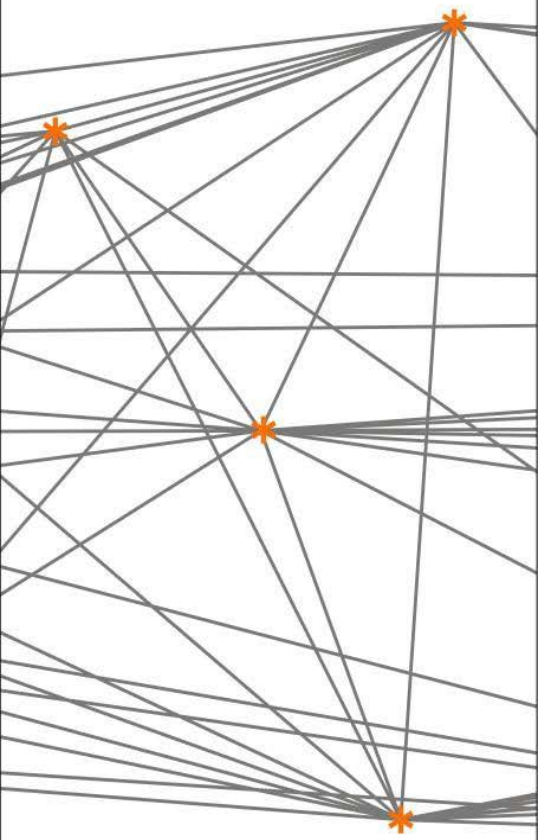
SHARE
wave 4 launch



2007 - 2013

Federal Ministry of Education and Research

National Institute on Aging

Low employment among the 50+ population in Hungary

The role of incentives, health and cognitive capacities

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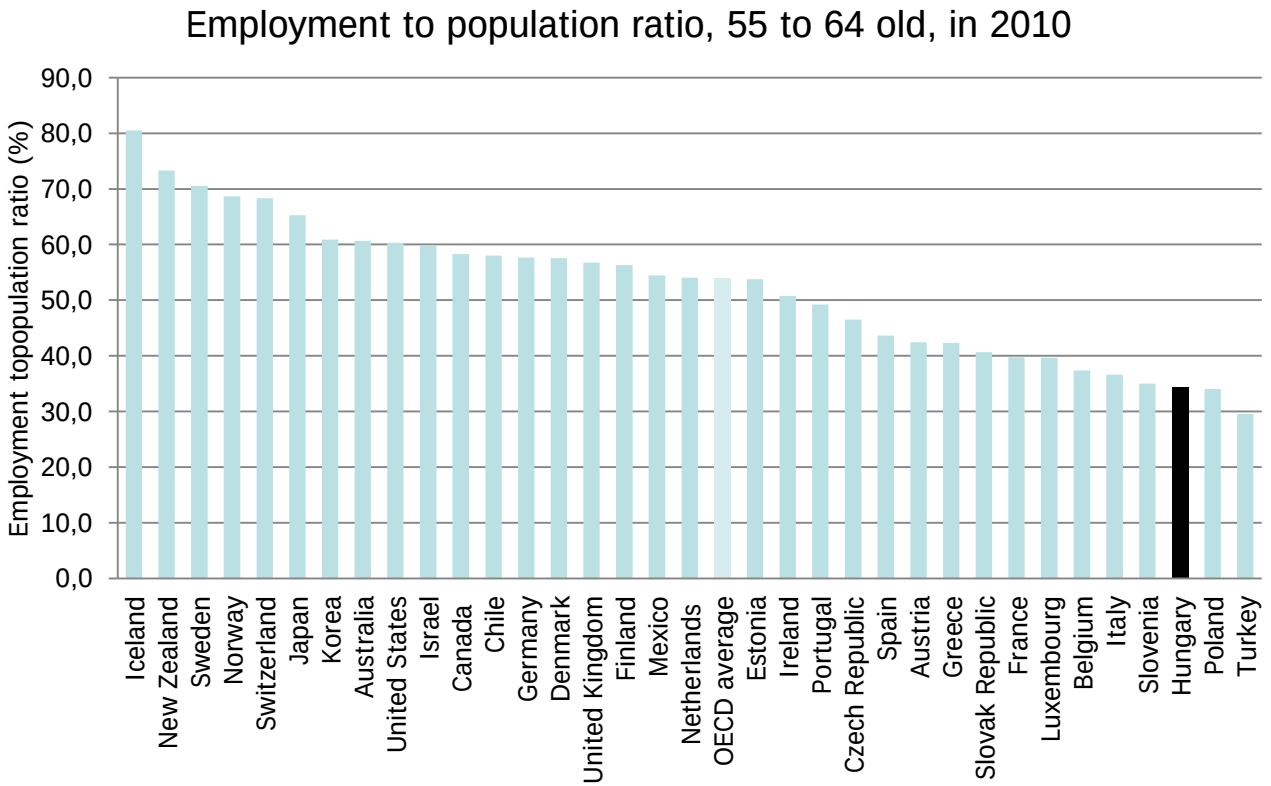
Motivation

- Employment rate in Hungary among the 50+ population is among the lowest in the OECD. Why?



Contribution

- This is an exploratory analysis
  - Searching for potentially important factors
  - Establishing causal relationships is beyond our scope
- Three major factors considered
  1. Financial incentives (earnings vs. pension incomes)
  2. Cognitive skills
  3. Health
- Comparisons across countries
  - If factors are different in Hungary from other countries
  - Decomposition of employment gap between Hungary and other countries

SHARE offers the best data

- When searching for explanations, one needs data that combines measures in many domains
  - Employment, earnings, pension income, skills, health
- SHARE combines these measures
  - It is designed to answer complex questions of this sort
- SHARE allows for direct cross-country comparisons

- We use wave 4 data
  - Hungary joined SHARE in wave 4
  - Age 50 to 75; sample size 2,500 for Hungary, 45,000 total
- Further waves would be helpful for longitudinal analysis
  - Analyzing the transitions from employment

Evidence on financial (dis-)incentives

- Earnings in Hungary are very close to retirement income, creating incentives to retire early
  - Substantially closer than in most other European countries
  - This may be an important factor in explaining low employment in Hungary in comparison with the other European countries

- The figure on next slide shows median earnings of employed respondents together with median income of retired respondents
  - By age and country

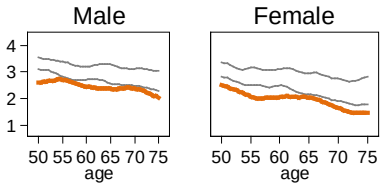
Evidence on financial (dis-)incentives

Evidence on skills and health

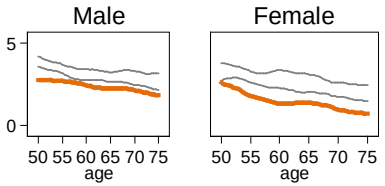
- Earnings are close to retirement income for two reasons
  - Pension incomes are set relatively high
  - Attainable earnings are low in this age group
- Attainable earnings and employment prospects may be low because of low skills
  - Not supported by data: skills of Hungarians in this age group is in middle range of other European countries
- Attainable earnings and employment prospects may be low because of bad health
  - Supported by data: Hungarians are in significantly worse health than the people in most other European countries
  - See graph on next page

Evidence on health

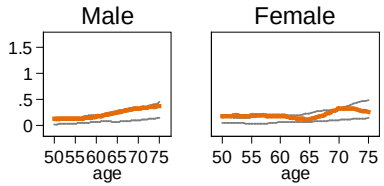
self assessed general health



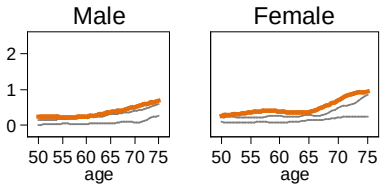
longterm illness



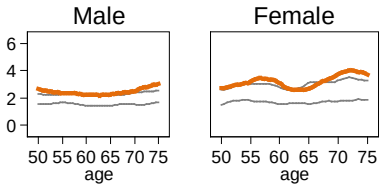
ADL



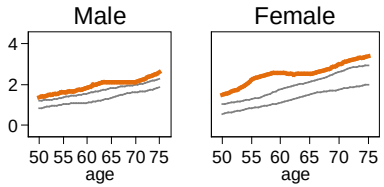
IADL



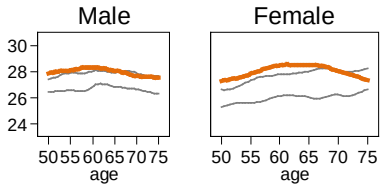
EURO-D



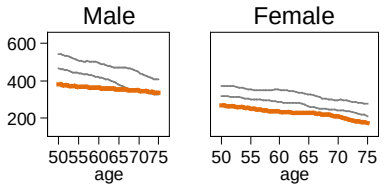
number of chronic diseases



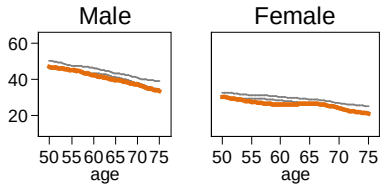
BMI



peak flow



right grip strength



Hungary — other, 1st and 3rd quartile

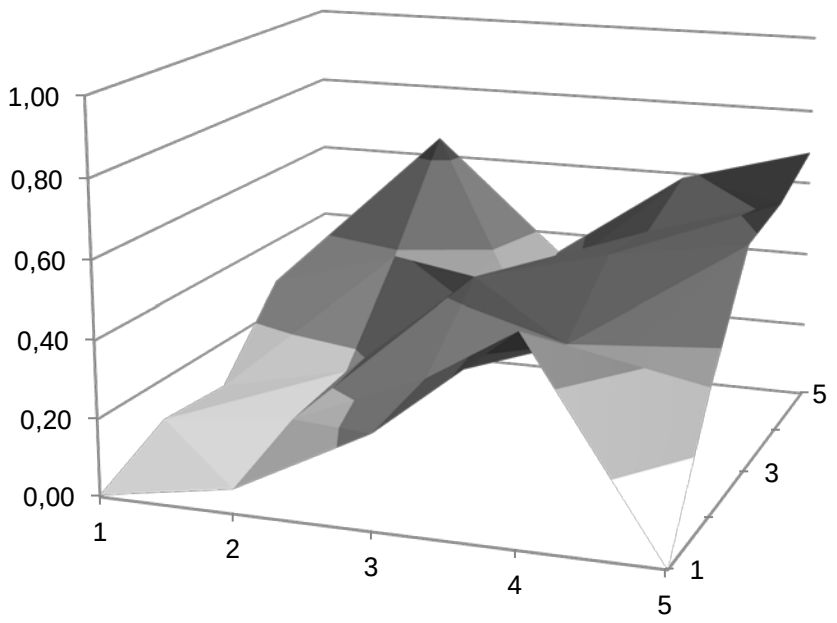
Employment of people with comparable skills and health

- Health differences explain one third of the employment gap between Hungary and Europe
  - If Hungarians were of similar skills and health, their employment rate would be closer to the employment rate of other Europeans by a third of the current gap on average
- Skill differences explain nothing of the employment gap

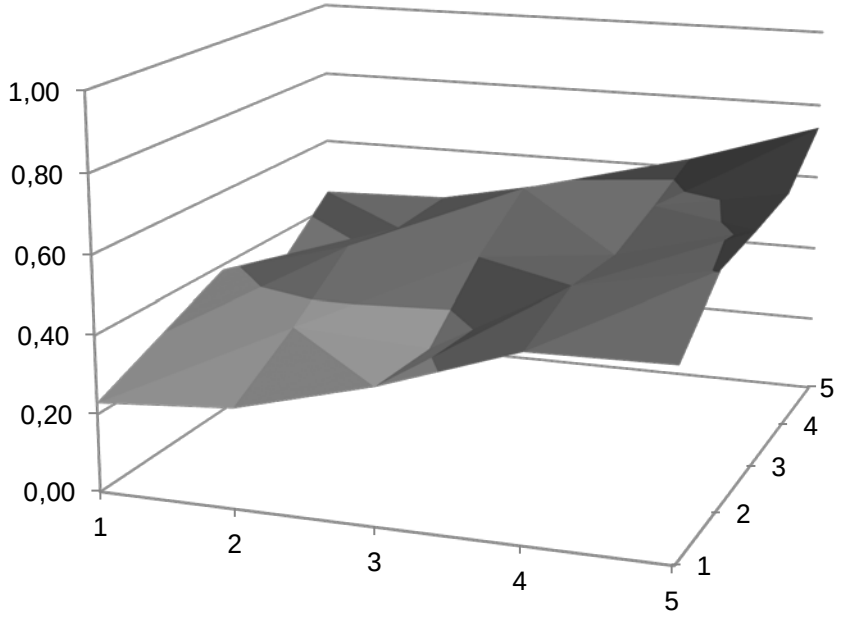
- If we compare people with similar skills and health the employment gap between Hungary and Europe varies
- The gap between Hungary and Europe is largest among people with bad health and low skills
  - See figure next page

Employment by health and cognitive skills

Hungary, men



Other European countries, men



Employment rate by 5x5 categories of synthetic health and cognitive variables, 50–69-year-old men; Hungary and the other European countries in SHARE Wave 4

Notes: x-axis: health; z-axis: cognitive capacity; y-axis: employment rate

Conclusions

- Research and policy should focus on the employment of less healthy and less skilled Hungarians of older age
  - Address the role of health in low employment
  - And the role of incentives for the less healthy and less skilled groups

- The multidisciplinary and multi-country data of SHARE is the best source for analyses of this kind
  - Larger samples, longitudinal data and more measures on health and attainable pension incomes would be especially helpful