IMPACT OF SOCIAL SECURITY EXPENSES ON THE ECONOMIC-SOCIAL LIFE

Oana OPRISAN
Ovidius University of Constanta
1 Aleea Universitatii, 900577 Constanta, RO
oana.oprisan@yahoo.com

Norina POPOVICI
Ovidius University of Constanta
1 Aleea Universitatii, 900577 Constanta, RO
norinapopovici@yahoo.com

Elena CONDREA
Ovidius University of Constanta
1 Aleea Universitatii, 900577 Constanta, RO
elenacondrea2003@yahoo.com

Ana Maria DUMITRACHE (ȘERBĂNESCU)
Bucharest University of Economic Studies
6 Piața Romană, 1st district, 010374 Bucharest, RO
a.mariadumitrache@yahoo.com

Abstract
Expenditures for social security are part of the category of those for socio-cultural actions. Social needs are an important component of the social policy of states and involve the use of public financial resources to improve the living conditions of the population, the situation of each individual. Making expenditures for socio-cultural actions is based on the concept of "welfare state", whose principles are: guaranteeing a minimum income, independent of the form of ownership; increasing social security, especially for disadvantaged categories (sick, elderly, disabled, orphans, unemployed, etc.); ensuring a standard of living that evolves positively, based on social services predetermined by the political-state regime, traditions, the level of culture and civilization already achieved. Social protection falls mainly on the national state. However, expenditure and its optimization are carefully assessed by the EU's tax surveillance mechanisms, and one of the results is to increase opportunities for action at European level: 1) Europe 2020, the European Union's ten-year strategy for growth and jobs, agreed by all Member States in 2010, is based on the idea that benefit systems should focus on ensuring income security during transition periods. poverty reduction, one of the major objectives being poverty reduction. 2) The Social Investment Package involves the development of schemes corresponding to minimum revenues supplemented with high quality services. 3) The debate on the implementation of an EU-wide 'automatic stabilization scheme' for unemployment benefits to complement economic union is ongoing. This paper aims to show that, after the fall of the former regime, the reform of social security schemes is focused on restructuring the pension system without addressing the set of risks related to social security, understood as an institution of democracy. As a result, in this paper we have highlighted the public expenditures for social security (which include the following types: allowances, pensions, allowances, benefits under certain conditions that the recipients must meet) and we presented their characteristics and their evolution starting with 2018. These expenses aim to eliminate or mitigate the effects of the social risks that hover over the life of each member of society.

Keywords
F*inance; social security; public spending; economic security; financial security.*

Introduction

Social protection encompasses two major components: social security and social assistance. While social insurance was created to repair a social “risk” faced by people who benefit from certain rights as a result of paid work, social assistance works in a different logic, consisting of support for people who have certain rights. need this, the prior contributions not being a precondition for the granting of social assistance. However, Penaud et al. (2013) point out that the distinction between insurance logic and welfare logic becomes artificial with the creation of social security, which combines specific insurance mechanisms with elements of social solidarity (eg the existence of non-contributory benefits) (Penaud et al., 2013, pp.44-45). Chronologically, unlike the various forms of “social protection” that date back to pre-industrial societies, the creation of “social security” systems is generally associated with the end of World War II, even if the phrase appears in various international texts since the beginning of the twentieth century (Townsend, 2009).

Within the national framework, the state is the most important policy maker. To make public decisions, the state, local authorities and other public entities incur financial costs, known as public expenditures. Public spending reflects the policy options of the state (government), which represents the costs of implementing these policies.

Public expenditures express the economic and social relations in monetary form, which are established between the state, on the one hand, and natural or legal persons, on the other hand, on the occasion of the distribution and use of the state's financial resources to fulfill its functions.

The concept of public spending is inextricably linked to the concept of public sector, which can be seen as reflecting budgetary transitions, public enterprises, public regulation, etc. All these components are significant in terms of incurring expenditures that are meant to cover needs of general interest.

The economic content of public expenditures is directly related to the end-use of expenditures. Thus, some expenditures express a final consumption of GDP (payment of salaries), and others an advance of GDP (investments in equipment, goods, bridges).

Social insurance includes a system of protection, protection and assistance to active citizens, pensioners and their family members, which consists of the granting by the state or by certain organizations of allowances, pensions, aids, referrals to balneoclimateric treatment and rest and other facilities, during the period when they are, temporarily or permanently, unable to work, or in other cases, when such aids are necessary (Gherghina & Cretan, 2012).

The general objective of the paper is to provide complete, realistic and coherent information necessary to describe and characterize the national social protection system in terms of social benefits and its financing, in conditions of comparability at European level and harmonization with other statistics, especially those in national accounts.

The specific objectives of the paper consist in collecting information and developing statistics including: 1) the qualitative components of the national social protection system: legislation, functions, schemes; 2) quantitative indicators on social protection incomes and expenses.

Theoretical aspects regarding social insurance and social assistance

Before attempting to understand the emergence and current mechanisms of social security at European level, some considerations are needed as to the content of this phrase. The phrase social security is relatively recent, its appearance being attributed to the beginning of the twentieth century. Barbier and Théret (2009, p.4) note that the term has been used since 1908 by Winston Churchill, and Townsend (2009, p.2) recalls that since 1919 31 Conventions have been adopted (8 of which are still in force) and 23 recommendations on international social security.

Social security is closely linked to the legal concept of risk, which, in turn, is related to the emergence and dynamics of social insurance. The notion of risk is legally defined as "a distant or uncertain event which, when it occurs, causes harm" (Chauchard, 2010, p.21), being compensated by one or more social protection schemes (called and social security systems). Among the first mechanisms of social protection is social assistance, even if initially it was based on the moral idea of charity. Later, following a long and extensive debate, mainly due to the situation of dependency in which the social assistance beneficiary finds himself, the right to social assistance is regulated as a social protection and security mechanism. In addition to civil liability, another technique for compensating for social risks is that of social, private or state insurance. They have in common that the damage that occurs as a result of a risk affecting a member of a community is borne by the whole community of which the damage belongs. However, an essential difference appears between, on the one hand, the private management of the funds accumulated through the insured's contributions and especially the profits resulting from this management, and the public management of these funds and predictable profits through statistical calculations (Chauchard, 2010, pp.20-25). All these techniques have played a major role in the emergence and dynamics of social security systems at international and European level, their characteristics being closely linked to the political history, the economic system and the degree of cohesion of the social body in each society. More specifically, the comparison of large social security systems (Esping, 2007) highlights the fact that each conception of social security translates a certain ideology of social needs and embodies different choices and strategies of social policies. Thus, social security is in fact a public service with a social vocation, which is based on the general interest of a community, and which, regardless of the management of debts (amounts collected) and receivables (amounts redistributed), is a major concern of the state, especially in the context of economic crises, old and current (Chauchard, 2010, p.29). The definition of social security is closely linked to a whole series of complementary but different concepts: social protection, social policies, social assistance, social security or welfare state. Thus, while social security means the security of people in relation to various social risks (illness, maternity, disability, old age, occupational disease and accidents at work, death, family responsibilities, unemployment) (Ţiclea & Georgescu, 2014, p.5), social protection it is a multidimensional notion with an often much broader content, whose basic mechanisms are social provision and solidarity. Barbier and Théret, for example, state that social protection contributes to the construction of social relations on a national scale: it brings together logics of individual and collective action that are normally excluded. Beyond the different forms of protection (depending on countries and historical periods, as well as depending on social security, social assistance and the [institution] of mutuality), social protection unifies society by transforming it into a system. (Barbier & Théret, 2004, p.2). More specifically, starting from the fundamental idea that the problems faced by certain people are of a collective nature and must be treated as such, social policies bring together all measures to combat / alleviate economic and social inequalities created through the labor market and facilitate social inclusion. populations in financial difficulty (Reysz, 2010, p.14). However, they should not be confused with social assistance, which in many social protection systems is a right of people in need / facing certain economic difficulties, or with social security (compulsory) which is a technique of sharing a set of social risks.

Research method

In this paper, we want to highlight that in Romania, social security is differentiated and at the same time remains closely linked to a whole series of complementary concepts (social protection, social policies, social assistance, social insurance, welfare state, etc.) and can be considered a true revealer of the intertwined nature of the relationship between social protection, the state and the labor market. Thus, the transformations that social security is going through in our country are very clearly reflected in the recent dynamics of the relationship between social protection, democratic states and market economies. In the context of prioritizing the goal of economic growth at Community level, the main mission of public intervention is no longer to ensure the security of workers' incomes, thus creating new state functions in the field of social protection aimed at stimulating (re) employment.

The research method used is a descriptive, comparative one that analyzes the sources of formation of social insurance funds as well as the Impact of social security expenditures through forms of citizen protection. In other words, the authors choose to study the sociogenesis of the social security system considering that it cannot be analyzed and understood independently of the dynamics of the political and social context of which it is part.

The data used in carrying out this work are collected from:

- administrative sources, these being represented mainly by records of the institutions that administer the various social protection schemes: the Ministry of Labor and Social Justice, the Ministry of Health, the National Health Insurance House, the Ministry of National Defense, the Ministry of Internal Affairs, the Romanian Intelligence Service, National Agency for Employment, National Authority for the Protection of the Rights of the Child and Adoption, National Authority for Persons with Disabilities, National House of Public Pensions;
- the system of national accounts;
- the system of health accounts;

The impact of social security expenditures through forms of citizen protection

Sources of formation of social insurance funds are the contributions that are paid by economic agents and institutions, calculated by applying some percentages on their gross salary fund, but also on the basis of individual contributions paid by the insured (Bistriceanu, 1998).

Pensions - Pensions are monthly financial rights granted to people who have left the professional activity due to old age, disability, etc. or who have lost their support and are unable to work. They are paid for the entire life of the pensioner, to the surviving children up to a certain age and to the surviving spouse of the pensioner who has the quality of a survivor, to ensure them decent living conditions (Vacarel, 2006, p.257).

Exemptions for age and seniority are provided for work groups I and II, university and research teaching staff, maternity (mothers who have given birth to at least 3 children and raised them until at least the age of 10), certain physical disabilities (blind), certain functions (civil aviation navigating staff, dancers, acrobats, ballerinas, some railway employees, etc.).

Retirement is made on request, at 60 years for men and 55 years for women (with variations given by derogations), or, ex officio, at 62 years for men and 57 years for women (with variations given by derogations). The four age limits are currently in a process of progressive growth of 4 months per year, so that in a horizon of about 10 years to increase to 65 and 60 years, respectively.

The new pension law: the adequacy of pensions and the sustainability of public finances

The pension system in Romania faces challenges related to the low average length of professional life and the aging population. Romania has one of the shortest average working lives in the EU (33.5 years compared to the EU average of 36.2 years) and one of the lowest employment rates among older workers. This affects the contribution period and therefore the level of pensions. In addition, the outlook for an aging population is a challenge for the adequacy and sustainability of pensions in the future. It is estimated that the ratio of economic dependence between the elderly and the active population, namely the share of the inactive population over the age of 65 in the employed population aged 15 to 64, will double from 39.1 % in 2016 to 81.5% in 2070.

The new pension law, adopted in the summer of 2019, significantly changed a number of parameters of the public pension system. The pension system in Romania consists of three pillars. The first pillar is a mandatory public redistributive pension scheme. The second pillar is a mandatory partial defined contribution scheme, with a guarantee plan, based on individual accounts, while the third pillar is a voluntary defined contribution scheme, based on individual accounts. The new pension law, adopted in the summer of 2019, contains the following main changes to the first pillar of the pension system: (i) ad-hoc indexation of pensions until 2021: by 15% from September 2019 (already included in the 2019 Budget Law), 40% from September 2020 and 6% from September 2021; (ii) from 2022, the indexation of pensions will be 100% of the inflation rate plus 50% of the real increase in the average gross salary; (iii) from 2021, the correction index that was used to increase the first pension in line with wages will be eliminated; (iv) new pensions will be calculated using a fixed contribution period of 25 years at the denominator, instead of 35 years (men) / 31.9 in 2022, up to 35 years from 2030 (women), as provided by the previous law; (v) existing pensions will be recalculated upwards to be correlated with this new formula. The law also contains some changes to the minimum pension, invalidity benefits and survivors' pensions, although pensions, taxation, and some pillar II provisions were also amended in 2017 and 2018.

The new pension law improves the adequacy of pensions, but has significant budgetary costs in a very short period of time and generates high risks to the sustainability of public finances. In 2018, a third of older people in Romania were at risk of poverty and social exclusion, a rate similar to that of the rest of the Romanian population, but much higher than the EU average. Old-age pensions have risen, but their rise has been below the significant increase in wages in recent years. There are large differences in the adequacy of pensions between different groups of pensioners. The ratio between pensions and salaries (average public pension as a percentage of the average salary) was 35.5% in 2016, well below the EU average of 43.5%. Under the new law (European Commission, 2019c), this ratio is expected to fall to 31% in 2070, instead of a much sharper decline to 26% in 2070, as required by the previous law. The ratio of pensions to wages for the EU as a whole is expected to fall to 32.9% over the same period (European Commission, 2018b). Given the timetable for implementing the law, it will result in a significant increase in public pension expenditure in a short period of time. The law is the main determinant of the expected rapid growth of the government deficit and the high risks to the sustainability of public finances. In addition, the law is not accompanied by measures aimed at increasing labor market participation and prolonging working life beyond the mandatory minimum threshold, which are essential to improve both the adequacy of pensions and the sustainability of the pension system.

Expenditure on social protection

Apart from the concept of "social security", there is also that of "social protection", with a wider scope than the scope of actions taken with social security. Social security refers to actions with address, direct, which benefit those established by law. Social protection refers to actions of any nature, direct or indirect, specific or general, initiated by the state to guarantee members of society against phenomena or activities with a negative effect.

In 2018, social protection expenditures increased by 12.7% compared to the previous year, the National Institute of Statistics (INS) announced today. According to INS data, social protection revenues amounted to 144.982 billion lei, up 11.1% compared to the previous year. Their share in the Gross Domestic Product (GDP - semi-final data) was 15.2%, the same percentage as in the previous year. Expenditures on social protection (including administrative costs of social protection schemes) amounted to 142.906 billion lei, increasing - as previously mentioned - by 12.7% compared to the previous year. The share of this category of expenditure in GDP was 15.0%, 0.2 percentage points more than in 2017. Expenditure on social benefits (excluding administrative costs and other expenditure) accounted for 14.7% of GDP, increasing by 0.2 percentage points compared to 2017.

As in previous years (2008-2017), social protection was mainly aimed at covering the risks of old age and illness or health care, which involved 49.0% and 28.9% of total expenditure, respectively. with social benefits. Social protection was in 2018 the most important area for government spending in all EU Member States, but the share of this spending in GDP varies significantly between 24.1% in Finland and 9% in Ireland. According to these data, five Member States (Finland, France, Denmark, Italy and Austria) allocated at least 20% of GDP for social protection in 2018, while Ireland, Malta, Latvia, Romania, Bulgaria and the Czech Republic spent less 12% of GDP for social protection. In the case of Romania, the share of social protection expenditures in GDP was 11.6% in 2018, below the average of 19.2% registered in the European Union.

Expenditure on social protection can be divided into several categories. The 'elderly' category, which includes pensions, was allocated 10.4% of GDP in the European Union in 2018. In all Member States, this category represents the largest share of social protection expenditure but the share varies between 13, 6% of GDP in Finland and 3.2% of GDP in Ireland. In 2018, Romania allocated 8.6% of GDP for pensions.

Instead, Romania is at exactly the same level as the EU average when it comes to the share of government spending on environmental protection. In 2018, the 27 EU member states allocated about 106 billion euros of government spending on environmental protection, equivalent to 0.8% of GDP.

Expenditure on social assistance

Social assistance is a component of social protection which, through legal regulations, implements national and regional programs to support social assistance, allowances, allowances and services for families with children, the elderly, children and adults with disabilities and other categories of people in need. difficulty or in need (Hoanza, 2000).

For 2018, out of the total budget revenues estimated at 62.71 billion lei, 88% will be collected from social insurance contributions of the public pension system, 0.2% from non-fiscal revenues and 11.8% subsidies received from the budget state, is mentioned in the explanatory memorandum of the project. Out of the total budget revenues, 62.591 billion lei are related to the public pension system (99.5%) and 316.079 million lei related to the system of insurance for work accidents and occupational diseases (0.5%). The total revenues of the state social insurance budget for 2018 are diminished by the amount of 7,315,105 thousand lei related to the Second Pillar of pensions, it is specified in the explanatory memorandum.

To fully support the expenditures financed from this budget, in 2018, a subsidy of about 7.409 billion lei is allocated from the state budget. The revenues of the state social insurance budget for 2018 were established taking into account the social contribution rates, regulated by Law no. 227/2015 on the Fiscal Code, with subsequent amendments and completions, as follows: 25% share of social insurance contributions due to the natural persons who have the quality of employees; social security contribution rates due by employers of 4% for special working conditions and 8% for special working conditions; the share of 5% of the insurance contribution for work due by employers, distributed for the insurance system for work accidents and occupational diseases; modification of the calculation basis of the social insurance contribution in the case of natural persons carrying out independent activities, in the sense of establishing at an income at least equal to the minimum gross salary in the country, independent of the income level realized by the insured, according to Law no.227 / 2015 on the Fiscal Code, with subsequent amendments and completions; 3.75% contribution rate to the privately administered pension fund (Pillar II), regulated by Government Emergency Ordinance no. 82/2017 for the amendment and completion of some normative acts. Regarding the expenses, they were estimated at 62.716 billion lei, of which over 62.591 billion lei for the public pension system (99.8%) and 125.008 million lei for the insurance system for work accidents and occupational diseases (0, 2%). Of the total expenditures related to the public pension system, 98.9% will be allocated for social assistance and 1.1% for the administration of the public pension system (personnel expenses, goods and services, interest due to the state treasury, projects financed from external funds non-reimbursable and non-financial assets). Of the total expenses related to the insurance system for work accidents and occupational diseases, 91.2% will be allocated for social assistance (disability pensions due to work accidents or occupational diseases, social benefits in case of disability) and 8.8 % for the operation of the system (staff costs, goods and services and non-financial assets). The funds intended for the payment of pensions from the public pension system for 2018 are in the amount of 60.859 billion lei, respectively 6.7% of GDP. When establishing the necessary funds for the payment of pensions, an average monthly pension of 1,093 lei was taken into account. On the other hand, for the unemployment insurance budget, the total revenues were estimated at 2.163 billion lei, of which 49.9% will come from the share of the labor insurance contribution intended to finance the unemployment insurance system, 37.4% of share of the insurance contribution for work intended to finance the guarantee fund for the payment of salary claims, 0.49% of non-fiscal income. The unemployment insurance system is scheduled for 2018 with a surplus of 318.857 million lei. Out of the total budget revenues, 1.325 billion lei are related to the unemployment insurance system (61.3%) and 838.082 million lei related to the guarantee fund for the payment of salary claims (38.7%). For 2018, the unemployment insurance budget provided for the financing of expenses in the total amount of 1.030 billion lei, of which 1.006 billion lei are related to the unemployment insurance system (97.7%) and 23.738 million lei to the guarantee fund for the payment of salary claims (2.3%). The level of expenditures financed in 2018 from the unemployment insurance budget was established taking into account mainly the following categories of beneficiaries and average monthly amounts: 56,500 beneficiaries of unemployment benefits; 14,000 beneficiaries of unemployment benefits for graduates; 514 lei average monthly unemployment benefit; 250 lei monthly unemployment benefit for graduates. The budget construction in the field of state social insurance and unemployment insurance for 2018 took into account: the increase by 10% of the value of the pension point starting with July 2018, respectively from 1,000 lei to 1,100 lei; granting starting with January 1, 2018 a correction index in accordance with the provisions of art. 170 of Law no. 263/2010 on the unitary system of public pensions, with subsequent amendments and completions; framing the budgetary expenditures within the fiscal-budgetary framework from the Government's fiscal fiscal strategy for the period 2018-2020; the increase of the average gross salary gain in 2018 to 4,162 lei, compared to 3,230 lei estimated for 2017 and 2,809 lei achieved in 2016; the decrease of the number of registered unemployed by 5,000 people, thus reaching 450,000 people at the end of 2018, from 455,000 people estimated for the end of 2017; the decrease of the unemployment rate registered at the end of 2018 to 4.8% compared to 5% estimated for the end of 2017.

Conclusions

Public spending on social security has a particular impact on economic and social life through the influence it exerts on economic growth. In highly developed countries, this category of expenditure has a significant share, as there is a concern to set international standards regarding the nature and content of social security systems, to align or harmonize them. The aim is to reduce this class of expenditure to stimulate employment, eradicate poverty (reducing the amount of unemployment, benefits, benefits, etc.).

The competitiveness of public economies no longer depends only on production costs, but increasingly on the performance of social security systems. Europe's social security systems are very different, the result of different national traditions and goals. Therefore, their alignment, the creation of a single social security system, even within a supranational structure such as the European Union, is extremely difficult to achieve and requires a long period of time. Instead, there is the possibility of establishing principles for Member States to follow to solve problems in the field of social security, which would otherwise have negative consequences for common economic development.

Economic development without the development of social security at Community level, especially in the context of the current demographic problems facing the European Union, would have serious long- or even medium-term consequences. Social security is a phenomenon of great importance in contemporary society. The difficulty of establishing a common definition of the concept of social security at international level is precisely due to the differences between national social security systems.

However, differences between national social security systems can cause various problems for people moving from one state to another. Labor migration within the Community has been and is considered beneficial for the economic development of society, even if it has fluctuated over time. The aim is to ensure the continuity of social protection for people moving outside the borders of a state, so the coordination of social security systems.

However, the analysis of the Romanian social security system should be continued beyond the related normative aspects. More precisely, the present study could be continued through a) an exhaustive analysis of the Romanian legislation regarding the presence of women on the labor market as well as of the concrete impact produced by this legislation at the level of the social space; b) a study on social security institutions and the domestic pension system; for example, to what extent are recently regulated private pensions in Romania really comparable to Western ones? How “safe” are investments made through private pension funds? What are the legal mechanisms by which future retirees, currently taxpayers, are guaranteed the opportunity to enjoy the benefits of a private pension? To what extent does the private pension system really guarantee their payment in a fluctuating economic context? c) a deepening of the analysis of the gender dimension, both of social security (in terms of work, family life, health, etc.) and of social assistance in Romania in a European context, a transversal dimension of all aspects of social and political life.

References

Barbier, J.C , & Théret, B. (2004). Le nouveau système français de protection sociale. *La lettre de la régulation* 49, 1-5.

Bistriceanu, D. Gh. (1998). *The social insurance system in Romania*, Bucharest, RO: Romanian Academy Publishing House.

Chauchard, J.P. (2010). *Droit de la Sécurité sociale*, 5e édition. Paris, FR: L. G. D. J.

Esping, A. (2007). *Les trois mondes de l'État-providence. Essai sur le capitalisme moderne.* 2e édition. Paris, FR: Presses Universitaires de France.

Gherghina, R., & Cretan, G. (2012). *Finance*, Bucharest, RO: University Publishing House,

Hoanza, N. (2000). *Economy and public finances*, Iasi, RO Polirom.

Penaud, P., Amghar, Y.G., Bourdais, J.F., Deumié, B., Dupays, S., Laloue, F., Léoset, H., Moleux, M., & Scotton, C. (2013). *Politiques sociales*, 2e édition revue et mise à jour. Paris, FR: Presses de Sciences Po et Dalloz.

Reysz, J. (2010). *Le changement de logique de la protection sociale des sans emploi en Union européenne : de l'aide au revenu à la réintégration sur le marché du travail*. Thèse de sciences économiques, soutenue au Centre de Recherches Économiques sur les Politiques Publiques dans une Économie de Marché, sous la direction de Chantal Euzeby.

Ţiclea, A., & Georgescu, L. (2014). *The right to social security. Bucharest: The Legal Universe.*

Townsend, P. (ed.) (2009). *Introduction in Building Decent Societies. Rethinking the Role of Social Security in Development*. London, UK: Palgrave Macmillan.

Vacarel, I.,et al. (2006). *Public Finances*, Bucharest, RO: EDP,

*** Statistical Yearbook of Romania, National Institute of Statistics, Bucharest, 2018

*** Statistical Yearbook of Romania, National Institute of Statistics, Bucharest, 2019