The pension system in Hungary is under pressure from demographic changes

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Over the next 50 years, the old-age dependency ratio will double, and public spending on pensions and health-care is set to increase. People will also spend more time in retirement. The 2019 Economic Survey of Hungary is assessing the demands on public finances arising from this population-ageing challenge.

Life expectancy is rising, including for pensioners

In years

A. At birth

B. At age 65


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At present, public spending on public pensions is among the lowest in the OECD, but it is expected to increase by some 3
percentage points of GDP by 2070. This estimate may be on the low side. OECD work suggests that ageing-related costs could rise by as much as 4 percentage points more of GDP, for instance, if expected economic growth fails to materialise, or if people live longer than projected.

An additional concern is a high risk of old-age poverty. Already today, some 20% of pensioners receive pensions below the poverty line. Looking ahead, the earnings-related pension system will secure good pensions for individuals with full careers. Improved employment prospects will therefore address a part of the poverty issues. For others, with interruptions in their careers, for instance because of unemployment, there is a risk of low pensions, or even old-age poverty. This because the impact of career breaks on pension entitlements is larger than elsewhere in the OECD.
OECD work suggests that the way forward to address these problems includes a longer working life, improved predictability of pension outcomes, and the introduction of a basic safety-net pension for all. Reforms in this area also have to take into account the need for securing more actuarial neutrality and fairness in the Hungarian pension system.

Hungary spends relatively little on its public health-care system and outcomes are below the OECD average. Mortality rates are high and Hungarians spend less time in good health in old age.
The system is not efficient, but problems are also related to life-style factors, such as smoking and high alcohol consumption. Additional concerns include uneven access to health care, particularly in rural areas. The 2019 Economic Survey of Hungary points out that addressing these problems is likely to require a significant increase in public spending. That said, there is also scope to improve the use of current resources to achieve better outcomes. This includes a larger role for the family doctor (GPs) as a gate-keeper to provide guidance for patients in the system. In addition, larger, more specialised and more independents hospitals can lead to a better use of resources and better quality treatments.

Selected References:

