

**BASIC PENSION AND PENSIONS BASED ON POINTS:
A POTENTIAL MODEL OF PUBLIC OLD-AGE PENSION INSURANCE**

Mária Augusztinovics and Ágnes Matits

The paper summarizes joint work in the framework of the Pension and Old Age Round-Table, one the most recent works done by Mária Augusztinovics. Between 2007 and 2009, the round-table investigated various potential variants for the inevitable reform of the current pension system. Of these, the authors proposed finalizing a public pension system in which part would be basic (flat) benefit and part strictly contributive. First, introduction of a basic pension would serve to ease old-age poverty while opening room for a significant reduction in earnings-based pension contributions. The contributive part would be based on a points system, creating a direct link between contributions and benefits and achieving automatic indexation. Furthermore, such a system would facilitate calculating expected benefits at each stage in life. Calculations show such a system is feasible and sustainable.

LONGITUDINAL AND CROSS-SECTIONAL EQUILIBRIUM IN LIFETIME FINANCING

András Simonovits

The paper reviews the problem of longitudinal and cross-sectional equilibrium, which played such a dominant role in Mária Augusztinovics's work. The dual approach first appeared (several centuries ago) in demography and through labor economics arrived at the economics of the human lifetime. Following distinguished economists, Augusztinovics gave a comprehensive theoretical analysis in the field, which has been widely followed. Later a more practical approach was developed and generalized in several neglected dimensions by Augusztinovics and her followers.

**THE AGE PROFILE OF INVISIBLE TRANSFERS: THE TRUE DEGREE OF ASYMMETRY
IN INTER-AGE REALLOCATIONS**

Róbert Iván Gál, Endre Szabó and Lili Vargha

The authors argue for a difference in the institutional composition of funding consumption in the two dependent sections of the life cycle: childhood and old age. Children are raised by parents; the elderly rely on society. Since reallocations of resources within and between households are not registered in the national

accounts, most of the resources transferred to children are not visible, whereas resources flowing to the elderly show almost completely in public statistics. The analysis applies a recent extension of the national accounts – National Transfer Accounts – which includes private transfers, and a further, experimental extension – National Time-Transfer Accounts – which quantifies the value of time transferred among household members as unpaid household labour. It appears that less than one-third of the full transfer package to children is registered in the national accounts and around another one-third is made visible by National Transfer Accounts. The remaining third, the value of parents caring for their children, is revealed by National Time Transfer Accounts. The corresponding shares in funding old age are different: 90 per cent appear in public statistics and the two accounting extensions reveal only a little less than 10 per cent. (The paper first appeared in the *Journal of the Economics of Ageing*.)

AN ATTEMPT TO ESTIMATE INFORMAL EMPLOYMENT BASED ON UNREGISTERED WORK OBSERVED IN QUESTIONNAIRES

János Köllő

The paper merges data from the Labour Force Survey and the Pension Directorate to apply a “labour input” or “discrepancy” method of measuring informal employment at individual level. It relates to workers interviewed in January–March 2008 who reported two or more years of uninterrupted tenure with their employer. Data for 1999–2006 suggest that some 10–11 per cent of the working time reported in the Labour Force Survey failed to appear in the Pension Directorate registers, of which some 8–9 per cent can be explained as undeclared work. Informal work occurs most often in agriculture, transport, and various forms of atypical work.

THE EFFECT RAISING THE RETIREMENT AGE HAS ON THE EMPLOYMENT RATE OF OLDER WOMEN. EMPIRICAL EVIDENCE FROM RETIREMENT-AGE INCREASES IN HUNGARY IN THE 2000S

Zsombor Cseres-Gergely

The paper provides empirical evidence of the effect of changing the retirement age on employment. Based on individual data from Hungary, where the retirement age rose in a number of stages between 1997 and 2009, the analysis benefits from substantial variation in pension eligibility over a relatively short time. It takes a difference/indifference approach and is supported by independent variation in the age-based eligibility rule that contributes to causal identification of the effect. Results suggest that the effect of the changes in early retirement age is substantial, amounting to a 5–7.4 percentage point increase in the 45 per cent employment rate of retirement-age women. Changes in the normal retirement age do not seem to have such an employment effect, because they are counteracted by increases in disability pension claims.

FROM DEEP POVERTY TO HIGHER EDUCATION

Edina Berlinger and Krisztina Megyeri

Tendencies to increasing inequality and decreasing social mobility can be seen worldwide. Social mobility in Hungary has been seriously endangered by strong discrimination against the poor in the school system. This is aggravated by higher education policy, which focuses on entry point, and by undue emphasis on secondary grades (raising admittance level, maintaining a dual tuition-fee system, raising tuition fees), and because the student loan system was unable to offset these effects in an environment where state propaganda plays down higher education and state financing is sharply reduced. Nor does positive discrimination work well due to inappropriate regulation. Thus the participation rate of the disadvantaged in higher education is around 0.5% (as opposed to 13% in elementary school), and likely to approach absolute zero if a planned radical cut in the number of secondary students occurs. The paper goes on to present a civil initiative (Bridge to Higher Education) aimed at helping Roma and other secondary students gain admission to university and obtain degrees. The conclusion is that results can be gained with a relatively low budget over a short period, even in an unfavorable social and political climate.