



A strong system of social security as protection
for workers against the impact of the economic crisis



Romanian Pension System

Ten years of reforms ò just insignificant results

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Content

” Romanian pension systems characteristics

” Crisis effects on the PAYG (P1)

” Possible solutions for improvement



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Main characteristics (1)

Multi - pillar pension system containing 3 pillars

- ” P1 . universal PAYG
- ” P2 . compulsory funded
- ” P3 . voluntarily funded



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Main characteristics (2)

Pillar 1

” participants - 4.5 mil. employees / independent workers

” beneficiaries - 5.3 mil. Pensioners

- . 4.3 mil. pensioners
- . 0.85 mil. disability pensioners
- . 0.25 mil. inherited pensioners

” dependency ratio . 0.85

” financing

” average pension 164 Euro

” minimum pension 75 Euro

Working conditions	Employee contribution	Employer contribution
NORMAL	10.5 %	22 %
SPECIAL	10.5 %	32 %



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Main characteristics (3)

Pillar 2

- “ funded – compulsory – private administrated (DC)
- “ 4.8 mil. participants
- “ financing – 3pp out from 10.5 individual contr. in P1
- “ administration costs – 3% on contribution, 0.6% on asset / year

Pillar 3

- “ funded – voluntarily – private administrated (DC)
- “ 5.2 mil. participants
- “ financing – individual contr. (not taxed)
- “ administration costs – 5% on contribution, 1.5% on asset / year



Crisis effects on P1

“ Sharp decrease of the number of contributors . from 5,6 mil. to 4.3mil creating a huge deficit for public pension budget

“ Law change in 2010

- elimination of special public schemes
- new indexation system (based on inflation not on wage)
- worsening qualifying conditions for disability pension
- worsening qualifying conditions for early pension
- freezing pensions for 3 years 2009 . 2011
- compulsory contribution for health insurance . 5%



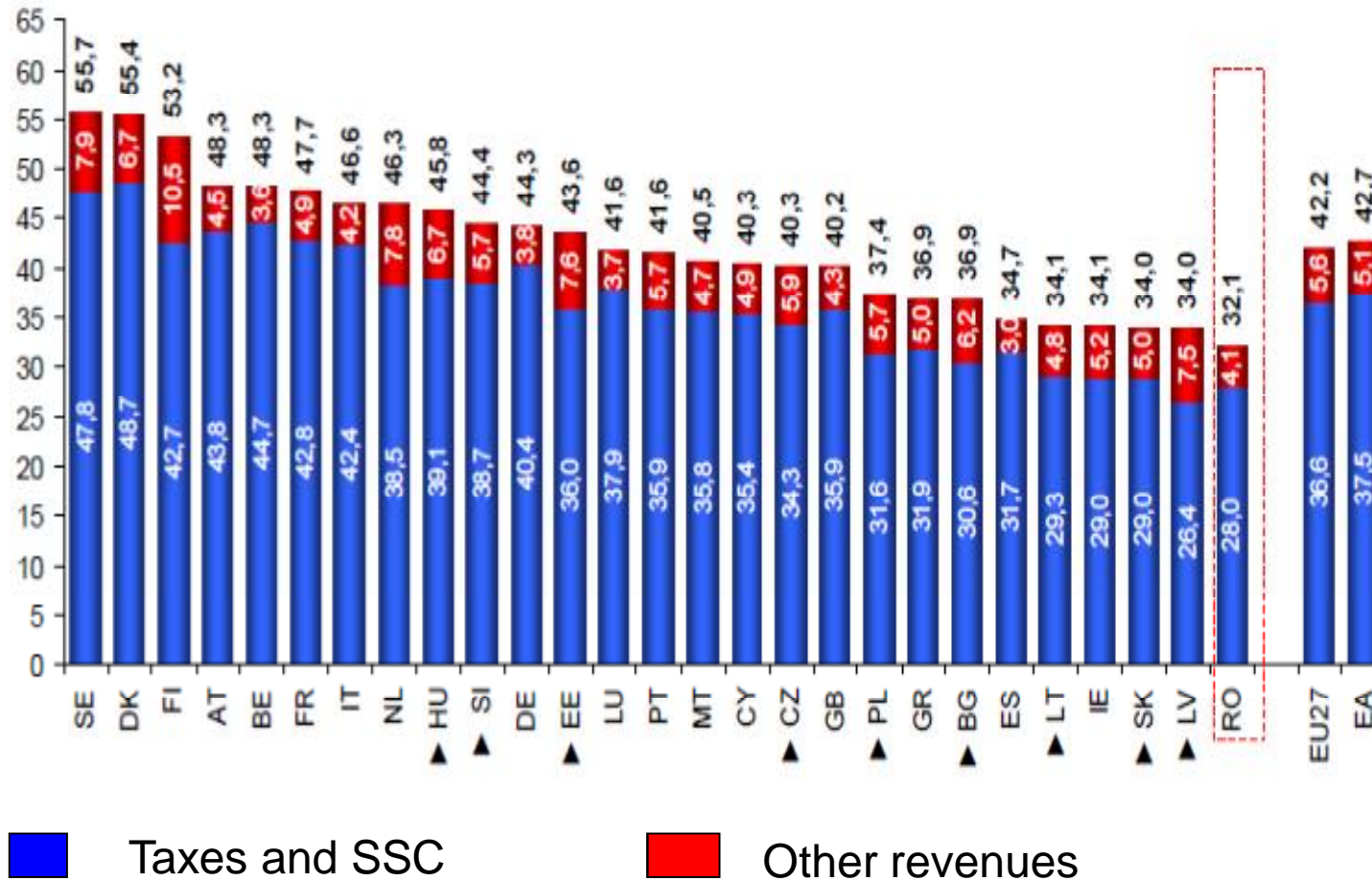
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Possible solutions for improving pension system

- “ Diminishing migration (about 3 mil. Romanian employees working abroad)
- “ Increasing the share of GDP for pensions . by improving taxation (just 8% in present)
- “ Diminishing the size of unobserved economy (43% to GDP)

Total taxation including SSC as %GDP

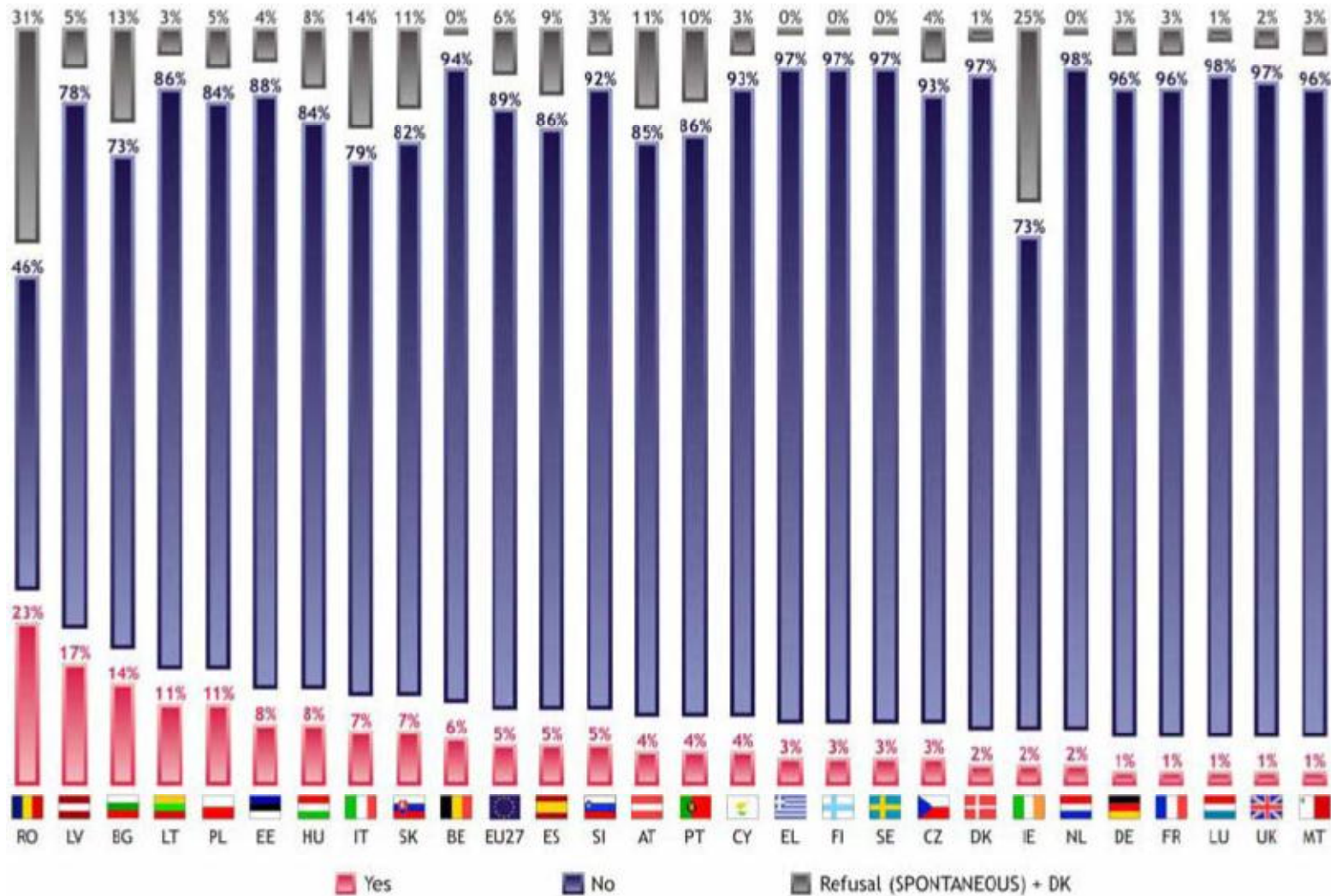




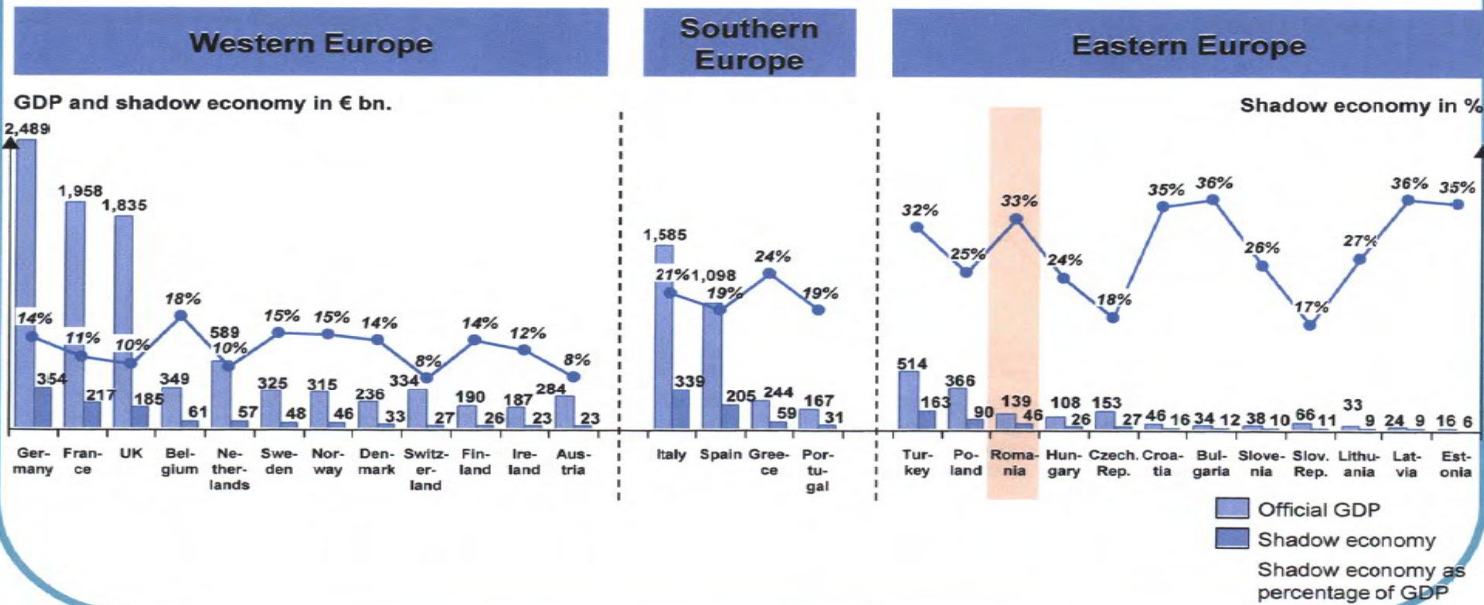
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Envelop wage payment



Huge shadow economy across emerging and mature markets: EUR 2,100 bn in EU-27, 16% of GDP



1) EU-27 (no shadow economy data on Cyprus, Luxemburg, Malta), plus Norway, Switzerland and EU candidate countries. Total GDP EUR 13,700 bn. Source: Data Prof. Schneider, A.T. Kearney analysis