

Fenntartható jólét az öregedő társadalmakban

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Research group on sustainable well-being in ageing societies

1. Introduction

In the last thirty years economic, social and political consequences of population aging have risen to the top of the agenda of policy-makers and social scientists in the EU and developed countries elsewhere in the world. Low fertility, increasing life expectancy, and relatively early exit from the labour force are changing the age structure of these societies leading to an increasing proportion of the elderly. As a result welfare state programs, which redistribute income between generations, such as pay-as-you-go public pension systems have come increasingly under strain, especially in advanced democracies in Western Europe and the OECD, but also in the new EU member states of Central and Eastern Europe.

The importance of the issue is clearly appreciated by the European Commission both in public policy and in research funding. Policy interest is demonstrated by the fact for example, that year 2012 has been named „European Year for Active Ageing and Solidarity between Generations”, which aimed to promote active ageing in employment and participation of the elderly in society. Also in terms of research funding the EU’s new programme for research and innovation Horizon 2020 lists the issue of demographic change and well-being among the key areas (challenges) where funding will be focussed.

This proposal concerns the formation of an interdisciplinary research group, which focuses on various aspects of public efforts to mitigate adverse social consequences of population ageing and details research activities planned by the research group. In section 2 we summarise the state-of-the-art on social consequences of population ageing. Section 3 describes the five research areas and the specific research questions the research group plans to investigate. In section 4 we describe planned activities of the research group.

2.State-of-the-art: economic, social and political consequences of population ageing

Welfare state consequences

Increasing life expectancy, declining fertility and baby boom generations have already lead to significant changes in the age structure of the population in EU countries and the trend is expected to continue. These demographic changes are associated with important challenges for societies in general and their public finances in particular. The shrinking of the working age population raises the question of financial sustainability and social adequacy of pension systems, especially those with large pay-as-you-go components. Further, as medical costs are higher for older individuals, population ageing drives up aggregate health expenditures. Long-term care of frail elderly will also require more resources in ageing societies. In countries with a developed formal care system for dependent older individuals, associated public expenditures can be expected to rise, while other countries might find inevitable to spend on the development of such formal care institutions.

Recognizing the particular importance of population ageing, the European Union’s Economic Policy Committee created the Ageing Working Group (AWG) in December 1999 in order to study economic consequences of population ageing in EU member states. According to the Ageing Report published by the Ageing Working Group (EC 2012a), the age-related public expenditures in the EU27 should increase by 4 percentage point of GDP between 2010 and 2060. The biggest contributors to the increase in age-related public spending are related to pension, healthcare and long-term care. EU27-average expenditures in healthcare and long-

term care increase as much as pension expenditures, in spite of the lower proportional 2010 level.

Consequences on social cohesion

A cohesive society is generally defined as one with low inequality, the absence of discrimination, dense networks of relationships, high level of trust and shared values among the population (see e.g. Forrest and Kearns, 2001; Friedkin, 2004). According to researchers demographic ageing through its dramatic effects on public policies will have implications on social cohesion. For example, recent analyses confirm that public pensions have an important role in moderating income inequality in EU Member States (Paulus, Figari and Sutherland, 2009; Fuest, Peichl and Niehues, 2010) and have contributed to reducing poverty among the elderly in the past decades (Engelhardt and Gruber, 2004). If current levels of income replacement inherent in pension schemes prove to be unsustainable, income inequalities between the working age population and the elderly are expected to increase and poverty rates of the elderly could also rise. If on the other hand current levels of pension provision are maintained, with a shrinking share of active aged in the society, the financing of pension will put a heavy burden on the active workers and will threaten social cohesion by generating conflict between the generations.

The possibility of generational conflict has been raised already in the 1980's by Preston (1984), who predicted growing intergenerational conflict over the distribution of public resources (Silverstein, 2006; Higgs and Gilleard, 2010). The recent economic crisis, which may have affected disproportionately the young, has reopened the question of generational conflict (e.g. Willets, 2010). Other authors reject the hypothesis of a „generational conflict” and stress that family generations are linked through strong bonds of reciprocal help and gifts (Attias-Donfut and Arber, 2000). In societies without pension systems and capital market private transfers (of money or services) were the predominant form of consumption reallocation over the life-cycle. But even in developed countries private transfers constitute an important part of income flows between different age groups (Mason and Lee 2011). In addition to family solidarity also political institutions (parties, trade unions) play an important mediating role between the generations (Kohli, 2010). Despite these, population ageing, economic insecurity and welfare state retrenchment are expected to lead to an increasing importance of generational cleavages in the society (Kohli, 2010).

Political consequences

The likely political consequence of population ageing is that the distributive conflicts over state resources will more often emerge along generational cleavages, and less often along traditional societal cleavages as class position for example. The political balance between different age groups has definitely shifted in favour of the elderly, and this tendency is projected to continue in the following decades. The demographic old-age dependency ratio (people aged 65 or above relative to those aged 15-64) is projected to increase from 26% to 52.5% in the European Union till 2060 (EC 2012a). As the composition of the electorate shifts in favour of the elderly, many observers consider the likelihood that, that public decisions in democratic societies are increasingly likely to reflect seniority bias, or elderly power (Pampel and Williamson 1989; Esping-Andersen and Sarasa 2002; Tepe and Vanhuysse 2009, 2010).

As populations age, median voters get older and programs involving pro-elderly public spending are more likely to obtain majority. This can be reinforced by the fact that voter turnout is observed to be higher among the elderly than among younger generations and also that close-to-retirement age groups might also be more likely to vote with the elderly (Tepe

and Vanhuyse 2009). If this elderly voting bloc obtains an electoral majority, pension politics and more generally welfare states pro-elderly spending biases may be locked-in, as the elderly dominated majority could veto propositions regarding systemic reforms or benefit reductions.

Consequences on generational equity

If welfare state reforms are hindered by the “graying” majority in ageing societies, countries might continue to accumulate public debt, which shifts the burden of financing welfare-state provisions on future generations. This is problematic in an ethical sense since most philosophical views on intergenerational justice regard this as unjust (see eg, Gosseries 2008, Gál et al. 2011). There are several ways to measure generational imbalances in public spending. The method of generational accounting for example breaks down net tax burdens by generation, and projects this distribution of burden across future years. Using some additional assumptions and demographic forecasts on the evolution of the population, the method determines the extent to which the tax burden on future generations will have to be increased so that the so-called intertemporal budget constraint is met. Results of generational accounting show important imbalances in case of Hungary (Gál et al. 2005) and also in other countries (Auerbach et al. 1999).

3. Research areas

Countries have adopted an array of measures to cope with consequences of population ageing so far. One obvious way is reforming public redistribution schemes, the pension system, health care system or the long-term care system. By the turn of the millennium, almost all OECD countries have gone through at least one major pension reform (Myles and Pierson, 2001) and this process continues today (Feldstein and Siebert, 2002; Gruber and Wise, 2007; OECD, 2012). Reforms include parametric changes of pension systems, such as increasing retirement age or decreasing the replacement rate and also more fundamental changes as introduction of mandatory funded pillar or notionally defined contribution pension schemes.

Besides reforming welfare state programs that involve intergenerational redistribution, governments can adopt several other strategies to moderate the effects of demographic ageing. Another obvious approach is to promote „active ageing“ in order to increase labour participation of older, close-to-retirement age groups. Adverse effects of ageing on welfare state sustainability can also be mitigated by finding and supporting substitutes to welfare state provision. Public policies can for example facilitate involvement of family members in elderly care. Instead of addressing consequences of population ageing, public policies might also try to mitigate population ageing itself by supporting large-scale immigration. More fundamentally, instead of specific reversible policy measures, countries might adopt general legal principles, which could lay the ground for barriers to policies that buy current votes at the cost of future generations.

The research group consists of an interdisciplinary team of researchers who aim at studying various aspects of public efforts to mitigate negative consequences of population ageing from viewpoints of sociology, political science, legal studies and economics. The starting point for our research is that the supposed impacts of policy measures proposed so far, frequently rest on strong assumptions. That is, policy proposals often ignore important changes, which come along with the proposed reforms. Current measures to increase future shares of funded schemes (as opposed to the pay-as-you-go system), for example, cannot eliminate the political pressure in the future to re-extend the public pillar of the pension system. Large-scale

immigration can radically reshape the political map of a given country – with some unexpected results regarding welfare preferences and intergenerational conflicts. Moreover, efforts to improve the dependency ratio by the forced postponement of retirement may seem to miss the point in times of record high-, and ever-increasing youth unemployment. In the following we present detailed description of the five research areas that we wish to study.

3.1. Welfare Reforms in Low-Trust European Societies. How Transferable is the Nordic Model of Welfare State Adaptation?

Participants: Attila Bartha (Centre for Social Sciences, Hungarian Academy of Sciences), András Tóth (Centre for Social Sciences, Hungarian Academy of Sciences).

Welfare reform constraints are almost universal challenges in Europe's ageing societies. 'The age structure of the EU population is projected to change dramatically' – underlines the EU 2012 Ageing Report (EC 2012a). Hence it is obvious that concerning the welfare systems, the 'no policy change' attitude of the political actors is unsustainable; nevertheless, we have experienced conspicuously *diverging political reactions* in different EU member countries (Pierson 2002, Krumlin 2011).

In terms of macrofinancial sustainability, two different welfare regimes or social models (Esping-Andersen 1990, Sapir 2006) offer viable options: the liberal or Anglo-Saxon and the social-democratic or Nordic models. However, in terms of social equity, i.e. keeping the risk of poverty relatively low, the Anglo-Saxon countries perform rather weakly in EU comparison, meanwhile 'Nordics enjoy an envious position, with a social model that delivers both efficiency and equity' (Sapir 2006). The liberal agenda logically implies the retrenchment of the welfare state (Pierson 1994), while the Nordic approach intends to combine the long-term fiscal balancing with a high-level state activism on the labour market (Andersen et al. 2007).

In a European-wide context, especially since the ambitious 'open method of coordination' (OMC) policy learning approach promoted by the Lisbon Agenda (launched at the March 2000 EU summit), the flow of best practices became self-evident. Consequently, it is not surprising that Schmitt and Starke (2011) found a strong evidence of European welfare policy convergence across all categories of social expenditure, regarding this convergence as a *conditional* process. In this perspective, conditionality refers to a large amount of economic, political and social variables: the openness of the economy (measured by the ratio of external trade), the role of foreign direct investment (the FDI/GDP ratio), as well as constitutional structures and welfare regime types (Schmitt-Starke 2011:127). Indeed, these conditions of welfare policy convergence seem to dominate the policy content; to put it differently, the adoption of viable welfare reform policies are fundamentally contextual. Moreover, Einhorn and Logue (2010) underline that certain Nordic-like features of political organizations, the tradition of democratic corporatism and a strong civil society underpinned by a set of values around empiricism, social trust, solidarity and reciprocal responsibility, are crucial in successfully implementing the 'best practice' Nordic welfare policy reforms. In a different socio-political environment where the attitudes of political actors are rather shaped by distrust and lack of solidarity, the outcome of a seemingly similar policy content will probably be fundamentally different as well.

The assumption of our research agenda is that in most of the cases the failures of welfare policy reforms do not derive from the lack of policy analytical capacities (Howlett 2009), but rather the political procedural embeddedness built upon particular attitudes and values. In

other words, the self-reinforcing mechanism between political trust, legitimacy and procedural fairness (De Cremer-Tyler 2007) may generate either virtuous or vicious circles (Natali 2004). In comparative empirical terms, the generally lower social and political trust in Southern and Central-Eastern Europe (SCEE) (Newton-Zmerli 2011:181) obviously limits the transferability of Nordic type welfare policy reforms in the SCEE countries.

In our research we intend to explore the major supporting and blocking mechanisms of welfare reform procedures in an EU comparison. Though we concentrate on the political variables, we also reflect on the major socio-economic factors. Concerning geographical areas, our focus is on the politically, economically and socially more vulnerable, lower-trust SCEE countries, nevertheless, we refer to the high-trust Nordic countries as benchmark cases.

Research questions

We will study the following research questions. How are the national political configurations shaping the adopted welfare reform policies in the various EU member states? What kind of exogenous shocks have politically significant impacts on the major stakeholders of the welfare policy reforms? What are the specific features of the lower-trust societies of Southern and Central-Eastern Europe in this respect? In the procedures of welfare reforms, which conditional changes may generate virtuous circles from the previous vicious circles and vice versa?

Our hypothesis is that in lower-trust SCEE countries mere crisis-constrained welfare reforms will probably be politically unsustainable on longer run. Strong political polarization and fiscal illusion type attitudes of citizens towards welfare entitlements are the most important explanatory factors of the outcome failure of the ‘best practice’ welfare reform policies. Exogenous shocks (e.g. EU- or EMU-accession, global financial crisis and the subsequent Euro area debt crisis) will probably divert the welfare policy procedures from their usual stream, and in lower-trust SCEE countries the risk of non-democratic type deviation is high; either on the short run by delegating the decision-making power to non-elected policy experts or on longer run by undermining democratic values by welfare populism.

Our research questions as well as the testing of our hypotheses require the combination of various data sources; indeed, in this case database building is a more complicated first research step than usually. Among others, we plan to use Eurostat data about the welfare expenditures’ structural indicators, World Bank World Governance Indicators (WB WGI) and Comparative Study of Electoral Systems (CSES) about governance and political performance, Luxembourg Income Studies (LIS) data to measure the welfare policy impacts and European Social Survey (ESS) data for the indicators of values and attitudes. In addition, we plan a comparative qualitative case study to shed some light on the mechanisms of virtuous and vicious circles in high-trust vs. low-trust socio-political environment.

3.2. Increasing Labour Market Participation and Sustainable Competitiveness: Key Roles of Skill Development and Organizational Innovation

Participants: Csaba Makó, Miklós Illéssy, Péter Csizmadia (Centre for Social Sciences, Hungarian Academy of Sciences)

The last decades of the 20th Century can be characterised by globalisation, a shift in the structure of economic activities, rapid technological progress and robust demographic change. All these trends represent major challenges for all participants of the labour market, for the employees as well as for the firms and for all stakeholders involved in the shaping of national

and EU-level employment policies. In our proposal we intend to focus on two main aspects of the outcomes of these changes. How do the drivers of the changes outlined transform the skill needs of companies and how will they reshape their working and employment patterns in order to be able to meet these challenges. The problem of ageing population represents challenges for the workplaces, too. New and innovative organisational arrangements have to be implemented in a wide range of companies in order to facilitate the employment of the ageing workforce. It is also of crucial importance that the Hungarian firms deploy such organisational practices that promote the renewal of their employees' knowledge. This is especially important for the elderly workforce whose skills and knowledge become quickly outdated in the absence of any forms of formal or informal knowledge development. Organisational innovations offer solution for both problems by increasing the quality of jobs and by developing routines for organisational learning.

In the past few decades, the growth of the service sector has been unprecedented, considerably outpacing manufacturing and agriculture both in its contribution to the GDP and especially in the employment structure (Iwasaki et al. 2012). Some researchers refer to this change as a service sector revolution (Chesbrough and Shphrer, 2006). These employment trends have decisive impacts on the skill demands of the future jobs. According to the forecast of the European Centre for the Development of Vocational Training (CEDEFOP, 2010), despite the global economic crisis, 7 million new jobs are expected to be generated by 2020 in the EU. Most of these new jobs will be created in knowledge and skill intensive occupations. At the same time, the researchers forecast significant growth in elementary occupations as well. „These changes signal a risk of job polarisation, with increased demand at the upper and lower ends of occupations, and decreases or stagnation in the middle” (CEDEFOP 2010). In addition, the demand for qualifications will grow in all job segments. The emergence of new technologies in jobs with traditionally low skill demands will increase the demand for highly- and medium-qualified employees even in lower-level occupations.

The changing skill needs of the enterprises raise problems not only for new entrants of the labour market but it represents an even more important problem for the ageing workforce, that is for those who currently hold a job but their employment is in danger in medium and long term. Without a periodical renewal of the skill pools of this segment of working population it is very probable that they will lose their job. (E.g. in Hungarian labour market– according to the estimation of the leading training firms, - at least 400 000 workers need further training in order to keep job.)

It is one of the primary aims of any employment policy in the era of the learning economy to keep this manpower employed because at this age it is extremely difficult to manage any labour market transition (e.g. from the status of unemployed to the employed one). We use the term ‘learning economy’ as opposed to the term ‘knowledge economy’ following the concept of Lundvall: ‘The learning economy concept signals that the most important change is not the more intensive use of knowledge in the economy but rather that knowledge becomes obsolete more rapidly than before; therefore it is imperative that firms engage in organizational learning and that workers constantly attain new competencies’ (Nielsen and Lundvall 2003). What is at stake, according to Lundval, is thus ‘the capacity of people to renew their knowledge in order that they will be able to cope with new technologies and ‘in a sense, to transform them from being new to being old’ (Lundvall, 2004).

Learning capabilities of people is also a crucial factor of their labour market flexibility. The development of such capabilities requires new learning methods and contents which differ

substantially from the traditional school-based way of learning and teaching. In addition, the concept of learning economy refers not only to the capabilities of people to renew their knowledge, but also for organisations. In order to be able to learn and react to the needs of the fast changing environments firms have to adopt such arrangements in their work organisations that facilitate both individual and organisational (collective) learning processes. The introduction of various forms of organisational innovation (often referred also as workplace or social innovation) may improve the competitiveness of the firm not only via the accelerated knowledge development and sharing.

According to the European Competitiveness Report, the productivity growth advantage of the USA over Europe can be partly attributed to the fact that US companies are at the forefront in terms of the introduction of new organisational and management methods. New business models, innovative supply methods, etc. play a key role in the introduction of technological innovations to new markets and in supporting entrepreneurship. Innovations referred to as non-technological (social-institutional) represent the “missing link” that hinders European and particularly Hungarian companies in their exploitation of opportunities offered by new technologies and European integration.

Introduction of new and innovative workplace arrangements will also be important as possible solution for the problems raised by the ageing workforce. Current demographic tendencies, together with the traditionally low level of labour market participation of the Hungarian labour force could lead to shortages in the skilled labour supply. The Finnish model of ‘sustainable productivity growth’ is a good example how public policies may find appropriate answers at the company level for global challenges: ‘the (*organisational*) innovation-driven productivity growth should be sustainable in the sense that it provides simultaneous support for the other key factor in economic growth – workforce numbers – by encouraging people to stay on at work for longer. The public policy challenge of the future lies in finding a way to integrate favourable productivity growth based on innovations with improvements in the quality of work on a broad front’ (Alasoini 2007).

Research questions:

It represents an ambitious research agenda to map (survey) whether expected changes the Hungarian labour market and skill pools are converging or diverging with/from the main European trends. To what extent are the Hungarian firms ready to meet these challenges and are the adequate policy making institutions able to adjust the relevant national labour market policies and training schemes according to the needs of a rapidly changing environment. It is also a strategic question how Hungarian companies transform their work organisations to meet new global challenges. The first international comparisons show that Hungary outperforms other post-socialist countries as concerning the diffusion of learning organisations but this remain the privilege of some large multinational companies, while Hungarian SMEs are struggling with the modernisation of their work practices (Valeyre et al. 2009). Public policies have to encourage and help them by promoting workplace innovation but to overcome these shortcomings it is necessary to carry out a deeper analysis of the existing work practices of the Hungarian firms.

These research directions have a novelty as far as they intend to investigate the factors shaping the demand side of the labour market. The labour process is most frequently treated as a black box in the research tradition of both the Hungarian and the international social sciences. This involves the combined application of three main types of research tools: a literature review and the secondary analysis of such European databases like the Community

Innovation Survey (CIS), the European Working Conditions Survey (EWCS) and Continuing Vocational Training Survey (CVTS). We intend to complement these research methods by company case studies, which may give an insight to the everyday practice of Hungarian firms and their labour processes often neglected in both the Hungarian and the international research tradition.

3.3. Family solidarity as substitute for public transfers

Participant: Márton Medgyesi (Tárki, Social Research Institute)

In times of population aging and its pressure on social security programmes it is important to understand the interaction between family support and public redistribution. If ageing states adopt pension reforms which aim at a reduction of pay-as-you go financed pensions, family transfers are also likely to change: the young might be more inclined to help retired parents in need or the elderly people might be less able to support younger generations. Such effects could be expected if public and private transfers were substitutes as the crowding out hypothesis predicts (Barro, 1974). This would imply that in case of lowering public pensions, intrafamily transfers would become more intense and partly could compensate the elderly for the declining incomes.

The literature on the interaction between public transfers and family solidarity however warns that the opposite might also happen. According to the hypothesis of „crowding in” public transfers and family support are better described as being complementary (Kühnemund and Rein, 1999). It is precisely welfare state transfers that enable individuals to engage in exchanges of support, and with declining level of public transfers private support is supposed to decline as well. Interactions between family transfers and public policy programs mean that the overall effect of changes in public policy cannot be assessed without taking into account how family transfers react to those changes.

Some studies have directly estimated the effect of public transfer on transfers within the family. Studies in developed countries like Attias-Donfut and Wolff (2000) fail to find a strong substitution effect between private and public transfers. Schenk, Dykstra and Maas (2010) find no significant difference on the occurrence of private transfers between countries belonging to different welfare regimes which they interpret as evidence against the crowding out hypothesis. As indicated by Cox and Jimenez (1992), other studies from countries with less developed welfare states and capital markets however show stronger crowding out effects.

Research questions:

The object of the task is to study the likely effects of public policy changes on family solidarity in Hungary in comparative perspective. The study will use data from the Survey of Health, Ageing and Retirement in Europe (SHARE), which is a comparative survey on the well-being of citizens aged 55 or over and which has been carried out in Hungary in 2010. The study will describe patterns of family transfers between the elderly and their adult children in Hungary and compare these patterns to those observed in other European countries. Countries included in the study will be selected as to represent different welfare regimes (Social-democratic, Conservative, Mediterranean and Eastern European), which are different in terms of patterns of private transfers as well.

Comparative analysis on patterns of private transfers in EU countries show that downward financial transfers are much more frequent than upward transfers, and patterns of transfers

show differences by welfare state regimes (Attias-Donfut and Arber 2000, Albertini et al. 2007). In Nordic countries parent to child transfers were more frequent but less intense than in the Mediterranean countries, with the Continental countries being in a middle position between the two groups. The SHARE project permits to compare Hungary with other European countries based on large-scale survey data. Comparative analysis of Hungarian patterns of family transfers have been scarce so far, earlier studies are based only on Hungarian data. Medgyesi (2002, 2003) investigated determinants of financial transfers between parents and adult children based on the Tárki Household Monitor survey, while Bocz and Medgyesi (2004) described patterns of interhousehold transfers of money and time using data from the Time Use Survey.

The study will analyse help to parents in various forms (financial help, help with housework, elderly care). Coresidence of the elderly with grown up children might also help the elderly to escape from poverty. But transfers flow also downwards in the family: parental transfer to adult children might take the form of money transfers (help to cover everyday expenses, help for buying a house) or time transfers (eg. helping with housework, babysitting). Then the study investigates determinants of family transfers given and received by households of the elderly. The main interest is to assess how transfers react to changes in incomes of the elderly. Based on these analyses the study will assess what is the likely response of private transfers to public finance reforms.

3.4. Immigration, minorities and the welfare system in the aging societies

Participants: Ágnes Horváth (PhD candidate, CEU Economics Department & MNB) – without financial compensation, Béla Janky (Centre for Social Sciences, Hungarian Academy of Sciences) – without financial compensation

Many experts and policy makers see liberal immigration policy as being capable to partly counterbalance the detrimental effects of population ageing. In particular, two characteristics, namely the concentration of migrants at young ages at the time of the move and the high labour force participation of migrants at destination make migrant flows able to relieve the burden of increasing pension expenditures. Beard et al (2012) show that international migration did contribute to reducing population ageing in the receiving countries. Thus, in all of the examined countries the actual median age of the population was lower than that of the population projected under the assumption of zero migration. Notwithstanding that the reductions achieved were small, particularly for the European countries.

In the political system, immigration of younger cohorts might help to decrease the power of ‘gerontocracy’ in welfare societies. We argue, however, that if negative stereotypes on migrants emerge, the overall effect could also well be negative in the sense that the elderly might even increase their share in welfare expenditures. Pension expenditures would replace budget funds that would otherwise be targeted to poverty-assistance, family-allowance, education etc. This might be the case if the median voter considers the new arrivals as welfare migrants. Then, the share of the ‘deserving poor’ would decrease in the host country and this could easily result in lower transfers to the poor in general. These extra funds might be channelled to the most deserving group, namely the pensioners. In this case, it can easily happen that a more liberal migration policy launched to lessen the burden of an aging society results in an even higher concentration of funds towards the older generation. This mechanism is more pronounced, we assume, if the pension system is earnings-related.

Research questions:

We aim at addressing the question of how could pension regimes and immigration policies potentially interact in shaping voters' redistributive preferences. We have developed a model of an altruistic voter who decides on public resources devoted either to funding pensions or supporting poor families with children. Our approach tries to unify two strands of research, namely, the political economy of pension regimes and models of preferences on welfare transfers.

A) A signalling model of welfare transfers

Our baseline model concentrates on welfare transfers to the poor, and aim at pointing to mechanisms which stem from recipients' living standards as a signalling device. As far as the behavioural assumptions concerned, we draw on those theories and evidence, which point to "deservingness" as a key concept in voters' minds. The voter (She) decides on the optimal level of transfer for any poor individual (He). She cannot observe the recipient's efforts, but is informed about his wealth, which indicates material needs, but also provides noisy information on his efforts. His distress fuels her compassion, but, at the same time, sends a negative signal on his efforts. This ambiguity, in turn, may give rise to a paradox: the poorer the recipient is, the less transfer he would get.

Our approach partly relies on Besley and Coate's (1992) model of preferences on welfare transfers to the poor. Like their model, we assume that voters intend to help distressed and deserving individuals. That is, they support transfers, which compensate for poverty due to bad luck, but are reluctant to relieve distress which stems from lack of efforts. Some more comprehensive models on redistributive preferences adopt similar assumptions (e.g. Alesina and Angeletos 2005; but see Di Tella and Dubra 2013 for a different approach), and a recent wave of economic research argues in favour of their empirical validity (e.g. Fong and Luttmer, 2011; Konow, 2010). A great many findings of polls also indicate the popular concern for deservingness (e.g. Gilens, 1999; Lepianka et al., 2009). We also follow Besley and Coate's (1992) approach by assuming that voters are uncertain about the recipients' behavioural traits. However, we introduce the *level* of the recipient's wealth as a key information for the voter's decision on the optimal level of transfer.

B) A model on distribution of public transfers among pensioners and welfare recipients

This model builds upon the above model on welfare preferences, but focuses on two target groups: the elderly and families with children. As a first step, we compare voters' preferences on transfers for the two types of beneficiaries without taking into account explicitly potential trade-offs between the resources devoted to these groups. A more comprehensive model that is based on voters' utilities and introduces budget constraint would follow later in the course of the incubator project.

The major difference between the two target groups is captured by certain parameter values of the basic model. The assumptions on those values stem from survey evidence on attitudes and beliefs as well as strong intuition. First, there is strong evidence that pensioners, along the disabled, are perceived as the most deserving group among the major types of potential social transfer beneficiaries (e.g. Oorschot 2000). Second, target groups perceived as incorporating a large share of stigmatized minorities easily become negatively stereotyped as a whole (Gilens 1999).

Beyond self-evident consequences, we also intend to shed light on some further, more subtle implications of the differences in public images of the two target groups. For instance,

pensioners are more positively stereotyped than poor families with children but voters may perceive a smaller role of fortune in their current status. What is more, pension regime characteristics might influence the variance of the fortune parameter in the voters' naive model. Namely, contribution-based regimes leave a smaller role for existing stereotypes in shaping voters' preferences on pensioners' benefits. Under certain conditions, some unexpected policy-implications may follow. Our aim is to compare those implications to those derived from earlier models on the political economy of social security.

For our empirical analysis we use the Eurobarometer survey series, which is a programme of cross-national and cross-temporal comparative social research conducted on behalf of the European Commission and is designed to monitor social and political attitudes. The special Eurobarometer 56.1 (2001) covered two issues at the same time: EU citizens' opinions and attitudes about pension issues and trends in social precarity, i.e. factors that are associated with higher risks of social exclusion. This questionnaire makes it possible to connect European citizens' poverty attributes on the one hand and opinions on the principles of pension systems (and the underlying value orientations) on the other. We run our ordered probit models. Incorporating other, more recent databases is an objective of our proposed research program.

3.5. Demographic sustainability and the constitution

Participant: András Jakab (Centre for Social Sciences, Hungarian Academy of Sciences)

Demographic sustainability is a relatively new idea in constitutional law, but the debates it provoked are well-known even beyond the scope of legal scholarship. The following four potential constitutional solutions to ensure demographic sustainability on a constitutional level have been proposed.

(1) Family suffrage, i.e. to give the right to vote to minors, but to make the parents their representatives (proxy-voters) would probably help policies which are more favourable to families with minors (and thus encourage others to have children) (Demeny 1986). Many constitutional lawyers fear, however, that this would be in contradiction to the equality of suffrage. Similar solutions are known in the UK and in France where relatives can vote for you if you are unable to attend the elections, but this substitution can only happen if you already have the suffrage.¹ But the idea came up mainly in countries with extremely low fertility (Germany, Japan, Hungary) (see Aoki and Vaithianatham 2009, Holste 2005, Reimer 2004, Schreiber 2004, Peschel-Gutzeit 1997, Löw 2002). The only country, which actually had a similar system was Belgium before WWI (Lasserre 1873, 66-68 and Mauranges 1899, 127-132).

(2) Constitutionally guaranteed family subsidies make family planning easier by reducing financial risks, thus the probability of a higher fertility rate could grow. On the other hand, such constitutional rules strongly restrict future democratically elected governments. A connecting problem is how pensions and related demographic changes can be conceptualised in constitutional law. In most legal orders, pensions are generally not protected by the right to property, but rather by general principles of predictability and legal certainty. A protection by the right to property is only applicable as far as the pension is based on the pensioner's own former financial contribution (BVerfGE, 58, 81, 109ff, see Kluth, 2009, 247-289, esp. 256 with further references). Yet another debated constitutional issue is whether family tax

¹ Called *proxy voting* in the UK, see *Representation of the People Act 2000*, section 12(1). In French law, it is called *vote par procuration*, see *Code électoral*, article 147bis.

subsidies are legitimate (i.e. whether the state is allowed to have preferences as to the family structure) which is normally approved (see Roellecke 1990).

(3) Fiscal councils supervising constitutional debt brakes serve the interest of future generations (Kirchhof 2012, 5) but, again, strongly restrict the traditional democratic budgetary powers of parliaments. A further issue is that the mere debt/GDP ratio is not enough to predict the sustainability of public debt, as several other factors (age structure of population, education system etc) influence this (see Wyplosz 2005). If we, however, include all these other factors, the transparency of the methods will suffer, which also means that the legitimacy of the limitation of the budgetary powers (*Budgethoheit*) of parliaments. This is probably the reason why rather simple numerical debt brakes have been codified in constitutions. In Germany, arts 109 and 115 *Grundgesetz* (yearly deficit brake),² in Poland art 216(5) (total debt ratio to GDP), in Switzerland art 126 (expenditure brake) regulate these issues.³ The Swiss solution was borrowed recently then in Italy, see n. 1/2012 Constitutional Law which amended *inter alia* art. 81 of the Italian Constitution (applicable first in the 2014 fiscal year, see Groppi 2012; the Polish type of numerical total debt brake was borrowed by Hungary (art. 36 Basic Law of 2011). We can expect more of these provisions in the near future, as the EU Fiscal Compact of 2 March 2012 contains a provision which obliges the signing parties (all EU Member States except for the UK and the Czech Republic) to introduce debt brakes on “preferably constitutional” level (see Levade 2012; Peers 2012). Some argue that the crisis of the Eurozone is likely to lead to a truly federal Europe, as (many do not know it any more) the main motivation behind the creation of federal government in the US after the Articles of Confederation was exactly to have an instrument to deal with the huge debt after the war of independence (see Loubert 2012).

(4) The conceptualisation of sustainability as ‘rights of future generations’ can strengthen sustainability, but every new right is by definition a reason to limit another (old) one, i.e. it can lead to the limitation of traditional fundamental rights. It is also unclear who is empowered to represent the future generations (ombudsman, special committees, children, anybody), and how it can be ensured that these organs or people really do represent the rights of future generations. A step, quite radical but debated for a long time, is to confer rights on the nature or at least on animals, which makes the expression of environmental interests easier in the language of rights. The question is, however, the same: how can we ensure to choose the right representative for these rights.

Research questions

The research will concentrate on existing constitutional solutions (norms and interpretations) all over the world, on the one hand, and proposed solutions, on the other hand. Legal research on these issues is often determined by ideological premises, and the actual (sociological, economic) facts do not seem to disturb most of the authors who venture to analyse demographic sustainability from a constitutional point of view (this applies, unfortunately, both for proponents and adversaries of new constitutional solutions). The idea would be to base proposals on such knowledge and to test these in the circle of social scientists, before naming them as the rights solutions. Special effort has to be made to accommodate the proposals with traditional constitutional principles of democracy and the rule of law. The proposals should be both on the level of norm texts and on the level of interpretations.

² For detailed analyses of the German constitutional debt brake see Seiler 2009, Lenz and Burgbacher 2009, Feld and Baskaran 2010.

³ For more details see Danninger 2002; Feld and Kirchgässner 2008.

4. Workplan

The aim of the research group is to promote research on ageing issues and to promote integration into international scientific networks with the aim of participating in collaborative research calls. Nonetheless, we intend to apply for domestic grants as well (e.g. OTKA).

Seminar series

The research group will organise monthly seminars on subjects related to the research agenda. The aim is to promote discussion on research conducted by members of the research group, but presentations from external researchers will also be considered. The seminar will be open to the public.

A tentative program of the first semester:

- September: Róbert Gál, Attila Gulyás, Márton Medgyesi on Intergenerational Constitution
- October: Béla Janky Béla and Ágnes Horváth on Immigration, minorities and the welfare system in the aging societies
- November: Csaba Makó Increasing Labour Market Participation and Sustainable Competitiveness
- December: Attila Bartha and András Tóth on Welfare Reforms in Low-Trust European Societies.
- January: András Jakab on Sustainability as a Constitutional Principle

Conference participation

Studies prepared by member of the research group will be presented at conferences in Hungary and abroad. Conference presentations planned in the autumn 2013:

- International Conference: Shifting to Post-Crisis Welfare States in Europe? – Long Term and Short Term Perspectives, Berlin 2013 (Research area 3.1. Bartha A. and Tóth A.)
- ESPANET Conference Poznan (Research area 3.4, Janky&Horváth)
- ECPR Conference Bordeaux (Research area 3.1, Bartha&Tóth, Research area 3.4, Janky&Horváth)
- Conference of Magyar Közgazdaságtudományi Egyesület (Research area 3.4, Janky&Horváth)
- European Population Conference, Budapest June, 2014 (Research area 3.3, Medgyesi)

Publication of research results

Studies elaborated by the research group and presented seminars and conferences will be first published (in English) in an online working paper series. Papers then will be submitted for publication in peer-reviewed scientific journals.

Research calls

2013: Norway Grants (? in collaboration with other research groups in the Centre for Social Sciences)

2014: OTKA

2015: H2020 new calls and other international calls

5. Research team

Bartha Attila (MTA TK PTI)	0.2 FTE
Csizmadia Péter (MTA TK SZI)	0.2 FTE
Horváth Ágnes (CEU)	0.1 FTE
Illésy Miklós (MTA TK SZI)	0.2 FTE
Jakab András (MTA TK JTI)	0.5 FTE
Janky Béla (MTA TK SZI)	0.1 FTE
Makó Csaba (MTA TK SZI)	0.2 FTE
Medgyesi Márton (TÁRKI) PI	1.0 FTE
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SUM	2.7 FTE

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