DIMENSIONS OF SOCIAL SECURITY POLICIES WITHIN EUROPEAN CONTEXT

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Abstract: *The prevention of events with social risk potential upon population's life standards implies elaboration and implementation of social security policies and programs, actions and intervention measures meant to prevent and enhance them. Together with the social work component, the social protection system comprises social security, as these two elements are synergic. The right to social security is guaranteed by the law (Law on the unitary public pension system) and it is implemented through the public pension system, as well as other social security rights. We have identified in this article common characteristics of social protection systems, respectively the main social models implemented in the European countries, followed by a presentation of the pension systems in the European countries, starting with the specific criteria: the social model implemented, the architecture of the pension system (configurations, characteristics). We have identified the tendencies which orientate the configuration and the evolution of pension systems in Europe within this context.*

Keywords: social protection, social security, European model, pension systems.

Theoretical premises

Starting from the premise that an efficient social protection system, one that meets the challenges on the social level and must provide the safety net for all citizens, is founded on social policies centered on different social issues.

We aim at underlining the synergic relation between social assistance and social insurance as components of the social protection system, thus outlining the system specificities in different countries, respectively in our country.

The pragmatic documents elaborated on a European level, European legislation, allow the configuration of a frame to build up and implement policies of social

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insurance, adapted to the requirements of each space, but also having in view unitary values and principles. On the other hand, those phenomena that are registered with high values, such as the circulatory and definitive (final) migration, need pertinent institutional answers, intervention measures in the field of social protection, with a basis common for different countries, from a legislative, axiological and pragmatic point of view.

The social insurance policy in the national or European context must have a coherent and efficient character opened towards the social changes.

We can identify the context elements that lead to a permanent preoccupation on the line of promoting a complex social insurance system, able to intervene to improve or to solve social problems of different social groups.

Private pensions represent one of the reforming elements of the social insurance system.

According to the documents of the European Committee private pension systems have to be connected to the concrete social realities.

What should be underlined is the accessibility of these private pensions for all citizens, having an important role in providing future incomes and living safety.

Beyond the political experience, the state of economy and development, the governing situation, the need of an adequate, efficient and sustainable pension system is emerging.

In the context of increasing inflation, decreasing economic activity, the growing rate of unemployment, bringing about the decreased number of tax payers, when after 1990 the number of anticipated retirements grew, causing the growth of the dependence rate, the interest in elaborating and implementing an adequate system of private pensions is rightful.

The present situation of the pension systems is under the influence of such factors as: demographical aging, growing of life expectance, decreasing rate of occupation, devaluation of the real pensions due to inflation, the growing number of the pensioners within the state system, reducing of the average rate of replacement, the diminution of the budget for social insurance, so that the identification of some sustainable pension system models was the aim.

Starting from some social models, like the Northern one „the Anglo-Saxon, the continental and Mediterranean one, the states have worked out their own models, so in the present study I have achieved a comparative study of the pension systems in different countries.

The social protection system has, in an integrating view, the objective of configuration the safety network, *the social security network*, so as to prevent and diminish the consequences of some events with social risk potential. This includes two main domains with the state specific interventions within each of these: social security and social work.

"Social protection or social security is defined as a set of policies, programs and measures meant to reduce poverty and vulnerability, to minimize population's exposure to risks, ensuring welfare and social security, especially to persons who are not able to support by themselves minimal life standards" (Chipea, 2010, p. 35). The state has at hand institutionalized instruments and intervenes complementarily besides other welfare providers.

In the ESSPROSS Handbook of the European Commission (1996), social security is defined as "the expression of all investments undertaken by the public and private organizations to protect households and individuals by the consequences of a defined set of social risks or needs, in situations when neither reciprocity simultaneous nor individual pledge is implied".

The *main indicators of social security* which must be open to new social risks in the society, are *economic indicators* (revealing for the social reality whose lack of balance is reflected in the quality of social security), *social indicators* (social policies and measures are elaborated and implemented to ensure focused social interventions supported by the state, community or other social actors), *demographic indicators* (social changes have generated changes in the demographic behaviour of the individuals, regarding fertility, divorces, family structures).

Social security "is part of the social security whose main objective is compensation by benefits in cash or in services of impossibility of assuring salaries in certain risk situations (temporary or permanent work incapacity, old age, unemployment etc.) with which the insured confront with" (Preda, 2002, p. 17). European economy, especially its competitiveness has drawn specialists' attention who approached this issue seriously by looking at the European model. This concept was used by Jaques Delors in the 1990s and it was reported as an alternative to the American model, based on the idea that both economic and social progress must be developed together, combining economic growth with social cohesion.

The *White Charter of social policy* elaborated by the European Commission in 1994, defines the concept of European model, based on a set of values, such as: commitment to democracy, personal freedom, social dialogue, social security and solidarity towards underprivileged individuals.

Secondly, within the same model, a wide range of models – such as the British, Swedish and German ones – have been highlighted, but it is important to underline that what it is common to the above national systems is focused on the same principles such as economic growth and differentiated social security.

Today, all the European Union countries have as a foundation in the social domain the following common characteristics:

1. *Social citizenship* – it values as fundamental principles justice seen as equity by the law (political, social and economic rights) and not as equity of income.

2. *Protection against market distortions* – which means the priority against the market, so as this does not decide for the individuals. It is necessary to understand that this protection type does not draw out the functioning of the market out of its context, but it is limited to protecting the individuals from the market negative influence.
3. *Renouncing to the merchandise character of some goods* – this feature resulted from the achievements and specific performances within European models, especially regarding equity and efficiency.

Based on the issues listed above, we can notice four social models which are developing in Europe as it follows:

- *The northern model* – characterized by allotting major funding aimed at ensuring social security by a generalized welfare system, through powerful syndicates, but also extensive fiscal intervention on the labour market which manage to provide fairly homogenous salaries
- *The Anglo-Saxon model* – is outlined by the active measures to fight unemployment and by financial transfers to the active population
- *The continental model* – is centred not only upon the social security but also on the pension systems
- *The Mediterranean model* – is oriented onto the expenses in the pension system, protection of employment, as well the homogeneousness of collectively negotiated salaries

At a first reading we notice that the four models are developing differently socially. Thus, if the Mediterranean model has steady legislation oriented towards preserving jobs, the northern model does not possess such a concise law system regarding employees' security offering consistent unemployment benefits.

At the same time, when fighting poverty, northern and continental countries are ranked above the average as compared to the Anglo – Saxon model which placed is under the average.

When we approach the reform of the social policies we believe that it is important to consider the very classification of the European Union economies. Globalization, technical progress and population aging claim reform implementation mainly within the continental and Mediterranean model because there the state of welfare does not have the necessary efficiency, and among its flaws we underline its limitation to job preservation by the law, discouraging the change. Accepting certain specific elements belonging to the northern and Anglo – Saxon models was the idea to be followed in order to be implemented in the countries which promote the continental and Mediterranean, and not to replace these models.

We also consider that this reform is not to be imposed only to the countries which implement the above mentioned models, but it could be applied to all EU countries.

Comparative analysis of pension systems in European countries

Unlike other forms of social protection, social security has as determination and conditioning the legal relations' work, they are granted on the principle of state security contributions under the law. They also represent the most substantial component of money transfers. The main social insurances are pensions, sickness insurance, maternity benefits, unemployment insurance, other social insurance rights.

The pension system enables a multidimensional approach, identifying the following dimensions (Argeşanu, 2013, p. 3):

The obligatory redistributive component is designed to ensure a minimum standard of living for pensioners, by applying three programs:

1. Scheme base-pension, where benefits are determined in relation to the time worked (Ireland, the Netherlands, Denmark, The United Kingdom);

2. Income schemes for old age, with benefits based on money earned during the working period (Germany, Denmark, Belgium, Italy, the UK, Luxembourg);

3. Minimum pension contribution based on a minimum income in a certain number of years (Spain, Romania, Sweden, UK, Finland, Belgium, Greece, Slovakia, Portugal).

The obligatory component insurance which is designed to provide a replacement rate to employees obtained inside. It is based on the principle of contribution and is done both in the public and private sectors.

In the public field the following levels are applied:

- schemes with defined benefits, which take into account the contribution period and the income obtained (France, Greece, Hungary, Spain, Austria, Belgium, Portugal, Luxembourg, UK);
- schemes based on levels of points depending on the income obtained in the years of contribution (Romania, Slovakia, Germany, France, Estonia);
- schemes based on national accounts, where each individual implied in active work has an account with an applicable rate of benefit; accumulated capital can be found in a pension scheme (Poland, Italy, Sweden).

In the private field the following levels are applied::

- schemes with defined benefit (Netherlands);

- schemes with defined contributions, where contributions are invested and then converted into a pension scheme (Romania, Poland, Sweden, Denmark, Estonia, Hungary, Slovakia, Slovenia);
- saving component, which is voluntary and is privately managed. This component is based on defined contribution schemes, the defined benefit respectively.

What is necessary to emphasize is that there is the tendency at The European Union to harmonize social security legislation. But the specific mechanisms being developed and implemented is different in every state institutions, in accordance with the social model adopted. As important element of the social security system, social insurances determine leaders to take responsibility for economic ethics, social ethics or social justice.

The idea of development of a complementary pension system is made a priority, based on the understanding that financial sustainability must assure income for old age.

How states have understood to refer to this goal? Which are the elements that have oriented the configuration pension systems' architecture respecting their specific elements of the social, political, economic, or demographic in each country?

We are going to sum the profile picture of some European countries and the pension systems that implement them, not to make a comprehensive comparative analysis, but to have an overview of what these countries have developed and implemented in the field of social insurance. For this reason, we refer to the following (Vasile et al., 2012).

1. The social model implemented
2. The pension system architecture (configuration features)

In *Germany*, the pension system is multiple-type. The first Pillar includes obligatory/mandatory state pensions, Pillar II is optional and it is of private management (occupational pension schemes, which can make use of subventions through the tax benefits subsidy and Pillar III is voluntary, targeting private pensions.

Pillar I has a PAYG financing, defined benefit, points system is used to calculate benefit canon. Pillar I provides a reserve fund. Pensions for those professions are calculated by specific occupational schemes. Civil servants pensions are paid from the state budget.

Pillar II (voluntary and private management) includes occupational scheme offered by the employer in the next forms: they administer the occupational pensions through insurance institutions or they also sign insurance policy on behalf of the employee.

Until 2001, due to excessive regulations and specific tax requirements the occupational pensions recorded a slow growth rate. Only defined benefits were allowed only. Between 2001- 2009, it is a change in the field of occupational pensions, as employers are able, under tax exemption, to allocate funds from the employee's gross income for occupational retirement provision.

In *Italy*, the social model is the European social Mediterranean model. Although being under risks caused by the economic crisis it makes social protection measures to be difficult to implement.

Pillar I is dominant in Italy, assuming a contribution of 33% of gross income (employer support 23.8% and the employee 9.2%). The first reform steps led to the establishment of a new calculation formula that allows reporting to own income obtained by employment, economic growth and life expectancy.

Pillar II is the private occupational pension type. Referring to private pension funds, they are open pension funds or pension funds closed.

Closed or contractual funds are implemented by the company for all its employees.

In *Sweden*, the social model implemented is The Nordic social model. Having a clear policy to eliminate social exclusion, Sweden is characterized by consistent concern of ensuring social protection.

In the 80s, Swedish pension system passes through a comprehensive reformist approach that allowed setting up a multi-pillar system.

Pillar I is managed by the state and it is obligatory. This pillar comprises three distinct levels.

Field zero is guaranteed. It is universal and provides a source of income for those with low pensions or for those who do not meet the conditions for accessing public pension.

Field one involves taking into account the income earned during the active period. Individual accounts are adjusted in accordance with the wage per capital.

Field two relate to pension premiums (2.5% of total contributions).

Pillar II is quasi-mandatory occupational pensions, which support the first pillar. Its contribution is between 2 and 5% of salary, this type of pension is accessed by more than 90% of employees. Under specific conditions laid down, contributions are tax-deductible.

The third pillar is supplementary pension schemes, which are accumulated by insurance companies or pension funds in old age, benefiting from incentives.

Bulgaria does not fit neatly into a pattern (Sapir), but the concrete reality of the country which can be relevant by means of indicators, allows identifying a liberal European social model.

A multiple pension system has implemented. It permitted the use of voluntary private pensions, which could be accessed since 1995. Unlike other countries, the pension system in Bulgaria comprises four pillars:

Pillar I is configured after a PAYG model, and Pillar II has a unique structure, comprising two separate pension funds: the universal professional fund. The Fund (UPF) is compulsory for employees born after 1960 and the contribution of 5% is acquitted both by the employee and the employer.

Professional Fund (PPF) involves a contribution ranging between 7 and 12% which is sustained by the employer.

Universal pension fund (UPF), is compulsory for emploees born after 1960, and the 5% contribution is paid both by the employee and the employer.

The professional pension fund involves a contribution that varies between 7% and 12% covered by the employer.

Pillar III includes pensions administrated privately, individual or voluntary

Occupational voluntary pensions can be considered pillar IV.In the Bulgarian pension system social old age pension is included as minimal guaranteed pension.

The UK implements an Anglo-Saxon social model that is schemed on a low-level involvement of the state in the field of social protection, causing a reduced social services.

In the '70s the pension system undergoes a re-formation process aiming to offer a safety net for the citizens, as public pensions were sustained by the individual pensions supported by the employers.

The later reforms were centered on the increasing involvement of the state in providing old age incomes.

Pillar I includes pension of social insurance, respectively the minimal stable (fix) pension, according to the structure of state pensions.

Pillar II has got more than 60% of the employees as contributors, functioning numerous funds that administrates occupational pensions.

Pillar III includes the individual pensions; after1998 they were accessed by those who cannot obtain an occupational pension.

The system of private pensions includes two categories of optional pensions: individual and optional pensions. If occupational pensions are based on definite benefits, namely on definite contributions, the individual ones are either individual plans or those of the skateholders'.

If initially the definite benefit pensions were implemented, they were gradually replaced by the schemes of the definite contribution pensions. Occupational pensions involve a contribution of 6% from the employers and of 5% from the employees.

Insurance companies or certain banks, suggest pension skateholders, individual pension schemes that allow a contribution up to 75 years (including persons who do not work) based on an individual plan or a group plan.

If employees do not propose occupational or individually planned pensions, they can offer pension skateholders.

The pension system reformation has in view the obligation of occupational pensions, the actions taken in order to reduce the risks of the definite benefit pensions and the extension of the definite contribution pension systems.

Finland, Sweden, Denmark Norway implement the northern social model which has at its base the public responsibility for providing social welfare, the principle of equality and that of total occupation. As for the re-distribution of the incomes, that is done by the on the grounds of progressive taxes and transfers.

The Finnish system has got two schemes:

- the national scheme that provides the minimal pension reported to the period of residence, being financed only from general taxes (after 2010)
- the pension system based on earnings, in which retiring age is flexible and the calculation base is that of income the active period

Pension system is mostly financed by PAYG system and the rest is being covered by in-advance fund system built up with the contribution of both the employees and the employers.

France has got a continental social model which allows the social partners an active participation in providing a sustainable pension system.

Pillar I refers to the guaranteed minimal pensions. Social insurance pensions include old age pension, anticipated pension and successor pension. Pillar II includes the optional, occupational pension for those who are employed on their own or in private sphere. Pillar III refers to the optional individual pensions (2003).

So the French pension system includes the public pillar, the compulsory occupational pensions, optional occupational pension schemes and individual pensions of investments, savings. It's interesting to follow the way in which the compulsory occupational pensions are formed, on two levels: for workers and for clerks and managers; they are the definite contribution type with the PAYG principle at the base, being administrated by pension institutions.

The contribution limits are different according to the fund chosen or they are established according to the social security limit (those whose incomes are below this limit will pay 6% and those beyond will pay 16%- 16.24%).

As for optional occupational pensions, they involve the obligatory contribution of the employer. Those employees who have a longer service time than 3 months may choose the collective investment fund proposed by the employer.

At the very beginning the optional occupational pensions had been set up plans for savings at the level of the firm.

The reforming process of the French system preserves the idea of equality of the retiring-aged citizens, as well as the principle of solidarity.

The actions taken are according to the raising age of retirement, the period of contribution for the employees who register incomes over the maximum level and to the application of taxes for the high pensions.

In Austria there is a multi-pillar system, so Pillar I includes state pensions.

Starting with 2005 they elaborated a legal frame according to which all the employees had to be included in the unique pension scheme (Pay-as-you-go model).

Pillar II is represented by the occupational pensions, accessible in two versions:

- optional occupational pensions in the forms of support funds, direct insurance, counting provisions, occupational group plans.
- pensions based on compulsory compensation payments; it worked inside for all the retired employees, or when work contracts had been cancelled, being reformed in 2002.

Voluntary pensions are Pillar III. We can identify concrete directed pensions (subsidized by state) or plans for savings accumulations.

Conclusions

State support can be observed for different types of private pensions. Whatsoever the reforming process of pension systems was centered on the development of Pillar I and on the stimulation of occupational and private pensions.

The EU tendency is that of spotting multiple sources for providing pensions. The significant reformation of the pension systems in European countries led to the configuration of the three main pillars including one public system, one private and one occupational component.

The clear-cut preoccupation is that of providing the sustainability of all the components by these measures.

More than one third of the European countries chose the pillar of obligatory pension based on funded pension schemes which guarantees a minimal pension.

An important initiative is that of occupational pensions. These, whether optional or compulsory, promote high transfer rates, compared to the public pension pillar. In addition, the perception of this type of pensions shows that they market more advantageous pension schemes.

Pillar III is highly stimulated by some concrete measures, such as the fiscal deducts, having a voluntary specific.

Private, occupational and voluntary pensions are an important line of action in the context in which the public pension system has got shortcomings, as I have pointed out, due to the influence of demographic, economic and social factors.

As the sustainability of the public pension system is more and more diminished imposing the creation of hybrid systems (ISE study, 2013 ,p. 22) the reform measures taken in the last few years associated/combined previously alternative solutions, namely PAYG-capitalization, public-private, compulsory-optional, giving birth to hybrid combined systems. (…). The generous public systems, based on social solidarity, erode the safety of incomes both for the present profiteer generations and the contributing ones, so that the active insurance systems prove to be potentially more lasting by occupying, active aging and personalization of old age savings scheme on the criteria of different contributing potential and different consumer needs.

The permanent connection between the work market and the old age benefit systems can be achieved only by complementary measures and different consumption needs.

We point out that it is necessary to form and promote the culture of savings called to provide an income for old age. Only such an active attitude towards the pension issues and the administration of incomes can generate a proactive adequate conduct. In order to promote the sustainability and the viability of the pension system, they promote an approach from the perspective of multiple actors who all have got roles in this field giving the opportunity of proposing an integrated system of old age insurance: pensions, social and medical assistance, active old age. It is the responsibility of the state, of the politics and business field, generally of the civil society, to participate and involve actively in offering an integrated old-age insurance system.

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