

The social insurance of Professional, Craftsmen and Merchants: Insurance Organization of Self-Employed (OAEΕ) 2014

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WHAT IS GOING ON TODAY;

- ✘ The basic impetus underlying the Social Insurance System is now called into question
- ✘ In the case of the Insurance Organization of Self-Employed (henceforth OAEE), along with the low-level pension benefits, pensioners do not have at their disposal additional sources of revenue
- ✘ Major social risks are not covered adequately, thus the bulk of insured persons are vulnerable to risks such as old-age poverty, sickness and unemployment

WHAT IS THE CURRENT SITUATION IN OAEE ?

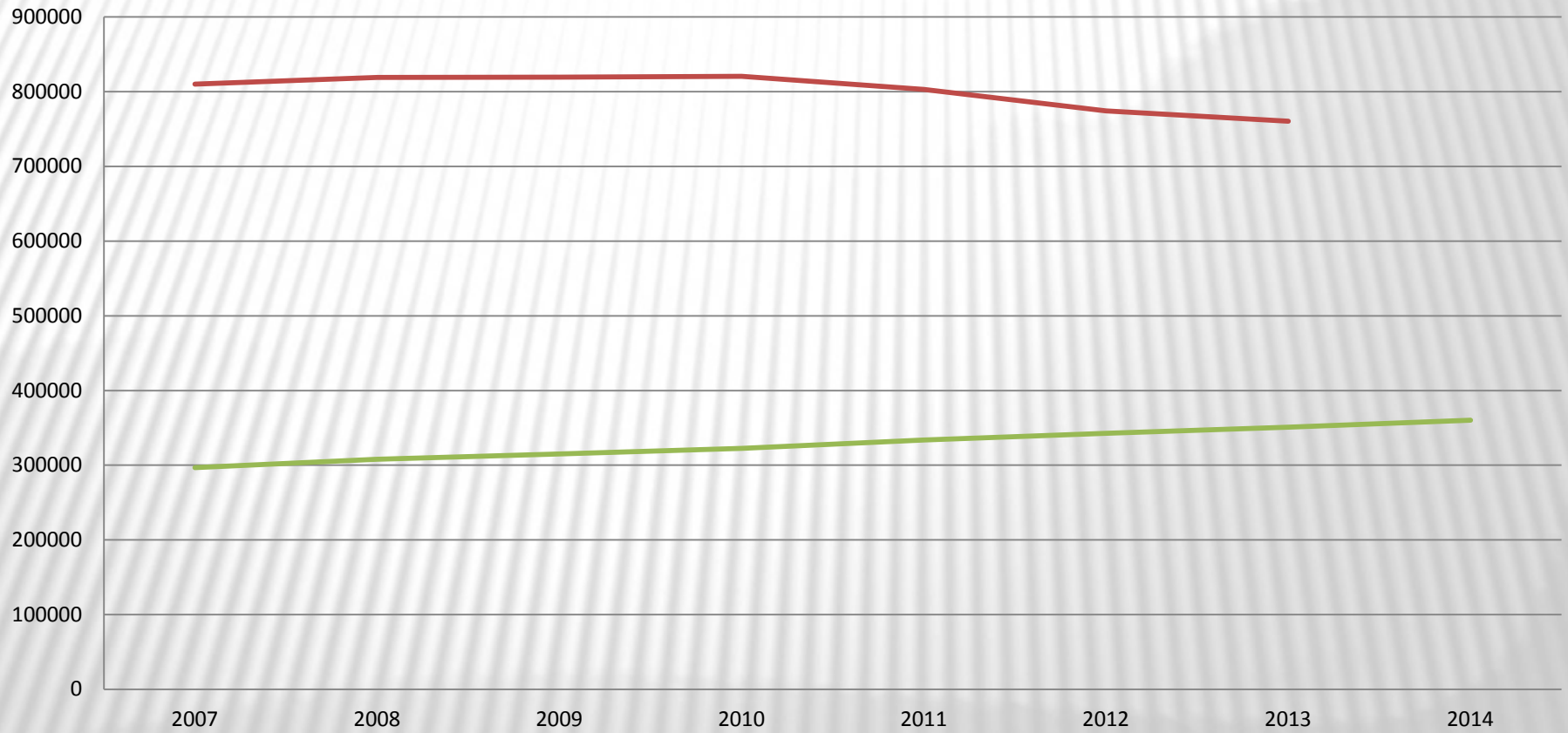
- ✘ The number of insured persons in OAEE declines, while simultaneously the number of pensioners is constantly rising.
- ✘ The dependency ratio, i.e. the ratio of the insured working population to pensioners is on the decline. From 1:2,7 in 2007 to 1: 2,1 in 2013.

TABLE 1

Years	Number of insured persons	Number of Pensioners	Dependency Ratio
2007	810.215	296.625	2,73
2008	819.115	308.157	2,65
2009	819.423	315.122	2,6
2010	820.778	322.358	2,54
2011	802.915	333.829	2,4
2012	774.435	342.606	2,26
2013	760.570	351.001	2,16
2014	~740.000	360.168	2,05

FIGURE 1

Ratio insured persons/ pensioners



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- ✘ Both graph lines converge, since the ratio from 2.7 insured persons to 1 pensioner in 2007 has fallen to 2.1 to 1 in 2013.
 - ✘ In reality this ratio is much worse because the number of insured persons includes all those registered with OAEE and does not distinct amongst those actually contributing to the organization.
 - ✘ It is noteworthy that in 2013, 379.844 out of 760.570 insured persons owe OAEE 5,9 billion € in contributions.

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- ✘ Accordingly, in 2011 only 458.179 out of 802.915 registered insured persons contributed regularly in OAEE. It should be noted here that in the first year of OAEE's operation (2007), standard contribution evasion rate amongst the insured persons scored around 15%.
 - ✘ These developments are illustrated in detail in the table below:

TABLE 2

Year	Number of Insured Persons	% Insurance evasion (IME GSEVEE estimates)	Number of insured with regular contributions
2007	810.215	15%	688.682
2008	819.115	18%	671.674
2009	819.423	21%	647.344
2010	820.778	34%	541.713
2011	802.915	43%	458.178
2012	774.435	44%	433.683
2013	760.570	50%	380.726

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- ✘ The actual dependency ratio, i.e. the ratio of those insured persons paying regularly their contributions to pensioners, approximates a 1:1 relation.
 - ✘ No social insurance system is sustainable under this ratio, neither on cash nor on actuarial basis.

TABLE 3

Years	Number of insured with regular contributions	Number of pensioners	Dependency ratio
2007	688.682	296.625	2,3
2008	671.674	308.157	2,17
2009	647.344	315.122	2,05
2010	541.713	322.358	1,6
2011	458.178	333.829	1,37
2012	433.683	342.606	1,26
2013	380.726	351.001	1,08

REVENUE DEVELOPMENT

- ✘ OAEE's principal problem has to do with the longstanding decline in the revenue received from insurance contributions.
- ✘ If we combine the number of insured persons with the level of contributions actually paid during the last five years (2009-2013), as it is documented in OAEE's outturn accounts, then the situation is the following:

TABLE 4

Years	Regular insurance contribution	Average contribution per insured person
2009	1.674.147.822	2.043,08 €
2010	1.686.661.088	2.054,95 €
2011	1.529.117.467	1.904,46 €
2012	1.281.406.192	1.654,63 €
2013	1.221.000.000	1.605,37 €

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- ✘ In the last five years insurance contributions have been reduced by **450.000.000 €** due to a steep decline in the number of insured persons (50.000 less compared to 2007-2013 period) and due to an increase in the number of those unable to pay their contributions (**308.000** more compared to 2007-2013 period).
 - ✘ All the above point to a bleak future, given the Government's plans to ensure the sustainability of social insurance funds by relying solely to the latter's financial capacities.

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- ✘ A trend similar to that of social insurance contributions can be observed in other sources of OAAE revenue as well, since the bulk of the Organisation's assets suffered a haircut in the context of the Greek debt write-down that took place in 2012.

TABLE 5

Years	Regular Social Insurance Contributions	State obligations for insured persons after 1993	Assets revenue	Total revenues excluding state funding
2009	1.674.147.822	283.623.842	10.508.717	1.968.280.381
2010	1.686.661.088	298.494.000	9.782.966	1.994.938.054
2011	1.529.117.467	275.022.300	8.185.206	1.812.324.973
2012	1.281.406.192	235.600.000	4.785.247	1.521.791.439
2013	1.221.000.000	320.000.000	8.801.000	1.549.801.000

EXPENSES

- ✘ Shortages in revenues are coupled with a steep rise in the number of pensioners, which in turn nurtures pension expenditures.

TABLE 6

Years	Old-age pensions (€)	Survivor Pensions (€)	Invalidity Pensions (€)	Total pension expenditure (€)
2009	1.692.328.470	550.415.596	265.616.352	2.508.360.418
2010	1.822.697.252	570.759.911	275.079.979	2.668.537.142
2011	1.992.953.843	591.505.890	288.948.416	2.873.408.149
2012	2.205.173.565	604.416.493	274.004.136	3.083.594.194
2013	2.322.000.000	613.500.000	282.250.000	3.217.750.000

TABLE 7: PENSION EXPENDITURE INCLUDING STATE FUNDING

Years	Average pension per pensioner	Average pension per month
2009	7.959,97 €	663,33 €
2010	8.278,18 €	689,85 €
2011	8.607,43 €	717,29 €
2012	9.000,41 €	750,03 €
2013	9.167,35 €	763,95 €

Despite measures aiming at an increase of OAEE's pension benefits, the latter remain still low (763,95€ per month)

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- ✘ In the unlikely event of a termination of state funding, where OAEE will be called upon to cover its own expenses solely via its own revenues, then the previous table will be modified as follows:

TABLE 8

Pension expenditure excluding state funding

Years	Average pension expenditure potential per pensioner	Average pension expenditure potential per month
2009	6.246,09 €	520,51 €
2010	6.188,58 €	515,71 €
2011	5.428,90 €	452,41 €
2012	4.441,81 €	370,15 €
2013	4.415,37 €	367,95 €

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- ✘ It is evident that the aggravation of OAEE's financial position from 2009 onwards would bear a severe impact on the Organization's pension expenditures.
 - ✘ Therefore, it is not accidental that in 2013, the average pension expenditure potential per Month, if financed solely by OAEE's revenues approximates the amount of 367,95€.
 - ✘ The above exceeds only by 7,95 € the national minimum pension of 360€ sanctioned by 3863/2010 Law.

ALTERNATIVES AND IMPLICATIONS

- ✘ Ministry of Labor and Social Security's view on the issue of OAEE sustainability endorses an economy drive in the so called "generous" pensions of OAEE, targeting mainly those pensioners coming from TEBE.
- ✘ The problem in this rationale is that within OAEE there is no such thing as a "generous" pension.
- ✘ The average pension in OAEE is 763,95€.
- ✘ Thus, a further cut in this pension level is unacceptable in social and humanitarian terms.

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- ✘ Therefore, one has to focus on consolidating the revenues in order to overhaul the problem.
 - ✘ At this point we will present two alternative scenarios based on GSEVEE's proposals for a sound solution to this complex issue. These proposals suggest that a free option of insurance class on the part of the insured persons would mitigate the problem.

1) FREE OPTION OF CLASS WITH A CONSEQUENT MOVEMENT OF ALL INSURED PERSONS IN THE INSURANCE CLASS ~200€

- ✘ The result would be the product of the number of insured persons and the yearly contribution of 2.400€ (i.e. average contribution per month ~ 200€).
- ✘ Two points are worth mentioning in this estimation. First, not all those in arrears will participate in this option. Second, not all insured persons will opt for the lowest insurance class. Particularly the insured persons closer to old-age retirement are expected to opt for higher classes in order for their lifelong investment to pay out.

TABLE 9 – 1ST SCENARIO

Years	Actual social insurance contributions (1)	Contributions in the case of movement of all insured persons in the insurance class ~200€ (2)	(2)-(1)
2009	1.674.147.822	1.966.615.200,00 €	292.467.378,00 €
2010	1.686.661.088	1.969.867.200,00 €	283.206.112,00 €
2011	1.529.117.467	1.926.996.000,00 €	397.878.533,00 €
2012	1.281.406.192	1.858.644.000,00 €	577.237.808,00 €
2013	1.221.000.000	1.825.368.000,00 €	604.368.000,00 €

This scenario would generate an additional 600 mil. € revenue for OAKE

2) FREE OPTION OF CLASS WITH A PRESERVATION OF A 15% CONTRIBUTION EVASION

- ✘ 15% was the normal percentage of contribution evasion during the pre-crisis period.
- ✘ Even in this bleak scenario where 15% of the OAEE's insured persons would be out of the organization's fiscal cycle, the situation would be better compared to the current one. According to the data available in the outturn accounts of 2013, in this second scenario there would be an additional 330 million € on top of the current contributions collected in 2013.

TABLE 10 – 2ND SCENARIO

Years	Actual Social Insurance Contributions	Number of insured persons paying regularly their contributions (insured persons in arrears 15%)	Movement of 85% of insured persons in the insurance class ~ 200€
2009	1.674.147.822	696.510	1.671.622.920,00 €
2010	1.686.661.088	697.661	1.674.387.120,00 €
2011	1.529.117.467	682.478	1.637.946.600,00 €
2012	1.281.406.192	658.270	1.579.847.400,00 €
2013	1.221.000.000	646.485	1.551.562.800,00 €

This scenario would contribute an additional 330 on top of the contributions collected in 2013 by OAEE