

THE STATE SOCIAL INSURANCE BUDGET ANALYSIS OF THE REPUBLIC OF MOLDOVA

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Abstract: Actuality of article consists in performing complex analysis of state social insurance budget for the years 2005-2014. The aim of this work is to elucidate the real situation in terms of financing social protection system which is part of the national public budget of Republic of Moldova and determination of its interdependence with demographic trends, namely aging.

Keywords: social protection, pressure, social insurance, state social insurance budget, accumulated income, incurred expenses.

JEL Classification: H6, I38.

1. Introduction

Modern market economy creates an adequate system of social protection, the most important element of which is the social insurance.

Formation of a new model of social protection should ensure continuity in social policy and the principles of solidarity and social justice.

Social insurance objectives are: establishment of cash funds, which cover expenses for financial support for people unable to work or not participating in the labor process; reducing the gap in the level of welfare of employed and unemployed citizens of society.

Considering the great importance of social insurance, its impact on social processes in many countries creates the system of state social insurance compulsory, allowing a significant concentration of resources in special funds and thus ensuring reliable social protection of population of the country.

Pressures on annual budgets of social insurance are mostly caused by population aging phenomenon. Budgets no longer cope with the high level of expenditure involved by the payment of pensions and other social insurance rights. It is about their level and the longer duration in which the pensions must be paid to those entitled. The financial consequences of demographic trends are already worrying.

The financing of social protection is realized through the state social insurance budget (SSIB) which is part of the national public budget, with autonomous status and is one of the important elements of the national financial system. SSIB is managed by the National Social Insurance through the State Treasury of the Ministry of Finance. Special purpose funds which form SSIB are as follows:

- Pension Fund;
- Fund for protection of families with children;
- Fund for insurance against industrial injury and professional disease;
- Benefits fund;
- Unemployment fund;
- Fund for health rehabilitation;
- Expenditures for the organization and functioning of public social insurance system, which are established up to 5% annually relative to total annual expenditures provided by SSIB Law.

The funds accumulate resources for social insurance budget, which later are used to cover the expenditures specific to each fund (Annual social report, 2008, p.29-30).

2. The role of incomes and expenditures of the state social insurance budget in the administration of social protection system

The incomes and expenditures of the state social insurance budget play a significant role in the administration of social protection system, and the collection of social insurance contributions, reflects the degree of credibility in the system by the contributors and the degree of financial stability of the system.

In total structure of overall incomes the share of incomes of SSIB for the period 2005-2014 varies between 25% - 28%.

Table no. 1 reflects the execution of the state social insurance budget. The incomes of SSIB in 2014 were stated at 12038.5 million lei and the expenditures at 12029.2 million lei.

Table no. 1. Evolution of the state social insurance budget in 2005-2014

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<i>Incomes</i>	3696,0	4347,7	5157,2	6362,8	7581,7	8416,0	9088,9	9721,5	10589,9	12028,8
<i>Expenditures</i>	3697,7	4378,1	5244,6	6315,1	7607,2	8629,3	9213,5	9755,1	10716,2	12019,5
<i>Surplus / Deficit</i>	-1,7	-30,4	-87,4	47,7	-25,5	-213,3	-124,6	-33,6	-126,3	9,3

Source: Ministry of Finance of Republic of Moldova

As can be seen from the table, since 2005 the insurance system is facing a budget deficit, which increased from 1.7 mil.lei to 87.4 mil.lei in 2007. In 2008, after three years of deficit, SSIB are recorded a surplus of 47.7 million. Since 2009 begins the next deficient stage, which lasted five years. In 2014 it is recorded the surplus of 9.3 mil. lei.

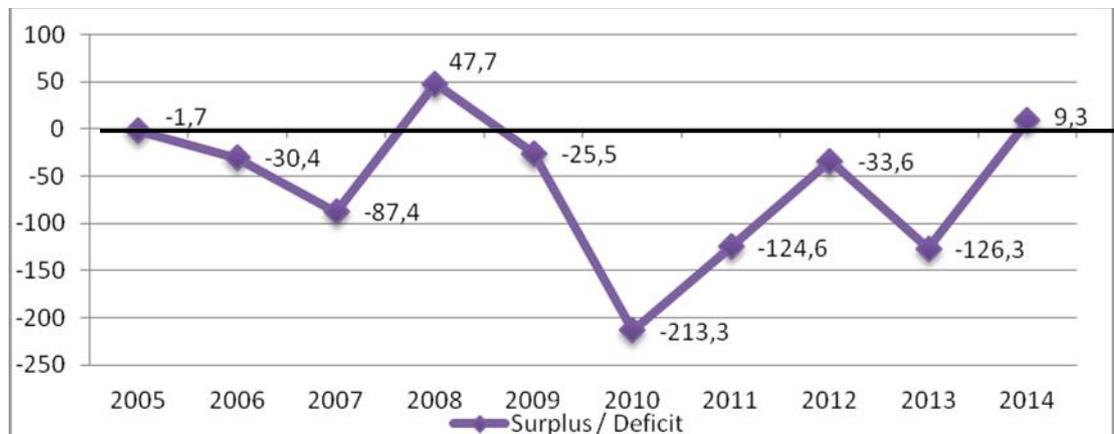


Figure no. 1. Evolution of surplus / deficit of the state social insurance budget, mil.lei

Source: Ministry of Finance of Republic of Moldova

The incomes of the state social insurance budget are formed by:

- mandatory state social insurance contributions (constituted of accumulations on bank accounts and the amount of allowances paid to workplace in the account of calculated contributions);
- transfers from the state budget to the social insurance budget;
- other incomes.

During the years 2005-2014 is attested an increase of 3.3 times of nominal SSIB incomes, from 3696 mil. lei in 2005 to 12038.5 mil. lei in 2014.

Table no. 2. Incomes accumulated to the state social insurance budget during the 2005-2014

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Mandatory state social insurance contributions	2949,1	3660,8	4332,7	5429,9	5595,2	5985,3	6562,6	7150,0	7756,2	8362,6
Transfers from the state budget to the social insurance budget	717,8	661,8	791,7	902,2	1968,5	2426,3	2522,8	2567,3	2828,1	3660,2
Other incomes	29,1	25,1	32,8	30,7	18,0	4,4	3,5	4,2	5,6	6,0
Incomes, total	3696,0	4347,7	5157,2	6362,8	7581,7	8416,0	9088,9	9721,5	10589,9	12028,8

Source: Ministry of Finance of Republic of Moldova

For the studied period (2005-2014) the biggest share in the income structure have the contributions of mandatory state social insurance, the lowest recurred the other incomes (Figure no. 2).

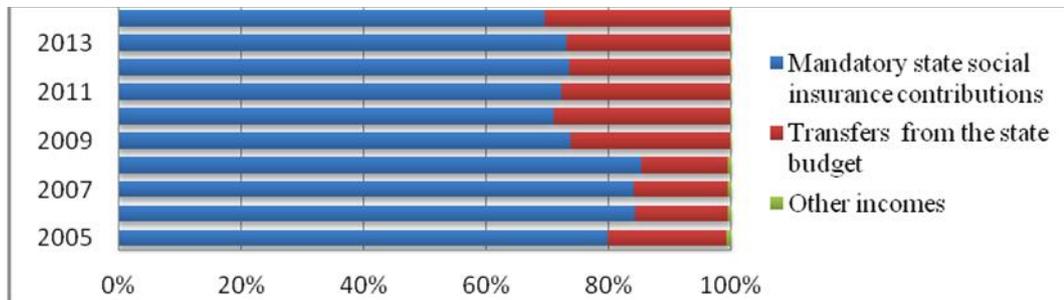


Figure no. 2. Structure of incomes of SSIB during the 2005-2014, %

Source: Ministry of Finance of Republic of Moldova

The Gross domestic product (GDP) achieved in recent years recorded significant increases from year to year, being the basis for achieving SSIB executions previously presented. To remember is that although the expenditures of SSIB have increased in the period considered, their share in GDP remained relatively constant for 2013-2014, constituting 10.7% in 2013 and 10.8% in 2014 which confirms that although there have been some significant increases in pension, they were supported by achieved economic growth.

Table no. 3. Expenditures of the state social insurance budget in GDP during the 2005-2014

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
GDP (current prices), mil. lei	37652,0	44754,4	53430,0	62922,0	60430,0	71885,5	82348,7	88227,8	100510,5	111757,4 *
Expenditures, mil. lei	3697,7	4378,1	5244,6	6315,1	7607,2	8629,3	9213,5	9755,1	10716,2	12019,5
Expenditures against GDP, %	9,8	9,8	9,8	10,0	12,6	12,0	11,2	11,1	10,7	10,8

Note: * Semifinal data, <http://www.statistica.md/category.php?l=ro&idc=191&> visited 27.10.2015

Source: Ministry of Finance of Republic of Moldova

Comparing the growth rates of SSIB with this of GDP there has been attested a pronounced and dominant social policy in general government expenditures, with the growth rates of expenditures of SSIB that exceeded this of GDP (Figure no. 3).

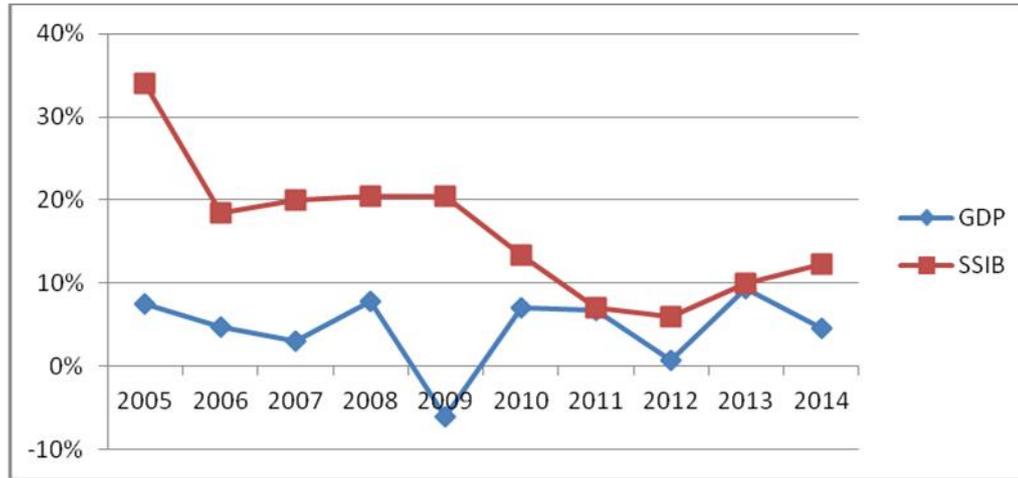


Figure no. 3. The growth rates of the GDP and SSIB, %

Source: Ministry of Finance of Republic of Moldova

Throughout the all investigated period the largest share of expenditures financed by SSIB (Table no. 4) recurred to social insurance pensions, constituting over 83% of total expenditures. After following the social allocations that gather the Fund for protection of families with children, Fund for insurance against industrial injury and professional disease, Benefits fund and unemployment fund and constitute over 10%. The lowest percentage is at the chapters other social insurance benefits and expenditures for organization and functioning of the public social insurance system. The total level of expenditures financed by SSIB in 2014 has increased 3 times compared to 2005.

Table no. 4. Expenditures financed from the state social insurance budget, 2005-2014

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Pensions	2694615,0	3125881,4	3751594,4	4535952,4	5438842,3	5863719,3	6344910,6	6978250,0	7535599,4	8071483,7
Allowance	326404,4	422336,6	515754,0	670757,9	828267,7	986323,1	1046852,7	1076760,3	1162319,1	1211676,6
Other social insurance benefits	61597,2	86255,2	93698,4	85945,6	73597,9	13769,0	10164,2	20270,2	18852,7	28622,3
Expenditures for organization and functioning of the public social insurance system	91631,9	104290,9	123742,3	143228,1	196554,4	160092,0	174434,0	184769,4	214500,5	228978,3
Total	3174248,5	3738764,1	4484789,1	5435884,0	6537262,3	7023903,4	7576361,5	8260049,9	8931271,7	9540760,9

Source: Annual social report, years 2006-2014

In 2014, in total expenditures effectuated of SSIB resources, the largest share of total expenditures for additional financial support to some beneficiaries of pensions and social allocations, constituting 33% and the lowest for banking and postal services - 1%. Effective expenditures for social benefits in 2014 have increased with 3.2 times compared to 2006.

Table no. 5. Structure of expenditures covered from the state budget, during the 2006-2014

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Pensions	67380,7	98730,4	124214,1	130442,7	132759	148102,6	158606,7	171187,8	157231,7
Allowances	161730,1	192553,6	221386,7	241967,4	244164,2	250511,3	276448,7	355965,6	334117,5
Benefits	121925,2	117970,7	148362,4	163587,1	179631,2	206522,9	216731,4	261235,3	255501,6
Compensations	253424,5	321642,5	364417,5	415608,7	642923,3	637229,8	229881,6	83832,5	58961,9
Monetary support	4665,2	5861,8	6748,0	117126,8	285056,3	329686,8	462374,5	313526,0	275155,6
Banking and postal services	6140,4	6737,0	6800,7	9065,9	12494,4	13883,7	12685,8	12070,8	19654,0
Other payments	117,5	-	539,0	13516,6	44606,6	84763,9	142801,7	207828,7	216193,6
State financial support	-	-	-	-	-	-	-	373546,9	648580,9
Total	615383,6	743496,0	872468,4	1091315,2	1541635	1670701	1499530,4	1779193,6	1965396,8

Source: Annual social report, years 2006-2014

3. Conclusions

The increased financial pressure on the state social insurance budget requires to be undertaken some effective measures to mitigate it. One of the timely measures is reform of the pension system of Republic of Moldova. The main steps to be taken to reform this system would be increasing the retirement age and consolidation of the private pension funds.

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