

D.1.1.1 Country analyses to identify individual challenges of 55+ employment

III. Country Analysis (14-18 pages each = 140-180 p.) HUNGARY

Country A

Demographic situation in the country¹ (development, forecasts, why it is important)

In 2022 the population of Hungary was 9,689,010. Although average life expectancy at birth in Hungary, as in developed countries, shows an increasing trend, the population of the country is steadily declining. This is partly caused by large-scale emigration. In the decade following the accession to the European Union emigration rates were continuously increasing, which peaked in 2015, when nearly 33,000 people left the country. Meanwhile in the same year only cca. 15,000 Hungarian citizens returned from abroad. In 2020, for the first time in decades, the number of emigrants (19,322) was lower than the number of returnees (23,104). This is largely due to the impact of the Covid-19 pandemic and is not expected to become a significant trend in the long term. (Eurydice, 2023)

According to the forecasts of the Hungarian Central Statistical Office (KSH), the population change is expected to show a severely negative trend. Based on KSH calculations, Hungary's population may decrease by further 1 million to around 8.7 million people by 2050. If the current trends continue, by 2070 the population of Hungary could drop to as low as 7.7 million people. Such a decline of population could lead to serious labour market problems, especially in view of Hungary's ageing population.

Figure 1 shows population projection up to 2070, based on KSH estimations. The figure shows actual data from 1960 to 2023, then the extreme values of models using different assumptions and their average.

Figure 2 displays the population pyramid of Hungary in 2023 based on actual data; as well as the estimated population pyramid of Hungary in 2070, based on projections.

¹ This part can include any topic or rationale for why age management needs to be addressed. This may include, for example, early retirement, brain drain and various other topics that are present in your country.

Magyarország népességszámának várható alakulása

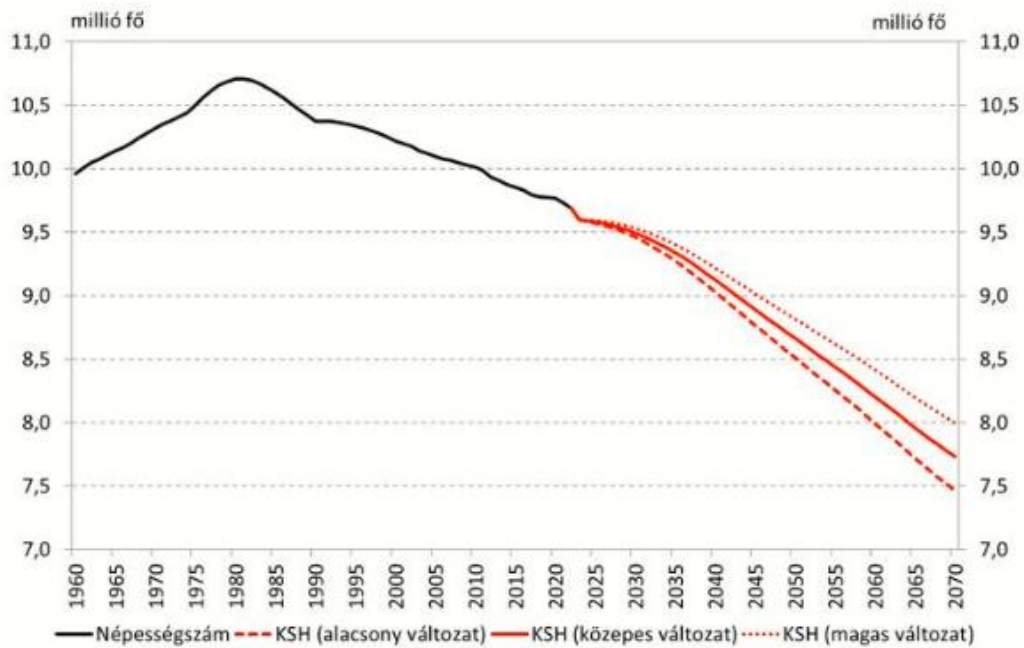


Figure 1 (Source: KSH)

Magyarország korfája 2023-ban és becstelt korfája 2070-ben

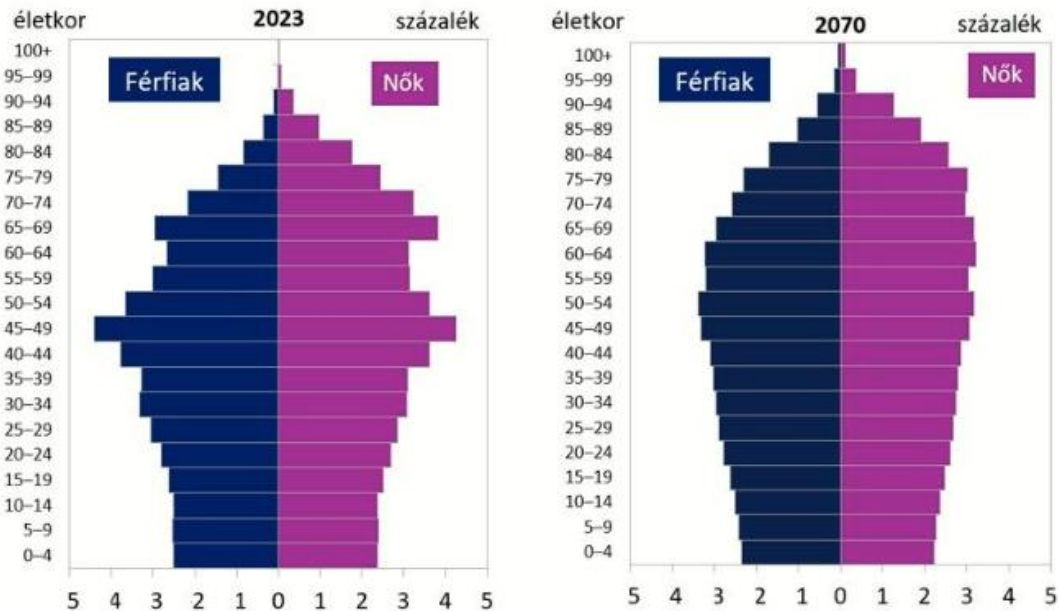


Figure 2 (Source: KSH)

The shrinking labour market has a negative impact on economic output, state budget, labour shortages and old-age dependency ratio. While in 2020 there were 3 elderly (65 years or over) citizens for every 10 people of working age (15-64 years), by 2050 this number is expected to rise to almost 5 elderly people for every 10 citizens of working age. The retirement age would have to be gradually increased by 8.4 years in order to stabilize the old-age dependency ratio (the ratio of working-age and elderly citizens) by 2050. (Berde and Drabancz, 2021)

The ageing of Hungarian society is one of the most pressing demographic challenges the country's labour market has to face. Increase in average life expectancy at birth combined with falling birth rates contribute to the ageing of the population. This trend could have a number of negative economic and social consequences. At the same time, the ageing of society poses not only challenges, but opportunities as well. The older employees have many valuable qualities, with which they can contribute to the labour market, such as experience, commitment or mentoring and consulting skills.

Therefore, the challenges of real economy arising from this demographic challenge could be partly reduced by encouraging the labour market activity of the older age group. This process, however, can only be successful, if the employees are both willing and able to work in their older years, which largely depends on their physical and mental health. Further key factors are the work environment, the attitude of co-workers and employers, discrimination, opportunity of further training or retraining, as well as the option of atypical work.

It is also important to note that the rising rates of the employment of older workers are often driven by personal difficulties and they undertake a job only out of necessity. Although this compulsion is inherent in an ageing society, if not properly managed and regulated, it can lead to further physical and mental health problems. Ideally, working in older age should be an integral part of active ageing, and atypical work opportunities should support the economic contribution of older workers.

Brain drain

If we look at Hungary's demography from labour market perspective, we have to reflect on a specific type of emigration. The phenomenon when highly qualified workers or workers with specialised knowledge migrate from one area to other areas or abroad in significant numbers is called brain drain. In 2022, more than one third of those who emigrated from Hungary had

higher education qualification, meaning that 6.8% of citizens with higher education left the country. (Erdélyi, 2023)

This phenomenon often (but not exclusively) affects fresh or recent graduates in higher education, who move abroad in search of a better life, higher benefits and more opportunities for professional development. In this way, emigrants make use of their knowledge, skills, experience and creativity in another economy. Brain drain phenomenon is inversely proportional to age, therefore it is less likely to be observed among ageing workers. Elderly citizens have fewer opportunities to achieve success abroad, they find it harder to overcome language barriers and cope with cultural differences, in many cases they are restrained by health issues and are more strongly bound by their family.

Brain drain has significant negative effects on Hungary, since the declining human capital hinders the country's economic and technological development, contributes to labour shortages especially in areas of key importance and causes financial losses for the state from several aspects. This includes, for example the loss of revenues from personal income tax (which is usually higher than the average for highly educated people), pension payments and public education tuition fees.

In addition, brain drain has some moderate positive effects on the labour market of the country. Hungarian emigrants facilitate networking and organizational cooperation with more developed countries. Certain research has demonstrated that a significant number of young emigrants return to Hungary over time, bringing the acquired knowledge, experience and connections back with them.

Age-based stereotypes and productivity

The labour market situation of ageing workers becomes particularly acute when they have to look for a new job. They often face age discrimination during the recruitment process, as employers tend to favour younger candidates. As a result, it usually takes longer for an older job seeker to find a new job, and even if they succeed, they often get a job with lower benefits and less responsibility than younger candidates with similar qualifications. As a consequence,

older workers often find jobs in atypical ways, casually working for people they know or becoming self-employed out of necessity.

In many cases, ageing workers in Hungary end their careers in uncertain employment status, exposed to the risk of marginalisation and exclusion. Hungarian organizations tend to see older people as a 'reserve team' to be deployed only in case of labour shortages and the majority of them consider employment after the age of 60 undesirable. Furthermore, Hungarian employers are still less inclined to offer their ageing workers real employment alternatives – such as phased retirement, change to a less demanding job or flexible employment – as opposed to immediate retirement.

Relevant literature lacks consistency with regards to the issue whether the productivity of older workers is increasing or decreasing over time: ageing workers are generally considered more reliable, consistent, cautious and conscientious than their younger colleagues. In addition, they cause fewer accidents at work and are less likely to quit, thus reducing human resource. On the other hand, their healthcare costs are higher, they are less flexible in adapting to new methods and less willing to participate in further training. Studies describing empirical research have found different correlations between age and productivity: some authors suggest that after a certain age (typically 50-55 years) the individual's productivity may decline, while other researches have shown that the productivity of workers peaks at the age of 40-45 year without significant decline until 60 years of age.

Only a small percentage of Hungarian employers have an elaborated strategy for retaining and recruiting ageing workers and it is put into practice even more rarely. The majority of employers do not offer atypical, more flexible forms of employment for ageing workers, even though there is a high demand for them. Roughly 90% of retired people considering additional income-generating activity would partially re-enter the labour market if they were employed in some atypical form of employment (flexible work schedule, remote work, part-time work).

Main (policy) actors

There are identified organizations that are directly or indirectly responsible for the creation and direction of age management within Hungary.

*Ministry of National Economy State Secretariat for Employment Policy*²

The tasks of the State Secretariat include legislation, preparation of legislation (in areas such as employment relations, civil servants, wage policy, employment promotion, support for jobseekers, labour relations, labour inspection, labour market services), employment policy programming, forecasting, monitoring employment trends, monitoring changes in labour supply and demand.

Management Board of the Labour Market Fund, Labour Mediation and Arbitration Service, Labour Inspection Support Board, Public Employment Service), and the establishment and maintenance of international relations with the competent professional organisations (e.g. International Labour Organisation).

The State Secretariat is also responsible for the regulation and registration of vocational and adult education, the related programming and the management of the back-office institutions (National Institute for Vocational and Adult Education). By the very nature of its activities, it is involved in organising and conducting social dialogue by coordinating sectoral reconciliation of interests at national level and by further developing the institutional system of reconciliation.

*National Employment Service*³

The National Employment Service (NFSZ) is Hungary's largest networked and most extensive job placement organisation.

It provides free services and employment programmes to jobseekers, employees and employers.

² <https://2010-2014.kormany.hu/en/ministry-for-national-economy/offices-of-the-ministers-of-state>

³ <https://nfsz.munka.hu/>

In line with the Government's employment policy, it helps the labour market to function efficiently, activates actors, promotes social inclusion, equal opportunities and equal access for all.

Its mission is to promote and expand employment, to actively assist jobseekers and employers in finding the right job and the most suitable workforce as quickly as possible, and to determine benefits and employment subsidies.

The organisational system of the National Employment Service consists of the employment and labour market services of the Ministry of National Economy, the employment and labour market services of the Government Office of the Capital and Customs County (Employment Department) and the employment and labour market services of the district (capital district) offices of the Government Office of the Capital and County (Employment Department).

*Employment departments of district and district offices in the capital*⁴

In Hungary, each municipality has a local employment department, whose services are free of charge to the residents of the municipality.

The Employment Departments are responsible, among other things, for the registration of jobseekers, the establishment of jobseeker's allowance, pre-retirement jobseeker's allowance, cost reimbursement, the suspension and interruption, termination, cancellation and recovery of these and previously established jobseeker's allowances and benefits. They liaise with employers, partner organisations and non-profit organisations and municipalities. They receive notifications of labour needs and provide job placement services. Examining the conditions for issuing certificates of entitlement to benefits for the elderly, in accordance with the Act on Social Administration and Social Benefits - Organising and monitoring public employment.

⁴ <https://szervezet.munka.hu/>

Employment Pacts

The Employment Pacts are a framework in which employers, local authorities, training institutions, social institutions, NGOs and employment offices develop a joint strategy and coordinate their activities to improve the employment and economic situation in the area. This partnership allows the projects and activities of the various players in the labour market to reinforce each other, making them more effective in a synergetic way.

An employment pact, also known as a partnership, is an open form of cooperation, which means that any organisation can join a local partnership on an ongoing basis. An important starting point for partnership cooperation is that improving employment quality cannot be achieved without bringing together labour market actors and coordinating economic and human resource strategies.

The pacts are funded by the Operational Programme for Spatial and Urban Development. The Department of Employment Services of the State Secretariat for Employment Policy of the Ministry of National Economy is responsible for the professional management of the TOP programmes, the coordination activities supporting the implementation of the TOP programmes, the communication between the pacts, the dissemination of good practices, and the provision of differentiated professional and methodological assistance to the pact actors in need of it. It supports the strengthening of the coordinating umbrella function of the county pacts, with the aim of coordinating local pacts, assisting their activities and providing professional support. The Department's coordination activities are aimed at promoting the effective implementation of the TOP programmes by ensuring an appropriate flow of information and professional support. Its activities do not include the tasks of the intermediate organisational and managing authorities in relation to the granting, use and control of aid.

*OFA National Public Employment Nonprofit Ltd.*⁵

The OFA Nonprofit Ltd. is a public benefit organisation, the aim of which is to promote employment and job preservation, to support innovative forms of employment, to implement programmes and projects for employment and labour market integration.

Through its activities, it aims to contribute in a measurable way to the development, mediation and provision of the resources necessary to promote employment, to the development of innovative tools for labour market interventions, to the generation of processes leading to additional employment and job retention, and to the management of labour market crises.

The Company contributes to the public benefit activities of:

- launching labour market programmes and organising their implementation,
- initiating and implementing development programmes and projects using national and international resources,
- developing and implementing labour market and adult education programmes,
- development, organisation and provision of labour market services,
- mitigating the negative consequences of collective redundancies,
- meeting the complex needs of large numbers of workers,
- meeting the specific job needs of the SME sector,
- public service tasks to support the professional activities of civil sector organisations.

Other relevant entities:

- Ministry of National Economy
- Ministry of Public Administration and Territorial Promotion
- National Labour Inspectorate
- National Association of Entrepreneurs and Employers
- National Association of Hungarian Employment Agencies

⁵ <https://ofa.hu/>

- Civil Centrum Public Benefit Foundation
- Club for Ageing Consciously
- Követ Association for a Sustainable Economy
- NGOs active in promoting employment
- trade unions

Age management:

In Hungary, a key strategy to reduce the economic burden of the ageing society is the gradual raising of the retirement age. Since 1997, the retirement age has increased from 55 years for women and 60 for men to 65 years for both sexes by 2022. At the same time, the possibilities of early retirement were gradually reduced and since 2012 the option of retirement on the grounds of accident, disability, early and reduced early old-age pension have been almost completely eliminated.

Raising the retirement age increases the age at which people typically retire from the labour market, i.e. the effective retirement age. In addition, the increased voluntary labour market activity of older workers, resulting from longer healthy life expectancy and in some cases from financial necessity, has also increased the effective retirement age.

In recent years, the employment rates of older workers (aged 55-64) have steadily increased in the European Union and in Hungary as well. In 2019, 74.3% of the working-age population of Hungary aged 55-59 and 41.7% of the working age population aged 60-64 actually worked. In the European Union, these rates were 72.8% and 46% respectively. Curiously enough, both in Hungary and in the European Union the employment rates of people aged 55-59 exceed the employment rate of the working-age population aged 15-64. In 2019, the latter was 70.1% in Hungary and 69.2% in the EU.

The possibility of raising the retirement age after 2022 is partially constrained by the fact that the previously steady and intense increase in life expectancy has unfortunately slowed down in recent years. While between 1992 and 2018 life expectancy at birth increased by 6.9 years for men and 4.7 years for women, i.e. respectively 0.35 and 0.24 years per year on the average, between 2012 and 2018 it only increased by 1.1 and 0.9 years i.e. 0.18 and 0.15 years per year (which is only roughly half of the numbers of the previous period).

A similar trend can be observed in most of the more developed countries, the growth of life expectancy also slowed down in the European Union and life expectancy at birth even declined in the United States. (Berde and Drabancz, 2021)

In addition to the raising of the retirement age, pensioner cooperatives established in 2017 also increased the employment rates of older Hungarian citizens, since pensioners who worked in these cooperatives, just like their employers, were exempt from paying contributions, with only the employee having to pay the 15% personal income tax. From 2019, these benefits were extended by the government to all retired workers, further encouraging the employment of elderly people.

Although raising the retirement age can be an effective strategy for keeping older people in the labour market and reducing labour shortages, it can also have a number of negative consequences on their physical and mental health. Furthermore, their accession to employment or changing jobs is often made more difficult by discrimination against them. Stereotypes against them are still present both among the employers and the younger workers, often more strongly among the latter.

In response to the various challenges, it was necessary to develop a policy on ageing in Hungary, which resulted in the preparation of a **National Strategy for Ageing**, with long-term objectives until 2034. The aim of the strategy is to keep older people active and independent for as long as possible, while enabling them to prepare for the challenges of ageing in a timely and appropriate manner. The timeframe for achieving these objectives is divided into two timetables, with the first one running from 2010 to 2022 and the second one from 2023 to 2034, so that the necessary improvements can be achieved through a series of action plans running in parallel. This will ensure that the timetable for implementing the Strategy can follow the country's economic development and adapt to socio-economic policy, giving the government of the day the opportunity to define the necessary development interventions in the light of the current socio-economic context.

55+ employment challenges

In recent years, the employment of older workers has been on the rise in Hungary. Keeping older workers in work is both an economic and a social policy challenge in an ageing Hungarian society.

In parallel, most labour market analyses show that the chances of finding a job become more difficult after the age of 45 and almost impossible after the age of 50. Older workers, when they become unemployed, find it much harder to find work than younger workers or, when they do find work again, often face lower wages and difficulties in moving up the organisational hierarchy. People aged 40-45 and over report more unpleasant work situations than younger people. It needs to be clarified to what extent these phenomena can be attributed to the actual decline in performance that comes with age, or whether they are more a consequence of age stereotypes.

As the world is changing fast, their original qualifications are almost irrelevant. In terms of digital competences, there are significant differences between the generations, so over the years, 55+ employees were forced to bring in backlogs related primarily to digitization tasks to maintain their competitiveness.

Where fast and advanced digitalization processes and expectations are characteristic, there are more significant challenges. Digital skills matter less in areas where there is more human interaction like customer service etc. In these areas there is a greater emphasis on social skills, in which the elderly are not at a disadvantage compared to the younger generation.

According to EU-OSHA demographic projections, by 2030, one in three active European workers will be in the 55-64 age group, which, in addition to the disadvantages, can also have a number of advantages.

A 2019 Deloitte survey of more than 10,000 companies found that two-thirds of firms see it as a competitive disadvantage to employ more 55+ workers.

Although "fluid" intelligence tends to decline with age, making it harder to process information and solve complex problems, the effects are only felt over 65.

However, experience, "crystallized" intelligence (wisdom), social and coping skills increase with age, which compensates for the losses.

Employment

Extensive research on the working capacity of older workers has identified the underlying factors that influence individual working capacity. The findings of this research can be illustrated in the form of a four-tiered "work capacity house" (Ilmarinen, Finnish Institute of Occupational Health, 2006).

The bottom three levels of the house represent individual resources: i) health and functional abilities, ii) competence, iii) values, attitudes and motivation. The fourth level covers life at work. Work capacity is the balance between work and individual resources; if work and individual resources are well matched, work capacity is good.

Positive and negative experiences at work feed into level 3, which then either has a positive or negative balance. Level 3 represents workers' subjective perceptions of their work - their opinions and feelings about various factors related to their daily work. Both factors affect the worker's ability to work on a daily basis. Personal networks of relationships and human interactions influence values, attitudes and motivation. Thus, by improving or worsening the balance between work and individual resources, a person's work performance is influenced by two drivers outside the workplace.

The unpredictable dynamics between levels of the house make it difficult to strike the right balance between work and individual resources. Level 3 reflects and sums up our work situation. The flow of information from different levels and from outside the workplace can easily change a worker's values and attitudes, his or her commitment and dedication to the job. The more positive the balance at level 3 (respect received, trust in the employer, fair treatment, commitment to work), the more likely the employee is to have a good life at work and a longer career.

Satisfaction and motivation

Research on the subjective attitudes of workers shows that there is no difference in job satisfaction between older and younger workers, and that they generally value similar aspects of their jobs.

However, 55+ workers are less adaptable to the demands of the modern labour market. While they invest little energy in their personal development, they increasingly find routine activities meaningless, often experience high levels of stress and show signs of burnout. They forget the values that guide their actions and decisions. Age-specific training and development at the workplace can help a lot to address this problem.

Usually their children are already out of the house, so if there is a willingness, they are flexible about working hours. It's important that they feel useful, that their expertise and experience is valued. Many people indulge in hobbies that they did not have time for at a previous stage of their lives. At the other extreme, work is their life. It is also typical that they have little desire to work more than one shift.

New times, new perspectives

On the one hand, the behaviour of profit-oriented companies is understandable, they expect quick and cheap success, fresh energy boosts. However, there is a growing body of research showing that other skills and experience are more important, such as emotional intelligence, problem-solving and stress management, where older people are clearly better and more successful.

Members of Generation Y and Z are in many cases over-stretched at a young age and will therefore burn out earlier than members of today's 55+ generation. They are more stable, more patient and more effective in dealing with stressful situations.

More and more people are recognising the importance of adaptability, agility, communication and efficiency at work, which improves with age.

It can be an advantage that the more generations are represented in a team, the more colourful, creative and effective it becomes, yet today only 8-10% of companies have recognised these benefits and are using them as a strategic approach. Yet this is the future.

The life experience and career skills of older workers are of enormous value to younger employees. Employers who are open to this can capitalise on it and provide development opportunities for older workers (involvement in mentoring programmes and apprenticeships).

In conclusion, the development of industrial technologies will lead to a major struggle to maintain active labour market status, which requires a different approach from both the employer and the employee in their attitudes and methods. Solidarity between different generations and cooperation between employees (and their representatives), employers and managers are essential, and they are in the interests not only of the aging population but of all ages. Developing solutions to stimulate activity and productivity in old age, helping the aging and the elderly to return to the labour market, and ensuring lifelong learning together call for a wider application of age management.

Qualitative information from interviews with stakeholders - working conditions, skill gaps, retirement eligibility requirements, reasons for early retirement, and social economy considerations

In Hungary, since the 1980s-1990s, the number of children has been decreasing, the population has been falling, and the labour market has become noticeably more saturated in the last 10 years, making it harder to find workers. In the meantime, the retirement age has risen, with the current system requiring people to work until the age of 65. Anyone who has completed at least 20 years of service is entitled to an old-age pension. If you do not have 20 years of service but have at least 15 years, you are entitled to a partial old-age pension. Unfortunately, Hungary has abolished the possibility of early retirement, which in some cases could be very beneficial for both the employee and the employer. Since 2011, women who have not yet reached retirement age can retire with 40 years of service (known colloquially as "Women 40"). Up to 8 years of service can be counted as child-raising leave.

Hungary's society is ageing, and the composition of the population is changing as the average age rises, with an increasing proportion of older people. Employment, health and social security analyses highlight the need to change current practices in the area of ageing to avoid the collapse of public finances. In parallel, labour market analyses show that the chances of finding a job become more difficult after the age of 45 and almost impossible after the age of

50. Older workers, when they become unemployed, find it much harder to find work than younger workers or, when they do find work again, often face lower wages and difficulties in moving up the organisational hierarchy.

People aged 40-45 and over report more unpleasant work situations than younger people. It needs to be clarified to what extent these phenomena can be attributed to the actual decline in performance that comes with age, or whether they are more a consequence of age stereotypes.