

Low employment among 50plussers: Is Hungary special? Why?

Comment on Divenyi and Kezdi

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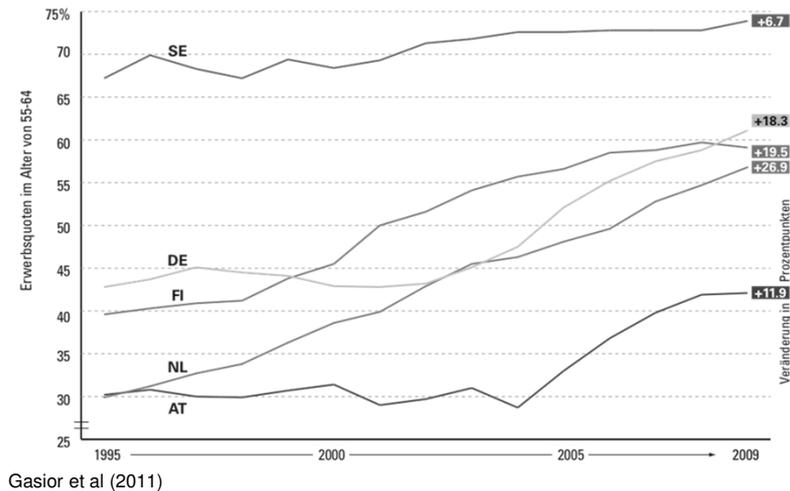
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50+ employment performance



- D&K: Hungarian 55+ employment (34%) lower than OECD (54%), mainly due to retirement
 - ➔ But: same is true for PL, SL, IT, BE, Lx, Fr, SK
 - ➔ *Is there something specifically 'Hungarian' about HU, or is it just another badly performing country?*
- D&K: HU little apparent change over time
 - ➔ Politics: de facto elderly voting bloc in HU (and CZ) extremely large due to past abnormal retirement strategies – feedback effects on reform-ability today (Vanhuyse 2006)

Significant improvement in 55+ employment over time elsewhere



Incentives



D&K; Ceres-Gergely: low deductions for early retirement & zero bonus for late retirement

→ idem to a large degree in FR, BE, AT,...

D&K: no median earnings-pensions gap

→ Idem in SL, ES, AT, CZ: see Fig 1

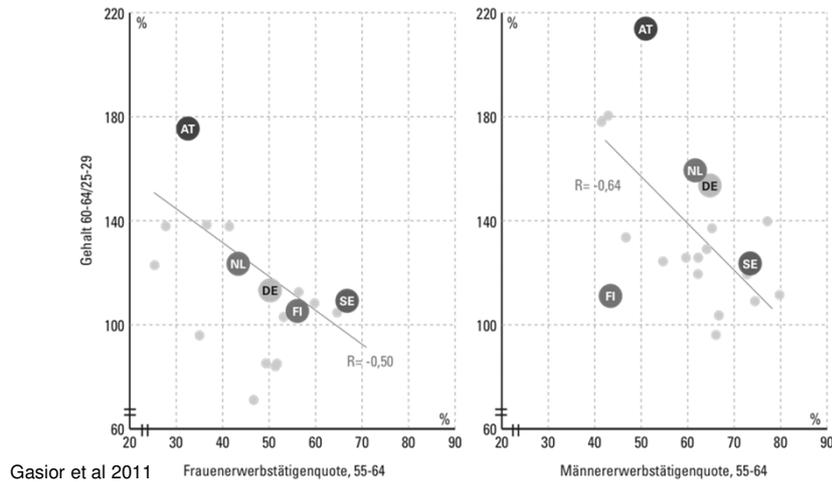
→ Why not correlate this gap with E rates?

D&K: low pre-retirement earnings in HU

→ Why? Productivity? Industrial or export shifts? Public sector?

→ Low earnings do seem a plausible supply side explanation, but...

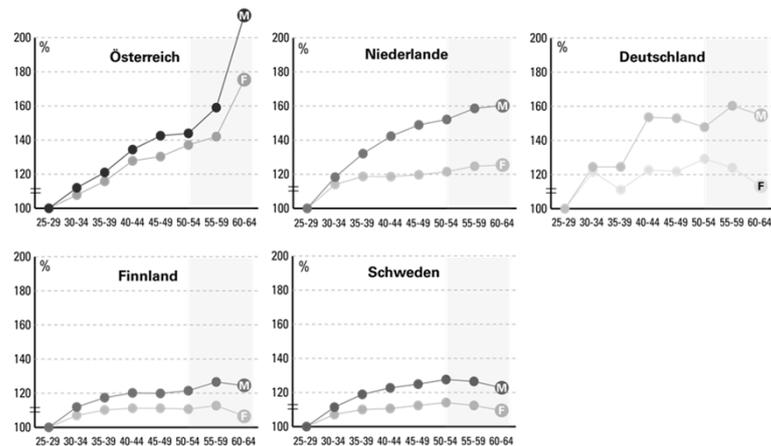
Higher wages (relative to young) also correlate negatively with 55+ employment



Finnish flatlands vs. Austrian Alpine slopes



Veränderung des Gehalts mit steigendem Alter nach Geschlechts,* (Index: Alter 25-29 = 100)



Quelle: OECD, Live Longer Work Longer (2006, S. 66). Anmerkung: Grundlage ist das Gehalt einer vollzeitbeschäftigten Person, Querschnittsdaten. * Deutschland: 1998, Schweden: 1999, Finnland: 2000, Österreich: 2001 und die Niederlande: 2002.

Decade-old political culture of *relative pensioner favoring*



Verhoeven et al. (2009) study of transition losers (low edu, rural areas)

- HU, PL, CZ: relative incomes of pensioners 2002 > 1991
- V-4: rel. incomes of pensioners > of the unemployed, and > of workers *in every single year 1991-2002*

Vanhuyse (2006; 2009): path-dependent political economy mechanisms: Great Abnormal Pensioner Booms in the 1990s led to V-4 gerontocracy political logic in the 2000s

Pieter Vanhuyse, ESPAnet/RECOWE at CEU, July 2011

Twenty-plus years on: V-4 pensions still early, still generous

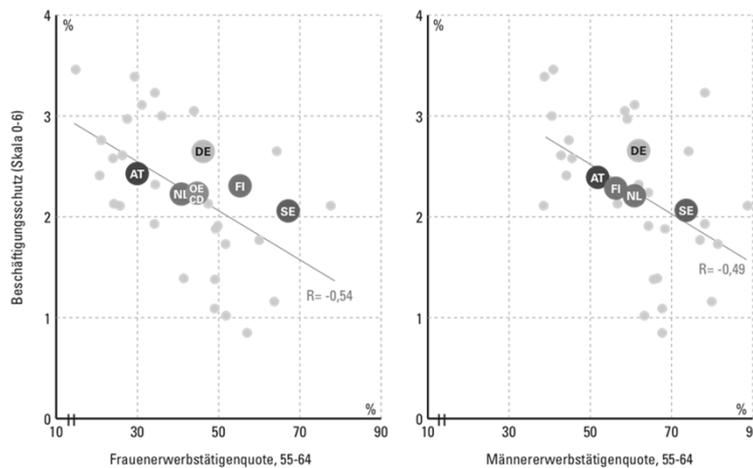


OECD (2009):

HU, SK, PL: in OECD *bottom-8* on effective male retirement age -- but in OECD *top-12 most generous* on net replacement rates for old-age pensions (at median income earning level)

Pieter Vanhuyse, ESPAnet/RECOWE at CEU, July 2011

EPL correlates negatively with 55+ employment rates



Gasior et al 2011

Adding culture/sociology



D&K: 5 cognitive tests: 50-75 Hungarians in middle of European distribution

- Why *average* this (in a study on 50+ employment)? Distribution over age: more steeply downward in HU?
- A 50 year old Hungarian is likely to be much more different from a 75 year old Hungarian than is the case in Western or Nordic Europe
- At all ages, Hungarians may be prospectively *older* than Nordic peers

Adding culture/sociology



D&K: *for every age range, HU peak flow at bottom of EU*

- Beyond 'structural features in the labor market' : HU- (or CEE-)specific social policy (**health care!**) and society and culture: **alcohol, diet, lack of sport; widespread subsistence and informal economy** (Vanhuysse 2006)
- Table 1: why not a *most-similar case* design on employment rate (only bad performers), to flesh out what makes Hungary *Hungary*?
- Insightful Fig 2 points to **health** again (but what of cognition?)

Thanks – and congrats to TARKI



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To read further:

Gasior, K., Marin, B., Schmidt, A., Vanhuysse, P., Waginger, U., Zólyomi, E. (2011), ***Maßnahmen zur Belegung des Arbeitsmarktes für ältere Arbeitnehmer/innen***. Vienna: Austrian Federal Ministry for Labor, Social Affairs and Consumer Protection (BMASK), 185 pp

www.bmask.gv.at/site/Soziales/Statistische_Daten_und_Studien

Vanhuysse, P. (2009), 'Power, Order, and the Politics of Social Policy in Central and Eastern Europe,' in Cerami, Alfio and Pieter Vanhuysse (eds), ***Post-Communist Welfare Pathways: Theorizing Social Policy Transformations in Central and Eastern Europe***, Basingstoke: Palgrave Macmillan, pp. 53-70