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Mature Age and its Implications on the Hungarian Labour Market

This paper aims to investigate the labour market conditions of those people in Hungary who have reached the maturity stage in their career as a result of their older age. Firstly, the paper shall discuss the changes of governmental policies influencing the employment rate of the older generations side by side with the labour market trends and activity rate of the mature aged. The second part of the paper shall review data on age discrimination for both men and women, whereas the last part of the study focuses on workplace diversity and age management initiatives.

Though the European Union defines mature age as being above 55 years old, in the Hungarian case, some of the statistics will refer to the age group of 50-59 years of age. Defining mature or older age is a social construction and cannot be independent from the societal conditions; accordingly, we shall demonstrate the relativity of the meaning of age through the analysis of the Hungarian labour market data. Cultural studies (Hofstede, 1991) have revealed that societies have differing approaches to seniority. While collectivist societies typically honour seniority, individualistic societies are more inclined to follow a merit orientation. According to our hypothesis, after the Transition, Hungarian society has become more individualistic, the impact of privatisation and foreign direct investment led to a higher adherence to merit orientation opposed to respect for seniority, and this change in cultural values was coupled with an intensive preference for young talent in the human resource policies of multinational companies which reinforced prejudice and thus discrimination against the older generations on the labour market.

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Employment of the mature aged and state interventions

At the start of the Transition period in 1990, the official retirement age was 60 years for men and 55 years for women. With the collapse of the labour market and the radical growth of unemployment at the beginning of the Transition period in the 90s the relatively low retirement age meant a basic social safety net for the older generations. Early exit from the labour market had other channels as well, namely, through the rather liberal allocation of the disability pension to active age employees and various early retirement schemes for the unemployed and members of specific professional groups. However, massive early exit from the labour market could not be sustainable on the long run as ageing, similarly to most European countries, was the basic demographic trend in Hungary in the given period. The proportion of the 55-64 age cohort has grown from 11,5% in 1990 to 13,7% in 2011 within the total population (National Statistical Office, 2011).

In response to unsustainable financing of the beneficiaries of pensions and pension-type benefits, pension age has been gradually risen. In 2010 government decided to fix old age pension at 65 years for both men and women. In addition, early retirement schemes have practically ceased by 2012. (National Statistical Office, 2013a) However, a special pension regulation was passed for women in 2010, namely those women who can certify 40 years of employment are entitled to pension regardless of their age.

As a result of the changing pension age and the aging of the population, the employment rate of older people has increased in the observed period of 2002 and 2012 from 25,6% to a rate of 36,9% and the average age of exit from the labour market has been continuously on the rise. (Hungarian Statistical Office, 2013a). Nevertheless, compared to other European countries and the EU27 average, in 2012 the employment rate of the mature age population was significantly lower in Hungary. (See table 1.)

A new phenomenon appeared on the Hungarian labour market linked to the risen pension age, namely the growing tendency of unemployment among the older generation. Among the cohort of 50-54 years of age, 7,3% were unemployed, whereas among the 55-59 years old, 5,1% of the population was registered unemployed in 2012 as opposed to significantly lower figures in previous years. Pre-

pension unemployment is especially disadvantageous, as due to changes in unemployment benefit provisions, only a 3 months period of income substitution is provided in Hungary, thus very easily older age job seekers can remain without any social benefits which influence negatively the calculations of the old-age pension.

A representative survey conducted in 2013 by the Equal Treatment Authority and the Hungarian Academy of Sciences, Centre for Social Sciences asked respondents to evaluate their labour market situation and employability in the previous 5 years. More than half (55,0%) of those aged 50-59 years old assessed their prospects of employment and level of employability as having deteriorated in the previous 5 years. This was significantly higher than the nationally representative data for the total population which amounted to 46,2%.

An important issue for those near retirement age is whether they can exit the labour market through a smooth gradual process or work life is suddenly terminated. Investigating the shift from employment to pension, for most people it is a sudden process without transition. Flexible work practices could be a potential tool to assure gradual exit from the labour market, but similarly to the low activity rate characterising the Hungarian labour market, low occurrence of flexible work practices is another typical feature of Hungarian workplaces. For instance part-time work arrangements are three times more frequent in the European Union, on average, than in Hungary (19,2% versus 6,6%). (Hungarian Statistical Office, 2013b).

Regarding employment of pensioners a radical change has occurred: as opposed to the late socialist era in the 1980s, when there were 500 thousand employed among the pensioners, in 2012, only 150 thousand individuals were employed at the same time as receiving pension or pension-type benefits. Furthermore, in 2013, new regulations restricted employment above the official pension age in the public sector, thus forcing doctors, teachers, researchers, and judges into retirement, to name few of the professions affected. Consequently, one can expect repeated shrinking of the labour market participation of pensioners in the near future. However the limited availability of work for pensioners is contrary to observable attitudes towards work. According to the Labour Market Survey conducted by the Hungarian Statistical Office (2013a), 29% of pensioners declared to have been willing to continue working should

there been a possibility to do so, while 41% of the 50-69 aged active population was in favour of labour market participation after the retirement age.

Discrimination of mature age people on the Hungarian labour market

An important hidden factor influencing the presence of various groups on the labour market is discrimination in employment. In the next section, we shall investigate to what extent discrimination against people of older age is widespread in Hungary. Though discrimination is one of the most difficult labour market phenomena to study, the European Union has developed research methodologies to compare levels of employment discrimination within member states. One possible approach to estimate levels of discrimination is to ask respondents to evaluate how widespread they think discrimination on certain grounds is in their country and compare the rate of “widespread” responses. In the European Union, on average, discrimination on the grounds of *ethnic origin*, *disability*, *sexual orientation* was perceived to be more widespread than *being over 55 years old*. In Hungary, the situation was quite the opposite, insofar as 75% of the respondents rated *being over 55 years old* as being widespread or fairly widespread thus making older age the most important factor leading to discrimination. Mature age and ethnic origin was perceived to be the two most problematic protected characteristics in Hungary according to this indicator. (See table 2.) Another indicator used by the Eurobarometer survey (European Commission, 2012) was whether the respondents witnessed personally a case of discrimination on the various grounds in the last 12 months. Similarly, *being over 55 years old* and *ethnic origin* was perceived as the most detrimental to equal treatment in Hungary whereas discrimination on the ground of *ethnic origin* was the most frequently witnessed in the European Union, on average. (See table 3.) The third indicator to measure the level of discrimination was experience of being personally discriminated in the last 12 months. Using this indicator, *being over 55 years old* was the ground on which people felt discriminated the most frequently both in Hungary and the European Union, but the rate in Hungary was almost the double of that of the European Union (7% versus 4%). Considering all grounds of discrimination, Hungary was among those countries which had the highest level of personally felt discrimination in the last 12 months (23% versus 17%) (See table 4.)

A Hungarian nationally representative survey was conducted by the Equal Treatment Authority and The Centre for Social Sciences of the Hungarian Academy of Sciences on the topic of discrimination in 2010 and 2013. (Equal Treatment Authority 2011, 2013) In line with the Eurobarometer results, this research has also identified *age* as the most frequent ground leading to personally experienced discrimination. Both in 2010 and 2013, 15% of the population has reported being discriminated on the ground of age. According to the research findings, age discrimination was by far the most wide-spread in the 50-59 age group. Among members of this age group approximately one out of every fourth person (24,5%) had felt discriminated related to their age.

Taking a closer view at the different areas where discrimination actually happened at the workplace, the research indicated that specific areas of discrimination were typical for each age group. Overall, discrimination most frequently happened at the hiring and selection process (8,8%) Employees in their 40s were above average affected by discrimination at the firing decisions (5,4%). Employees in their 50s were the most likely to be discriminated at the hiring process (15,1%), with a higher risk for women compared to men (17,0% versus 12,8%). Also, women in their 50s were significantly more frequently discriminated in the area of salary (7,0% versus 1,0%), and firing (6,0% versus 1,2%) compared to men.

Workplace policies for ageing and diversity

In the Hungarian society many stereotypes exist towards older workers concerning their low motivation and capability to learn new things and inflexibility towards change. A study conducted by Szászvári (2011) identified three major factors where negative attitudes were formulated against more mature employees: capacity to develop, emotional stability, and loyalty.

The first awareness raising conference on ageing at the workplace was organised in 2005. The research carried out for this occasion (GKIeNET-IBM, 2005) clearly indicated that Hungarian companies prefer to invest in employees of younger age. Though no representative data exist on education and development of older adults in

organisations, on a national level a clearly low level of lifelong learning characterises Hungary: 2,8% compared to the 9,0% of EU27 average. (Eurostat, 2012). According to a study conducted in 2005 by the National Adult Education Institute (2006), only 1% of the population aged above 45 years was participating in lifelong learning of which 35% was outside of the school system and 31% was carried out as informal learning process.

In the last 10 years, following the enforcement of the Equal Treatment and Equal Opportunities law as of January 2004, a growing awareness of non-discrimination requirements characterised both public and private organisations. A national benchmark study on workplace diversity (Tardos, 2011) revealed that age diversity was one of the main drivers of workplace equal opportunities and diversity initiatives in Hungary. Many companies also formalised their diversity initiatives and included equal treatment statements in their code of conducts, set up equal opportunities and diversity plans, nominated equality officers or diversity managers, integrated questions on equal treatment into their satisfaction surveys, created better networks with civil organisations working with various disadvantaged groups.

However, the concept of *age management* in organisations is not widely known in Hungary. While age is an important factor in driving organisations towards more developed practices of non-discrimination and diversity, only very few companies implement systematic, strategically planned age management systems. Nevertheless, on a rather ad hoc basis, several of the recommended processes of age management, as raising awareness, fair attitudes, integration into the HR policy, age-friendly arrangements, safe transition to retirement, promoting work ability, lifelong learning etc. (Ilmarinen, 2012), might be present in some organisations.

New developments in Corporate Social Responsibility (CSR) and Sustainable development reporting among best practice companies have also raised awareness of the social aspects of business. Nevertheless, CSR actions are not necessarily focused on equality and diversity, only a minority of companies make a veritable effort to integrate their equality and diversity initiatives into their CSR strategies. Responsible companies would need to focus much more on the demographic changes and specific needs of the older generation, like updating knowledge and skills, providing equal chances for training, providing more opportunities for flexible

work practices, ensuring health care and health promotion services for the older employee groups, and also providing gradual labour market exit options.

Conclusions

Driven by the European Union expectations to increase the employment rate in Hungary in general and for various disadvantaged groups on the labour market, as of January 2013 new monetary incentives have been introduced for workplaces in forms of social security contribution reductions for employing mature age workers, women with young children, long-term unemployed, Roma people and others. The implications of these new initiatives could not yet been assessed in this paper, nevertheless they complement those governmental actions that maintain the older generations longer on the labour market through the delayed retirement age and limitation of early retirement options. Providing incentives for employing workers over 50 or 55 years is strongly needed as age discrimination is the most important ground of discrimination in Hungary, and the phenomenon of pre-pension unemployment is becoming a hard reality for a growing number of people demonstrating the vulnerability of older workers and the prejudice rather than the traditional respect for age. On the other hand, financial incentives to employ employees over 50 or 55 years old are certainly not sufficient to make the process sustainable and beneficial for both the employees and the employers. More developed diversity programmes and systematic age management initiatives would be needed that integrate the multigenerational aspect of the workforce into the strategic human resource management systems of knowledge management, career development and talent management, and regenerate more respect for the older generations.

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Appendix

Table 1: Employment rate of older workers (aged 55-64) in Hungary and EU27 (%)

	1996	2002	2012
EU 27	nd.	38,5	48,9
Hungary	17,7	25,6	36,9

Source: Ecostat

Table 2: The percentage of answers evaluating discrimination on the given ground as *widespread* or *fairly widespread*.(%)

	Eurobarometer 2012 Hungary	Eurobarometer 2012 EU27
Ethnic origin	70	56
Disability	54	46
Sexual orientation	42	46
Being over 55 years old	75	45
Gender identity	34	45
Religion	25	39
Gender	44	31
Being under 30 years old	27	18

Source: Eurobarometer, 2012

Table 3: Percentage of people having witnessed discrimination in the last 12 months by grounds of discrimination (%)

	Eurobarometer 2012 Hungary	Eurobarometer 2012 EU27
Ethnic origin	19	15
Being over 55 years old	20	9
Sexual orientation	4	9
Disability	7	8
Religion	5	7
Gender	7	6

Source: Eurobarometer, 2012

Table 4: In the past 12 months have you personally felt discrimination against or harassed on the basis of one or more of the following grounds?

	Eurobarometer 2012 Hungary	Eurobarometer 2012 EU27
Being over 55 years old	7	4
Ethnic origin	5	3
Gender	6	3
Disability	3	2
Sexual orientation	3	2
Being under 30 years old	2	2
Religion	2	2
Gender identity	1	0
For another reason	2	4
No discrimination	76	82
Total discrimination	23	17
Don't know	2	2

Source: Eurobarometer, 2012