NTA age-profiles in Hungary

Financing childhood and old-age

Presentation at the 6th NTA workshop

Berkeley, January 8-9, 2009

Robert I. Gal (gal@tarki.hu)

TÁRKI
TARSADALOMKUTATASI INTÉZET RT.

Resources in the inactive periods of the life-cycle

The life-cycle deficit equation:

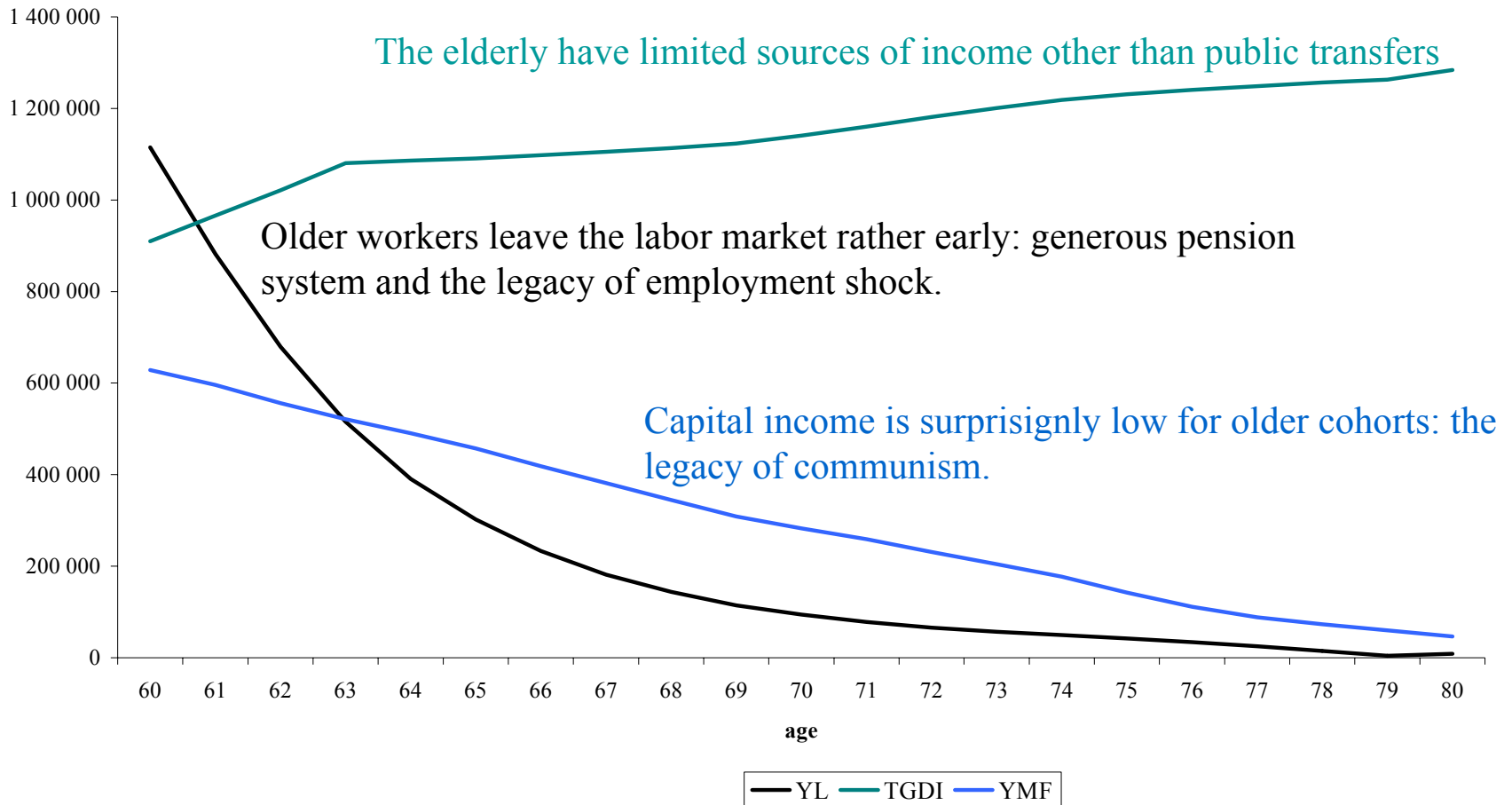$$C - YL = (YA - S) + (TGI - TGO) + (TFI - TFO)$$

The equation reordered so as to focus on resources that finance consumption in the inactive phases of life:

$$C = YA + TGI + TFI + (YL - S - TGO - TFO)$$

Sources of income for the elderly (HU, 2005)

Hungarian Forint (1$=200Ft)

The elderly have limited sources of income other than public transfers

Older workers leave the labor market rather early: generous pension system and the legacy of employment shock.

Capital income is surprisignly low for older cohorts: the legacy of communism.

Legend: YL — TGDI — YMF

X-axis: age (60 to 80)

Y-axis: 0 to 1 400 000

The communist legacy:

1. Minimal private savings: lack of financial vehicles of age reallocations

2. Extensive public system of cash transfers (public pensions, family benefits) and in-kind services („free" health care, extensive network of child care facilities, universal public education)

Further decomposition of resources in old age
## (normalized by consumption HU, 2005)

Hungarian Forints
1$=200Ft
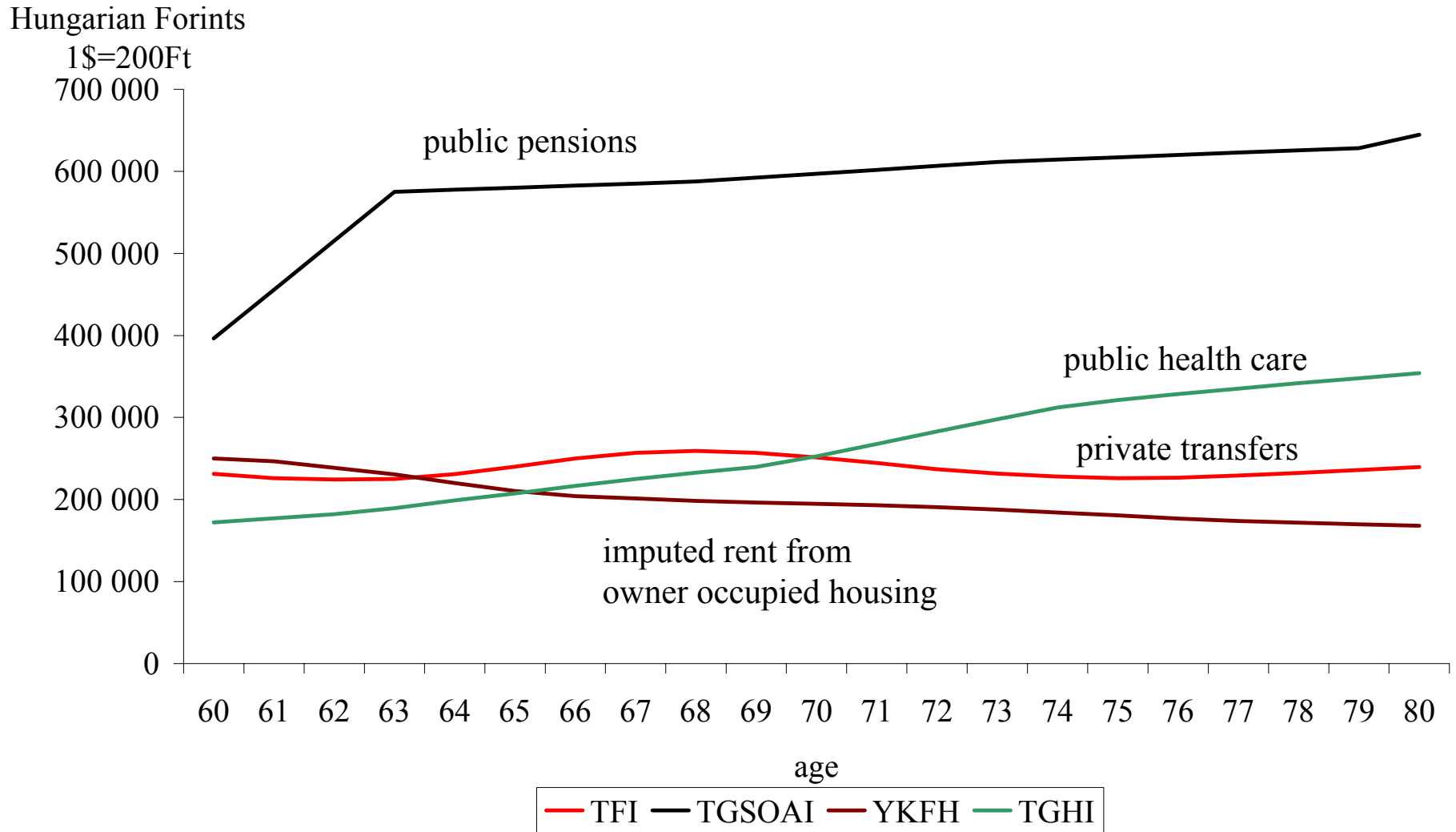
Private transfers or other resources derived from property (owner occupied house) cannot compete with the importance of public transfers.

Private transfers are limited, since inter-household transfers and NPISH transfers are negligible and the elderly tend to live separately from their offspring.
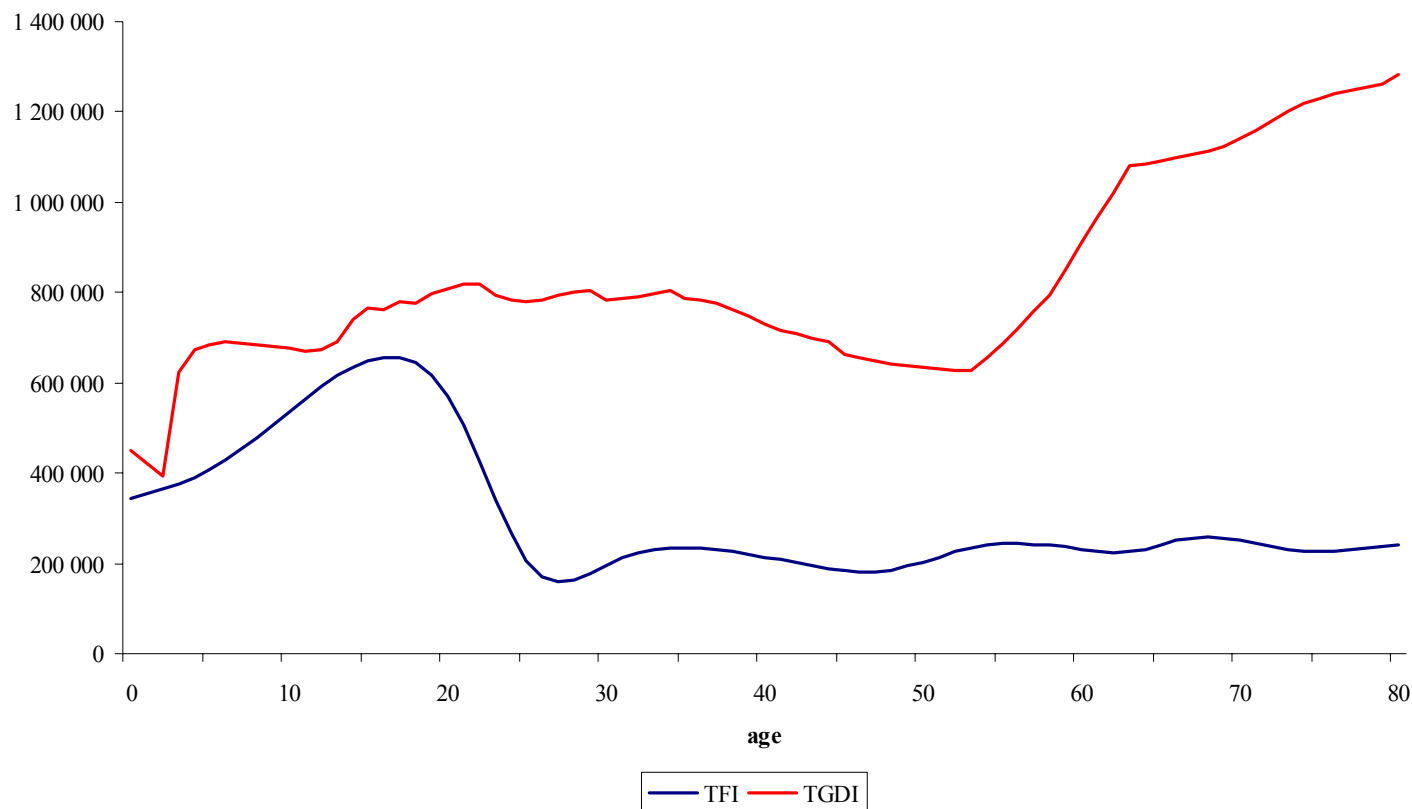
Long-term care is an issue.

Public and private transfers in health care and education
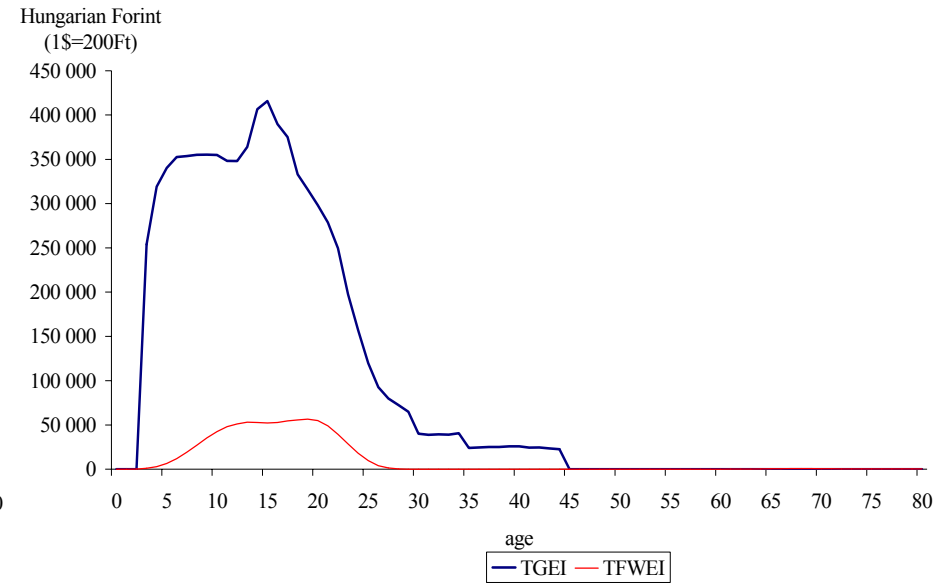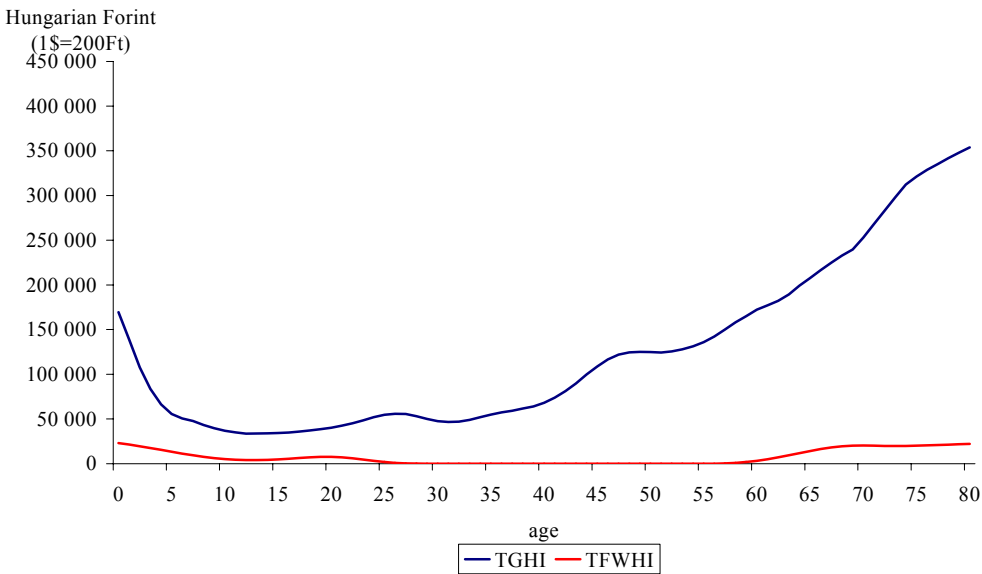
In-kind public transfers replaced private (intrahousehold) transfers.

Private vs. public transfers in life-cycle financing

1. Hungary is a welfare-society: public transfers play exceptional role even in active age.
2. Kids are raised in households; the elderly live separately and cared for by public transfers, cash as well as in-kind.