Radó Márta

Realization of Retirement Plans in Hungary

European Population Conference 2014

25-28 June 2014, Budapest Hungary

Abstract:

The realization of intention to work after retirement is examined using two waves of the Hungarian GGS data (2004 and 2008). The analysis focuses on those who had retired between the two interviews. A distinction is made between weak and strong intention: the former refers to those who could imagine to work after retirement, while the latter refers to those who strongly intended to work. Most people had at least weak intention, but only a small fraction of them had a strong intention. Logistic regression analyses which control for social-demographic variables and labor-force status show that only strong intention has an effect on the actual work after retirement. It also reveals that those people were able to realize their retirement plans who had better labor market status before retirement. Since retired people are intensively involved in housework, I argue that they may be able to keep participating in the labor market as well. Raising the activities of the elderly would be an important aim due to the sustainability problem of the pension system.

1. Introduction

Pension systems are facing crucial challenges due to demographic changes. In the last few decades the ageing of the population has become faster than we have ever expected. Population ageing is a consequence of lower fertility and higher life expectation, which means that we live longer and the proportion of elderly people rises at the same time. The fertility rate has decreased below 1.7 in Europe, while we have gained more than 10 years of life on average since the 1960s. (Esping-Andersen, 2009: 146-147) In Hungary, the most alarming problem is that the fertility rate has been decreasing for nearly thirty years, which is quite unique even in the rapidly ageing Europe. (*Vukovich, 2004:* 119)

The sustainability problem of the pension systems was the reason why a lot of people argued that activities of the elderly need to be raised during the last twenty years. (Pension at glance, 2011) Esping-Andersen (2009) argues retirement age should be risen in order to solve sustainability problems. Whereas Augusztinovics (2003) points out that the labor market should be reformed. And Cseres-Gergely (2007) argues that the retirement system encourages people to leave the labor market, therefore more incentives should be introduced. However these policies aim to raise the activity of the elderly and make them resort to the pension system at a later age. Before we choose between the alternative policies, we should know more about retirement plans and to what extent can people realize these plans.

I am going to deal with the activities of the elderly in this paper. I will focus on the following: what kind of plans they have for their post-retirement lifespan? Besides the plans, I am going to show what people actually do after their retirement. Finally, I am going to observe the relation between the plans and the realization of the plans. Does the intention and preferences matter when we want to see who is working after retirement, or is it already determined by the demographic and employment status of the individual?

In this paper I am going to analyse data collected in Hungary. This data originates from a longitudinal research, Turning Points of Life Course, which was done between 2004 and 2008. In this period people were allowed to receive pension and have gainful employment at the same time. The Hungarian retirement system has been reformed since that time and this is not a possibility anymore for public servants.

2. Theories and Previous Research

2.1. Relationship between retirement plans and actual behavior

One of the questions which I try to answer in this paper is whether people can decide if they want to work or the intention does not matter since other factors determine their choice. Tazelar and Henkens argue that „in general, behavioral intentions are good predictors of actions if they concern relatively specific behavior in a restricted time span in which individuals have a great freedom of choice." (Kene Henkens–Frits Tazelaar 1997: 149) So, according to them, there are two conditions which need to be satisfied in order to enable people to realize their plan. Firstly, their intention should be detected closely to the action in time. And secondly, individuals should have a great deal of freedom. I will fix the first assumption and observe whether people have enough freedom.

2.2. Retirement plans

Costa points out in the US that elderlies are far away to be unable people, who are „old and grey and full of sleep. And nodding by the fire" (Costa 1998: 26 quotes Yeats) Is this statement valid for the Hungarian elderly as well? Is inactivity caused by the lack of intention to work?

Csontos, Kornai and Tóth have found that only a few Hungarian has plans for their pensioner age. They point out that 23% of Hungarian people plan to work after retirement. They also showed that those who are closer to retirement would like to work after retirement much more than younger people. (Csontos, Kornai and Tóth 1996: 268-269)

Dobossy, Molnár and Virágh (2003) raise the same question as my paper. This project was even based on the same data, but it was only a cross-sectional research. They used only the first wave of the Turning Point of the Life Course. Dobossy, Molnár and Virágh have found that people actually intended to work, but they cannot realize these plans. Their research shows that 40-50 % of the people over 45 intended to do a paying job after retirement in 2001, but in the same year only 7,5% of the pensioners had permanent, and an additional 4,2% of them had an odd job. They argue that the problem can be found in the labor market. Several people intend to work, but the realization of these intentions rarely happens. They have defined the intention to work as expressing that they plan to work or that they could imagine that they are going to work.

Dobossy, Molnár and Virágh's research is narrowed by the fact that it was a cross-sectional study. A panel research, like the Turning Points of Life Course, can reveal the plans of the individual and also observe whether these plans could be realized. By the help of the longitudinal dataset, it is possible to take a deeper look on who can realize his or her plans for the post-retirement lifespan. It is also possible to step forward from the cross-sectional research since we observe only those people's plans who retired in four years. In my research I do not analyze all people over 45 (like Dobossy Imre, S. Molnár Edit and Virágh Eszter did), but only those who were about to retire in 2004, because according to Tazelaar and Henkens, the time between the expression of the plans and the actual behavior does matter.

3. Data

My observation is based on the dataset of Turning Points of Life Course program, which is longitudinal research made by the Hungarian Central Statistical Office. The second wave of the survey corresponds to the first harmonized wave of the Generations and Gender Survey (see Spéder 2001 for more information about the Hungarian survey and Vikat et al. 2007 about the GGS). The first wave of this longitudinal research was made in 2001, the second was asked in 2004, and the third one was done in 2008. From that dataset I will only utilize the two latest waves of data – the ones made in 2004 and 2008. My research population is the people who retired between 2004 and 2008. There were 3807 people involved in my analysis. I observe retirement plans on the basics of the first waves result, and I conclude by the help of the second wave whether these plans could have worked out.

4. Results

4.1. Do people have plans for their post-retirement lifespan?

Distribution of the post-retirement plans can be seen at Table 1. Firstly I analyzed the answers among everybody who is over 45 (this was the unit of analysis of the study written by Dobossy, Molnár and Virágh). Among them, we can see that only 15.6% said that they had definite plans, and more than half of them had no plan.

After that, I analyze those who were not retired in 2004, but were in 2008. (See in Table 1.) Among them, we can see that 22.1% of the people had definite plans and less than half of them had no plans for their post-retirement lifespan. According to a Chi Square Test, significantly more people have plans for their post-retirement lifespan among those who retired in four year than among people over 45. This result confirms the thesis of Tazelar and Henksen that the closer is someone to retirement she or he has more plans for the post-retirement period. Therefore in my analysis, I only analyzed people who expressed their intention no longer than four year before their retirement. By this method several people were dropped out of the analysis, which has negative consequences in terms of the number of elements, but this method provides more valid results.

Table 1. Do people have plans for their post-retirement lifespan?

|	People over 45	People, who retire in 2004
Have definite plans	15.6%	22.1%
Have some plans	28%	30.1%
Does not have any plans	56.4%	47.8%

4.2. What kind of plans do people have for their post-retirement lifespan?

I also observed what kind of activities people intended to do after they are retired. The most popular activity was taking care of children. Half of the people planned that and an additional 20% of them could imagine doing that.

I define that somebody had a strong intention to work if that person either planned to do agricultural work or planned to have a freelance job, or planned to launch an enterprise or planned to work as an employee. Also, in my analysis, people who said maybe one of these activities was possible, is

considered as having a weak intention to work. Dobossy, Molnár and Virágh analyze only the weak intention. That is the reason why they found that "40-50% of the people intend to work". In my analysis 58.5% of the people had a weak intention to work, and only 7.3% (279 people) had a strong intention to work. The distribution of plans is shown in Figure 1.

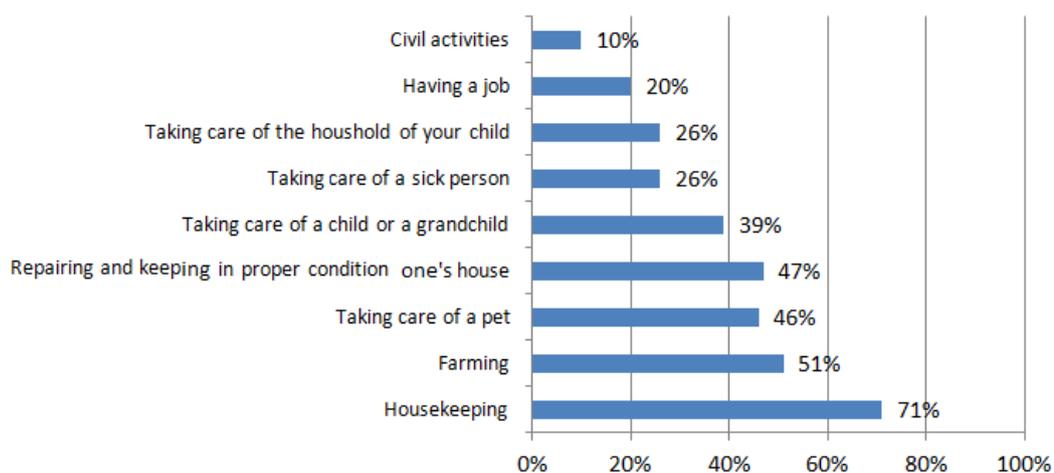Figure 1. Plans for the post-retirement lifespan
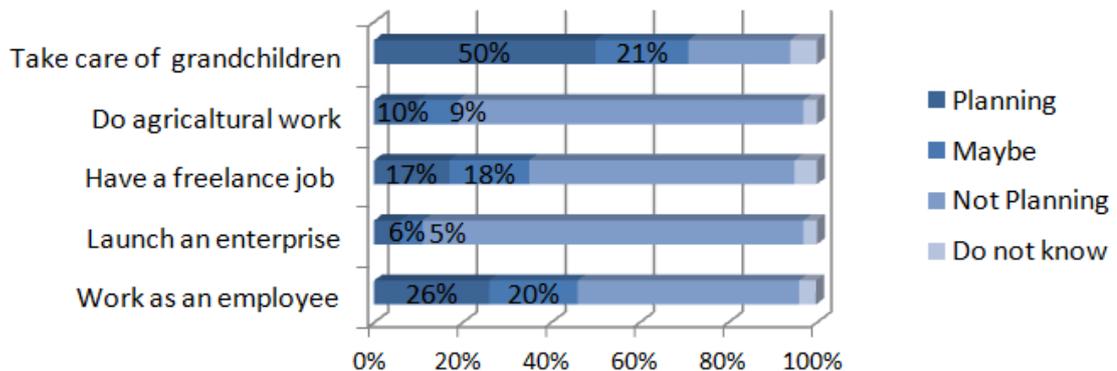
4.3.   What do they do after retirement?

After depicting plans before retirement, I examined the daily activities after retirement. I considered everybody as a worker who reported to work at least occasionally. (See Figure 2.) In this case 25.8% of the retired were working, which is more than the number of people who expressed strong intention to work before retirement, but less than the number of people who had said that they may work after retirement.

If we consider only gainful work, then only a minority of the newly retired are active. But we could examine other activities as well. One of the biggest shortcomings of the GDP is that it does not take housework into account. However housework can be considered as an important contribution to the economy. The Turning Point of the Life Course gives us an opportunity to take housework into account as well. (See in Figure 2.) 71% of the retired answered that housekeeping is their daily activity. Also 47% of them repair and keep their house in proper condition. Therefore, if we use a broader definition to define who is active then the majority of newly retired people can be considered as active.

Figure 2. Everyday activities after retirement

4.4. Realization of working plans

After I described what kind of plans people had for their post-retirement lifespan and what they were actually doing after retirement, I also analyze what kind of relation find between the working plans and their realization. I have already shown that 58.5% of the people had a weak intention and only 7.3% (279 people) had a strong intention to work before retirement, while 25.8% of people were working after retirement. But are the people who had planned to work in 2004 the same as those who worked in 2008?

4.4.1. Two dimensional analysis

I started my research with a two dimensional analysis in order to get to know what kind of variables effected whether somebody worked or not as a pensioner. First and for most, there were demographic variables which effected the dependent variable. Males, those who are better educated and those who live in a bigger settlement had greater chance to work as a pensioner. I also examined the previous labor market position. We can see that those who had a higher income and those whose employment was not interrupted before retirement tend to work after retirement more. I also paid attention to individual's subjective attributes. People who trusted their future and who liked to work were more likely to work after retirement. I also tried to take into account the family background of the individual, but neither the partner status nor the number of children and grandchildren, had any effect on the dependent variable.

As we can see, the same factors contribute to work after retirement than before retirement. People who had better opportunities in the labor market before retirement could keep their advantages after retirement. (Berkowitz and Johnson, 1974; Gyula, 2007)

And finally, I examined the relationship between intention to work and actual work. There is a significant relationship between strongly planning to work as a retiree and actually working as a retiree. Table 2. shows that more people were working in 2008 among those who had planned to work than among those who did not intend to work in 2004. 30.7% of people who had planned to work in 2004 worked in 2008 and only 11.7% of the people who had not planned to work in 2004 worked in 2008. However, there is no significant relationship between the weak intention to work and the actual working.

Table 2. Relationship between planning to work in 2004 and working in 2008

	Worked in 2008	Didn't work in 2008	Total
Planned to work in 2004	30.7%	69.3%	100.0%
Not planned to work in 2004	11.7%	88.3%	100.0%

These findings support what Dobossy, Molnár and Virágh have written, since weak intention seems not to be realized at all. So it does not matter whether somebody said that she or he can imagine to work or cannot imagine at all, because they have practically the same chance to end up working as a pensioner. But strong intention matters. People who not just could imagine, but even planned to work, are more likely to end up working than those who did not plan to work.

4.4.2   Multiple regression

After the two dimensional analysis I did multiple regression as well (See in Table 3.). I estimated three models. Model 1 included basic social variables (gender, education, state of health and residence). Model 2 added to Model 1 variables about employment (income and experience of unemployment). Model 3 added to Model 2 attitude variables (confidence in future, like to work or not and plans for the post-retirement lifespan)

Table 3. Models for Regression

1. model	2. model	3. model
Gender	1. model	2. model
Education	Income	Confidence in future
State of health	Experience of no employment	Like to work or not
Residence		Plans for the post-retirement lifespan

After I have shown every variable's single effect on the dependent variable, I also investigated the variables effect by logistic regression by the three models. You can see the summary of the binary logistic regression in the appendix.

Firstly, I have seen the demographic variables effect on the dependent variable. In this model all variables stayed significant. Education had the strongest effect, but residence also had a very strong effect.

The second model contained the first models variables and variables about the previous labor market positions. So this model added income and the experience of non-working to the first model. Both new variables stayed significant, but the residence became not significant. By the comparison of the Model 1 and Model 2 we can see that residence plays an important role, but it is strongly correlated with the two new variables about the employment status. It is important that the residence can explain the two new variables and not vice versa.

In the third model I included the previous model and additionally some subjective variables as well. In this model, residence was still not significant. And one of the subjective variables, the confidence in the future, has become not significant in the regression analysis. So confidence in the future did not explain actually the dependent variable, but it correlates with other variables in the model, which has an effect also on the dependent variable. However, the variable which examines whether somebody likes to work or not was still significant not only in the two dimensional analysis, but also in the logistic regression model. And the most interesting part of this model is that in the whole model the planning variable was the strongest. The Exp (B) of the planning variable was 2,171, which shows that it has strong effect on the dependent variable. This means that the intention to work had a huge effect on actually working even when we take demographic and previous employment history account.

5. Conclusion

In this paper the realization of retirement plans in Hungary has been examined. I used the Turning Point of the Life Course second and third waves for that. Those people were analyzed who had retired between the two dates.

Most people could imagine working after retirement (I called this as a weak intention). However only small fractions had indented to work (I called this as a strong intention). Weak intention had no effect on the actual work after retirement, but strong intention had a very important effect, since it remains significant even if social-demographic variables are controlled. I also showed that the same variables contribute to work after retirement than before retirement. So the disadvantages which contribute to employment before retirement still stay important in explaining the working status after retirement.

I also found that retired people seemed to be inactive only in terms of gainful employment, but they actually did jobs (like housekeeping), which is important for the economics of a nation (although GDP does not express it). This finding supports Costa's idea that the elderly are far from being unable to work.

It would be important to raise the activity of the elderly. As I have showed in my paper, the majority of the population could imagine to work after retirement, but they cannot realize it. Since they are willing to work and also able to work, there is a huge potential in the elderly. In order to make a sustainable pension system, this potential needs to be utilized.

Appendix

Table 4. Exp (B) of the variables in the three multiple regression models

	Model 1.	Model 2.	Model 3.
Education (tertiary)			
(primary)	0,178	0,225	0,287
(secondary)	0,397	0,437	0,509
Gender	0,743	0,745	0,755
Residence (villages)		Not significant	Not significant
(Capital city)	1,498	Not significant	1,378
(Bigger cities)	1,478	Not significant	1,411
(Smaller cities)	1,155	Not significant	Not significant
State of health	1,125	1,110	1,087
Income	-	1,100	1,005
Experience of nonworking	-	1,221	1,202
Confidence in the future	-	-	None significant
Like to work or not	-	-	0,987
Plans	-	-	2,171

Reference list

Augusztinovics M., 2003: A legnagyobb kihívás a munkaer_piac. El_adás a Népesedési Kormánybizottság és a Magyar Tudományos Akadémia által rendezett, 'Válaszúton. A népesedéspolitika helyzete a XXI. század elején' cím_ konferencián, 2003. szept. 25-26, Budapest. http://bazs111.uw.hu/Augusztinovics.pdf (2012. 02.03.)

Costa D. (1998) "The Evolution of Retirement", Chapter 2 in the Evolution of Retirement (Chicago: University of

Chicago Press), p 6-31

Csontos L., Kornai J. and Tóth I. Gy. (1996) Adótudatosság és fiskális illúziók, TÁRKI http://www.tarki.hu/adatbank-h/kutjel/pdf/00119.pdf (10.10.2013.)

Cseres-Gergely Zs. 2007: Inactivity in Hungary- the persistent effect of the pension system http://mek.niif.hu/06300/06325/06325.pdf (04.10.2012)

Dobossy I., S. Molnár E. and Virágh E. (2003) Öregedés és társadalmi környezet, KSH http://www.demografia.hu/letoltes/kiadvanyok/Muhelytanulm/muhtan3.pdf (04.10.2013)

Esping- Andersen G. (2009) The incomplete revolution, Adapting to women's new roles, Cambridge: Polity Press

Goldschmidt and Clermont (1982) Unpaid Work in the Household, ILO, Women, Work and Development No1.

Gyula L. (2007) Munkaerő-piaci politikák, PTE KTK Kiadó

Henkens, K. and Tazelaar, F. (1997) Explaining Retirement Decision of Civil Servants in the Netherlands: Intention, Behavior; and the Discrepancy between the Two, *Research of Aging,* 19 (2): 139- 173

Kok, J., 2007: Principles and Prospects of the Life Course Paradigm, Annales de Démographie Hisorique, http://www.virtualknowledgestudio.nl/documents/09-kok.pdf (04.10.2012.)

Központi Statisztikai Hivatal (2004) Életünk fordulópontjai (Társadalmi demográfiai panelfelvétel) 2. hullám, http://www.demografia.hu/letoltes/dpa/Kerd_2hull.pdf (03.10.2012.)

Moen, P., 2004: Midcourse: Navigating Retirement and a New Life Stage In Handbook of the Life Course, Science+ Business Media , USA

Monroe B., William G. J., Health and Labor Force Participation The Journal of Human   Resources, Vol. 9, No. 1 (Winter, 1974), pp. 117-128

Spéder, Zs. (2001). Turning points of the life course: Research plan and questionnaire of the Hungarian Social and Demographic Panel Survey (HSDPS). Budapest: HCSO DRI. http://www.demografia.hu/letoltes/dpa/panel_koncepcio_a.pdf. (10.12.2013.)

Szabó Zs. (2008): Nyugdíj melletti munka: van, amikor nem kell nézni a keretet, Adózóna, Interneten (2012.05.02): http://adozona.hu/archive/20080315_nyugdij_munka_2008 (10.12.2013.)

Vikat, A., Spéder, Zs., Beets, G., Billari, F.C., Bühler, C., Désesquelles, A., Fokkema, T., Hoem, J.M., MacDonald, A., Neyer, G., Pailhé, A., Pinelli, A., and Solaz, A. (2007). Generations and Gender Survey (GGS): Towards a better understanding of relationships and processes in the life course. Demographic Research, 17(14), 389- 440. doi:10.4054/DemRes.2007.17.14. (10.12.2013.)

Vukovich, G. (2004) Hungarian Population Characteristics in the EU Context, TÁRKI Social Report Reprint Series No 5. , 117- 131