background

Romania's "step by step" pension system, similar to those in the majority of European countries, is a type that originates in the system designed by Bismarck approximately 125 years ago.

The most important observation for this system is that it has a mandatory character, associated to the individual labor contracts. The system is supported by three parts: employer, employee and state.

Western Europe has taken on Bismarck's system, thus becoming the model alternative for the Beveridgean or Anglo-Saxon insurance system. It is used in many countries members of the EU, such as France, Germany, Austria, Belgium, Holland and Romania.

The characteristics of this model are:

- the financial resources are mainly represented by the mandatory contributions paid by employees and employers;
- there are also resources originating from the state budget's subventions (local or national) or other types of subventions;
- the institutions that administrate the insurance funds are nonprofit; managing and using the insurance funds are realized on a national level and through local fiscal administration directions.

A short historic of Romania's social insurances reveals<sup>2</sup> the fact that the pension system originates as far back as 1895, when the mines law and legalization of the first social assistance norms appeared. The workers' rights were awarded in a first phase by mutual support between them. However, mandatory social insurances were instituted for miners and workers in the petroleum industry when the mine laws emerged. With this occasion the pension right as well as the one to obtain compensation in case of work accidents were institutionalized, assistance and pension house was established, having their funds assured by the equal contribution of patrons and workers. Later on, in 1902 and due to the jobs' organization, a system of social insurances is established through the Missir law for several categories of workmen. Subsequently, the Nitescu law places on legal grounds the principle of mandatory insurances for accidents, diseases and eldereness for all employees of a corporation. The first private social security systems emerge in the interbleci period and

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<sup>1</sup> Reform politics in pensions domain, Ion Marginean, Life quality, XVIII, no. 3-4, 2007, p. 321-338

<sup>2</sup> www.filbuc-caa.ro Short history of social securities in Romania, The emergence of the social security system in Romania. The end of the XIX<sup>th</sup> century – The first world war.

function in parallel with the mandatory state social securities. While the state system belonged only to the labor contracts' titulars and to the workers, the private system attracts different social categories such as the Romanian Orthodox Church and the creation union's members. Following the great crisis from 1929-1933, the Ioanitescu law unifies social securities on the entire national territory. The law brings the principle of contribution and solidarity, establishes the contribution rate of 6% of the salary and guarantees the pension system by the state. Before the Second World War world outburst, in 1938, a new law is adopted that aims at supervising the insured people.

From a legislative point of view, the communist system concentrated on modifying the previous law, through the 409 decree from 1945 that stipulated the increase and indexing of pensions. The last law from the social security domain that was adopted by the communist power in 1977 imposed restrictions for the insureds' rights.

After 1989 a hard and troublesome period of legislative modifications started in the social securities domain, among which we remind:

- The no. 70/08.02.1990 Law Decree – through which modifications were brought to the age pensions regime;
- The modified and republished no. 118/1190 Law Decree – regarding the award of rights to the people persecuted out of political motives by the dictatorship that began to be installed on March, the 6<sup>th</sup> 1945, as well as to those deported or imprisoned;
- The no. 42/1990 law – for honouring the martire-heroes and awarding some right to their followers, to the injured as well as to those that fought for the December 1989 Revolution's victory;
- The no. 73/1991 Law – regarding the establishment of some social security rights, as well as modifying and completing some regulations from the social security and pensions legislation;
- The modified and republished no. 1/1991 Law – regarding the social protection of unemployed people and their professional reintegration.

The effects of all these contradictory evolutions can be synthesized in this manner:

- the total number of pensioners increased from 3,58 million in 1990 to 5,401 million in November 2013 (+50,8%) under the conditions of a decreased number of employees from 8,156 million in 1990 to 4,378 million employees in September 2013 (- 46,32%);
- the dependency rate<sup>3</sup> has decreased from 3.43 in 1990 to 0,92 in 2001 and 0,93 in 2013;
- effective retirement ages well under the standard retirement age: in 2009 the differences were between 5 and 7 years<sup>4</sup>;
- the dramatic decrease of real net average pension (1990 – 100%) for the 1990-2000 period (minimum of 44,3% in 2000), its slow increase for the 2001-2006 period (57-58% in 2006), followed by the spectacular rise from the years 2007-2009 (the maximum point of 123,8% being reached in 2010) and the relative stabilization in the years 2011-2012 situated around the value of 117%;
- the replacement rate<sup>5</sup> calculated on the base of average pension for an age limit and the average net income evolved from 48,6% in 2000, to 65,3% in 2010 and 58,2% in 2013 (based on the ground of the year's first 9 months average net income).

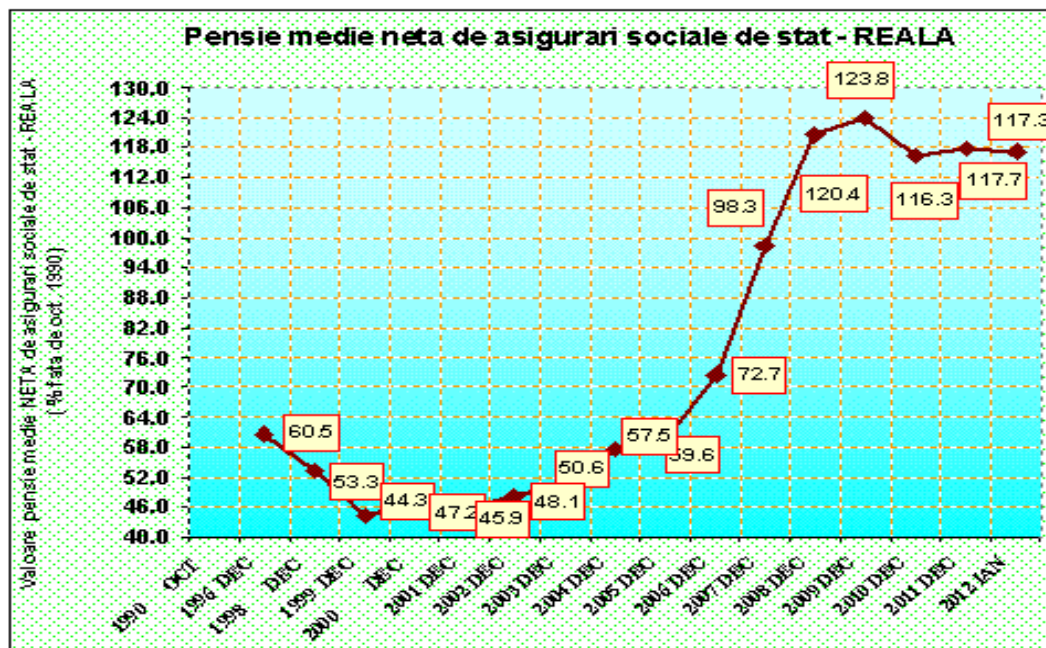
<sup>3</sup> The rate of dependency is the rapport between the medium number of employees and the medium number of pensioners.

<sup>4</sup> Mihai Șeitan, Mihaela Arteni, Adriana Nedu, Long term demographic evolution and the pension system's sustainability, Economic Publishing House Bucharest, 2012, page 28

<sup>5</sup> The replacement rate represents the rapport between the pension's value (simple values, values for age limit and complete period of subscription) and the average income value (gross or net), in other words how much of the average net/gross income is replaced by the average pension

Figure 1 Net pension evolution

## Average net pension of state social securities - REAL



Source: National House of Public Pensions

In spite of this we can consider that the real reform of state social securities begins with the no. 19 law from 2000, which determines the possibility of the social security system being accessed by all people who produce income, without only limiting to the labor contracts titulars.

At European Union level, including in countries situated in Central and Eastern Europe, the pensions systems are mainly organized<sup>6</sup> as state pensions systems, financed and sustained by the state budget, organization mode which has special implications on the public finances. Simoultaneously, when we speak of the method of organizing and financing different types of public pensions systems that exist at the level of European Union's member states but especially when we speak of their financial sustainability, we need to take into account the more accentuated tendency of the population to age along with being consolidated with the financial constraints. Determined elements such as the ones below must be taken into account in order to classify the pension systems:

1. Firstly after the financing mode we distinguish a) pay as to go type systems (PAYG)
2. which function on the principle of social solidarity, meaning that the employee pays, as long as he is active, a contribution that will become the future generations' pension and b) systems privately financed or administrated by the employee or employer's contribution;
3. Based on legal ground and method of establishment, there are systems established by law or by collective labor contract;
4. Based on the mode of participating to the system they can be mandatory or volunteer;
5. After the type of benefits there are systems in which the obtained benefits vary in accordance with the results of investing the participants' fund actions and systems in

<sup>6</sup> PROJECT Improving institutional capacity of evaluating and formulating macroeconomic politics in the economic divergente domain with the European Union's National Prognosis Comission, codde SMIS 27153  
BENEFICIARY Prognosis National Comission Demographic evolution on a long term and the pension's system sustainability Authors: MIHAI ȘEITAN, MIHAELA ARTENI, ADRIANA NEDU.

which a certain benefit is being established and the contributions are being calculated in order to reach that certain benefit. Most of the majority of European countries is included in this last type of defined benefits, with the exception of Germany, Slovakia and Romania which have a point's system<sup>8</sup>.

The pension system is sustained in the European Union by three pillars: the first pillar belongs to the pensions regulated by law, totally financed by third shares – social security contributions from participants to the public pensions system. It is a pay as to go (PAYG) type of system in which countries such as Bulgaria, Estonia, Latvia, Livonia, Hungary, Poland, Slovakia and Romania. The second pillar is formed by pensions established by the labor contract (through collective or individual stipulations) named occupational pensions, strictly connected to the working place in countries such as Bulgaria, Poland, Hungary, Romania or Slovenia. The third pillar of individual stipulations, unrelated to the occupation. The members are mainly, and not mandatory, employees with the possibility of collectively adhering (through syndicates or associations). The participation is not required by law, the employers or state can contribute to this system.

### Comparison between the private pension systems in Poland, Hungary and Romania (at the second pillon level)

POLAND		
PRIVATE PENSION'S SYSTEM ORGANIZATION	THE SYSTEM'S GUARANTEES	DEVELOPING THE MARKET ON THE 2 <sup>ND</sup> PILLAR LEVEL*
<p><b>Pilon I- Mandatory</b></p> <ul style="list-style-type: none"> <li>• Pay as You Go, Definite contributions, virtual accounts - conturi virtuale -reformed in 1999</li> <li>•Occupational public pensions schemes</li> </ul> <p><b>Pillar II - Mandatory</b></p> <p>Defined contributions, individual accounts, 7,3% from the gross income contributions Mandatory for those under 30 years Optional for those with ages between 31 and 50 Introduced in 1999</p> <p><b>Pillar III-Optional</b></p> <ul style="list-style-type: none"> <li>•Definite contributions, optional occupational plans introduced in 1999</li> <li>•Personal optional schemes introduced in 2004</li> <li>•Rezerve fund, on demographic grounds</li> <li>•RETIREMENT 65 men / 60 woman</li> </ul>	<p><b>Performance minimum relative assurance</b></p> <p>Minimum rate of productivity – the smallest value between: --the market's average capacity for the last 3 years minus 4 percentage points and -50% of the balanced capacity rate annualized for the last 3 years The administrator's funds must cover any potential deficits The national guarantee fund's resources are used in case the administrator enters bankruptcy That which cannot be covered by this fund is assured by the state's treasury.</p>	<p>14,36 mil. participants - Pillar II 14 administrators 43,76 active gross billion euros 14,11% balance in the GDP</p>
		<b>MAXIMUM LIMITS FOR PLACEMENTS</b>
		<p>40 % actions 40% mortgage, municipal or corporate obligations, 20% deposited Statistically – 31 % of assets are placed in actions</p>
		<b>MAXIMUM PERMITTED COMISSIONS</b>
		<p>3,5% of contributions, in 2010 Comissions in terms of fund size. 0,54%/year of the small funds actives and 0,06%/year of the net actives, in terms of capacity Transfer of 23 – 42 de euros (&lt;2 years)</p>
HUNGARY		
THE PRIVATE PENSION'S SYSTEM ORGANIZATION	SYSTEM GUARANTEES	
<p><b>Pillar I- Mandotary</b></p> <ul style="list-style-type: none"> <li>•Pay as You Go, reformed in 1995</li> </ul> <p><b>Pillar II - Mandatory 1998</b></p>	<ul style="list-style-type: none"> <li>•No performance guarantees, only indirect guarantees</li> <li>•Hungary has a special fund</li> </ul>	<p>3,02 mil. participants – Pillar II 19 administrators</p>

<p>Defined contributions, individual accounts, Contributions of 8% out of the gross income (possibility of an additional 2%) Mandatory for those under the age of 35 Optional for the rest of employees <b>Pillar III- Optional 1994</b> •Defined contributions, individual accounts <b>Pillar IV- Optional 2007</b> Launched for occupational pensions •<b>RETIREMENT</b> 62 men / 62 women</p>	<p>for protecting the capital accumulation, financed through mandatory trimestrial contributions, between 0,3 and 0,5% of contributions •The special fund protects the retirements' total benefit and the contributors' accumulated capital in case of insolvency. Capacity objectives need to be established, however failure has no consequences.</p>	<p>Gross assets of 9,63 billion euros <b>10, DEVELOPING THE MARKET ON THE 2<sup>ND</sup> PILLAR LEVEL</b> 34 % of the GDP <b>MAXIMUM LIMITS FOR PLACEMENTS</b> 50 % stocks, 30% obligations, 25% mortgage obligations, 10% in mortgage funds, 5 % in hedging funds <b>MAXIMUM PERMITTED COMMISSIONS</b> 4,5% of contributions 0,66% a month for gross stocks – management commission</p>
<b>ROMANIA</b>		
<b>THE PRIVATE PENSION'S SYSTEM ORGANIZATION</b>	<b>SYSTEM GUARANTEES</b>	<b>DEVELOPING THE MARKET ON THE 2<sup>ND</sup> PILLAR* LEVEL</b>
<p><b>Pillar I</b> PAYG type – the pension points system <b>Pillar II-Mandatory/Optional 2007</b> Defined contributions, individual accounts, Contributions of 2,5 % (10,5% out of the gross income) – 6% since 2016 Mandatory for those under the age of 35 Optional pentru employees with ages between 35 -45 Separation exist between administrator and fund. <b>Pillar III-Optional</b> •Optional pensions, contributions of max 15% from income, individual accounts •<b>RETIREMENT</b> 65 men / 60 women (2015)</p>	<p><b>Relative guarantee of performance</b> <b>Minimum level of profitability</b>, calculated on risk <b>Absolute guarantee</b> The total rightful sum for the private pension cannot be smaller the value of payed contributions, diminished with transfer penalties and legal commissions. <b>Other safety elements</b> Romania disposes of the largest range of risk control instruments: assets separation, actuarial funds, revision through depositary, guarantee fund, audit, minimum profitable rate. <b>The guarantee fund</b> is destined for covering some risks that are unpredictable and are not covered by technical commission.</p>	<p>4,57 mil. participants - Pillar II 12 administrators 0,56 billion euros gross assets 0,49 % balance in the GDP <b>MAXIMUM LIMITS FOR PLACEMENTS</b> 20% in instruments monetary market 70% state titles 30% titles emitted by local administrations 50% actions 5% corporative obligations 5% mutual funds <b>MAXIMUM PERMITTED COMMISSIONS</b> Max. 2,5% of contributions Max. 0,05% / month of the active gross</p>

Source: Adaptation by Dan Zăvoianu – Comparison between private pensions system of type pillar II and the world's states markets – Communication Direction – CSSPP, Bucharest, july 2010

\* at the level of December 2009

In spite of these, in the evaluation of different pension plans we must also take into account what goes on in practice, since it has been observed that the sum saved by the population is relatively constant in a certain period. If a certain saving system is imposed, the sums saved through other methods will drop<sup>7</sup>. Therefore, the economic growth shouldn't be related to the specific methods of composing the pension systems, of the existence or lack of

<sup>7</sup> Atkinson, A.B., Rein, M. Age, Work and Social Security, Macmillan, Houndmills, 1993

accumulation funds, even if they constitute important sources for investments. On the other hand<sup>8</sup>, the largest part of pension funds is placed, in order to avoid investment risk, in state titles, thus in the public duty. Indeed it is expected for the private pensions' fund management to be prudential and to, thus, avoid failure but relatively small accumulations of contributions for the system will result. The Global Bank's and European Union's notice of the differences of approaching the pensions reform is very important to us, since in the treatment applied to the Global Bank (also sustained by the International Monetary Fund as the low level of incomes is generally concerned, and that of the pensions, as a method of controlling inflation by reducing consumption). Obviously, Romania was not the only one to suffer such an influence, but other ex-socialist European countries. We should keep in mind that the differences mentioned here between the EU and Global Bank are not disputed directly, but rather by reciprocal ignorance of the projects between each side. Therefore, in the Global Bank's studies, the public pensions schemes are considered to be inadequate, hard to reform, represent a blocage for the economic growth and are recommended for the governments of countries assisted to not repeat the „expensive mistakes of industrialized countries”<sup>9</sup>

On the other hand, in the EU, the pensions' system reform is aimed at not being realized in the detriment of actual beneficiaries, so not through diminishing the public system's role, which is the most expanded and will remain the main system, but which, however, does not represent the only solution. An equitable inter-generational balance, a satisfying level of pensions, sustainability and modernism<sup>10</sup> could be reached through reform measures that could also imply discounts of public pensions' quantity (which are in fact very generous in other countries).

Consequently, a pensioner can have one or more pensions, with financing from one source or many such sources. Theoretically, the more the pension sources multiply, the more the chance of covering in a larger area the requirements for an acceptable life standard is expected to grow. However, this fact does not happen automatically if the pensions' quantum is small from each source and per total the optimum level of financial resources may not be reached.

The most disadvantaged and highly improbable situations would be those through which the target-population could not be covered, although many sources and types of pensions exist, and/or the added quantum of pensions which would have been insured by a single system/single pension could not be supplied. Natural it would be to aim at obtaining high performances of supplying incomes to the beneficiaries, within every system/source/pension. If two or several systems do not exceed the accumulated performance which could be obtained through a single one, introducing them would be unjustified if we consider the fact that this would also imply a high level of administration costs in comparison to the function of a single one.

The danger of the pension system collapsing has left Romania, for a medium and long term, but its sustainability is still discussed. On the background of occupying the labor force with negative tendencies, the population's rapid aging and that of demographic involution which is announced to be disastrous (The National Statistics Institute foresees that the population will drop until 2060 with approximately seven million people), the pensions system will not manage to offer the necessary social protection to future pensioners and will become a death rock on economy's neck (affecting investments in productive sectors and increasing fiscality). After recalculating the pension system for the year 2010, it has become

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<sup>8</sup> Ioan Marginean SOCIAL AND FISCAL POLITICS. REFORM POLITICS IN THE PENSIONS DOMAIN

<sup>9</sup> Averting the Old Age Crisis Policies to Protect the Old and Promote Growth, A World Bank Policy Report 1994, p. XIII and the album's 4<sup>th</sup> cover

<sup>10</sup> Adequate and Sustainable Pensions. Synthesis report 2006, European Commission, 2006

more equitable, being relatively simple to apply and easier to understand. In this context, last year's measures have favored sustainability.

In our country the actual pension system has three pillars, similar to other European Union's countries, such as:

Pillar I public pay as you go pensions budget with defined benefits, regulated by the law 263 from 2010 according to which the employee's contribution is of 10,5% of the gross income salary and the employer's contribution is of 20,8% in rapport with the employee's gross salary.

Pillar II the mandatory pensions fund, regulated by the law 411 from 2004 and characterized by:

- Mandatory participation for employees under 35 years and optional for those with ages between 35 and 45;
- The contribution (in 2013) of 4% out of the employer's gross income is in fact a part of the contribution owned in Pillar I;
- Minimum investing guarantees – the real sum of all contributions from which administration commissions are deducted.

Pillar III optional pensions fund, regulated by the 204 law of 2006, in which participating is optional, it is privately administered and the profit cannot be guaranteed. In this pillar the contribution is of 15% maximum in rapport to the gross income, it is a contribution unitively supported by the employee and employer and is encouraged through fiscal deductability.

Several studies came out in the last years with detailed reference to the alternatives of public politics in the pensions domain. Therefore, in 2012, Expert Forum published Working Paper 3 entitled „Who will pay the pensions of the „decree people” in 2030? Romania's situation in the context comparative to the EU and 7 scenarios of evolution of the public pensions system”.

Thus, according to the most plausible scenario, the pensions fund's deficit will be of max. 2,5% of the GDP in 2019 provided that the legislation will be kept in the actual form. In 2042 the fund will reach a deficit of approximately 1,2% of the GDP. The pension as a percentage of the gross average income, which is presently of 37% will decrease to 24% in 2031. The study's conclusion is that depending on the alternance of political parties with left or right ideology, an accent will either be put on the social component or on reducing the deficit from the GDP. In the case of social component the levels grow from contributions directed towards the 2<sup>nd</sup> pillar at 10%, the GDP deficit can grow with 0,62% as opposed to the initial scenario, but the rate of replacing incomes with pension is improving by 2%. In case the GDP's deficit reduction is required, the retirement age will grow up to 65 years and after a deficit of maximum 2% of the GDP in the year 2019, the fund will equilibrate. However, the pension system will represent the trial point of any government even 50 years from now, which is the conclusion entitled „Social risks and inequities in Romania”, published in 2009 by the Presidential Commission for Social and Demographic Risks Analysis<sup>11</sup>.

According to the said study, the retired population (with ages of 65 and higher) is in a continuous growth while the number of employees is decreasing dramatically:

- a few generations have started to enter the labor market from 2008, and the number of employees will not rise very much even in the eventuality of a constant economic growth. As a result, resorting to immigrants will become a necessity in the next five-six years, when the labor force youth entries will be very little and reduced by the rising share of students in each cohort and by the already too few young people that will leave the country for better paid jobs in the West;

<sup>11</sup> The Presidential Commission's report for the Analysis of Social and Demographic Risks, lead by Prof. dr. Marian Preda, entitled „Social risks and inequities in Romania”, published in September 2009.

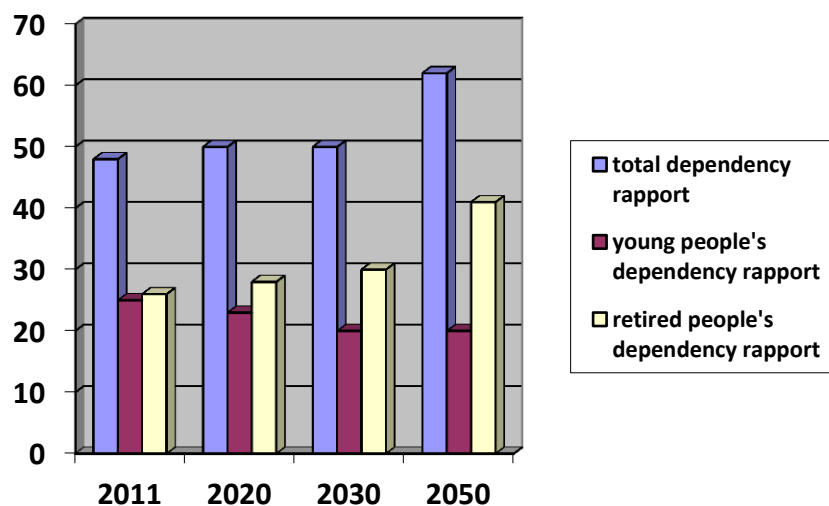


- starting with 2030-2035 the new-born children, which will probably be less numerous, of the transaction generation will enter the labor market. Only a redression of the fertility rate (which should reach from 1,3 the EU medium term average of at least 1,5 and on a long term 1,7 – 1,8), corelated with an adjustmenet of migrational inflows would reduce this process;
- the problem of elderly people that lack pension and health insurance will especially be noticeable after 2025 when the people that are curently unemployed or working on the black market will reach advanced ages without beneficiating of pensions or health insurances, and the costs of minimal services for them will have to be supported by the social assistance system.

### 3. Conclusions

As we have previosuly shown, the tendencies of evolution for the population's structure are negative and will be followed by its accelerated aging. Presently, the population that surpasses the age of 65 is of 3,3 million people which means 16% of the total population. In 2020 the pensioners will represent 3,6 million, namely 17% of the country's total population and if it will follow the same ascending trend, by the middle of the century the pensioners will represent 30% of the total. Simoultaneous with the population's aging we are assisting to a decreasing natality and the increase of the elderly's dependecy raport. In graphic 2 we can notice the dependcy level of youth and elderly in the total of dependent people. As it can be observed, the total number of dependents tends to reach half of the country's population since imigrants and uninsured people are added to the youth and elderly. This data does not take into account the disabled population.

**Fig. 2 Dependency rapport between active and retired people**



Source: INS, Projecting the active population on the 2050 – 2013 horizon

We must not forget that after the year 1990 the process of gradual decrease of population began, and from 2008 a smaler number of young people started to enter the labor market. As a matter of fact the predictions regarding the country's total population are allready known. Presently we are aproximately 20 million people, followed in 2020 by little over 18,2 million and in 2060 we will reach aproximately 13 million inhabitants.

The public system in Romania is similar in many aspects to the one in most of the European Union's member states, which are type Bismarck systems. In this case, the

financing method is, as we have previously shown, a „pay as you go” type, which implies that the system is based on redistribution (pensioners are payed from the actual wage earners’ contribution), thus creating a dependency between retired people and active population (measured through the dependency rapport).

Pension systems in the EU’s countries as well as the one in Romania are influenced by the changes of demographic indicators. The population’s aging is one of the most important burdens of this system, being a phenom which leads the dependency rate’s growth.

Taking in consideration this situation, we can observe that the actual level of social contributions is unsustainable on a long term. Context in which Romania proposes the folowing for the 2014-2020 period, according to the European Comission’s partnership agreement: „70% of the population with ages between 20 and 64 should be employed” – in regard to the rate of occupying the labor force, a ground element in sustaining a viable pensions system; and „the number of people exposed to the poverty or exclusion risk should be 580 000 less (in comparison to the 2008 levels).<sup>12</sup>”

In conformity with these objectives, our country considers as oppourtune the following measures:

- combating illegal labor;
- promoting the employment of elderly workers;
- improving the participation on the labor market, as well as the level of occupancy and labor force productivity by reviewing and consolidating the active politics regarding the labor market;
- assuring training and individualized services and promoting life-long studying;
- increasing the capacity of the National Agency for Labor Force Occupation to improve the quality and degree of coverage of their services;
- combating unemployment among young people, rapidly implementing the National Plan for Young People’s Employment.

Reforming the pension system is mandatory and it must represent a priority for the public politics of any government.

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<sup>12</sup> Partnership Agreement proposed by Romania afert the programming period 2014-2020, 2013.