

ETUC SOCIAL PROJECT - SURVEY FOR NATIONAL CONTACT PERSONS

Trade Union report for Romania

National Trade unions that participated in the survey: BNS, CNS Cartel Alfa, CNSLR Fratia, CSDR

This survey, for completion by the National Contact Persons on behalf of their trade union, is an important source of the qualitative and quantitative information required for the ETUC's SociAll Project. This is in addition to the extensive information about each countries' pension system that will already be available to the National Experts from established national and international sources.

The survey will provide the National Experts with:

- Background information, specifically from a trade union perspective, about the country's pension system and attitudes to recent trends in pension provision;
- To outline the challenges in the sphere of pension provision that have been identified by trade unions; and
- Set out the trade unions' priorities and proposals.

The survey is divided into three sections that are summarised in Table 1 below. These relate to the corresponding sections of the National Reports, as outlined in the Methodological Note. Section 4 of the National Reports will also be informed by the information that is provided.

Table 1. Outline of the National Survey	
<u>Section 1.</u>	The Country's Pension System: The views of the national trade unions on the strengths and weaknesses of prevailing pension system and the content and the expected effects on the system of recent reforms and those currently under active discussion.
<u>Section 2.</u>	Current Challenges: Trade unions' perception of the main socio-economic and demographic challenges that affect the present and future of pension provision.
<u>Section 3.</u>	Possible Reforms: The trade union's priorities in pension policy and the strategies required to have more effective pension protection in the future.



Section 1. The Country's Pension System

This section of the survey covers the current situation, including questions on the trade unions' views on the strengths and weaknesses of prevailing national pension system. It also asks questions on the content and the expected effects on the country's pension system of recent reforms and those currently under active discussion. It should be taken that the National Experts are already familiar with the country's existing pension system and current issues. The status of the current reforms should be identified as follows:

- **Completed Reforms**, i.e. those implemented since 2010
- **Planned reforms**, i.e. almost certain to be adopted, i.e. having gained enough political support and formulated as draft legislation
- **Reforms under active discussion**, i.e. those that are under discussion, with an indication of the likelihood that the reform will be adopted.

General comments by CNSLR-FRATIA: Pension systems in Romania

- *The public system is financed from contributions of the employees (25% of salary income); it is administered by the National House of Public Pensions.*
- *Pensions in the public system are regulated by a law. From 1990 to 2020, four laws took effect, according to which pensions in the public system were calculated.*
- *Each ruling political party has drafted a new public pension law. Until the year 2000, Law 3/1974 was in force; in 2000, in the social democrat (PSD) government, Law 19/2000 was elaborated; in 2010, Law 263/2010 was elaborated by the national liberal and the democrat (PNL - PD) government, and in 2019, Law 127/2019 was elaborated by the social - democrat (PSD) government.*
- *In May 2020, the amount of the average pension in the public system was 1,376 lei (284 Euro)*
- *The system of compulsory pensions managed by private funds: they are financed with a contribution rate of 3.6%, which is deducted from the 25% contribution paid by employees;*
- *The system of public service pensions, addressed to some privileged social categories: judicial staff (magistrates, prosecutors, clerks), diplomats, employees of the Parliament, aviators. For this system, the employees - potential beneficiaries of these "special" pensions - do not pay social security contributions.*
- *The average pension of these social categories is 17,320 lei (3,582 Euro).*
- *Parliamentarians, mayors and presidents of county councils receive, in addition to the state social insurance pension, allowances for the years in office.*
- *For the part of the pension that exceeds 2,000 lei, a 10% tax is applied.*



QUESTIONS

GENERAL OVERVIEW

Role of Social Partners in general and trade unions in shaping pension reforms

Q 1.1

Can you describe how trade unions in particular and social partners in general are involved in the pension policy debate and decision-making process in your country and how does the involvement take place (involvement in bipartite/tripartite institutions, consultation by government/parliament, negotiations)?

In Romania, the elaboration, monitoring and evaluation of the policies in the field of pensions is performed by the Ministry of Labour and Social Protection.

The administration of the public pension system is performed by the National House of Public Pensions, an institution subordinated to the Ministry of Labour and Social Protection.

In the Ministry of Labour, there is a Social Dialogue Committee, which includes a representative of the nationally representative trade union confederations and employers' organizations besides the ministry representative. This committee discusses the draft normative acts initiated by the ministry.

The National House of Public Pensions is headed by a President and a board of directors. The Board of Directors consists, according to the law, of 19 people, namely the president and 18 members.

The members of the Administration Board are:

- 5 representatives of the Government, appointed by the Minister of Labour, Family and Social Protection;*
- 3 representatives of pensioners, appointed by the national organizations of pensioners;*
- 5 representatives of the employers' associations, appointed by the nationally representative employers' organizations;*
- 5 trade union representatives, appointed by the nationally representative trade union confederations.*

The tasks of the Administration Board are focused rather on the administrative functioning of the Pension House and less on decisions related to the public pension system.

Regarding the annual budget for social insurance, the attributions of the Administration Board are only related to:

- endorsing the data underlying the yearly budget*
- analysing the execution account of the public social insurance budget;*

Also, the members of the Administration Board can propose to the president of Public Pension House the elaboration of studies and analyses in the field of the public pension system.



It should be noted that the involvement of trade unions in decisions related to the public pension system is very limited, although from 2018 on, the public pension system is fully funded by contributions paid by employees. ¹

Summing up, the unions are involved in the process of consultation - negotiation within the Social Dialogue Committee of the Ministry of Labour, which does not work very well. Although the unions are represented in the Administration Board of the National Pension House, the Pension House is not entitled to submit any legislative initiatives.

Regarding the involvement of trade unions in reforming the public pension system, trade unions participated only in the debate on draft laws, which took place at the Ministry of Labour, the Economic and Social Council and the Administration Board of the National House of Public Pensions. Regarding the regulation of the special pensions, the relevant draft normative acts were adopted without the involvement of the social partners.

Trade unions are generally hardly involved in the debate on pension policy. The politicians make decisions for political reasons, unilaterally, often without a thorough analysis and studies or medium- and long-term projections.

¹ Starting with 2018, employers pay contributions to the public pension system only if the working conditions are special or extraordinary. For normal working conditions, the contribution to the public pension system is fully taken from the employees.

Q. 1.2

Which is the trade union role in the latest pension reform processes (implemented and under discussion)? Provide your own assessment (major role, marginal role, total exclusion) and few examples in case of influence.

The role of trade unions in the latest reform of the public pension system - which started in 2018 and ended in 2019 (Law 127/2019) - was marginal. The consultation process started when the draft was already completed. Unions did not have access to any analysis substantiating the reform decisions or an impact assessment of the new law on current and future retirees or regarding the social insurance budget. The consultation process was merely a presentation of the draft law. The officials listened to the views of the social partners, without providing any feedback regarding the positions expressed. The Minister of Labour of that time, Mrs. Olguta Vasilescu, even stated that the pensions are not an issue for the trade unions.

Trade unions also participated in the debates in the Parliament's Committee on Labour and Social Protection. Unfortunately, most of the sensitive issues raised by trade unions were not included in the final form of the law. Such examples are:

- *According to the draft law prepared by the Government, a person can become insured voluntarily only insofar as (s)he already had a 15-year contribution period². BNS requested the waiver of this provision, in order to grant the possibility to those whose contribution*

periods were below the minimum contribution period to contribute additionally so that they can benefit from a pension, even at its minimum value when they reach the age limit. Following the discussions held in the Parliament, in the final form of the law, the persons who have a contribution period of at least 10 years can be voluntarily insured.

- *For persons who have lost their work capacity as a result of a work accident or occupational disease, the draft law initially provided that they may benefit from a disability pension only if they have a contribution period of at least 15 years. BNS requested that access to the disability pension for work accidents or occupational diseases should not be conditioned by a minimum contribution period but only by the requirement to be insured. In the final form of the law, the BNS proposal was approved only following the decision of the Constitutional Court, which decided that the minimum contribution period requirement for the disability pension is unconstitutional.*

² In order to be entitled to a pension, the minimum contribution period must be 15 years.

Q. 1.3

Provide a general assessment of the extent to which the existing pension system addresses the needs of current and future retired people in your country, indicating where and why it falls short.

A general assessment will be enough, as a more detailed section on challenges will follow.

The Romanian pension system is multi-pillar. Pillar I is the public system, based on a redistributive scheme that covers all employees. Pillar II is based on a capitalization system, and is funded by a part of the contribution paid to Pillar I. There is also a Pillar III, which is a relatively underdeveloped voluntary capitalization scheme.

Currently only Pillar I - the public system – is paying pensions. However, for the vast majority of pensioners, the pensions are insufficient for a decent standard of living. The contribution to this pillar has decreased from 35% (in 2001) to 21.25% (in 2020), and by 3.75% for Pillar II.

Approximately 30% of Romanian pensioners have monthly incomes from pensions below the poverty line, although in the last 2 years the average pension has increased by approximately 24%. Although, after the employees, the pensioners are the least exposed to the risk of poverty, it is the only category for which the at-risk-of-poverty rate has increased from 2016 to 2018. In addition, the at-risk-of-poverty rate among pensioners is much higher than the EU average (28%).

Very frequent changes in legislation in the public pension system have created significant inequities and inequalities between beneficiaries. At this moment, approximately 65% of the pensioners in Romania receive pensions below the average level.

The reform concerning the financing of the public pension system, which started with the reduction of social contributions (especially the one borne by the employer) and ended in 2018 with the full transfer of the burden of financing this system to employees, created almost chronic deficits of the public pension system. As a result, there is a very high dependence of the evolution of the pensions and the political decisions. There was a rupture between the

evolution of pensions and that of wages, although the law stipulates that the indexation of pensions annually should be done according to the evolution of the real salary. This dependence on the political decision is visible if we analyse the aggregated rate of replacement of salaries by pensions. The trend in Romania was contrary to the one recorded by the European average. In 2016 the replacement rate was higher in Romania (0.66) compared to the EU27 average (0.58). While the European average remained relatively constant in 2017 and 2018, in Romania this indicator has continuously deteriorated, reaching in 2019 only 0.42.

Although the new law adopted in 2019 provides for significant increases in pensions this year, the increase is already being questioned by many voices, both from the Government and from some economists.

In addition, the new law brings into question a new aspect. From the entry into force of the new law, employees who reach the retirement age will benefit - in the calculation of the pension - only from the periods for which the employer owed and paid social contributions. The law leaves the burden of the social contributions and also the task of determining the employer's compliance for the payment of contributions, exclusively to the employee. Employees who have worked or are working in insolvent companies, in bankrupt companies or large companies with public capital that have not paid their social contributions will be in the situation of not having taken into account for their retirement the periods for which their employers did not pay these social contributions, neither at the contribution period, nor at the establishment of the pension level. At the end of 2017, 27% of employers in Romania registered arrears for the payment of their obligations to the pension budget.

The Public Pension System does not fully meet the needs of the pensioners. The National Fund ensuring the payment of pensions and consisting of employee contributions does not provide pensions that allow decent livelihoods for most pensioners.

Deficiency: an essential (prevailing) element of the pension calculation formula, which conditions its amount, is established by law, and is usually initiated by the government.

Without a deep reform, involving changes of the legal framework, the needs of the vast majority of pensioners will not be met at a reasonable level, even in the future. The Romanian Parliament adopted, in 2019, a new law that will enter into force in full in 2021, with a parallel process regarding the recalculation of pensions.

The principle of solidarity between generations will be seriously affected due to the demographic evolution / involution.

Q. 1.4

- a. What are the main principles and policy drivers that inspired the design of the pension system under analysis? Are they still valid?

Law 19/2000 was the first regulation in the field of pensions adopted after the fall of communism. At that time, the law was built on the following principles:

- a) *the principle of uniqueness, according to which the state organizes and guarantees the public system based on the same norms of law;*
- b) *the principle of equality, which ensures to all participants in the public system, taxpayers and beneficiaries, a non-discriminatory treatment in terms of rights and obligations provided by law;*
- c) *the principle of social solidarity, according to which the participants in the public system undertake mutual obligations and benefit from rights for the prevention, limitation or elimination of the social risks;*
- d) *the principle of obligation, according to which natural persons and legal entities have, according to law, the obligation to participate in the public system, the social insurance rights being exercised correlatively with the fulfilment of the obligations;*
- e) *the principle of contributivity, according to which social insurance funds are established on the basis of the contributions due by natural persons and legal entities, participants in the public system, the social insurance rights being due based on the paid social insurance contributions;*
- f) *the principle of distribution, based on which the funds are redistributed for the payment of the obligations incumbent on the public system, according to the law;*
- g) *the principle of autonomy, based on the independent administration of the public system, according to the law.*

The principle of solidarity between employers, employees and state in financing the public pension system is additional to these principles.

Moreover, the correlation of the level of pensions in payment with the evolution of salaries was taken into account. The value of the pension point could not fall below 45% of the average gross salary used to substantiate the public social insurance budget, starting with January 1, 2009.

Except for the last 2 principles, currently abandoned, the other principles remained in the law, although their transposition no longer has the same weight. An example in this sense is the principle of uniqueness: in 2000 the system was built as unique, for all socio-professional categories, and the rules of retirement, contributions, pension calculation were the same for everybody. Meanwhile, several socio-professional categories have created their own systems, with particular rules for retirement and calculation of contributions and pensions, apart from the public system. Due to the different way of calculating these pensions, the ratio between the average pension in the public pension system and the average pension in the special (service) pension system has reached 1/10.

Due to subjective additions (electoral and client-based) the validity of these principles is significantly diminished, and tarred by many exceptions that ignore the basic principles stated above.

These are some political factors and principles based on which the pension system was established:

- *Pressure exerted by the World Bank and the International Monetary Fund,*
- *Aging population,*

- *Imbalance of the system due to massive migration.*

There is no common vision of the politicians upon approaching the pension system.

- b. Is the European Pillar of Social Rights and the recent European Council's Recommendation on Access to social protection for workers and the self-employed¹ shaping the debate on pensions?

No, at least not in Romania. Although the last reform was completed in terms of regulation in 2019, the European pillar of social rights was not taken into account.

However, the European Pillar of Social Rights influences public debates only to a small extent, seen as rather timid attempts.

The influence is low also due to the fact that there is no serious debate on the European Pillar of Social Rights.

- c. Within trade unions?

In their requests, the unions targeted these 2 documents, both in the positions expressed regarding the new pension law, and in the debates regarding the financing of the pension system.

However, lacking the capacity to mobilize the society (which did not have enough knowledge) the unions focused rather on specific issues, such as the retirement age or level of benefits.

Due to the legislation regulating the organization of self-employed workers, Romanian trade unions traditionally do NOT have members among the independent workers.

They are useful documents for trade unions, which we invoke and bring to their attention in debates.

- d. In bipartite or tripartite social dialogue?

Social dialogue for this category is almost non-existent.

At national level, the bipartite social dialogue is difficult, due to the reluctance of employers, and in tripartite dialogue, just as in the bipartite one, there were no debates regarding the Pillar of Social Rights.

Q. 1.5

Summarise the trade unions' views on the state of the country's pension system debate in terms of the balance between financial sustainability and social adequacy, coverage and effectiveness.

The change in the way the pension system is financed has slightly changed the perspective of the unions in terms of financial sustainability. Employees are contributors to the system, the state intervenes by supplementing resources only insofar as it is needed and within the limits of available resources. It is very important to maintain a tolerability limit of the burden of this

¹ <https://ec.europa.eu/social/main.jsp?catId=89&furtherNews=yes&langId=en&newsId=9478>

financing on employees both now and in the future. In our opinion, the aspects related to sustainability, adequacy, coverage or effectiveness should not be analysed only in the current context. In our interventions we supported the need to have adequate pensions, given that the system remains sustainable in the long run. Coverage was also addressed, both in terms of obligations and rights.

Trade unions are unhappy with the increased retirement age for those who are working in difficult or dangerous conditions, and the low level of pensions. The unions agree with the increase in pensions proposed by the 2017 law. However, unions are dissatisfied that in terms of financial sustainability, the crisis arises from neoliberal political decisions to reduce the contribution (from 35% for employee and employer, it reached only 21.25% for Pillar I and 3.75% for Pillar II, paid only by the employee), and the fact that some social categories (notaries, lawyers) were excluded from the system of universal participation (any citizen who has an income of 3 minimum salaries per year).

Social security contributions do not fully cover pension payment expenses. The financial difficulties are accompanied by subjective legal provisions that ensure the privileges of some professional categories.

In the absence of serious debates and complex evaluations, it is difficult to have an opinion in this regard.

Q. 1.6

Summarise completed reforms (as defined above) and indicate the trade union's assessment (if any) of their impact on the adequacy, coverage, and effectiveness of pension provision?

Both in 2010 and in 2019, the reform of the pension system was done strictly in terms of regulation. There were no official evaluations and analyses for any of the aspects mentioned above. There have been several evaluations lately regarding the reform of the public pension system, but all of them were limited to the short-term sustainability of the system, considering that at the end of this year, according to the law, pensions in the public system would increase by 40%.

The most recent reform, although based on the expectation of reducing inequalities and inequities in the system, was focused exclusively on the adequacy of pensions in the short-term.

From the evaluations of the unions, the proposed and realized reform is completely unbalanced in terms of intergenerational aspects, and it is a short-term reform. Instead of an annual adjustment mechanism related to the evolution of incomes in the labour market, from purely electoral calculations, an arbitrary increase of 40% in one year was preferred. This triggered a significant opposition of the National Bank, the Fiscal Council, and also numerous economists.

In terms of coverage, the new reform restricts access to the system, on the one hand for those who wanted to insure themselves voluntarily, and on the other hand for self-employed people. In the case of the first category, additional voluntary insurance is allowed only if prior to the

insurance there is already a minimum contribution period of 15 years. In the case of the second category, the insurance obligation intervenes only if it registers annual incomes of at least 12 minimum wages per economy. Day labourers are still exempt from paying social security contributions and implicitly, do not have access to pension insurance.

In addition, the new law excludes pupils, apprentices or students who are in practice and might suffer a work accident from the category of beneficiaries of disability pensions.

Regarding the adequacy and effectiveness of the pension system - the introduction of the minimum pension mechanism in its current form will lead to an excessive flattening of pensions in the band of small and medium pensions. If this mechanism were applied today, given that the average contribution period is about 25 years, the replacement rate between the minimum pension and the minimum wage would be 55% (45% for the first 15 years and 1% for each year added to the minimum period of 15 years, not exceeding 75%). In this case, if we consider the current pensions and the current minimum wage - the application of the mechanism would mean that almost 50% of current pensioners would be beneficiaries of the minimum pension. A simple calculation shows that all pensions related to salary income during the active life less than or equal to 93% of the average gross earnings per economy, will be equal - according to the new calculation mechanism – respectively at the level of the minimum pension. A person who has been active for 18 years, earning the minimum wage, income for which (s)he has paid social insurance contributions, at the time of retirement will receive a pension 3 times higher than the one resulted from the calculation.

The introduction of the proposed mechanism for the minimum pension severely discriminates against employees. According to the provisions of the Fiscal Code, the employees are the only category of employed population that pays contributions for the entire realized income. At the time of retirement, an employee who paid contributions for a double income compared to an independent person for example (who paid a contribution to the level of a minimum wage) will receive a pension equal to that of the independent person.

According to Eurostat, the ratio between the median income of those in the +60 age group and the median income of those in the 0-59 age group is among the highest in Europe. The trend in the last 2 years has been downward, but given the provisions of the current draft law the ratio is expected to significantly improve.

Also, it was expected that the reform proposal would be accompanied by information on the sustainability of the public pension system in the medium and long term, given the demographic developments in the context of the existence of a rather fragile financial balance, which did not happen. According to the projections made by the National Institute of Statistics, up to 2060, the 15-64 age group will be reduced by approximately 36%, reaching from 67% of the total population in 2015 to 55% in 2060. The population in the 0-14 age group will be reduced also by 15%, and the +65 population increases by about 30%. If in 2015 the ratio between active people and people over 65 was 2.9 / 1, in 2060 the ratio will reach 1.9 / 1. Demographic projections should have been a priority in the sustainability analysis carried out for the new pension system, especially given that population adjustment occurs in this way.

Expenditures on pensions in 2019 were 70.07 billion RON. The amendments proposed by the new law will generate an increase in expenditures by about 40.8 billion in 2022. The impact is calculated strictly at the level of expenditure, without specifying the sources of funding for this doubling of the pension fund. However, the decision has a direct impact on employees, the main sponsors of the public pension system.

The new law on the public pension system pursued two objectives: eliminating existing inequalities between retirees who had similar working conditions, and raising pensions to 45% of salary level. No correction was made regarding the contributions and the universality of the contributors and beneficiaries.

Starting from the challenges characteristic of demographic and employment evolution, a “system” has been developed in which the client factor is a priority, and most pensioners earn insufficient for their livelihood.

The lack of debates and impact assessments leads to the impossibility of carrying out adequate assessments by the unions.

Q. 1.7

Summarise reforms and those under active discussion (as defined above) and indicate the trades union’s assessment (if any) of their impact on the adequacy, coverage, and effectiveness of pension provision?

Currently, the reform has been completed, and the only debate at this moment aims at increasing by 40% the pensions in payment (promised for September 2020).

The pension calculation formula has been modified in such a way as to eliminate the possible inequalities of the pensions received by pensioners who had similar working / contribution conditions. Unfortunately, the calculation formula almost completely eliminated the principle of solidarity from the public system. However, it is true that the new calculation formula, and the subsequent indexations proposed in the new law will lead to increased pensions for most pensioners.

At the level of perception of the unions, the reforms in the pension system, which started in 2010 by the adoption of a new law, did not meet the expectations. The law has been amended several dozen times and has created major inequities between beneficiaries in terms of the amount of pensions.

The new pension law, entering in full force from September 1, 2021 on, will introduce a new calculation system which, in our opinion, is better than the current one, but there are extensive discussions concerning its sustainability.

Section 2. Current challenges

This section of the survey is about the trade unions' perception of the main socio-economic and demographic challenges that affect the present state and future of pension provision in terms of coverage effectiveness and adequacy (and the effective implementation of the Recommendation on Access to Social Protection for Workers and the Self-Employed).

This should cover:

- *The issues the trade union regards as the more urgent challenges to pensions; and*
- *The main social and occupational groups that, in the view of the trade union movement, need greater attention for more effective pension protection.*
- *The gender dimension of the challenges*

The lists of issues provided for certain questions is non-exhaustive and other issues should be covered, if appropriate

QUESTIONS

Main Challenges

Q. 2.1

- a. What are, in general, the main social challenges in pension provision with respect to the social and economic outlook of your country?

Please consider the needs of people, their rights and living conditions. You can make reference to the topics listed below, noting the relevance in the short, medium and long run, and add some others. Please, explain your choices and, for those that are regarded as the most salient, provide a concise explanation, with data and examples.

- Population ageing
- Poverty rates
- Access to essential services
- Out-of-pocket expenditure for healthcare and long-term care
- Low salaries
- Unemployment
- Increased share of atypical jobs (high rate of involuntary part-time/zero-hour contracts/
- Bogus self-employment
- Sluggish economic performance
- Low average productivity
- Increasing inequalities
- Gender gaps in employment/wages
- The Covid-19 Pandemic
- Other:

1. *Accelerated population aging and migration flow are the main challenges of the public pension system. Population aging is certainly one of the main problems, especially in the medium- and long-term. Very visible demographic changes are expected starting with the*

year 2030. Migration flows, along with life expectancy and fertility has accentuated this process. The aging process will change the ratio between the population at retirement age and the active population, with major implications in the age structure and negative implications on the labour market. The ratio between people over 65 and those of working age (15-64 age group) is growing significantly, which means that in the perspective of the coming years the public pension system will have much diminished resources in relation to spending. According to EUROSTAT, in 2070 Romania will have 4.7 million fewer people, compared to 2018. The dependency ratio of the elderly will be one of the highest in EU countries, and in 2060 it will almost triple, reaching 65.27%, compared to other states.

2. Low wages are another challenge, especially in the private sector. This phenomenon is further supported by the phenomenon of grey labour - informal payments and undeclared work (salary in the envelope) are still very popular in the private sector, especially in small companies. In Romania, approximately 30% of salaries are around the minimum wage. There is no doubt that Covid 19 pandemic will negatively influence the measures that will be adopted regarding pensions.
3. Poverty rate - Pensioners are one of most affected social groups, especially due to the insufficient level of pension adequacy, due to the changing needs for medicines and livelihood (which are very expensive).

The country's economic prospects that were supposed to generate the confidence that in the future there will be conditions for a better life for all citizens of the country, are missing;

- Insufficient pension funds are the main challenge. Wages in companies, which are generally low, translate into low social security contributions from workers; they are insufficient for the national fund paying the pensions and, as a result, the country's general budget has to supplement it. This situation is aggravated by the tolerance toward the payment of grey salaries.
- The total average pension, in June 2020, amounts to 1376 lei (284 euros) cannot ensure a decent living (for which the amount of 517 euros is required = the value of the monthly consumption basket, established for the first quarter of 2020 at 2500 lei/person).

Pensioners are struggling to cope with the expenses necessary for daily living. 78% of old-age pensioners have pensions amounting to 322 euros.

There are 4,669,315 pensioners in the Romanian public pension system, of which:

- 3,606,648 with an average pension of 322 euros are retired for old age;
- 105,236 pensioners with early retirement and an average pension of 347 euros;
- 483,791 are pensioners for disability reasons (illness) with an average pension of 143 euros;
- 474,634 get survivor's benefits, with an average pension of 148 euros.

b. Who do these social challenges affect?

It generally affects society as a whole. In particular, these challenges especially affect current employees, future pensioners as well as young employees or future employees - who will have to bear the burden of financing the public pension system. With the exception of IT, financial services and public administration, the segment of employees aged between 55 and 65, working in the execution area, is fully affected.

The categories of low-income people, on the verge of poverty, will also be affected. Emigration from Romania, an acute phenomenon, will seriously influence the architecture of the pension system and social security schemes.

c. What are the main reasons for these challenges?

The main reason is the lack of medium- and long-term development vision, namely the lack of a coherent strategy of the policy makers in addressing the labour market distortions.

The lack of concern for the future is directly visible in the demographic developments and in the migration of the young labour force.

The demographic evolutions of the last decades have been reflected in the age structure of the population, having special implications in the demographic, social and economic area. In recent years, important changes have taken place in the demographic structure of the population, both in terms of quality and quantity. The negative values of the natural growth, conjugated with those of the balance of external migration have caused a decrease of the resident population by more than 1.4 million people in the last 10 years.

The current age structure of the population shows a process of demographic aging. The working age population, the main segment of the labour supply, has experienced a rather significant decline in the last 10 years, so the evolution of the structure by age groups has produced significant changes.

Workforce resources have decreased almost constantly in recent years. In 2018 the workforce resources have decreased by about 1.5%.

High emigration, especially among young people, has serious demographic repercussions. The development model practiced by Romania, based on maintaining the cost element of labour as the main element of competitiveness, was obviously inadequate.

Romania has chosen to promote a development model based on relatively low wages for a well-qualified workforce in order to enjoy a competitive advantage over other Central and Eastern European countries. This has led to massive labour migration which has created a major imbalance in the public pension system. Blocking the wage negotiations through the collective agreement, which created a major gap between the public and private sector salary (the difference in favour of the public sector being over 35%).

The combined effect of raising the minimum wage, introducing the minimum wage for higher education and for the construction sector, coupled with increased public sector

wages and shrinking of the recruitment pool, all reversed the wage trend in the GDP, but the gap between the public and private sector continued to grow deeper. The private sector can no longer adjust its salary grids.

d. Can you please provide data to support your views?

Over 4 million Romanian citizens currently work in other EU member states.

1.5 million Romanian workers are officially registered with minimum wages.

940,000 workers are covered by a collective agreement, of which 600,000 are in the public sector. 78% of the collective agreements are signed by „employees' representatives”, based on a procedure that in fact shows they are in fact appointed by the employer (although they are called "employee representatives").

In the last 20 years, 3 laws have been adopted in the field, and they have also undergone dozens of changes. The lack of uniqueness of the pension system in Romania (even if this principle is in fact, stated), due to the existence of some special laws for certain categories, have negative effects.

Challenges to Formal coverage

Q. 2.2

Please answer the questions shortly framing the relevant situation(s) in the demographic/ social/ macroeconomic context and always keep into account the gender perspective wherever relevant and possible. In your reply, please, consider in particular but not only employees, self-employed and atypical workers, as well as the gender dimension (de facto)

a. Are there any major gaps in formal coverage?

The majority of people covered by insurance are mostly employees - 98% of the current contributors are employees. The current legislation allows those who are self-employed to avoid the obligation to contribute to the public pension system. They pay contributions only if their income is higher in a year than 12 minimum wages.

The lack of an electronic system to ensure coordination and intercommunication between the institutions responsible for the administration of the social security system and the fiscal system allows self-employed workers to avoid participation in the public pension system.

b. What categories of workers, i.e. employees, self-employed and atypical workers, are formally excluded from the coverage of pension schemes by reason of their contract, or are only offered voluntary coverage by pension schemes? Which are the main groups (for example migrant, low-skilled, women) affected?

Self-employed workers are only covered if their income is higher than 12 minimum wages in a year. In addition, even if they exceed the threshold for the payment of the contribution,

they can choose to pay contributions at the level of the minimum wage instead of the actual income.

Daily labourers are also excluded from paying social security contributions, and are not covered by the public pension system or another pension scheme.

The category of lawyers or notaries - who were excluded after the adoption of the law in 2001 from the public system - have their own pension scheme (pillar III).

c. What determines/ how would you explain these gaps in formal coverage?

- *The pressure exerted by certain categories of interests, whether we are talking about employers who use daily labourers or not, the change in the way of financing the social security system by transferring the full social contributions upon workers determined a direct increase of taxation in the case of self-employed workers. As a result, the only lever found by the Government was to relax the insurance conditions for self-employed workers.*
- *The interest of political decision makers to have support in electoral campaigns, the lack of knowledge of the mechanisms, the pressure of external institutions (including the European Commission) to turn pension systems into a business.*
- *The existing legal framework and the lack of information and understanding on the importance of social insurance.*

d. What are their main social consequences/impact?

- *In the short term the consequences are related to the sustainability of the public pension system, and in the long term this situation impacts the situation of those who have no obligation now to contribute. Basically, they will be exposed to extreme poverty when they end their active life.*
- *Increasing the number of people living on welfare, without financial support, exerts pressure on migration*
Daily labourers will have major problems in obtaining a pension in the public system because the condition for obtaining a pension is to have 15 years of contributions in the system.
- *Lack of income in old age, poverty.*

e. Do you see issues for fiscal sustainability of a system covering of a system covering people in all forms of employment?

There could be sustainability issues in terms of covering various forms of employment, especially due to the minimum pension mechanism. In addition, those who were self-employed were insured at the minimum wage level so in most cases their contribution period is minimum.

Problems can occur if the number of contribution payers decreases significantly. In Romania, until 2008 the system was sustainable (closed at zero or positive). The introduction of new forms of systems (Pillar II) and the new tax policy, along with the loss of the universality phenomenon of Pillar I have created problems.

There are fears about various forms of employment. Self-employed workers are insured at the minimum wage and in most cases have a minimum contribution period.

f. Please provide data

- *From 35% social security contribution to Pillar I we reached 21.25%*
- *Of all citizens with a minimum income of 3 minimum wages per economy per year, about 8.5 million are taxpayers. We reached only 5 million taxpayers*
- *Pillar I supports - regardless of the payment of the social contribution retained at the employer's source - social contributions*
- *Unjustified introduction of many categories of workers to special pensions or service pensions, many of which are subject to pillar III or IV pension schemes.*

Challenges to Effective coverage

Q. 2.3

a. Is it possible to highlight any major effectiveness issues?

Please, consider effects that, for example, possible entitlement conditions, wage levels, contribution levels, may have on non-standard workers, the self-employed, atypical workers, women.

- *Self-employed workers generally do not have continuity in the payment of contributions, unless they have managed to have a minimum contribution period of 15 years. According to law they cannot be insured voluntarily in order to reach the minimum contribution period. In addition, voluntary insurance is possible by paying contributions to the average salary level. As a result, a small number of the self-employed workers will have access to the public pension system when they reach the retirement age. Self-employed workers who avoid participation in the public system will not be able to obtain a pension when they reach retirement age.*
- *The payment of social contributions at the level of the minimum wage for this category, and the short contribution period will expose them to the risk of poverty after the moment of retirement.*
- *Equality in payment*
- *Major efficiency issues: yes - low salaries, low pensions.*
- *The level of income has a direct impact on the budget of the public pension system. The level of contributions is the same for men and women (25% of gross income), for normal working conditions, for health insurance (10%), and then income tax (10%).*

b. Who do these effectiveness issues affect? Are there categories of workers or self-employed that are at particular risk of limited effective coverage of pension benefits?

You can make reference to the topics and groups listed below, noting the relevance in the short, medium and long run, and add some others. Please, explain your choices and, for those that are regarded as the most salient, provide a concise explanation, with data and examples.

- Women
 - Younger workers
 - Self-employed workers
 - Bogus self-employment
 - Atypical workers
 - Precarious workers
 - Agricultural employment
 - Working poor
 - Migrant workers
 - Low skilled workers
 - Other
- *Self-employed workers in agriculture - 65% of self-employed workers were employed in 2018 in agriculture. In 2018, 18% of the employed population worked in agriculture, respectively 11% of the working age population (15-64 years), 97% of these people being self-employed and unpaid family workers.*
 - *Low-skilled workers and poor workers - generally, these categories have been exposed to poverty throughout their entire active life and will continue to be in the same situation at the end of their active life.*
 - *Self-employed workers who avoid participation will not be able to obtain a pension. False self-employment can lead to very low pensions. This situation also affects workers in precarious forms of work because the pension calculation formula correlates the level of contribution and pension with the salary obtained by each person.*

Some of these categories will not be covered, and for others the amount of the pension will be small compared to the income for which the contribution is paid.

c. What are the main causes of the risk of ineffective coverage of workers?

You can make reference to the topics listed below, noting the relevance in the short, medium and long run, and add some others. Please, explain your choices and, for those that are regarded as the most salient, provide a concise explanation, with data and examples.

- Significant lack of transparency in the access to relevant information
- Aggregation of contributions across schemes
- Waiting period
- Calculation rules
- Requirements to access old-age or seniority pensions

- Lack of reconciliation of professional and family life
- Incomplete work careers
- Low wages
- Missing financial capacity to save in (voluntary) pension schemes
- Others

Requirements for access to pensions for old age or seniority - except for employees for whom the social contributions are retained at the source by the employer. For the other categories compliance and payment is voluntary, without adequate control by tax institutions.

Low wages - the low level of wages tilts the decision of workers in many cases, determining them to prefer to receive a larger amount at present, to the detriment of the time of withdrawal. Low salaries will lead - in the context of the current calculation formula, which does not ensure sufficient solidarity - to very low and therefore, inadequate pensions.

Other:

- *lack of awareness of the danger to which they are exposed by giving up pension insurance,*
- *high level of social contributions, borne entirely by the employees,*
- *access requirements for old-age or seniority pensions may affect the coverage provided by the system. Low salaries will lead - in the context of the current calculation formula, which does not ensure sufficient solidarity - to very low and inadequate pensions,*
- *calculation rules,*
- *reduced functioning of occupational schemes.*

d. How far are the following contingencies significant in leading to ineffectiveness of pension provisions? *Please, explain your choices and, for those that are regarded as the most salient, provide a concise explanation, with examples.*

- Maternity, paternity, parental leave
 - Study or training periods
 - Sickness
 - Unemployment
 - Care duties (elderly, children, disabled, etc...)
 - Other
- *Generally, all the above-mentioned situations are considered assimilated periods, except for the unemployment situation when there are contributions. The level of unemployment benefits, extremely low, significantly impacts the level of the pension. As a result, unemployment or interruption of activity due to other causes sometimes significantly affects, depending on the length of the period of interruption of activity, the level of the pension obtained at the end of the contribution period.*

- *Also, the assimilated periods have extremely low scores, the accumulation of such situations contributes to a lower level of the pension.*
- e. What are their major **social** impacts of ineffective pension provisions?
 - *Exposure to poverty is the main impact of ineffectiveness in law enforcement.*
 - *Inadequate pensions that lead to a high rate of poverty among the elderly.*
 - *Deteriorating living conditions and increasing poverty can lead to social upheavals.*
- f. Do you see issues for **fiscal sustainability of a fair and effective social protection system**?

The social protection system can be sustainable from a fiscal point of view, but it needs to be set up in a correct way, both in terms of financing and in terms of benefits. The social protection system can function at the macroeconomic level as an automatic stabilizer in times of crisis.
- g. Is the lack of transparency or satisfactory information about pension entitlements and obligations limiting *effectiveness* of pension provision; and, if so, which categories of workers and the self-employed are most affected?
 - *There is a low awareness of the importance of old age insurance, both among workers with employment contracts, but especially among self-employed workers. Workers do not perceive the contributions paid to the public system as insurance but rather as a tax. Self-employed workers are the most affected. They avoid paying contributions to the public system but are not always aware of the negative effects that non-participation can have in the long run, especially when they reach the end of their professional activity. The most affected categories of workers are those with precarious forms of work, without legal forms of work, daily labourers but also young workers.*
 - *Awareness of the situation occurs very late, when approaching the retirement age. Especially among young people there is very little information about the obligations, rights and benefits of old age insurance.*

Challenges to Adequacy

Q. 2.4

- a. Is there a prevailing/institutional/constitutional reference or definition of adequacy that is used as standard in your country? How do you define adequacy?

There is no definition of pension adequacy in the Romanian legislation. Adequacy is related to maintaining a decent standard of living after retirement.

There is a draft law defining the minimum decent living basket (challenged in the Constitutional Court) which was to become an instrument in this regard.

In June 2020, the replacement rate is 30%; it changes depending on the variation of the average gross salary per economy. We do not have a definition of adequacy. Comparisons are made between the amount of the average social insurance pension and the value of the monthly consumption basket established quarterly by the National Institute of Statistics.

b. Do you use any specific indicator to assess it in your country?

There is no specific indicator evaluated in this regard. If the above-mentioned law is adopted, we can use the minimum decent living basket.

c. Please provide the TU's view of the significance of the two main adequacy indicators used by the Commission (Theoretical Replacement Ratio/TRR; Aggregate Replacement Ratio/ARR – Pension Adequacy Report - PAR 2018).

The introduction of pension adequacy indicators would be a good thing, especially in the current context, in which the public debate is focused exclusively on the fiscal sustainability of the pension system. The unions agree with the official introduction of an adequacy indicator similar to those used by the European Commission. The full transfer of social contributions burden on employees affects the comparability of information over time.

d. How would you define “ageing in dignity”?

Aging with dignity is in our opinion, continuing life independently and autonomously, and having access to services and facilities specific to the age-related needs. Ensuring easy access to health services, easy coverage of current expenses, active participation in social and community life are also components related to aging with dignity.

Aging with dignity for the whole mass of pensioners implies respect for public institutions, incomes - calculated according to a universally valid formula - that allow at least a decent living, without major worries, access to all high quality services, including free old age services, access to cultural institutions, recreational activities, and appropriate living conditions.

Aging with dignity requires a balance between needs and the possibility of ensuring them, a good quality livelihood.

e. Do you have in mind any specific indicator that could help in assessing “ageing in dignity” in your country?

- *A specific indicator for measuring the standard of living among the elderly.*
- *It could be a minimum a decent consumption basket designed especially for the elderly.*

f. What are the major deficiencies (if any) in the provision of adequate pensions?

- *The impossibility to activate the entire labour resource, the migration of young people but also low wages and undeclared work are just some of the deficiencies that affect the sustainability of the public pension system.*
- *Inefficient active employment policies for those close to retirement age have made early retirement, disability retirement or retirement by enforcement of law for human resources in some large companies the only options for this category.*
- *Deficiencies in the administration of the labour market have significantly reduced the number of taxpayers, although the number of beneficiaries has continued to increase.*
- *Low level of pensions due to the replacement rate of about 1. (one pensioner to one active employee).*
- *Low contributions*
- *The exclusion of certain categories of citizens from the universal system of solidarity and unity*
- *Low salaries,*
- *Grey work (i.e. a part of the income is not taxed),*
- *Level of collection.*

g. What determines these deficiencies?

You can make reference to the topics listed below, noting the relevance in the short, medium and long run, and add some others. Please, explain your choices and, for those that are regarded as the most salient, provide a concise explanation, with data and examples.

- Lack of provision of minimum pension
- Volatility of complementary pensions
- Low rates of return from funded pensions
- Wage levels
- Contribution levels
- Worked hours
- Repartition of contributory obligations on employer/employee
- Length/continuity of careers
- Purchasing power erosion
- Lack of indexation
- Cost of living
- Services for old age provided publicly/without out of pocket expenses
- Need of personal/private (out-of-pocket-expenses) for health and long-term care
- Others

The level of salaries - As we have already mentioned, approximately 30% of the salaries in Romania are around the minimum wage, and as a result, when retiring, these workers will have very low pensions.

Contribution levels and distribution of contribution obligations for the employer / employee - Contributions are borne entirely by employees, the level of labour taxation is very high anyway. However the deficit of the public pension budget continues to deepen. Complementary pensions are not yet paid in Romania.

h. **Who** do these deficiencies affect? Please, consider employees, self-employed and atypical workers

- *Those affected by the deficiencies mentioned above are mainly employees and self-employed workers. The vast majority of employees and the self-employed are affected by these deficiencies (80% of pensioners are up to the average pension).*

i. What are the major social impacts of these deficiencies?

- *Excessive tax burden for employees and / or increased exposure to the risk of poverty.*
- *High poverty rate among the elderly and low standard of living, increasing the number of people who will be on the brink of poverty.*

j. Do you see issues for **fiscal sustainability of a fair and adequate social protection system**?

No.

Other challenges

Q. 2.5

What are the **challenges and the opportunities related to occupational pension policy/schemes** concerning their contribution to formal coverage, effective coverage, adequacy (and transparency) of pension systems?

The legislation on occupational pensions was published recently, and there is currently no information on its applicability. At this moment, the pension system in Romania is based on 3 pillars - the public system, Pillar II - compulsory contribution and private administration, and Pillar III - optional contribution and private administration.

The occupational pension system was recently legislated in Romania. There are no data on possible established occupational schemes.

The issue of occupational pensions is insufficiently addressed in Romania. There is a reluctance from the side of employers to use this package of benefits when negotiating collective bargaining agreements, but on the other hand, unions are also able to approach this issue.

Q.2.6

Is there any other particular (set of) challenge(s) that you deem key or that should be addressed as a priority in order to give impetus to upward convergence?

a. *Please, explain the reasons of your answer.*

The interference of the WB and the IMF in the field of social policies of Eastern European countries.

b. Please provide data.

The establishment of Pillar was achieved by transferring a part of the contribution paid to the public system. Practically, it was a partial privatization of the public pension system. In 2008, when this system actually became operational, 14 private pension funds were authorized and actually became operational. After 10 years of implementation, there are only 7 left, with market shares between 6% and 28%.

During all this period, Romania's approach in this field was oscillating, it did not follow the path of the other states in the region - to give up the obligation to contribute - and it did not apply the growth schedule of the transferred contributions, as initially provided.

Currently, there are about 7.3 million citizens participating in this system, but only half of them are currently active taxpayers. On 30 November 2019 the average value of an account was about 1740 euros, for contributions paid on average about 1390 euros.

Although many of the countries in the region that have applied a similar system have, in the meantime, abandoned this model, respectively the obligation to contribute to these private funds, Romania has chosen a compromise approach between the interests of pension administrators and those of the public budget, to the detriment of taxpayers. Although they are the only contributors to this system, employees have no say in the administration of these funds or in the political decisions that affect them.

The individual interest of the participants is so low that during the entire operation of these funds almost 100% of the new entrants did not have any option regarding the choice of a fund, the distribution of funds being done randomly by the National Pension House. In the same way, although the administrators of the pension funds announced the apocalypse, the transfer option to the public system, operationalized by GEO 114/2018 was non-functional, as only 450 people chose to be transferred back to the public system.

Countries that gave up the obligation to participate in Pillar II of pensions took this decision precisely due to the deficit of the public pension system!

In 2020, the state budget will allocate subsidies of about 1% of GDP to cover the deficit of the public pension system. In 2021, the subsidy borne by the public budget to cover the deficit of the pension budget will increase to 1.8% of GDP (to cover the announced increase of the pension point from 01 September 2020). Increasing the share of contribution transferred in Pillar II to 6%, as initially foreseen, would increase the deficit of the public pension system to 2.3% of the GDP.

Excessive long-term commitments, coupled with instability in the funding mechanism, dangerously weaken the stability of the public pension system.

The changes in the age pyramid are more significant in Romania than the European average, and this situation imposes a more accentuated growth rate of the expenses related to the aging population. The updated projection of the increase of expenditure strictly related to the

aging population, indicates, for Romania, an increase of 2.2 percentage points of GDP for 2016-2070, 0.7 percentage points of GDP representing the increase of pension expenditure. There has been and still is very little concern from Governments and also from Parliament for the interests of the citizens participating in these pension funds. In 2009, BNS together with 2 other partners coordinated a citizens' initiative to change the guarantee mechanism provided by law. However, this draft of law did not arouse the interest of any political party. Through this draft law, we request to guarantee to the participating citizens at least the value of the paid contributions, updated with the inflation rate. At this moment, the law guarantees the nominal value of the contributions paid minus the administration fees charged by the Administrator.

Also, Law 411/2004 established the obligation of the Government that within 3 years from the entry into force of the law (law 411/2004 entered into force on 01 July 2006) to regulate and organize the pension payment system for Pillar II. The term set by law has been exceeded by 10 years, but this does not seem to interest anyone. Meanwhile, the Financial Supervisory Authority established by norm 27/2017 that the cumulated amount in the account for those who meet the legal retirement conditions be granted in the form of a single payment or, at the express request of the participant, as a staggered payment.

Special pensions or service pensions are also a challenge for the Romanian pension system. Different retirement conditions and different funding models (funded from the public budget) created some favored retirement classes.

The rudimentary system of labor market administration, without an adjustment of it correlated with the modification of the labor legislation, still allows the practice of black and gray labor on a large scale.

The models of supplementary pension systems are contrary to the existing models in the European system.

Q.2.7

How is the Covid 19 emergency impacting your priorities?

Throughout this period, the priority was focused on the area of public health and as much as possible, on the protection of the health of workers and jobs. This situation has consumed public resources accentuating the public deficit.

Social dialogue suffered due to the COVID 19 crisis, but also due to the legislation existing before its appearance.

Legislative measures adopted during this period for social protection, as well as the support of the development of economic activities by companies.

Suspension of activities in many areas, resulting in reduced incomes and rising unemployment.

Section 3. Possible Reforms

*This section seeks information about the trade union's priorities in pension policy; and their involvement in the policy making process and the strategies to have more adequate and effective pension protection for all. **The examples given under each question are for assistance and other issues should be covered, when appropriate.***

QUESTIONS

Q. 3.1

What are the main demands/actions/reforms that the trade unions propose in order to meet the challenge(s) highlighted in the answers to Section 2?

Provide a concise description from those listed below, plus any other that you consider relevant in light of your replies in the previous set of questions. Please, explain your choices and, for those that are regarded as the most salient, provide a concise explanation, with examples

- Minimum schemes
- Employment related or income-based schemes
- Occupational pension provision
- Pensionable age and early retirement schemes
- Regulation of the labour market and active labour market policies
- In-kind benefits, long-term care and social assistance
- Other

Please, explain also how the proposed reform would address the challenge(s) identified in your replies to the previous set of questions

*- keeping in mind the possible effects linked to age groups/ gender/ forms of employment and
- providing an assessment and considering effects of main issues from the topics listed below, in the light of your replies in the previous section, plus any other that you consider relevant. Please, explain your choices and, for those that are regarded as the most salient, provide a concise explanation, with examples.*

- Formal coverage for specific categories of workers and self-employed
- Effective coverage
- Adequacy of benefits
- Inequalities (gender pension gaps, pension rights of younger cohorts of workers, coverage of atypical jobs)
- Other:
 - *Regulating the labour market and active labour market policies is key to the functioning of the public pension system. Ensuring an adequate level of pensions to allow a dignified aging is possible only insofar as there are enough taxpayers and their salaries are high enough to allow savings. Better regulation of labour relations (reintroducing the capacity of the social partners to complete sectoral collective agreements), developing quality jobs, could stimulate the return to the labour market*

of many workers who now prefer to work abroad. This would lead to a balance in terms of taxpayers and retirees. A taxation modified by sharing the contributions between employers and employees.

- *Reintroduction of solidarity in the financing of the public pension system, so that the burden does not weigh excessively on the employees' incomes.*
- *Introduction of a guaranteed minimum scheme within Pillar II. At this point the level of this guarantee is too low.*
- *Increasing the income of employees and especially the level of the minimum gross salary at national level.*
- *Streamlining the labour market and active measures in this area.*
- *Adequacy of benefits, method of calculation, restriction of the scope of special pensions.*
- *Increasing the number of contributors to the system, which implies a more efficient (wider) coverage.*
- *Development of the occupational pension scheme.*

Q 3.2

What would be the main fiscal sustainability drivers necessary to support your policy proposals? What would be the issues arising? What the desirable sources of financing?

- *Increasing the number of taxpayers, by reducing black and gray labor, activating certain categories of labor resources that are now blocked in inactivity (especially women), and also by changing the way of calculating contributions for self-employed workers. Quality jobs would translate into higher salaries and therefore higher contributions to the public budget. It could also mean a larger number of taxpayers by stimulating the return to the country of a significant number of workers. This would generate increased resources for financing the social protection system in general.*
- *Renouncing the obligation to contribute to Pension Pillar II, and implicitly, renouncing the privatization of the public pension system.*
- *Reintroducing the solidarity principle in the public pension system funding, between employers, employees and the state.*
- *Changing the distribution pattern of economic growth, respectively renouncing the low wages policy as the main lever for attracting investments.*
- *The universality of the Pillar I pension system*
- *Reducing undeclared work (without legal forms) and gray labor, substantially reducing tax evasion and improving the tax collection process.*

Q.3.3

Are there any major actors supporting or opposing your proposal and why?

- *For some categories of measures there is support from employers' organizations or from academics in some cases but without a significant impact. Unfortunately, Romania's economy*

is dominated by multinational corporations that prefer and impose the current system, even the abolition of Pillar I of pensions (thus leaving only Pillar II, as a business system and not a social system for the worker), that prefer relatively low wages for high quality skilled work. The political factor does not support enough the proposals of the trade unions, and the bipartite social dialogue (trade unions - employers) and the proposals on this issue are not agreed in the framework of cooperation and mutual support.

