A governance perspective on East Central Europe’s population predicament: Young exit, grey voice and lopsided loyalty

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Abstract

Much of East Central Europe today faces the double challenge of having a population that is both ageing fast and shrinking steadily. Elderly-oriented political dynamics and myopic governance are part of this predicament, and are also among the reasons why future prospects are not rosy. Having started the post-communist transition with younger populations, successive governments in this region have comprehensively squandered a decades-long window of opportunity to adapt their policies to the predicted ageing ahead (Vanhuysse and Perek-Bialas, 2021). Especially in Hungary, Poland, Czechia, the Slovak Republic, Romania and Bulgaria, this failure is reflected in low active ageing and child well-being index rankings, low levels of social investment and mediocre educational outcomes, and family policies that reinforce traditional motherhood roles or barely support parents at all. Poland, Romania, Croatia, Hungary and, especially, the Baltic states also experienced large-scale emigration (‘young exit’). Slovenia and the Visegrad Four, but not the Baltics, became premature pensioners’ democracies characterised by unusually high levels of pro-elderly policy bias (‘lopsided loyalty’). While the salience of family policies increased around the time the demographic window closed, this shift was driven by pro-natalist, neo-familialist and gender-regressive political ideologies, rather than by a concerted effort to boost human capabilities or reward social reproduction. But by then, elderly voter power (‘grey voice’) in East Central Europe was among the highest in the world. Politics strongly constrains the likelihood of appropriate human capital-boosting policy responses to the region’s population predicament. Alarm bells thus ring for a generational contract under pressure and for longer-term societal resilience.
Keywords: pro-elderly policy bias; social reproduction; generational contract; pensioner democracies; welfare state resilience; social investment; political demography

1 East Central Europe’s peculiar population predicament

More than three decades after the fall of the Iron Curtain, the countries of East Central Europe (henceforth ECE\textsuperscript{1}) are remarkably diverse as policy regimes. Yet they remain united not just by a common communist past. In many cases, they also share similarly challenging demographic predicaments – and, I shall argue, gloomy future outlooks. Around 1989–1990, ECE countries were significantly demographically younger than ‘Western’ EU member states. However, they have largely squandered their quarter-century-long subsequent demographic window of opportunity for policy reform. This has badly prepared ECE democracies – notably Romania, Bulgaria, Slovenia and the Visegrád Four (Hungary, Poland, Czechia and the Slovak Republic) – for the coming three decades, as these countries have now entered a period of accelerated demographic ageing, adding to the problem of steady population decline.

Here’s the demographic macro-picture in a nutshell.\textsuperscript{2} As a result of the uncertainties, changing family values and material hardships during the post-communist transition, fertility rates have fallen sharply in much of East Central Europe, and have remained low into the 21st century; though there have, of course, been significant fluctuations (Sobotka and Fürnkranz-Prskawetz, 2020). In ECE, completed cohort fertility for women born in 1980 is 1.56. While this rate is somewhat higher than that in Southern Europe and is only marginally lower than that in Germanic Europe, it is well below the rates observed in Nordic and Western Europe. Moreover, ECE populations are now ageing fast. As we noted in Vanhuysse and Perek-Bialas (2021, p. 393), as recently as in 2015, the average old-age dependency ratio in the 13 new EU member states (11 of which are East Central European) was 26.7, which was still below that in the ‘Western’ EU-15 states (32.7). But by 2050, the old-age dependency rate will increase by 25 points to reach 58 in the EU-15, and by nearly 30 points to reach 56.5 in the new EU-13. Thus, by mid-century, chronological population ageing in East Central Europe will have caught up with ageing trends in Western Europe.

But crucially, if we remeasure ageing prospectively à la Sanderson and Scherbov (2019) by looking at the share of the population with low remaining life expectancy, we find that East Central Europe is already older than Western Europe today. This development is partly a reflection of lagging progress in healthy lifestyle cultures,

\textsuperscript{1} I thank the editors for multiple helpful comments. By ECE I shall refer here to the following 11 EU member states from East Central Europe: Estonia, Latvia, Lithuania, Poland, Hungary, Czechia, the Slovak Republic, Romania, Bulgaria, Slovenia and Croatia.

\textsuperscript{2} Demographic data in the paragraphs below are based on the European Demographic Datasheet (Vienna Institute of Demography, 2016, 2022).
health policies and health technologies in ECE. Additionally, due to low fertility and emigration, many ECE populations have started shrinking significantly. Between 2000 and 2021, the populations of Romania and Croatia declined by one-seventh, while the populations of Lithuania, Bulgaria and Latvia fell by one-fifth. In other words, much of East Central Europe today faces the double challenge of having a population that is both ageing fast and shrinking steadily.

2 The fraying intergenerational contract

Does this matter? It does, mightily, if we care about the longer-term sustainability of the welfare state and the cohesion and resilience of these societies. To be sure, we should avoid obsessing about demographic indicators in isolation or singling them out as policy targets. Remember Goodhart’s law: When a measure becomes a target, it ceases to be a good measure. After all, these indicators merely measure the behavioural outcomes of underlying societal conditions. But that is also why they matter. When used wisely and comprehensively, indicators can be weathervanes or alarm bells, indicating deeper sociological tensions or fractures. One of the deeper issues at hand here, I submit, is the fraying intergenerational cohesion of East Central European societies, which is largely a result of elderly-oriented political dynamics and myopic governance along multiple policy dimensions.

Welfare states are lifecycle redistribution machines set up to care especially for the young and the old by taxing the productive contributions of the working-age population (Vanhuysse and Gál, 2023; Vanhuysse et al., 2021). They constitute an implicit, and hence an eternally contestable and politically ever-contingent rolling intergenerational contract that helps to reproduce societies over time. Younger generations must eternally follow older generations – and they must be willing, politically, to finance the consumption of the preceding generations. The key requirement for such a continued functioning of the intergenerational contract is productivity-adjusted demographic continuity. Barring radical transformations in generational consumption and lifestyle patterns, or immigration at levels that are politically indigestible in contemporary (East Central) Europe, this means that the working-age population must not only keep paying enough taxes and social security contributions over time; they must also keep producing enough babies, then turn these babies into productive adults who’ll do the same in return, rather than, say, leave the land, depend on welfare, or engage in tax strikes against the old (Gál et al., 2023).

In general terms, the intergenerational contract becomes frayed when the ratio of social rights to productive contributions of some birth cohorts is higher than that of others. The demographic challenges of ECE generally mean that in these countries in the decades ahead, all else being equal, smaller middle-aged generations will need to support through their productivity, one way or the other, much larger old and very old generations, who are, in turn, likely to become increasingly dominant electoral
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Between 1990 and 2040, the share of the oldest-old (aged 80 or older) will have more than tripled in Hungary and Latvia and more than quadrupled in Romania and Poland. Over the same period, the share of the population aged 65+ will have almost doubled in Hungary (to reach 25%), more than doubled in Latvia (to reach 26%) and increased 2.5 times in Romania and Poland (to reach, respectively, 25% and 26%) (Vanhuysse and Perek-Bialas, 2021, p. 376). This trend will powerfully affect larger societal and political-electoral dynamics.

3 Young exit and low quality of governance

The risk of ruptured intergenerational contracts is aggravated, notably in the Baltic states, Romania and Bulgaria (but much less so in Czechia and Slovenia), by a particular form of population decline after EU accession: significant outmigration of adults in their twenties and thirties – the childbearing and family-formation life stages. This ‘young exit’ is empirically associated with low levels of governance quality. Compared to the European average, East Central European countries have tended to combine above-average net emigration levels with below-average governance levels within the EU, including higher levels of corruption and lower levels of adherence to the rule of law, government effectiveness and regulatory quality.4

When free movement to Western Europe became available to them through EU membership, large numbers of young adults in Central and Eastern Europe reacted by voting with their feet to seek better economic opportunities than they could expect to find at home (notably in the medical, nursing and care sectors and in certain blue-collar professions), but also to access better public goods, including better infrastructure, education and quality of governance. In so doing, they took their

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3 This intergenerational strain may be modified, but is unlikely to be resolved, by the possibility that the capacity of the middle-aged generation to support more older persons could be compensated for in part by the possibility that less overall support will be needed for the smaller-sized younger generations. Of course, all else being equal, this strain will reappear in a more acute form later when these smaller-sized younger generations become middle-aged, and need to shoulder both downward and upward resource transfers to, respectively, younger and older generations of different sizes and/or varying longevity.

4 The bivariate correlation between average net immigration per 1000 persons in 2005–2010 (after EU accession) and Kaufmann and Kraay’s (2020) composite Worldwide Governance Indicator (averaging six dimensions: Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption) in the five preceding years is 0.51. Except for Czechia and Slovenia (which rank below average only on governance), all ECE countries are situated in the bottom-left quadrant of the EU sample, which is characterised by below-average (typically negative) net immigration combined with below-average governance (data for Bulgaria and Romania refer to 2008–2013 and 2003–2008, respectively). Thanks to Frederik Pfeiffer for data assistance. Note also that especially in recent years, countries such as Czechia, Slovenia and Poland (since about 2019) have reported a positive migration balance, in part due to instability and poor living standards further East (including, tragically, the Ukraine war), and in part as a result of Brexit.
skills and human capital with them, even though their education had been almost fully financed by the tax contributions of the preceding generation back home. This perverse form of poorer-East-to-richer-West brain drain – or cream skimming – is the other side of the valued ‘freedom of movement’ coin. It contains more than a whiff of both international and intergenerational unfairness/imbalance. To the extent that these young emigrants subsequently started or expanded families and stayed abroad, East Central European population losses and valuable human capital losses were compounded over multiple generations.5

So what are the appropriate responses? Here’s the rub: the prospects for policy solutions do not appear rosy either. This is not just because the capacity of the state to compensate for low fertility through human capital investment in health and education is generally limited, especially in countries with declining populations (Siskova et al., 2022). What is more, adopting a political demography lens shows that politics is endogenous to the problem at hand (Goerres and Vanhuysse, 2021). East Central Europe’s population predicament has in part been caused, rather than tempered or resolved, by states. It is precisely the productivity-adjusted demographic continuity underlying the intergenerational contract that is at risk in East Central Europe, where systemic failures of governance along multiple dimensions have contributed to eroding, rather than fortifying, the human capital foundations and the longer-term resilience of the welfare state. To better understand the roots of the current population challenges, we need to study the political pathways leading up to the present (Cerami and Vanhuysse, 2009). Below I build on Vanhuysse and Perek-Bialas (2021) to argue that there is a distinctly East Central European phenomenon of political push before demographic pull in the 1990s, followed by a decades-long political failure to prepare for predictable demographic change.

4 Lopsided loyalty: Manufactured grey voice and premature pro-elderly bias

Early in their transitions to market democracy, many ECE governments proactively tried to buy social peace and political quiescence by (ab)using social policies, notably public pension systems, as buffers against large-scale unemployment and social unrest (Vanhuysse, 2019). This led to historically unprecedented numbers of working-age citizens seeking to retire early or to receive a disability pension. This massively bloated pension systems at a time when levels of population ageing were very modest. In the first seven years of the transition alone, the estimated share of pensioners within the electorate increased from 32 to 40 percent in Hungary and from 27 to 34 percent in Poland (Vanhuysse, 2006, p. 120). In Slovakia, 80 percent of new pensioners

5 These dynamics may be mirrored by the tens of thousands of young Ukrainians (especially women) who have fled the Russian invasion by going westward since February 2022, notably to Poland and the Baltic states.
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retired early by 1994, compared to barely any five years earlier, while Slovenia was one of just three out of 28 European countries where narrow pensioners’ parties had sustained electoral success (Vanhuysse and Perek-Bialas, 2021, p. 380).

This politically ‘pushed’, rather than demographically ‘pulled’, boom in pensioner numbers set in motion powerful new electoral dynamics and policy feedback mechanisms leading to the emergence of pensioners’ democracies or gerontocracies (Vanhuysse and Perek-Bialas, 2021). The much-enlarged grey voice has made it harder to retrench or reform pension systems, to reduce pro-elderly policy bias or to tackle special pension regimes for farmers, police, military and other occupational groups. Multiplying the electoral turnout rates and group sizes of elderly and younger voters, Vanhuysse and Goerres (2021) constructed an indicator of the relative power of elderly voters for a 109-country sample in 2015. Remarkably, on this elderly power indicator, six ECE countries ranked among the top 20 within this global sample. Large parts of East Central Europe were far along the path to gerontocracy well before they started ageing rapidly.

Unsurprisingly, these electoral power balances were reflected in policy outcomes. The Visegrad Four and Slovenia, unlike the Baltic states, have evolved along new pathways towards prematurely high levels of pro-elderly policy bias, measured as overall per capita social spending on the elderly relative to on the non-elderly. As Figure 1 shows, around the time of the 2007–2008 global economic crisis, not just the ‘usual South European suspects’ of Greece, Italy and Portugal, but also these five

Figure 1:
Elderly bias of social spending ratio (EBiSS), 2007–2008

Source: Author’s computations.
demographically still younger East Central European societies, had the most heavily pro-elderly biased policies in the OECD, as measured by the elderly bias in social spending ratio (EBiSS).\(^6\)

The welfare state in Slovakia spent 6.6 times as much on every elderly Slovak as on every non-elderly Slovak in the late 2000s. By contrast, in demographically comparable Ireland, that ratio was just 2.7. And Poland occupied, as it were, the pole position within the entire OECD in pro-elderly policy bias, spending 8.6 times as much on every elderly Pole as on every non-elderly Pole. But in demographically comparable New Zealand, the state spent only 2.7 times as much. Similarly, while effective retirement ages have been raised from internationally low levels in the past two decades (except in Slovenia), systemic pension reforms adjusting for increasing life expectancy and rising old-age dependency ratios have been few and far between – and have been subject to reversals and political business cycles. In sum, politics came first, while policy outcomes came second. Thus, grey electoral clout led to premature pro-elderly bias well before demographic challenges really kicked in.

5 Multidimensional failures of governance in the face of predictable demographic developments

While the size and the pace of the early post-communist drops in fertility and the post-EU-accession westbound emigration flows were partially unexpected, the larger long-term demographic picture was not. Observing accelerating population ageing trends is not unlike watching elephants on the move: they are enormous, momentous, easy to spot and slow in getting started. The old-age dependency ratio has been rising steadily since at least 1990 in the Baltics, Slovenia, Romania and Bulgaria, but from comparatively low levels. Moreover, while it is rising quickly now, this ratio did not start increasing significantly until 2010–2015 in the Visegrad Four. Thus, these countries benefited from having a particularly long demographic window of opportunity to better prepare for changing demographic dynamics.

An adaptive, non-myopic policy response would have been to rebalance lopsided policy models towards the non-elderly, notably towards parents and children. There was a need for policies that placed more value on social reproduction and social investment as a means of promoting individual human flourishing.

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\(^6\) On the elderly-oriented spending side, the EBiSS numerator includes old-age-related benefits in cash and in kind, survivors benefits in cash and in kind, disability pensions, occupational injury and disease-related pensions, and early retirement for labour market reasons. On the non-elderly-spending side, the EBiSS denominator includes family benefits in cash and in kind, active labour market programs, income maintenance cash benefits, unemployment compensation and severance pay cash benefits, and all education spending. To control for demographic structure, the resulting elderly/non-elderly social spending ratio has been adjusted by the means of each country’s old-age support ratio – i.e., the number of persons aged 20–64 over the number of persons aged 65 or older (Vanhuysse, 2013). For more on elderly bias in public policy, see Gamlil-Yehoshua and Vanhuysse (2010); Vanhuysse (2014).
and intergenerationally cohesive and gender-egalitarian societies, rather than for policies that were merely tools in the service of pro-natalist and pro-familialist political ideologies. In particular, there was a need for high-quality education programs, especially in early childhood: a social policy with high social returns that could be characterised as genuine investments in future foundations, rather than as consumption spending (Vanhuysse, 2015). In the same vein, family-work reconciliation policies and other legal and policy measures aimed at changing cultural (gender) norms and valuing caregivers more would have better rewarded parents who were rearing the next generation to productive adulthood at home (Gál et al., 2023). But over the past three decades, ECE countries have, on the whole, comprehensively failed to sufficiently reform their policy models to better prepare for the faster population ageing ahead (Vanhuysse and Perek-Bialas, 2021). There are multiple and mutually reinforcing reasons for these countries’ failures, including their low levels of administrative capacity, their patronage politics and other semi-corrupt political practices, and, subsequently, their significant democratic backsliding, especially, but not solely, in Hungary and Poland (e.g., Dobbins and Labanino, 2023; Vanhuysse, 2008).

The political demography of this missed opportunity to develop policy models in preparation for expected demographic change is reflected in a host of synthetic policy or outcome indicators, reviewed in Vanhuysse and Perek-Bialas (2021). According to the EU’s four-domain, 22-dimensional Active Aging Index, Poland occupied the bottom position in the 27-country sample in 2012, while Hungary ranked third lowest, Latvia ranked sixth lowest and Romania was in the eighth lowest position. According to UNICEF’s five-domain, 26-dimensional indicator of child well-being for 29 countries, Romania and Latvia occupied the two bottom positions, while Hungary and Poland occupied the ninth and 10th lowest positions, respectively. Today, Slovenia and Estonia generally rank high on family-friendly policy indicators, above Finland and alongside the other Nordic countries: on UNICEF’s four-domain, 41-country ranking, Slovenia was in the fourth position and Estonia was in the eighth position (Chzhen et al., 2019). Elsewhere, however, East Central European family policy regimes have generally ranked poorly, as they have generally either reinforced only mothers’ roles in raising children, or have left parents with little public support altogether (Javornik, 2014).

The contrasting policy pathways taken by the Baltic states and the Visegrad Four are particularly evident when comparing approaches to investing in the future human capital basis of these now rapidly ageing welfare states. The Baltics, and especially Estonia and Latvia, have proactively implemented comprehensive social investment strategies as an integral part of larger programs of post-Soviet nation-building and of welfare state recalibration aimed at building more competitive, skill-focused political economies (Toots and Lauri, 2022). By contrast, in the Visegrad Four countries, right-wing parties have always been critical of or hostile to social investment policies (including when – or, rather, because – these policies were strongly pushed by the EU), and even left-wing and politically liberal parties have never been wholeheartedly supportive of such policies. These countries have evolved
from implicitly neglecting social investment in the early post-communism period to explicitly rejecting such policies in recent decades (Szelewa and Polakowski, 2022). With the partial exceptions of Estonia and Poland (which have made great strides in PISA scores since 2010) and Czechia (which performed well in mathematics), ECE countries have performed consistently poorly on PISA tests. Even in the recent PISA waves, the ‘Eastern’ EU scored lower on average than the ‘Western’ EU on mathematics and problem-solving, with Romania, Hungary and Bulgaria being particularly poor performers (Vanhuysse, 2015).

6 Alarm bells ringing

Sustainable and balanced intergenerational resource transfer constellations are the glue that binds societies together over time (Vanhuysse et al., 2021; Vanhuysse and Gál, 2023). While any one policy indicator ought to be used with the same caution as demographic indicators, low performance on the wide array of indicators discussed here constitutes an ominous sign of deeper social problems and biased policy priorities in most of East Central Europe. Alarm bells should therefore be ringing, warning of the real and present danger of increased intergenerational imbalances, and of fraying, or mutating, social contracts.

Apparently modifying this picture somewhat, after 2010–2015, the political salience of family policy (as well as working-life extension) has been increasing in much of (non-Baltic) East Central Europe, especially in Poland and Hungary (Inglot et al., 2022). However, this shift was typically driven by the pro-natalist and neo-familialist ideologies of the strongly Christian-conservative, nationalist-populist and gender-regressive parties that are also behind the significant democratic backsliding (Cook et al., 2023; Szelewa and Polakowski, 2022). This new neo-familialist policy focus has improved mothers’ and children’s well-being relative to previous decades, even though it was not the result of a genuine desire to build resilient future foundations by better rewarding both fathers and mothers for their contributions to social reproduction and by investing more in the human capabilities of young generations. Moreover, by the early 2010s, the levels of political clout of grey voters in East Central Europe were already among the highest in the world (Vanhuysse and Goerres, 2021).

All in all, this adds up to a bleak population-political macro-picture for most of this region, with Estonia being the most notable exception. Now that the long demographic window of opportunity is closed, the prospects for policy responses that would redress past generational imbalances and boost future human capital are further constrained by young exit, grey voice, and gender-regressive, neo-familialist population politics. Political dynamics are an additional reason to worry about a generational contract under pressure in East Central Europe, both today and tomorrow.
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References


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