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INTEREST CO-ORDINATION AMONG GENERATIONS

**for the Project on Research on
Interest Co-ordination among Generations**

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1. Demographic trends

A striking process of *biological* ageing has occurred in Hungary in recent years. In the space of a few years the *dependency rate* for the elderly population rose from 47.9 to 52.4.¹ While life expectancy at birth was very low compared to Western Europe, America and Japan – between 1970 and 1998 it barely changed for men and rose slightly for women; certain age groups, especially those in their forties were at risk – while further life expectancy clearly rose for those who reached the age of 60.

Average life expectancy at birth and selected ages

Average of years	At birth		At age of					
	males	females	40 years		50 years		60 years	
			males	females	males	females	males	females
1949	59.3	63.4	31.2	33.7	23.1	25.1	15.8	17.1
1970	66.3	72.1	31.5	35.8	22.9	26.7	15.2	18.2
1980	66.5	72.7	29.6	35.5	21.5	26.6	14.6	18.3
1990	65.1	73.7	28.8	36.1	21.1	27.2	14.7	19.0
1994	64.8 !	74.2	28.1 !	36.2	20.8 !	27.4	14.7	19.3
1995	65.3	74.5	28.3	36.4	20.9	27.6	14.8	19.5
1996	66.1	74.7	28.8	36.6	21.3	27.7	14.9	19.4
1997	66.4	75.1	29.0	36.8	21.4	27.9	15.0	19.7
1998	66.1 !	75.2	28.9 !	36.8	21.3 !	28.0	15.0	19.8

Source: Statistical Pocket-book of Hungary '99, (2000), p. 25.

As a result of this, combined with other negative demographic trends – the declining marriage and birth rates, the increased divorce and death rates – in 1997 children (aged 0–14 years) made up only 17.7% of the population while those aged 60 years and older represented almost one fifth.²

¹ Az időskorú népesség demográfiai jellemzői, egészségi állapota és szociális helyzete [Demographic characteristics, health status and social situation of the elderly population] (1998), KSH, p. 6, 46.

² The proportion of persons over 60 rose from 18.9% in 1990 to 19.5% in 1997. Magyar Statisztikai Zsebkönyv '96 [Statistical Pocket-book of Hungary '96] (1997) KSH, p. 24.

Vital rates (per 1000 inhabitants)

Year	Marriages	Divorces	Live births	Deaths	Natural increase and decrease
1970	9.3	2.2	14.7	11.6	3.1
1980	7.5	2.6	13.9	13.6	0.3
1990	6.4	2.4	12.1	14.1	-1.9
1997	4.6	2.4	9.9	13.7	-3.8
1999	4.5	2.6	9.4	14.2	-4.8

Sources: Statistical Pocket-book of Hungary, '97 (1998), KSH :17; Statistical Pocket-book of Hungary, '99 (2000), p. 20, p. 28.

Women comprised the *greater part* of this large elderly population. In some respects they were at an *advantage* compared to man and in other respects at a *disadvantage*. One of the advantages of women over men was their longer *duration of life*. This fact in itself is not surprising and is not a solely Hungarian characteristic. It is, however, of note that in the nineties a negative trend has emerged in the situation of the population 60 years and older by *gender*. During this short period the balance between the sexes has further deteriorated with advancing age. In 1997 there were *three* more women for every 100 men aged 60–69 years, *seven* more for every 100 men aged 70–79 years and *fourteen* more women for every 100 men over 80 years than there was in 1990.

We are witnessing a generational shift between the genders, caused by the fact that the mortality rate for men was 40–100% higher than that for women for all major causes of death among the elderly population. The women also felt the harmful effects of this “positive” trend. As a consequence of the higher mortality rates, in 1997 *men* represented only 39% of the population over 60 years. Women made up the *overwhelming majority (70%)* of the population over 80 years. As a result, a much higher proportion of men *lived together with their spouses*. Even in the case of men over 80 years, *more than half were married*. However, the majority of women at this age lived alone as *widows* and only 7.5% were married.³ This meant that many women faced the problem of loneliness.

³ Az időskorú népesség demográfiai jellemzői, egészségi állapota és szociális helyzete [Demographic characteristics, health status and social situation of the elderly population] (1998), KSH, p. 6.

Gender ratios among the elderly population by age groups

Age group	Number of women per 100 men of corresponding age in 1990	Number of women per 100 men of corresponding age in 1997
60–69 years	132	135
70–79 years	161	168
80 years and above	214	225

Source: Az időskorú népesség demográfiai jellemzői, egészségi állapota és szociális helyzete [Demographic characteristics, health status and social situation of the elderly population], (1998), KSH: 6, 48.

According to demographic forecasts, the proportion of persons over 65 in Hungary will rise from the 14% of 1994 to 22% by 2025, while that of persons over 80 will double from 3% to 6%.⁴

The biological ageing is further aggravated by *social ageing*, that is, the growth in the proportion of pensioners. While in 1990 pensioners represented only 24.3% of the population, this proportion has grown in ten years to 31.2%. The main factor behind this increase has been the changed social and economic circumstances. Early retirement was one of the strategies most frequently used by older persons to avoid unemployment.

2. The general perception of the elderly – positive and negative prejudices

The following presents the findings of a representative opinion survey conducted in 1982 to find out the “tolerance” shown by the younger generations towards the elderly. The questionnaire contained various questions to which the respondents could answer “agree”; “disagree”; “uncertain”; or “don’t know”. The survey was repeated in 1989.

⁴ This places Hungary high among the countries of Central Europe in the ageing process (Hojnic-Zupanc, I. 1996:18)

Questions asked in the survey on perceptions of the elderly

Statement		Agree	Disagree	Un-certain	Don't know	Total
1. The work and greater experience of older people is worth more than the work of young people.						
	1982	42	28	28	2	100
	1989	29 !	37	33	1	100
2. Older people are suspicious and see an enemy in everyone.						
	1982	26	51	21	2	100
	1989	22	57	21	0	100
3. Older people are able to give substantial help to families in the household						
	1982	92	2	3	3	100
	1989	84	4	10	1	100
4. The feeling of being superfluous is more painful for older people than financial problems.						
	1982	86	4	7	3	100
	1989	77	7	14	2	100
5. It is good for the family if the grandparents also share the everyday joys and problems.						
	1982	85	5	8	2	100
	1989	79	6	14	1	100
6. Old people would like us to follow them in all things.						
	1982	48	34	17	1	100
	1989	35 !	40	24	1	100
7. It is difficult to give older people work because they are forgetful and tire easily.						
	1982	43	36	19	2	100
	1989	32 !	39	28	1	100
8. Older people have the right to love too.						
	1982	80	6	9	5	100
	1989	79	5	12	4	100
9. Older people do not receive as much respect from people as they deserve.						
	1982	59	22	17	2	100
	1989	68	12	18	2	100
10. Older people are not prepared to recognise that they have to make way for younger people.						
	1982	41	33	23	3	100
	1989	35	27	55	3	100
11. It is the duty of adult children to support their elderly parents.						

	1982	93	2	4	1	100
	1989	81	6	12	1	100
12. The elderly jealously guard what they have and do not share the problems of the young even when they could do so.						
	1982	21	59	18	2	100
	1989	17	61	20	2	100
13. It is not proper for elderly persons to fall in love.						
	1982	20	59	16	6	100
	1989	12	71	14	3	100
14. Many problems could be avoided if people took the advice of the elderly.						
	1982	65	11	22	2	100
	1989	55 !	11	33	1	100
15. The elderly are not in need of as much support as they say.						
	1982	33	29	32	5	100
	1989	22	41	34	3	100
16. Those who begin to age at work are not valued at all in the workplace.						
	1982	28	54	13	5	100
	1989	33	23	39	5	100
17. The elderly like to interfere in the family life of young people.						
	1982	70	13	14	3	100
	1989	55	16	27	2	100
18. Older people in the workplaces expect to enjoy advantages even when they are no longer able to work.						
	1982	38	34	22	6	100
	1989	30	40	25	5	100
19. Older people are not satisfied with anything, they always grumble.						
	1982	30	47	21	2	100
	1989	20 !	48	30	2	100
20. Older people willingly sacrifice everything they have for their children.						
	1982	71	7	20	2	100
	1989	66	6	27	1	100

Source: S. Molnár, E. – Virágh, E., (1990), Közvélemény-kutatás népesedési kérdésekről [Opinion research on demographic questions], 1989, 38. No. 3., pp. 113–117.

We can regard the answers as *opinions related to a) the labour market, b) the family and care, c) behaviour expected of the elderly*. If we compare the trends reflected here with processes that took place in society before and after the systemic change, a certain opening can already be observed in Hungary's economy in the years preceding the systemic change as reflected in the opinions. In 1989, the last year before the systemic change, it was already possible to observe the trend, which greatly strengthened from 1990 as the free market was created, and which was accompanied by the shedding of older workers and preference for younger workers. Already in 1989 public opinion attached less value to the work of the older generation. In the space of 7 years (between 1982 and 1989) the proportion of those who agree that the work of the older generation is useful fell from 42% to 29%. This means that the phenomenon which strengthened in the early nineties had already begun in 1989, namely, that the workplaces were reluctant to employ older workers. In statements 10, 16 and 18, the high proportion of uncertain responses in 1989 (55%, 39%, 25%) also indicate changes. In the case of statement 16, the proportion of those who consider that workplaces do not value people who begin to age at work increased to one third. In the case of statement 18, the drop in the proportion of "agree" responses to below one third shows that fewer people considered that older people expect workplace advantages even if they are no longer able to work.

Statement 15 is also related to the situation of older people on the labour market; only 22% considered that the elderly are not in need of as much support as they say. This reflects the fact that by 1989 there had been a strong decline in *the return of older workers to the labour market as pensioners*. *Pensioners who no longer had the additional income earned this way* found themselves in a very difficult situation. The possibility of using elderly people on the labour market is implied in statement 7. Only one third of the respondents agreed that it is difficult to give work to the elderly because they tire easily. This is not in contradiction with the drop in the proportion of those agreeing with statement 1. In indirect form it indicates that the younger generation does not value its work less than that of the elder generation and that already in 1989 did not accept the rigidly hierarchical career possibilities of the previous period.

A strong change also occurred in care for the elderly. (Statement 11) While in 1982 93% of public opinion regarded care for the elderly as the task of the family, in 1989 this proportion was *only 81%*. This change is closely related to the establishment of the system of state care for the elderly and the changes in legislation. The phenomenon is also related to the fact that the generations were showing less readiness to live together.

In another survey conducted in 1982 38% of respondents answered that “*it would be good*” if grandparents, parents and children could live together, but in 1989 this proportion fell to 36%. At the same time the proportion of those considering “*it would not be good*” rose from 56% to 58%. A somewhat greater readiness to live together was found among people living in villages (where traditions are stronger) and among people with higher education who generally had better housing conditions. It was only in the 55–59 years age group, the majority women, that 45% were in favour of living together. However the majority of the older age groups declared themselves in favour of independent living. They regard living together more as a constraint.⁵

Public opinion attached less importance than previously to the help given by elderly people in the household, a trend which is related to the decline in generations living together.

A positive change as regards general moral values was found in a previously taboo subject, love. By 1989 very few people were against love for the elderly (statement 13). Public opinion also felt a positive change in the way the elderly treat the younger generations (statement 17). Compared to the great majority in the previous survey, only half of the respondents felt that the elderly interfere in the family life of young people. Fewer people considered that the elderly always grumble (statement 19). Public opinion considered that they continue to maintain relations with their children and are prepared to sacrifice everything for them (statement 20). Negative prejudice towards the elderly was very low (22%) in the case of “Older people are suspicious and see an enemy in everyone” (statement 2) or “The elderly jealously guard what they have and do not share the problems of the young even when they could do so” (statement 12). At the same time, the respondents felt the general change in the social situation of the elderly. There was an increase in the proportion of those who consider that “Older people *do not receive as much respect* from people as they deserve” (statement 9) and there were still many (77%) who felt that the feeling of being superfluous is painful for the elderly (statement 4).

3. Generation problem in the focus of labour force participation

In the early nineties, with the systemic change and privatisation the older age groups over 45–50 years were placed at risk. Private firms sought mainly young workers who had just finished their education, who were familiar with the new

⁵ S. Molnár, E.-Virág, E. (1990/2), pp.109–110.

technologies, adapted more readily to the changed circumstances and were easier to retrain.

Proportion of those leaving the labour market through non-conventional retirement

Year	pre-retirement	anticipatory retirement	disability pension	total
1991	22.4%	0.2%	34%	56%
1995	7.8	16%	42.8%	66.6%

Source: Országos Nyugdíjbiztosítási Főigazgatóság [National Pension Insurance Board], (1996), p. 49

While there was a considerable increase in the proportion of those leaving the labour market before retirement age, there was a drop in the numbers returning to the labour market as pensioners, a move which had been a common practice in the socialist planned economy. At the same time there was an increase in the number of students, that is of those entering the labour market later. All these trends caused a dramatic change in the labour force balance over a short period of time.

Change of labour force balance between 1990–1997

	1990	1995	1997
Source of labour force (tousands)			
Population in working age	5,956.8	6,082.0	6,144.8
Persons employed out of working age	488.4	169.4	108.4
Total	6,445.2	6,251.4	6,253.2

SOURCE: Statistical Pocket-book of Hungary '95, (1996), KSH, p. 46.; Statistical Pocket-book of Hungary '97, (1998), KSH, p. 26.

Use of labour force (tousands)

	1990	1995	1997
<i>Active earners</i>	4,795.2	3,636.4	3, 611.4
<i>Employed pensioners</i>	432.0	156.8	116.6!
Persons on child-care leave	244.7	252.0	247.1
<i>Persons employed</i>	5,471.9	4, 045.2	3,975.1!
<i>Registered unemployed*</i>	24.2	519.6	477.5
Economically active population	5,496.1	4,564.8	4,452.6!
People working abroad	3.6	25.0	24.0
<i>Inactive population in working age</i>	945.5	1,661.6	1,776.6!
Of which:			
Students	483.0	589.6	631.2!
Pensioners	251.0	385.0	409.0
Child-care benefit	-	33.0	48.1
Participation rate, %	85.3	73.0	71.2

*Data of National Labour Methodology Centre. Source: *Labour Force Balance*.

Source: Statistical Pocket-book of Hungary '95, (1996), KSH, p. 46; Statistical Pocket-book of Hungary '96, (1997), KSH, p. 39.; Statistical Pocket book of Hungary '97, (1998), KSH, p.26.

The above macro statistical trends were confirmed by research based on interviews conducted in 1993 and 1994 among 25 industrial firms. The firms' priority goal was to shed workers and to achieve this they made use principally of the channels leading to inactivity and giving security which had been created for them by public programs. These were:

- a) dismissal of retired workers in employment
- b) pensioning of those who reached the retirement age
- c) the places of those who retired under normal conditions were not filled
- d) use of early retirement
- e) combination of early retirement and severance pay (frequently offering a sum of severance pay higher than that required under the law)
- f) streamlining of activities (e.g. service activities were separated from the parent firm and transformed into separate companies)
- g) transfers of manpower within the firm

- h) qualitative changes (simultaneous dismissals and hiring)
- l) freeze on hiring
- j) dismissals
- k) disability pensioning.

The firms first shed the *retired workers* who had been an important source of manpower in the socialist economy. With this they practically almost entirely eliminated the pensioners' labour market. A representative survey conducted in 1992 by Széman, Zs.-Utasi, Á. found that only 9% of the pensioners questioned were in employment compared to the earlier 18–21%.

The firms made even greater use of *early retirement*. One big industrial firm in our sample, for example, shed 10% of its labour force in a single year (1991) by this method, while the other methods taken together affected only around 5% of the employees. Another firm sent around 20% of its labour force into early retirement over a period of two and a half years. A third firm lowered the average age of its labour force to well below 40 years through this method.

Besides the possibility of early retirement, some of the industrial firms encouraged early retirement by offering *severance pay 3–6 times higher* than required under the law, depending on the time spent on the labour market. Under the provisions of the law, severance pay ranges from one month's salary for those employed for 3–5 years with the firm concerned, up to six months for those employed for 25 years. Workers who have received severance pay were not eligible for unemployment benefits for a period corresponding to the number of months' wages they received in this form.

Some of the firms were prepared to pay as much as 18 months of wages as severance pay. They calculated that *over the long term the combined sum paid as severance pay and to social insurance in the form of early retirement pension* was more favourable than the wages they would have had to pay for several years to workers who, in their opinion, produced little profit or less profit than younger workers, or who could not be used at all. Wage costs were greatly increased for the firms by the high rate of employers' *social insurance contribution* (49% social insurance, 3% unemployment contribution and 1.5% retraining contribution at that time).

As a whole, the industrial firms studied dismissed 10% of their labour force in the course of privatisation, *one third through early retirement*. The explanation given for their behaviour towards older workers was the following.

The industrial firms generally classified workers *over 45* into three groups:

1. A relatively small group was unable and *unwilling to cope* with the social and economic changes and thus became useless to the firm as manpower.

2. The great majority were aware of the transformation and wanted to change but, for various reasons – e.g. *low level of schooling, lack of adaptability, traditional way of thinking, etc.* – proved unable to do so. Some of the firms tried without success to retrain or further train this group.

3. The firms' managers regarded a minority of the age group over 40–45 years as being flexible from the viewpoint of change. Highly trained brain workers, manual workers with multiple skills and both blue and white collar workers with greater adaptability and readiness to change, most of them women, were classified in this group.

Workers over 50, especially women in manual jobs were in a much worse position than those over 45.

The majority of firms specifically mentioned *the worn out state of elder manual workers*. They set the limit at 50 years for women and 55 years for men. Some of the managers attributed the worn out state of the women to a number of factors:

- The detrimental effect on the health of work in two or three 8-hour shifts.
- The damage caused to the health by the lack of closed technological systems (e.g. in the chemical industry) (the state before modernisation!).
- Women's biological endowments (e.g. in the chemical industry women beyond a specified age may not be employed in certain jobs).
- Women are unfit for heavy manual work and their physical strength greatly declines around the age of 50.
- The greater burden falling on women in the division of labour in the home.
- The role men play as earners in the second economy, the traditional values held in the elder generation, etc.
- The additional housework women have to do because of the undeveloped state of the service sector in Hungary.
- The extra work done at home to avoid rising costs in the service sector and increasing food prices (the spread of do-it-yourself).

On the whole, the age threshold for workers' at risk can be drawn *at 45 years*. On the national average, around *one third of the population belonged in this age group* at the time of the study.

However, in some areas, such as *research and development* and at certain levels of *management with high qualification* requiring long professional experience, e.g. economic manager, chief accountant, where there was a high

proportion of women, age was regarded as a definite advantage. Workers aged 54–55 years and even retired women were sought after and were well paid.

Women around 50 in white-collar jobs were in a less favourable position than brain workers but in a definitely *better position* than manual workers since the firms judged them to be less worn out than the manual workers.

The instrument most frequently used to reduce the firms' labour force, early retirement, *affected both men and women since the men did the skilled work in the production process and the semi-skilled or unskilled female labour served them*. If the numbers involved in a production process were reduced or a section closed down, men and women were dismissed in roughly equal proportions. The only exception were the factories where women made up the majority of the labour force (e.g. electro-technology).

Workers in the industrial firms examined were never "forced" into early retirement but the *possibility provided by the law*, the instrument of *early retirement up to 5 years before the normal retirement age*, was used *consciously*. A substantial proportion of the firms *at first used early retirement* within a *limited circle* only. In line with the national trends, this possibility was initially offered only to the *age groups immediately before retirement age*. Later this *was extended* to the extreme limit allowed by the law, five years. However, a few profit-oriented firms included the younger age groups right from the outset.

Mainly women in manual jobs found the possibility of early retirement attractive because, with their low qualifications, they feared new technologies.

The majority of firms explained that without early retirement, they would have to *dismiss* women over 50 because they regard *the retraining of even those over 40 as impossible*.

With this, the *concept of elderly and young* on the labour market in industry changed.

a) Culture, norms, organisational structure during socialism

During the *socialist period* people could only *be promoted* to higher political, social and working posts *after a certain age*. Because of the *shortage of labour in jobs paying the average wage or less*, the firms counted on the *cheap labour* of the elder age groups and this also enabled them to raise the wages of their active workers (Széman 1989, 1990). With the obligation to provide full employment, the pensioners were very useful for this purpose. The age limit of the *so-called pensioners' jobs*, e.g. gatekeeper, mail opener, night watchman was *65–70 years*.

Beside the labour market regulators, other factors also helped to shift the upper age level on the labour market upwards. Due to exclusion from the

decision-making mechanisms and the survival of a feudal patriarchal attitude the age group below 40–45 years was regarded as young.

b) Demography, culture, norms after the systemic change (1990)

The firms examined counted mainly on workers below the age of 30, straight out of school or university. They did not mind if the 18-year-olds had no skills. They preferred to *train* a still unshaped young person with a fresh attitude rather than *retrain an elder worker*. Because of the new *requirements arising in the economy*, in most cases this training was done through *in-house courses*. The concept of aged on the labour market has been brought forward 20–30 years.

The profit-oriented firms no longer needed cheap *retired* manpower, aged 55–75 years, of less or hardly any use from the viewpoint of performance. On national level 5.9% of the economically active population belonged in this age group. (KSH 1994:29).

For this reason, the firms examined not only shed their pensioner workers, but in the course of privatisation and scaling down, also *rejuvenated* the firm's age structure by an average of 5–15 years *in order to earn a profit*. In some cases this resulted in the complete *disappearance of the elder age groups*. Although the firms applied *early retirement* in different ways, e.g. making it available for only a specified period of time or only to certain age groups (those immediately before retirement, those within two years of retirement, etc.), besides serving as a humane means of shedding surplus manpower, this instrument could also be used for a *qualitative replacement of the labour force*.

As a consequence of the early retirement more workers than necessary left the firms, suddenly emptying whole factory sections where some of the manpower had to be replaced.

The firms *willingly hired young people* in both blue and white-collar areas for jobs requiring creativity, a high degree of adaptability and learning new technological processes. The young workers were recruited through newspaper advertisements, informal channels, visits to schools and much more rarely through labour exchanges.

With this change of attitude, *the possibility of promotion, a workplace career opened up for young people*. A young person aged 28–35 years could easily become the *supervisor* of a *much older colleague* who had spent a far longer period on the labour market. The young worker could make *decisions independently and was even expected to*.

However, there were *substantial differences in different sectors of the economy such as among firms in the banking, insurance and industrial sectors* in their behaviour *towards ageing workers*.

Although in all cases the banks employed large numbers of young workers, the *exit paths*, especially in the old banks, continued to be the traditional ones, that is, manpower *departed through natural channels*. Reduction of the labour force by this means was even more limited in the new banks due to their lower age structure.

The majority of both old and newly established banks succeeded in finding the manpower policy and equilibrium for achieving the best results by employing young and elder workers together, pairing the age groups, or concentrating ageing and young workers in particular areas. It would appear that the state banks will be able to maintain at least the earlier level, meaning that manpower will continue to depart through the accustomed channels, although privatisation of the commercial banks and modernisation could lead to a round of "slimming". In this case it is conceivable that the banks will also make use of early retirement, the instrument applied in industry and to shed administrative workers in the insurance sector, if it continues to be available at all.

Both the *traditional* and *newly established insurance companies* were characterised by *constant change, reorganisation* and adjustment to the new situation, accompanied by *manpower fluctuation*.

This offers a new type of career opportunity or re-entering the labour market for *only a very limited stratum* of highly qualified elderly people with several different skills. However, it does not solve the problem of re-entry into the labour market for the long-term aged unemployed whose position has already deteriorated, leading to a further widening of the social gap.

As a consequence of the large numbers of early withdrawals from the labour market in the early nineties, the proportion of pensioners in the population rose from 24.3% in 1990 to 28.6% in 1994 and in these four years expenditures on pensions rose from 9.7% of GDP to 11.4%.⁶ Measures were therefore introduced at macro level imposing stricter conditions on early withdrawal (e.g. firms had to pay the Pension Insurance Board in advance the pension of the worker departing on early retirement, the anticipatory pension was terminated, stricter conditions were imposed for disability pensions, etc.). Because of this trend, persons in the 40–54 years age were again put at risk and the rate of unemployment rose in this age group. However the increase in

⁶ KSH, (1997) Magyar Statisztikai Zsebkönyv '96 [Hungarian Statistical Pocket-book '96], p. 72.

unemployment ended in the age group over 55 years; due to the lower retirement age for women at that time (55 years) these people no longer appeared as unemployed but as inactive pensioners.

The population aged 15–74 years by economic activity and age groups in the 4th quarter of 1994 and in 1997

Age group	Economically active		Of which: employed		Of which: unemployed		Economically inactive		Of which: passive unemployed [*]	
	1994	1997	1994	1997	1994	1997	1994	1997	1994	1997
15–19 years	4.5	2.8	3.6	2.2	12.7	9.3	19.4	17.9	16.8	9.2
20–24 years	12.4	12.2	12.0	11.6	16.1	18.2	5.4	8.7	12.8	14.3
25–29 years	12.5	12.3	12.6	12.3	11.6	12.9	2.0	5.1	8.5	10.3
30–39 years	29.7	25.8	30.0	25.9	27.2	24.4	5.5	7.1	20.5	24.3
40–54 years	35.6	41.3	36.5	42.2	27.8	31.1	14.2	14.3	29.6	32.2
55–59 years	3.2	4.0	3.3	4.1	2.1	3.0	12.7	10.5	6.8	6.2
60–74 years	2.1	1.5	2.0	1.6	2.5	1.1	40.8	36.6	5.0	3.6
15–74	100	100	100	100	100	100	100	100	100	100

* Passive unemployed = a person who wants to work but is not looking for a job because he/she regards it as hopeless to find employment. Source: Hungarian Statistical Pocket-book '93, (1994), KSH, p. 29; Statistical Pocket-book of Hungary '97, (1998), KSH, p. 28.

In early 2001 the employment problem of the age group over 40 years and not yet retired became so serious that top-level policy-makers began to deal with it. According to the Mayor of Budapest the problem affects close to a million people at the national level. The Municipality wishes to help people unable to find a job because of their age (over 40 years) with a regulation, a code of ethics and legal aid.⁷ Since unemployment is much lower among the over 55 years age groups as a result of the various retirement possibilities, it is women aged 44–54 years and men aged 44–59 years who are most at risk (see the later discussion of the impact of changes in the pension system).

⁷ Magyar Hírlap (2001), p.5.

4. Income differences between the generations

Income differences between the generations, in the case of pensioners, were greatly influenced by whether they were active members of the labour market or unemployment or went into retirement. In many cases inactivity meant poverty or set the individual on the path to impoverishment. In the eighties when pensions were not indexed and inflation was already on the double digit level, retirement inevitably led within a short time to impoverishment regardless of the earlier position on the labour market, qualifications and length of service. In the late eighties there was not yet open (only hidden) unemployment. At that time pensioners and the elderly were among the poorest strata of society.

Distribution of different household types by income deciles, 1987–1996

Income deciles	1987		1992		1996	
	All pensioner households	All non-pensioner households	All pensioner households	All non-pensioner households	All pensioner households	All non-pensioner households
lowest	23.7	5.6	15.4	7.2	6.4	11.9
2	19.6	6.9	17.7	6.2	13.1	8.9
3	14.5	8.5	17.2	6.4	13.8	7.9
4	11.5	9.5	12.9	8.5	16.1	6.7
5	8.7	10.4	11.4	9.3	13.8	7.9
6	6.4	11.2	9.0	10.5	12.3	8.7
7	5.3	11.5	4.9	12.6	9.5	10.4
8	4.2	11.9	4.9	12.6	5.6	12.4
9	3.5	11.9	4.0	13.0	5.3	12.7
10	2.8	12.3	2.7	13.7	4.2	13.1

Source: Spéder, Zs. (1997), based on tables on pp. 15-17.

It can be seen from the table that while in 1987 one quarter of pensioners were in the lowest income decile, in the case of active households this proportion was less than 6%. Ten years later, mainly due to the appearance of unemployment exceeding 10% in the early nineties, slightly more than one tenth of the active population was in the lowest decile. The situation of pensioners in the lowest decile improved slightly, but their proportion was still high in the 2nd and 3rd deciles.

In total, *one third* of pensioners and *28.7% of the active* were in the lowest *three* deciles. Put in other terms, it can be said that while in the late eighties *pensioners constituted the poor* of society – the great majority had a

pension around the average which enabled only an existence around the subsistence minimum - by the second half of the nineties *active households*, that is, also *young people* appeared here in almost the same proportions as the elderly.

At the same time the proportion of the elderly in the middle income deciles increased somewhat which can be attributed to a certain increase in the relative value of pensions, to the fact that over the 10-year period the average pension fluctuated around 60% of the average wage.

However, there were substantial differences regarding the income situation within the stratum of pensioners. *Women living alone* were in a particularly bad situation. In 1987 33.8% of women living alone were in the lowest income decile, more than twice the corresponding proportion for men living alone (16.7%). In 1992, as a result of the various compensations affecting those with low pensions, this proportion fell to 22.6%, but remained high compared to the proportion for men (6.7%). By 1996 the situation of those with low pensions – a high percentage of whom were women living alone – had improved to the stage where their share of the lowest decile had fallen below 10%, but there were still far more women than men in a bad situation. Men living alone disappeared entirely from the lowest income decile but their proportion reached 10% in the highest income decile where there were very few women.

Income deciles of the various pensioner household types in 1987

<i>Income deciles</i>	<i>Pensioner household type</i>			
	<i>Woman alone</i>	<i>Man alone</i>	<i>Couple</i>	<i>Other</i>
lowest	33.8	16.7	15.5	20.1
2	21.8	20.0	16.5	22.3
3	14.6	13.5	13.7	18.6
..				
..				
...				
...				
8	2.5	5.5	5.8	3.5
9	1.8	4.9	5.4	2.2
highest	1.9	5.5	3.2	1.7

Income deciles of the various pensioner household types in 1992

<i>Income deciles</i>	<i>Pensioner household type</i>			
	<i>Woman alone</i>	<i>Man alone</i>	<i>Couple</i>	<i>Other</i>
lowest	22.6	6.7	1.3	31.4
2	26.3	21.3	9.3	15.8
3	23.4	11.1	15.0	13.4
..				
..				
...				
...				
8	2.4	6.7	7.6	3.5
9	1.0	8.9	5.7	3.8
highest	2.1	6.0	1.5	4.8

Income deciles of the various pensioner household types in 1996

<i>Income deciles</i>	<i>Pensioner household type</i>			
	<i>Woman alone</i>	<i>Man alone</i>	<i>Couple</i>	<i>Other</i>
lowest	7.8	-	0.5	19.6
2	19.4	4.0	4.2	24.4
3	18.7	6.9	9.7	16.0
..				
..				
...				
...				
8	2.5	5.7	9.1	4.0
9	2.4	13.0	8.1	1.0
highest	1.8	9.6	5.1	4.5

Source: Spéder, Zs. (1997), pp. 15–17.

Nevertheless, the relatively good income situation of pensioners is misleading. In reality they were struggling to cope with *fundamental livelihood problems* and the proportion of pensions to earnings also deteriorated. While in 1990 the ratio of pensions to net earnings was 66.1 %, ten years later this ratio was only 57.8 %. A number of factors lie behind this situation. Although a part of the younger generations was also among those falling behind, there is a narrow stratum with high or very high earnings who push the average up. In contrast, as a consequence of *early retirement* pensioners had a shorter service period and consequently *lower pensions*. Moreover, early retirement generally also brought various *other penalty points*.

5. Generation problem from the viewpoint of dependency rate and pension

Unemployment rates and dependency ratios

Country	Year	Unemployment	Dependency
Japan	1993	2.5	88
Hungary	1994	10.9	148
Poland	1994	16.4	125
Slovenia	1994	14.5	116
Czech Republic	1994	3.3	99

Source: KSH (1996) p. 238, 239.

Partly due to the already mentioned growing expenditure related to pensioners – 9.7% of GDP in 1990, 10.6% in 1995 and 9.9% in 1996⁸ – and partly to the low pensions and poor living conditions of pensioners, the elderly came increasingly into the focus of political attention. Already in the 80s there had been a broad consensus among the experts that fundamental changes were needed in the pension system. After the systemic change, *in 1991* Parliament traced the main outlines of the reform. One of the basic elements in the implementation was the creation *in 1993* of a *Pension Insurance Self-management Board* and a *Health Insurance Self-management Board* having autonomy.

The new board was faced with a difficult task since, parallel with the growing unemployment, there had been a further acceleration in the ageing of society. At the same time, the number of contribution-paying active earners fell by 20% (1.2 million persons) between 1990 and 1995.

As a result of this trend, the expenditures of the *Pension Insurance Fund* – which financed pensions from the contributions paid by employers and employees – within a very short space of time, *between 1993 and 1995 grew one and a half fold* and this was not matched by a corresponding growth in revenues. The balance of revenues and expenditures showed a rapidly growing deficit. In *1995* the deficit was *2.5 times greater than two years previously* and by 1997 reached 0.5% of GDP.⁹

To halt this negative trend various restrictions were introduced within the pension system – degressive calculation, different method of calculating the service period, higher retirement age for women – affecting principally the

⁸ Statistical Pocket-book of Hungary'97 (1998), KSH, p.62.

younger age groups of pensioners. This led to a paradoxical situation in which recent retirees aged 55–64 years received the lowest pensions on the average within the pensioner population; only women over 80 were in a worse situation.¹⁰

Since the dependency rate per 100 active earners rose, measures for reform of the pension system were speeded up.

The pension reform which was approved in *1997 and introduced in 1998* rests on three pillars and has a mixed financing system.

The **first pillar** is still the compulsory pension fund operating on the same principle as before the reform, in the following: social insurance pension, regulated by sections 9–10 of the 1997 Act on Social Insurance Pensions. The social insurance pension continues to operate in the “pay as you go” system.

The **second pillar** is the private pension funds operating on the funded principle, also known as compulsory private pension funds. Citizens pay a certain per cent of their income (up to a ceiling of double the average earnings) into one of these funds which invests the savings to increase the sum that will be the basis for the future benefit. On retirement the pensioner then receives the resulting sum in the form of an annuity or (exceptionally) as a lump sum (Act LXXXII of 1997 on Private Pensions and Private Pension Funds).

The **third pillar** is the voluntary mutual benefit funds, as well as commercial insurance policies and other forms of saving (Act XCVI of 1993 on Voluntary Mutual Insurance Funds).

From 1998 the **mixed pension system** became *compulsory for young people, those aged 20–40 years* and *elective for anyone over this age group*. From the 11% compulsory workers’ contribution, participants paid 6% into the funded part in 1998 and this was to be increased by 1% a year. Since payments to the funded part have to be made for a minimum of 15 years, ageing workers almost exclusively opted for the pay as you go system and the withdrawal possibilities it offered. At the same time it must be noted that in 2000 the government froze the increase in the funded portion which remains at the 6% level of 1998 because over two million people have chosen the mixed system since the reform was introduced and according to the government this threatens the payment of pensions in the pay as you go system. This government move violates a social consensus reached after long debates and casts doubt on the predictability of the system.

⁹ Országos Nyugdíjbiztosítási Főigazgatóság [National Pension Insurance Administration] (1996), p. 20, 21.

¹⁰ Országos Társadalombiztosítási Főigazgatóság [National Social Insurance Administration] (1996), p. 33.

This means that in the decades ahead *two pension systems*, the state social insurance pension and the private pension will exist side by side, supplementing each other. In the social insurance pension with each contribution the citizen accumulates rights of “expectancies” that can be converted at a future date into pension Forints; this is known as the “*pay as you go*” system; in contrast, in the *fully-funded* pension fund each member collects and invests his own money in the legal sense too.

The present pension system *does not* recognise the institution of *citizen’s pension* with automatic entitlement. However, within the frame of the social insurance pension there is a minimum old-age pension.

The pension reform set a new uniform retirement *age of 62 years*. There are departures from this for a transitional period: advanced pension (Act LXXXI of 1997, section 8), or occupational pension (Act LXXXI of 1997, section 8).

In 1998 as a response to the massive early exit in the nineties the above ***new pension*** age was introduced, as part of the general pension system reform.

This new pension age resulted in *societal conflicts* because the general public opinion was that people needed early retirement since working conditions were exhausting and life expectancy at birth was and still is low compared with other West European countries (65 for men and 74 for women).

This societal conflict resulted in a new retirement policy trying to bridge the old model and the new model for the *older cohorts*. But for the *younger cohorts the new pension age will be the only situation*. This ‘bridge’ is based on a gradual scale where *older cohorts can still use the old age limit*. But there is a mechanism to control behaviour in reducing the pension transfer (see appendix).

Since the introduction of the pension reform the following forms of retirement exist.

1) Old-age or *full retirement* is available from December 31 1997 until January 1, 2009 for persons who

- a) have reached the age of 62 years and,
- b) have at least 20 years of service.

2) A partial old-age pension is available for persons who reach(ed) the applicable retirement age between June 30 1993 and January 1 2009 and have at least 15 years of service.

3) As a temporary relief certain age groups may retire before the old-age retirement age of 62 years. This latter rule to a considerable extent again favours early withdrawal. They can withdraw earlier from the labour market (=advanced retirement) till 2014, if they have a long service period (37 years); in

2000 this applied to women born in 1942 (58 years old) and in 2001 to those born one year later (with 38 years of service). For men the standard retirement age is 62 years from 2001.

This type of pension takes into account not only the year of birth and service record but, for both men and women, also the *number of children*. In this way, in 2001 women born in 1943 and having 35 years of service may opt to retire at the age of 55 years with an advanced pension.

As a further relief, a woman of the same age may retire with 34 years of service if she has one child, with 33 years if she has two and with 32 years if she has three children.

The period of service may be further reduced for *both men and women* if they accept *penalty points* meaning much lower pensions; under these conditions women can retire at the age of 55 years and men at 60 years. This withdrawal age coincides with the retirement age applied earlier for women (55 years old).

Persons working in occupations classified as dangerous can withdraw from the labour market two years earlier on a pre-retirement pension if they have been employed in such a job for at least 10 years in the case of men and 8 years in the case of women.

Disability pensioners also leave the labour market earlier, at the age of 35–44 years if they have 10 years of service, at 45–54 years with 15 years of service and from the age of 55 years with 20 years of service.

The social insurance pension system recognises the legal institution of *purchasing service time*; the act deals with this under the heading of “agreement on social insurance benefit” (Act LXXX of 1997, section 34). Within this frame an agreement can be signed for the period of student status at a tertiary institution as a day student not recognised as service period; agreements can also be signed by persons lacking no more than 5 years from the prescribed service period for an old-age pension.

At the same time, the provision that persons with 38 years of service who have reached the age of 62 years and do not *apply for a pension* for at least one year will receive a *higher pension* acts as an incentive to stay in the *labour market longer*.

A similar provision to keep workers on the labour market longer is the *protection of workers within five years of retirement* which was eliminated on May 25, 2000. Before 1990 Hungary had this *job protection* (workers within 5 years of retirement age could not be dismissed), *but they no longer enjoyed it during the early nineties because of changes in the Labour Code*.

It can be clearly seen from the above that, together with the higher and uniform retirement age, other regulators incorporated elements into the pension system enabling withdrawal from the labour market at an early age differing for men and women. The constant changes made in the pension system have made people mistrustful. Moreover, the age groups now entering retirement are in a poor state of health. The labour market demand is mainly for workers *under the age of 45*. It is therefore not by chance that *early withdrawal continues* to exist in practice and the efforts made at macro level to keep ageing workers on the labour market are much less successful. For example, depth interviews show that firms attempt to evade the regulations of the reintroduced “protected age limit” and to *persuade workers to opt for an advanced pension*.

The pension reform also changed widow’s pensions. It can be regarded as a positive feature that women living alone and receiving a pension in their own right receive 20% of the pension of a deceased husband, an essential measure in view of the lower pensions received by women and the higher costs of living alone. For many years women receiving widow’s pensions lived below the subsistence minimum.

6. Housing situation and the generations

Since 1980 there has been a steady increase in the percentage of apartments inhabited by *elder persons* only and by 1996 60% of apartments were inhabited *solely by elder persons*. Elder and young persons lived in only 4% of apartments, middle-aged and elder persons in 20%, and three generations lived together in 16% of apartments.¹¹

However, there were considerable differences as regards the size of apartments, the level of conveniences and furnishings between pensioner and non-pensioner households, to the disadvantage of the inactive population.¹²

¹¹ Az idoskorúnéesség demográfiai jellemzői, egészségi állapota és szociális helyzete [Demographic characteristics, health status and social situation of the elderly population] (1998), KSH, p. 54.

¹² Spéder, Zs. (1997), p. 37.

Housing situation of pensioner and non-pensioner households, 1987–1996

	Pensioner households			Non-pensioner households		
	1987	1992	1996	1987	1992	1996
Apartment size (m2)	60	66	71	71	77	79
No bathroom	43.1	26.9	22.0	19.4	11.2	10.5
No WC		33.6	31.8		14.5	13.4
No colour TV		57.2	33.0		30.5	16.5
Assets of value		89.8	90.7		74.0	73.3

Source: Spéder, Zs. (1997), *Relatív és növekvő különbségek, A nyugdíjasok anyagi jóléti helyzete 1987 és 1996 között Magyarországon* [Relative and growing differences. The material welfare situation of pensioners in Hungary between 1987 and 1996], p. 37.

In the case of pensioners these data are widely scattered according to settlement type.¹³ The greatest number of well equipped apartments are found in Budapest, the capital city. Due to their earlier occupational status and their better financial situation before retirement, pensioners here have the most positive indicators: bathroom, WC, colour TV, assets of value.

Indicators of pensioners' housing conditions in 1996

<i>Place of residence</i>	<i>No WC in apartment</i>	<i>No bathroom</i>	<i>No colour TV</i>	<i>No valuable assets</i>
Village	38,2	25,6	35,6	14,1
Small town	24,4	13,3	25,9	16,1
County centre	11,2	9,6	18,1	15,3
Budapest	8,4	8,4	9,1	23,4

Source: Spéder, Zs. (1997), *(Relatív és növekvő különbségek. A nyugdíjasok helyzete 1987 és 1996 között Magyarországon* [Relative and growing differences. The material welfare situation of pensioners in Hungary between 1987 and 1996], p. 41.

Summing up, it can be said that the elderly live under worse housing conditions than the young and as a result of the disintegration of multi-generational families, there are more people living alone among the elderly than among the young.

7. Indicators of the health status of the elderly

We cannot be satisfied with the health status of Hungarians. We have seen from the demographic data that the indicator for duration of life over 40 years deteriorated steadily for men. There is a very high incidence of circulatory

¹³ Spéder, Zs. (1997), p. 41.

and cardiovascular disorders, especially among men. The other stratum in a very poor state of health is the population over 60 years. More than half of those over this age have two or three chronic diseases. A survey found that only 31.5% of persons over 70 considered themselves relatively healthy while the remainder qualified their state of health as bad or very bad.¹⁴ This is confirmed by the statistics on diseases of persons registered with general practitioners. The most widespread diseases include *circulatory*, *skeleto-muscular* and *digestive* disorders. In the second half of the nineties, for example, the majority of persons 60 years and older, 1,334,725 persons, sought treatment for a problem related to the circulatory system.¹⁵

Differences between the sexes could be observed in the health status of the population over 60.

Differences between the sexes by main disease types

Disease type	Cases per 10,000 men over 60 years	Cases per 10,000 women over 60 years
Nutrition and metabolism, endocrine	1 347	1 402
Of which <i>diabetes</i>	355	350
Circulatory disorders	7 018	6 533
Of which <i>hypertension</i>	3 482	3 802
Of which <i>ischaemic cardiac disorder</i>	1 779	1 383
Nervous system and sensory organs	555	445
Respiratory organs	1 157	605
Digestive system	1 528	1 079
Genito-urinary system	614	334
Skeleto-muscular system and connective tissue	2 858	2 863
Of which <i>spinal disorders</i>	1 262	1 096
Of which <i>osteoporosis</i>	345	660
TBC	74	38
Malignant tumours	413	358
Mental disorder	575	527

Source: Az időskorúnépesség demográfiai jellemzői, egészségi állapota és szociális helyzete [Demographic characteristics, health status and social situation of the elderly population], (1998), KSH: 18–21.

¹⁴ KSH (1985), p. 192.; KSH (1986), p. 48; KSH (1994), p. 13.

¹⁵ Az idoskorúnépesség demográfiai jellemzői, egészségi állapota és szociális helyzete [Demographic characteristics, health status and social situation of the elderly population], (1998), KSH, p. 72.

Apart from health problems related to nutrition, metabolism, hypertension and osteoporosis where the incidence of disorders was much higher among women, in the other disease groups – disorders of the circulatory system, ischaemic cardiac disease, disorders of the respiratory system, nervous system and sensory organs, digestive system and genito-urinary system – morbidity rates were substantially higher among men.

On the whole, the indicators for the population over 60 are *not reassuring in the case of women either*. This is especially true if we take into account the *negative changes in the last 10 years in female suicides*. While from 1990 there has been a *slow decline* in the number of suicides, the rate among *women over 60*. Elderly and very elderly women aged 70–79 years and 80 years and over became greatly at risk, while the situation improved somewhat for those aged 60–69 years.¹⁶ It was mainly people without spouses who committed suicide. Since the majority of widows are women it would follow that the suicide rate would be very high in this group. However, the causes of the increase in female suicides seem to be much more complex and cannot be linked solely to family status. In 1996 there were 81 suicides per 100,000 widows, but within this the suicide rate for men was *five times higher* than that for women (243 and 51 respectively). Thus, in the case of women the health status, family status, the very poor social situation of many women, the general coping ability of the person and the micro environment (regional differences in the suicide rate have been constant over a long period; they are highest in the south and south-east of the country and are not age-dependent), the degree of loneliness, their social activity and network of social relations must have all contributed to the negative trend outlined here.

¹⁶ In the case of men the age group most at risk was those aged 40–49 years where the proportion of suicides rose from 21 to 26 for 100 000 people between 1987 and 1966. Az időskorú népesség demográfiai jellemzői, egészségi állapota és szociális helyzete [Demographic characteristics, health status and social situation of the elderly population] (1998), KSH, p. 28.

Distribution of suicides by sex and age groups in 1987 and 1996

Age group	1987		1996	
	men	women	men	women
10-19 years	1.8	1.9	1.9	1.2
20-29 years	8.8	5.9	8.4	4.0
30-39 years	19.7	13.2	14.2	7.5
40-49 years	20.9	14.7	26.1	17.8
50-59 years	18.1	17.6	18.5	15.6
60-69 years	14.0	19.3	13.3	17.9
70-79 years	11.0	16.9	11.4	19.2
80 and over	5.7	10.5	6.2	16.8

Source: Az időskorú népesség demográfiai jellemzői, egészségi állapota és szociális helyzet [Demographic characteristics, health status and social situation of the elderly population] (1998), KSH, p. 28.

These poor health indicators became especially serious with the steady rise in the prices of pharmaceuticals. (In 1995, for example, drug prices were raised six times while the social insurance contribution declined.) This was cause for serious concern because the majority of pensioners received a sum below or around the average pension¹⁷, which was sufficient only for a livelihood at minimum subsistence level or even less since the prices of basic essentials, heating, electricity, food, etc. were continually rising. In the second half of the nineties in the housing estate apartments where it is not possible to regulate or reduce some housing costs (district heating, water, hot water), housing overhead costs reached and even exceeded half the pension. In this situation the high costs of pharmaceuticals had a negative influence, among others, on nutrition. Pensioners were obliged to cut back or eliminate spending on clothing and consumer goods in an attempt to live within their means.

8. Care in the light of relations between the generations

For a long while care for the elderly was regarded as the task of the family. Hungarian family law made it compulsory for direct descendants to provide care and material assistance for elderly persons unable to care for themselves. State-provided services for the elderly barely existed up to the end of the eighties or were of a segregating kind. The first centre providing *home help*, known as “*social home care*”, was set up on an experimental basis in 1976. Pensioners’ clubs, known as “*social welfare clubs for the elderly*” offered

¹⁷ Source of the data: Országos Nyugdíjbiztosítási Főigazgatóság [National Pension Insurance Administration].

activities during the day and two or three meals, the institution of meals on wheels existed as “*social welfare food*” while residential homes were known up to 1986 as “*social welfare homes*”. Most services for the elderly were officially called “social welfare”, a term which had negative connotations, indicating poverty, distress and old age. The social homes, for example, were generally old, dilapidated buildings providing accommodation in 4-, 6- or 16-bed rooms in very poor conditions.

The act of 1986 changed this situation. The institutions were given new names: home help, pensioners’ club, residential home. Some of the old services began to undergo *qualitative* development. *Weekend help* was introduced for those living in their own homes and some of the new or renovated *residential homes* were able to offer a higher standard of care (e.g. accommodation in two-bed rooms); in the late eighties and early nineties respite care was introduced.

The *Social Welfare Act of 1993* made it possible for *nonprofit and market actors* to take part in care as well as the local authorities. They received the same capitation as the local authority institution for the provision of services. At the same time, home help and meals on wheels were made a *mandatory basic service* for local authorities and in settlements above a certain size it also became compulsory to provide *specialised services* such as a *club for the elderly* and a *residential home*.

The regulations governing institutions for the elderly underwent a strong qualitative change between 1993 and 1998 (e.g. the per capita floor space was increased, the number of residents per WC and bathroom was reduced, the use of anti-slip devices was made compulsory, the level of qualification of personnel was raised, etc. Operating permits were not given for new facilities if they failed to comply with the new regulations.)

Home nursing as a new form of service was introduced on an experimental basis in 1994 and began to spread in the following years. It was financed by social insurance and enabled specialised nursing to be provided in the patient’s own home for a specified period.

The citizens’ rights ombudsman investigated the rights of people living in institutions for the elderly on a number of occasions. The ombudsman not only informed those concerned and the supervisory bodies of the results but reported on the findings in the mass media. The latter had a strong influence on public opinion and aroused positive sentiments in the *younger generation towards the elderly in need of care*.

It is clear from what has been said so far that in Hungary from the late seventies care for the elderly *gradually ceased to be a function of families*. First the *system of public services* took over the role of the families but at only a very

low level, strongly segregating and providing services for only the poorest and most distressed. Then from the early nineties the services *were introduced everywhere on local level and their standard rose* but at the same time *new actors, the nonprofit and market sector* entered beside the state/local government actors. A mixed service model emerged in which the state actor provided services for a fee under the provisions of the Social Welfare Act, further refined by local government regulations; only those with the lowest pensions were exempt from payment of the fee. Voluntary actors also appeared and from the mid- and late nineties provided services of the same or a higher level as those of the local authority and in the majority – 78% – of cases free of charge¹⁸. As well as the voluntary actors, market actors appeared, offering their services for a much higher price than the local authorities.

These major changes were needed because caring for the elderly was for many reasons a *serious problem for families*. A substantial proportion of those leaving the labour market through early retirement were disability pensioners. Compared to 1990 when just one fifth of all pensioners were disability pensioners, in January 1996 already one quarter belonged to this category. (On January 1, 1998 778,000 persons, 28.9% of all pensioners received disability pensions.)

This also meant that the care became *bipolar*. Not only the very elderly persons over 70 and 80 required care, but also pensioners under 60.

According to some surveys, for example, 15–20% of all recipients of home help were under 60. Since residential home care covered only 4–5% of those over 60, the task of providing care also fell on families. Because of the sharp decline in the practice of generations living together and also because of the poor health status of the elderly – which was the case not only for the very elderly – there *were far fewer human care resources available*. The explanation for this is to be found not in any negative attitude of children and grandchildren towards the elderly, but in the objective difficulties faced by the “*caring generation*”.

A survey in 1994 covering 2000 households found that there was an elderly person in need of care *in more than one third (36%)* of households. 72% of those families, mainly composed of persons aged 40–50, were capable of caring for an elderly member. 28% were not because they did *not have the time* and/or because of the *state of their own physical or mental health*.

The families providing care faced the following problems. For 54% care represented a *big psychological and nervous strain*, for 60% (mainly in the age

¹⁸ Széman, Zs.-Harsányi, L. (2000), p. 45.

group of 40–50 years) it was a *physical burden* (often leading to disability) and for 71% it was a *problem of time*. This explains why only a few people took advantage of the care fee which is available for family members. (This is paid to persons who leave the labour market to care for a family member.) Although a growing number of public or nongovernmental family help centres attempting to deal with the various problems of families as a whole have been established, there is an increasingly urgent need for help and care coming from other sectors, such as the public sector and the nongovernmental sector.¹⁹

The statistics also show a steady increase from 1990 in the number of clubs for the elderly providing day care, meals and activities. However, *two-thirds of the growth was clubs for the elderly set up by civil organisations* which undertook in this way to perform tasks equivalent to those of the state. They received the state capitation for this under the Social Welfare Act which made financial support for care for the elderly sector-neutral. They used this state support, supplemented with various grants and donations from the public and market actors to operate their services which they provided free of charge for elderly people disadvantaged socially and in very poor health. Charity activities which had centuries of traditions in Hungary were revived. This was the case for the free kitchens which supplemented the social welfare food programme. In this way, although many recipients of care had disappeared from the state sector they did not fall into a black hole but were caught in the social net built by the nonprofit sector. In other words, the neediest strata disappeared from the day-care units of public care services. They were taken over by the institutions set up by the churches, charity organisations, foundations and associations.

The *home nursing* introduced a few years ago is also a good example of sectors joining together to provide a solution. Home nursing, which is financed by social insurance for a specified period of time, is primarily *an activity of the for profit sector* (mainly in the form of small and one-man businesses), although a few civil organisations and local authorities also participate. But it is the *strong presence of the for profit sector* that causes the problem. If the elderly person requires more nursing than social insurance covers – and given the poor health status of the elderly this is very likely – after a while only a very limited stratum of pensioners are capable of paying market prices for the service. For this reason all initiatives which link the home help operating in the local government sector with home nursing are to be welcomed. Such solutions are possible where employees in the social welfare service providing home help also have

¹⁹ Széman, Zs. (1998), *Nongovernmental Organisations and Ageing Societies: the Case of Hungary with a Comparison to Japan*, p.129 .

training in health care. This is how the local authority of a district in Budapest was able to introduce an innovative solution of this kind.

A process of restructuring between the sectors can also be seen from the statistics on the *long-term residential homes*. The nonprofit (and for profit) sector grew by close to 3 % in a single year, despite the fact that there was also a positive change in the number of institutions maintained by local authorities.²⁰ However, it must be noted in connection with the nonprofit sector that it was not only a poor or very poor stratum shifted from the public services who appeared in institutions operated by the nonprofit sector: a *small stratum able to pay for the services* and demanding a high level of services has also appeared. Even the church and charity organisations sold their services to this prosperous stratum, ploughing back the “profit” into the same institution or some other service for the elderly or in cases into another form of social activity benefiting the poor, thereby giving them access to a higher level of service.

A similar change occurred in the institutions providing *respite care* – many of which were specialised for the elderly. In 1995 county or local authorities maintained 72.5% of the respite care institutions, but two years later this proportion had already fallen to 70.2%.²¹ The importance of this process can be appreciated fully if we consider that despite the deteriorating material situation of the elderly, some forms of support given by local authorities to the elderly were reduced. The proportion of recipients of *regular social welfare aid* calculated for 10,000 persons over the age of 60 years fell by almost one third between 1990 and 1996, while in the case of *temporary aid* the situation was even worse: only half as many people received such support as six years earlier. This deteriorating trend was barely counterbalanced by the three-fold increase in the numbers receiving *housing maintenance support*.²²

In the second half of the nineties help *from the nonprofit sector* thus became especially vital. In recent years help from the NGOs for the elderly *in cash, in kind and in know-how* has increased, not always in a way that is measurable with macro statistical data. In 1997 and 1998 many local authorities signed *agreements or contracts on co-operation* in the field of care for the elderly with nonprofit organisations. At the same time, care for the elderly owes a great deal to innovation coming from nonprofit organisations. Foreign

²⁰ Információs Évkönyv II. 1996 [Information Yearbook II. 1996] (1997), Szociális Fejlesztési Központ KSH Népesedés-és Egészségügyi Statisztikai Főosztály: 123, Budapest.

²¹ Statistical Pocket-book of Hungary '97 (1998), KSH, p. 72.

²² Az időskorú népesség demográfiai jellemzői, egészségi állapota és szociális helyzete [Demographic characteristics, health status and social situation of the elderly population] (1998), KSH, p. 89.

supporters who came into contact with Hungarian care for the elderly played an important role in this connection.

9. The role of nonprofit organisations in relations between the generations

In a representative survey 313 nonprofit organisations working in the social welfare field were interviewed in 1999; among others they were asked to identify the activities they perform from 29 services listed on the questionnaire. On the basis of the replies the organisations fall into three main groups according to the activity they actually perform:

1. The first category comprises the services provided by quite a high proportion, 21–39% of the organisations. These were:

aid in cash, legal and lifestyle advice, aid in kind, information flow, provision of information, clubs for pensioners, free university for the elderly/other informal gatherings, holidays, community support, training of specialists.

2. The second category comprised 11–19% of the organisations. The activities were:

support in the form of technical aids and lending these, residential home, visits, exploring needs, psychological/mental help, provision of medicines, prevention, rehabilitation, home social help, medical care, free kitchen, transport.

3. The third group consisted of activities with fewer than 10% of mentions.

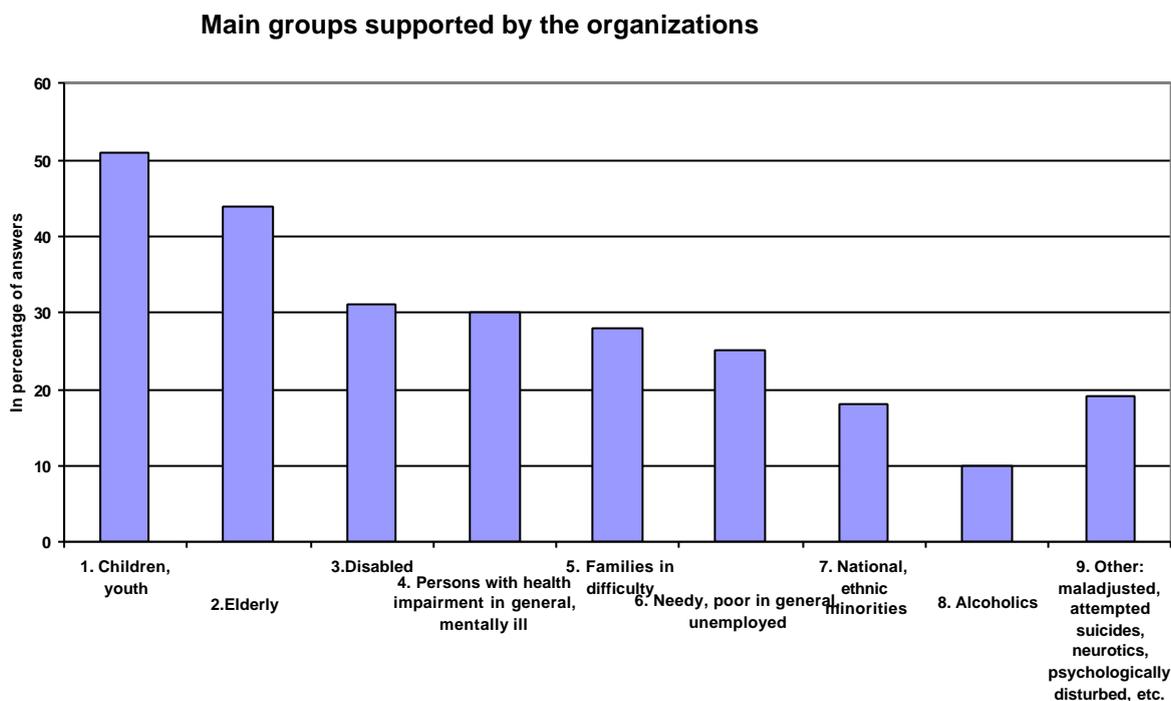
In reality the tasks undertaken by the organisations covered an even wider spectrum. This can be seen in the fact that 36% of organisations mentioned in the “other” category social/welfare services for alcoholics, the unemployed, addicts, attempted suicides and others.

Ranking of activities of social nonprofit organisations

		%	Number
1	Aid in cash	39	125
2	Legal and lifestyle advice/administration	35	113
3	Aid in kind, e.g. clothing, food, heating fuel	32	102
4	Information flow, provision of information	30	95
5	Clubs for pensioners, targeted activity, free university for the elderly, etc.	26	83
6	Holidays	23	75
7	Community support	22	69
8	Training, further training, support of specialists	21	66
9	Support with technical aids, lending aids	19	61
10	Residential home (including nursing, care and residential homes)	18	57
11–12	Visits	17	54
11–12	Exploring needs	17	54
13–16	Psychological and/or mental help	16	52
13–16	Help in provision of medicines	16	50
13–16	Service related to prevention, e.g. screenings, etc.	16	50
13–16	Service related to rehabilitation, e.g. therapeutic exercises, physiotherapy, etc.	16	51
17	Home help and home care (nursing)	13	40
18–19	Medical care	12	39
18–19	Free kitchen and/or other activity related to meals	12	38
20	Transport	11	36
21	Day (social) care (club for the elderly or handicapped with meals)	9	25
22	Providing missing services, e.g. repairing household appliances	8	22
23–24	Hospice	7	22
23–24	Drawing social map	7	21
25	Home nursing or care for the sick	6	20
26–27	Weekend care/help	5	15
26–27	Temporary accommodation	5	16
28	Day warming room	4	12
29	Other	36	112

The organisations provided the most support for people at the *two extremes of the social age tree: children and youth, and the elderly*. In view of the disadvantaged situation of these strata and the risks to which they are exposed this is not surprising.

Figure 1.



Civil organisations dealing with children and youth have long traditions. Already in the early years of the 20th century publications were issued by associations of this kind.²³ The need for special attention still exists because of the risk to which this stratum is exposed. Today too, there are many publications dealing with the defencelessness of children, the disadvantaged situation of the families in which they live, the psychological stress to which they are subjected, the inequality of opportunity for young people, the difficulties of continuing studies, the problems of handicapped children, childhood criminality, etc.²⁴ The articles and analyses quite clearly show that the role played by the state in solving certain problems, e.g. in the case of handicapped children, is very small, while in contrast some of the foundations and associations play a

²³ Pik, K. (1998), *Esély*, No. 1, pp. 107–120.

²⁴ Szilvási, L. (1997), *Esély*, No. 6, 59–88; Szilvási, L. (1997), *Esély*, No. 2, pp. 75–86; Neményi, M. (1998), *Esély*, No. 2, pp. 20–57; Szabó, A. (1998), *Esély*, No. 2, pp. 66–80; Bagó, J. (1997), *Esély*, No. 1, pp. 18–30; Tenczer, T. (1997), *Esély*, No. 3, pp. 67–76.

big part in habilitation, rehabilitation, in the creation of institutions on a human scale,²⁵ in exploring needs and in developing new services to fill gaps.²⁶

Special attention to the situation of *pensioners* is also important because of the high and growing proportion they represent within the population and their steady impoverishment. Because of their already mentioned poor health state and housing conditions most of them now look to the nonprofit organisations for the satisfaction of these needs.²⁷ Earlier surveys found that 15% of the elderly also felt the need for technical aids.²⁸

Around one third of the organisations in our survey named the handicapped as a target group. This proportion is probably even higher if we take into account the overlap between the classifications of children/youth and the handicapped.²⁹ Thirty per cent of the organisations dealt with “ordinary” health-impaired, and 28% with *families* struggling to cope with problems.

A quarter of the organisations regarded the poor or persons close to the poverty trap, the unemployed as their target group. 18% of the foundations, associations, charity organisations and churches offered their services to ethnic minorities and nationalities.

Only one tenth of the organisations supported alcoholics even though this is an increasingly serious social problem in Hungary today. Almost certainly more of them dealt with this problem because it does not always appear in the guise of alcoholism. There are many alcoholics among the poor, the unemployed, family members with problems and the health impaired. This means that the nonprofit organisations help alcoholics in various ways even when they are directing their attention to the family, an elderly person or some other “beneficiary”.

The classification of addicts, the homeless, neurotics, *children* with learning disorders and attempted suicides in the “other” category mentioned by 19% of organisations is an indication that the services of foundations, associations, charity organisations and churches cover wide strata and groups of society.

²⁵ Tausz, K. (1997), *Esély*, No. 6, p. 83, p. 85.

²⁶ Vekerdy, Zs. (1997), *Esély*, No. 6, pp. 51–65.

²⁷ For example, a survey conducted in Budapest's district III found that 63 per cent of those questioned expect the Budapest Centre of the Hungarian Maltese Charity Service to satisfy their needs. Széman, Zs. – Utasi, Á. (1996), p. 50.

²⁸ Findings of a survey conducted in 1996 on a sample of 200 elderly persons for the German Minority Self-Government. Széman, Zs. (1996), manuscript.

²⁹ Fábrián, G. (1997), *Esély*, No. 3, pp. 67–76.

In what proportion did the different target groups have access to the various types of services? (Number of organisations = 100%)

Strata, groups	In cash	In kind	Legal, lifestyle advice
Children, youth	41	41	45
Big families with problems, broken families	54	71	58
Health impaired, mentally ill in general	38	46	52
Handicapped	34	48	50
Elderly, pensioners, the aged	49	41	40
Needy, poor, unemployed, homeless, persons with work disability	49	63	61
Alcoholics	59	72	63
National, ethnic minorities	53	67	57
Strata, groups struggling with other problems	43	40	57

10. The role of local authorities in the relationship between generations

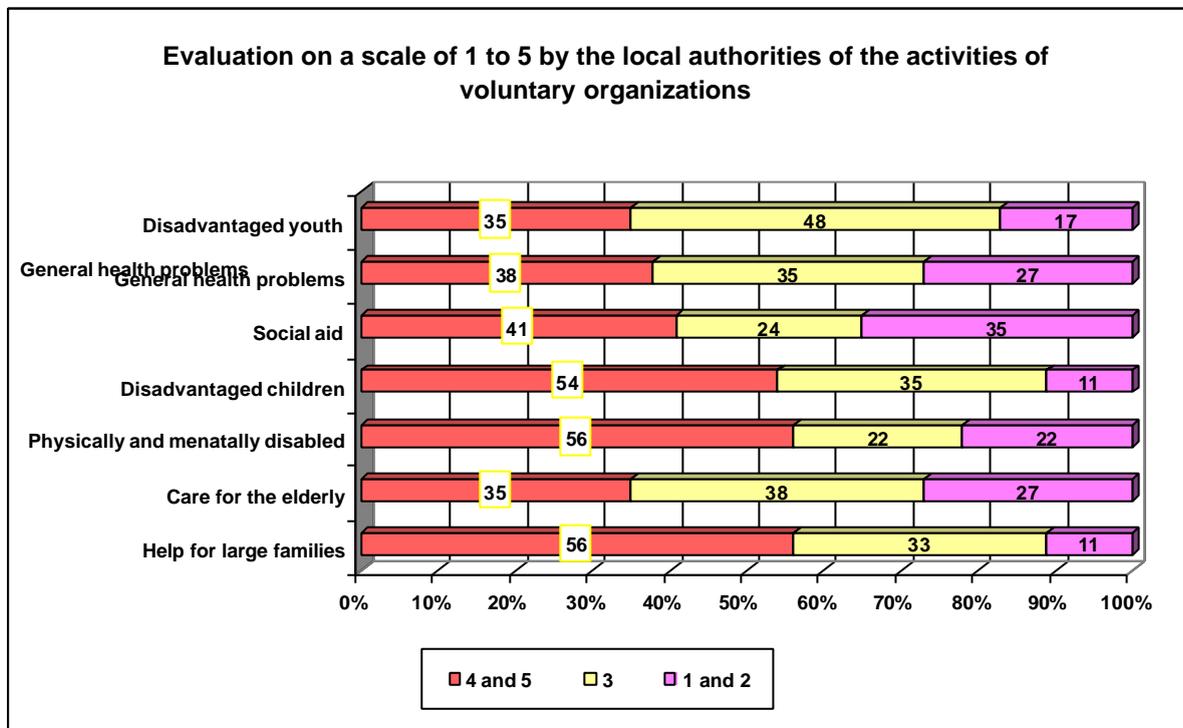
The local authorities evaluated the activity of civil organisations operating in the social/welfare and health care field using a scale of 1–5. At the same time they also indicated if there was no nonprofit organisation working on the solution of social and health problems in their territory.

The local authorities were aware of the greatest presence of civil organisations in services for large families and for the elderly. Only slightly more than one third mentioned that there is no nonprofit organisation dealing with these problems in their territory. 41 and 42% of local authorities indicated the absence of civil participation in general health care problems and social aid. For all the other activities roughly every second local authority definitely felt the lack of civil organisations. The local authorities were most satisfied with the work of civil organisations specialised for large families, the physically or mentally handicapped, and disadvantaged children. In these cases around one third of the organisations were given the highest score of four or five. The highest evaluation was also given to one quarter of the organisations dealing with general health care problems, social aid and help/care for the elderly. The nonprofit organisations dealing with disadvantaged young people also earned a relatively good score with a 19% indicator.

Among the seven leading activities, the work of quite a high proportion of civil organisations was judged as average. Relatively few local authorities considered that the civil organisations participated in the handling of social and health problems with a low degree of effectiveness.

Taking into account the positive and negative evaluations and the absences, the local authorities are most aware of the presence of civil organisations in helping large families and in *care for the elderly*. 57% of civil organisations dealing with large families and 46% of those dealing with help/care for the elderly were given a relatively positive score of three to five, and the absences were the smallest in these two areas.

Figure 2 see separately



Summing up

Summing up, it can be said that relations between the generations are uneven. The elderly are in some ways losers compared to the young and in other ways winners. A study of the *labour market situation* in particular reveals that the elderly can be regarded as the biggest losers. In practice the age group over 45 years is being forced out of the labour market and in this sense society regards them as inactive, that is, as elderly. The next big loss of the elderly generation was found in the *material situation*, even though part of the younger generation

can also be regarded as losers in this respect. The *situation of the elderly within the family* has also weakened. The *housing* of the elderly is also measurably worse than that of younger people, and the *health status* of the population over 60 is very poor.

At the same time, the elderly generation have definitely been winners with the expansion of the services available, and in the social (not family) rights to which they are entitled. Public opinion towards the elderly has become much more positive as regards *general moral* values. The weakening of the state social net and the restriction of universal entitlements (e.g. the shift from health care with universal entitlement to insurance-based care), the problems of the pension system, the livelihood problems of the elderly and the diminishing role of families in care for the elderly, unemployment, child poverty, etc. have all drawn the attention of civil society to the strata at risk. The nonprofit organisations extended the most support to two big strata: the *young and the elderly*. In this sense civil society did not discriminate between the generations: it regarded the degree of risk as the most important criterion and in this there was little difference between the two extremes of the social age tree.

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