Pension Reform Progress and Problems

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A wish of every person is social guarantees ensured applying various levels of citizens and state participation. Two diametrically different variants exist: the state and the private social insurance the combination of which creates several systems used in practice. The choice of a particular system is determined by the approach to personal and state responsibility priorities as well as economical criteria. From the very beginning of the independence Lithuanian State met with the solution of this problem. State pension funds (due to the economic decrease and high unemployment rate) were unable to perform their former obligations and had to be urgently reformed.

The reorganization of the pension system has been running since the regain of Independence. The state obligation fulfillment to the pensioners was guaranteed by combining Sodra, state budget and financial possibilities of the credit system. All type pensions were indexed paying particular attention to inflation rate. The analysis of the applied pension formation and payment systems of the world (Barr N., 1998; Behrendt Ch., ...; Dubinas, 1992; Green, 2002; Makinen T., 1999; Palacios R., ...), particularly European countries (Great Britain, Germany) and especially post communist countries (Check republic, Poland, Latvia, Russia, Kazakhstan, Azerbaijan) was fulfilled. The principles of the pension reform fulfillment were formulated that were highly influenced by the old habit to shoulder all the responsibility about one’s own destiny to the state and do not take any responsibility on oneself. These principles were also affected by complicated financial situation that did not allow the guarantee of a reasonable pension rate and a higher level of pensioner living standards. Nobody doubts that people who created the well-being of the country should be honoured for that, however now the financial possibilities of the country are rather limited.

This article shows the progress of the pension reform that started in 1995 paying the greatest attention to the transition from the obligatory insurance to the individually accumulated insurance. The necessity to match the pension system to the abrupt changes of economy, labour market, political life and social life due to the integration into the European Union has been stressed. This can be achieved by improving the laws and administration procedures related with the pension system at the same time removing shortcomings that occur due to the imperfection of the new system and the lack of experience. With the requirements to fulfill the pension reform more quickly: “to rationally combine the principles of current pension financing and accumulation” (A.Paulauskas), “involving non-governmental organizations into the delivering of the social services” (E.Gentvilas), but strived to give the real economical background to these proposals, i.e. to match the wishes and possibilities.

Keywords: pension reform, unemployment, demographic situation, obligatory and accumulating social insurance, risk.

Introduction

Different systems of pension funds accumulation and payment exist that have the following differences:

- Various sources of pension funds establishing: a) pension funds are made of two parts – payments made by a person who works and by his employer or the institution; b) pension funds are made of only one type of payment: either a person or his institution pays insurance contributions;
- Pension funds are formed and the payment made by: a) a state organization; b) a private enterprise; c) a state or private enterprise;
- People receive pensions not at the same age and pension sizes are different.

The selection of the form depends on the view of the country towards the responsibility of a person and the state, demographic and economic situation, as well as traditions.

After the transit of Lithuania into the system of the market economy the social system of the pension forming and the payment when all the responsibility for its effectiveness depends on the state was changed and the gradual transition to more effective market system, where greater freedom and the responsibility was given to the individual and the private sector, was started. Without wider discussions of theoretical questions of the effectiveness of two different systems, a special investigation should be done. It can be mentioned that the state refused its own priorities in this field first of all because of the complicated economic situation, changed distribution and collection of monetary means, and extremely difficult economic situation.

The object of the research: the reform of pension system of the state social insurance.

The main goals of the pension reform are:

- To balance the financial flows of the pension system of the social insurance so that the system could operate without financial deficit, i.e. could support itself;
- To change the pension system so that pensioners
could get a greater part of their former salary and other income than they received until now. This can be achieved with the introduction of the voluntary pension accumulation;

- The stock capital of the accumulated pension funds should stimulate the development of the state capital market and the financial infrastructure, open the investment space and radically accelerate the economic development of the country.

The pension reform started in Lithuania in 1995. The principles of the social insurance were introduced. The right to the pension was more closely related with the period of the state social pension insurance, and the pension sizes with the installments of the person paid to the social insurance budget. The age when a person can retire from job began to increase gradually. Some privileges were abrogated. The relief pensions were started to be paid from the state budget means.

The second stage of the reform began in 2003 and people who, wanted to be insured, could participate in the system of the insurance pension accumulation, i.e. to transfer some part of the payment into pension accumulation funds. During this stage of the reform the benevolent demographical situation was used and some part of social insurance installments was accumulated in personal accounts of participants and could be used "if the worst comes to the worst". There was also the attempt to pass the accumulation funds to the private sector and increase the effectiveness of their utilization.

The third stage is related with the increase of the part of the accumulated pension fund and more effective usage.

The aims of the article are to analyse the causes that preconditioned the pension reform, evaluate the political aspects of the reform, highlight the risk factors of the reform and forecast the means for its further improvement.

**Scientific novelty of the problem**

Talking into account the distinctions of Lithuanian situation, there has been chosen the way of evolutionary, but not radical, reform where some facilitating (e.g., the prolongation of a pension age) means have been used. The main factor in this process is a rather high stability of the previous system of social insurance and not full reliance on new market systems that have led to the bankruptcy of some financial institutions (banks) and the scandals associated with ineffective management of Sodra (social insurance) property. This conditioned the choice of an irrational model that has been characteristic to most former socialist countries.

**Reasons that influenced the pension reform**

The necessity to reform the pension system in Lithuania was determined by many social and economic reasons but the most important are:

**The unemployment and employment rate.** The results of the economic fall are industrial production and agricultural decrease of the structure of individual income: employee’s payroll relatively decreased and the number of unemployed people increased.

<table>
<thead>
<tr>
<th>Employment level (15-64 years old), percent</th>
<th>Lithuania</th>
<th>EU – 25</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>Men</td>
<td>Women</td>
</tr>
<tr>
<td>59.6</td>
<td>62.2</td>
<td>57.3</td>
</tr>
<tr>
<td>Unemployment level, percent</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13.8</td>
<td>14.6</td>
<td>12.9</td>
</tr>
</tbody>
</table>

Source: Data of statistical department and the forecast of the Eurostat inhabitants [5 and 8]

**Declining demographical situation.** Very obvious “aging” tendency of the society of developed countries can be more clearly traced in Lithuania, i.e., the birthrate decreases, the number of older people increases and the number of working-age people decreases.

The ratio of pensioners and working-age people (the index of the dependent) up to 2009 should positively change due to the lengthening of the pension age. In 1998 this ratio was 33.7%, in 2009 it will be 24.9%. But later on till the end of the anticipated period it will increase and in 2050 it will be 47.3%. It means that in 2050 two or a bit more people from 15 till 65 years will have to support one pensioner. If the pension age is as it has been defined by the present law, i.e. 60 years for women and 62.5 years for men, then beginning from 2039 the number of all the pensioners would exceed the number of the installment payees. The decline of demographic situation is also determined by increased emigration rates.

**Tax evasion.** Commonplace tax evasion also minimizes the number of socially insured people. If in 1976 three workers had to support one pensioner now they have to support two pensioners. This number constantly increases. Since 1991 the number of the insured people has decreased from 1764.3 thousand down to 1352.2 thousand (1996), i.e. more than by 400 thousand (Dzikevičius A., 2000). Some of them are unemployed. But there is only a bit more than 186 thousand of unemployed people who are registered in the jobcentre (Social ..., 2004). The rest part works for the “shadow” economies, i.e. they do not pay not only a part of the social insurance but none of the payment at all, or are not insured according to the law.

**Political aspects of Lithuanian social reform.** According to many social-economic indices Lithuania occupies the average position in the East Europe between the region states. The important impulse while stating the type of Lithuanian social security and what is the input of political parties to its formation became the distinguishing of the Mediterranean (Romanesque) model definition (Mekinen T., 1999) that is especially important while estimating the theory and practice of Lithuanian social se-
curity. The lobbyist relationships of acquaintances or relatives are noticed in these countries when the laws are applied for the narrow egotist clannish needs while trying to break the laws or change them.

![Figure](image)

**Figure.** The change of the number of installment payers and pensioners (thousands) (the pension age as it has been defined by the law)

The junction of the XX and XXI ages shows the peculiar Romanesque type state structure in Lithuania when the ideas to privatize all and fully, to liquidate or reduce the role of the state sector found their way in such state protected fields as health and social security. The provisions of the extreme liberalism, seemed, to begin dominating in all state development processes. But in the real life political changes were so painful and drastic that radical reforms were unacceptable. There were two reasons:

- The first one, insufficient and premature reform preparation. The practice of the privatization reform that was often changed and had many abuse and strain facts evidently showed this. The character of the Romanesque type state was conspicuous;
- The second reason, was the loss of the responsibility for one’s own future and the state’s significance attribution to the lower and middle class of the workers. Though political parties in Lithuania developed in accordance with the principles of the Western parties and the ideological platforms, tested in “the free world” the market fundamentalism ideology and the mentality of the overwhelming majority, became the main hindrance in further process of the radical reconstruction.

These contradictions had also influenced the progress of the pension reform, especially, in its preparatory stage. The inability to demonstrate the inefficiency of Bismarck type social security determined the fact that some lobbyist structures tried to change the cooperative model into marginal type structures. They tried to change the state social security into the private insurance. Most political parties of Lithuania confirmed the ideology of such market fundamentalism and trying to avoid greater social cataclysms, they were afraid to demonstrate the actual social security structures. On the other hand, they did not start fundamental reforms, improving the functioning of social security that were proposed by specialists of the social security for rather a long time, i.e. to more quickly increase the pension age, to limit the size of the working pensioners, to liquidate special state pensions etc. If political parties had agreed on these essential questions of social security there would have been no such drastic deficit of social security fund budget (*in 2000 the budget deficit was 212 mln. Litas, and in 2003 there was the surplus of 185.5 mln. Litas (LSD, 2000, 2003)*), and the problems of socially maintained people would have been solved more favourably.

**Pension reform scheme in Lithuania**

The new system of Lithuanian social security was arranged by payment principle related with the labour market, for example:

- The pension rate depends on the former salary and the record of service;
- The sickness allowance is related with the salary;
- The negative income-tax is used to calculate allowance. It is obvious that total personal income, comprised from the salary and allowance, would be always greater for those who get greater salary;
- The social insurance fund is financed by installments from payroll;
- The child-care allowance is greater for those women who are insured if compared with those who are not (e.g. students).

The institution of social insurance fund that was separated from the state budget in 1990 supports the fact that the social security is built on the labour market. This is a typical feature of the corporative model.

Thus, one can state that Lithuania chose the corporative model but this model was taken not because of the wish to repeat the Bismarck principle or because of partners’ within the labour market (*trade unions and employer organizations*) influence but mostly because of the striving
to increase the stimuli to participate in the labour market. It was partly conditioned by the endeavour to move from the egalitarianism that prevailed during the Soviet regime to the merit-based market social security system.

The main features of the reform of the pension system in Lithuania are shown in Table 2.

### Table 2

<table>
<thead>
<tr>
<th>Stages of pension reform</th>
<th>Main features of the period</th>
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<tbody>
<tr>
<td>The first stage is the re-formed pension system of social security’s current financing</td>
<td>The system is financed by employers and the insured installments that are accumulated in a separate state social security fund of the state budget (VSDF). The social security system is administered by the State Board of the Social Security Fund (hereinafter “Sodra”). The pension formula of the social insurance has two pension forms: the main and additional one. The main part of the social security pension is equal to all the people with the record of service. The additional part of social security pension is related with the former salary and the record of service. The main part of the seniority pension with the record of service of (30 years) is equal to, so called, “base pension” of the state social security (hereinafter “base pension”) that is defined by the government. People who do not have the mandatory record of service get a part of the pension that equals to the corresponding part of the base pension.</td>
</tr>
<tr>
<td>The second stage is the pensions of the mandatory accumulative pension insurance</td>
<td>The employed people who are secured by social insurance rate for the whole pension in 2005 have the right to transfer 3.5 percent of the mandatory installments to the 1st stage 2nd level pension system with determined contributions (every year this contribution part will be increased by one percent up to 5.5 percent in 2007). For the participants of this pension system the extra part of the national insurance pension will be less, accordingly. The pensions of 2nd level have determined contributions, thus, their rate will depend on the contribution amount, the payment period, investment return of the pension fund property and the fund management deductions.</td>
</tr>
<tr>
<td>The third stage is the pensions of voluntary accumulation</td>
<td>The participant of pension accumulation and people who signed long-term insurance policies with life insurance institutions can return some part of the paid income-tax. This part of income-tax is returned from payments when they together with other expenses are exempt from taxation (e.g., taken for studies, a house or apartment purchase etc.) make not more than 25 per cent of the person’s income. The same privilege is given to profit tax for the employer when he pays contributions for his employees. The taxation of the payments or returned means from the 3rd stage pension fund or the life insurance enterprise varies and depends on the accumulation period. When a participant of the pension fund or a person who signed along-term life insurance policy will get the payment (at the age of his retirement), the part of his payment that is equal to the payment sum is imposed by 15 per cent reduced tariff. The same 15 per cent reduced tariff is used when the participant, who accumulated means for his pension for not less than 10 years, gives up the pension fund and does not choose another fund or quits the life insurance policy. In other cases, i.e. when the participant of the 3rd stage pension fund leaves the pension fund or quits the life insurance, or the contact is disrupted before 10 years have passed then 33 per cent taxation tariff from the sum of the money to be returned is used.</td>
</tr>
</tbody>
</table>

The main protection during the retirement age, disability or widowhood in Lithuania is secured with the help of the national insurance pension system. The average base part of the pension in 2004 was 44 per cent of the average pension. The additional part of the pension is calculated by giving 0.5 per cent of the salary (the insured income-tax of the insurer) for every year of work experience. The average pension during 10 years that passed from the beginning of the first stage of the pension reform increased from 151 Litas in 1995 to 454.54 Litas in December of 2005 (VSDFVSD, 2005). During this period the total price index was 138%, thus, the purchasing power increased significantly.

Paid national insurance pensions are usually indexed by increasing two parameters that are reflected in the pension formula: either the base pension which influences the size of a part of the pension or on the average of the insured income of the insured which influences an additional part of social insurance pensions.

As the present generation of the pensioners lived in the period of overall employment (until 1990) actually all the inhabitants who are pensioners now have a sufficient record of service and the right to the national insurance pension. The old-age or disability pension in 2005 received 91 per cent of old people (VSDFVSD, 2005).

It should be mentioned that the first positive changes of the reform are felt. The greatest positive influence was the improvement of economic results (see Table 3).

### Table 3

<table>
<thead>
<tr>
<th>Comparison of the increase of GNP and the debts of the government sector and the predicted deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td>------</td>
</tr>
<tr>
<td>Increase of GNP, percent</td>
</tr>
<tr>
<td>Debt of the government sector, percent from GNP</td>
</tr>
<tr>
<td>Deficit of the government sector, percent from GNP</td>
</tr>
</tbody>
</table>

From this point of view our country still has the universal social insurance system of the old people. But the situation may change in the future when more people who did not work for some time in their lives or were not insured by the social pension insurance will become pensioners. In 2005 out of 2 million 76 thousand of working age people only 1 million 320 thousand people were socially insured, and the situation has not improved since 1995. Meanwhile the number of insurants insured by all forms of social insurance, who make the most payments to the budget of the State national insurance fund decreased by 100 thousand if compared with the year 1995 (Table 4). The increase of the employment and the improvement of the administration of the social insurance system (that all employed people should participate in the social insurance pension system) is still one of the most important tasks. These measures would promote better financing of the system of these pensions and more people would get social security pension in the future.

Table 4

<table>
<thead>
<tr>
<th>Parameters</th>
<th>1995</th>
<th>2000</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working-age people</td>
<td>2100.4</td>
<td>2018.0</td>
<td>2076.0</td>
</tr>
<tr>
<td>Labour force</td>
<td>1725.6</td>
<td>1671.5</td>
<td>1641.9</td>
</tr>
<tr>
<td>Employed inhabitants*</td>
<td>1643.6</td>
<td>1397.8</td>
<td>1438.0</td>
</tr>
<tr>
<td>The insured</td>
<td>1331.6</td>
<td>1299.5</td>
<td>1320.0</td>
</tr>
<tr>
<td>Insured by all insurance forms</td>
<td>1258.6</td>
<td>1137.4</td>
<td>1154.5</td>
</tr>
<tr>
<td>The unemployed</td>
<td>….</td>
<td>273.7</td>
<td>203.9</td>
</tr>
<tr>
<td>Registered unemployed people**</td>
<td>109.0</td>
<td>204.9</td>
<td>167.0</td>
</tr>
</tbody>
</table>

*Source: Data of Statistics department and “Sodra” (average annual data, thousand).

** Note: Not-updated index of employed inhabitants in 1995, and updated index of Statistics department after the population census in 2000 and 2003.

Private pensions of the 1st stage 2nd level and the 3rd stage. In 2004 in the 2nd level system participated more than 50 percent of the insured by national social insurance.

The 3rd stage of private pensions is still being introduced. In 2004 only about 3200 people signed the pension accumulation policies in the 3rd stage pension funds. The accumulative life insurance can be partially attributed to the private income insurance in the declension of years. In 2004 such long-term life insurance policies were signed by approximately 300 thousand inhabitants (LRADBKD, …). But to select some part of the accumulative insurance policies as the pension accumulation has no rational ground because any legal act obliges a person to keep to one’s agreement till he or she reaches the retirement age.

It should be mentioned that a small part of the social deductions into accumulation funds does not contribute to the system growth. Almost in all post-communist countries two kinds of contributions those paid by the employer and those paid by the insured are used. They are 22.5 and 25 percent in Lithuania, 16.26 and 16.26 in Poland, which is more radical, in Check republic, Slovakia, Hungary, Latvia and Albania, where personal installments of the insured persons are greater.

The risks of pension reform

The successful progress of the 2nd stage of the pension reform does not mean that the reform performed has no shortcomings and faces no disturbances and risks. They appear in all the spheres: legal, economical, organizational etc.

1. **One of the most serious violations is the legal base.**

   Though there is a task to insure the security of accumulation funds, too huge limitations minimize the effective utilization of accumulated means. More effective activity of pension funds is limited by the prohibition to invest into countries that belong to the Organization of Economic Cooperation and Development (OECD). The processes were also stopped for a long time by the prohibition to invest into the funds that plough into derivative paper securities (now these violations are fixed). There are also various advertising limitations. The managers of pension funds have to coordinate every word with the control institutions.

   The confidence on the accumulation funds is reduced by attributing to one fund after the person signs the policy. Now this violation has already been changed and people may decide and break the signed accumulation policies and return to the traditional accumulation in “Sodra” system. The attempts to solve the situations when the employers’ press the staff to sign the policies and their signing has negative influence to the whole activity of the system, and leaves people in confusion, increases the system’s expenditure and disturbs confidence. Enjoying good results of the reform starting point and risking to close our eyes before real violations that may soon stop the reform progress.

   The development of the stocks market is the crucial factor during the transition period to the private pension insurance system. The activity of the private accumulation pension funds is based on the investment of the insured means while trying to store the value of the installments and to get some profit. Thus the liquidity, capitalization and safety of the stock market are the obligatory attributes of the pension reform.

2. **Economic risk.** Too small a part of Sodra contribution has been deducted to the accumulation funds. The present reform structure existing rates of the payments does not make it possible for the pension growth in the future as its administration expenditures are really sig-
significant. But those who agree that this reform should be developed and expanded have some doubts and contradictory opinions as to what methods should be chosen for this reform. Many people watched the advertisements about double or even triple bigger pensions, but at the same time they saw how their parents and grandparents get very small pensions during this transitional period of the pension reform. But nobody has ever explained that in order to get a bigger second pension contribution should be also greater. Unfortunately salaries remained as small as they were before. This risk is due to the unexpected changes of the profitability rates of the financial property.

Recently the suggestion of the European Reconstruction and Development bank was heard (it was being discussed in Lithuania some time ago) that the reform should be improved by the mandatory private accumulation. But those who suggested this method violate the main aims of this reform that are social first of all. The voluntary accumulation stimulates social motivation, encourages taking individual social solutions, thus, it is important from the point of view of casework. After the installment of the accumulation burden the motivation of a person would increase to charge oneself with the old-age pension, and this is one of the corner-stone of the reform. Most of the people would still prefer to leave the whole responsibility to the state. The requirement of mandatory accumulation should be protected by some kind of guarantees. But the most important thing is that our own motivation as free individuals are responsible for future would be again destroyed. Suffice it to say that one more trump should be received: by giving guarantees and taking responsibilities it would also have free hands to define the conditions. On the other hand, as the sponsor of the people security at an old age the state could further show its own caretaking for people and become still much “better”.

Although the supporters of the mandatory accumulation are right when they say that the more active participation (and much more the obligatory one) would really have some impact on the economics, and the beautiful macroeconomic vision would not only improve the statistical values but would also benefit the people. But primarily the reform is necessary for the financial security of the people but not the economics. Thus the impact on the individual man is the most important thing and not the values that can be increased, expanded and showed with proud. Those who own economic arguments would also remain satisfied because such solution would not only give the impulse to the country’s economics through the motivation of employees but would become the effective means to minimize a part of the shadow economics in the state. Those who are afraid that the system may not attract new participants to the system would have to better understand that a greater tariff of installments would stimulate people to individually accumulate as they would see clear benefit of such a solution.

3. **Institutional risk.** This is the risk that may occur due to the possible bankrupt and/or inability of the main-tenance institutions to fulfill the delegated functions. The pension fund cannot bankrupt and participants cannot lose their payments. The government of Lithuanian republic has to take the responsibility for the activity of the pension funds (LRPSRI, 200) as the pension accumulation in the pension funds is obligatory, thus institutions should be established that will have to guarantee the stable activity of the new pension system. If accumulated contributions of the working people of Lithuania can support only several pension funds the government has to decide on the following:

- How to create the most effective pension fund with the smallest expenditures of the employees? For example, to arrange the license auctions of the function fund activity at the beginning of the reform as it was done in Argentina or let the pension funds to establish without any restrictions that will bankrupt later increasing the management expenditures;
- What kind of institutional structure of the pension fund market should be formed at the beginning stage because it will influence the long-term parameters of the activity of pension system.

4. **Individual risk.** This risk may occur due to the unspecified individual working activity related with high level of unemployment. This shows that any individual is uncertain about his life. Nobody knows when he or she may become unemployed not because of his own fault but because the enterprise may bankrupt or his personal qualification may be insufficient. This is determined not only by the unstable economic situation in Lithuania but the economic crises and setbacks of neighbour states and migration to the countries of the EU. The health is also an important factor.

5. **Demographical risk.** Migration and the reduction of people of working age (see Table 5) exacerbate the financial state of the pension funds because the number of people paying contributions decreases. It has to be stated that the financial situation was aggravated by the pension payment to the working pensioners in spite of the fact that this decision from the point of view of morality is really legitimate and just. Besides it increased the confidence in the pension system.

### Table 5

<table>
<thead>
<tr>
<th>Year</th>
<th>People of employable age, %</th>
<th>Pensioners, %</th>
<th>Ratio of the working people and pensioners</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>57.2</td>
<td>20.1</td>
<td>2.8</td>
</tr>
<tr>
<td>2000</td>
<td>58.0</td>
<td>19.5</td>
<td>3.0</td>
</tr>
<tr>
<td>2005</td>
<td>61.2</td>
<td>18.1</td>
<td>3.4</td>
</tr>
<tr>
<td>2010</td>
<td>62.2</td>
<td>17.9</td>
<td>3.5</td>
</tr>
<tr>
<td>2015</td>
<td>61.0</td>
<td>18.6</td>
<td>3.3</td>
</tr>
<tr>
<td>2020</td>
<td>59.6</td>
<td>19.6</td>
<td>3.0</td>
</tr>
<tr>
<td>2025</td>
<td>58.0</td>
<td>21.1</td>
<td>2.7</td>
</tr>
</tbody>
</table>

*Source: Pocius A. The forecast of the ratio of pensioners and the insured taking into account the changes in the age structure of the inhabitants. // Proceedings of Statistics Department of Lithuania. No.4, Vilnius, 1997.*
One of the most severe problems of economics that should be solved immediately is the prolongation of the retirement age. One stage of the pension age increase was made that coincided with the high unemployment rate and small unemployment allowances. But according to the range of the pension age in Lithuania even today it is shorter than in some developed European countries. If the retirement age for men and women in Lithuania is 62.5 and 60 years, accordingly, only in Italy (60 and 55 years), France (60 and 60 years) and in Turkey (55 and 50 years) it is shorter. In all the rest countries it is longer than in Lithuania. In Denmark, Spain, Cyprus, Norway, Finland, and Sweden it is equal to men and women – 65 years, but in Australia, Belgium, Switzerland, the Great Britain, Greece it is 65 and 60 years, accordingly. Thus the increase of the pension age is though unpopular, but indispensable perspective of the pension reform. The investigation of the content and progress of the pension system reform allows us to make the following conclusions.

Conclusions

1. The necessity of the pension reform in Lithuania was determined by many factors. These are economical depression of the state and high unemployment level and low payment related with it, the quick aging of inhabitants and low level of the pensions received. During the transition period the purchasing power of the average monthly payment greatly minimized but the spending power of pensions and allowances decreased still more as their ratio with the average salary reduced. This is an extra burden to the poorest inhabitants of the society that was crated by economically active people who retired from the system of social solidarity. The situation was also exacerbated by the defective income-tax payment system and work in the “black market”.

2. During the first years of social security reform the attempt was made to secure the former rights to the social security or even to expand it. The new system was created with the view that the transient period will pass quickly and will not be very painful. This was one of the reasons why the extensive social security system was chosen from the point of view of the pensioners’ range (the pension payment to the working pensioners), but not the pension size. The pensions were paid at the expense of the indebtedness.

3. During the social transformations in Lithuania the establishment of the cooperative model of social security was initiated but this model was chosen not because of the striving to repeat the principle of Bismarck or due to the influence of the market partners (trade unions and employers’ organizations) but mostly because of the striving to increase the stimuli to participate in the labour market. It was partly conditioned by the endeavour to move from the egalitarianism that prevailed during the Soviet regime to the merit-based market social security system. As a final result not the model of radical changes was chosen but only merely adapted existing model in which only very small part of the installments can be paid to the accumulation funds.

4. The present pension reform should be improved because it does not guarantee the significant pension increase. It does not make people more active while solving the pension security issues individually. The improvement of the present day reform is rather unpopular because of the lengthening of the pension age and the stricter control of the income-tax collection. But the greatest improvement might be achieved only by the improvement of economic situation, the increase of the labour payment and the reduction of the influence of the shade economics.

5. During the present pension reform the essential improvement of the living standards of the pensioners can be achieved only if the employees will accumulate the extra means either themselves or through the accumulated life insurance. The new possibilities also have their way of expression in the expansion of the pension insurance package.

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2. Ekonominė rizika apima nedarbo mažinimą, kovą su šešelė ekonomika, mokesčių didinimą.

3. Institucinė rizika. Tai rizika, kylanti dėl privačiojo pensijų fondo galimo bankroto ir (arba) vyriausybinių priežiūros institucijų.


5. Demografinė rizika. Migracija, darbingo amžiaus žmonių su mažėjimas sunkina Pensijų fondų finansinę būklę, nes mažėja įmokos mokančių darbuotojų. 

Atlikta pensijų sistemos reformos turimo ir eigos tyrimas leidžia padaryti šias ižadas:

1. Pensijų reformos būtinumą Lietuvoje lėmė daugelis veiksnių. Tai ekonominis žalių nuosmukis ir su tuo susijęs aukštai nedarbo ir žemai darbo užmokeškio lėgis, santykis su vidutiniu uždarbiu. Naujasordoninýs pensijų reformos įgyvendintas ir jis ne garantuoja eisminio pensijų lėties. 

2. Naujasordoninýs pensijų aspausdina metus pasireiškė buvusių veiksnių, ir jis ne garantuoja eisminio pensijų lėties. 

3. Socialinių transformacijų metu Lietuvos mokėsiamosios pensijų sistemas reformos turinio ir eigos tyrimas leidžia padaryti šias ižadas:

4. Darbinių metų veikiamų pensijų reformų yra tobulingas, nes jie garantuoja amžiaus žmonių užmokeškio lėties. Tobulinant šių institucijų turinį, būtina ištiesti wedingai naudoti šias mažėjusias pensijų rizikas.

5. Esant šiandieninėi pensijų reformai, esmės turinio pensijų reformų yra tobulinant. Naujasordoninýs pensijų reformos turinio ir eigos tyrimas leidžia padaryti šias ižadas:

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