

4.4 Law enforcement workers, before and after retirement

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Significant legislative changes

The retirement system in Hungary has been under debate for decades. One topic under fire concerned the people who became entitled to pensions when comparatively young, and how to regulate the extensive group that took advantage of this perk.¹ One distinct group within the individuals affected by this legislation has been made up of retirees from armed public service-employment relationship, more specifically from law-enforcement occupations.² The issue of this group and of revamping retirement regulations for it came up repeatedly in the government administrations holding office from 2002 to 2010, but trade union opposition, arguments from the group in question, and a spotlight on wage issues halted any real reforms.

However, the administration that took office in 2010 did introduce a number of important retirement-related measures that impacted on this group. On 28 November 2011 Parliament adopted Act CLXVII. on Termination of Early Retirement, on Social Transfers before Retirement Age, and on Public Service Allowances. The law was promulgated on 9 December, 2011, just 22 days before it actually went into effect. Given its retroactive validity, the people affected had no way of preparing for the significant change in their living conditions.

The most important components of the law and the related amendments to the public service act that affected public servants (including law enforcement workers) and defence workers were as follows.

- As of 1 January 2012 armed service pensioners born in 1955 or earlier will now receive a service allowance instead of their armed service pension until they reach the retirement age for a standard old-age pension.
- The amount of the service allowance will be the same as the armed service pension, but is subject to a deduction equivalent to the legal personal income tax deduction (currently 16 per cent). The amount received will not be less than 1.5 times the amount of the minimum wage valid on 31 December (or HUF 117,000).
- For people in public service (including armed service) the standard retirement age will now apply.
- If a person has completed 30 years of armed service, then five years prior to the retirement age valid for their age, they may request a transfer to pre-retirement service in the “reserve corps”. The salary received will be the same amount as they would receive as a full pension at that particular time.
- If a person has completed 25 years in armed service, they may request lighter duties. The service time with this option is 35 hours/week. The person may

1 According to data from January 2011, there were 42,600 armed service retirees and the combined number of early retirees under various pension schemes was 238,400, meaning that benefits to people who retired prior to standard retirement age amounted to HUF 657 billion (*Scharle and Kocsis*, 2011).

2 In this chapter we generally use the terms “armed service” and “armed service pension”, nevertheless the legal changes also affected people in other occupations not necessarily using weapons but whose service employment relationship was regulated by the same law until 2012. (For instance, fire fighters, custom officers. See the list of occupations affected in detail in *Table 4.4.2 – Editor’s note*).

only work between 6 a.m. and 10 p.m. and may not be assigned overtime. The monthly salary in this case will be equal to the amount of absence pay the individual would receive for the last month spent in regular service.

- A recipient of the service allowance who is below the age of standard retirement may request admission to a special services (senior services) unit. (In this case the person would be transferred to the police force.) In this event the service allowance would be replaced by a net salary that must be at least as high as the service allowance had been, and may not be less than 1.5 times the minimum wage. This salary must be increased annually by the same amount as the old-age pension. Weekly working hours and limits on the work schedule are the same as lighter duty service. Members of this service may be ordered to assist civil services (such as local governments, to supervise public works programmes). These regulations resulted in a significant decline in the number of people choosing to retire (*Table 4.4.1*).³

Table 4.4.1: Trends showing numbers of individuals leaving the National Police Force

	2008	2009	2010	2011	2012	2013 (until May 31)
Total number of persons leaving the police force	3,872	2,732	2,298	2,974	n. a.	668
Professional officers leaving	n.a.	1,428	1,512	1,279	308	73
Professional officers retiring	1,857	n. a.	n. a.	774	55	2

n.a. = no data available.

Source: *Csikász* (2013).

The introduction of the above measures was preceded by an extensive media campaign that, in essence, called it a travesty that robust and able-bodied people clearly able to work should receive pensions. This argument shifted the problem to a moral plane. Countering this argument the unions – and other advocacy groups such as the Hungarian Solidarity Movement – possibly brought about precisely because of this type of legislation – argued that most of the people affected had completed 25 years of service, after which they were no longer fit either physically or psychologically for heavy-duty work of this kind. They cited a great many examples. They also objected to the government renegeing on a “social contract”, which they termed a tacit agreement with these people to the effect that they would spend 25 years in low-wage, physically demanding or risky jobs after which they would receive a pension and be free to launch a second career.

Retirement – when?

First of all, we set out to determine whether the rumours of “young people” enjoying armed service pensions were true or not. We used data available in the databank of the Hungarian Academy of Sciences Centre for Economic

³ There is no data on the number of allowance recipients. The data is not consistent but since, according to *Csikász* (2012), the average age of the police officers working actively on the force is 26, we do get some idea of proportions.

and Regional Studies (MTA KRTK), which includes information on the various legal setups under which people in the law enforcement professions are employed. Fully 50 per cent of the people involved were included in the sample, including 27,411 people whose work history included service in an armed service or law enforcement body, in either a military (defence) or law enforcement occupation between January 2002 and December 2008. Nearly 90 per cent of the sample, we found, was made up of people in four professions (*Table 4.4.2*)

Table 4.4.2: Employment categories listed in the International Standard Classification of Occupations (ISCO), with the number of persons in the given occupation, as of the dates on which they were first reported

ISCO 08	Occupation	Number of persons	(%)
110	<i>Commissioned armed forces officers</i>	5,917	21.59
210	<i>Non-commissioned armed forces officers</i>	9,315	33.98
310	<i>Armed forces occupations, other ranks</i>	7,499	27.36
3351	Customs and border inspectors	748	2.73
*	Civil defence employee	2	0.01
3355	Police inspectors and detectives	21	0.08
5412	Police officers	754	2.75
5411	Fire fighter	2,043	7.45
5413	Prison guards	765	2.79
5414	Security guards	6	0.02
5419	Protective services workers not elsewhere classified	341	1.24
	Total	27,411	100.00

* Occupation defined by the Hungarian system (FEOR 97) with no equivalent in ISCO 08.

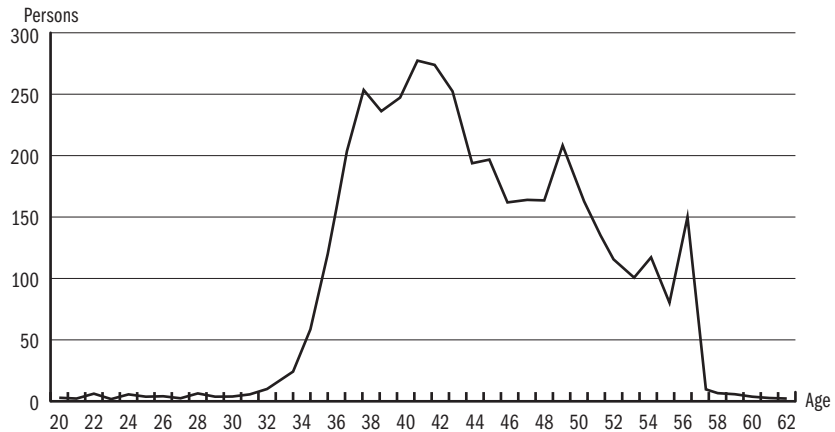
Exactly 4,949 (18 per cent) of the people who spent any time at all between 2002 and 2008 in any law enforcement occupation, retired during that period. These people either retired from their law enforcement position or from some other employer and occupation. The first group (those retiring from a law enforcement role) consisted of 4,519 people, not a particularly large number, even if we set up ratios and round out numbers and say that ten thousand people took armed service retirement over the seven years. In fact the annual average number of retirees was less than 1,500. There were exactly 3,954 people, or 87.5 per cent of all retirees, serving in a law enforcement body at the time of their retirement or in the three months prior to it. (The people not included in this category were last observed in law enforcement positions on the database 4 to 78 months prior to their retirement.)⁴

Figure 4.4.1 shows an overall age profile. We can see that there are three significant age groups: 40–41 year olds, 49–50 year olds, and 56 year olds. The particularly high level of 40–41 year olds is clearly because of the law. This group has been building service time since the age of 15 when it entered voca-

⁴ In this connection please note that when determining whether a person has the necessary service time, the years of service were added to the years of civilian service using a multiplier, so the rules of the service pension also influence the possible date on which the person may retire as a civilian.

tional secondary school and at age 40, obtained the 25 years of service required to retire. (Anyone retiring earlier does not receive a full pension, and anyone retiring later is not likely to have begun their career in law enforcement, and thus needs to put in more time to reach the 25 years. However, some people eligible for retirement may simply want to work longer. These latter factors are particularly true for officers with full secondary or college educations.)

Figure 4.4.1: Age profile of retirees from law enforcement bodies, by age at retirement (2002–2008)



The average 45-year-old armed service retiree with 25–30 years of service is clearly younger than a civilian retiree. However, this configuration made it possible for these people to begin a second career, particularly if they had a profession they could use in civilian life. From a social point of view they are therefore in a positive and not a negative position. It was this second career path that was partially stifled by the law on early retirement and by a decree introduced in 2013 which banned recipients of pensions and allowances from working for public (central government) bodies.⁵

We do need to point out that there was a very significant difference between the overall number of people in the sample and the ISCO breakdown of the retirees. According to *Table 4.4.3*, occupations requiring a college education accounted for 21.6 per cent of the sample entering the field and for 48.2 per cent of those leaving to retire. The situation was exactly the reverse for occupations not requiring a secondary education, where 27.4 per cent of the sample entered the field in the period in question and only 1.1 per cent retired (the differences were not this great in the other categories). This suggests that people with college educations tend to follow the career paths expected of them and obtain their entitlement to pensions within the organization, while a significant portion of the low-education group leaves after a time and does not retire from law enforcement.

⁵ To be precise: if the person receiving the benefit is employed by a non-public sector employer and their annual earnings are less than 18 times the monthly minimum wage (which in 2013 was HUF 1,764,000) that person may receive their full retirement benefits along with the salary. For more details see: <http://nyugdij.adohirek.hu/> and Act CCVIII of 2012. Note that since benefits granted before retirement age do not qualify as pensions and that the 16 per cent deduction does not qualify as personal income tax, this raises a number of problems. For instance, these incomes are not eligible for family tax deductions. The 16 per cent is not deducted from the remuneration given to reserve soldiers.

Table 4.4.3: Breakdown of occupations at the time the person first appeared in the database and at the time of retirement, and the age of retirement, 2002–2008

ISCO 08	Occupation	When first appearing	When retiring	Difference	Average age at retirement
110	<i>Commissioned armed forces officers</i>	21,59	48,15	26,56	48
210	<i>Non-commissioned armed forces officers</i>	33,98	37,66	3,68	42
310	<i>Armed forces occupations, other ranks</i>	27,36	1,11	-26,25	40
3351	Customs and border inspectors	2,73	0,35	-2,38	49
*	Civil defence employee	0,01	0,03	0,02	-
3355	Police inspectors and detectives	0,08	0,03	-0,05	-
5412	Police officers	2,75	1,77	-0,98	42
5411	Fire fighter	7,45	9,96	2,51	45
5413	Prison guards	2,79	0,68	-2,11	43
5414	Security guards	0,02	0,03	0,01	-
5419	Protective services workers not elsewhere classified	1,24	0,23	-1,01	50
	Total	100,00	100,00	0,00	45

* Occupation defined by the Hungarian system (FEOR 97) with no equivalent in ISCO 08.

There are differences in the mean retirement age depending on occupation. Customs and financial service workers were the last to retire (age 49), while police and people with a secondary education retired earliest in all areas. People with college degrees worked six years longer than their counterparts with secondary education but four of those six years were likely to have been spent full-time in college and another four years would have been spent in secondary school, which cuts the actual number of years spent working to 26.

Re-entering the workforce

Post-retirement employment data was available for 1,448 of the overall number of law enforcement retirees (3,954), or 36 per cent of the sample. Within this, only 6 per cent continued working in the same occupation, while the others found new occupations. The sample included retirees working in 37 different occupations⁶ (see *Table 4.4.4*).⁷

The largest number of retirees in any one category was in *non-material services* (227), within which 182 people (80 per cent) again chose a law enforcement type occupation.

6 Using the combined (two digit) ISCO group and the four-digit ISCO code, there are 217 different occupations.

7 Note that the first data on post-retirement employment for 82.5 per cent of people was from 2007–2008. The reason is that the requirement to pay a contribution on a pension when employed dates from this time, thus this is when pension + employment became visible in the database.

Table 4.4.4: Occupations of retired law enforcement workers

Occupation	Number of people ^a	Breakdown (%)	Cumulative breakdown
Occupations in non-material services	227	15,7	15,7
Commissioned armed forces officers	125	8,6	24,3
Simple service occupations	91	6,3	30,6
Miscellaneous, highly qualified, administrators	79	5,5	36,1
Operators of moving machinery	75	5,2	41,2
Heads of businesses or budget-sponsored organizations	75	5,2	46,4
Non-commissioned armed forces officers	74	5,1	51,5
Administrators in business or financial institutions	69	4,8	56,3
Miscellaneous administrators	64	4,4	60,7
Technicians and similar technical occupations	51	3,5	64,2
Miscellaneous	414	28,5	92,9
No data available	104	7,2	100,0
Total	1,448	100,0	

^a Details provided for only those occupations in which over 50 people worked.

Earnings before and after retirement

Earnings data have been summarized in *Table 4.4.5*, discounted to the 2008 level.⁸ We had wage data for 3,823 of the 3,834 people in law enforcement occupations. We also had other wage-type income data for 143 people.

Table 4.4.5: Monthly earnings of retirees from public servant status prior to retirement (HUF)

ISCO 08	Occupation	Average wages of law enforcement personnel exclusively from law enforcement job	Other income from wages	Wages of law enforcement personnel from all jobs ^a
110	<i>Commissioned armed forces officers</i>	525,167	99,250	528,986
210	<i>Non-commissioned armed forces officers</i>	313,382	85,047	316,618
310	<i>Armed forces occupations, other ranks</i>	244,747	34,800	247,357
3351	Customs and border inspectors	277,326		277,326
*	Civil defence employee	274,500		274,500
3355	Police inspectors and detectives	530,372		530,372
5412	Police officers	407,031	38,194	407,180
5411	Fire fighter	345,857	79,186	347,528
5413	Prison guards	274,049		274,049
5414	Security guards	304,240		304,240
5419	Protective services workers not elsewhere classified	263,181		263,181
	Overall mean	419,279	90,407	422,494

^a The earnings data of the various occupational groups cannot be added up because of the differing numbers of people in each group.

* Occupation with no equivalent in ISCO 08.

⁸ Earnings data include all extras received before departure (including possible severance pay and/or disarmament assistance, etc.) Given the practice of granting people extra benefits before retirement from public administration in order to jack up the pension, the earnings level prior to quitting is generally higher than the normal earnings level. The two, three, and four month average of wages prior to retirement are 4.5 per cent higher than the average of the seven, eight or nine months of wages prior to retirement.

The first thing we see from the data is that the earnings of people with college degrees are significantly higher than the other groups – a conclusion we can also draw from the wages system (see this issue of *In Focus* sub-chapter 3.2). We also can see that there are significant differences from one occupational group to the next. For instance, investigators/detectives and police officers earn significantly more than people working in non-police organizations. Average earnings were also relatively high for private security guards, a comparatively new profession only a few decades old. People with college degrees tended most often to augment their law enforcement earnings with some other work-related income. Overall earnings were highest for this group but other work-related income also significantly improved the earnings status of people with a secondary education.

Post-retirement wage data are available for the occupations qualifying as valid at the time of retirement. We have no data on the amount of pension money received so we were unable to compare overall incomes. But we did compare earnings. Our point of departure when making this comparison was the mean wage for all occupations (which differs just minimally from the incomes of law enforcement personnel within the sector, but is more precise in describing changes in the wages of the persons and groups we are observing.)

As we can see from *Table 4.4.6*, we were able to link up the pre and post retirement earnings of 1,333 people. We were only able to obtain post-retirement wage data for 1,162 people, which is rather a small sample. When interpreting the data we need to be aware that the earnings data include inflow to a person employed in a public service configuration that did not come from the person's full-time job, meaning the job from which the person actually retired. Thus, post-retirement earnings may be made up of wages from this secondary work or from a new occupation or a different job.

As we can see, retirement came with a 50–70 per cent loss of earnings. However, given the rules of pension calculation, if the person had been continuously employed their pension would not have been much less than their earnings from their full time job. Thus, we have estimated the overall income of retirees working in other jobs to come to 130–150 per cent of their pre-retirement incomes. At the same time, we need to point out that this is not a particularly high income level although it is substantially higher than nationwide average earnings.

This was the income status which was reduced by changes in the law in 2012 and 2013, partly by slapping a 16 per cent deduction onto the incomes of people below full retirement age and partly by requiring anyone continuing to work in the public sector to suspend their pension or allowance. The result is that the 130–150 per cent earning position could sink to one of 84–95 per cent in roughly a month. This is why the measures generated so high a level of dissatisfaction among armed service workers.

Table 4.4.6: Mean wages before and after retirement

ISCO 08	Occupation	Before retirement		After retirement		Change from pre-retirement, wages in per cent
		average earnings from all jobs, HUF	number of people	average earnings from all jobs, HUF	number of people	
110	<i>Commissioned armed forces officers</i>	529,284	739	263,264	642	49,7
210	<i>Non-commissioned armed forces officers</i>	313,595	472	121,401	413	38,7
310	<i>Armed forces occupations, other ranks</i>	225,623	17	82,383	16	36,5
3351	Customs and border inspectors	269,680	4	82,107	3	30,4
*	Civil defense employee		0		0	
3355	Police inspectors and detectives	530,372	1		0	
5412	Police officers	421,122	13	202,730	12	48,1
5411	Fire fighter	325,919	80	170,689	69	52,4
5413	Prison guards	231,667	5	72,187	5	31,2
5414	Security guards		0		0	
5419	Protective services workers not elsewhere classified	201,779	2	147,681	2	73,2
	Total/overall mean	433,402	1,333	203,514	1,162	47,0

* Occupation with no equivalent in ISCO 08.

The position and actions of interest advocacy groups

All the trade unions operating in the area sought to protect the pension system and organized demonstrations and rallies to that effect starting in the spring of 2011. As opposed to outcomes prior to 2010, these interest-advocacy negotiations failed. They based their legal stance primarily on the portion of the law that transformed pensions to allowances for people who had already retired, in other words, on the retroactive nature of the law. The principle of legal security was also violated, they argued, when the people impacted by the change were not notified in sufficient time to have been able to prepare for the changes in their living conditions. Unions operating in the area, in particular the Trade Union of Interior Affairs, Law Enforcement, and Public Service Workers, and the Independent Police Union – as well as other NGOs – began preparations in December 2011 to take the case to the European Court of Human Rights in Strasbourg, and eventually ended up with 13,000 individual submissions. In the first half of 2013 the court resolved to call upon the Hungarian government to submit its position in writing regarding the petition for legal remedy, giving the government four months to do so.

The Independent Police Trade Union also called on the Ministry of Human Resources, proposing that it amend the law given that the people whose entitlement qualification was changed from entitlement to an armed service pen-

sion to entitlement to a service allowance, could be hit by the reduced amount until the age of 65. The Ministry rejected the proposal on the grounds that the 16 per cent deduction was not a tax. As we have seen the deduction is neither a tax nor a contribution. According to the website of the Independent Police Trade Union “it is quite simply a deduction!”

The unions also petitioned the Constitutional Court, which after five days of debate issued the decision that neither the termination of pensions for early retirement nor the 16 per cent deduction on public service allowances was unconstitutional. At the same time, in 2011, the Hungarian Helsinki Committee (OSCE) stated its position, declaring that the withdrawal of the pensions ran contrary to the legal practices of the European Court of Human Rights, and the issue could therefore be taken before the court in Strasbourg. The ombudsman was one of the entities taking the issue to the Constitutional Court (szakszervezetek.hu). The investigation conducted at the request of the trade unions found that the portion of the decree banning dual benefits for retirees working in the public sector ran counter to the right to property, to protection of rights equivalent to assets, and violated the requirement for proportionality if significant changes were introduced to the pension system within a short period of time (For more detail see szakszervezetek.hu).

Individuals submitted petitions to the European Parliament, but only a portion of these proceedings have progressed to a conclusion).⁹ According to a legally binding decision reached by the Strasbourg court in 2014, transforming service pensions to allowances and taxing them for people who have not reached standard retirement age did not violate the European Convention on Human Rights.

As to the extent to which the decisions of 2010–2013 altered the careers of law enforcement workers, as yet the timeline has not been sufficient to draw a chart, but the media has reported that in 2013, for instance, the average age of police officers on the force was 26. In the first five months of 2013 fully 688 people quit the police force. Of these, 73 retired and only two continued working in public services as retirees (*Csikász*, 2013). The overwhelming presence of young people on the current police force is likely to cause human resource management problems later on. Therefore it is definitely worth monitoring labour turnover in an occupation-by-occupation breakdown.

⁹ Please note that as far as the retirement age of judges is concerned, the government accepted the position of the European Union, that a measure like this may not be introduced without a preparatory period because it violates social security.

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