

IMPACT OF EVOLUTION OF SOCIAL SECURITY SYSTEM ON AGRICULTURAL SECTOR

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Actuality. Starting from the presentation of the main issues and trends in rural areas, as the average development of the agricultural sector, it is necessary to reflect the conditions of implementation of social insurance mechanism in this sector. Aim. Following the particularities accentuation of the social insurance system in agricultural sector, with some parts of it, in terms of their evolution and interdependence between economic and social plan, as well as attempts of reformation state's social insurance system. Methodology. Only emphasizing differences, similarities and interactions can be highlighted mechanisms of a specific policy and evaluation of programs and directions of reform needed. The comparative method has a practical significance because knowledge of development can offer clues for adoption and implementation of future policies. In this context comparison method and dynamic analysis are used. Results. The peculiarities of development of state social insurance system in the agricultural sector are highlighted, both in terms of insurance fees applied, and also some considerations (pensions).

Key words: state social insurance system, social security charges, social security contributions, agricultural pension, subsidies.

Actualitatea. Pornind de la prezentarea principalelor probleme și tendințe din sectorul rural, ca mediu de dezvoltare a sectorului agrar, se impune necesitatea reflectării condițiilor de aplicare ale mecanismului de asigurare socială la nivelul sectorului respectiv. Scopul. Se urmărește accentuarea particularităților sistemului de asigurare socială în sectorul agrar, cu unele componente ale sale, din perspectiva evoluției acestora și interdependențele între planul economic și social, dar și tentativele de reformare ale sistemului asigurărilor sociale de stat. Metode. Numai prin sublinierea diferențelor, similitudinilor și a interacțiunilor se pot evidenția mecanismele unei anumite politici, dar și evaluarea programelor și direcțiilor de reformă necesare. Metoda comparativă are o importanță practică, deoarece cunoașterea evoluției poate oferi, puncte de reper pentru adoptarea și implementarea politicilor viitoare. În acest context se utilizează metoda comparației și analiza dinamică. Rezultate. Se evidențiază particularitățile evoluției sistemului de asigurare socială de stat în sectorul agrar atât prin prisma tarifelor de asigurare aplicate, cât și prin prisma unor contraprestații (pensii).

Cuvinte-cheie: sistem de asigurări sociale de stat, tarifele asigurării sociale, contribuții de asigurări sociale, pensii agricole, subvenții.

Актуальность. Начиная с изложения с основных проблем и тенденций в сельском секторе, который является основой для развития аграрного сектора, появляется необходимость отражения условий реализации механизма социального страхования в этой отрасли. Цель направлена на выделение особенностей системы социального страхования в сельском хозяйстве, с некоторыми его частями, с точки зрения их развития и взаимосвязи между экономическими и социальными планами, а также попыток реформировать систему государственного социального страхования. Методы. Только подчеркивая различия, сходства и взаимодействия можно выделить механизмы особенной политики, а также оценка программ и необходимые направления реформы. Сравнительный метод имеет практическое значение, потому что знание о развитии событий могут обеспечить ориентиры для будущего принятия и реализации политики. В этом контексте необходимо использовать метод сравнения и динамический анализ. Результаты. Подчеркивается

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особенности развития государственной системы социального страхования в аграрном секторе, как с точки зрения применяемых страховых взносов, а также выплатах (пенсии).

Ключевые слова: государственная система социальная страхования, тарифы на социальное страхование, взносы социального страхования, сельскохозяйственные пенсии, субсидии.

JEL Classification: H5; H55.

Introduction. In the Republic of Moldova the social security system is quite complicated: the size of insurance tariff by categories of payers is differentiated: employers, employed persons and persons that unfold on their own (individual landowners, people who have taken agricultural land lease; individual entrepreneurs and founders of individual enterprises, people which having concluded individual insurance contract etc); there are different forms of expression of insurance tariff (percentage or fixed value size); specified facilities for certain categories of taxpayers (lower price for the agricultural sector, scaling possibilities of contributions payment); It is unbalanced the way of establishing social insurance benefits compared with the level of participation in the accumulation of income (in agrarian sector is reduced the participation quota of income formation, but considerable the size of pensions and other benefits under expenditures).

Basic content. The Republic of Moldova is a rural country, where 58% of population lives in rural areas. Despite the fact that half of the Moldovan population lives in rural areas, employment rate in rural areas is only 36%. The share of economically active population in Moldova is lower compared with other Eastern European countries, on account of massive migration. The lowest employment rate of the labor force in rural areas in Moldova have young people with low educational level.

The low rate of employment in the labor market in rural areas is significantly determined by low wages in agriculture compared to other economic sectors. Low wages and limited job influenced entrenched poverty in rural areas. In the 2001-2014 period, urban households have increased their actual threefold existence level, while the standards living of the rural population has remained constant.

Because of employment opportunities decrease in rural areas in Moldova, occurs a process of migration: the young people and those who graduate high schools from rural to urban, as outside the country. Every fifth Moldovan working abroad and every fourth migrant comes from rural areas. The situation is worse in rural areas – in 2011 nearly 200,000 people, about 25% of the rural population have left to work abroad. As a result of the migration, remittances play an increasingly important role in the incomes of rural households in Moldova. In the years 2004-2014 the share of remittances in disposable income of urban households was 12%, while for rural households this figure reached 21%. Besides remittances, incomes of those who work in rural areas depends largely workforce's self-employment, agriculture and pensions.

In this context can be highlighted the features of the social insurance relations system and agriculture. It is worth mentioning that in Moldova the social insurance system is quite complicated. First, the size of the insurance tariff is differentiated by categories of payers: employers, employees and persons operating on their own (individuals, landowners, people who have taken agricultural land on lease or use; individual entrepreneurs and founders of individual businesses, people who have signed individual insurance contract etc.).

Since 2005 a special category of payers of social contributions were highlighted employers in the sphere of agricultural production, transferring social insurance benefits to people who work under individual labor contract, other contracts on performance of works or services in the processing industrial agricultural production.

Secondly, for different categories of payers insurance contributions differ very much the tax base, which is paid to insurance contributions. Nowadays all employers and payers of individual social state contributions calculate and pay contributions, based on calculated salary amounts and other rewards.

In 2005 the basis for calculating contributions constituted:

- The total salaries and other payments made by insurers employed under individual employment contract or other contracts for the execution of works or services;
- Sum of degree/hectare;
- Amounts paid for entrepreneurial patent.

Simultaneously there were established fixed annual fees amounting 1374 lei (for those who work in agriculture – 1224 lei) annually for individual entrepreneurs and founders of individual enterprises and persons employed on contract basis, outside Moldova.

In 2005 it was approved a specific method for calculating contributions for workers in the agricultural sphere:

- Employer in the sphere of agriculture will provide persons employed by individual employment contract or other contracts, the execution of works or services to agricultural land processing of the animals, calculated contributions of 20% to the fund of labor remuneration and other rewards of these persons, and to ensure people employed in the industrial processing of agricultural production will calculate 27% of labor remuneration and other rewards;
- Individuals, landowners, that work Individual land, and persons by agreement took on lease or agricultural land utilization, will pay contributions, calculated on the basis tariff of 1.7 lei annually for a unit degree hectare of agricultural land.

Reforming the pension system in Moldova provided for the gradual transformation of the burden related to the payment of insurance contributions from the employer to employees. In 2004 it was assumed that the annual size of the employer's contribution will be reduced by 1%, while the size of individual contributions will increase by 1%. Indeed, if individual contribution in 2004 was 1%, in 2005 already – 2%, in 2006 – 3%, in 2007-2008 – 4%, and from 2009 to present – 6%.

So, if in the rates for employers and employees is clarity, then paying fees for other things are more complicated, especially referring to workers employed in agriculture sphere. Landowners, who had worked individually farmland and people who have leased or taken into farmland, paid insurance contributions depending on agricultural land and creditworthiness: in 2004 the rate was 17 lei per unit degree/hectare.

Individuals who have leased agricultural land, except for those who paid contributions under other tariff paid insurance contributions in the form of fixed fees. In 2005 system grade/hectare was maintained. Since 2006 this category of payers of insurance contributions was set a fixed fee in the amount of 480 lei per year, which gives the benefit of minimum pension and death grant. For 2007, the tax value increased up to 576 fixed lei and 2014 lei in 1428.

In 2012 individuals – landowners and people who have leased farmland that process ground individually in 2009 are not included in the list of compulsory insured, they have the possibility of ensuring voluntarily by signing contract individual social insurance.

Individuals owners or lessees of agricultural land and founders homestead (excluding family members) who process individually agricultural land, can be secured only by the conclusion of the National Social Insurance of the individual social insurance state will pay 1164 lei per year. The peasant farm is an individual enterprise, based on private farmland property and other property, the personal work (unpaid) members of a family (members of peasant farming), having production of agricultural products as a purpose their primary processing, commercialization preponderance of their agricultural production.

As a result, founders homestead, using other people's agricultural work than family members, had to pay 4704 lei per year for individual insurance. Collection services of local taxes within municipalities are required to ensure settle arrears of state social insurance contributions compulsory, to the default and fines for contributions at State social insurance budget charged to individuals owners or lessees of agricultural land processing individually land.

Social prices insurance contributions are differentiated for different categories of payers and their sizes are adopted annually by Parliament.

The evolution of social insurance tariffs contributions, including particularly applicable in the agricultural sector, highlights the difference between Social Security and the sector in general.

At the table's dates can be noted equally modification reverse of tariffs for individual contributions employer: the individuals increased by 1 percentage point in 2008 compared to 2007 in 2009 compared to 2008, maintaining the level of 6% in the period 2009-2014; those incurred by the employer constituted 25% in 2007, 24% in 2008 and 23% from 2009 until 2014.

Table 1

Obligatory state social prices insurance contribution

The categories of payers and insurers	Unit of measure	Years							
		2007	2008	2009	2010	2011	2012	2013	2014
The employer, physical or individual person, for employees	%	25	24	23	23	23	23	23	23
Agricultural employer to employees, including:	%	20	20	22	22	22	22	22	22
- Subsidies from the state budget;		4	4	6	6	6	6	6	6
- Paid by the employer		16	16	16	16	16	16	16	16
Employees (individual contribution) transferred from employer	%	4	5	6	6	6	6	6	6
Physical person, individual entrepreneurs	Lei	2318	2920	3708	4044	4368	4704	5220	5784
Physical person, owners or lessees of agricultural land	Lei	576	725	920	996	1080	1164	1296	1428

Source: State social insurance budget law for the years 2007-2014.

For employers of agriculture the rate for 2007 and 2008 was 20%, of which 16% paid by the employer and 4% subsidized by the state, and in 2009-2014 the rate of 22%, of which 16% paid by the employer and 6% subsidy from the state budget. For physical people, owners or lessee of agricultural land in the analyzed period the rate was expressed in fixed fee, which ranged from 576 lei in 2007 up to 1428 lei in 2014. For 2015 it was established the same agricultural tariffs, expressed in percentage size, and charges fixed size constitutes 6372 lei for physic people, individual entrepreneurs and 1584 lei for individuals owner or lessee of agricultural land.

The complicated system of insurance contributions causes a range of problems. Some are directly related to agriculture. A lower rate of insurance contributions, established for employees in the agricultural sector and the differential system of contributions for owners of agricultural land, in combination with the low level of their accumulation leads to a redistribution rather essential means in favor of the number of agricultural workers sector.

Thus, according to the Ministry of Labour, Family and Social Protection of the Republic of Moldova in 2005 employees in the agricultural sector contributed to the social security budget only 7.9% of total revenues, while they benefit by pension and compensation in the amount of 40% of the total. While the gap was reduced respectively.

Another important criterion is the number and size of pensions, as reflected in the following table.

Table 2

The number and average size of pensions for age limit by economic sector

Years	For limit age, non agricultural				For limit age, agricultural			
	Men		Women		Men		Women	
	Thousands person	Lei	Thousands person	Lei	Thousands person	Lei	Thousands person	Lei
2007	38.8	841.6	161.5	587.4	96.7	529.2	155.2	497.3
2008	62.8	845.4	170.6	690.3	69.5	636.3	152.3	579.1
2009	63.8	1029.2	178.2	826.9	66.6	759.4	149.3	690.8
2010	65.2	1087.9	185.4	860.6	64.2	785.2	145.7	716.3
2011	66.7	1110.3	199.0	951.3	64.4	828.4	143.0	764.8
2012	76.5	1153.3	203.6	1004.4	64.4	894.0	140.1	834.0
2013	81.4	1390.2	212.7	1062.7	64.5	938.4	127.3	880.7
2014	85.6	1479.8	222.8	1122.3	64.3	986.5	134.7	931.5

Source: National Statistics Bureau of the Republic of Moldova.

Of the table's dates is observed that during the analyzed period increases the number of pensions, for limit age, non agricultural, men category from 38 800 in 2007 to 85 600 people in 2014 and for women category from 161 500 to 222 800 people.

The number of agricultural pensions changes in reverse: men category is reduced at the time period from 96,700 to 64,300 and at the women category from 155 200 to 134 700.

The size of the agricultural pension is less than the agricultural throughout the analyzed period and both categories of person (men/women). It's recording increase of the size pension average for limit age for all analyzed categories: non agricultural pension for men with 638.2 lei and for women with 534,9 lei, but agricultural pension with 457.3 lei for men and 434.2 lei for women.

That situation cannot be maintained permanently, Moldovan policy on social insurance charges implies that the multiplicity of social insurance contributions may be reduced, however taking into account the specific of agricultural sector and the consideration balancing by the social insurance system.

Conclusions. Compulsory social state insurance allows to accumulate and fairly distribute the financial resources, ensuring social protection of workers and their families where appropriate social risks occur.

Analyzing the specific of agricultural sector and importance for national economy, the peculiarities of relations with the state social insurance system are highlighted. A price lower insurance contributions, established for employees in the agricultural sector and differentiated contribution system, for owners of agricultural land, in combination with their lower storage leads to the essential resources distribution for pensions in favor of the pensioners of the workers number of the agricultural sector.

Physical people or lessees of agricultural land that processing land individually – starting in 2009, based on individual contract signed with the National Social Insurance if they pay each year contribution of state social insurance in the amount provided acquire the right social benefits.

For employers in agriculture, regardless of the type of property and the legal form of organization, increase delay for non-payment of contributions deadlines for obligatory state social insurance calculated for the current year will apply with effect from November 1st of this year.

It is necessary the development and permanent reform, social insurance system taking into account the specific activity sectors (including agriculture); reviewing the mechanisms for implementing the law on the pension right, other social insurance rights and the special rights granted by law.

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