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

Comment on Divenyi and Kezdi
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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 (Vanhuysse 2006)
Significant improvement in 55+ employment over time elsewhere

Gasior et al (2011)

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

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

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

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)
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?)

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Thanks – and congrats to TARKI

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