

THE THESES OF THE PhD DISSERTATION

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THE PENSION REFORM AND AGRICULTURE

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1. THE ANTECEDENTS OF THE RESEARCH

The demographic changes of the past few decades focused on the revision of the applied pension systems in both improving and developed economic countries. The conditions of pensions, the age-factor, the establishing of pensions and the chance for further employment turned into an actual debate among the changes which happened in the combination of the forecasted population. Among these, the most important issue is the growth of the expected average lifespan and the birth rates which tend to decline in the developed regions of the world but they increase in the improving countries. All in all, the reforms concern all countries globally.

The majority of the developed countries find this situation disappointing. The strategies which they offer to recover from the crisis are different, but there are similar elements in them such as to reduce the level of supplements and the aim to narrow the authorised conditions and to find new financial sources.

1.1. Reforms of the pension system

After World War 2 the social insurance structures, which had been unified earlier, very often changed the way that the pension system of a given country became multi-levelled.

According to a study, which was made by the researchers of OECD in 1988, the pension system of the next century will be the combination of a basic system which covers a wide part of society and which provides a minimum standard of living. The other part of it would be a supplementary system which would follow the average wage. Moreover, it should provide chances to get supplements in the private sector. The possibility of flexible choice of pension age would also be a part of this system.

The most important compulsory circumstances of the reforms

Demographic reasons: The average life span of the population is growing so fewer and fewer workers maintain more and more pensioners.

Reasons connected to employment: the number of the unemployed increased, and the amount of people who escape to pension from unemployment also grew.

The obligation to pay loosened: The very high and non-venture-friendly social security contributions make people hide their wages. This helps black-work which also decreases the amount of paid contributions.

The tension which characterises the present pension system: The disproportions between the paid contributions and the service people get afterwards do not make them feel interested in paying contributions.

The decrease of pensioners' standard of living: In the old system pensioners only got 23-74% of their net salary of the last month from the Institution of Pensions. People who worked for 42 years and got minimal wages got 74%. But most of the employees who earn more than that can only expect 23-50%. Obviously, it is not enough to keep the standard that they are used to.

1.2. The Hungarian pension reform

In the previous political system the Hungarian pension system was characterised by a low pension age limit (55 years of age for women, 60 for men), a short service period (minimum 10 years), an obligatory SSP (social saving payment) (25%), a complicated calculation for pensions and a divide-levy system. The state financed the pensions from the SSPs of employees. After the changes in the political system in 1989 the standard of living and the average life span seemed to rise so there was a need to procure the security of pensions.

The necessity of the reform was obvious for every expert since the early 90s. The government had experts to solve the problems who all had a chance to check pension system of other countries of Europe which worked successfully.

There was no big change in the system during the power of Antall government but in 1994 which was a year of elections, the first non-profit Voluntary Pension Funds appeared which have become improving self-caring forms since then. Both employers and employees like them very much. A high tax discount could have been claimed from the SSP and this long-term system preferred the ones with high salary or the employees who got the assistance of their employers.

The next government in which the Socialist- Free Democrat coalition got the power introduced a pension –reform plan only in their last year of their governing. The new law of pension came into operation in 1998 intended to turn the centralised, state-possessed system into a three-pillar system (it was called the mixed system). 1. The pension system of the state remains which only covers 75% of the future pension costs. 2. The second pillar means the contributions paid to the individual funds which can add 25% to the first pillar in case of a definite membership (this is called the capital security pillar). 3. Finally, the amount of money

which was paid to the voluntary funds make up the third part. This pillar considers the individual conditions important. For men and women the pension age limit is 62 years.¹

The aim of the Orban government's modifications was to decrease the deficit of the budget.² Considering the future of the pension system politicians thought of other modifications which aimed to renew the state pillar. The most attractive characteristics of it would be its transparency, security, an easy way of calculation and it would provide a free choice of beginning the pension ages.

In 2002 the socialist Medgyesi-government restored the points which they found important while working on the original modification of the pension system.³

Pre-calculation studies showed, that raising the pension age limit can make the proportion of wage-earners-pensioners better but it cannot modify its decreasing trend so it is not enough to solve the problem. But raising the age limit makes it possible to introduce the capital security element which creates an income surplus from 2003 to 2015. In these years the capital security system is in its accumulation period so it takes a part of SSP from the divide-levy system but it does not offer any services. But in the years when the system will pay pensions the expenses of the divide-levy system will decrease. This way despite the bad proportion of wage-earners and pensioners the state pension system can be financed.

1. 3. Agriculture

The new law of pension does not make any difference among contribution payers according to branches. The rules are equal to every citizen and everyone can benefit from the multi pillar system. But does participation in the new system really depend only on citizens? What kind of dominant factors take place in the membership of private or voluntary funds? Points of view can be: income, age, employment status, contractor status, degree, sex, the place where one lives, branch, ethnic relations, ect.

¹ The reform offered more and more ways of paying contributions so 6,7 or in 2001 8% of wages could have been paid to the individual funds. For career-starters it was compulsory to enter a fund.

² That is the reason why the amount of SSP which was paid to the fund was limited to 6%, the possibility to join the first pillar was lengthened by two years, they put an end to the obligatory entrance for beginners, and the state guarantees were abolished so as to make the fund members think over their possibilities. So as to make the second pillar more secure the operation rules of pension funds were restricted. Most modifications came into operation in 2002.

³ Career-starters had to be members of individual pension funds. The SSP grew from 8% to 8.5%. In case of individual fund membership since 2003 1.5% SSP has had to be paid to the social insurance, the subscription is 7% to the individual fund (in 2002 it was 2 or 6%) and from 2004 8.5% contributions are divided between the state (0.5%) and the individual fund (8%).

The dissertation aims to research the links between the parametres of agricultural workers and the possibilities offered by the three pillar pension system. Since fund statistics do not involve data according to branches the dissertation intends to find the facts which influence pension savings in the agricultural sphere based on my own prime research. It finds whether the new law can offer the same chances for them, or for some reason they are superseded from one of the pillars.

My reasons for **choosing this topic** are: the pension system concerns every age group and the dissatisfaction and expectations concerning the only state system after the political changes. The candidate has family ties to agriculture that is why he expects honesty from the sector and development in his position.

2. AIMS OF THE RESEARCH

The thesis will introduce the mutual characteristics of international demographical experiences and it tries to emphasise the features of the planned pension reform. It will describe the characteristics of the **multi-pillar pension system** which came to life as a result of the propaganda of the Worldbank. It will describe the problematic Hungarian pension system, it will provide a historical review of *the system and its modifications*. It will describe the circumstances which led to introducing the reforms in 1998. On the basis of different pension reform conceptions it studies the main characteristics of the pension system, it studies the weak and strong points of the pension system mirrored in the public expectations, it focuses on the positive sides of the reform but it also *explores the problems which are still unsolved*.

The thesis will try to show whether the experiences in the past few years met peoples' expectations, it studies whether *contribution payers are satisfied with the new system*, it describes the standpoints which should prevail in the system and finds the segments which need improvement. Researching the qualitative expectations, it finds the *dominant alternatives* and components, furthermore it finds links between the different parameters of the pension system for example how income, age, degree motivate the membership in the system. It maps that as a result of the political changes how the proportion of *unemployment and black work* have grown, which is the reason why contributions do not take place. It shows

the difficult situation of *gipsies* who live on the periphery of life, analysing its connections to under education, placing, and discrimination.

The dissertation shows the changes in the sphere of **agricultural workers** caused by the political changes, it points out the decrease of employment, the *moving* from the branch and *the increase of the average life span* of the ones who make their living of agriculture. It analyses whether the pension reform created the same possibilities for the ones that work in the agricultural sphere compared to the workers of other branches or maybe they are *superseded from some positive chances*. On the basis of my own research, it tries to answer the question whether agricultural workers can take the chances offered by the three pillar system and *which parametres are necessary for them to take part in it*. It explores whether the special program („Pension for land”) which intends to improve tagricultural workers situation cuold help the target group to make easier living in their pension age. Using questionnaries it shows the National Insurance characteristics of a village, paying special attention to the agricultural sphere and to the ones who are unable to pay contributions regularly. Through private interviews it throws light on the opinions of the ones who are unable to do everything for their old age life. It shows the new situation caused by the political changes according to which pension securities do not offer a relatively sure old age and we must be aware with the problems of endangered segments as soon as possible. Soon the time will come when the huge numbered, now wage-earners Ratkó-generation will retire, which will decrease the income of the social security according to the natural decrease of Hungary, moreover the ones who, though no fault of their own, could not pay appropriate contributions will also be retired. This will deepen the precipice in the society and increase the would-be social-connected expenditure of the national budget.

3. THE METHODOLOGY OF THE RESEARCH

The dissertation has **secondary research**, which through using the existing Hungarian and international literature shows how actual the topic is, paying attention to international and Hungarian demographic changes and to the neccessity of the supervisions and reforms in the pension systems. There is a wide range of literature about the birth of multi pillar pension system, their operations and criticisms, treating the question globally. But they do not involve the positions and choices of the ones who take part in the mixed system so the existing books

do not deal with the agricultural sphere, which is the main topic of my thesis. The dissertation has its own research to check the satisfaction with the pension system and to find the characteristics and possibilities of agriculture. The results of the **primary research** are based on a questionnaire study. The sample, which contains 300 members, was chosen by chance from the citizens of four counties. I also applied the description of the agricultural workers of a village using the method of monograph and a few deep interviews and personal interviews.

Applied mathematical-statistical methods:

„Gap-analysis”: It describes the importance of the feature and its satisfaction level. This method is internationally accepted.

Adoption: This procedure is used when I examine peoples' satisfaction with the pension system and its quality.

Factor-analysis: It is a linear method with multi-variants whose aim is to replace several explaining variants with fewer reason variants. These are called factors.

Adoption: The method helps to define the most important quality parameters of the pension system.

Correlation and regression: It helps to describe the connections among the features with the help of a multi-variant mathematical model which shows the effect of the explaining variants on the result variant. It describes the effect of independent variants on dependent variants.

Adoption: This method is used when I search for the points of view of people who chose different funds

Searching for connections and proportion probes (statistic hypothesis studies): It point out the connection between two variants with the help of a statistic help. If the connection is significant, our conclusions drawn from the sample are of universal validity.

Adoption: This method helps to find the features which have connections with the membership of funds. It also finds connection among the branches and it is an applied method to show the characteristics of agricultural workers.

Describing connections: These define the most important statistical points, mean, standard deviation and their professional analysis.

Adoption: This method is used when I analyse the features in connection with the pension system such as age, income, etc.

Monographs: A form of representative observation and statistical conclusions when we fully observe a chosen part of the crowd.

Adoption: Full observation of a given settlement from the point of view of National Insurance. To find out the combination of the inhabitants according to contribution payers and to throw light on the endangered segments and people who are unable to pay contribution

Deep interviews: One of the methods of statistical observations when personal interviews are applied at some people.

Adoption: To add to the non-trustworthy conclusions of questionnaires, one can focus on agricultural workers' situation with personal questions.

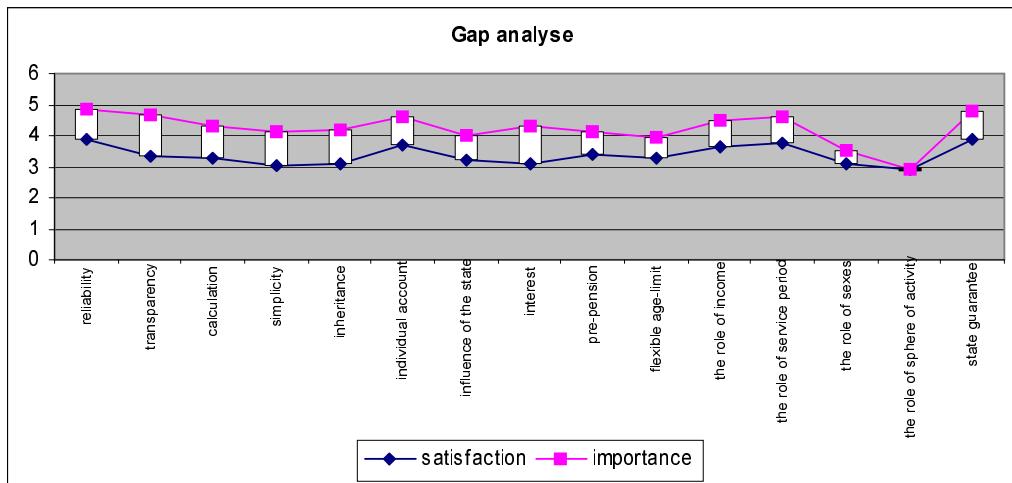
4. THESISPOINTS AND RESULTS

1. thesispoint: Contribution payers are still dissatisfied with the reformed pension system in Hungary, so the reform failed to fulfil the expectations. The transformation did not make *transparency* any better, and to define the would-be pension was *not simplified*. The state National Insurance income is not recorded on *personal accounts* so the link between contribution and allowances is still loose.

Result: The satisfaction with the reformed Hungarian pension system was measured with gap analysis in the dissertation, where the satisfaction and importance of qualitative parameters were evaluated from 1 to 5 by the ones who answered. When comparing the averages importance almost in every case exceed satisfaction so the reform has not solved everything yet, there are still a few areas to improve.

Figure 1.

Satisfaction with the quality requirements of the pension system



We demonstrate the proportions considering satisfaction and importance in one system of co-ordinates and we stress the differences between the two. The upper broken line of the diagram is the importance the bellow one demonstrates satisfaction. It is obvious that people are not satisfied with the pension system because the importance data exceed the satisfaction data in almost every case. The only place where categories change is the little white oblong so the role of the sphere of activity.⁴ In most features the differences are more or less similar, the amount is around one so people are similarly satisfied with almost every viewpoint. The biggest gap is in **transparency**. The difference was not significant in five cases: sphere of activity, flexible age limit, pre pension and state influence. 75% of viewpoints include variants which should be improved. The greatest tension can be experienced on the field of *transparency*. People feel they have little information about their SSP, whether it will come back to them once in the future or not. So the reform was unable to solve this problem. There are some other important standpoints where the gap between satisfaction and fulfilment is significant (above 1) going from the highest difference to the lowest are: *the interest of pensions, inheritance, simplicity and calculation*.

2. thesispoint: The most important parametres of the qualitative parametres of the pension system are *trutworthiness, transparency, income* and *service time*.

⁴ This point of view was the least important (2.93) and people were the least satisfied with it (2.94) still here satisfaction exceeds importance. Generally, if we do not find something important it is unreasonable to pay attention to satisfaction. The behaviour of law-makers seems justified when they did not include the viewpoint of sphere into the definition of pensions.

Result: As a result of regression calculation among the alternatives which influence the pension system just regarding *income, the reliability of the system* and pension *interest* showed significant influence on the satisfaction with the system. Two of the possibly most important criteria (reliability, income) are really dominant factors in the model, but the criteria do not involve transparency and service time, on the other hand, the interest of contributions so called value becomes dominant.

3. thesispoint: The membership of *private* pension funds is often defined by *age*, while that of *voluntary* funds is defined by *income* and employees' *taking over subscription*.

Result: According to questionnaires the only significant effect on the *membership of private pension funds* was the alternation of *age*. The ones who chose the mixed system will get a part of their pension according to the contribution they paid to private funds. So the allowances they get from the state's National Insurance will decrease. If one has fewer than the necessary 15 years of membership will lose when entering the second pillar. So for elderly people private pension savings are not the optional choice. Though when entering for the first time there were several elderly members but the chance to step back and late information had its effect. According to the sample a *negative correlation* can be observed between age and the members of the mixed system. The other examined alternations such as sex, income and degree had no significant influence on private fund membership. On the other hand, counts found links between the founder of the given private pension fund (bank, insurance company or branch) and the members' degree. For the members with higher degree the founder mattered. Funds which are run by banks or insurance companies involve 80% of members.

The dominant explaining alternations of *the membership of voluntary pension funds were income and employers' background*. Since this pillar is not only about re-grouping of the incomes but also about extra payments financial background has a special role here. If the member himself finances the payments to the third pillar then voluntary funds are mainly for the better-off. There is a positive correlation between income and subscription, the ones with higher salary pay more subscription. People with lawer income can only have the chace to join the third pillar if their employers take over their subscriptions as an extra service. In the end it is worth mentioning the effect of age. According to the sample *there is a positive significant link between age and voluntary fund membership*, which means that the older the member the more likely to choose the third pillar. The fact that there are more older members

in voluntary funds is due to their income which tends to be higher than young people's. Membership in voluntary funds is not influenced by either sex or degree.

4. thesispoint: Though the reform was not disadvantageous for *agricultural workers*, still because of the decrease of incomes in this branch, *not everyone can take the chances of the three pillar system*. Law- income contractors and primary producers are the most endangered.

Result: The characteristics of **agricultural workers** such as relatively *old age and low income* do *not offer limitless chances* in the three pillar system for them. Large number of workers are superseded from voluntary funds because of old age and many of them cannot join voluntary funds because of their low income. For them employers' taking over their subscription does not mean any help because not many of them are involved.

According to results there are some *ventures with high profit*, some well off people for whom the doors of pension-oriented savings are open and who can live with their chances. Facts proved that high profit ventures pay *SSP* only after *minimal income*. Instead of the value of their would-be pension and the social security system, they rather trust their venture's long distance profit and hope for a honourable old age life.

5. thesispoint: Among the ones who were *not obliged to pay SSP* and who had no compact with the National Insurance about paying it, the *highest proportion* can be found among *agricultural workers*.

Result: Analysations which *compare the branches* showed that according to previous expectations a large number of agricultural workers are superseded from the positive chances of the new pension system. Mainly the ones who do not work as employees are involved in this situation. They work as contractors or primary producers.

The assumption about *paying SSP* according to which there is a link between the ones who do not pay SSP and the branch was not verified. It is not true that mainly agricultural workers do not pay SSP. To add to it, agricultural workers' old age life is not more endangered than that of workers' from the other branches because they more often make *compacts about SSP* with the National Insurance than citizens who get paid in other branches.

The **situation of primary producers** must be delalt with seperately because a high percentage of them do not pay SSP. This statement was verified. Some *primary producers*

who have no workplace, no obligation to pay SSP and are not willing to make a compact with the National Insurance about paying SSP are in the most critical situation. Luckily, their proportion is low and it became clear from the research that other non-obliged SSP payers from other branches who do not make compact have similar proportion. Though primary producers' proportion is not significantly higher among non-SSP payers they are obviously superseded from both private – and voluntary pension funds. It obviously has financial reasons because if one does not pay compulsory pension insurance then he is unable to make other pension aimed savings either.

The picture about primary producers which was drawn after evaluating 29 answers **is not depressing**. Among 17 primary producers 65% is the member of some fund and 24% of them joined both kinds. The proportion of voluntary fund members is the same so there is no reason to assume the worst in this segment.

On the other hand, *more than a third (35%) of primary producers is not the member of either funds*. This is a significant proportion because every third primary producer does *not accomplish any pension aimed savings* so their old age life is endangered.

Because of the low number of answerers *these statements cannot be accepted as conclusions which are safe or which would be true everywhere in the country*.

6. thesispoint: As compared to the workers of other branches **agricultural workers** have a *significantly lower proportion in private pension funds*. Its reasons are mainly the *higher average age span*, which is not advantageous for private fund savings. The proportion of agricultural income workers *in voluntary funds is also lower* than that of other branches. Its reasons are *lower income* and the lack of taking over subscriptions by employers.

Comparing *private- and voluntary* fund memberships in the agricultural branch we can find that *the proportion of voluntary funds is significantly higher*. Some well-to-do agricultural workers can decrease their savings independent of age, demanding for tax relief.

Result: When we check the funds according to types, we can experience a significant distribution. Among agricultural workers who only joined one type of fund *the proportion of private fund membership is low while that of voluntary funds is high*. In agriculture private fund membership is 6% as opposed to 35% of other branches and there is a 49% proportion in voluntary funds as opposed to 17% of other branches. If we add the members who joined both type of funds we can see that in private funds the proportion for agricultural workers is 26%

as opposed to 61% of other branches and in voluntary funds 69% compared to the proportion of other branches which is 44 %.

In both cases there is a *significant difference in proportions*, but while in *private funds* in our opinion it is really *agricultural workers who give the lower proportion, in voluntary funds their proportion is higher*.

A high proportion of agricultural workers is only a member of voluntary funds (49% as opposed to 17% of other branches). It has been mentioned earlier that because of their relatively old age it is not advisable for them to join private funds but they joined the voluntary funds for pension- and tax savings.

Table 1.

Participation in pension funds by branches (person)

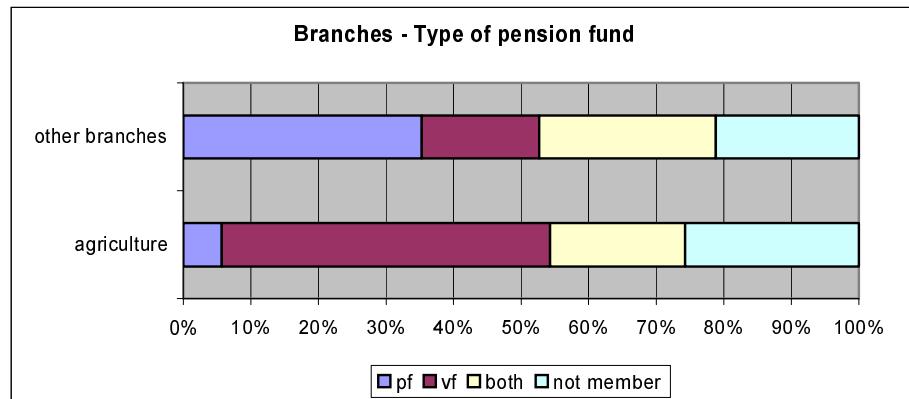
	pf	vf	both	not member	altogether
ariculture	2	17	7	9	35
other branches	85	42	63	51	241
altogether	87	59	70	60	276

pf: private fund, vf: voluntary fund

The same in ratios:

Figure 2.

Participation in pension funds by branches (%)



pf: private fund, vf: voluntary fund

On the basis of 158 answerers the proportion according to *contribution payers* in voluntary funds, we can say that in agriculture the proportion of the ones who pay for themselves is significantly high. So in this sector half of the workers finance their extra pension aimed savings which doubles the the number of workers from other branches who do

the same. Since it is only attainable for people with high income, it seems that agricultural workers are still able to accumulate savings

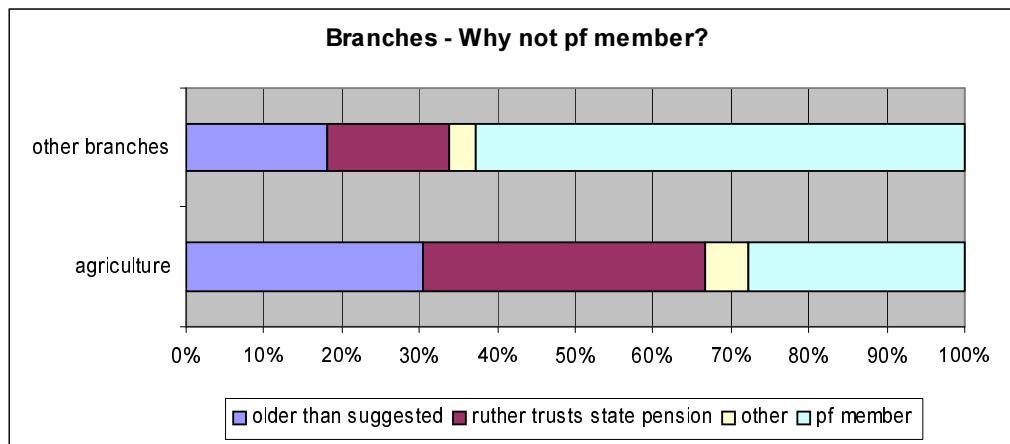
The proportion of taking over subscription is 30% while in other branches 26%. The difference is not significant. On the other hand, the distribution of the ones who pay their voluntary fund subscriptions themselves without employers' help is significantly higher in the agricultural branch (50% as opposed to 17% of other branches).

7. thesispoint: *The reason for rejecting the second pillar in agriculture is the age if higher than suggested and the distrust with private funds and the satisfaction with the pension offered by the state. The reason for rejecting the third pillar in agriculture is the lack of financial background.*

Result: The rejection of the **mixed pension system** (second pillar) because of age can be experienced in every branch. Many thought that there must be an other reason: *the pension offered by the state and the National Insurance* can be trusted so the did not believe in pension funds. If we consider every branch one by one we can state that solidarity with the state is the highest in the agricultural branch.

Figure 3.

Reason of reject the membership in private pension funds by branches (%)



pf: private fund

Calculations found that the rejection of the **third pillar** had *financial* reasons with agricultural workers. So the membership in voluntary funds is not a real choice for every second agricultural worker.

8. thesispoint: The change in the political system offered a new situation in paying SSP because of the decrease of employment and the prospering of *black economy*. The negative effect of *unemployment* on paying SSP occurred on some territories of Hungary: mainly in the country, villages and the Northern-east part of Hungary. The new pension system will not help the unemployed, the *gypsies* and the ones who live from benefit or temporary work. In a few years' time caring for them will be difficult for the state.

Result: The results of the secondary research seem to support this thesis. Since 1989 *unemployment* and mainly permanent unemployment is a serious problem in Hungary. The situation is the worst in the settlements far from towns and the eastern parts of the country. On these backward parts of Hungary agricultural and industrial decrease, few workplaces and the lack of towns' attractive force all caused a higher rate in unemployment compared to the country's average and a much higher rate compared to the Transdanubian average.

Black economy was present even before the political changes and economical changes are unable to force back its negative effects. Black and grey unemployment is supported by the decrease of legal workplaces, the surrender of employees and to avoid to pay taxes after them.

Gypsies are the real losers of the political changes. They got superseded from the workmarket because of their low educational degree and discrimination related to it. In the Northern- east part of the country the highest unemployment rate is linked to the lowest degree and the highest proportion of gypsies.

From the point of view of pensions there is a favourable choice for them which is called the **early retirement**. Invalidity pension was an escape from unemployment very often for gypsies before 1990. Since then the number of pre-pensioners has grown regarding non-gypsies too, the social and pension insurance sources of the national budget will decide whether they can maintain the unreformed invalidity system in the future.

9. thesispoint: The situation of villages has decreased since 1989. The traditional *agricultural work has become narrow* because of the decrease of workplaces and the moving away of the young from the sector. The number of prospering agricultural ventures is low.

A low payment of SSP can be seen because of their low income, moreover better-off contractors also pay low SSP.

Result: The situation of villages has become worse since the changes in the political system. Earlier, people lived mainly from agriculture but today their number is low. As a

result of privatisation in the agricultural factories, which were determining earlier, it is almost impossible to find a workplace. *The decrease of income, the unemployment* and the high service expanses resulted in the quick economic decrease of villages. If we add the low degree of inhabitants, and the gipsy problem then the picture we see is saddening. Luckily, these statements are not true for every village in Hungary, main territorial differences can be experienced. The deep problems can be experienced on the Northen-east part of Hungary and there are villages which dynamically improve in the attraction of towns.

But without appropriate work and income people will move away from villages instead of staying which will result in a great loss in the national budget.

The village that I studied, called **Sukoro**, has a much better position compared to other villages because of its local characteristics. Its Transdanubian location, the attractiveness of Székesfehérvár, the fact that the lake Velencei is nearby and the lack of ethnic groups created a stable employment system which is not endangered by unemployment. There is some illegal work but its proportion is very low. Since the changes in the political system the negative changes in agriculture in Sukoro can specially be experienced. The following reasons all have a special role in the decreasing tendency of agricultural workers: the decrease of the number of inhabitants, the young's searching for non-traditional jobs, the increase of the age of the ones who live from agriculture and the special aim to make the village a holliday resort.

The almost 100% of employment can make sure **the payment of SSP**. The payment of SSP can be endangered with temporary or illegal workers but most of them take the chances of pension saving and service time gaining chances offered by the National Insurance. Private venturers and contracors who make their living from agriculture pay their SSP after their income which bases the contribution of their would- be pension. The data of the local councils cannot be used to study the membership in the mixed system because for them it is an uninteresting question.

On the premises of deep-interviews in **Szepetnek** (the southern part of Zala county) the local farmers' co-operative can employ only a smaller proportion of people compared to the situation before 1989 so it is unable to offer the earlier living conditions. Of course, in a village almost everyone had second shift which offered some income after selling their products and animals. This makes their living easier even today. After people got back their lands in the compensation procedure, not many could take their chances because of the lack of machines and other devices and today lots of them lease their lands not facing the difficulties of private farming. Only some of them can successfully join the traditional agriculture with the

financial and infrastructural help of their parents. The young's turning away from agriculture is a typical process, they find agricultural work difficult and tiring compared to the income they get in return so they try to work in other branches. Today the 50-60-year-old generation still works on their lands but only some of them can find supply. Small land must face impossible situations, leasing and selling of lands will result in landconcentration again, which is an important pillar in a more successful farming.

The SSP payment of the inhabitants cannot be considered critical. For most of them agriculture is not their main employment, they have an other workplace where they pay their obligatory SSP. Usually, they are unable to make voluntary pension fund savings. There is small number of successful agricultural contractors who could make higher pension-aimed savings still they only pay the minimal SSP required int he law. They rather rotate the money back in their ventures in stead of trusting the voluntary funds. Private funds are chosen by the young who are dissatisfied with the state pension and hope for a higher pension from non-state run funds.

The *primary research* which included questionnaires as well as *private talks* offered a wide range of useful information. Besides corroborating the positive pension fund membership of agricultural workers, they *shaded the approaches of the problem*. Besides positive examples they threw light on serious unsolved problems such as the young's turning away from agriculture, the low wages, the necessary second shifts and illegal employments. The number of agricultural workers has decreased since 1989. Though the ones who remained loyal to agriculture seem to have a sure old age life, the problems of the minority can cause serious tension in the society.

All in all, the results have positive conclusions because agricultural workers can enjoy the advantages and suffer from the disadvantages of the reformed pension system as much as the workers of other branches.

We mustn't forget about agricultural contractors who pay their SSP after their minimal wages, or primary producers who do not pay it at all, or the permanently unemployed or the illegal workers because they may face living problems after they are retired. To care for them will be the duty of the state which polititians will have to calculate with and think over as soon as possible.

5. SUGGESTIONS FOR FURTHER THEORETICAL AND PRACTICAL USE

The new three pillar pension system in Hungary caused basic changes in the old National Insurance pension service. The private and voluntary funds are run by their founders according to the regarding laws. They can make their funds' profit and activity more successful than those of the compulsory state pillar. So since the introduction of the reform the pension system of the National Insurance has faced a challenge, namely making the first pillar more attractive for SSP payers. The changes just partly involved the compulsory system, there are still some problems to solve. The **satisfaction research** regarding the pension system in the dissertation could become a right way to follow considering the fields which should be examined.

The greatest tension occurs in the *transparency of the first pillar*, people believe that the link between contributions and allowances should be clearer. The fact that pension calculations should be made *simpler* is connected to the previous problem and it is almost as important as that. In the regarding literature we can find solutions for this problem, I myself find the point-system pension system the most appropriate. Transparency and simplicity both have an influence on the future *calculation processes*, which is also a factor people are dissatisfied with. Another field to improve is the *value* of pensions. The situation of pension funds is better, because they do not need to pay the members in the first few years so the contributions can be invested and yields can be added to them. In the first pillar there is a chance only for indexing, which will not keep the real value of pensions.

Taking these points into consideration steps must be done to reform the badly operating, compulsory pension pillar of the National Insurance.

In the chapter of the dissertation which discusses the results in the villages, I pointed out the serious debate of **illegal emolument**. Some people need to do blackwork but many will choose it so as they could avoid paying taxes and contributions. Their aim is to make their present life better and they do not think over that the amount of SSP they pay after low income will result in serious living problems in the future.

So as to *force back the avoidance of paying SSP* employers and employees should be made interested in paying it. Making the compulsory National Insurance pillar more attractive could be a good solution. An other solution could be the decrease of the amount of SSP or creating a qualitative supplementary system in the National Insurance.

The changes in the political system obviously had negative effects on agriculture. Since state co-operatives disappeared the number of workers in the sphere has decreased, many of them were forced to change their profiles. The young's rejecting agriculture results in the collapse of agriculture because the average life span of agricultural workers is high and there is no supply. The villagers who used to make their living from agriculture try to find other options to live, they commute to work or leave their village. Though life is still cheaper in a village because of low incomes the distance between them and the ones who live in towns is growing, which can result in a tension in society.

The deep interviews of the dissertation prove the hopeless situation of agriculture and villages. We must find a way to **restore the well-operating country life**, which was so successful earlier. The process of land concentration has started, but further workplaces should also be created and village life should be made more attractive.

The new Hungarian mixed pension system soon will regard every citizen because it is compulsory for career starters to enter it. In **agriculture** the expression that „there are superseded people because of old age” will disappear because in 10 years for every agricultural worker there will be a chance to join a private fund. According to the results of the dissertation many would have chosen the mixed system but because of their age they could not do so. They felt **the choice unjust** because of the non-appropriate pension limit offered by the state pillar. Because of the non-promising operations of the pension funds in a few years' time contribution payers may become dissatisfied not only with the first but also with the second pillar. According to the research of the dissertation, a great proportion of agricultural workers could join the voluntary funds, still the ones who were superseded from the third pillar felt the situation unjust because of the lack of financial sources. Voluntary fund membership is really a chance that depends on income and it cannot be taken for the ones with low salary.

The satisfactory operation of the compulsory pension fund pillars cannot be achieved easily. The expectations with the private funds can be demanded, because of the race among funds the members can choose a fund or even change for an other one expressing their dislike. Private funds also face challenges, which they have to handle. There is a similar situation with voluntary funds.

For agricultural workers who have no chance to make voluntary fund savings other **options must be created** so that they could **save for pensions**. They should not feel the new system totally unjust. The „*Pension for Land*” programme of the Agricultural portfolio offers

a chance but not for the ones who do not own a piece of land. To find a solution and to help the retired is the duty of the state and the portfolio.

6. FURTHER RESEARCH POSSIBILITIES

From time to time **a research of satisfaction with the pension system** must be carried out. Updates offer chances to study the newly introduced elements and their changes in time. It would be interesting to separate the ones who joined the mixed system and the ones who did not. Or we should compare the satisfaction of people who chose the less reformed first pillar and the ones' who chose both the first and second pillar.

So as to have more reliable statistical conclusions we should study **a representative sample with more members**, which could mirror the branch proportion in Hungary or the proportion of agricultural workers who are involved in deep analyses. Besides employees the sample could cover the unemployed, the workers of grey economy, the gypsies and the pensioners since they can express their satisfaction or dissatisfaction with the pension system most.

We must study whether the „**Pension for Land**” programme can offer real options for Hungarian farmers and how many of them can take its chances. It would be worth analysing whether the programme could fulfill its hopes and study its positive and negative effects.

7. STUDIES AND PUBLICATIONS WRITTEN IN THE SPHERE OF THE DISSERTATION

Parts of books

1. Rné Kontó. G. (1999): The experiences and modifications of the pension system, In: Nyirati L. comp. : "Lectures in applied methodology", KJF, pp. 19-32, Székesfehérvár ISBN: 963 202 661 6, ISSN: 1419-5836
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5. Rné Kontó. G. (2003): A survey about satisfaction with the pension reform (pre-research) In: Józsa L. - Piskóti I. - Ladányi É. comp. : "Adapting marketing" , Ed. and Lect. : Dr. Józsa L., Dr. Piskóti I. Ph.D., Ladányi É., pp. 227-234, Keszthely ISBN: 963 661 533 0
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Publications in Newspapers

1. Kontó G. (2004): Joining the EU and the Pensions, research of satisfaction
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Publications in conference papers in Hungary

1. Rné Kontó. G. (2000): Pension funds and the pension reform, In: "Hungarian marketing workshops", Publication pp. 251-275, Keszthely
2. Rné Kontó. G. (2001): The necessity of pension reforms in the OECD countries and in Hungary, In: "Hungarian marketing workshops" Publication pp. 156-181, Keszthely
3. Rné Kontó. G. (2002): Was pension reform advantageous to agriculture?, In: "VIII. international scientific days of agricultural economy", Publication, volume 5, pp. 154-161, Gyöngyös

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1. Rné Kontó. G. (2000): A collection of formulae and distributive charts in Statistics
Educational assistance, KJF, Székesfehérvár
2. Rné Kontó. G. (2001): Statistics II. , University Note, KJF, Székesfehérvár
Lect.: Székelyné Dr. Kirkovics M.

3. Rné Kontó. G. (2002): Statistics I., University Note, KJF, Székesfehérvár

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4. Kontó G. - Kovács G. (2004): Statistics I., Distance-educational issue, KJF, Székesfehérvár

Lect. : Dr. Obádovics Gy.