

JÓZSEF HAJDÚ*

Pensioners' cooperatives in Hungary**

1. Introduction

The aim of this article is to introduce a quite unique Hungarian organisation that is called “Pensioners’ cooperative” (közérdekű nyugdíjas szövetkezet), which was introduced in Hungary in July 2017.¹ This new type of cooperative is literally based on the logic of cooperatives,² but in practice it is a special – highly state subsidised – form of temporary work agency.³

This is a brand-new form of legal entity to encourage the physically and mentally abled pensioners to return back to the labour market. There are several reasons behind launching the new form of cooperatives.⁴ I would like to highlight three main arguments: 1. labour shortage (paradoxically, during the last couple of years (during and after the financial crises) the labour supply turned to labour shortage of trained and skilled employees in Hungary, 2. to supplement the relatively low amount of old-age pension,^{5, 6} 3. the legal framework to engage in work by pensioners.⁷

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¹ Since July 2017, 91 public benefit pensioner associations have been established, and these offer preferential job and tax conditions as well as flexibility. According to a survey conducted by the National Society of Public Benefit Pensioner Associations (KÖZÉSZ), the members of existing associations typically work 3-5 days a week, 4-6 hours per day and usually in the morning, but they are also open to doing nights shifts. Employers also benefit from outsourcing work to pensioner associations, as payroll taxes are lower compared to the employment of a jobseeker in working age. (<http://www.kormany.hu/download/e/5e/41000/> Hungarian Outlook_Hungary labour market indicators continued to improve.pdf) (14.04.2018.)

² In the original meaning, the cooperative is a firm owned, controlled, and operated by a group of users for their own benefit. Each member contributes equity capital, and shares in the control of the firm on the basis of one-member, one-vote principle (and not in proportion to his or her equity contribution). [<http://www.businessdictionary.com/definition/cooperative.html>].

³ In Hungary there are two types of such bogus (quasi) cooperative-like TWAs: 1. students’ cooperative (dispatching secondary school and mainly university students) and 2. pensioners’ cooperative (dispatching retired persons).

⁴ https://index.hu/gazdasag/2017/06/14/kosa_egymillio_nyugdijas_akar_dolgozni/ (16.04.2018)

⁵ Members can receive both income from work and old-age pension benefits, and benefit from preferential taxation.

⁶ Historically, the work besides pension (either old-age or disability) was high. The plain reason was the low amount of the pension benefit. The 2016 national micro-census registered 126 thousand people aged 60 years or above who had paid work while receiving some type of pension benefit. This is 5.8% of the pensioner population in this age group (CSO, Central Statistical Office) (2017): “Ezüstkor – Időskorúak Magyarországon, 2016” [Silver Age – Elderly people in Hungary, 2016]. Budapest: Központi Statisztikai Hivatal.

⁷ GÁL RÓBERT IVÁN: *Pensioner cooperatives combine work and retirement in Hungary*. ESPN Flash Report 2018/9. p. 1.

As in many European countries, the average exit age from the labour market has been steadily rising in Hungary. Yet, even this development cannot compensate for past low fertility, which is resulting in declining numbers of 20-64-year-olds. In addition, the negative migration balance of the last few years and the booming economy are creating tensions in the labour market. This is manifested in a rapid growth of wages as well as various efforts of the government to mobilise the less economically active segments of society, such as mothers with young children, the Roma minority and pensioners. The establishment of the pensioners' cooperatives is part of this wider development.⁸

II. Labour shortage and the potential role of pensioners

The problem of workforce shortage is perceived with an increasing concern by the management of Hungarian companies.⁹ This is regarded as one of the main obstacles of growth in every sector today.¹⁰ Without affirmative actions by the government, the country's economy will be in big trouble. It is almost impossible to find skilled blue-collar workers and qualified white-collar employees.¹¹ As for a possible solution, the government would ease the pressing issue of staff shortages in specific fields by employing pensioners. Retired citizens seem to be eager to work again, primarily to supplement their low pensions but also to do something meaningful in their free time.¹²

There are around 2 million pensioners in Hungary, i.e. 20% of the entire population. According to optimistic sources 40% of the pensioners would be interested in going back to the labour market. Mostly women are interested in joining co-operatives. They make up 70% of the members. The average member is aged 65–70.

The reasons are complex. Here, I would like to highlight two fundamental reasons: 1. demographic reason (rapidly greying society), 2. migration.¹³

1. Demographic considerations

Ever since the second half of the 1980s, the natural decrease of the population was around -3.5 per 1,000 annually. The Demographic Research Institute of the Central Statistical Office predicts that if the trend of the last 30 years continues, Hungary's population will be under 8 million by 2060.

⁸ ec.europa.eu/social/ (24.04.2018).

⁹ <https://g7.24.hu/allam/20180619/teljesen-elfogyott-a-szabad-munkaskez-budapest/> (14.04.2018).

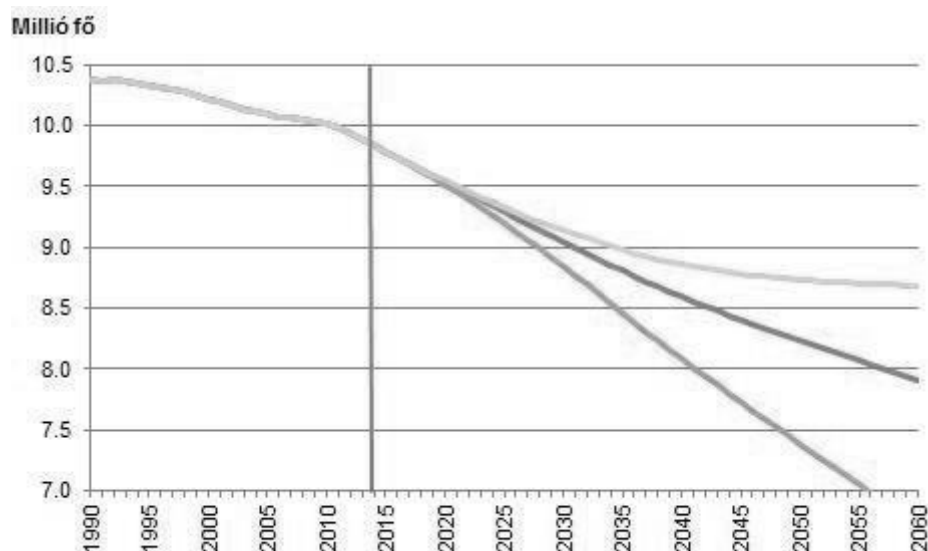
¹⁰ For example, the Hungarian National Post (Magyar Posta) suffers greatly from labour shortage. In fact, it has the most unfilled positions in Budapest and its neighbourhood, Western Hungary, and near the borders. The Magyar Posta is greatly affected by labour shortage. Another example is the BKV (Budapest Transport Privately Held Corporation). BKV would retrain engineers, mechanics and office workers to driver. The number of unfilled driver positions is extremely high. Thus, if somebody has a driving licence and is physically capable, BKV tries to persuade him/her to drive part-time for extra money. BKV has appr. 250-300 open bus driver positions, but they miss trolley drivers, as well.

¹¹ The Hungary's National Association of Employers and Manufacturers (Munkaadók és Gyáriparosok Országos Szövetsége/MGYOSZ) sounded the alarm about the acute labour shortage in the country.

¹² www.abcug.hu. (10.04.2018).

¹³ Many people go to Western and Nordic EU Member States for higher wages and better working conditions. The most affected sectors are public transport and service, tourism and IT.; <https://dailynewshungary.com/labour-shortage-critical-hungary-2/> (11.04.2018).

Chart 1.

The population decline in Hungary 1990–2060

Source: KSH, Hungary

The age distribution of the Hungarian population is getting worse. Hungary's demographic situation has been for decades characterised by population decline and ageing.¹⁴ Since 2010, the population of Hungary has shrunk from 10,014,324 to 9,830,485 (as of 2016). It has lost 183,939 persons.¹⁵ The Hungarian society is rapidly aging according to the Central Statistical Office (hereinafter: KSH), which expects the ratio of the population over age 65 to minors under 18 to reach 1.66 to 1 by 2030.

According to the KSH, the aging index, which compares these two proportions of the population, is the most reliable method for predicting long-term demographic changes. There have been more Hungarians over 65 than under 18 since 2006, and the aging index has been increasing constantly since 1990 and is not expected to change in the coming decades. In 1990 the ratio was 100 minors to 64 elderly people. By 2016 the ratio had flipped and there were 126 elderly to every 100 minors.

A permanently decreasing population is a worrying trend for the economy as fewer working-aged Hungarians will pay to support more retirees. Increased life expectancy is a major cause of an aging society: as more and more people live past 65, their representation in society has grown from 13 to 18 per cent in the last three decades.

¹⁴ <https://dailynewshungary.com/problems-ahead-hungarys-population-does-not-stop-aging/> (11.04.2018).

¹⁵ <http://hungarianspectrum.org/tag/labor-shortage/> (10.04.2018).

The elderly dependency rate shows how many elders are financially dependent on 1,000 persons of working age.¹⁶ This rate has increased from 20 to 27 percent since 1990, and as of 2016 1,000 persons aged 15-64 were responsible for 272 elders aged 65-plus. The elderly dependency rate is expected to grow continuously and faster than previously. The rate is even worse if only those of real working age, that is between the age of 20 and 64, are taken into account. Then 294 elders are dependent on 1000 persons.

Despite its low birth rate, Hungary was among the countries with more favourable demographics in Europe in 2015, having an elderly dependency rate of 26 per cent versus a continental average of 29 per cent.¹⁷

Life expectancy at birth is one of the most important demographic indicators. It shows the number of years a newborn infant would live assuming that birth and death rates will remain at the same level during the whole lifetime.

Total life expectancy (both sexes) at birth for Hungary is 74.8 years. This is above the average life expectancy at birth of the global population, which is about 71 years (according to the Population Division of the Department of Economic and Social Affairs of the United Nations). Male life expectancy at birth is 71 years. Female life expectancy at birth is 78.8 years.¹⁸

The 2016 national micro-census registered 126 thousand people aged 60 years or above who had paid work while receiving some type of pension benefit. This is 5.8% of the pensioner population in this age group.¹⁹

The above mentioned statistical data show two important trends: 1. the number of elderly persons (over pensionable age) is constantly increasing and 2. the number of the active aged population is constantly decreasing. As a consequence, the number of active persons available for the labour market is decreasing, which enhances the labour shortage.

2. *Migration abroad*

A study²⁰ by the International Monetary Fund addresses the economic impact of migration. In the last 25 years in Central, Eastern, and Southeastern Europe (CESEE) approximately 20 million people left this region and moved to better-off areas of the European Union. Many of the emigrants are well educated and young, and their exodus accelerates the adverse demographic trends. East Europeans moving westward “benefited the receiving countries in the European Union and, therefore, the EU as a whole.” The study views this “migration ... as an indicator of success of the EU project, which sees freedom of movement as necessary for achieving greater economic integration, and ultimately, higher incomes.” But migration

¹⁶ The dependent part includes the population under 15 years old and people aged 65 and over. Accordingly, the productive part of population consists of population between 15 and 64 years.

¹⁷ <https://budapestbeacon.com/hungarian-society-aging-rapidly/> (07.04.2018).

¹⁸ http://countrymeters.info/en/Hungary#Dependency_ratio (07.04.2018).

¹⁹ ec.europa.eu/social/ (08.04.2018).

²⁰ ATOYAN, RUBEN et al. (eds): *Emigration and its Economic Impact on Eastern Europe*. IMF Staff Discussion Note No.16/7, Washington DC, USA, July 2016, pp. 7–8.

had a negative impact on the “sending countries” where it “slowed per capita convergence, reduced competitiveness and increased the size of government.”²¹

The number of inhabitants who moved abroad from Hungary might be as high as 600,000, or even more (Eurostat). Under these circumstances, a labour shortage in practically every sector of the economy is unavoidable.

Another difference between those who are now looking for jobs abroad and those who left a few years ago is that the earlier migrants, at least initially, were not planning to live outside of Hungary permanently. They were thinking of a temporary stay, just long enough to save some money to start a business, buy an apartment in Hungary, or pay off their loan or perhaps long enough to perfect their German or English. All that has changed. Today people who are seeking jobs abroad plan to become permanent residents in there.²²

Without an infusion of foreign labour the situation cannot be remedied. The National Association of Employers and Manufacturers (MGYOSZ) suggested that Hungary would immediately need about 250,000 foreign workers, who should be enticed to come to Hungary from abroad.²³ The targeted foreign workers supposedly come from countries with lower living standards than in Hungary.²⁴ Supermarkets, restaurants, the construction sector also have a very hard time finding workers.²⁵

As for Hungary's labour shortage, for the time being the Hungarian government recruits workers from Ukraine²⁶ and Balkan²⁷ countries.²⁸ The other escaping route is by allowing retirees to accept tax-free part-time jobs via Pensioners' Cooperatives. Paradoxically, it was only a few years ago that the government insisted on a mandatory retirement age of 65, and now the government is trying to entice retirees to return to work.²⁹

In sum, it seems to be impossible, even on the short run, to maintain the Hungarian economy with a shrinking workforce.

III. Low amount of pension

The second reason why pensioners are ready to return to the labour market is the relatively low amount of old-age pension.³⁰

²¹ <http://hungarianspectrum.org/tag/labor-shortage/> (07.04.2018).

²² <http://hungarianspectrum.org/tag/labor-shortage/> (17.04.2018).

²³ For example, a huge slaughterhouse in Mohács has a hard time finding butchers because experienced Hungarian butchers left for Germany a long time ago.

²⁴ For example, the government gave Samsung Magyarország a permission to recruit workers from war-torn Ukraine.

²⁵ <http://hungarianspectrum.org/tag/labor-shortage/> (17.04.2018).

²⁶ In July 2016, a modification of law brought a breakthrough in employing foreign workers in Hungary. One target country is Ukraine, where unemployment as well as unutilised workforce is significant. Experience shows that mostly Ukrainian employees between 20 and 40 apply for work in Hungary, many of those are schooled and come together with their spouses. They are often interested in residence permits, so they want not only to work, but also to start a new life with us in greater safety and better living standards.

²⁷ MÉSZÁROS, ZSOLT – BREUNIG, FRANZISKA (ed): *Hungary: How to deal with increasing workforce shortage?* <https://www.maschinenmarkt.international/hungary-how-to-deal-with-increasing-workforce-shortage-a-659665/> (24.04.2018).

²⁸ <http://hungarianspectrum.org/tag/labor-shortage/> (17.04.2018).

²⁹ <http://hungarianspectrum.org/tag/labor-shortage/> (17.04.2018)

³⁰ Világgazdaság <https://www.vg.hu/penzugy/evente-hat-szazalekkel-novelheti-nyugdijat-az-aki-tovabb-dolgozik-528137/> (14.05.2018)

Although according to the Central Statistical Office the average pension was HUF 108,000 (appr. EURO 348) in 2016, data provided by the Central Administration of National Pension Insurance asserts that over 72,000 pensioners receive monthly pensions of less than HUF 50,000 (appr. EURO 161), far below the subsistence level of HUF 88,000 (appr. EURO 284) for a single adult. In Hungary, the highest pensions are given to those who had high salaries during their active years and kept on working long after they were eligible for pension.³¹

To keep more pensioners economically active (earn supplements to their pension) and fill shortages in the labour market, a special type of cooperative, the “pensioners’ cooperative” (nyugdíjas szövetkezet), was introduced in Hungary in July 2017.³² Members can receive income from work³³ and old-age pension benefits, and benefit from preferential taxation.³⁴

IV. Legal framework to engage in work by pensioners

For a long time it was a widespread practice in Hungary that persons who reached the retirement age retired and received their pensions, while at the same time their former employers or other employers hired them again in paid jobs. Obviously, it established the practice of double remuneration, which is against Paragraph (4), Article XIX of the Fundamental Law on the protection of property. The above-mentioned Article and the established practice of the Hungarian Constitutional Court³⁵ and the case law of the ECtHR, Strasbourg states the prohibition of double payment. On the one hand, the retired person is entitled to old-age pension (which was literally provided to replace his/her former lost work-based income), and at the same time he/she started to work as a retired employee and earned money from this activity. According to the logic of the legislator, if the person is able to work as a pensioner, he/she should not be entitled receive old-age pension (it should be suspended until the end of the employment.) The double remuneration practice – at least in the public sector – was stopped by the legislator on 1 July, 2013. Hence, the public and the private sectors fell under different regulations, even though this is a discriminatory practice. The evaluation was supported by the ECtHR in the case *Fábián v. Hungary* - 78117/13. Judgment 15.12.2015 [Section IV].³⁶

³¹ [https://budapestbeacon.com/over-half-of-hungarian-pensioners-live-on-usd-360-a-month-or-less/\(03.05.2018\)](https://budapestbeacon.com/over-half-of-hungarian-pensioners-live-on-usd-360-a-month-or-less/(03.05.2018))

³² On 13 June, the Parliament adopted Act LXXXIX of 2017 on pensioners’ cooperatives of public interest (közérdekű nyugdíjas szövetkezet). This act would provide preferential conditions for active elderly people (similar to those enjoyed by student cooperatives) to enable them to engage in occasional work.

³³ The types of jobs are available: cleaning, packaging, cooking, clerking -- most openings are in these fields. Looking at the database, it seems pretty much impossible to find a job that requires a university degree. The wage rates are between HUF 700-1000 per hour (app. 2-3.5 euros) before tax.

³⁴ [https://budapestbeacon.com/unable-to-live-off-their-pensions-hungarian-pensioners-are-eager-to-work-again/\(14.05.2018\)](https://budapestbeacon.com/unable-to-live-off-their-pensions-hungarian-pensioners-are-eager-to-work-again/(14.05.2018))

³⁵ Hungarian Constitutional Court Case 1/2016. (I.29.)

³⁶ The Court stated that a difference in treatment between publicly and privately employed retirees and between various categories of civil servants as regards payment of old-age pension is violation. According to the facts, in 2012 the applicant, who was already in receipt of an old-age pension, took up employment as a civil servant. In 2013 an amendment to the Pension Act 1997 entered into force

Workers taking up a job in the public sector after retirement must defer their benefits. In the private sector, parallel income streams of pensions and wages are allowed. This option is unlimited if the person has reached the legal pensionable age. However, it is subject to an earnings limit equivalent to 18 months of the minimum wage if the person receives one of the early retirement benefits or is in the “Women-40 programme”,³⁷ a special early retirement scheme for women.³⁸ Earnings are subject to personal income tax (PIT) and social security contributions (both employee and employer contributions)³⁹ and allow the retiree to build up additional pension entitlements.⁴⁰

suspending the payment of old-age pensions to persons simultaneously employed in certain categories of the public sector. As a consequence, the payment of the applicant's pension was suspended. His administrative appeal against that decision was unsuccessful. The restriction did not apply to pensioners working in the private sector. In the Convention proceedings, the applicant complained of an unjustified and discriminatory interference with his property rights, in breach of Article 14 of the Convention read in conjunction with Article 1 of Protocol No. 1.

According to Article 14 of the Convention in conjunction with Article 1 of Protocol No. 1: The applicant's pension right was a pecuniary right within the ambit of Article 1 of Protocol No. 1 and his status as a pensioner simultaneously employed in the public sphere could be considered “other status” for the purposes of Article 14 of the Convention. Article 14 was therefore applicable.

The difference in treatment pursued the legitimate aim of reducing public expenditure. There were in fact two forms of difference in treatment: one between different categories of employees in the public sphere, and the other between persons employed in the private and public spheres. As regards the former, the Court could see no justification from the perspective of reducing public expenditure for the difference in treatment between different categories of employees in the public sector and accepted that the exempted State employees were in a situation analogous to that of the applicant. As to the difference in treatment between the public and private spheres, while it was true that only public employees received two sets of income from public sources, the Government's core argument – that no State pension should be paid to those who did not need a substitute for salary as they were already employed – applied equally to retired persons employed in the private sphere because, from that perspective, pensions paid to them could also be regarded as redundant public expenditure. These two groups were thus also in an analogous situation.

The Government's arguments to justify the difference in treatment between publicly and privately employed retirees on the one hand, and between various categories of civil servants on the other, were unpersuasive and thus not based on any “objective and reasonable justification”.

³⁷ The evolution of the average exit age from the labour market differs by gender. Up to 2011 it steadily grew more quickly among women: the gender gap of 2.3 years in 1998 decreased to 0.4 years by 2011. Since then, however, the “Women-40” programme, which opens up the option for women who have collected 40 years of “eligibility” to retire below the legal pensionable age, has widened the gap once again (0.9 years in 2016 and expected to grow further). Indirectly, this early exit route favours women with secondary or higher education and fewer children. Without the privilege most of them would work longer, would continue to pay contributions and would take up benefits later. The new cooperatives will partially compensate for the employment consequences (if not for the lost social security contributions) of this special retirement option. In this context, the “Women-40” programme seems particularly uneconomical. It is costly and particularly inappropriate now that there are labour shortages in some sectors. Before establishing the cooperatives, the government should have abolished the Women-40 privilege.

³⁸ HAJDÚ, JÓZSEF: *Constitutionality of the early retirement for women with 40 years of service period in Hungary*, in: HOMOKI-NAGY MÁRIA – HAJDÚ JÓZSEF (szerk.) *Ünnepi kötet Dr. Czucz Ottó egyetemi tanár 70. születésnapjára*, Szeged: Szegedi Tudományegyetem Állam- és Jogtudományi Kar, 2016. 209–217 pp. (Acta Universitatis Szegediensis. Acta Juridica et Politica; 79.)

³⁹ In 2018, the total tax wedge varies between 44.32% and 45.04% of the total labour cost (between 42.51% and 46.15% in 2017).

⁴⁰ GÁL 2018/9, 1. p.

V. The legislative background of the pensioners' cooperative

A special type of cooperatives, the pensioners' cooperative (nyugdíjas szövetkezet), can be established since July 2017.⁴¹

The government's basic aim with pensioners' cooperatives was that they will employ retired people (returning to labour market) to reduce labour shortages⁴² and to transfer their skills, professional knowledge and life experience to younger employees. At the same time, it could help pensioners to improve their (often poor) pensions. This would help retain community contact with the elderly (active aging), as well as serving the best interests of the general public.⁴³

According to the act, a pensioners' cooperative is an economic enterprise, with only natural persons allowed to establish or join one; the share of old age pensioners must be at least 90% of cooperative members. The cooperative's income is used to set up a community fund for social, health, educational and cultural services for members and their families.⁴⁴ Work is considered as a personal contribution to the cooperative (in that it is not seen as an employment relationship, even if the cooperative places them in a third-party temporary agency position) which can be offset, for example, by food vouchers instead of wages that are tax-free up to a certain limit. When wages are paid in cash, tax relief is provided to both the cooperatives (as employers) and the pensioners. The act also requires the government to support the cooperatives at a necessary and proportionate level.⁴⁵

The cooperative members must be retired persons (at least 90% of the membership) who personally undertake to participate in the cooperative's activity by way of a membership agreement. The pensioner is also obliged to make a financial contribution when joining (the method, time and rate of which shall be defined in the pensioners' co-operative's statutes).⁴⁶

The idea behind the cooperative is that it negotiates with employers that are interested to take retired workers on board.⁴⁷

According to the legislation, pensioners' cooperatives could be established in the framework of which pensioners could return to work under preferential conditions. The cooperatives would be legally similar to student cooperatives that have helped students find employment in Hungary for many years.

Members of these cooperatives are eligible for preferential treatment. Those pensioners who work in the scheme would be exempt from pension and healthcare contributions, while pensioners' cooperative members who are compensated with food vouchers would

⁴¹ Since July, 76 such co-operatives have been created and 2,890 people have joined them -- much fewer than the government anticipated. They estimated that the number of members could reach 135,000 in a year.

⁴² <https://www.taylorvinters.com/news/hungary-co-operatives-pension-age-employees/> (24.04.2018)

⁴³ <https://www.etui.org/ReformsWatch/Hungary/Hungary-pensioners-cooperatives-active-on-the-labour-market> (02.05.2018).

⁴⁴ <https://www.taylorvinters.com/news/hungary-co-operatives-pension-age-employees/>

⁴⁵ <https://www.eurofound.europa.eu/hu/observatories/eurwork/articles/hungary-latest-working-life-developments-q2-2017> (14.05.2018).

⁴⁶ It is possible for the co-operative to fulfil this requirement by requesting that the pensioner pays only a nominal amount in return for the membership.

⁴⁷ <https://www.etui.org/ReformsWatch/Hungary/Hungary-pensioners-cooperatives-active-on-the-labour-market> (24.04.2018).

be exempt from personal income tax. They are subject only to PIT, making their tax wedge a mere 15% of the total labour cost.⁴⁸

As these co-operatives introduce a more flexible legal framework for “employment”, the desire is that they will create a mutually beneficial situation for both employers and pension-age employees.⁴⁹

This foregone public revenue reduces labour market friction by financing cooperative managements, which mediate between employers and employees, that is cooperative members. Employers can save on recruitment costs and face an organisation that can offer easy replacement in case of absence; employees save on search costs or find an income source they would give up seeking for otherwise. Cooperatives can offer more flexible working hours and bring in some organisation to a segment of a poorly unionised labour force. Cooperatives have established their own trade union, KÖZÉSZ.⁵⁰

These new cooperatives are in a growth phase. The latest reports (June, 2018) are of about 140 cooperatives with 20 thousand registered members.⁵¹ Estimations of the full potential of cooperatives vary considerably. According to HVG (2018), a leading independent political and business weekly, KÖZÉSZ estimates that there are about 400 thousand potential members, which is nearly 20% of the retired population aged 60 years or older.⁵² However, according to other experts, also cited by HVG, the figure is rather about 200 thousand.⁵³

VI. The views of social partners on pensioners' cooperatives

Trade Unions are aware of the need to integrate elder people into the labour market. On the other hand, they see that the working condition and health situation does not allow elder people to stay for a longer time in the labour market. One of the most long-lasting protests against a government decision was the one which decided in 2011 to trace back elder workers from certain sectors which were allowed for earlier retirement – mainly on the bases of collective agreements - to the labour market (policemen, fire workers, some armed professions).

On the other hand, there is a need for elder workers to remain on the labour market because of low pensions. The average age of union members is, according to figures and estimations, fairly higher than age 45. Therefore serving the interests of the main focus group of the unions is to provide decent jobs with good working conditions but not especially for older people, because they should have the right for short working time in

⁴⁸ https://bbj.hu/economy/govt-to-help-pensioners-back-to-work-with-bill_132661 (24.04.2018).

⁴⁹ <https://www.taylorvinters.com/news/hungary-co-operatives-pension-age-employees/> (24.04.2018).

⁵⁰ ec.europa.eu/social/ (24.04.2018).

⁵¹ https://www.hrportal.hu/nyugdijas_szovetkezet.html (25.06.2018).

⁵² CSO (Central Statistical Office) (2017): “Ezüstkor – Időskorúak Magyarországon, 2016” [Silver Age – Elderly people in Hungary, 2016]. Budapest: Központi Statisztikai Hivatal. HVG (31 January 2018): Idősszámítás [Counting the old]. http://hvg.hu/hetilap/2018.05/201805_nyugdijasok_foglalkoztatasa_kubatovlista_olcso_munkaeropotlas_idosszamitas (24.04.2018).

⁵³ ec.europa.eu/social/ (24.04.2018).

the work-life balance. There are no activities of social partners known about promoting active aging.⁵⁴

The trade unions reacted very critically. For instance, the trade union of The Federation Chemical Energy and General Workers' Unions (VDSZ) opposed the proposal and criticised the fact that no proper wage system was foreseen. Socio-economic observers questioned whether the initiative could contribute to ease labour shortages. On the other hand, the National Competitiveness Council, a body of business leaders and experts established to make recommendations to the government, has formulated a recommendation to the government to make it possible for individual pensioners to return to work without being members of a cooperative.⁵⁵

The National Association of Entrepreneurs and Employers (VOSZ) has supported the proposal, while trade unions have been reserved in their opinion. The Federation of the Chemical Energy and General Workers' Unions (VDSZ) has openly opposed the proposal, stating that fair wages should be paid and appropriate training provided. Although experts believe pensioners' cooperatives are likely to ease labour shortages in some sectors, regions and in time periods, they are afraid of their negative effect on wages.⁵⁶

VII. Summary

As the Hungarian workforce has been diminishing over the last few years, employers have faced difficulties in fulfilling their staffing requirements. At the same time, however, there are many individuals in Hungary who need to continue working after their "retirement". Within the framework of pensioners' cooperative, active, retired people can work after retirement and utilise the expertise they have accumulated during their working lives.

The evolution of the average exit age from the labour market differs by gender. Up to 2011 it steadily grew more quickly among women: the gender gap of 2.3 years in 1998 decreased to 0.4 years by 2011. Since then, however, the "Women-40" programme, which opens up the option for women who have collected 40 years of "eligibility" to retire below the legal pensionable age, has widened the gap once again (0.9 years in 2016 and expected to grow further). Indirectly, this early exit route favours women with secondary or higher education and fewer children. Without the privilege most of them would work longer, would continue to pay contributions and would take up benefits later. The new cooperatives will partially compensate for the employment consequences (if not for the lost social security contributions) of this special retirement option. In this context, the "Women-40" programme seems particularly uneconomical. It is costly and particularly inappropriate now that there are labour shortages in some sectors. Before establishing the cooperatives, the government should have abolished the Women-40 privilege.⁵⁷

The improvement of the employment of the elderly population is a complex question and the answer to it should be complex, too. The simultaneous and harmonised activity of

⁵⁴ <http://www.hirlabor.hu/wp-content/uploads/2010/06/MGYOSZ-Idosodo-NET.pdf> (24.04.2018).

⁵⁵ <https://www.etui.org/ReformsWatch/Hungary/Hungary-pensioners-cooperatives-active-on-the-labour-market> (24.04.2018).

⁵⁶ <https://www.eurofound.europa.eu/hu/observatories/eurwork/articles/hungary-latest-working-life-developments-q2-2017> (24.04.2018).

⁵⁷ ec.europa.eu/social/ (24.04.2018).

the government, the employees and the social partners, the civil organisations is necessary in order to increase efficiency. A good way to increase the employment of the elderly is to implement European Union policies in the Hungarian practice (which can be further improved with the more detailed regulation of the atypical forms of employment). As there is an overall surplus of well-educated young workers on the Hungarian labour market and on the other side a large number of bad educated, tired and unhealthy elder employees as a result of the work load intensive kind of production in the last 40 years, employer organisations prefer working with young people. But there is no official communication about that issue.

A further possibility could be the implementation of the employment practices of the more developed Member States as a pattern and to modify them according to the Hungarian specialities. Moreover, by keeping the current programmes and within the framework of the available possibilities, it would be feasible to create further programmes to promote the employment of the elderly population. At the same time, it is required to decrease social prejudice, discrimination and exclusion.

Using the expenses of the active employment policy tools, taking up a job by the elderly population should be supported, even in the form of wage subsidies. Employers should be supported to hire older workers.⁵⁸

One of the greatest advantages of being a cooperative member is that social security contributions do not have to be paid. This means that the pensioner who is a member of a pensioners' cooperatives can earn about 20% more.⁵⁹ However, earnings supplement pensions but do not enable the worker to accumulate further social security entitlements.

Even though many pensioners are eager to work, employers have little incentive to hire them. Some of the highlights of the proposition are: a) only the income tax would be subtracted from the gross salary of employed pensioners; b) pensioners could return to the public sector without having to give up their pensions; c) there would be no limit on salaries; and d) if an employer is not satisfied with a pensioner employee, they would not have to fire the employee but just contact the cooperative.⁶⁰

As a future step – which was introduced very recently (June 20, 2018) – to develop organised and subsidised elderly work, beginning from 2019, the government will eliminate all limitations on hiring pensioners to work. On the one hand, pensioners will continue receiving pensions even if their income from work reaches 12 times the minimum wage. Also, income from work will be subject only to 15% personal income tax, with no other taxes or contributions. This latter opportunity is currently available only to those who secured work as members of pensioners' cooperatives. This plan could undermine the future hopes of the pensioners' cooperatives.⁶¹

⁵⁸ <https://www.eurofound.europa.eu/observatories/eurwork/comparative-information/national-contributions/hungary/hungary-the-role-of-governments-and-social-partners-in-keeping-older-workers-in-the-labour-market>

⁵⁹ <https://www.etui.org/ReformsWatch/Hungary/Hungary-pensioners-cooperatives-active-on-the-labour-market> (24.04.2018).

⁶⁰ <https://budapestbeacon.com/unable-to-live-off-their-pensions-hungarian-pensioners-are-eager-to-work-again/> (15.05.2018).

⁶¹ https://bbj.hu/economy/govt-turns-to-pensioners-to-ease-hungarian-labor-shortage_150778 (15.05.2018).

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