

# [Public pension replacement rates](https://assignbuster.com/public-pension-replacement-rates/)

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A social security is a program funded through the taxation of individuals pay. The taxes are deposited into various trust funds depending on the contract. Social security can not sustain all the promised benefits in future if it entirely relies on the current tax rates. This therefore implies that reforms are indispensible. This is due to the calamities that may follow the raising of taxes or a cut on benefits. Replacement income for prior earnings

Income replacement is a pledge by the employer to continue paying an employee’s salary for a given period of time incase he becomes disabled or till the employee becomes eligible to coverage from the social security. The employee in this case is faced with the peril of the employer not honoring the pledge whereas in the agreement the employer is saved the expenses that cold be incurred through the purchase of insurance policies (FirstEnergy Corp, 2010). The salary coverage goes on for a few months but the limit is six months.

Causes of Variance-Between Us and Greece Replacement Income Greece operates various schemes that have a rate of 105% on its gross replacement and 115%on its net replacement. The schemes in operations constitute of main and auxiliary social security programs. The different professions operate varying schemes and the biggest is the Insurance Institute (IKA). Most of the schemes in operation in Greece are absent in the USA. Greece adapted the euro as a national currency in 2001 as its national currency.

Due to this, Greece was at liberty to borrowmoneyat a lower interest rate. This money was also made available to its citizens and corporations, whom they borrowed at very low interest rates. The money obtained by the Greek government was use to repay debts andfinanceits budget. This expenditure made it possible to have a high supply of money in the economy. The US and Greece differ in terms on how their political institution are run. This is in terms of electoral levels and the government.

In the US there is the issue of the majority rules while in Greece there is proportional representation. This therefore means that the people involved in making decisions do vary both in number and power. This has an impact on how the income replacement is structured and the guidelines in operations. The structure, size and redistribution of US and Greece differ greatly. Role of Greece’s Public Pension Replacement Rates on Its Debt Burden Currently Greece is being faced with a debt crisis (IMF, 2002).

It is understood that very high amounts of debts were accumulated by the Greek government before the crisis struck of liquidity in the capital market. In the recent past these capital markets have become more illiquid thus making Greece to be faced with the possibility of defaulting (FirstEnergy Corp, 2010)). In responding to this problem, the Greece prime minister has emphasized repeatedly on the importance of long term reforms on the structure of Greece economy. Among these reforms is the reform on the pension scheme.

The pension scheme in operation in Greece is one of the most generous schemes in known in Europe. Evasion of contribution to the social security program is a rampant thing and the government has promised to take tremendous actions against the evaders. This will ensure that the contribution rises thus providing the government with money at its disposal to pay some of the debts it owes. The government is also contemplating on the issue of increasing the retirement age of persons from the age of 61years to 63 years.

Opposing some of the mode used to calculate the pension scheme in application of five years of worked by some civil service schemes, the calculations will entirely rely on a lifetime. This will in return provide some cash to be used in offsetting debts owed by the government. A crack down on the social security programs and carrying out reforms will prevent misappropriation of funds by corrupt officials (IMF, 2002). References FirstEnergy Corp (2010). Declares Unchanged Common Stock Dividend. Mergers & Acquisitions Business pg. 271. IMF. (2002). Greece, selected issues. International Monetary Fund. 58