ASPECTS RELATED TO THE SOCIO-ECONOMIC SITUATION OF THE RETIRED PERSONS IN ROMANIA

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ABSTRACT: Pension’s level in Romania has been a matter of passionate debates inside the political class since 1990 until today. The alarming increase in the number of pensioners, which exceeded the number of employees in the economy, linked to the economic and social development of our country, has made impossible to create a social system for older people, system able to provide a decent level for their income. Research and evaluation have displayed regular concerns in relation to the social and economic situation of the older persons and they have demonstrated that they are social category that is being subjected to the highest injustices in the market economy.

KEY WORDS: revenue and expenditure of pensioners; living standard, pension scheme; social assistance and protection

JEL CLASSIFICATIONS: Z10

Among the particularly acute social problems faced by Romania during the current period, the situation of the older persons is one of the most dramatic. The difficult economic situation our country is going through decreases in living standards of most people, and perhaps primarily of the older persons. In these circumstances, old age as a social problem feeds itself many other social problems. The negative aspects that the old regime used to keep them hidden, refusing to be named or improved, have increasingly came to light and there have been added other new ones generated by the dysfunctional consequences of transition and poor government policy in the field of social assistance and protection.

The aging of the population is a social problem as it affects a large number of people, involving not only the part of the population in question, but also the policy makers and the society at large that bears important consequences. The phenomenon asks for concrete and joint social measures so as to trigger a change in the meaning of

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autonomy and welfare of older persons, for a healthy aging, ensuring a quality life, with social costs as low as possible.

The aging of the population and the fewer jobs available shall lead to socio-economic structural changes over the active and inactive population. According to the information delivered by the National Institute of Statistics and Economic Studies (INSSE), the pensioners hold the largest share of the total inactive population, accounting for a steady upward trajectory in recent years.

Similar to the vast majority of population, the income of older persons, although increases occurred, can be characterized, in real terms, by a decline, which could not lead to decent living standards. The pensions are smaller than the population needs, but if their progress is compared to the evolution of salaries and to the gross domestic product in the past 10 years, it results that these pensions increased eight times between 2000 and 2009, while the salary and GDP increased only six times, according to INSSE data.

![Evoluția anuală a pensiile medii nete de asigurări sociale de stat (lei/lună)](http://www.zf.ro/eveniment)

**Figure 1. Evolution of average net annual pension of state social insurance (lei / month)**

Pensions have increased much faster in recent years compared to the salaries, after the ‘90-2000 – period when pensions collapsed. One possible explanation of this aspect could have political connotations, if we take into consideration the fact that in the past ten years, six to seven were with elections, and population of pensioners holds an important share. Another explanation could be the fact that a large part of the salaries from the private sector is not recorded fair and square in order to avoid paying the related social security because of their high level.

In the latest years, the salaries of persons working in the state – owned institutions have risen from 5% of GDP to 9% of GDP. And this aspect, connected with labour shortages in some sectors, has also increased the salary level in private sector. According to economists, there occurred the so-called "demonstration effect".

In 2008 Romania recorded a growth of 7.1% and in 2006 a growth of 7.9%, while the economic potential was estimated at around 5.5 to 6%. In 2000, the average pension represented about 41% of net average salary, while in 2009 it reached 53% of
net average salary. In developed countries, the average pension reaches around 70-75% of the average net salary.

According to Law 19/2000 on public pension and other social security rights, the value of the pension point situated between 30 and 50% in the 2005-2007 period and since 2008, it situated between 37.5 to 45% from the gross average salary (abbreviated SMB) and it was used to substantiate the state social insurance budget. Annually, there is being approved the gross average salary by the State Social Insurance Budget Act and the value of the pension point is updated.

Table 1. Evolution of the value of the pension point and its share of the annual gross average salary

<table>
<thead>
<tr>
<th>DATE</th>
<th>Value of the pension point</th>
<th>%</th>
<th>SMB</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.01.2005</td>
<td>295,5</td>
<td>32</td>
<td>921,1</td>
<td>2005</td>
</tr>
<tr>
<td>01.01.2006</td>
<td>323,1</td>
<td>30</td>
<td>1077</td>
<td>2006</td>
</tr>
<tr>
<td>01.09.2006</td>
<td>339,3</td>
<td>31,5</td>
<td>1077</td>
<td>2006</td>
</tr>
<tr>
<td>01.12.2006</td>
<td>396,2</td>
<td>36,7</td>
<td>1077</td>
<td>2006</td>
</tr>
<tr>
<td>01.09.2007</td>
<td>416</td>
<td>32,75</td>
<td>1270</td>
<td>2007</td>
</tr>
<tr>
<td>01.11.2007</td>
<td>541</td>
<td>42,6</td>
<td>1270</td>
<td>2007</td>
</tr>
<tr>
<td>01.01.2008</td>
<td>581,3</td>
<td>37,5</td>
<td>1550</td>
<td>2008</td>
</tr>
<tr>
<td>01.10.2008</td>
<td>697,5</td>
<td>45</td>
<td>1550</td>
<td>2008</td>
</tr>
<tr>
<td>01.04.2009</td>
<td>718,4</td>
<td>45</td>
<td>1693</td>
<td>2009</td>
</tr>
</tbody>
</table>

Source: http://www.x3m.ro/cjptl/val-punct.htm

Knowledge on the living conditions of population, its wealth, information on final consumption and opportunities for meeting the vital needs, on the living standards and lifestyles, on the quality of life as a whole, has always been a current concern. A significant decrease of the population’s quality of life, compared to the years before the transition period, stems in the degradation come from the social sphere.

Defining the living conditions of any segment of the population can be achieved by knowing a large number of parameters; some relate to the economic support of the existence and others, to the daily living conditions, health status, the general mood, etc. Within these parameters, the crucial role is held by the economic support. Income and consumption are essential components of quality of life and they are characterized by low levels, structural imbalances and inequalities, highlighted by a national comparative analysis among types of households.

Of the whole monthly income, the pensioners set aside more than 50% for foodstuff (53.6%) and of all the types of households, they spend a higher percentage from their monthly income for buying medicines (4.8%, three percentage points or more than other categories). Nevertheless, a higher percentage of monthly expenditure is allocated to the purchase and consumption of alcoholic beverages and tobacco (5.6%). The retired persons spend almost as much as unemployed for clothing and footwear (4.6%) and investments in housing facilities are equal for the two categories and only 0.1% away from average value registered for the country. After the households of farmers, the retired persons spend the smallest amounts for education,
but for cultural and leisure activities this share is amplified, reaching 2.9% of their monthly income. Spending time in hotels, cafes, restaurants seem to hold an insignificant share among pensioners (0.6%) compared with other types of households. Overall, for the category of "social costs" - transportation, communications, recreation and culture, education, hotels, restaurants - pensioners pay less than 3.1% compared to maintenance bills, water, electricity, gas.

Table 2. Monthly consumption expenditure structure, in relation to the types of households in 2009 (%)

<table>
<thead>
<tr>
<th>Total consumption expenditure categories (monthly, 2009)</th>
<th>Average monthly total household expenditure</th>
<th>Monthly expenditure of households with employees</th>
<th>Monthly expenditure of households with farmers</th>
<th>Monthly expenditure of households with unemployed</th>
<th>Monthly expenditure of households with pensioners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total expenses (lei monthly / household)</td>
<td>4 744 691</td>
<td>6 337 094</td>
<td>3 686 802</td>
<td>4 035 838</td>
<td>3 854 772</td>
</tr>
<tr>
<td>Foodstuff and soft drinks</td>
<td>49,9</td>
<td>43,9</td>
<td>65,4</td>
<td>56,2</td>
<td>53,6</td>
</tr>
<tr>
<td>Alcoholic beverages and tobacco</td>
<td>5,9</td>
<td>5,5</td>
<td>8,5</td>
<td>6,9</td>
<td>5,6</td>
</tr>
<tr>
<td>Clothes and footwear</td>
<td>6,1</td>
<td>7,5</td>
<td>5,9</td>
<td>4,5</td>
<td>4,6</td>
</tr>
<tr>
<td>House taxes, water, electricity, gases and other types of fuels</td>
<td>14,6</td>
<td>15,5</td>
<td>7,9</td>
<td>13,7</td>
<td>15,3</td>
</tr>
<tr>
<td>Furniture, facilities and home maintenance</td>
<td>3,2</td>
<td>3,5</td>
<td>2,5</td>
<td>3,1</td>
<td>3,1</td>
</tr>
<tr>
<td>Health</td>
<td>2,8</td>
<td>1,7</td>
<td>1,1</td>
<td>1,6</td>
<td>4,8</td>
</tr>
<tr>
<td>Transport</td>
<td>5,6</td>
<td>7,1</td>
<td>3,2</td>
<td>3,7</td>
<td>4,1</td>
</tr>
<tr>
<td>Communication</td>
<td>4,0</td>
<td>5,1</td>
<td>1,1</td>
<td>3,4</td>
<td>3,2</td>
</tr>
<tr>
<td>Recreation and culture activities</td>
<td>4,8</td>
<td>4,7</td>
<td>2,2</td>
<td>3,0</td>
<td>2,9</td>
</tr>
<tr>
<td>Education</td>
<td>0,7</td>
<td>1,0</td>
<td>0,2</td>
<td>0,7</td>
<td>0,4</td>
</tr>
<tr>
<td>Hotels, cafes, restaurants</td>
<td>1,0</td>
<td>1,3</td>
<td>0,8</td>
<td>1,1</td>
<td>0,6</td>
</tr>
<tr>
<td>Different products and services</td>
<td>2,4</td>
<td>3,2</td>
<td>1,2</td>
<td>2,1</td>
<td>1,8</td>
</tr>
</tbody>
</table>

Source: INSSE, Romanian Statistical Yearbook, 2009, pp.148-149

Food overcomes in the balance of expenditure in households of pensioners, followed by home maintenance costs, the so-called social costs and payment of medicines.

A sociological research conducted in 2009, the Jiu Valley has highlighted aspects of quality of life of the retired older persons. Research aimed at breaking down the concept of quality of life into many indicators - financial situation, health, relationships with family, neighbours, the received medical care, social services, trust in people and institutions involved in social and political life, satisfactions in life, etc. - with which to build a comprehensive picture of the situation of pensioners in Romania.

Phenomenon of retirement varies from one society to another; in some countries special attention is paid to pensioners, in others they are treated with
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indifference. Over time, the retired persons in the Romanian society have built an opinion about this period, their opinions varying in relation to how reality is perceived. There were found as differences between subjects. Some see retirement as a desirable and expected event, taking it as a new phase of their lives. For others, however, retirement is an undesirable event, but inevitable. The moment of retirement does not mean abandoning any socially useful activities, the beginning of a "social death." Everyone must prepare spiritually to cope with the wave of change that will occur once with age and that will influence to a greater or lesser extent the quality of life. New lifestyles cause many changes. The life of a man has various stages and it is very important how to adjust to them. A thorough training involves a better match. People should be aware that some changes will occur with retirement, some of which can be avoided, others not. With a sustained effort from family and self-confidence, a retiree will adapt more easily.

Adapting to this new lifestyle is neither difficult nor easy. Even if the number of those who recognize that they have encountered serious difficulties in the adapting process prevails- the greatest difficulties are related to the cessation of any job – relating activity and the setting of social hopelessness feeling; however, there are those who say that retirement is a stage of life that has been waiting with impatience. They are optimistic, balanced and declares that "life must follow its natural course."

Most of those interviewed agree that to have a "quiet old age period", they should make an appropriate adjustment to all the changes that occur once the new status is acquired; otherwise, everyone agrees that retirement can trigger a state of loneliness and isolation, a sense of marginalization and social uselessness. Thus, the whole family and everybody else close to the pensioner shall provide moral and emotional support necessary to better accommodate to the new lifestyle. In agreement with this idea, subjects view retirement as the beginning of dependence of others, i.e. family. There is a reversal of positions inside the family. Earlier, the children were dependent on parents, now the latter ones are considered dependent to their children. They feel that their lives depend on family and society, often lonely and not being able to cope with the current problems.

Most retirees with university education consider retirement as recognition of merit and of work performed along a “work life”, believing that everything they undertook throughout life has not been in vain. Another idea found in the same group is that retirement is a way to regain freedom, but also is beginning when social prestige reduces. This latter approach has been common in the middle of those with higher education and in high position, with great social responsibilities. On the opposite side there situates the retired persons with primary or secondary school education, which think retirement as a period marked by deprivation and frustration. Shortages are present at several categories of people, but they are more visible at pensioners.

Whatever the opinion about retirement and what it means retirement for them, one thing is certain, namely, people expect that after a lifetime of work, they should get what they deserve: a decent life. "Decent existence” is perceived differently, however: either to provide an income sufficient to remove the worries for tomorrow or the possibility to purchase various things they deem as absolutely necessary in the
household or the possibility of granting a special attention to old age period, taking care of their health or safety of their homes, etc.

![Figure 2. The main problems faced by pensioners (%)](image)

The main concerns of pensioners mainly focus on disproportional ratio between the amount of pension and the continuous and unexplainable price growth amid an ever increasing mass poverty. Also, they are worried about poor health / health problems that inevitably arise, even if retirement is not equivalent to disease, and consequently, hence, access to medicines in relation to their cost. To a larger extent, the deterioration of older people health has its explanation in reducing body vigour, and thus diminishing its ability to resist pathogens. Worsening health status enhances the feeling of discomfort and discontent that is reflected in the perception of general living conditions.

The proportion of those who show particular concern in relation to income is higher among those with a lower education, secondary school at most. Among subjects with university education level there was a greater diversity of responses; in addition to financial issues, they are concerned about corruption in the country, the political class incompetence or about failure in meeting their rights - hence a lack of trust in leaders and disgust in relation to their involvement in politics. The education level that supports the employment in a specific job position determines, therefore, differences in wages and hence, in the calculation of pensions, but it is also emphasized as a prerequisite of hierarchy in society and implicitly in building a social image.

With respect to incomes and to economic situation, the state of discontent, seen in the statements of subjects investigated, prevails. Most times, the family income is strictly only for stringent needs, thus failing to be able to save money from one month to another. When they have financial troubles, people turn to family / friends or to institutions which they consider as reliable. Nevertheless, when appealing to various institutions they should fulfil certain conditions, so it is always easier to asked help from family and friends. There are those who refuse any kind of help, contenting
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themselves with the pension they have. Even if material deficiencies exist, they prefer to abstain from many things, considering a cash loan would multiply their problems, which are already in pile. Of the whole income, the percentage allocated by pensioners for food and drink is quite high (60%). One fifth is for medicines and medical care, followed by house maintenance costs and costs for buying stuff for the house, followed by costs for buying clothing and footwear, and finally, a very low percentage (less than 5%) represents expenditure for education, culture, transport and telecommunications.

Subjects said that their economic situation was much better before 1989 (80%) and worse in the period 2000-2009 than between 1990 and 1999. For the following years, more than one third of respondents are optimistic regarding their economic situation and almost half of them regarding the economic situation of the country.

The most important aspect from the life of a retired person is the family because family gives them moments of joy both during their active period and especially after retirement when the circle of social relations is reduced considerably. Family tends to be more careful with the retired person, providing emotional support and helping him to overcome difficult moments of this period. Family relationships must be tight for a better life run. In many situations, the family is expecting the retirement moment so that they should take care for grandchildren; subsequently, this activity keeps them active and useful and also gives them the necessary dose of satisfaction. There are situations where the family show respect for the peace of the pensioner - especially in cases of illness – and asks just for very easy jobs.

At the question related to whether there is communication in family, with friends or neighbours, more than three-quarters of respondents said that they were satisfied with the quality of relationships. Nevertheless, the social communication is weaker, and at the societal level, almost nonexistent, thus resulting a dissatisfaction concerning their rights and a low degree of security on the street / at home. Due to proper care and habits formed during their active life, which coincides with years before 1990 for many retired persons, when medical services were provided, in principle, free, most subjects address individuals and institutions to take special care of their health. The very small number of those who ignore medical help consists mainly of those with financial problems and a low level of school education.

Even if the subjects turn to medical care services, they did not hesitate to disclose most unpleasant aspects, in their opinion, in relation to these services: the program and sometimes, the arrogant attitude of health professionals, high treatment and consultation costs and, at last but not in the least, the obligation to provide "presents" to the health professionals. If the use of qualified health services is not a problem for the older persons, the accessibility of medicines is a real burden, both due to their very high price, and due to their lack in pharmaceutical units. This analysis of life for the retired old age persons shows some aspects where individual assessments on certain issues of life are positive, representing elements of support in their lives, while the other aspects still situate in the negative zone, being permanent sources of dissatisfaction in people's lives and representing a risk of marginalization and social exclusion.

An option to settle the problems of older persons who have serious health disorders and who have broken all ties with family is the admission in residential
facilities for old persons. To increase the contribution of these institutions, it is necessary to increase their number and the places available in these facilities, and especially to increase the quality of service delivered. Although it was included as an option to protect older persons - in addition to increasing the amount of pension so as to ensure a reasonable meeting of the needs, building of hospitals and wards especially for the older persons, the existence of medical staff that makes house calls - once it got a more personal tone, a certain shyness and mass restrain has begun. The reaction can be explained by fear of the unknown imposed by these institutions and, especially, by not allowing separation, for the rest of life, of the environment in which they are accustomed to.

Figure 3. Measures taken by the authorities to protect older persons (%)

Social services are part of more comprehensive social protection system, which aims at supporting individuals, groups and communities in difficult situation, unable to maintain, through their own resources, a minimum living standard considered normal; it is achieved through social, financial benefit and social services. Social protection systems are highly developed in the European Union. The organization and financing of these protection systems is the responsibility of each Member State. EU promotes close cooperation of Member States to modernize social protection systems which face social problems. Based on the Open Method of Coordination, there is provided social support to the authorities for social policies in each member state in the following areas: pensions, health and long-term care, health and social services of general interest.

Pension systems in EU Member States are characterized by high diversity. At European level, although it tends to harmonize the applicable pension legislation, there is no intention to impose a model of the "ideal" pension; it is considered that setting the parameters of these systems is a prerogative of the domestic policy of each state. It is
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the EU governments which are actually setting the public policy in this area in terms of application of European directives and regulations in force, but also the common principles and values to which the Member States agree in order that their pension systems can handle the stringent problems and be able to use the new opportunities. In this context, it should be taken into account the interdependence between the economic and social issues. Thus, a well-structured system of social security plays a vital role in supporting the economic system and improving its performance. Also, a social security system must display an evolutionary character, i.e. to adjust constantly to changes in society and economy.

Insurance systems for old age period in the European Union provide a high level of pensions and financial autonomy for older persons. EU priorities include: adequacy and sustainability of pension systems, transferability of pension rights within and beyond borders, encouraging additional savings through private pension schemes. Regarding social services in the European Union, it is encouraged the exchange of best practices to improve their quality and integrate efforts to combat poverty and social exclusion. The main legislative act governing the social support of older people in Romania is Law no.17/2000 on Social Care for older people, published in Official Gazette no. 104 of 03.09.2000, supplemented and republished in the Official Gazette No. 157 of 03.06.2007. Older people (persons who have reached retirement age set by law) are entitled to social assistance in relation to socio-medical situation and to the economic resources available. It is intended to harmonize the Romanian legislation in this domain with the international legislation, creating a clear and coherent legislative framework on social assistance to this vulnerable group, a global approach of the issues the older people have to face based on their fundamental rights, enforcing the option for individual responsibility in relation to their life and care.

A fundamental right acquired by retired persons after Romania joined the European Union is their mobility between Member States. The issuance of the Law no. 19/2000 on public pension and other social security rights, whose actual implementation began on April 1, 2001, was imposed by the need to reform the pension system, which no longer met the realities of social-economic situation in Romania that entered after 1989 in a period of adjustment and restructuring process.

Previous pension system became more and more difficult to sustain financially and it had to face serious problems, which exceeded its personal adjustment possibilities. Furthermore, system was not able to take over and mitigate the shocks generated by the contradictions between the principles that were the basis for its institutional construction and the new operating conditions; this is the reason why serious discrepancies between pensions have come up, the pension's purchasing power has decreased dramatically, inter-and intra-generational discriminations have arisen so that temporary poverty turned into permanent poverty for large social groups, the shocks of transition have become unbearable, while the pension system can not provide in-depth solutions.

Taking into consideration the previous legislation limits, Law 19/2000, there has been tried to create the legal framework for the organization and functioning of a public pension system, based on new principles adjusted to the specific socioeconomic
conditions in Romania, able to offer solutions to reform and streamline the previous system, with the help of few principles that are found in all modern pension system:

- ensuring the same conditions to contribute and to obtain social benefits for all categories of population who get an income in a single system;
- introducing mandatory insurance to the public system for all persons who receive their income from employment or as freelancers because their contributions shall provide the support of costs with the payment of benefits in a normal and necessary intergenerational social solidarity;
- creating a separate institution by laying the foundation of the National House of Pensions and Other Social Insurance Rights and its structures, to manage income and expenditure of the public pensions system;
- widening the optional range of people with access to a pension right by introducing new types of pensions, intended to ensure flexibility in the public system;
- introducing a new formula to calculate pensions, i.e. the use the pension system points calculated for the entire period of contribution from the professional course of the insured persons, that ensures a fair correlation between the contributions paid into the social benefit system and the amount paid by the system;
- a gradual increase of the age of retirement that was quite low at the moment when the system started reforming, with a very smooth upward trend, over the 14 to 15 years to ensure financial stability;
- continual updating of pensions, depending on available funds in the system, specific measures in order to maintain the purchasing power of pensions, with coverage of the rising inflation.

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