



Simplification and De-Bureaucratization of the Public Pension Service

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Abstract. *Declining demographic trends and the pandemic-triggered economic recess have put significant pressure on public resources. This is why, numerous debates have been started in the public space regarding the public pension system in Romania, which have included new regulatory proposals, changing the retirement age, calculating or eliminating special pensions. The discussion of the topics above was brought about by forecasts of an increase in the number of retirees over the next ten years, a decrease in size of the active population and the inability of public budgets to provide for the pension system. Therefore, this paper examines public pension services in four European countries to identify and compare the legislative, institutional and procedural systems in order to identify specific elements that could lead to a mitigation of the expected adverse effects. The analysis is based on data available from public sources: the legal framework and the websites of institutions with responsibilities in the field of retirement and pension payment policies in the four countries analyzed.*

Keywords: *electronic services, retirement, public institutions.*

JEL: H83, H55, D73.

1. Introduction

Romanian Constitution, art. 47 sets forth that “Citizens are entitled to pension payment, to paid maternity leave, to medical assistance in state-owned health units, to unemployment benefits and to other forms of public or private social insurance, provided by law. Citizens also have the right to social assistance measures, according to the law”.

Pensions are the main source of income for older people in Europe and come mostly from redistributive public schemes¹. The aging process affects our lives in all its aspects and throughout its duration. Given that the current pandemic remains a challenge and, while we struggle to protect lives and livelihoods, we should also take note of a remarkable development: an unprecedented number of Europeans are very living longer. This is a major achievement, supported by the EU's social market economy (Green Paper on Ageing Fostering solidarity and responsibility between generations).

According to Eurostat², in 2019, over one-fifth (20.3%) of the EU-27 population was 65+ years. Consequently, the percentage of the working age population in the EU-27 is declining, while the relative number of pensioners is rising. The share of older people in the total population will increase significantly in the upcoming decades. This, in turn, will increase the burden on the active people in terms of covering the social costs needed for the elderly population for a range of services associated with it. Against this background, a number of measures were proposed at European level aimed at active aging, efficiency, speed and digitization of public pension services which are important for the pension system.

2. Legislative framework on public pension services

In Austria, pension payments are *benefits* and not a social benefit that maintains a standard of living for the population. In addition to old-age pensions, pension payments are also granted to survivors, orphans, for widowhood or work incapacitation.

¹ https://ec.europa.eu/info/sites/default/files/file_import/european-semester_thematic-factsheet_adequacy-sustainability-pensions_ro.pdf

² https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Population_structure_and_ageing/ro&oldid=510214

The legal framework includes a series of norms: *Allgemeines Sozialversicherungsgesetz*, *ASVG*, *Gewerbliches Sozialversicherungsgesetz*, *GSVG Allgemeines Pensionsgesetzgesetz*, *APG*, *Freiberufliches-Sozialversicherungsgesetz*, *FSVG*.

In Spain, beneficiaries of the regular pensions system are the persons who meet the age requirements and the minimum contribution period set forth by law. The pension is conditioned by age and contributions accumulated: at 67 or 65 years old, with 38 years and 6 months of contribution. The minimum contribution period is 15 years.

The legal framework is outlined by:

- *Decree no. 3158/23 December 1966, approving the general regulation determining the amount of economic benefits of the general social security scheme and the conditions to qualify to receive them; Decree no. 2957/16 November 1973 on the mutual calculation of contributions in the social security system;*
- Royal Decree no. 1799/2 October 1985 for the application of Law no. 26/31 July 1985 on the rationalization of old-age and permanent disability pensions;
- Royal Decree no. /12 April 1991 on the mutual calculation of quotas between social security systems;
- Royal Decree no. 1647/31 October 1997, which elaborates on certain aspects of Law no. 24/15 July 1997, consolidation and rationalization of the social security system;
- Order of 18 January 1967 laying down the rules for the application and amendment of the old-age pension (retirement) under the general social security system.

Estonia has had a relatively steady legislative framework for more than 17 years: the Pension Fund Act of 2004, the Guarantee Fund Act of 2004, the Law on Social Contributions of 2000, the Law on Old Age Pensions under the Favorable Conditions Act since 1992.

In Romania, pensions setting and payment regulations are laid down in Law no. 263 of 16 December 2010 on the unitary public pension system, amended almost every year since its publication. According to art. 1 the right to social insurance is guaranteed by the state and is exercised, under the conditions of this law, through the public pension system and other social insurance rights, hereinafter referred to as the public pension system.

3. Institutional and procedural framework for public retirement services

There are four pension management institutions in Austria – Pensionsversicherungsanstalt (PVA), employee insurance institution, VAEB – social insurance for railways and mining, SVA for business people and SVB for farmers. As in any European state, there are several categories of pensions: old-age pension, early retirement, Korridorpension, Schwerarbeitspension, disability pension, survivor's pensions.

There is an electronic pension management system that records the contributions of all insurance periods. The online service “View pension account” with a qualified certificate (citizen card, mobile phone signature) can be accessed on the Pensionsversicherungsanstalt website and the situation of the pension account can be queried and/or printed independently. Here you will find all the forms required to submit a retirement application. There is also a computer, which depending on the type of pension and the information entered, can simulate the amount of the future pension.

In Spain, the institution in charge is the National Institute of Social Security (INSS) or the Social Institute of the Navy (ISM). The forms required are available online and can be submitted physically or online at any Official Electronic Register of the Single Access Point of the Spanish Public Administration³. The documentation can be submitted at any of the information centers and social security services⁴. On the portal of the Ministry of Labor, Migration and Social Security, in the section “Social Security” information on the contacting options is listed. If those interested want *instructions how to fill in the application form*, they can ask for an online appointment with the Support and Information Center.⁵

Online, one can also check the status of the application for retirement and communicate with the entities in charge. The portal of the Ministry of Labor, Migration and Social Security, provides applicants with an online simulation tool to check the amount of pension depending on age, the data and contributions put in up to the time of the simulation.

³ <https://administracion.gob.es/>

⁴ <http://www.seg-social.es/wps/portal/wss/internet/Pensionistas/Servicios/34887/40968>

⁵ [https://sede.seg-social.gob.es/wps/portal/sede/sede/Ciudadanos/cita%20previa%20para%20pensiones%20y%20otras%20prestaciones/13cita%](https://sede.seg-social.gob.es/wps/portal/sede/sede/Ciudadanos/cita%20previa%20para%20pensiones%20y%20otras%20prestaciones/13cita%20)

Once the simulation is complete, a report is generated in PDF format for saving or printing. The resolution of the request will be sent by the National Institute of Social Security (INSS) to the domicile of the applicant interested.

In Estonia, the pension system comprises three pillars: the state pension (old-age pension, survivor's pension and national pension), the compulsory pension (directly dependent on the taxpayer's income) and the supplementary pension.

For pension payment registration, an application must be submitted six months before reaching retirement age or within three months of reaching retirement age. A person can find out information about assets accumulated in pension funds by accessing an account available at: <https://public.pensionikeskus.ee/public/login.do?locale=en>.

The Social Insurance Council (Sotsiaalkindlustusamet) – a government agency – is the institution that manages the pension system. The application for pension entitlement is submitted directly to the Social Insurance Council, by e-mail with electronic signature or can be submitted by mail and the decision on granting the pension is taken within 15 working days from submitting the last requested document.

4. Procedural framework regarding public retirement services in Romania

The retirement procedure in Romania involves a series of stages, specific to each type of pension. For example, the old-age pension implies:

1. Information regarding the date of fulfilling the retirement conditions.
2. Obtaining the necessary documents for retirement.
3. Preparation of the retirement file.
4. Registration of the file at the competent territorial pension house.
5. Receiving the retirement decision.
6. Exercising the option regarding the way of collecting the pension (bank account/postal order).

The retirement file may include civil status documents, evidence of contributions, the latter being an individual effort on the part of the applicant. It would be desirable for the applicant to submit only the application for pension registration, and the civil status documents (birth certificates, marriage, ID) to be able to be accessed, under certain conditions, from a database, also by the specialized staff of the territorial pension house.

From the perspective of digitalization, on the website of the National House of Public Pensions there are forms (in printable version) and general information on the conditions for pensions granting.

Also, there is the possibility to fill in the on-line format of the applications for registration for different categories of pensions, but at the moment, the completed, printed and handwritten forms must also be submitted in person at the territorial pension house.

The data base registers administered by other institutions necessary for the public pension service are:

1. The register of persons managed by the Directorate of Personnel Records and Database Administration.
2. Register of commercial operators (“Trade Register”) managed by the National Office of Trade Register.
3. Register of taxpayers or other databases with tax information managed by the National Agency for Fiscal Administration.
4. Register of Insured Persons in the Public Health Social System, registers of medical and health service providers, other databases administered by the National Health Insurance House.
5. Registers of medical and sanitary service units managed by the Ministry of Health.
6. Records of beneficiaries of social assistance payments managed by the National Agency for Payments and Social Inspection.
7. Databases of companies’ tax records managed by the National Agency for Fiscal Administration, the Ministry of Public Finance, and/or the National Office of the Trade Register.
8. The databases administered by the Directorate for Social Assistance and Child Protection.

Conclusions

In order to simplify/de-bureaucratize the mechanism for pensions granting in Romania, the following can be considered, using the experiences of the three European countries as benchmarks:

1. Full information on retirement conditions, procedural framework available on a dedicated website.
2. Availability of online forms and submission with electronic signature.
3. Pension calculation calculator/simulator available on the National House of Public Pensions website.
4. Simplifying the procedural steps by accessing the National House of Public Pensions databases managed by other institutions; Thus, the applicant does not have to produce the evidence of the fulfillment of the retirement conditions.
5. Access of databases belonging to the National Agency for Fiscal Administration, the Territorial Labor Inspectorate, the Directorate for Social Assistance and Child Protection.
6. Development of a functionality within the National House of Public Pensions website that allows the submission of retirement decisions and related calculation bulletins to beneficiaries, in electronic format.
7. Creation of a computer application regarding the calculation of deadlines from the early/partial early retirement pension or from the disability pension to the old-age pension.

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