



# ESPN Thematic Report on Retirement regimes for workers in arduous or hazardous jobs

## Hungary

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**European Social Policy Network (ESPN)**

**ESPN Thematic Report on  
Retirement regimes for  
workers in arduous or  
hazardous jobs**

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## Summary/Highlights

For decades, workers in arduous or hazardous jobs (WAHJ) received special treatment within the national pay-as-you-go pension system. More specifically, workers defined as WAHJ had the option of early retirement, depending on how long they had worked in their arduous or hazardous job (as well as on their gender). Up to 2007, the costs were shared with all clients of the pension system; after 2007, employers of WAHJ had to pay supplementary contributions for the privileges of their workers. However, since 31 December 2014, no new eligibilities can be accumulated. The WAHJ-related supplementary contribution was also abolished. Those eligibilities that were collected before that date can still be converted into preferential retirement age under the original conditions.

Eligibility for WAHJ status was (and – since eligibilities collected in the past are still valid – are) defined by occupation, rather than by a more objective description of what makes a job arduous or hazardous. A list of over 700 occupations came into effect in 1973 and has remained practically unchanged, despite several attempts by employers. It reflects the technology of the 1960s, the bargaining power of informal lobbies and the labour market shortages of the time; this makes the indirect definition of a task as ‘arduous’ or ‘hazardous’ using named occupations even more distortive. The list contains 14 main groups of occupations.

Reductions in the retirement age are calculated differently for the two sexes. Men are eligible for a reduction of two years after ten years in an arduous or hazardous job, and this is extended by one year for each additional five years. Conditions for women are more favourable: a two-year reduction for eight years spent in an arduous or hazardous job, followed by one year for each additional four years. Irrespective of gender, the two-year reduction is granted to any employee exposed to atmospheric pressure above 100 kilopascal in a job for six years; a one-year extension is granted for each additional three years.

In addition to the general regulations for WAHJ, two professions – miners and artists – fell under special rules.

## 1 Overall description of the policy mix targeted at workers in arduous or hazardous jobs

The special treatment of workers in arduous or hazardous jobs (WAHJ) was to cease to exist in Hungary at the end of 2011 (although the deadline was later extended; see below). This was part of a large-scale reform, which aimed at narrowing the paths to early retirement. Disability procedures were tightened, and disability pensions were reallocated to the health insurance system; early retirement based on length of service (rather than age) was terminated; and special rules for members of the armed forces and WAHJ, as well as for some other small, privileged groups (such as miners, mayors, MPs and artists) were also scrapped. In the end, some of the tough measures were relaxed. Women are still allowed to retire after 40 years of service; and miners and ballet dancers have seen their favourable conditions preserved or restored.

In the case of WAHJ, relaxation meant the extension of the deadline for collecting new eligibilities to 31 December 2014. After that point, no further eligibilities for early retirement can be accumulated, but any eligibilities collected before that date can still be converted into preferential retirement age.

Although the aim of the special treatment is to compensate for exposure to high risk to health, WAHJ are defined by occupation, rather than by a more objective description of what makes a job arduous or hazardous.<sup>1</sup> A list of over 700 occupations came into effect in 1973 and has remained practically unchanged,<sup>2</sup> despite several attempts to do so by employers. It reflects the technology of the 1960s, as well as the bargaining power and labour market shortages of the time; this makes the indirect definition of a task as 'arduous' or 'hazardous' using named occupations even more distortive. The list contains 14 main groups of occupations (the number of occupations is added in brackets), covering work carried out:

- Underground (141),
- On drilling rigs (6),
- In a compressed air environment (2),
- In pipelines (5),
- In thermal operations (388),
- In the electricity industry (5),
- In the textile industry (13),
- In the baking industry (3),
- In cold storage plants (1),
- Under exposure to ionising radiation (50),
- In transportation (65),
- In civil aviation (23),
- In the explosives industry (5), and
- Certain occupations of civilian employees in the Hungarian Armed Forces (32).

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<sup>1</sup> A government decree (6/1992. (VI. 27.) MüM) defines 'unfavourable' working conditions as those that require energy expenditure of over 5,200 kilojoules in a single shift. However, this rule plays no role in end-of-career regulations.

<sup>2</sup> The government decree including the list of WAHJ occupations was annulled in 2006 but its Annex still functioned as a base for establishing eligibilities.

In effect, abolition of the preferential WAHJ rules will probably have the strongest impact in transportation and some special industrial plants, such as the country's one nuclear power station.

In addition to the general regulations for WAHJ, two professions – miners and artists – had special rules governing their retirement.<sup>3</sup> Miners could retire after 25 years or 5,000 shifts of underground work, or after 30 years in surface mining, irrespective of age. Similarly, artists such as acrobats, singers, dancers, as well as brass and woodwind musicians, had a retirement age defined by length of service (25 years), not age.

As with the other exceptions, the 2011 reform closed off these early retirement routes, too, but both were restored in some limited way. Miners who worked underground are still eligible for early retirement (but not those who worked in surface mining); the artist pension was also restored, but was limited to ballet dancers.

The above summary of WAHJ regulations reveals a one-sided policy mix that is limited to offering the option of early retirement, while including no retraining or other active measures to assist with the switch to less-risky jobs. However, taking up a pension does not necessarily mean retirement. Due in particular to the growing gap between actual work intensity and exposure to health risks, on the one hand, and to the increasingly outdated occupation list, on the other, many beneficiaries can preserve their working capacity and they may combine pensions with labour income.

## 2 Pension rules for workers in arduous or hazardous jobs

WAHJ are clients of the national pay-as-you-go pension system, just like any other workers. The same rules apply to them, except for the compensation for working conditions in terms of a lower retirement age. The statutory pension age is currently 63 years (both genders), but this will rise gradually to 65 by 2022.

Reductions in the retirement age are calculated differently for the two genders. Men are eligible for a reduction of two years after ten years spent in an arduous or hazardous job, and this is extended by one year for each additional five years. Conditions for women are more favourable: a two-year reduction for eight years spent in an arduous or hazardous job, and an extra one year for each additional four years. Irrespective of gender, the two-year reduction is granted to any employee exposed to atmospheric pressure of above 100 kilopascal in a job for six years; a one-year extension is granted for each additional three years.

Prior to 2007, no additional contributions were levied for early retirement due to arduous or hazardous working conditions. But from 1 January 2007, employers were mandated to pay an extra 13% of the gross wage for their WAHJ, on top of the standard contribution. The burden was gradually shifted from the government to employers: in 2007, the total amount of this special contribution (*korkedvezmény-biztosítási járulék*) was assumed by the government; in 2008, only 75%; in 2009 – 50%; and in 2010 – 25%. From 2011, the entire WAHJ-related early retirement contribution was borne by employers who employed WAHJ. Since 1 January 2015, no such contributions have been collected any longer, in line with the termination of the special WAHJ rules.

As mentioned above, benefit take-up may be combined with labour income under certain conditions. Retired workers must defer their benefits if they work in the public sector. In the private sector, parallel income streams of pension benefits and labour income are allowed. This option is unconstrained if the pensioner has reached the standard retirement age, but is subject to an annual earnings limit equivalent to 18 months of minimum wage (currently about HUF 2 million or EUR 6,300) if the beneficiary is younger.

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<sup>3</sup> Members of Parliament and mayors could also choose early retirement under special, rather restrictive conditions. Following the guidelines for this report, which also excluded members of the armed forces from the analysis, I do not cover these groups.



### 3 Retirement patterns and retirement income of workers in arduous or hazardous jobs

Expert estimates put the number of people working in conditions that fall under the legal definition of WAHJ at 43,000, or about 1.14% of all employees, in 2011, when the new law came into effect.<sup>4</sup> The number of new benefits established in the years prior to 2011 oscillated between 1,500 and 3,900 annually (including miners and artists).<sup>5</sup> This was 1.0–2.0% of all newly established pensions over this period.

However, the stock of WAHJ pensioners cannot be determined from public sources. Both before and after the reform, WAHJ were listed with other groups of early retirees. Up to 2011, statistical practice put WAHJ pensioners in the same category as below-retirement-age retirees from the armed forces. Since then, WAHJ have been classified in the category of benefits under retirement age (*korhatár alattiak ellátása*), which still includes retirees from other obsolescent early retirement programmes that ended in 2011 (but not retirees from the armed forces). The obsolescence is most obvious in the rapid decline in the number of beneficiaries born before 1955: from 165,000 in 2012 to 27,000 in 2016. Although there are WAHJ who belong in this age bracket, the majority are people whose regular, non-WAHJ type of old-age benefit was established in an early retirement programme (*előrehozott nyugdíj*) based on service length that will be fully phased out by 2019. Until then, only a special data request can give the total number of WAHJ pensioners.

As for recipients of miners' pensions and the annuity of ballet dancers, currently there are about 500 retirees belonging to these groups (out of 2 million old-age pensioners). Their monthly benefits are about HUF 175,000 (EUR 550) and 157,000 (EUR 500), respectively. Before the reform, in 2011 there were about 3,000 former miners and 1,000 artists who had retired under the special rules that applied to them.

The aim of the 2011 reform was to make people retire later. The package to narrow the channels of exit from the labour market was introduced when there was a tight labour market. By the time of implementation, economic conditions had improved. Trends in Table 1 reveal rapidly growing labour force participation in the older working-age brackets. The rate grew from 76% in 2010 to 85% by 2015 among 50–54-year-olds, and from 56% to 70% among 55–59-year-olds. Meanwhile it doubled – from 13% to 27% – among 60–64-year-olds. Early retirement below the age of 55 has practically ceased to exist; it has decreased significantly under the age of 60; and cohorts that have recently passed 60 increasingly stay in the labour market, though not necessarily in employment. Whereas the stabilisation of the economy has led to decreasing unemployment rates among cohorts aged 50–54 and 55–59, among 60–64-year-olds the unemployment rate rose from 4.3% in 2010 to 7.4% in 2015 – higher than among younger cohorts.

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<sup>4</sup> Penzcentrum (2011)

[http://www.penzcentrum.hu/megtakaritas/korkedvezmenyes\\_nyugdij\\_szocialis\\_ellatas\\_lephet\\_a\\_helyebe.1029915.html](http://www.penzcentrum.hu/megtakaritas/korkedvezmenyes_nyugdij_szocialis_ellatas_lephet_a_helyebe.1029915.html)

<sup>5</sup> Central Administration of National Pension Insurance –

<https://www.onyf.hu/m/pdf/korai%20nyugdjak%20szolgidvel.pdf>

**Table 1: Older cohorts in the labour market 2010–2015**

	2010	2011	2012	2013	2014	2015
<b>Labour force participation rate (%)</b>						
<b>50 to 54</b>	76.2	77.3	80.6	80.6	82.2	85.3
<b>55 to 59</b>	55.9	59.0	60.4	63.0	67.3	70.0
<b>60 to 64</b>	13.2	14.7	14.8	16.6	21.0	27.4
<b>65 to 69</b>	4.9	5.3	5.4	5.0	4.4	4.8
<b>70 to 74</b>	1.5	1.9	1.7	1.6	1.8	2.0
<b>Unemployment rate (%)</b>						
<b>50 to 54</b>	9.1	9.6	9.5	8.1	5.8	5.8
<b>55 to 59</b>	8.6	10.0	8.8	8.4	6.0	5.1
<b>60 to 64</b>	4.3	5.4	6.3	6.6	7.6	7.4
<b>65+</b>	0.6	0.7	2.9	2.4	2.1	2.5

Source: author's calculation from CSO labour data ([http://www.ksh.hu/stadat\\_annual\\_2\\_1](http://www.ksh.hu/stadat_annual_2_1)), tables 2.1.15, 2.1.19, 2.1.25.

Publicly available data give no clear hints as to what has happened with WAHJ who are significantly younger than the statutory pension age – whether they work longer (like their fellow cohort members) or still leave the labour market early, but through alternative channels. Most likely they are not among the older unemployed. Until 2013, the statutory pension age was 62 years; in 2014 and 2015 it was 62.5 years. The minimum eligibility to WAHJ retirement provided a two-year reduction. In 2014, the oldest eligible people were 60 years old (and in 2015 – 60.5).

