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on the Socio-Economic Impact
of Social Protection Reforms

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Pensions, Health Care and Long-term Care

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1 Executive Summary

In order to obtain space of manoeuvring for the macroeconomic turn the administration tried to get rid of the transition costs resulting from the maturation of the pre-funded second pillar of the pension system. When initial efforts failed the government raised the stakes and decided to roll back the second pillar altogether. Fund members were offered to return to the first pillar with full restoration of their accruals lost at the time of opting out or stay in their private pension fund but give up the opportunity to collect further eligibilities in the pay-as-you-go pillar. Due to the uneven alternatives a mere 3% of fund members remained in the funded pillar, the rest returned to full pay-as-you-go.

In order to absorb the balances of former fund members equivalent to about 10.5% of GDP, a Pension Reform and Debt Reduction Fund (PRDRF) was established. Roughly half of the portfolio, equal to about 4.8% of GDP, is held in government bonds and will reduce the public debt directly. In addition, following the promise made in October, the PRDRF will have to pay out the real returns of individual balances estimated to be 0.8-1.1% of GDP. A further amount, an equivalent of 2.0% of GDP will be sold later this year in order to finance the deficit of the National Pension Insurance Fund. The remaining assets will cover further debt reductions or specific current budgetary purposes.

The other major development in the world of pensions is the vigorous but incoherent efforts of the administration to raise the effective retirement age. In February 2011, the administration published its ambitious Széll Kálmán Plan. The Plan also addresses effects that make the pension system all too attractive. The main target is the alternative routes of early exit from the labour market. The aim of the administration is to drive 100-150 thousand people back to the labour market out of about 800 thousand involved and close these escape routes in front of newcomers.

The administration's efforts to raise the effective retirement age are not consistent. Before announcing the Széll Kálmán Plan the government opened up a new retirement channel for women independent of age but based exclusively on working years. In order to meet an electoral promise, women were allowed to retire after 40 years of work (including periods on maternal leave).

In October 2010, the Ministry of National Resources circulated the Semmelweis Plan for reorganising the health care system. Unlike the pension reform, the Semmelweis Plan was subject of a widespread consultation including a large number of professional organisations. A revised version was released in May 2011. The focus of the programme is a new system of actively managed patient routes. On the local level outpatient centres would take on this responsibility. At higher level the reform would introduce Regional Health Management Directorates (RHMDs), which would be in charge of the management of patient routes within their territorial responsibility. An RHMD would cover 1-1.1 million people (in a country of 10 million). RHMDs would be supervised by the National Health Management Centre, which would also organise services beyond the competence of the RHMDs. In short, the Semmelweis Plan is a programme of a national health service based on public health management, which would put the organisation of patient routes in the focus. The reform would also strengthen primary care and the gatekeeper function of general practitioners.

In the field of long-term care 2010 saw a number of smaller adjustments that made the operation of the sector easier without increasing government subsidies and indeed without major structural changes. Cooperation between the two branches of the sector, health care and social care, although still requires improvement, improved over the last year due to the

contraction of these two portfolios in one authority, the Ministry of National Resources (MNR). The MNR set up a permanent committee dealing with the "frontier" issues.

The current system may change in the future in the light of two recent declarations and concept papers. The first is the rewording of social responsibilities in the new constitution, which explicitly lays the primary responsibility for individual wellbeing on the individual and his/her family. The state bears only secondary responsibility in this respect. It may but not obliged to offer income security. The second is the recent Concept of Social Policy 2011-2020 (*Nemzeti Szociálpolitikai Koncepció 2011-2020*), which would rearrange the division of labour between central and local government.

2 Current Status, Reforms and the Political and Scientific Discourse during the previous Year (2010 until May 2011)

2.1 Overarching developments

In May 2010, a new government took office with an unusually strong support (more than half of the popular vote, over two thirds of seats in Parliament, enough to change the constitution) with the aim of introducing macroeconomic policies diametrically opposing that of the previous government.

In February 2011, the administration published its ambitious Széll Kálmán Plan. The government wants to shape an environment that in turn would raise the employment rate to 75% by 2020 in the 20-64 population (66.3 - 69.1% by 2015 from 60.4% in 2010) and create 1 million new tax paying jobs over the ten-year period. The comprehensive package includes a National Plan for Work, a revised Labour Code and a new Public Work Programme. Many of the details will be announced later through the year.

In October 2010, the Ministry of National Resources circulated the Semmelweis Plan for reorganising the health care system. Unlike the pension reform, the Semmelweis Plan was subject of a widespread consultation including a large number of professional organisations. A revised version was released in May 2011.

2.2 Pensions

2.2.1 The system's characteristics and reforms

The system's characteristics

After the funded national pension scheme collapsed in the Second World War, a pay-as-you-go system replaced it by 1950. It was extended, although with less favourable conditions, to workers of the collectivised sector of agriculture in 1958. Conditions were made uniform in 1975 making it a nearly universal national system managed by a single administration and providing the sole financial source for the vast majority of older people. The 1997 reform aimed at building up a funded pillar to the system at relatively low cost in order to diversify the risks of old age income. Due to tax competition that resulted in a cut of contribution rate and the frequent misuse of the system for short-term political gains, a significant parametric adjustment became unavoidable in 2009.

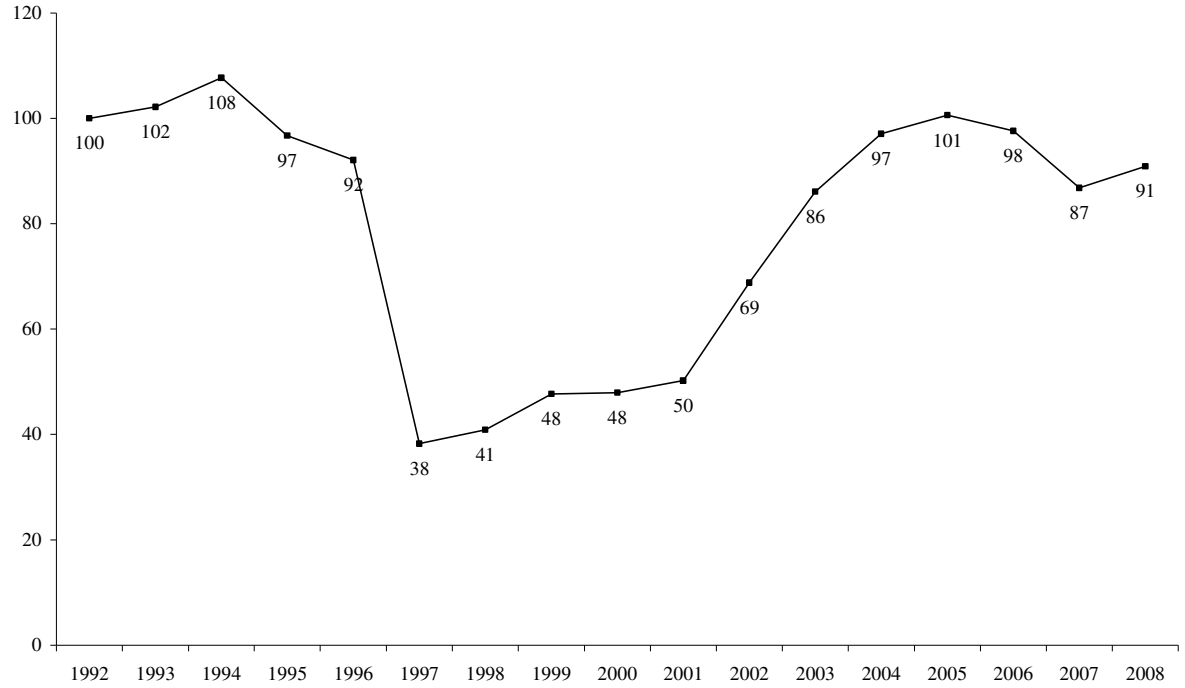
The Hungarian pension system is particularly exposed to a political business cycle. In general, public investment activity, wages, social spending and the consequent budget deficit all show a strong 4-year cycle; pensions are no exception to this. The main parties tend to manipulate the pension system before elections in order to improve their support or, in case they find no sufficient resources for such purposes, try to convince the pensioner society that the opponent threatens their benefits. A consequence of the lack of insulation from political risks is the returning sharp corrections that frequently result in intergenerational unfairness. The excessive spending on pensions between 2002 and 2006 led to cuts in other chapters of public expenses, rise of contributions and cuts in entry pensions. Another consequence was the rapidly deteriorating long-term sustainability of the system. Whereas the comprehensive reform in 1997 eliminated most of the implicit debt of the system, in the years after 2001 much of this implicit debt was re-accumulated and by 2004 it reached pre-reform levels in comparative prices. The 2008 financial crisis made the system unsustainable even in the short run, which led to the 2009 correction.

Against this backdrop 2010 and the first months of 2011 saw a major paradigmatic change (the nearly complete re-nationalisation of the funded pillar), a forceful but inconsistent effort to raise the exit age of the labour market and a promise of a further general pension reform. Below I briefly sum up the most important components of the 2009 correction, which is necessary to put the current changes in perspective. Then, in separate subsections, I will describe the details and consequences of the 2010 reform, the ways and means of increasing the actual retirement age and what is already known of the suggested future reform.

The 2009 parametric correction

The trend of the implicit pension debt (IPD) is presented in figure 1. For the sake of comparability, IPD figures are calculated in 2009 prices and, in order to filter out the effect of the discount rate and other assumptions on levels, they are expressed as a percentage of the 1992 IPD value. The estimation does not take into account the general and widely used service-length-based early retirement (előrehozott nyugdíj) so it overestimates the stabilising effect of the 1997 reform. The figure reveals a major decrease in 1997 and a very quick restoration between 2001 and 2004. In the course of a mere three years the IPD climbed back to the same level it had been before the reform and stayed there until 2008.

Figure 1: Implicit pension debt in 2009 prices, 1992=100



Source: Author's calculation.
Note: including the National Pension Insurance Fund (NPIF) and the mandatory private pension funds.

This development and the increasing current deficit of the National Pension Insurance Fund (NPIF) forced the government to revise the basic parameters of the system in 2009. The half-wage-half-price Swiss index applied in the annual adjustment of pensions in payment was replaced by a complex weighting system, which is shown in table 1 in detail. The share of the two components, nominal wage growth and the consumer price index, changes by the growth of the economy. In practice it will function as or close to a pure price index; it will retain the Swiss index only above 5 % of annual GDP growth.

Table 1: Indexation of pensions in payment

	Share of component in index (%)	
GDP growth (%)	consumer prices	nominal wages
<3	100	0
3.0 - 3.9	80	20
4.0 - 4.9	60	40
5.0<	50	50

Source: Law 2009. XL §6 (1).

In parallel, the retirement age was increased from 62 years to 65 years for both genders over a transition period displayed in table 2. The table shows that the option for the service-length-based early retirement (*előrehozott nyugdíj*) with no reduction in benefits will be closed for male-cohorts born after 1950 and female cohorts born after 1953. The effects will first be felt in 2011 (men) and 2013 (women), respectively. The regular retirement age will start to grow in 2014 and will reach 65 years by 2022.

Table 2: Increase of retirement age

	old-age		early retirement with no reduction				early retirement with reduction			
sex	m,w		m		w		m		w	
required contributory years	20		40		40		37		37	
calendar year	age	birth year	age	birth year	age	birth year	age	birth year	age	birth year
2009	62	1947	60	1949	59	1950	60	1949	59	1950
2010	62	1948	60	1950	59	1951	60	1950	59	1951
2011	62	1949			59	1952	60	1951	59	1952
2012	62	1950			59	1953	60	1952	59	1953
2013	62	1951					60	1953		
2014		1952						1954		1954
2015		1952						1954		1954
2016	63	1953					61	1955	61	1955
2017		1954						1956		1956
2018		1954						1956		1956
2019	64	1955					62	1957	62	1957
2020		1956						1958		1958
2021		1956						1958		1958
2022	65	1957					63	1959	63	1959

Source: Law 2009. XL §1.Note: m, w: men, women.

The impact of the higher retirement age depends on life expectancies (LEXP). Currently, about 5% of people who reach the age of 62 years die before their 65th birthday. By the time the gradual increase of the retirement age will reach 65 years this proportion is expected to decrease to 4%. These people will lose their entire lifetime pension. Those who reach 65 years have a gender-specific LEXP of 13.6 years (men) and 17.5 years (women), respectively. By 2022, this will be about 1-1.5 years longer. Consequently, the lifetime pension of a new male retiree will decrease by some 15-16%; that of a new female retiree will decrease somewhat less. The affected group is only future pensioners.

The government projections on pension expenditures, aggregate as well as by components, are summarised in table 3. Accordingly, total pension expenses are expected to be 10.0% of

GDP in 2060 instead of 13.2% without the reform. This is a nearly 25% reduction; the largest decrease, over 27%, would occur in 2030.

Table 3: Consequences of the 2009 re-parameterisation on total public pension expenditures, % of GDP

	2007	2010	2020	2030	2040	2050	2060
Total public pension expenditures							
prior to 2009 re-parameterisation	10.9	11.3	10.7	10.5	11.4	12.2	13.2
after 2009 re-parameterisation	10.9	10.5	8.3	7.6	8.3	9.4	10.0
Decrease							
	0	-0.8	-2.4	-2.9	-3.1	-2.8	-3.2
of which							
higher retirement age	0	n.a.	-0.9	-0.9	-1.1	-0.9	-0.9
new indexation rule	0	n.a.	-0.8	-1.4	-1.5	-1.5	-1.5
abolition of 13th month benefit	0	n.a.	-0.7	-0.7	-0.7	-0.8	-0.8

Source: Government of Hungary (2010).
Note: Separate effects are different from the total effect since the latter includes the impact of tightening the rules of early retirement (the Malus Effect) as well as the abolition of correction of disability pensions in 2010.

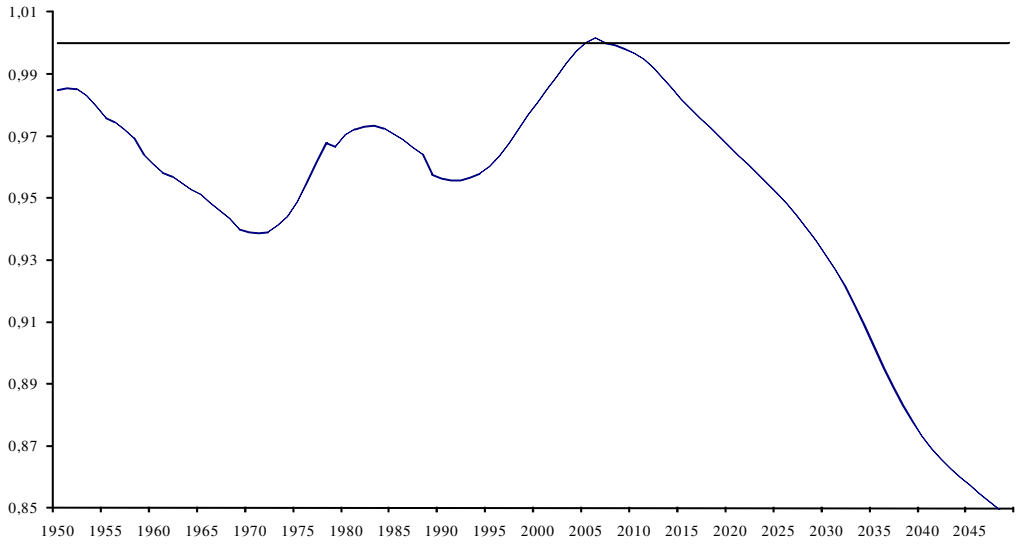
The 2010 re-nationalisation of the mandatory private funds

Taking office in May 2010 with an unusually strong support (more than half of the popular vote, over two thirds of seats in Parliament, enough to change the constitution) the new government introduced a macroeconomic policy diametrically opposing that of the previous government. Under the combined pressure of deficit reduction and electoral promises to decrease taxes imposed on labour and to make no further cuts in benefits or public services the government decided first to give up financing the transition costs of the partial pension privatisation and later opted for rolling back the whole pre-funding process altogether.

In order to paint a background to this decision we have to go back to the start of the 1997 reform, which established mandatory private pension funds (MPPFs). The maturation of this pillar was to create a limited double-burden problem: while pensions in payment had to be financed all along a part of contributions was saved in order for pre-funding future pensions. The resulting deficit of the NPIF had to be financed by government. This transition cost was to be covered from reduced public spending on other chapters of the budget rather than debt.

This could have been achieved at a relatively low social cost. The period between the late 1990s and mid-2010, that is the original, later extended, maturation phase of the funds, coincided with an exceptionally favourable demographic background. The current Hungarian age-tree has two large humps, two relatively big generations, those who were born in the mid-1950s and their children born twenty years later in the mid-1970s. The entry of the latter, in the late 1990s, to the labour market resulted in two large taxpayer generations and no similarly large cohorts in dependent age. This picture is further sharpened by the support ratio displayed in figure 1. The support ratio is sometimes defined in simple demographic terms as the number of people in their active age over the number of people in their inactive age. However, Cutler et al (1990) give a richer meaning to the concept by weighting the demographic numbers with the age-profiles of labour income and consumption. By projecting detailed age-patterns and not only population totals a clearer picture can be gained about the sustainability of current labour careers and consumption patterns.

Figure 2: Support ratio, 1950-2050, 2005=1

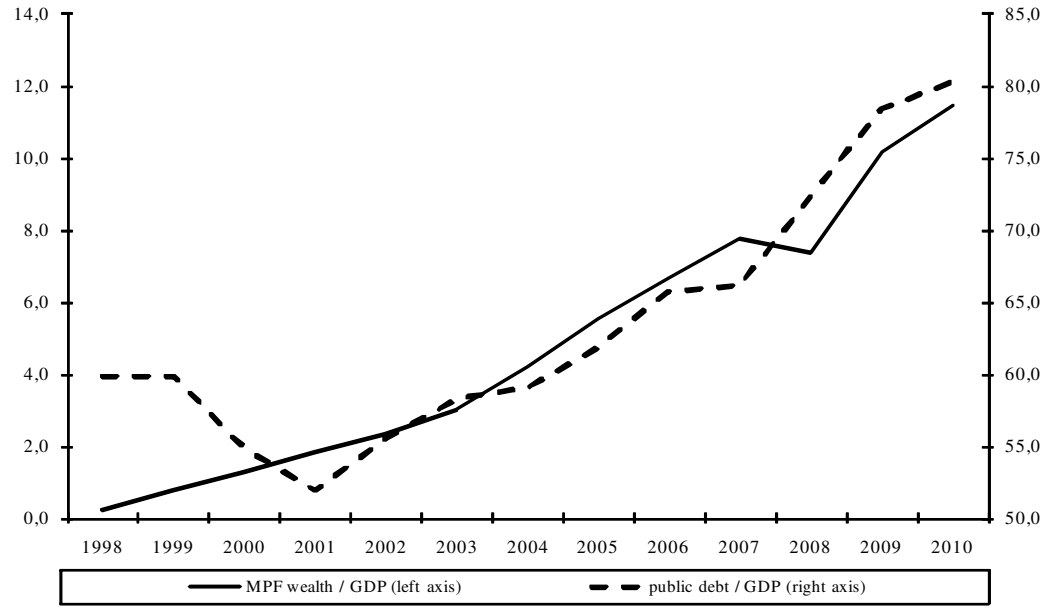


Source: Author's calculation.
Note: support ratio: total labour income over total consumption using the 2005 age-profiles of labour income and consumption and the actual demographic age-pattern in a given year.

In figure 1, I show the rate of total labour income of total consumption if the given (or projected) demographic patterns are weighted by the 2005 age profiles of labour income and consumption, respectively. In order to abstract away of levels, I use 2005 as a point of reference. In years of increasing support ratio it is easier to accumulate wealth without changing the age patterns of labour and consumption; in downhill years, it is the other way around. The most favourable time section over a century coincided with the maturation of the MPPFs. In general, this historical period between 1950 and 2050 offered and will likely offer two episodes for relatively painless capital accumulation, the 1970s and the fifteen years between 1995 and 2010. Instead, the country missed both opportunities and used them to increase current consumption and accumulate debt. I will briefly return to this once again below.

In figure 2 I give a closer look of the parallel trends of public debt and the wealth accumulated in the MPPFs. The figure applies two scales of percentages of GDP. On the left hand I measure savings in MPPFs and on the right hand I display debts. The first years of development followed the original expectations. Public debts decreased from 60% of GDP in 1998 to 52% by 2001 whereas MPPFs accumulated a wealth equal to nearly 2% of the 2001 GDP over the same period. However, from 2002 on, the transition was clearly debt financed. The accumulated wealth in the funds grew to 11.4% of GDP by the end of 2010, whereas the level of public debt passed 80%. In the end, the establishment of the pre-funded pillar created no net wealth whatsoever.

Figure 3: Wealth-accumulation in MPPFs and the public debt,% of GDP, 1998-2010



Source: Public debt: National Bank of Hungary, wealth-accumulation in MPPFs: Hungarian Financial Supervisory Authority.

In addition, the transition period was not yet over in 2010. In figure 3, I display the transition burden on the government budget, which by 2009 grew to 1.4% of GDP per annum. This transition cost would have been mitigated or even offset by the decreasing benefit burden once the first cohorts of the mixed system will have started to retire. Due to the age profile of fund members, which turned to be even more skewed in 2009, when older cohorts were allowed to return to the first pillar, this relief of the pension budget would have become significant no earlier than the 2020s.

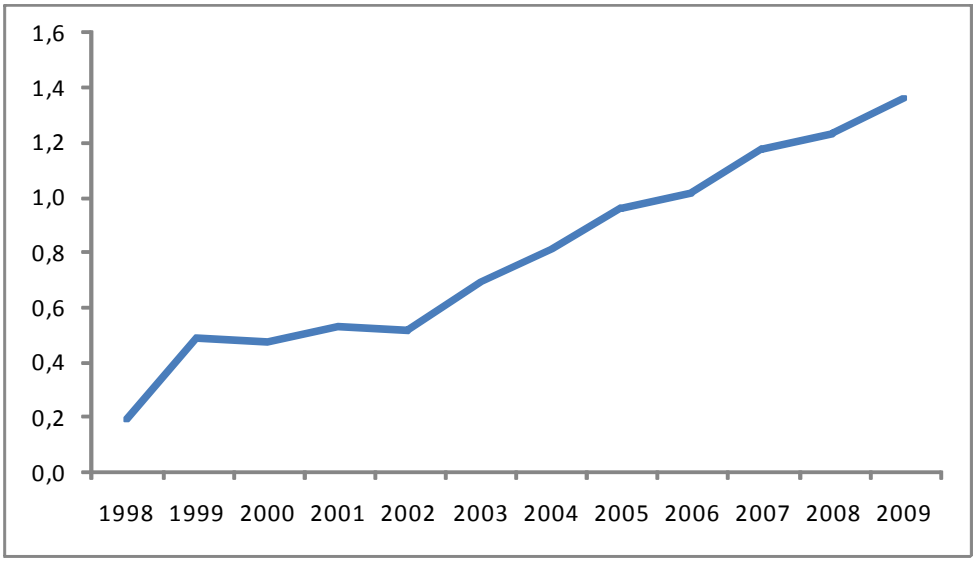
This would have deterred the new government to implement their ambitious Széll Kálmán Plan to roll back the spiralling public debt by tax reduction, increased employment and growth. Below I will come back to further details of the plan.

In order to obtain initial resources for the macroeconomic turn the administration tried to make the European Commission accept the transition burden as not part of the budget deficit. After this effort, supported by administrations of eight other member state, collapsed, in October the government announced to suspend the flow of contributions to the MPPFs for 14 months between November 1, 2010 and December 31, 2011. In parallel to that, the option of going back to the full pay-as-you-go pillar was reopened once again, which meant absorbing the accumulated savings on the individual accounts by the government in exchange for the restoration of accruals lost at the time of opting out to the MPPFs. The government made this option more attractive by offering the take-up of real returns as a lump sum. With this move the administration went beyond the original aim of temporarily easing the transition burden and made an effort to redirect the accumulated savings to the public wealth account.

As a third step conditions of remaining in the MPPFs and indeed the entire structure of the mandatory pension system were redefined in December 2010. The combination of a full pay-

as-you-go scheme and a mixed scheme consisting of a majority pay-as-you-go pillar and a smaller, privately managed pre-funded pillar has been replaced by a new combination of a pure pay-as-you-go pillar and a pure pre-funded pillar. Those who decided to stay in the MPPFs will collect no further entitlements in the first pillar so participation in both pillars is not an option any longer. The mixed system was terminated.

Figure 4: Government compensation for transition costs to NPIF,% of GDP, 1998-2009



Source: GDP: Central Statistical Office, compensation: Central Administration of National Pension Insurance Fund.

The added new component of the rules, namely the lost future entitlements in the first pillar made practically everyone staying in the MPPFs assume significant losses. Only those who had large sums on their MPPF accounts and a really short time before retirement could have expected gains leaving the pay-as-you-go pillar altogether. In the end, a mere 3% of fund members, nearly 100 thousand people, decided to stay, holding 7.5-8.0% of the fund assets (equal to about 0.8-0.9% 2010 GDP) according to the former head of Stabilitas, the largest association of pension funds.[1]

In order to absorb the remaining savings, equivalent to about 10.5% of GDP, the Pension Reform and Debt Reduction Fund (PRDRF; *Nyugdíjreform és Adósságcsökkentő Alap* in the original) was established. The managing board of the Fund is presided over by a representative of the Ministry for the National Economy (MNE), and the MNE delegates one further member. Other institutions represented in the board by one-one members are the Ministry of National Resources (holding the education, health care and social affairs portfolios), the Ministry of Public Administration and Justice, and the Central Administration of the National Pension Insurance Fund.

Roughly half of the portfolio, equal to about 4.8% of GDP, is held in government bonds and will reduce the public debt directly. In addition, following the promise made in October, the PRDRF will have to pay out the real returns estimated to be 0.8-1.1% of GDP.[2] A further amount, an equivalent of 2.0% of GDP will be sold later this year in order to finance the deficit of the NPIF. The remaining assets will cover further debt reductions or specific current budgetary purposes.

1 http://www.napi.hu/print/481806.html, retrieved on May 26, 2011.
2 http://www.napi.hu/magyar_gazdasag/jovo_heten_kiderulnek_az_uj_rokkantnyugdij-szabalyok.483731.html, retrieved on May 26, 2011).

Efforts to raise the exit age of the labour market

The other major development in the world of pensions is the vigorous but incoherent efforts to raise the effective retirement age currently at 59.3 years, the second lowest in the European Union surpassing only Slovakia's corresponding figure. This is partly due to the attractiveness of retirement, the "pull" effect, and rigidities of the labour market, poor health of older cohorts and lack of or unmarketable skills in the supply side of the labour market, the "push" effect.

In February 2011, the administration published its ambitious plan, named after Kálmán Széll, a conservative-liberal finance minister and later prime minister at the turn of the 19th century, of growing out public debt by a series of complex reforms. The plan devotes separate chapters among others to employment, health care, education and pensions, although most of them include only the goals and deadlines for detailed action plans. Indeed, the Széll Kálmán Plan is still unfolding. Here I focus on proposals and measures aiming at increasing the exit age of the labour market and changes in the pension system. In the next section of this report I will review the health care chapter of the plan.

The government want to shape an environment that in turn would raise the employment rate to 75% by 2020 in the 20-64 population (66.3 - 69.1% by 2015 from 60.4% in 2010) and create 1 million new tax paying jobs over the ten-year period. The comprehensive package includes a National Plan for Work, a revised Labour Code and a new Public Work Programme.

The National Plan of Work consists of a review of active labour market policy objectives and instruments; modification of passive policies in order to provide stronger work incentives by shortening the maximum length of benefit for job search and by reorganising the benefit structure. The Plan also promises to improve the efficiency of the institutional framework of employment and reduce the employment-related administration of enterprises. The aim is partly to reduce the idle workforce and partly to whiten the informal sector of the labour market. The new Labour Code, expected to pass Parliament by September 2011, will re-regulate the atypical forms of employment, labour contracts, paid holidays, working hours and probation work. For unskilled labour, new public work projects will be initiated by the government. This is a shift from previous efforts, which focused on local governments.

The Széll Kálmán Plan also addresses the "pull" effects, which make the pension system all too attractive. The main target is the alternative routes of early exit from the labour market. As shown in table 4, nearly 30% of beneficiaries, younger than the official retirement age, 62 years, take up over 24% of benefits. Their routes to leave the labour market are various. The aim of the administration is to drive 100-150 thousand people back to the labour market and close these escape routes in front of newcomers.

The largest group, 338 thousand people, is disability pensioners (the system differentiates between disability pension (*rokkantsági nyugdíj*), which is a large chapter of the pension budget and disability benefit (*rokkantsági járadék*), which is a small supplement, put here in the "other" category). They make up 11.6% of recipients and collect 9.6% of all benefits – these figures are among the highest in the European Union or the OECD. Around 70 thousand people, 17% of total disability pensioners, have 100% level of disability. By all estimations and much of anecdotic evidence, the rest include a large number of people having health conditions that would allow them to work. They are one of the main targets of government who announced a full revision of all such pensions.

Table 4: Pensions and other retirement benefits below retirement age, January 2011

	Beneficiaries ('000)	Monthly payments, million €
Total, below retirement age	814.6	226.4
old-age	238.4	104.2
employer financed, miner	15.6	7.6
disability	337.5	89.5
survivor[1]	21.2	2.5
other[2]	201.9	22.5
Total, all ages[3]	2,781.9	931.9
Below retirement age / all ages[3] (%)	29.3%	24.3%
Total, all ages	2,921.1	934.8

Source: Central Administration of National Pension Fund.
[1] Excl. provisional widower and orphan benefits.
[2] Accident benefit, health deterioration benefit, disability benefit, rehabilitation benefit.
[3] Excl. provisional widower and orphan benefits, benefit for agricultural cooperatives, spouse supplements, other supplements.

The other large group includes regular old-age beneficiaries consisting of several subgroups. One of them is beneficiaries of service-length-based early retirement (*előrehozott nyugdíj*). The 1997 law, which raised the retirement age, also blurred it by establishing a way of early retirement based on a combination of age and length of service years. The rules separated early retirement without and with reductions in benefit depending on the length of the contributory period. As shown in table 2 this exit way will narrow down in the future. The no reduction option is already closed for men and will be abolished from 2013 for women. Depending on developments in the labour market the reduced service-length-based early retirement pension will lead to either to longer active careers or a combination of savings in the pension budget and increasing risk of old-age poverty.

Another subgroup of old-age pensioners below retirement age worked as members of the armed forces or had dangerous and hazardous jobs (*szolgálati nyugdíj* and *korkedvezményes nyugdíj*, respectively). A full revision of the list of occupations belonging to the latter group was in the focus of debates several times in the last years. Instead, the former administration made employers pay for the preferential treatment. Since 2007, employers have paid additional contributions if their employees were allowed to participate in this special early retirement scheme. In 2007, the total amount of this special contribution was assumed by government. In 2008, only 75%, in 2009 50%, and in 2010 25%. From 2011 on, the entire early retirement contribution (*korkedvezmény-biztosítási járulék*) is borne by employers who employ eligible people.

The administration's efforts to raise the effective retirement age are not consistent. Before announcing the Széll Kálmán Plan (and before the municipal elections held in October 2010) the government opened up a new retirement channel for women independent of age but based exclusively on working years. In order to meet an electoral promise, women were allowed to retire after 40 years of work (including periods on maternal leave). The new rule cannot directly be expressed in terms of early retirement in table 2. The latter is based on contributory years (*szolgálati év*), which include years spent in lower vocational schools. The rationale behind this is the fact that pupils of these schools were insured for their practical training by the government. The new special treatment, however, does not recognise this contributory period (neither non-contributory periods) but only those spent in effective work and on maternal leave.

2.2.2 Debates and political discourse

The re-nationalisation of the MPPFs was fiercely debated. Those who remained in the second pillar, and many who did not, considered it a confiscation of private property. Nevertheless,

the government was able to neutralise the resistance, which was led by non-Parliamentary actors, more specifically Stabilitas, the largest association of the pension funds. After weeks of a vehement campaign to torpedo re-nationalisation, the association became more muted and withdrew key figures. The opposition in the Parliament, in particular the Socialist Party, also criticised the move heavily and promised a return to partial pre-funding if re-elected.

Soon after the heated debate winded down the administration opened a new front by announcing the withdrawal of pensions for people below the retirement age. The parliamentary supermajority pushed through a change in the constitution, which redefines these pensions as social benefits opening the way for reorganising the entire social insurance system by types of risk and also for diminishing or even removing pensions in payment. As it seems the administration creates an atmosphere of uncertainty by intention in order to enlarge its space of manoeuvring and get smaller concessions. The declared aim of redirecting 100-150 thousand people out of the over 800 thousand detailed in table 4 is considered too ambitious by most experts but the government's attempts can prove efficient in blocking the way of new entries. So the average age of retirement is expected to grow in the years to come. However, it is still to be seen whether this improvement will be realised in increasing employment or it will only amplify unemployment among older workers.

The political discourse on pensions is typically inconsistent and cross-sectional. Trusting the short time horizon and memory of voters political forces represent frequently changing positions depending on whether they are in government or in opposition or even whether they are near to elections or can still wait some years. General trust in political institutions eroded over the last two decades, which hinders long-run thinking.

Decisions as well as reform proposals are frequently based on short-term considerations with no estimations whatsoever of long-term conclusions. This is exemplified by the fate of the so-called NYIKA-model, an up-to-date dynamic microsimulation tool. Government decisions are modelled by a cohort-model maintained by the Ministry for National Economy. It can be used to carry out deterministic calculations along the dimensions of age, sex and benefit-type. For a cohort-model it is sophisticated in that it is also able to take account of mortality differences between disability and other pensioners. However, as with all such models its weakness lies in the way exogenous (past and projected) changes in the labour supply are reflected in the future evolution of average pension accruals. In order to circumvent such shortcomings the Pensions and Ageing Roundtable (NYIKA by its Hungarian acronym), an independent expert body convened by the then-Prime Minister, ordered a microsimulation model from Deloitte Touche Tohmatsu, a multinational consultancy. It is a dynamic microsimulation model with dynamic ageing. The life events modelled are entry to the labour market (with transition from school to labour), marital status, labour market positions (full time employed, part time employed, unemployed, inactive below retirement age), and retirement. The model is based on administrative data on contributors to the pay-as-you-go pillar (KELEN with over 6 million records), which is matched with contributory records of the mandatory private funds of the second pillar (KPN). The model also gains further information on current pensioners (from the NYUFUR dataset of the pension administration) and contributors (from Labour Force Survey). It was applied in order to test five different pension reform scenarios, which reflected the pension system in its pre-2009 conditions. Results were published in 2009. Since then, however, the model has not been updated and public debates are again focusing on short-term effects.

2.2.3 Impact of EU social policies on the national level

The European context changed public debates significantly in recent years. It became common to talk about Hungarian developments in international comparison. The main reference points are the Visegrad countries, Slovakia in particular.

Until recently the Hungarian administration tried to catch up with European developments. The Hungarian Presidency of the European Union might have boosted this process. The presidential position forced the administration to rethink their preferences and try to formulate them in a European context. In the end the central Administration of the National Pension Insurance Fund organised two presidential conferences, one on child-related pensions and another one on the administration of portable pensions.

The former addressed a key objective of sustainable pensions from a special, demographic perspective. The underlining argument of the presentations was based on a pair of empirical evidence. First, that the extension and maturation process of pay-as-you-go pension systems contribute to the declining trend of fertility. Second, that the collectable amount of contributions depend on past investments in the number and human capital of children of the past, that is current contributors. A conclusion of the conference was that the consequences of the ageing process cannot be avoided any longer and have to be absorbed by currently living generations but a system of child-related pension, which makes benefit dependent on individual child-raising efforts, can help to avoid the re-emergence of similar problems on the long-run.

The other conference discussed the issue of how can pension systems be made more European by removing barriers for the mobility of workers, in particular how national pension administrations can promote mobility by improved cooperation.

2.2.4 Impact assessment

The two major changes described above, re-nationalisation of the second pillar and fighting back early retirement, are very recent, indeed the latter is still unfolding, and were not preceded by analysis. Since no research results, administrative or academic, have been published since the announcements of these measures here I have to restrain myself to just a general assessment.

As for abolishing the pre-funded pillar, what seems to be certain is a relief of the government budget for the rest of decade and a sudden jump in the implicit pension debt, which will be due mostly from the early 2020s. The relief is a consequence of quitting the payment of the transition burden, which would have cost around 1.5% of GDP per annum. This would have been diminished by the decreasing pension outlays once the first cohorts started to retire and complete their old age income from the MPPFs. A note may be necessary here. By the original design, this maturation process would have started to wind down in the mid-2010s. However, as described in the 2010 Annual National Report, the 2008 downturn of the capital market forced the administration to let older cohorts born in or before 1956 return to full pay-as-you-go in order to protect them from absorbing their losses. Since about 60% of the cohorts involved opted for return voluntarily the MPPFs would not have started paying out annuities in large before 2020.

The other side of the provisional relief is the increase in the implicit pension debt, which will surface in higher pensions after 2020. The administration does not publish official estimations on the IPD. Based on earlier estimations and the official projections of the cross-section balance of the pension budget published in the convergence report it seems to be safe to say that the IPD increased by about 20-25% due to the re-nationalisation of the MPPFs.

2.2.5 Critical assessment of reforms, discussions and research carried out

The re-nationalisation of the second pillar was deemed unconstitutional by critics. It was asserted that the balance of the individual accounts embodied private property, which was confiscated by the authorities without compensation. I do not share this view. Since accruals in the first pillar were fully restored the "no compensation" argument does not hold. In addition, and more importantly, I would be hesitant to call the balances of the individual accounts private property knowing that every forint of "private" savings was paralleled by one forint and a bit more for administrative costs in public debt. Should the accumulation period created a net wealth the "private property" argument would be stronger, and possibly the government's appetite to re-nationalise it would have been weaker.

Taking this into account I still find the paradigmatic changes critical for three reasons.

First, the government will not use all the accumulated wealth to repay debt. As spelled out above, there is a chance that only about half of the reserves will remain in the surviving funds or be used to service public debt whereas the rest will eventually finance current deficits, or, as real returns will be paid to former fund members, current household consumption. The exact proportions depend on future decisions. At any rate, the sum of explicit and implicit debt will increase.[3]

Second, the 1997 pension reform was based on the assumption that returns on savings will be higher than returns in the pay-as-you-go pillar. Although developments during the 2010s provisionally falsified these expectations it could happen only at the cost of unsustainable tendencies that had to be corrected. In the light of the 2009 parametric adjustment, partial pre-funding still could have offered higher old-age income to the young cohorts on the long run. Now, their chance for this potential extra gain has been abolished.

Third, the demographic future of the pension system is gloomy. In figure 1, I presented the time series of the support ratio. The figure has two uphill sections over a period of a century. The first one occurred between 1970 and 1985, when a large generation entered the labour market. They are called the Ratko-children named after the then-minister of welfare who was responsible for an anti-abortion campaign, which raised fertility to high levels for a short period. The other ascending section of the curve is between 1995 and 2010, when the Ratko-generation and their echo, sometimes called the Ratko-grandchildren, were in their active age and no other large generation was among the dependents. The second growing period climbs higher than the preceding one although the echo-generation is smaller than that of their parents. This seeming contradiction is due to the much lower fertility of the echo-generation. The first and the second large humps in the age-tree are not followed by a third one. The Ratko-grandchildren have not produced their own echo. So the period between 1995 and 2010 combines two factors in the improvement of the support ratio: many young people entering the labour market and only a few leaving for maternity.

However, this development will turn negative, when the Ratko-grandchildren will retire in the late 2030s and there will be no large cohorts any longer to pay for their pension. The only option left is to save from their consumption and accumulate it for their old age. Unfortunately, by all accounts voluntary savings are usually inadequate. This is the point, where mandatory pre-funding would have given a great service to this generation. In short, the critical point is that turning back on the way toward pre-funding undermined the credibility of any future mandatory savings programme. Upcoming administrations will face

3 This may not emerge immediately in the official figures of implicit debt to be published from 2014, which, following the European standard, will include only to-date accruals and no present values of future flows of contributions and pensions.

difficulties to convince people of the merits and reliability of mandatory pre-funding programmes.

Finally, irrespective of the content of the recent reform, the way it was pushed through and implemented also raises concerns. Without any real preparations and announcements other than dropping words and sentences here and there and leave the press guessing the whole process went very fast and in some sense inconsistently. The first proposal to open the way of return to the first pillar was submitted to Parliament on October 22nd as an independent proposal by an MP, which means the move did not have to go through any preparatory phase. When the administration realised that the original conditions offered for return could backfire in that too much political support would be lost for too few returnees, they created new, much more restrictive conditions only two months later. Accordingly, fund members were given 40 days till January 31st, 2011 to make up their mind and face significant losses if decided to stay in their respective MPPFs. In light of this later move the offer given to returnees to cash in the real returns is apparently redundant and harmful even purely for the short-term interests of the administration. Apparently, the reform was not thought over.

Similar inconsistencies surround the efforts to raise the effective retirement age. On one hand the government engaged in a collision with trade unions of the armed forces and declared to take up the conflict with disability pensioners in order to drive back 100 to 150 thousand people from the retirement system and discourage people to take them as potential escape routes from the labour market. On the other hand, the same administration opened a new gate of early retirement for women having a working career of 40 years without any estimation of the present value of its costs and indeed without any real political pressure.

Finally, I would repeat another critical component, the gloomy prospect of resurfacing poverty in old age. This issue emerged partly as a consequence of the 2009 correction of indexation of pensions in payment. Calculated on the basis of 15 years in retirement and 3% real wage growth, the new index results in about 11% loss of lifetime benefits. Due the gender-specific and education-specific survival rates men and people with low education lose less; women and people with higher education lose more. The new index also affects current pensioners.

In addition, in the near future cohorts, who suffered most from the employment crisis of the early 1990s, will reach retirement age. The collapse of the centrally managed economy in 1989 led, as expected, to a transitional crisis including a very rapid growth of unemployment and inactivity. However, against expectations, the fast recovery, which started in 1993, induced only a minor growth in employment and labour force participation. In addition, the proportion of unreported and underreported economic activities also grew fast. These adverse effects shaped the life cycle of subsequent cohorts rather differently. The most severely hit year-groups are about to reach retirement age including a large number of people who, according to the current rules, will not be eligible for any benefit. The estimated number of effected people varied between 250 and 500 thousand but the most recent estimations go even higher.

These two still unaddressed developments are critical to the OMC objective of adequate retirement incomes.

2.3 Health Care

2.3.1 The system's characteristics and reforms

The system's characteristics

The Hungarian public health care was built up as a system of integrated health services, which was rearranged during the 1990s as a split purchaser-provider contract model controlled by a self-government body, only to be taken back in effect to government control again. In the late 1990s, the organisational autonomy of the National Health Insurance Fund (NHIF) was restricted and finally eliminated, resulting in a system that does not meet some important characteristics of the classical social health insurance systems. The rate of contributions is set by Parliament, that is to say, by the government, which has a priority of tax competition with neighbouring countries over health expenditures. Collection of contributions was delegated to the Tax and Financial Control Administration (Tax Office in short) supervised by the Ministry of Finance in 1999, which took over the function from the National Health Insurance Fund Administration (NHIFA). The professional associations such as the Hungarian Medical Chamber and the Hungarian Hospital Association do not have any defined rights and role in determining the benefit package or delegated regulatory role in health financing issues. The various financing methods, such as the price per patient for GPs, value of DRGs for hospitals, etc. are regulated by the government.

The sector saw a large-scale decentralisation and privatisation attempt in social insurance in 2006-2007, which collapsed before implementation. A comprehensive reform plan of the government in 2006-2007 aimed at decentralising the NHIF into NUTS2 level regional funds, which, in the final version of the plan, which went to legislation would have been open for partial privatisation up to 49%, including important points of control for the minority private shareholder, such as a veto right in the modification of the benefit package financed by the NHIF and the right to appoint the CEOs of regional funds. The reform went in parallel with an effort to control costs. Public expenditures on health were cut back; co-payment for GP visits and hospital stay was introduced. However, by the end of 2008, the structural elements of these policy objectives disintegrated. Between December 2007 and June 2008 the same Parliament approved twice and then revoked practically the same bill. The legislation process brought about the intervention of the President of the Republic, who sent the first version back to Parliament for reconsideration, and finally, after the co-payment components of the health reform package were rejected by a referendum and the law was withdrawn, it led to the collapse of the ruling coalition. The new government elected in 2010 is expected to make further efforts to restructure the current social insurance system as a national health service. This would require active reorganisation since the institutional system is currently fragmented and incoherent. Health care contributions finance a decreasing share of the budget in which general taxes have become the largest part. The sector is likely to see further restrictions depending on the difficulties of the government to meet deficit criteria of the convergence programme. The main field of budget cuts is pharmaceutical expenses. The administration declared a 35% cut in nominal terms in subsidies to pharmaceuticals over two years. Experts find this target unrealistic especially in the light of a similar drastic reduction in 2007.

After the turbulent years of 2006-2008 the field of health care was overshadowed by events of the pension reform. Below I summarise the most important steps taken during the reporting period under two subsections, finances and administration.

Revenues and expenditures

In previous Annual National Reports I have presented the history of health contributions. In brief, this is a history of continuous decrease, which was partly compensated from general

taxes and partly withdrawn from the sector altogether. As part of this trend the fixed amount health contribution (*egészségügyi hozzájárulás*) was abolished in 2010. To my knowledge fixed amount health contribution existed only in Hungary. It was introduced in 1997 in order to diminish the losses of the health budget due to tax evasion. It created a disproportionate burden for smaller enterprises (which, in turn were overrepresented in informal activities).

In 2010, the tax authority tried to overcome tax evasion in an alternative way by defining a "typical revenue of profession" (*tevékenységre jellemző kereset*) and installing it as the basis for minimal contribution.

The regular (proportional) health contribution remained in effect although it was merged with the labour market contribution signalling the ongoing incorporation of social insurance into the government.

Table 5: Revenues and expenditures of the NHIF (% of GDP)

	2008	2009	2010	2011
EXPENDITURES				
cash benefits	0.87	0.95	0.82	0.82
in kind	4.25	4.31	4.46	4.18
curative-preventive care	*2.83*	*2.76*	*2.92*	*2.71*
pharmaceutics	*1.22*	*1.32*	*1.32*	*1.21*
medical aids	*0.20*	*0.23*	*0.22*	*0.26*
other expenses	0.19	0.19	0.18	0.13
total	**5.31**	**5.45**	**5.45**	**5.13**
REVENUES				
contributions	3.75	3.45	2.50	2.38
government transfers	1.32	1.80	2.62	2.57
other revenues	0.23	0.20	0.33	0.18
total	**5.31**	**5.45**	**5.45**	**5.13**

Source: 2008-2010: National Pension Insurance Fund Administration, 2011: National Institute for Strategic Health Research (ESKI).
Notes: 2008: expenditures excluding contributions transferred to NPIF, 2010: preliminary data, 2011: planned budget and GDP.
Revenues total: planned balance included in government transfers.

In parallel to the decrease of contributions the share of government transfers grew rapidly. If adjusted to the balance of expenses and revenues, which, if negative, have to be covered by the government, the health care system required resources equal to 2.6% of GDP in 2010 (see table 5). In 2011, general taxes will again likely outdo contributions in the health care budget if planned balances are included among government transfers. This is another sign of a slow transformation of the system from contribution-based social insurance to tax-financed national health service.

Administration

The Health Insurance Supervisory Authority (HISA, *Egészségbiztosítási Felügyelet* in the original) has been closed in 2010. HISA was established in order to supervise the participants of a multiple-actor health insurance market. Since plans for creating such a market did not materialise activities of the organisation were refocused on protection of patient rights, quality control and waiting lists. HISA had a relatively strong mandate (e.g. it was allowed to levy fines) but it could not establish itself as an influential authority during its short existence in particular that most of these functions also belonged to the portfolio of other organisations such as the Foundation for Patient Rights (*Betegjogi Közalapítvány*, which also ceased to exist since then), the National Public Health and Medical Officer Service (NPHMOS, *Állami*

Népegészségügyi és Tisztiorvosi Szolgálat) and the National Health Insurance Fund Administration (NHIFA, *Országos Egészségbiztosítási Pénztár*). After this reorganisation patient rights became the responsibility of the NPHMOS, whereas the task of monitoring waiting lists was taken over by the NHIFA. HISA also tried to become a centre for research and analysis and published some path breaking studies.

Also in 2010, regular cost-efficiency measurement of procedures of curative-preventive care were introduced to the decision making process. In the case of pharmaceutics such cost-benefit analyses became routine in 2004. This has now been extended to a wider sphere of services.

Another organisational change is the redistribution of responsibilities between the NHIFA and the new network of NUTS3-level[4] administrative centres, the so-called government windows or, as I will refer to them below, government offices. As part of the general reorganisation of public administration, the government united 29 tasks of formerly separate institutions from family benefits to permissions for constructions to social assistance and other assignments. The aim is to merge parallel territorial networks. In the first step of this reform the administration of in kind benefits and services remained the responsibility of NHIFA but cash benefits were reassigned to the new general network.

Other organisational steps were made to affect the structure of various health care related markets. The government restored the mandate for membership in professional chambers. Prior to the 2006-2007 reform attempts this membership was mandatory but the then-government, trying to undermine the opposition of the chambers, abolished it in 2006. The new administration restored the mandate in 2010. Another similar step was the introduction of stricter procedures in establishing new pharmacies. Soon after the elections licensing of new pharmacies were suspended in settlements already having a public pharmacy. In December 2010 a new regulation was accepted by Parliament with the aim of maintaining or restoring the market position of pharmacies owned by pharmacists. Accordingly, in order to hold up their licenses pharmacies have to have a majority (over 50%) of property rights in the hands of a pharmacist from 2017 (over 25% by 2014). Also the size of chains has been limited and wholesale traders as well as pharmaceutical producers have been excluded from potential owners.

2.3.2 Debates and political discourse

Unlike in the pension field, in health care the communication between the administration and professional bodies shows signs of improvement. During the 2006-2007 reform attempts, the previous government, fearing their programme would be watered down, tried to circumvent these organisations and frequently confronted with them. In contrast, the new administration made concessions, such as reinstalling mandatory membership in professional chambers and rolling back the effects of liberalisation in the retail sale of pharmaceuticals. The planned reduction of subsidies on medicines will likely induce more tensions with producers. Experts are also afraid of the spillover effects: producers could react by withdrawing preferential prices from hospitals making them feel the consequences.

In October 2010, the Ministry of National Resources (MNR) circulated the Semmelweis Plan for reorganising the health care system, written by experts of the ministry but not officially considered a government programme. Unlike the pension reform, the Semmelweis Plan was

4 The Nomenclature of Territorial Units for Statistics (NUTS by its French acronym) is a hierarchical system of subdivisions of countries for statistical purposes established by Eurostat. Hungary is divided into 3 statistical large regions (NUTS1), 7 planning and statistical regions (NUTS2) and 20 counties plus Budapest (NUTS3).

subject of a widespread consultation including a large number of professional organisations. A revised version was released in May 2011.

The focus of the programme is a new system of actively managed patient routes. On the local level outpatient centres would take on this responsibility. At higher level the reform would introduce Regional Health Management Directorates (RHMD, *Nagytérségi Egészségszervezési Igazgatóság*), which would be in charge of the management of patient routes within their territorial responsibility. An RHMD would cover 1-1.1 million people, but the number and size of the RHMDs is currently debated. The RHMD would

- register, optimise and monitor patient routes in its region,
- plan capacities,
- prepare implementation plans, management systems and cooperation models of regional actors,
- prepare contracts, set up project organisations and other forms of cooperation of regional actors,
- organise joint use of diagnostic capacities, laboratories, etc.,
- organise regional business management,
- monitor and supervise the activity of regional actors and
- organise trainings for the personnel.

RHMDs would be supervised by the National Health Management Centre (NHMC, *Állami Egészségszervezési Központ*), which would also organise services beyond the competence of the RHMDs.

As a preparatory step in May 2011 the government merged five separate health research institutes into one organisation, the Institute of Pharmaceutical and Medical Quality Control and Organisational Development (GYEMSZI by its Hungarian acronym, *Gyógyszerészeti és Egészségügyi Minőség- és Szervezetfejlesztési Intézet*). GYEMSZI would establish the NHMC, create the national health strategy, set up a central health care database and manage the special EU projects of the sector.

In short, the Semmelweis Plan is a programme of a national health service based on public health management, which would put the organisation of patient routes in the focus. The reform would also strengthen primary care and the gatekeeper function of general practitioners.

Another recent issue is the property rights of inpatient care. Although there has been no concept paper published on this matter leading health politicians keep mentioning plans of re-nationalising hospitals currently in the hands of local governments. Recently a fierce debate broke out in Budapest whether the capital should give its 12 hospitals back to the government.

2.3.3 Impact of EU social policies on the national level

The National Reform Programme briefly mentioned health issues subordinated to employment. The NRP referred to the poor health conditions of the population especially among older middle-aged cohorts. According to figures of the European Health Survey self-assessed health is much worse among Hungarians than the European average. Whereas 14.7% of Hungarian respondents find their health bad or very bad, the corresponding average in the 27 member states of the European Union is 9.5%. The NRP found these conditions an impediment of achieving the ambitious employment rates. The Programme also outlines the reorganisation that is spelled out more in detail in the Semmelweis Plan.

2.3.4 Impact assessment

Although the law (Act XI/1987 on legislation) and other regulations (Government Resolution 1082/2005 on impact assessment; Communication 8001/2006 IM by the Ministry of Justice on the methodology of impact assessment)[5] define the role, the need and the methodology of impact assessment, the government bodies frequently neglect this obligation or make it formal in health care.

2.3.5 Critical assessment of reforms, discussions and research carried out

An issue of public health care is emigration of the medical personnel, in particular doctors. According to the data of the Office for Medical Licensing and Administration (OMLA, *Egészségügyi Engedélyezési és Közigazgatási Hivatal*) 1,111 doctors and 202 dentists asked for official licenses needed for employment in abroad in 2010. These figures measure intentions of emigration and not emigration by itself. The Central Statistical Office (CSO) reports on 35 thousand doctors in the country, around the average of the last 20 years. So the situation is not critical as yet but since the emigration process accelerated in the last years and the continental labour markets have just opened up to the Hungarian work force it has the potential to undermine the objective of access to quality health care.

2.4 Long-term Care

2.4.1 The system's characteristics and reforms

The system's characteristics

The Hungarian LTC system still bears marks of central planning that was in effect in the country between 1950 and 1990. The organisational logic of the central planner dictates centralisation (for it is easier to control fewer institutions); a preference for institutionalised care compared to managing personal networks such as home-based care; and a kind of organisational blindness that does not notice needs beyond its sphere of operations. The consequence, as in other fields of activities, is a dual structure: a centralised system of institutions and a wide range of household activities by which people adjust to the situation. A further feature of central planning, which, in principle, assumes the planner to be better informed than regulators of a market, that the planning process is biased toward sectors that are easier to measure. Since the efficiency and output of human capital investments and life cycle financing in general is more difficult to measure, and, in addition, its time-horizon is much longer than the five-year plan, these fields are residual for the planner compared to sectors such as heavy industry.

This structure is still recognisable although it has changed significantly since 1990. New providers, in particular charities, entered the scene; public administration became more decentralised; much of formerly informal activities became formal; and much of the demand that used to remain unmet now is met by supply.

LTC services are administrated in the health care system and the social care system separately. Both systems have their own distinct legislation, financing mechanism and services. The two systems maintain parallel institutional networks. This applies to institutional care as well as home care. Cooperation between the two branches, although still requires improvement, enhanced over the last year due to the contraction of the health care and social

5 These and other laws and regulations can be searched at https://kereses.magyarorszag.hu/jogszabalykereso (only in Hungarian).

affairs portfolios in one authority, the Ministry of National Resources (MNR). The MNR set up a permanent committee dealing with the "frontier" issues.

Services provided in health care are nursing care in nursing departments of hospitals and home nursing care; the three main types of services in social care are home care (including "meals on wheels" services), day care and residential care. Universal coverage, based on the principle of social equity, is an expressed policy goal. Until 2008 age was the only prerequisite for entitlement. Anybody reaching the age of 62 years, the retirement age, was entitled. No means test was required and the extent of lost physical or mental capabilities was not checked. Personal insurance history was not controlled until 2006. As a major change, in 2008 an eligibility test was introduced, which evaluates the physical and social conditions of applicants.

The LTC-system does not offer benefits for recipients to ease access to services. There is only one type of social allowance for relatives who provide for a disabled family member. All other expenses finance in-kind services.

Changes in 2010

In 2010 a number of smaller adjustments made the operation of the sector easier without increasing government subsidies and indeed without major structural changes. The improving relationship between the social sector and the health care sector has been mentioned above. In addition, some administrative burdens were eliminated. The upper limit of the fee that an LTC institution can charge was increased, which in effect gave help to the LTC sector at the cost of households. Mandatory auditing was abolished, which again saves some of the resources in the short run but increases the chances of losses later. The compulsory public procurement in purchases of e.g. food was also eliminated, which, according to experts, will decrease rather than increase prices. This reflects the dysfunctionality of procurement procedures and like the above measures raises concern for the future.

A new tendency is privatisation in the sector mostly to the hands of religious charities. The grave financial situation of local governments forces many of them to get rid of LTC facilities. Since per capita subsidies are 83% higher for religious charities than for local governments or non-religious organisations, local governments offer their elderly homes to a church.

Informal care

The bulk of LTC activities are left to households or an informal market. This problem is further aggravated by the fact that the majority of elderly people live in households either alone or with another elderly person (see table 6).

Table 6: Household composition of the 60+ population

	single	married	widow/er	divorced
male 60+	4	74	14	7
female 60+	4	36	51	9

Source: Central Statistical Office.

According to the Eurofamcare study (Szeman 2004) 86% of those over the age of 60 have a living child. Among those who also have grandchildren, 14% have six or more, increasing the number of potential carers within the family. In the case of sickness and nursing, 88% of older persons can count on them, 85% could find help with household tasks, 88% in official affairs and 73% in financial matters.

While the average number of helpers whom a person can count on is 5.3-5.4 in cohorts in their 20s and 30s, it is only 3.7 for people in their 60s and declines further to 2.6 for those over the age of 70. Altogether, 34% of those surveyed can count on neighbours and 19% on friends. 14% of the elderly can count on the help of neighbours in the case of sickness, 17% in household tasks, 34% in administrative affairs, and 5% would also receive financial help from their neighbours. The help that could be expected from neighbours in nursing was the strongest in small towns.

Another 8% of the elderly look to friends for help in nursing. Their role is greater in Budapest and other cities.

There is only one form of help to family carers from government. The "nursing fee" is a social allowance; applications, based on the expert opinion of the GP, can be submitted to the local authority. The nursing fee can be claimed by relatives caring for a severely disabled or a permanently ill young (<18) family member. That is, the nursing fee is not specifically targeted to long-term care of the elderly. Additionally, the social legislation provides an opportunity for local governments to give financial help to relatives caring for a family member aged over 18. In 2009 16,700 family carers received this type of help; though this figure cannot be broken down by the age of the person cared for.

2.4.2 Debates and political discourse

The current system may change in the future in the light of two recent declarations and concept papers.

The first is the rewording of social responsibilities in the new constitution passed on April 18, 2011, Easter Monday. It explicitly lays the primary responsibility for individual wellbeing on the individual and his/her family. The state bears only secondary responsibility in this respect. It may but not obliged to offer income security. This declaration may have consequences on the distribution of costs between households and government in the future.

The second is the recent Concept of Social Policy 2011-2020 (*Nemzeti Szociálpolitikai Koncepció 2011-2020*). The Concept would rearrange the division of labour between central and local government. Currently, local governments have a double act as an authority and as a service provider. The law order them to evaluate the need for LTC services and also to meet them by maintaining facilities and programmes. The Concept would redistribute the primary responsibility to the new, unified system of government offices described above in section 2.2.1 and make service providers, among them local governments, to compete for their purchases. This would likely lead to the privatisation of service providers currently owned by local governments.

Government offices would also give a background for closer cooperation between the two branches of long-term care by establishing the system of case management.

2.4.3 Impact of EU social policies on the national level

The Concept of Social Policy makes explicit reference to the EU 2020 strategy in that it aims at reorganising social assistance in a way that combines economic growth and social cohesion.

2.4.4 Impact assessment

In this respect there have been no changes since the last Annual National Report. The available studies, mostly by the public administration and barely in academia, focus on institutions and use macro data. The last time-budget survey, which is the primary source of

estimation on informal care, is nearly ten years old. Results of the European Health Survey mentioned above have not been published in 2010 but postponed to 2011. The administration still has limited capacities to establish evidence-based policies.

2.4.5 Critical assessment of reforms, discussions and research carried out

The new structure of the government is highly centralised: there are only eight ministries. The Ministry of National Resources holds the entire social protection system, and indeed the entire institutional structure of public life cycle financing, in one portfolio. This promises an improving coordination between health care and social care. Similar effects can be expected from the unified public administration service if they live up to their capabilities.

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SZÉMAN, ZSUZSA (2004): Eurofamcare: National background report for Hungary. Budapest: Institute of Sociology of the Hungarian Academy of Sciences, Manuscript.

Sources of administrative data

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CANPI (Central Administration of the National Pension Insurance Fund): http://www.onyf.hu/index.php?module=news&fname=onyf_left_menu_statisztika_osszefoglalo&root=ONYF

NBH (National Bank of Hungary): http://www.mnb.hu/engine.aspx?page=mnbhu_statisztikai_idosorok

NHIFA (National Health Insurance Fund Administration): http://www.oep.hu/portal/page?_pageid=34,35856,34_19365817,34_1668804&_dad=portal&_schema=PORTAL

Gyógyinfók (on-line health care database): http://www.gyogyinfok.hu/

CANPI (Central Administration of the National Pension Insurance Fund):

http://www.onyf.hu/index.php?module=news&root=ONYF&module=news&fname=onyf_left_menu_statisztika_allomany&root=ONYF&page=1&perpage=10

3 Abstracts of Relevant Publications on Social Protection

[R] Pensions
- [R1] General trends: demographic and financial forecasts
- [R2] General organisation: pillars, financing, calculation methods or pension formula
- [R3] Retirement age: legal age, early retirement, etc.
- [R4] Older workers activity: active measures on labour market, unemployment benefit policies, etc.
- [R5] Income and income conditions for senior workers and retired people: level of pensions, accumulation of pensions with earnings from work, etc.

[H] Health
- [H1] Health expenditures: financing, macroeconomic impact, forecasting, etc.
- [H2] Public health policies, anti-addiction measures, prevention, etc.
- [H3] Health inequalities and access to health care: public insurance coverage, spatial inequalities, etc.
- [H4] Governance of the health system: institutional reforms, transfer to local authorities, etc.
- [H5] Management of the health system: HMO, payments system (capitation, reimbursement, etc.)
- [H6] Regulation of the pharmaceutical market
- [H7] Handicap

[L] Long-term care

[R] Pensions

[R1; R2; R3; R5] HOLTZER, Peter (ed.): "Report of the Pensions and Old-age Roundtable", 2010.

http://nyugdij.magyarorszagholnap.hu/wiki/A_Jelent%C3%A9s_angol_nyelven, not available any longer on the internet.

The Pensions and Old-age Roundtable, an expert panel, was convened by the Prime Minister in January 2007. It oversaw the development of a dynamic microsimulation model, based on large administrative datasets of the NPIF and the FSA, which was used in the analysis of five alternative reform scenarios. The alternatives the panel modelled are a point system with marginal minimum pension guarantees; a point system combined with an extended minimum pension; a non-financial defined contribution (NDC) system in two versions; and a fully-funded system. The two versions of the NDC model differ in that one keeps the current proportions of the public-private mix whereas the other calculates with a gradual full privatisation.

[R2] SIMONOVITS, Andras: "The Mandatory Private Pension Pillar in Hungary: An Obituary", 2011.

econ.core.hu/file/download/mtdp/MTDP1112.pdf, last retrieved on June 10, 2011.

A critical assessment of the renationalisation of the pre-funding pillar of the Hungarian public pension system.

[R2] VITTAS, Dimitri, RUDOLPH, Heinz and POLLNER, John: "Designing the Payout Phase of Funded Pension Pillars in Central and Eastern European Countries", 2010.

http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2010/04/21/000158349_20100421103114/Rendered/PDF/WPS5276.pdf, last retrieved on June 10, 2011.

This publication by World Bank experts tackles the increasingly burning issue of the pay-out phase of privately managed mandatory pension funds established in the late 1990s and the 2000s throughout the entire region. After a phase of accumulation these funds are reaching maturation when they will start paying pensions on a large scale. The study discusses the key

policy questions, the menu of potential retirement products and the crucial regulatory issues. In addition, it includes an inventory of the current plans for the pay-out phase in Estonia, Hungary, Lithuania and Poland. The re-nationalisation of the Hungarian second pillar sheds a new light on the issue.

[H] Health

[H] CENTRAL STATISTICAL OFFICE: «Egészségfelmérés, ELEF 2009» 2010

"European Health Survey, EHS 2009"

http://portal.ksh.hu/pls/ksh/docs/hun/xftp/gyor/jel/jel310021.pdf, last retrieved on June 10, 2011.

A first release of main findings of the Hungarian leg of the European Health Survey on general health conditions.

[H2; H4] LACKÓ, Mária: «A rossz magyar egészségi állapot lehetséges magyarázó tényezői; összehasonlító makroelemzés magyar és osztrák adatok alapján, 1960-2004» 2010

"Explanatory factors of the poor health conditions in Hungary; Comparative macro analysis on Hungarian and Austrian data, 1960-2004"

http://econ.core.hu/file/download/mtdp/MTDP1007.pdf, last retrieved on June 10, 2011.

Hungarian mortality statistics are poor in cross-national comparison but health conditions of working age men are particularly bad. The paper explains the trends of the mortality rate of working age (15-60) men in Austria and Hungary, two neighbouring countries of similar size and shared history. The two countries were at the same level in the 1960s but they started to diverge in the beginning of the 1970s. Explanatory variables of the model are indicators of life style (consumption of alcohol, smoking, supplementary working hours in the „second" (legal) and "hidden" (informal) economy), GDP per capita, health-care resources and labour market conditions (unemployment rate).

[H1; H2; H4; H5; H6] MINISTRY OF NATIONAL RESOURCES SECRETARY OF HEALTH: «Újraélesztett egészségügy – Gyógyuló Magyarország. Semmelweis Terv az egészségügy megmentésére» 2011

"Resussicated health care – Healing Hungary. Semmelweis Plan for saving the health care system"

static5.origos.hu/attached/20110531semmelwiess_terkep.pdf, last retrieved on June 10, 2011.

A concept paper on a radical health care reform.

[L] Long-term care

[L] CZIBERE, Károly et al. «Nemzeti Szociálpolitikai Koncepció 2011-2020» 2011

"Concept of Social Policy 2011-2020"

http://www.szoszak.hu/index.php?page=menupont&oldal=24&nyelv=hu, last retrieved on June 10, 2011.

This concept paper contains a plan for a complete reorganisation of the long-term care and social assistance system.

[L] HEALTH INSURANCE SUPERVISORY AUTHORITY «Minőségügyi helyzet a fekvőbeteg-ellátásban» 2010

"Quality control in inpatient services"

Not available any longer on Internet.

This study evaluates the quality control system of inpatient centres and long-term care facilities in health care.

4 List of Important Institutions

Budapesti Corvinus Egyetem Egészséggazdaságtani és Technológiaelemzési Kutatóközpont – Corvinus University of Budapest Health Economics and Technology Assessment Research Centre

Contact person: László Gulácsi
Address: Fővám tér 8, 1093, Budapest, Hungary
Webpage: http://hecon.uni-corvinus.hu/corvinus.php?lng=en

Research fields: health economics and technology assessment

Budapesti Corvinus Egyetem, Közgazdaságtudományi Kar, Biztosítási Oktató és Kutató Csoport – Corvinus University of Budapest, Faculty of Economics, Actuary Training and Research Centre

Contact person: Erzsébet Kovács
Address: Veres Pálné u. 36, 1093, Budapest, Hungary
Webpage:

Research fields: actuarial calculations, pension reform

Debreceni Egyetem, Orvos- és Egészségtudományi Centrum, Népegészségügyi Kar, Egészségügyi Humán Tudományok Tanszék – University of Debrecen, Faculty of Public Health, Medical and Health Science Centre

Contact person: Róza Ádány
Address: Kassai út 26, 4028 Debrecen, Hungary
Webpage: http://www.ud-mhsc.org/index.php?option=com_content&task=view&id=112&Itemid=67

Research fields: public health

Egészségügyi Stratégiai Kutatóintézet – National Institute for Strategic Health Research (ESKI)

Contact person: György Surján
Address: Hold u. 1, 1054, Budapest, Hungary
Webpage: http://www.eski.hu/index_en.html

Research fields: health informatics, health system analysis, health technology assessment

Eötvös Loránd Tudományegyetem, Társadalomtudományi Kar, Egészségpolitika és Egészség-gazdaságtan Tanszék, Egészség-gazdaságtani Kutatóközpont – Eötvös Loránd University, Faculty for Social Sciences, Department of Health Policy and Health Economics, Centre for Health Economics

Contact person: Éva Orosz, professor
Address: Pázmány Péter sétány 1/a, 1117, Budapest, Hungary
Webpage: http://egk.tatk.elte.hu/index.php?option=com_content&task=blogcategory&id=42&Itemid=58

Research fields: health technology assessment, health system analysis

Magyar Tudományos Akadémia, Közgazdaságtudományi Intézet – Institute of Economics of the Hungarian Academy of Sciences

Contact person: András Simonovits
Address: Budaörsi út 45, 1112, Budapest, Hungary
Webpage: http://www.econ.core.hu/english/

Research fields: income and social conditions of older workers, voluntary pensions, early retirement, career projections by cohort

Pécsi Tudományegyetem, Egészségtudományi Kar, Egészségbiztosítási Intézet – University of Pécs, Faculty of Health Sciences, Institute of Health Insurance

Contact person: Imre Boncz
Address: Rét u. 4, Pécs, Hungary
Webpage: http://www.etk.pte.hu/menu/18

Research fields: health technology assessment

Semmelweis Egyetem, Egészségügyi Menedzserképző Központ – Semmelweis University, Health Services Management Training Centre

Contact person: Péter Gaál
Address: Kútvölgyi u. 2, 1125 Budapest, Hungary
Webpage: http://english.sote.hu/education-highlights/health-services-management-training-centre

Research fields: health system analysis, human resources, health management, quality research

Semmelweis University, Magatartástudományi Intézet – Semmelweis University, Institute of Behavioural Sciences

Contact person: Mária Kopp, professor
Address: Nagyvárad tér 4, 1089 Budapest, Hungary
Webpage: http://behsci.hu/

Research fields: health behaviour, mental health

TÁRKI Társadalomtudományi Kutatóintézet – TARKI Social Research Institute

Contact person: István György Tóth
Address: Budaörsi út 45, 1112, Budapest, Hungary
Webpage: http://www.tarki.hu/en/index.html

Research fields: sustainability projections, income and social conditions of older workers

This publication is financed by the European Community Programme for Employment and Social Solidarity (2007-2013). This programme was established to support the implementation of the objectives of the European Union in the employment and social affairs area, as set out in the Social Agenda, and thereby contribute to the achievement of the Lisbon Strategy goals in these fields. The seven-year Programme targets all stakeholders who can help shape the development of appropriate and effective employment and social legislation and policies, across the EU-27, EFTA and EU candidate and pre-candidate countries. The Programme has six general objectives. These are:

(1) to improve the knowledge and understanding of the situation prevailing in the Member States (and in other participating countries) through analysis, evaluation and close monitoring of policies;
(2) to support the development of statistical tools and methods and common indicators, where appropriate broken down by gender and age group, in the areas covered by the programme;
(3) to support and monitor the implementation of Community law, where applicable, and policy objectives in the Member States, and assess their effectiveness and impact;
(4) to promote networking, mutual learning, identification and dissemination of good practice and innovative approaches at EU level;
(5) to enhance the awareness of the stakeholders and the general public about the EU policies and objectives pursued under each of the policy sections;
(6) to boost the capacity of key EU networks to promote, support and further develop EU policies and objectives, where applicable.

For more information see:
http://ec.europa.eu/social/main.jsp?catId=327&langId=en