

DEMOGRAPHIC DEVELOPMENT AND PENSION REFORM

1. Introduction

Nowadays one of the most discusses in Slovak Republic is a system of pension reform. Contemporary pension system isn't stable and it is not able to assign to retiree people as high living standard as they need.

A running pension system go out from social — economy situation of last century and it is founded on retirement (pensions) financing. Population in productivity ages must conduct away a part of their finances (20 %) to Social insurance company which pays out this sum of money to retiree on the basis of fix criterions.

A running pension system at the beginning of 21st century:

- restricts people's freedom and responsibility for their life;
- makes conflicts between generations of people.

A running pension system is not stable because of:

- a public sector asks more, but it gives less;
- restrictions for people who don't pay, don't save system.

One of the most important components of not stable running pension system is unfavourable demographic development. When there is less people in productivity ages and more in post productive ages it will causes want of money for retiree.

2. Demographic development

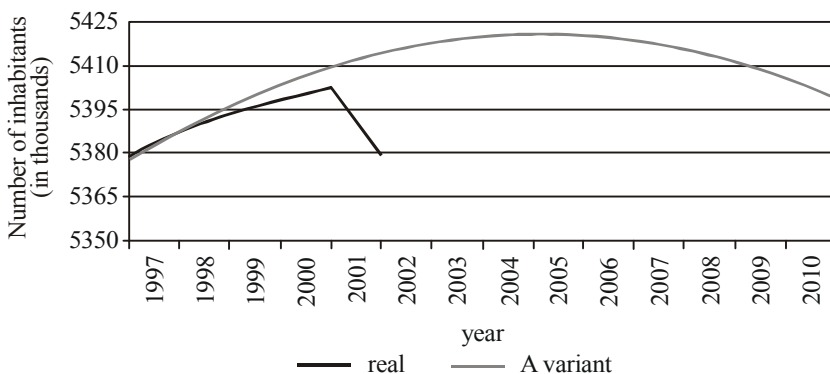
Prognosis say that development of inhabitant of SR will affect a labour market in 2010. Less people in productivity ages must finance pensions of more unproductive people. In SR about 1,2 million people are retiree and they get a pension. They receive yearly about 78 milliard SK. Seventeen working make a contribution for 10 retiree. We can suppose that 40 years later, a hundred working will make a contribution for 136 retiree.

Important characteristics of development of inhabitant in Slovak Republic during 1st part of 21st century will be reduction of rising inhabitant and people will get older. Demographic factors can be social, political, economical but also a cultural and more others.

New prognosis of development of inhabitant in SR are processed into three variation.

- low variant;
- medium variant;
- high variant.

Forecast development of the number of inhabitants in SR until 2010



Picture 1. INFOSTAT — výskumné demografické centrum

We look to have a better development of inhabitant in all of these 3 variations as a result of combination of all processes as fertility, mortality and migration.

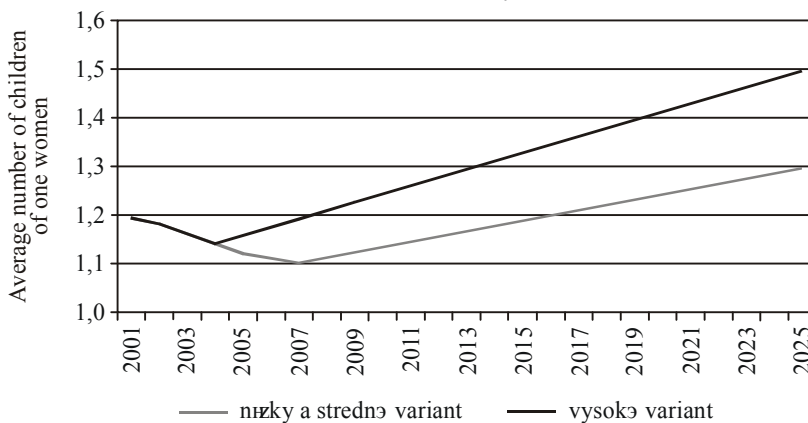
2.1 Fertility

Fertility influences development of inhabitant in advanced countries. Development of fertility is very important part of demographics prognosis.

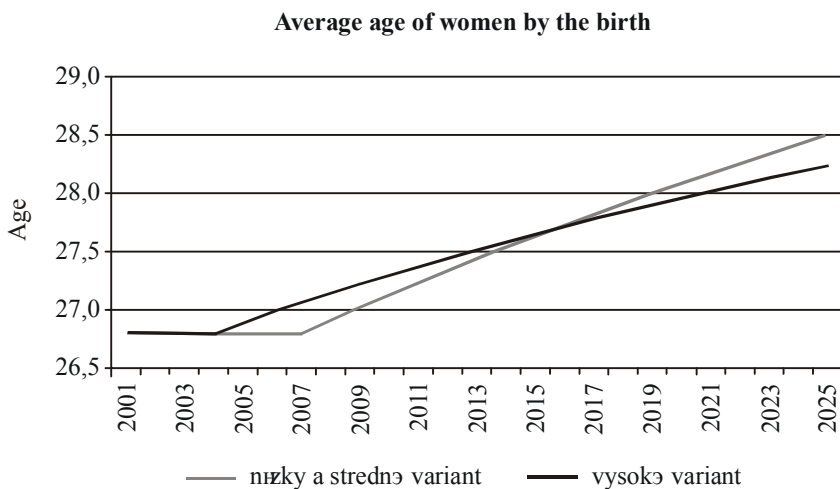
In low and medium variant we suppose in 2004 a stop of fertility decrease and in high variant about a year 2007.

The difference of these 3 variant is speed of growth into year 2050. In all of these variants we suppose increase of average ages of mothers after childbirth.

Total fertility



Picture 2. INFOSTAT — výskumné demografické centrum

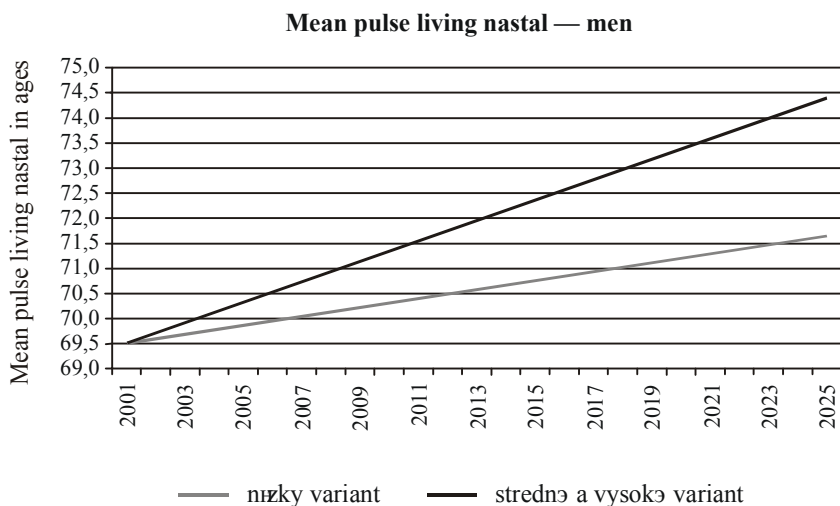


Picture 3. INFOSTAT — výskumné demografické centrum

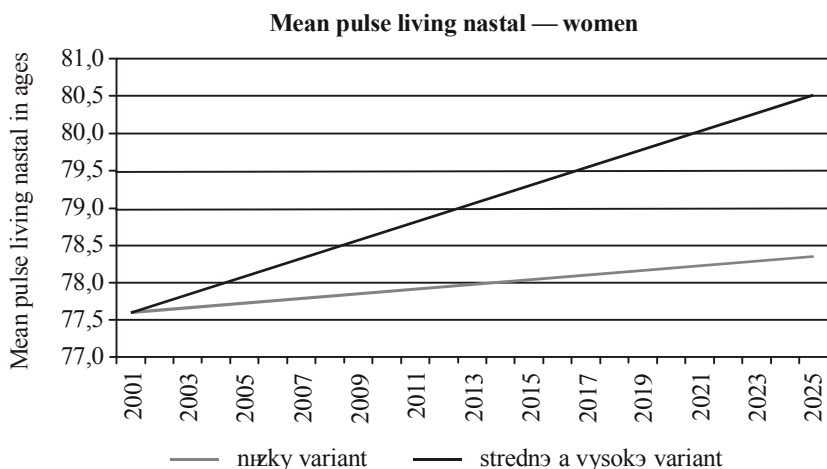
2.2 Mortality

We suppose that in 2nd part of 20th century in Slovakia was unfavourable development of mortality. A lot of people died there.

In all variants we order with decrease of mortality which will be cause by increasing a middle ages of people.



Picture 4. INFOSTAT — výskumné demografické centrum

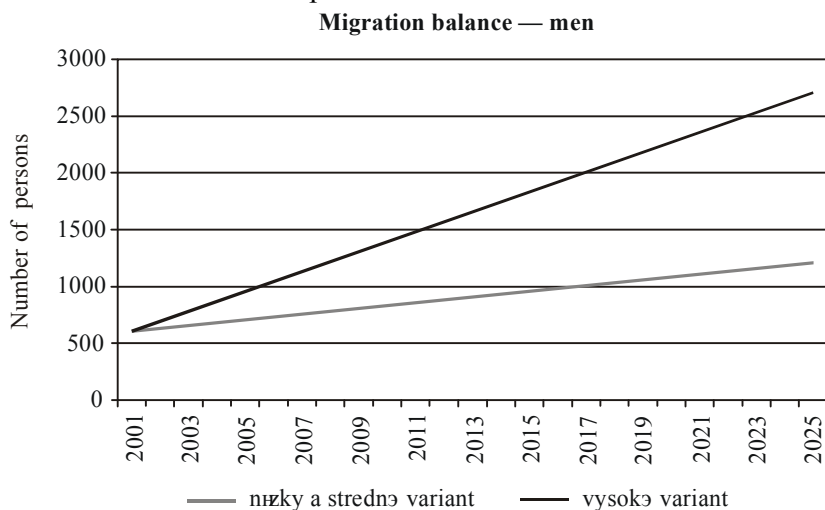


Picture 5. INFOSTAT — výskumné demografické centrum

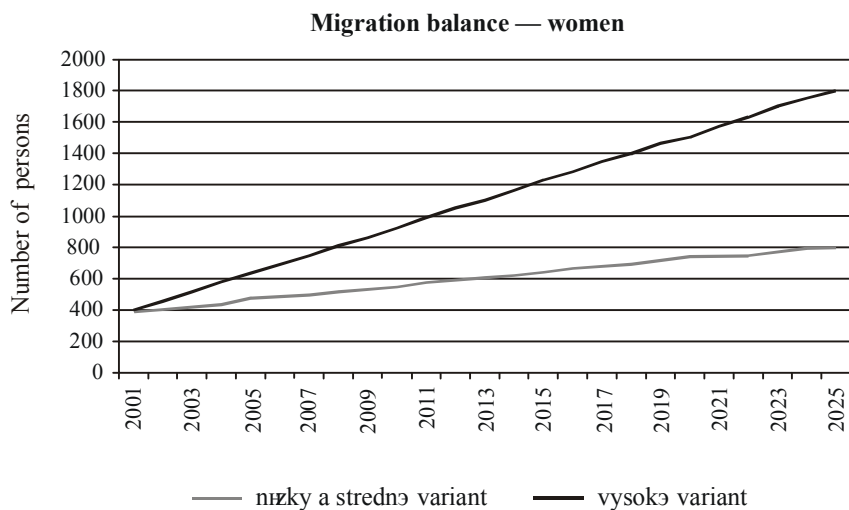
2.3 Migration

When we want to assess a migration we will find a lot of problems there. One of the most important problems is that migration is affected by undemographic factors.

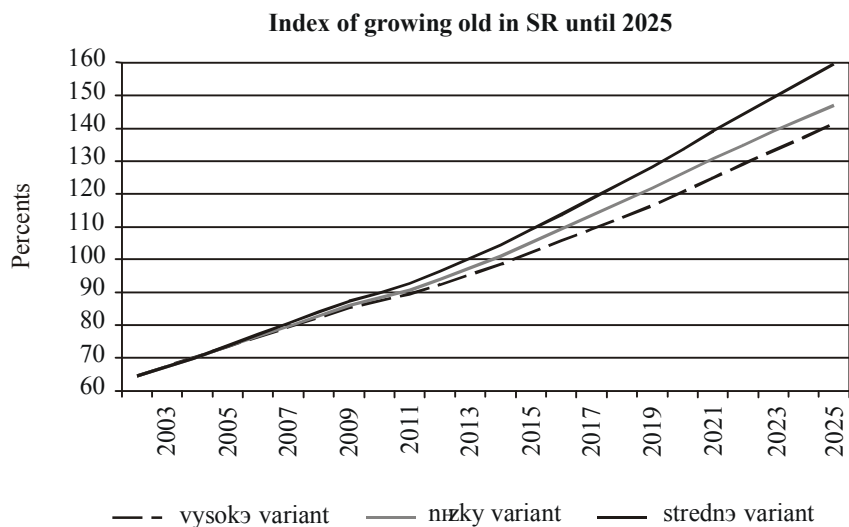
Development of migration in SR will be dependent on progress of integration processes in Europe and also will depend on migration situation in the world. One of the worldwide trends is migration which won't absent in Slovak Republic.



Picture 6. INFOSTAT — výskumné demografické centrum

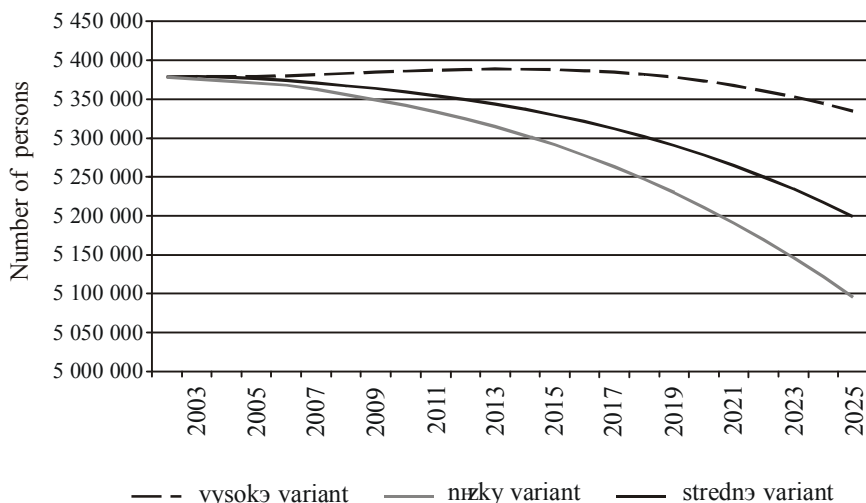


Picture 7. INFOSTAT — výskumné demografické centrum



Picture 8. INFOSTAT — výskumné demografické centrum

Number of inhabitants in SR until 2025



Picture 9. INFOSTAT — výskumné demografické centrum

Increment of inhabitant will probably period of time stagnate. We suppose that in 15 or 20 years it will start a period of permanental decrease of inhabitant. Nowadays we suppose that it will be a real decrease of inhabitant in Slovak Republic at bounds of 4 million people to the year 2100.

The process of getting older will be in the next decades speed up. This process is because of decreasing number of born child. We cannot stop this process.

Get older is one of the most important situation and we must do everything to assign a respectable and quality rest of the life.

3. Pension reform

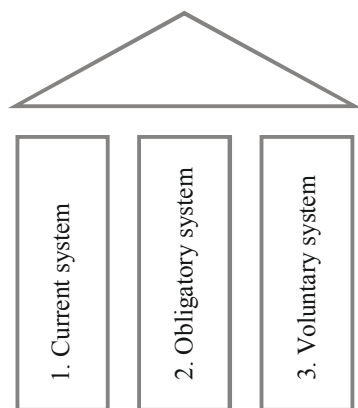
Nowadays every change in pension system is important. From January the 1st in SR will start function a new pension system. A part of levy (11 %) will still have a lead to Social insurance company and another part will go to private companies.

A new pension system have a few aims:

- increase of pensions
- stability
- maximal security

New pension system is processed into 3 column

- current system
- obligatory system
- voluntary system



Current system stand on rule of solidarity. It belongs into public sector which is managed by Social insurance company. The most important function is to help people who are not able to assign their pensions in minimal height.

Obligatory capital will belong to private sector which consists of Pension's corporations. State will supervise on a management of these pension's corporations by Authority for finance market. Citizens will save a part of their money. A part of their incomes will go on a special account that will still evaluate.

From 1st January 2005 can employer will send a part of money (9 %) on personal income account which belongs under Pension corporation. Specialists will these money invest and evaluate them.

Voluntary capital: A function of this column is to assign to citizens enough finances after their departure to pension. This column also consists of pension insurance scheme, old — age pension scheme, life insurance and some of special types of savings.

From 1st January 2005 there will be a new possibilities for Slovak citizens. They can stay by first column or they can take advantages of a new combined system. Combined system depends on number of years which consist to go to retirement. Pensioners have to use this system for the first time from January the 1st 2005.

Bibliography

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5. Chlon, A., Góra, M., Lubyová, M.: Pension reform in the Slovak Republic (Bratislava, 2000)