

# Popular Attitudes Towards Reforms in the Pension System

**INSTITUTE OF SOCIAL STUDIES AND ANALYSIS**

December 2017

- The respondents are rather critical of the current pension system, inasmuch as they understand it: only 14% believed themselves to be informed. Half of all respondents referred to themselves as not informed.
- More than half of respondents had no information on the other proposed projects in the reform of the pension system made by the Ministry of Economy and the Trade Union Confederation of Georgia. About 13% of respondents assumed that they are more or less informed, while 30% said they were a little.
- A majority of those who are not against the accrual pension fund (88%) is relatively positive toward a proposed contribution of 2% from their wages: about 70% agreed.

<b>Content</b>	<b>Survey Methodology</b> .....	<b>3</b>
	<b>Key Findings</b> .....	<b>6</b>
	<b>A. Public Awareness and Attitude Towards the Current Basic Pension System</b> ..	<b>9</b>
	A.1 Awareness of the of pensions and of the retirement age; self-estimation on awareness .....	9
	A.2 Attitude Towards the Current Pension System .....	9
	<b>B. Reform of the Pension System</b> .....	<b>11</b>
	B1. Awareness of the Drafts of Pension System Reform .....	11
	B2. Changes to the Current Pension System .....	12
	B3. Attitude to the Accrual Pension Fund (savings) .....	13
	B4. Attitude towards the solidarity fund .....	18
	B5. Attitude to Alternative Mechanisms to the Provisionment of Pensions. . .	18
	B5.1. Pension Fund Management .....	18
	B5.2. Solidarity Pension Fund. ....	20
	B5.3. Participation in the Accrual Pension Scheme and Use of Savings . . .	22
	B5.4. Transfer of Savings (pension fund) .....	23
	B5.5. Filling the Pension Fund .....	23
	B6. Changes of Retirement Age within the Environment of Pension Fund . . . .	26

## Survey Methodology

This survey aims to study the attitude of the population of Georgia to the drafting of a reform of the pension system, and further identifying compliance with the new pension system with the socio-political, value-based and state oriented positions of citizens.

Given the aim of the survey, a quantitative study has been conducted pursuing the following objectives:

- Investigate the attitude of the Georgian population toward key parameters of a new pension system (the introduction of an accrual pension scheme, participation in the scheme, scheme management, the use of accrued pension, the establishment of the solidarity fund, etc.).
- An assessment of the draft pension reform, through different social-demographic characteristics (age, income, employment status) within the target groups.

- Thirdly, the respondents were identified within their families through the random selection (namely, through the Kish Grid)

One detail deserves special attention: among the respondents, we have also selected people who declared no previous knowledge of the pension reform projects. With such respondents, the interview was conducted as such: the interviewer explained to the respondent, in clear and easily understood language, the essence of each change to the pension system, and the respondent developed his/her position in ad-hoc regime.

Charts 1 and 2 show the distribution of samples by Tbilisi and regions, also by specific social-demographic characteristics:

## Objects of Survey and Sampling

The final sample decided upon for the purposes of this survey included 1,000 respondents. This sample was sufficient to receive a representative data sample for the following target groups:

### The Population of Georgia

- Age groups (18-34; 35-54; 55 and over)
- Subgroups, in accordance with their employment status
- Subgroups, in accordance with their income status

Three-step cluster sampling was used:

- Firstly, the electoral districts were selected. In the case of Tbilisi, the first step included all electoral districts, and in the case of regions a random sampling was used (see Chart 1, Chart 2);
- Secondly, the electoral precincts were selected through the random sampling;

Chart 1

	Interview Subjects	Error, a reliability of 95%
<b>Geographical division</b>		
Tbilisi	500	4.4%
Regions	500	4.4%
<b>Employment status</b>		
Employed in the public or private sector	276	
Self-employed (agriculture, individual entrepreneur)	70	
Employed in the informal sector	29	
Unemployed	188	
People outside of the workforce	437	
<b>Age</b>		
18-24	125	
25-34	189	
35-44	169	
45-54	179	
55-64	156	
65+	181	
<b>Economic status (by monthly personal income)</b>		
Poor/below the minimum subsistence level (up to 180 GEL/per month)	125	
Average (180 – 950 GEL per month)	189	
Above Average (more than 950 GEL per month)	169	
No answer	31	
No source of income	9	
Difficult to answer/refused to answer	127	
<b>Total</b>	<b>1000</b>	<b>3.1%</b>

Chart 2

Regions	Proportional Distribution	Done	Number of sample points
Adjara/Guria	82	61	6
Imereti/Racha Lechkhumi and Kvemo Svaneti	121	21	2
Kakheti	63	100	10
Samegrelo/Zemo Svaneti	71	64	6
Samtskhe-Javakheti	31	18	2
Kvemo Kartli	75	20	2
Shida Kartli/Mtskheta-Mtianeti	58	72	7
Adjara/Guria	82	30	3
Imereti/Racha Lechkhumi and Kvemo Svaneti	121	75	8
Kakheti	63	40	4
<b>Total in Regions</b>	<b>500</b>	<b>500</b>	<b>50</b>

### Survey Tools

A structured questionnaire was used for the survey, comprising of the following closed and semi-closed questions.

The questionnaire covered the following issues and topics:

- Awareness of the amount of the pension and pension ages;
- Self-assessment of awareness of the current pension system;
- Attitude to the pension system;
- Awareness regarding the drafts of the reform to the pension system;
- Changes in the current pensions system;
- Attitude to the accrual pension fund;
- Attitude to the solidarity fund;
- Attitude to the alternatives to the pension provision system;
- Age changes within the condition of the pension fund;
- Others

After selecting for the survey tool, it was piloted out. According to the results of the pilot test, the extant inaccuracies from the questionnaire were removed.

The final version of the questionnaire was uploaded to tablet computers, which utilized ODK Software.

## Field Works

During the preparatory stage, we clarified sample points by forming their exact definitions, and selected interviewers and supervisors, who observed the process of the field work. At the field work preparatory stage, the ISSA analytical group and the field coordinator organized the working meeting with the interviewers and supervisors. In the course of that meeting, they discussed the aims of the survey and the issues related to the sampling, the content of the questionnaire and its specificities. The field coordinator helped explain to the interviewers their new work.

Data was collected through the face-to-face interviews, using tablet computers. The interview was conducted at the houses and residential apartment buildings. The fieldwork lasted 2 weeks. In parallel with the fieldwork, a field controls was also conducted. About 10% of the total number of interviews were in the field control.

## Data processing and analyzing

The resulting data was processed on the basis of the social sciences statistical software (SPSS). First of all, the data was cleared, and suspended, and then it was processed using single-version and bi-variant methods, like one-dimensional frequency distribution, key trend measurement, correlation analysis, scatter point diagram and others.

Having analyzed the data, the final analytical report was elaborated.

## Key Findings

### Population Awareness and attitude towards the Current Basic Pension System

In general, the respondents are rather critical of the current pension system, inasmuch as they understand it: only 14% believed themselves to be informed. Half of all respondents referred to themselves as not informed.

The vast majority of respondents (86%) believed that the current basic pension (180 GEL) is not sufficient at all to secure the minimum level of subsistence. The respondents had almost the same attitude regarding the pension received by people with different type of disabilities.

The majority of respondents (75%) do not agree with the current age of retirement: 70% of respondents refer to 55 for women and 72.2% refer to 60 for men as the desirable retirement age.

An effective majority of respondents (67%) provides a negative when asked the following question: Should the size of a standard pension be the same for every citizen?

Most respondents (72,3%) agree with the proposition that public servants should get a basic pension in relation with their salaries.

The majority of respondents believe that: A) the basic pension should be changed in accordance with inflation (that is 2-4% over the recent years); and b) the basic pension should change in accordance to the increase of the average wage (that is 6-10% over the recent years).

### Pension System Reform

More than half of respondents had no information on the other proposed projects in the reform of the pension system made by the Ministry of Economy and the Trade Union Confederation of Georgia. About 13% of respondents assumed that they are more or less informed, while 30% said they were a little.

The majority of respondents (54.2%) found it necessary to conduct substantial changes in the pensions system, while a considerable part (41.1%) supported only the idea of "certain changes".

The respondents referred to the following as reasons necessitating changes to the pension system:

- The existing pension system fails to secure even the minimum subsistence level of Georgian citizens (31%)
- Almost the same share (31%) referenced the following:
  - a) It is necessary to change the principles for determining the size of a of pension;
  - b) It is necessary to change the determining principles for the retirement age;
  - c) The pension fund is not properly distributed among the different categories of pensioners.

Generally, the respondents showed positive attitudes towards reformist ideas regarding the accrual system, together with the standard pension financed from the state budget. They also endorsed the idea of an accrual pension fund, which would enable the citizens to save their own money for their pensions (fully agree – 38.4%, more agree – 23.7%, disagree – 1/5 of respondents/among them 12,1% is categorically against).

Support for the accrual pension system is less prevalent among older respondents. The proposition of accrual pension funds is mostly supported by people engaged in the private sector, and by the unemployed, and is less popular among people outside of the labour force.

A majority of those who are not against the accrual pension fund (88%) is relatively positive toward a proposed contribution of 2% from their wages: about 70% agreed.

People 65 years old and over (in comparison with the other age groups) are less enthusiastic for this principle for determining the contributions to the pension fund.

A majority (64,4%) of interviewed respondents who are not categorically against the existence of the accrual pension fund (88%) are likely to support voluntary participation in the accrual pension scheme, and providing people with the choice of taking care of themselves as far as the provision of their additional pension. About one fourth of respondents support mandatory participation in the accrual pension scheme. This adjusted version, which would require mandatory participation in the accrual pension scheme for workers under 40 and voluntary participation over 40, is only supported by a small number of respondents (9,2%).

An effective majority (71.1%) of persons employed in the informal sector (i.e. those who have income, but do not pay taxes) shall have the right to participate in the accrual pension scheme.

The enthusiasm of respondents to making contributions to the accrual pensions fund is rather high, regardless of their employment status (employed or unemployed). The majority of respondents of both categories (40-45%) stated that they "would definitely pay" from their wages, and an additional 30% stated they would do this enthusiastically. The percentage of respondents who responded negatively was around 20-25%.

Respondents 65 and older were less enthusiastic about the accrual pension scheme, in comparison with respondents below the age of 35.

When asked about their reasons for non-participation or low enthusiasm for the accrual pension scheme, respondents referred to their lack of trust, since they were skeptical that the contributions would be spent toward the provisioning of pensions. They also referred to the other reasons, like:

A) The provisioning of the pension system must be a burden of the state without the effective participation of citizens; and B) They favour personal savings.

The respondents are rather positive toward the so called "Solidarity Fund", which would serve as a provisioner of pension contributions to the benefit of those who are temporarily incapable (for 6 months, say), the temporarily unemployed (6 months), or additional contribution for persons enjoying the maternity leave. About 38% of respondents agree on the establishment of such a fund, and an additional 28% answered "More yes, than no".

From the alternative proposed mechanisms in the pension system, respondents support the following principles:

- Positions should be divided regarding the management of the pension fund: A) A plurality of respondents (about 43%) believe that the pension fund should be managed by the state structures, although under the supervision of the international experts; B) A minority (about 39%) believe that the pension fund should be supervised by representatives of employers and trade unions.
- A majority of respondents (58%) agree that the pension contributions should not be terminated for people of certain categories (temporary incapable, temporary unemployed or persons on maternity leave), and that after reaching retirement age, they have to receive both a pension financed from the budget and a full accrual pension.
- About 80% of respondents believe that if citizens live longer than the average life expectancy and their savings are exhausted, they should receive support from the common pension fund at the same amount as from an accrual pension until their death.
- An effective majority (72%) thinks that participation in the accrual pension system should be unlimited, and that citizens should have the right to participate in it, regardless of age.
- Respondents have different approaches regarding the use of accrued pension before achieving the age of retirement: a slight majority (about 52%) believe that a citizen should be able (upon his/her will) to receive a pension from the accrual scheme 5-year prior to reaching the retirement age, while another part (40.1%) states that a citizen should be entitled to receive from the accrual pension before the identified term if he/she will have lost his/her working capacity.
- Half of all respondents (51.5%) supports the proposition that citizens making voluntary contributions to the pension fund (above the mandatory 2%) should be able to withdraw the accrued sum at any time and in any amount, before his/her fund is exhausted. On the other hand, about 1/3 believe that only those citizens who leave the country permanently should be entitled to withdraw the additional sum.
- The vast majority (80%) supports the following approach: in the eventuality that a person dies before their savings are exhausted, the money accrued in the pension fund should be fully transferred to their heir or heirs.
- A majority of respondents (58%) support the proposition that all three stakeholders (employee, the state and employer) should start making contributions from the very first day of the implementation and operation of the new pension system.

An effective majority of respondents (72.1%) are categorically against the age of retirement, that would enable the state to use saved budgetary funds, as well as the funds accrued by the citizens, for economic development.

On the other hand, an effective majority (73.3%) agrees with the proposition that a 5-year preterm retirement should be allowed for employees engaged in laborious and hazardous professions, further stipulating that such people would be provided with both accrued and standard pensions.



A. Public Awareness and Attitude Towards the Current Basic Pension System

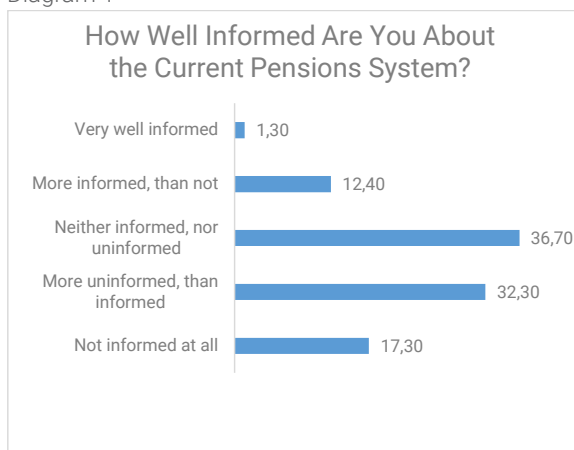
A1. Awareness of the of pensions and of the retirement age; self-estimation on awareness.

The vast majority of respondents (82%) know the size of the basic pension, which is 180 GEL/per month. 7.5% said that they did not know, and 11% provided an incorrect number (mostly 150 or 160 GEL). As regards to the retirement age, the absolute majority of respondents (90-91%) provided the correct answer for both the male (65) and female (60) retirement age. Some 5-7% failed to identify the retirement age for both, and about 3-5% gave the wrong age.

The awareness of respondents differs radically when it comes to the size of pensions for people with first and second category of disabilities: an effective majority has no knowledge with regard to either one (72,1% and 70,1%, respectively). The correct answer with regard to first category disabilities was provided by about 18% of respondents, and with regard to the the second category of disabilities – about 26%.

Generally, respondents were rather critical of their level of awareness of the pensions system: only 14% think that they have knowledge of the system, (among them only 1,3% - “very well informed”). As a matter of fact, nearly half of interviewees (49,5%) believed themselves badly or barely informed.

Diagram 1

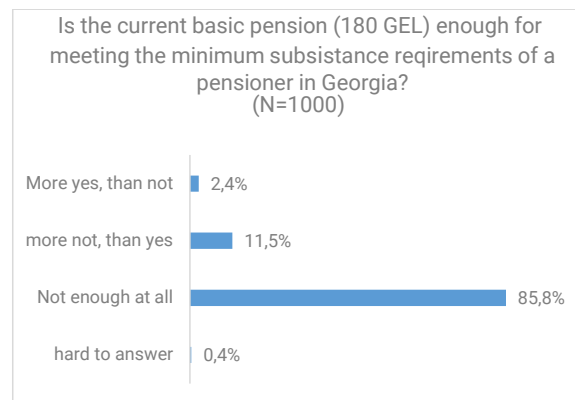


A2. Attitude Towards the Current Pension System

This survey showed that the vast majority of respondents had clearly negative attitudes toward certain elements of the current pension system.

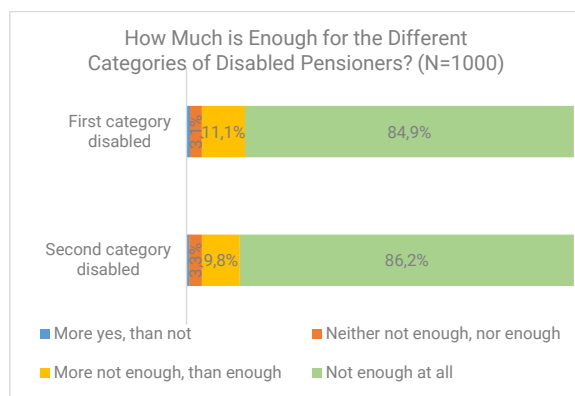
Namely, 86% believe that the size of the basic pension under the current system (that is, 180 GEL) is not enough at all, even to reach the minimum subsistence requirements of retired people. No one supported the answer “quite enough” in regards to the current pension.

Diagram 2



Respondents have almost the same attitude when asked about current pensions for people in the different categories of disabilities. Also, in this case the majority of respondents are hostile to the size of the pension; none of them referred to the answer: “quite enough”, and the number of respondents who gave the answer “more yes, than no” hardly reaches 1%.

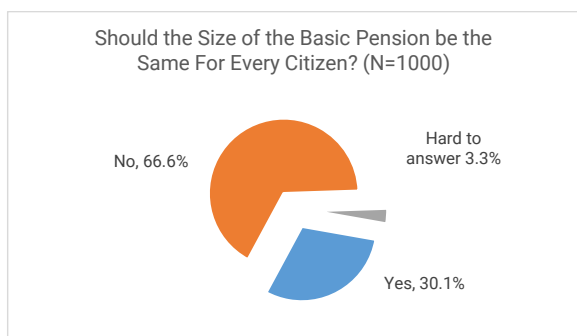
Diagram 3



An effective majority of respondents (75%) are not satisfied with the current age of retirement (for women – 60, for men - 65).

Respondents also expressed attitudes towards some of the specificities of the basic pension, and also about the margin of the retirement age for male and female retirees. When asked the question “Should the size of the basic pension be the same for every citizen,” the effective majority (67%) provided a negative answer, and 30.1% agreed.

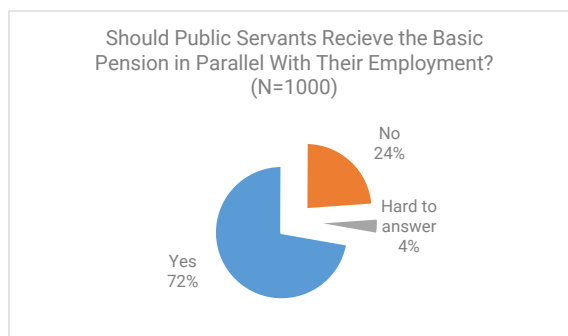
Diagram 4



With regard to the question of a desirable age limit, most of the respondents supported the idea of reducing the retirement age threshold by 5 years for both men and women. About 70% referred to 55 for women and 72.2% stated 60 for men. One fifth of respondents even referred to a lower age, about 50 for women and about 55 for men.

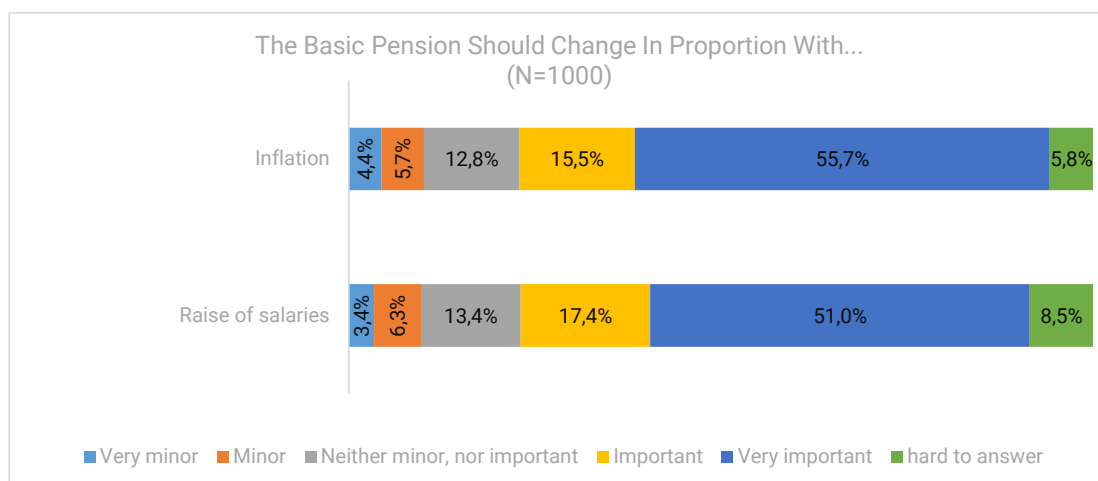
An effective majority of respondents (72,3%) from the whole sampling agreed that employees from the public sector should also receive the basic pension, in parallel with their public service wages. One fourth of respondents are against this proposition.

Diagram 5



The majority found the following important: A) The basic pension is to be changed in proportion with inflation (that has been around 2-4% in recent years); and B) The basic pension is to be changed in proportion to changes in the the average wage (about 6-10% in the recent years).

Diagram 6



Note: On the 5–score scale of importance, the scores 4 and 5 refer to the high importance.

1.The desirable age limits identified by the respondents, which do not correspond with the current limits ( 746 respondents gave this answer).

The importance of modifying the basic pension is also identified through measurement of the central trends (Mean, Median, and Mode): mean in both cases is about 4.2 (on the 5-score scale), the mode is 5, as is the median (i.e. half of respondents attached 5 score to the mentioned principles).

Chart 3

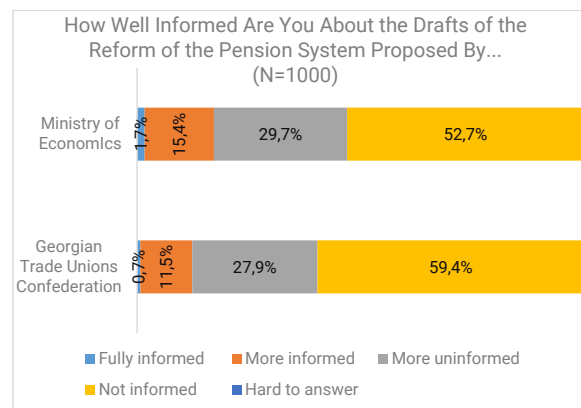
	N		Mean	Median	Mode	Std. Deviation	Min.	Max.
	Valid	Missing						
The basic pension should be changed in proportion with inflation	941	58	4.19	5.00	5	1.163	1	5
The basic pension should be changed in proportion with increase in the average wage	915	85	4.16	5.00	5	1.137	1	5

## B. Reform of the Pension System

### B1. Awareness of the drafts of the pension system reform

The survey showed that more than half of respondents had no information regarding alternative drafts of the pension system reform elaborated by the Ministry of Economy and the Georgian Trade Union Confederation (GTUC). Some 13% declared themselves more or less informed, while about 30% called themselves a bit informed.

Diagram 7



The respondents' level of understanding regarding alternatives for pension system reform is well demonstrated through the measurement of central trends (Mean, Median, Mode):

the most frequent answer (Mode) – “not informed”, and the median of division of respondents is a score 4, that is the code for “not informed”.

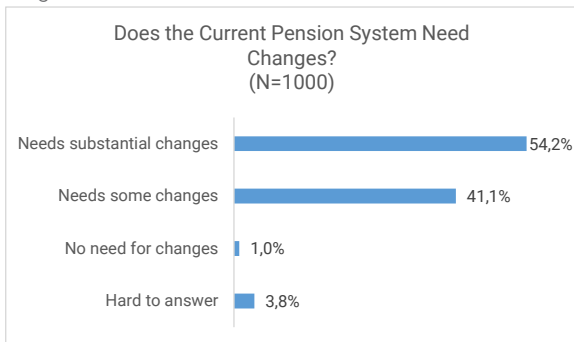
Chart 4

	N		Mean	Median	Mode	Std. Deviation	Min.	Max.
	Valid	Missing						
1. How well informed are you regarding the draft on Pension System Reform put forth by the Ministry of Economy?	994	5	3.34	4.00	4	.798	1	4
2. How well informed are you regarding the draft on Pension System Reform elaborated by the GTUC?	995	4	3.47	4.00	4	.725	1	4

B2. Changes to the Current Pension System

The majority of respondents (54.2%) believe that the current pension system of Georgia needs substantial changes, and a considerable part of them (41.1%) refers to the “certain changes”. The current pension system has almost no supporters (1%).

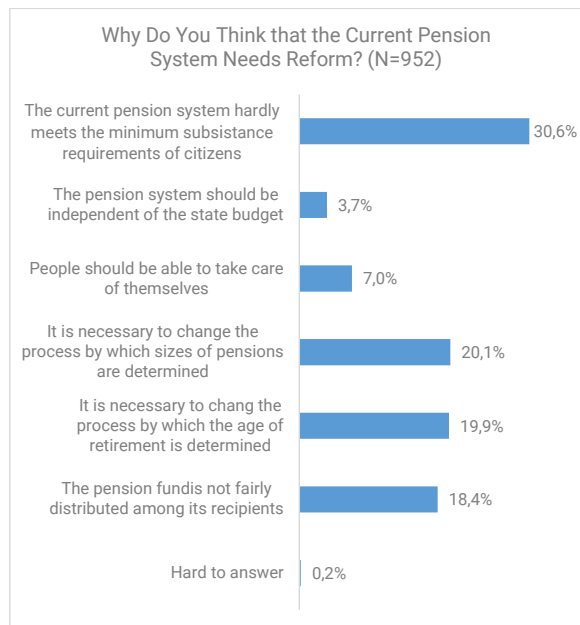
Diagram 8



An absolute majority of respondents (95.3%) believe that the current system needs changes (substantial or certain changes), and give the following reasons why such changes are necessary:

- The current pension system fails to meet even the minimum subsistence requirements (30.6%);
- The following reasons were referred to in equal proportion (20%): A) The principle for determining the size of a pension shall be changed; B) The principle for determining the retirement age should be changed; C) The pension fund is not properly distributed among the beneficiaries.

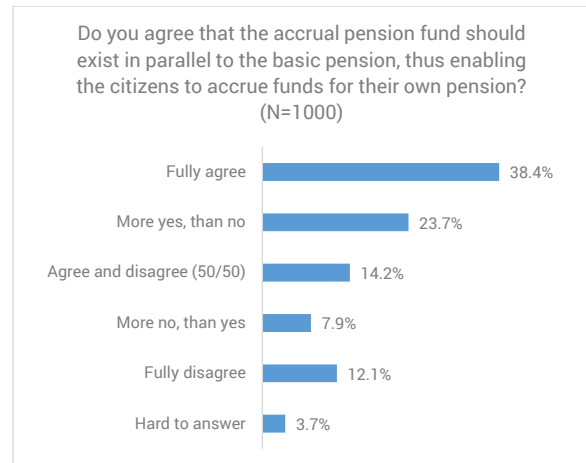
Diagram 9



### B3. Attitudes Towards the Accrual Pension Fund (savings)

The respondents were positively disposed towards the idea of an accrual pension fund (together with the basic pension), which would enable citizens to save funds for provisioning of their personal pension. The plurality of respondents (38,4%) agreed with this idea; that is, more agree, than don't – who make up about one fourth (23,7%). About one fifth are against the construction of the accrual pension fund (among, them 12.1% is categorically against it).

Diagram 10



It is worth noting that popular attitudes towards the accrual pension fund has a statistically reliable correlation with the age and employment status of respondents.

Namely, the older the respondent is, the less likely the respondent is to support the accrual pension fund. The most supportive respondents are those aged 18-24, and the most resistant are respondents aged 65 and over.

Chart 5

		Age group					
		18-24	25-34	35-44	45-54	55-64	≥ 65
Should the accrual pension fund exist together with the basic pension?	Fully agree	52.4%	42.9%	41.7%	40.4%	30.6%	26.0%
	More yes, than no	23.4%	24.3%	22.6%	24.2%	29.3%	19.3%
	To the certain extent yes, and to a certain extent no	11.3%	11.6%	17.3%	12.4%	14.0%	18.2%
	More no, than yes	8.9%	9.5%	4.8%	7.3%	7.0%	9.4%
	Fully disagree	2.4%	10.1%	12.5%	14.6%	14.6%	16.0%
	Hard to answer	1.6%	1.6%	1.2%	1.1%	4.5%	11.0%

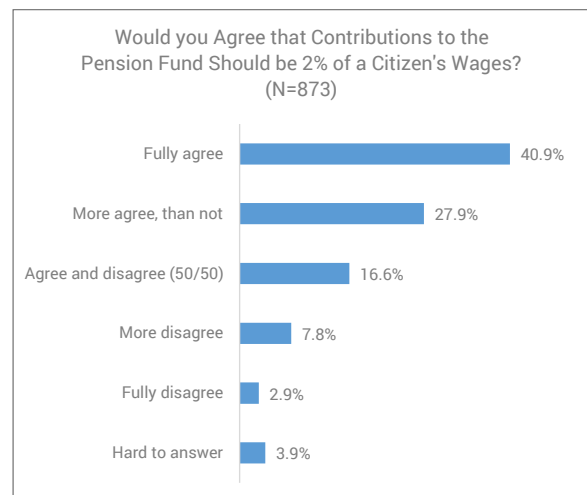
The survey also shows that people employed in the public sector and the unemployed are the most supportive of the accrual pension fund, and the least supportive are people outside the labour force.<sup>1</sup>

Chart 6

		Employment status				
		Employed in the public/private sector	Engaged in agriculture/self-employed	Engaged in informal sector	Unemployed	Outside of the labour force
Should the Accrual Pension Fund exist together with the basic pension?	Fully agree	48.2%	37.1%	39.3%	45.5%	29.2%
	More yes, than no	17.0%	15.7%	32.1%	21.2%	29.7%
	To a certain extent yes, and to a certain extent no	15.9%	12.9%	14.3%	11.6%	14.4%
	More no, than yes	5.8%	12.9%	7.1%	6.9%	8.9%
	Fully disagree	12.3%	12.9%	3.6%	12.2%	12.3%
	Hard to answer	7.7%	8.6%	3.6%	2.6%	5.5%

Diagram 11

The majority of those who are not categorically against the accrual pension fund (88% of respondents) are positively disposed to a 2% contribution from their wages: 69% agree (41% - fully agree). About 11% of respondents do not agree with such a proposal for determining contributions. The next question posed to the respondents who categorically opposed the existence of the accrual pension fund (88% of the general sampling) was the following: should participation in the accrual pension scheme be mandatory or voluntary?



1. The following note indicates the impact of age and employment status as factor for determining attitudes towards the accrual pension system: A) with regard of age:  $\chi^2(20) = 34.587, p < 0.05$ ; B) with regard of employment status:  $\chi^2(20) = 56.936, p < 0.05$ .

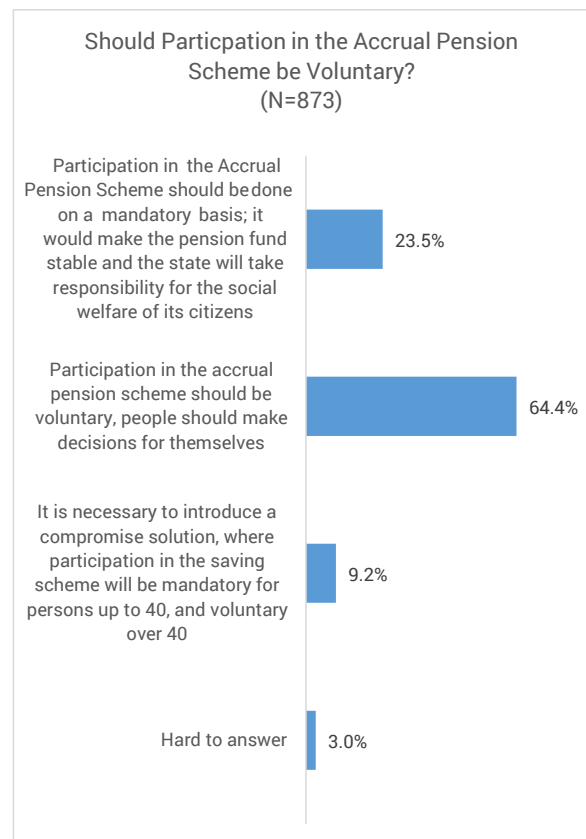
It is worth noting that this issue was found to reliably correlate statistically with the age of respondents. People 65+ are relatively less enthusiastic, to this principle for determining contributions to the pension fund (correlation reliability is reflected with the following formula:  $\chi^2(25) = 57.294, p < 0.05$ ):

Chart 7

		Age group					
		18-24	25-34	35-44	45-54	55-64	≥ 65
Do you agree that contributions to the accrual pension fund should be 2% from your salary?	Fully agree	54.5%	39.8%	43.0%	41.2%	40.2%	30.1%
	More yes, than no	18.2%	29.2%	28.9%	30.7%	31.8%	27.5%
	To a certain extent yes, and to the certain extant – no	17.4%	17.0%	18.1%	13.7%	15.2%	17.6%
	More no, than yes	7.4%	8.2%	4.7%	9.8%	6.1%	9.8%
	Fully disagree	.8%	2.9%	4.0%	3.9%	2.3%	3.3%
	Hard to answer	1.7%	2.9%	1.3%	.7%	4.5%	11.8%

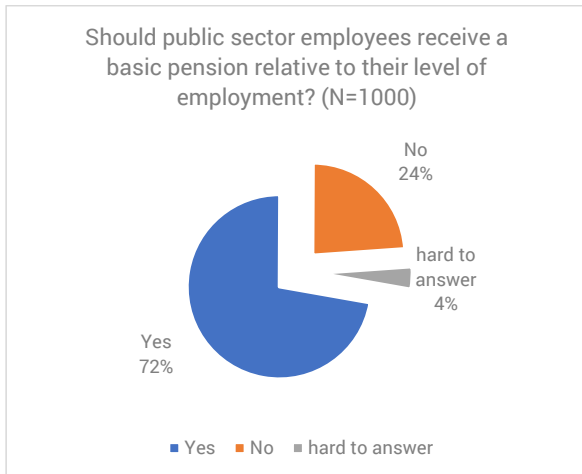
Diagram 12

The majority of respondents (64.4%) believe that participation in the accrual pension system should be voluntary and that people should have a choice whether they are going or not to take care of their pension. About one fourth of respondents referred to the mandatory participation in the scheme. A small minority of respondents (9.2%) support a compromise version – mandatory participation until 40, and voluntary participation over 40.



An effective majority of respondents (71.1%) believe that people engaged in the informal sector (i.e. those who have income, but pay no taxes) should be able to participate in the accrual pension scheme; only 17% of respondents do not agree with this proposal.

Diagram 13



The survey showed that there was a substantial motivation among respondents to make personal contribution to the accrual pension fund. In this case, respondents were sorted into different categories of employment: employed (having different status, including self-employed), or unemployed (unemployed or outside of the labour force). The greater share of both categories (40-45%) stated that they would “definitely” make contributions from their salary, and additionally about 30% had were positively disposed towards this idea (“more yes, than no”). On this point, between 20-25% of those surveyed responded negatively.

Diagram 14.1

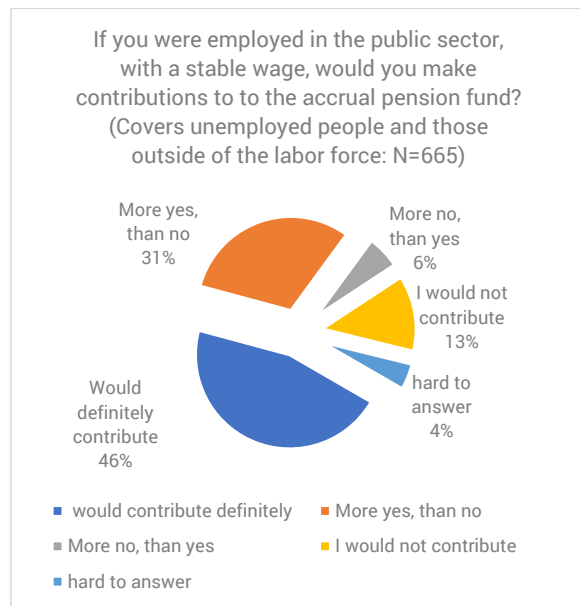
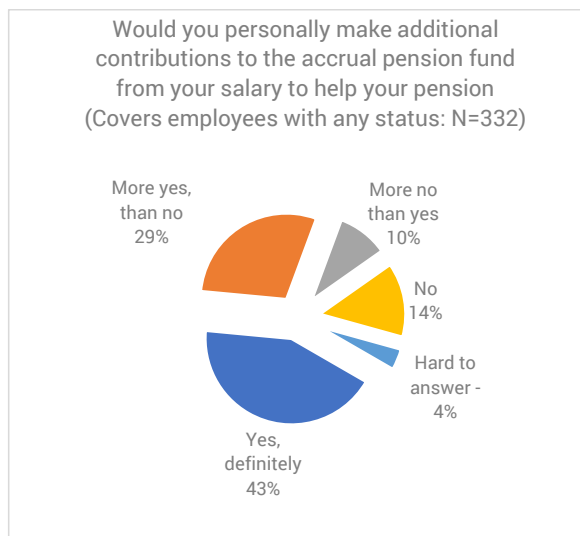


Diagram 14.2





Among the unemployed respondents (both unemployed and outside of the labour force), a statistically reliable correlation can be demonstrated. Support for participating in the accrual pension system is lowest among the respondents from the age group 65+ ,in comparison with the age group under 35.

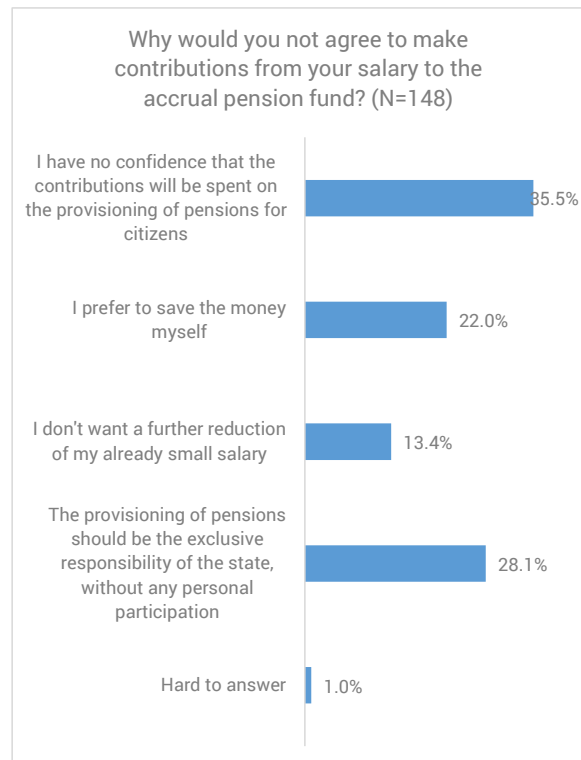
Chart 8

Covers unemployed respondents: N=665

		Age group:					
		18-24	25-34	35-44	45-54	55-64	≥ 65
If you had access to stable remuneration, would you make contributions to the accrual pension fund?	I would contribute	60.4%	52.5%	46.7%	40.4%	48.6%	33.5%
	More yes, than no	26.4%	27.7%	36.0%	37.2%	26.2%	32.3%
	More no, than yes	8.8%	5.0%	4.0%	3.2%	7.5%	5.7%
	I would not contribute	3.3%	7.9%	12.0%	16.0%	13.1%	20.9%
	Hard to answer	1.1%	6.9%	1.3%	3.2%	4.7%	7.6%
Total		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

The respondents who declared that they did not want to make contributions from their salaries to the accrual pension fund (26.25% of the total) gave as their primary motivation the lack of hope that the contributions would actually be spent on citizens' pensions. Among other reasons, the following should be emphasized: A) The belief that the provisioning of pension should be exclusively the responsibility of the state, without citizens' participation; and B) Support for personal accrual of savings.

Diagram 15

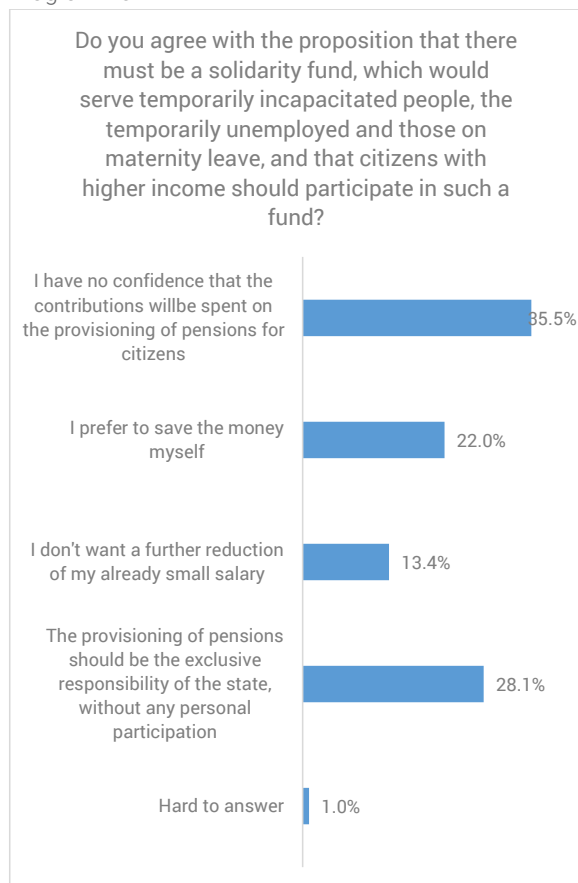


#### B4. Attitude Towards the Solidarity Fund

The survey demonstrated the level of agreement of respondents to the proposed existence of a so called “Solidarity Fund” that would serve as an additional pension provision to be divided into three categories: temporarily (for 6 months) incapable, temporarily (for 6 months) unemployed, or those on maternity leave.

The results of the survey show that respondents are positively disposed to the solidarity fund: about 38% are fully supportive of the establishment of such a fund, and an additional 28% “more agrees, than not”. In total, only 14.2% showed resistance to this idea.

Diagram 16



1. In the course of conducting the survey, the respondents received additional explanations regarding the solidarity fund: citizens with high income will participate in consolidating such funds. They must have a salary that is 40% more than average wage (today, this is about 1000 GEL). 2% of this addition will be transferred to the solidarity fund (for instance, if the salary is 2000 GEL, 2% of 600 GEL will be transferred to the solidarity fund).

*It is interesting that support for the solidarity fund has no correlation either with employment status or with economic status (according to income) of respondents. This means that none of these characteristics have an impact on attitudes towards the solidarity fund.*

#### B5. Attitudes to Alternative Mechanisms to the Provisioning of Pensions

In the course of the survey, respondents were informed about alternative mechanisms regarding the functioning of the pension fund, which was proposed with two provisions. They had to opt-out choose the most desirable one.

##### B5.1. Pension Fund Management

The survey demonstrates that the opinion of respondents on the issue of management was divided into two parts: A) The majority (43%) agrees that the pension fund should be managed by state structures, although under the supervision of international experts; B) another part (about 39%) believes that the pension fund should be managed under the supervision of representatives from the trade union and employers' associations. Despite the differences, these two ideas have one central concept in common – that management should be carried out by the state institutions.

Chart 9

	Who should manage the assets of the pension fund?	(%)
1.	The pension fund and its assets should be managed by state institutions, with minimal management costs, and members of the supervisory board should be international experts.	42.9
2.	The pension fund and its assets should be managed by state institutions, and the supervisory board should be composed of representatives of employers' and employees' (trade unions).	38.6
3.	Hard to answer	18.5

Chart 10

**Correlation analysis shows interesting results:**

1. The majority of self-employed (generally in agriculture and individual entrepreneurs) would prefer international experts to supervise the pension fund managed by state institutions. Those engaged in the informal sector believe that the supervision board should be composed of representatives of employers and trade unions.

$\chi^2(8) = 22.257, p < 0.05$	Employment status:				
	Employed in public/private sector	Engaged in agriculture/and individual entrepreneurship	Informal sector workers	Unemployed	People outside of the labour force
1. The pension fund should be managed by the state, and the supervisory board should be composed of international experts	41.7%	52.9%	34.5%	47.3%	40.3%
2. The pension fund should be managed by the state, and the supervisory board shall be composed of representatives of employees and trade unions	39.9%	20.0%	55.2%	41.0%	38.9%
Hard to answer	18.5%	27.1%	10.3%	11.7%	20.8%

2. Respondents with higher salaries (more than 950 GEL/month) trust the supervision of pension fund management to representatives of employers and trade unions, and not international experts.

$\chi^2(10) = 26.6, p < 0.05$	Monthly mean salary					
	<180 GEL	<180-950> GEL	>950 GEL	No answer	No income	Hard to answer
1. The pension fund should be managed by the state, and the supervisory board should be composed of international experts	41.7%	39.1%	32.8%	63.2%	48.4%	53.3%
2. The pension fund should be managed by the state, and the supervisory board should be composed of representatives of employers and trade unions	43.3%	40.3%	41.0%	26.3%	37.8%	13.3%
Hard to answer	15.0%	20.7%	26.2%	10.5%	13.8%	33.3%

## B5.2. Solidarity Pension Fund

## B5.2.1.

A majority of respondents (58%) believe that contributions to the pension fund should be maintained for certain categories of people, namely for the temporarily handicapped, temporarily unemployed and those on maternity leave, and that these categories have to receive both a basic pension, as well as an accrual pension during their retirement. 28.3% of respondents are against such type of solidarity fund.

## B5.2.2.

Respondents show even stronger support for people who live longer than the mean life expectancy and exhaust the pension accrued through their own contributions. 80% of respondents believe that such people should receive funds from the common pension pool at the same amount as the accrual pension during their entire life. Only 16% are against such a compromise.

Chart 11

	<b>When should contributions of citizens to the pension fund be terminated?</b>	(%)
1.	If a citizen is temporarily (6 months) incapacitated or unemployed (6 months), or on maternity leave, their contributions during this period will be paused and at the time of retirement he/she will receive (together with the basic pension) a reduced amount of pension from the accrual fund.	28.3
2.	If a citizen is temporarily (6 months) incapacitated or unemployed (6 months), or on maternity leave, their contributions within such period will not be paused and at the time of retirement he/she will receive a pension from the state budget, as well as the full amount from the accrual pension fund.	57.9
3.	Hard to answer	13.8

Chart 12

	<b>Should the elderly over the mean life expectancy receive the same amount from the accrual pension?</b>	(%)
1.	If a citizen has lived longer than the mean life expectancy (75 for women and 71 for men) and has therefore exhausted the pension accrued through their personal contributions, they should receive the same amount from the common pension fund	79.8
2.	If a citizen has lived longer than the mean life expectancy (75 for women and 71 for men) and therefore exhausted their pension accrued through their personal contribution, pension from the common pension system fund should be suspended.	15.8
3.	Hard to answer	4.4

Chart 13

It is interesting to note that respondents with higher income constitute the largest group against giving to the elderly (those who have lived longer than the mean life expectancy) the same amount of pension from the common fund (35%) as well as, respondents from the public/private sector (29.3%) These relations are statistically reliable.						
$\chi^2(10) = 34.906, p < 0.05$	<b>Mean monthly income</b>					
	180 GEL	180-950 GEL	>950 GEL	Refused to answer	I have no income	Hard to answer
1. If a citizen has lived longer than the mean life expectancy (75 for women and 71 for men) and therefore exhausted the pension accrued through their personal contributions, should they receive the same amount from the common pension fund?	81.7%	61.3%	53.3%	50.0%	73.7%	60.0%
2. If a citizen has lived longer than the mean life expectancy (75 for women and 71 for men) and therefore exhausted the pension accrued through their personal contributions, should the provision of pension from the common pension system fund be suspended?	11.7%	25.6%	35.0%	22.2%	17.5%	16.7%
Hard to answer	6.7%	13.1%	11.7%	27.8%	8.8%	23.3%
$\chi^2(8) = 21.8, p < 0.05$	<b>Employment status:</b>					
	Engaged in the public/private sector	Engaged in agriculture/ individual entrepreneur	Engaged in the informal sector	Unemployed	Persons outside of labour force	
If a citizen has lived longer than the mean life expectancy, and therefore exhausted the pension accrued through their personal contributions, should they receive the same amount from the common pension fund?	56.9%	62.9%	78.6%	75.0%	67.7%	
2. If a citizen has lived longer than the mean life expectancy and therefore exhausted the pension accrued through their personal contributions, should only the basic pension be provided, with payments from the common pension system halted? the	29.3%	21.4%	17.9%	16.5%	20.6%	
Hard to answer	13.8%	15.7%	3.6%	8.5%	11.7%	

### B5.3. Participation in the Accrual Pension Scheme and Use of Savings

#### B5.3.1.

An effective majority of respondents (72%) are found to believe that participation in the accrual pension scheme should be unlimited, and any citizen should have the right, regardless of their age. Every fifth respondent (20.1%) had the opposite opinion, and believe that citizens who have 10 years left until the age of retirement (60 for women and 65 for men) should not have the right to participate in the accrual pension system.

Chart 14

	<b>Who should not have the right to participate in the accrual pension scheme?</b>	(%)
1.	In the case of people who have 10 years left until the retirement age, they will not be entitled to participate in it	20.1
2.	Any citizen will be entitled to participate in the accrual pension system, regardless of age	71.8
3.	Hard to answer	8.1

#### B5.3.2.

The survey shows that the opinion of respondents regarding the usage of savings divides into two parts: one relatively larger part (about 52%) stated that citizens had to be able to receive the pension from the accrual fund 5 years prior to the age of retirement; the second part (40.1%) had the following approach; a citizen had to be able to use their savings even in the case of incapacitation.

Chart 15

	<b>Should a citizen be able to use their pension savings before the age of retirement?</b>	(%)
1.	A citizen should be able to voluntarily use their pension savings 5 year prior to the retirement age.	51.8
2.	A citizen should not have the right to use the pension savings prior to the retirement age unless he/she is losing working capacity.	40.1
3.	Hard to answer.	8.1

*It is interesting that the issue regarding the use of pension savings was found in statistically reliable correlation with the age of respondents; namely, effective majority (60%) from the age group 18-24 is against receiving the accrual pension prior to achieving the retirement age unless a person loses his/her working capacity (this relation is statistically reliable:  $\chi^2(10) = 37.958, p < 0.05$ ).*

#### B5.3.3.

Almost every second respondent (51,5%) believes that the citizens making voluntary contributions to the additional pension fund (in addition to the 2% contribution from the salary) and that they also shall be entitled to withdraw the accrued sum at any time, before the savings are exhausted. On the other hand, almost one third of respondents believe that the right to withdraw additional funds (in lump-sum or pursuant to the timeline) shall be given to the citizens who have decided to leave the country on a permanent basis.

Chart 16

	<b>Shall a citizen have the right to use the interest from the pension savings?</b>	(%)
1.	A citizen who makes voluntary contribution to the additional pension fund (that is more than mandatory 2% from the salary) should be able to withdraw the savings at any time, in any amount – until the savings are exhausted.	51.7
2.	Only a citizen leaving the country should have the right to withdraw the savings in lump-sum or pursuant to the time-line.	32.1
3.	Hard to answer	16.2

## B5.4. Transfer of savings (pension fund)

Chart 17

Vast majority of respondents (80%) believe that in the case of death of beneficiary before he/she has reached the retirement age, the pension savings shall be fully transferred to the legal heir(s); Only 16% believe, that 10% of savings shall be transferred to the family, and the rest of it shall be kept in the fund, which will be used for providing the pension to those who would live longer than life expectancy and exhaust their own pension savings.

	How the pension savings shall be managed in the case of death of a beneficiary?	(%)
1.	In the case of death, the remaining money shall be fully transferred to the heir(s)	79.8
2.	In the case of death 10% of remaining savings shall be transferred to the family, and the rest of it shall be kept in the fund, which will be used for providing the pension to those who would live longer than life expectancy and have exhausted their own pension savings	15.8
3.	Hard to answer	4.4

Chart 18

It is interesting that the abovementioned issue is in statistically reliable correlation with the age of respondent: the elder respondents support the approach of transferring the money to the family, in the case of death before the savings have been exhausted. The biggest part of opposition comes to the age group 18-24.

$\chi^2(10) = 31.256, p < 0.05$	Age group					
	18-24	25-34	35-44	45-54	55-64	≥ 65
1. In the case of death before the savings have been exhausted the remaining money shall be fully transferred to the members of family	68.5%	77.2%	83.4%	81.0%	82.8%	83.0%
2. In the case of death 10% of remaining savings shall be transferred to the family, and the rest of it shall be kept in the fund, which will be used for providing the pension to those who would live longer than life expectancy and have exhausted their own pension savings	29.0%	19.0%	14.2%	12.8%	12.7%	9.9%
Hard to answer	2.4%	3.7%	2.4%	6.1%	4.5%	7.1%

## B5.5. Filling the pension Fund

Chart 20

Majority of respondents (about 58%) believe that all three parties shall start contributing to the pension fund from the very first day of its putting in operation: employee, state and employer. However, 27,3% of respondents believe that during first 5 years only employer and the state shall make 2-2% contributions to the pension fund, and an employee shall be exempted from making mandatory contributions during the first five years.

	How the Pension Fund shall be filled?	(%)
1.	During first 5 years only, employer and the state shall make 2-2% contributions to the pension fund, and an employee shall be exempted from making mandatory contributions during the first five years.	27.3
2.	All three parties shall start contributing to the pension fund from the very first day of its putting in operation: employee, the state and employer.	57.8
3.	Hard to answer	14.8

Analysis of correlation showed that the issue on filling the fund was in statistically reliable correlation with the status, age and income of the respondents.

1. Within the group of respondents having instable job (such as self-employees and those engaged in the informal sector) majority supports the idea of filling the pension fund only through the contributions of employers and the state during the first five years of its inception.					
$\chi^2(8) = 37.99, p < 0.05$	<b>Employment status</b>				
	<b>Employed in public/private sector</b>	<b>Engaged in agriculture/individual entrepreneur</b>	<b>Engaged in informal sector</b>	<b>Unemployed</b>	<b>Persons outside of labour force</b>
1. During first 5 years only employer and the state shall make 2-2% contributions to the pension fund, and an employee shall be exempted from making mandatory contributions during the first five years	19.9%	34.3%	37.9%	25.0%	31.4%
2. All three parties shall start contributing to the pension fund from the very first day of its putting in operation: employee, the state and employer	66.3%	42.9%	55.2%	67.6%	50.8%
Hard to answer	13.8%	22.9%	6.9%	7.4%	17.8%



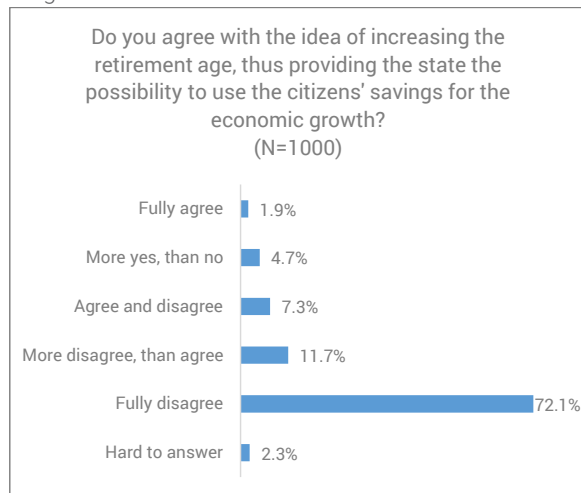
2. Respondents with a lower income (about 180 GEL/per month), or with income lower than the mean salary (950 GEL/per month) and those with no income, support the idea of filling the pension fund only through the contributions by employer and the state during the first 5 years, without any contributions by the employee.						
$\chi^2(10)= 25.678, p<0.05$	Mean monthly income					
	<180 GEL	180-950 GEL	>950 GEL	No answer	No income	Hard to answer
1. During first 5 years only employer and the state shall make 2-2% contributions to the pension fund, and an employee shall be exempted from making mandatory contributions during the first five years	35.0%	29.0%	16.7%		26.0%	41.4%
2. All three parties shall start contributing to the pension fund from the very first day of its putting in operation: employee, the state and employer	51.7%	55.0%	70.0%	63.2%	62.0%	41.4%
Hard to answer	13.3%	16.0%	13.3%	36.8%	12.0%	17.2%
3. Younger respondents are more supportive to the idea that during first 5 years only employer and the state shall make contributions to the pension fund, and not the employees.						
$\chi^2(10)= 21.761, p<0.05$	Age group					
	53-59	46-52	39-45	32-38	25-31	18-24
1. During first 5 years only employer and the state shall make 2-2% contributions to the pension fund, and an employee shall be exempted from making mandatory contributions during the first five years	20.8%	24.7%	29.2%	26.3%	31.0%	30.8%
2. All three parties shall start contributing to the pension fund from the very first day of its putting in operation: employee, the state and employer	68.0%	63.7%	58.3%	56.4%	56.1%	47.3%
Hard to answer	11.2%	11.6%	12.5%	17.3%	12.9%	22.0%

#### B6. Changes of retirement age within the environment of pension fund

In the course of survey the respondents were asked about reasonability of increasing the retirement age, thus providing the state with the possibility to use the citizens' savings for the economic growth.

The results show that the effective majority (72,1%) is categorically against the idea. Those who accept such changes hardly make 7%.

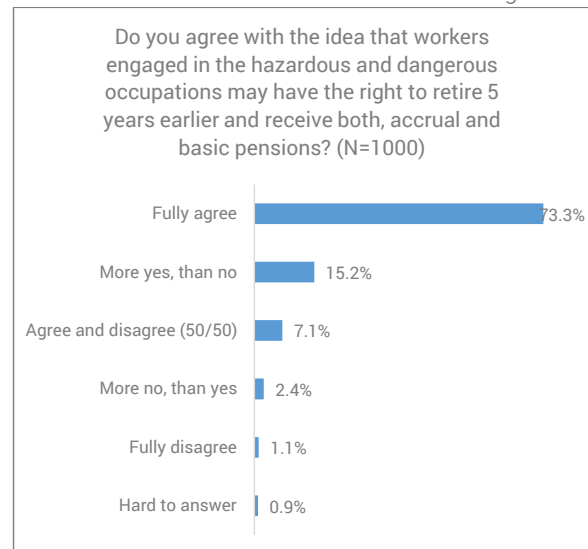
Diagram 17



The second question asked to the respondents was related to the entitlement, to retire 5 years earlier for the employees engaged in hazardous and dangerous working conditions, saying that such people will be able to receive both, accrual and basic pensions.

In this case the effective majority of respondents (73,3%) supported the aforementioned idea and the mechanism of social protection for the vulnerable.

Diagram 18



## About the author

A non-governmental organization – the 'Institute of Social Studies and Analysis' (ISSA) was established in 2000. ISSA's main direction is sociological and market research, the study of problematic issues for society and social analysis. ISSA is represented by sociologists from academia, other practicing sociologists with solid experience in the field, marketing specialists, statisticians and experts from different spheres. Each team member brings specific individual skills, generating collective strength across a comprehensive range of sociological end-points.

During the eleven years of its activities, ISSA has gained broad experience in sociological and marketing research, created its own culture of research and developed a network of highly qualified researchers, supervisors and interviewers across the country.

ISSA conducts multidisciplinary social surveys on an annual basis. Our researches encompass the whole country. ISSA uses all the major methodologies, both in quantitative and qualitative surveys. ISSA provides full-service research: designing the study program, defining the target population, creating research instruments, conducting field work, analyzing data and presenting analytical reports.

## Imprint

Friedrich-Ebert-Stiftung | Tbilisi Office  
N. Ramishvili str. 4 | 0179, Tbilisi | Georgia

Responsible:  
Felix Hett | Director, FES Regional Office South Caucasus  
Tel.: +995 32 225 07 28  
<http://fes-caucasus.org/>

To order publications:  
[stiftung@fesgeo.ge](mailto:stiftung@fesgeo.ge)

Commercial use of all media published by the Friedrich-Ebert-Stiftung (FES) is not permitted without the written consent of the FES.

The views expressed in this publication are not necessarily those of the Friedrich-Ebert-Stiftung or of the organization for which the author works.