



ESPN Thematic Report on Social Investment Hungary 2015

Fruzsina Albert and Robert I. Gal
January – 2015



EUROPEAN COMMISSION

Directorate-General for Employment, Social Affairs and Inclusion
Directorate D — Europe 2020: Social Policies
Unit D.3 — Social Protection and Activation Systems

Contact: Valdis ZAGORSKIS

E-mail: Valdis.ZAGORSKIS@ec.europa.eu

*European Commission
B-1049 Brussels*

EUROPEAN SOCIAL POLICY NETWORK (ESPN)

**ESPN Thematic Report on
Social Investment
Hungary**

2015

*Fruzsina Albert (Hungarian Academy of Sciences, Centre for Social Sciences and
Károli Gáspár University of the Reformed Church of Hungary)*

*Robert I. Gal (Hungarian Demographic Research Institute and
TARKI Social Research Institute)*

The European Social Policy Network (ESPN) was established in July 2014 on the initiative of the European Commission to provide high-quality and timely independent information, advice, analysis and expertise on social policy issues in the European Union and neighbouring countries.

The ESPN brings together into a single network the work that used to be carried out by the European Network of Independent Experts on Social Inclusion, the Network for the Analytical Support on the Socio-Economic Impact of Social Protection Reforms (ASISP) and the MISSOC (Mutual Information Systems on Social Protection) secretariat.

The ESPN is managed by CEPSINSTEAD and APPLICA, with the support of OSE - European Social Observatory.

For more information on the ESPN, see:
<http://ec.europa.eusocialmain.jsp?catId=1135&langId=en>

***Europe Direct is a service to help you find answers
to your questions about the European Union.***

Freephone number (*):

00 800 6 7 8 9 10 11

(*) The information given is free, as are most calls (though some operators, phone boxes or hotels may charge you).

LEGAL NOTICE

This document has been prepared for the European Commission, however it reflects the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein.

More information on the European Union is available on the Internet (<http://www.europa.eu>).

© European Union, 2015

Reproduction is authorised provided the source is acknowledged.

Contents

SUMMARY	6
1 ASSESSMENT OF OVERALL APPROACH TO SOCIAL INVESTMENT	8
2 ASSESSMENT OF SPECIFIC POLICY AREAS AND MEASUREMENT/ INSTRUMENTS	9
2.1 Support for early childhood development	9
2.1.1 Early childhood education and care (ECEC).....	9
2.1.2 Family benefits (cash and in-kind).....	10
2.1.3 Parenting services	11
2.2 Supporting parents' labour market activity	12
2.2.1 Childcare.....	12
2.2.2 Long-term care	12
2.2.3 Maternal/paternal/parental leave schemes	13
2.3 Policy measures to address social and labour market exclusion.....	13
2.3.1 Unemployment benefits	13
2.3.2 Minimum income.....	14
2.3.3 Active labour market policies	15
2.3.4 Social services	16
APPENDIX	17

SUMMARY

- Social investment is not a central theme in most Hungarian social policy and has not been adopted as an explicit social policy approach.
- Overall, fiscal consolidation rather than social investment has been the dominant influence since 2010.
- A focus on child poverty and on early intervention can generally be highlighted as positive examples of a social investment-type approach. The main relevant targets of government measures in ECEC are aiming at the expansion and reinforcement of quality education in early childhood and integrated pedagogical programs in kindergartens, especially targeting disadvantaged children (e.g. Sure Start Children's Houses, kindergarten support, compulsory enrolment in kindergarten from 3 years (from September 2015) and summer and school meals programs) Early childhood development is increasingly facilitated and the continued expansion of services is very important in this regard.
- The employability of mothers has also improved due to new legislation on child care leave, a moderate expansion of childcare facilities and job subsidy schemes. There are also policies that certainly do not point in the direction of the social investment approach. Despite the relatively small (and especially related to unemployment, decreasing) share of social assistance-related costs, during recent years a number of measures which negatively affected the provisions of the social protection system have been introduced (e.g. tightening the conditions of provisions for the unemployed, social provisions and family cash transfers, and even the nominal value of certain provisions have been decreased, a number of family benefits have lost at least 20% of their value since 2008 and the new family tax allowance only improves the situation of children in working families).
- These above measures significantly contributed to the fact that up to 2014 there has been a significant increase in poverty, especially in case of children. The introduction of a flat rate tax system allowed wealthier people to keep more of their money while the lowest income deciles received a decreasing share of income. As a result social inequalities have increased. The effectiveness of social redistribution has decreased if we compare poverty levels before and after social transfers over the years.
- Recent and planned reforms of the educational system point in the direction of less accessibility.
- In recent years Hungary transformed unemployment benefit provisions. However, support provided to those experiencing social and labour market exclusion can be considered as increasingly inadequate. Although the government improved employment figures mostly as a result of the wide-scale public work scheme, it hasn't prevented the population from being more and more affected by poverty and social exclusion. More than half of registered jobseekers are without benefits. The wage for public workers is lower than the minimum wage, but is still significantly higher than the social provision for those in active age capable of work, thus unemployed people dominantly value the opportunity for work. Although the registered unemployment status and receiving social provisions are conditioned on the jobseeker's agreement with the public employment centre, it is often an administrative exercise instead of an individualised development plan. Employment and social services often cooperate to help their clients, but this cooperation is not formalised. It would be a very positive step to introduce a profiling system to better respond to the needs of various groups of the unemployed.
- Public work has become the most dominant measure in employment schemes for vulnerable people (among them the Roma population) and involves a record number of participants, although the most recent studies indicate its very

limited effectiveness in enhancing participation in the primary labour market. Its extension has happened at the expense of other, more effective active labour market policies e.g. training, mentoring etc. More resources should be provided for complex, integrated and personalised services.

1 Assessment of overall approach to social investment

This report reviews whether and how social policies in Hungary since 2010 have followed the aspirations set out in the 2013 European Commission's *Social Investment Package (SIP)*. Social investment policies are defined as those designed to improve human capital and support people's participation in economic and social life, as well as preventative policies to confront new social risks and poverty. Social investment thus implies policies with a return on investment over the life-cycle.

Social investment is not a central theme in most Hungarian social policy; the term itself is hardly ever used. However, some policies can be said to be of a social investment type. In particular, a focus on child poverty and on early intervention generally can be said to point in this direction. However, even since 2013, social investment has not been adopted as an explicit social policy approach.

The coalition government's strategy (in power since 2010) has been to support working families with children and enhance employment. Overall, fiscal consolidation rather than social investment has been the dominant influence since 2010. There are policies that certainly do not correspond to a social investment approach. The introduction of a flat-rate tax system and the abolishment of tax credits for low-wage earners allowed wealthier people to keep more of their money¹ while social benefits (at best) have not been increased since 2008. Several mainstream measures of social and employment policy have a rather negative effect on the situation of disadvantaged groups, thus up to 2014 there has been a significant deterioration of AROPE indices, especially so in the case of children (AROE 2008:33.4%, 2013:43% for children 0-18).² The social protection system is becoming less and less effective, and social inequalities are growing (among others the ratio of per capita incomes in the lowest and highest income deciles grew from 7.2 in 2009 to 9.0 in 2012³, and from 2012 to 2013 the average net household per capita income increased by 2.9%, but by only 1.7% for the poorest income decile and 3.6% for the richest.⁴) The relative poverty rate of households with and without cash transfers has decreased since 2005 from 3.9 to 3.6 in 2007, 3.4 in 2009 and 2.7 in 2012.⁵ Together with the new flat-rate tax system, a new family tax allowance was also introduced in January 2011, but due to limited income levels, most families with children cannot enjoy its positive effects. In 2014, tax modifications favouring families with children in lower income brackets were introduced, which is expected to leave additional income with low wage earners with children⁶. The general and widely publicised utility price cutbacks disproportionately favour those in the best income positions.⁷ Reforms of the educational system also point towards the increasing exclusion of students from disadvantaged backgrounds.⁸

¹ Tóth G. Csaba – Virovác Péter: Nyertesek és vesztesek. A magyar egykulcsos adóreform vizsgálata mikroszimulációs módszerrel. In: *Pénzügyi Szemle* 58. vol., 2013/4. pp. 385-400.

<http://www.asz.hu/penzugyi-szemle-cikkek/2013/nyertesek-es-vesztesek-a-magyar-egykulcsos-adoreform-vizsgalata-mikroszimulacios-modszerrel/toth-virovac-2013-4.pdf>

² See Bouget, D., Frazer, H., Marlier, E., Sabato, S. and Vanhercke, B. (2015), *Social Investment in Europe: A study of national policies*, Annex 3 – Selection of indicators, European Social Policy Network (ESPN). Brussels: European Commission. (hereafter: Bouget et al. (2015), Annex 3) , Tables A5, A6, A7, C14, C15.

³ *Egyenlőtlenség és polarizálódás a magyar társadalomban. TÁRKI Monitor Jelentések 2012*, Szívós, P. – Tóth I.Gy. (eds), 2013 April. p. 46. http://www.tarki.hu/hu/research/hm/monitor2012_teljes.pdf .

⁴ *A háztartások életszínvonala*. 2014 november. KSH. p. 7.

<http://www.ksh.hu/docs/hun/xftp/idoszaki/hazteletszinv/hazteletszinv.pdf>

⁵ *Egyenlőtlenség és polarizálódás a magyar társadalomban. TÁRKI Monitor Jelentések 2012*, Szívós, P. – Tóth I.Gy. (eds), 2013 April. p. 41. http://www.tarki.hu/hu/research/hm/monitor2012_teljes.pdf

⁶ <http://2010-2014.kormany.hu/hu/nemzetgazdasagi-miniszterium/hirek/elo-kozvetites-a-2014-es-koltsegvetesi-torvenyjavaslat-sajtotajekoztatoval-egybekotott-unnepelyes-atadasa>

⁷ For more detailed analysis see in Hungarian: I. Regionális Energiagazdasági Kutatóközpont (2013) *Vihar a rezsiben: A REKK elemzése a 2013. januári rezsicsökkentésről*, REKK-1/2013 műhelytanulmány 2013 március. [http://www.rekk.eu/images/stories/letoltheto/rekk-rezsi-muhelytanulmany.pdf?14c7e2ee2520855d5ac98ec049c29945=f38922b803f0c925c2f87ecf6e0634d9,Dr.Czinkotai János \(2013\) Csökkenő kamatok és csökkenő infláció Magyarországon](http://www.rekk.eu/images/stories/letoltheto/rekk-rezsi-muhelytanulmany.pdf?14c7e2ee2520855d5ac98ec049c29945=f38922b803f0c925c2f87ecf6e0634d9,Dr.Czinkotai%20János%20(2013)%20Csökkenő%20kamatok%20és%20csökkenő%20infláció%20Magyarországon) http://www.mnb.hu/Root/Dokumentumtar/MNB/Kiadvanyok/mnbhu_egyebkiadvanyok_hu/Csokkeno_kamatok_es_csokk_eno_inflacio_Magyarorszagon.pdf, [http://energiaklub.hu/search/node/rezsicsokkentés, JM \(2013.04.02.\)](http://energiaklub.hu/search/node/rezsicsokkentés,JM(2013.04.02.)) Drágán megfizetjük a 10%-os rezsicsökkentést

As resources are increasingly limited, the government plans to establish a “workfare society” (“munkaalapú társadalom”), using work-test to limit the circle of recipients of social provisions by analysing whether someone deserves to be helped. It excludes those who prove to be undeserving⁹ (e.g. school absenteeism is sanctioned both for the child and the parent, in cash and in kind, in access to public work). This involves tightening eligibility criteria and redefining who is eligible. Despite the relatively small¹⁰ (and as far as unemployment is concerned, decreasing¹¹) share of social assistance-related costs during recent years, a number of measures affecting the provisions of the social protection system were introduced, e.g. tightening the conditions of provisions for the unemployed, social provisions and family cash transfers¹², and even the nominal value of certain provisions has been decreased, thus the effectiveness of social redistribution has decreased significantly¹³. Although the National Social Inclusion Strategy contains a number of measures, and these programmes are very important, there are also a number of drawbacks. Firstly, they do not (and cannot) deal with the income of affected families (as a minimum subsistence level should be provided by the state). Secondly, they often involve only a limited circle of the target group and finally they cannot be sustained after the project financing ends. As a result, most of the results vanish in time and do not get incorporated in the system (an exceptional counter-example would be the Sure Start Children’s Houses).

2 Assessment of specific policy areas and measurement/instruments

2.1 Support for early childhood development

2.1.1 Early childhood education and care (ECEC)

Early childhood education and care (ECEC) has been the area where social-investment type policy interventions have been most prevalent in Hungary, and the concept of early intervention has been increasingly supported. The fight against child poverty and measures to promote the labour-market participation of parents are highlighted policy objectives. These are justified by a significant deterioration of AROPE indices especially in the case of children (there was a slight improvement for 2014). Children are the most affected demographic group at-risk-of-poverty. The AROPE index is 36.3% in the case of families with children and 25.7% for childless families. The risk is especially high in the case of one-parent families, 61.5%, which is a 2.2% increase over a year, from 2013 to 2014¹⁴. The integrated approach of strategic documents such as the National Social Inclusion Strategy could be further enhanced in practice.

The main relevant targets of government measures in this field are aiming at the expansion and reinforcement of quality education in early childhood and integrated pedagogical programs in kindergartens. A successful model in the field of early

<http://index.hu/gazdasag/2013/04/02/rezsicsokkentese/>, JM (2013.09.18.) Drágán nyert csatát a kormány a rezsiháborúban <http://index.hu/gazdasag/2013/09/18/rezsiharca/>

⁸ Hajdú T., Hermann Z., Horn D., Kertesi G., Kézdi G., Köllő J., Varga J.: *Az érettségi végelmében*. Budapesti Munkagazdaságtani Füzetek, MTA KRTK, Budapesti Corvinus Egyetem, BWP- 2015/1. <http://www.econ.core.hu/file/download/bwp/bwp1501.pdf>

⁹ For a detailed analysis see also Szikra D. (2014): Democracy and welfare in hard times: The social policy of the Orbán Government in Hungary between 2010 and 2014 In: *Journal of European Social Policy* published online 10 September 2014.

<http://esp.sagepub.com/content/early/2014/09/10/0958928714545446>

¹⁰ See Bouget et al. (2015), Annex 3, Table C2.

¹¹ See Bouget et al. (2015), Annex 3, Table C1.

¹² *Egyenlőtlenség és polarizálódás a magyar társadalomban*. TÁRKI Monitor Jelentések 2012, Szívós, P. – Tóth I.Gy. (eds), 2013 April. p.7, http://www.tarki.hu/hu/research/hm/monitor2012_teljes.pdf.

¹³ For children, Bouget et al. (2015), Annex 3, Figure 4, Table B.17.IV.

¹⁴ A háztartások életszínvonala. 2014 november. KSH.

<http://www.ksh.hu/docs/hun/xftp/idoszaki/hazteletszinv/hazteletszinv.pdf>.

childhood education for disadvantaged children is the Sure Start Children's Houses.¹⁵ After the end of EU financing, they receive further state financing for 3 years, which is a significant achievement and good practice. Sure Start Children's Houses are listed now even in the child protection law among basic services for child welfare. They have proven to be successful in making up for disadvantages in child development and facilitating access of both children and parents to health and social services.

In kindergartens special services exist to make up for disadvantages of children (e.g. speech therapist, development specialist). These services are increasingly available but still reach only a fraction of children.¹⁶ Professionals and teachers find it quite undesirable that extra-curricular, developmental programs are financed from project funds (e.g. the Social Renewal OP). As a result, they cannot be counted on permanently and systematically and therefore cannot operate efficiently.

The kindergarten attendance support¹⁷ introduced in 2009, is a conditional cash transfer to enhance the participation of disadvantaged children in kindergarten care. The compulsory enrolment in kindergarten from 3 years (in effect from 1 September 2015¹⁸) will enhance the participation of disadvantaged children (among them Roma children) in pre-school education, thus kindergarten support will cease to exist. However there is no information about the quality of activities in kindergartens. The majority of 3-5 year-olds already attend kindergarten (88.3% in 2012).¹⁹

2.1.2 Family benefits (cash and in-kind)²⁰

Although child-related social protection expenditure is still relatively high in Hungary, between 2008 and 2013, the effect of social transfers (excluding pensions) on the reduction of the at-risk-of-poverty rate of children's below 18 was the second most negative in the EU.²¹

To improve the situation of working families with children, together with the new flat-rate tax system, a new family tax allowance²² was also introduced in January 2011. The majority of children however, even nationally, live in families with very limited income, so they cannot enjoy the positive effects of the alteration of the tax system (they have no or limited work-related income).²³

As part of efforts to alleviate child poverty, free or discounted meals in crèches, kindergartens and in primary schools have been provided to children from families with low levels of income or with 3 or more children. There have been programs to support the nutrition of poor children during the summer time for years.²⁴

Universally available supports include cash benefits: the family allowance, childcare allowance (GYES), child raising support (GYET), and maternity support. Some cash provisions, like the universal family allowance and childcare benefits are estimated to have lost 20% of their value between 2008 and 2012, and this value loss continues. Family benefits play a very significant role in alleviating the financial situation of the poorest families with children, since these benefits amount to an average of 18% of overall household incomes for families in the lowest income deciles.²⁵ In order to

¹⁵ See Appendix.

¹⁶ *Civil jelentés a gyermekesélyekről, 2011.* Eds: Ferge Zs. – Darvas Á., Budapest 2012 http://gyere.net/downloads/Civil_jelentes_2011.pdf, p. 122.

¹⁷ See Appendix.

¹⁸ 2011. CX. law 8.§ (1)

¹⁹ *Statistikai Tükör VII/32.* <http://www.ksh.hu/docs/hun/xftp/idoszaki/oktat/oktatas1213.pdf>

²⁰ For more information, see Albert, F. (2014) Investing in Children: Breaking the cycle of disadvantage - A study of national policies (Country Report - Hungary), for European Commission.

²¹ See Bouget et al. (2015), Annex 3, Figure A4.

²² See Appendix.

²³ *Civil jelentés a gyermekesélyekről, 2011.* Eds: Ferge Zs. – Darvas Á., Budapest 2012 http://gyere.net/downloads/Civil_jelentes_2011.pdf, p. 22.

²⁴ See Appendix.

²⁵ Egyenlőtlenség és polarizálódás a magyar társadalomban. TÁRKI Monitor Jelentések 2012, Szívós, P. – Tóth I.Gy. (eds), 2013 April. p. 41.

ensure the children's regular school attendance, from 30 August 2010, the family allowance is paid as schooling benefit to families whose children are of compulsory schooling age. In case of a certain extent of unjustified absence (50 lessons) from school, the benefit is suspended. If the child begins attending school again, the suspended amount of the schooling benefit has to be paid to the family in kind. This measure affects socially excluded families to an increased extent and sanctioning has further tightened. Truancy used to be sanctioned by the suspension of the family allowance which would then be paid after truancy ended. Currently it is repealed entirely.²⁶

Other forms of support linked to payment of social insurance contributions are delivery/confinement assistance (TGYÁS), childcare fees (GYED), and sick pay for a parent who stays at home with a sick child. Due to the tax reform in 2012, the amount of TGYÁS and GYED calculated based on the minimum income decreased by HUF 8,900 per month.²⁷

The child protection benefit is a passport-type benefit. When granted, it does not only slightly increase the family income, but also establishes entitlement to free or low-cost preschool and school meals and free textbooks for some groups of recipients. However, the fact that neither the amount of the benefit nor the eligibility ceiling has changed in recent years, practically means a decrease in the value and the increasing limitation of the circle entitled to provision. Furthermore, from October 2012 the benefit must be provided in kind, in the form of the so-called Erzsébet-vouchers.

2.1.3 Parenting services

Hungary has an extensive institutional framework for family support and child protection. Unfortunately, a number of families and children in the most disadvantaged situations either do not have access to these services, or can receive only less efficient ones. The accessibility, the material and human resources of such services are significantly worse in the most disadvantaged regions and small settlements.²⁸

In Hungary, there is also a comprehensive system of district nurses providing care for pregnant mothers and families with very small children, but with similar inequalities to those mentioned above in access to such services.²⁹

Parenting services in a strict sense only sporadically exist in Hungary (mostly for disadvantaged parents, e.g. Storytelling Mothers' Project³⁰ and certain activities at Sure-Start Children's Houses). The reduction of institutional care in early childhood is a priority: as compared to 2010, the number of children in foster care increased by 2,000, to 12,500 children. By 2014, 90% of children below 3 years of age lived with foster parents. The system of application and training for foster parents is becoming more flexible.³¹

http://www.tarki.hu/hu/research/hm/monitor2012_teljes.pdf .

²⁶ Darvas Á.-Farkas Zs. (2012) A gyermekek helyzetének változása Magyarországon a válság éveiben: kormányzati szándékok a jogszabályok tükrében. in: *Esély* 2012/6. p. 37.

²⁷ Darvas Á.-Farkas Zs. (2012) A gyermekek helyzetének változása Magyarországon a válság éveiben: kormányzati szándékok a jogszabályok tükrében. in: *Esély* 2012/6. p. 35.

²⁸ Jelentés a "Legyen jobb a gyermekeknek" Nemzeti Stratégiai Értékelő Bizottág 2011. Évi feladatainak végrehajtásáról. Drosztmerné K.M. et al. (eds.) 2012 March.

²⁹ http://www.mave.hu/uploads/file/Vedono%20hivatas%202010_%20VEDONO%20folyoirat%202011_1sz-29-39.pdf.

³⁰

http://www.szocialmarie.org/projektek/mesed_meselo_edesanyak.2945.html?downloadType2945=pdf_hu&downloadFile2945=2537.

³¹ <http://www.kormany.hu/hu/emberi-eroforrasok-miniszteriuma/szocialis-ugyekert-es-tarsadalmi-felzarkozasert-felelos-allamtitkarsag/hirek/tovabb-erositi-a-kormany-a-neveloszuloi-szolgalatot>.

2.2 Supporting parents' labour market activity

2.2.1 Childcare

There has been a slow and moderate, but steady growth in the availability of crèches for children under 3, but the level of availability is still very low³². The costs, although increased in 2011 are still very moderate (5.1% of average wage)³³, especially in a European context. The operation of crèches is regulated by law and government decrees and there is tight quality control. The expansion (though slow when compared to needs) of the Sure Start Children's Houses is also a positive phenomenon. Although the availability of crèches in disadvantaged micro-regions and small settlements is significantly worse than the country average, a targeted survey found a significant increase in availability there, while country averages did not change (remained between 8 and 9%).³⁴ The availability of alternative day care (családi napközök) has also been increasing³⁵, although their fees are significantly higher than those in crèches. There were no government-funded programs to create new infrastructure for nurseries; however, Social Renewal Operational Program measure 2.4.5³⁶ provided funding for the development of day care for children below 3 years of age, and regional operational programs also supported the development of nurseries.³⁷ The spending for child day care increased between 2008 and 2012.³⁸

Kindergarten fees are quite moderate and depending on the financial situation and the number of children, there is a 50% or 100% reduction. The majority of kindergartens are run by local governments. From September 2015 on, kindergarten attendance will be compulsory from age 3 to ensure the participation of children from disadvantaged backgrounds. This will enhance their preparation for school and help to make up for disadvantages.

2.2.2 Long-term care

Long-term care (LTC) is generally treated as a marginal area in Hungary, which is also indicated by the low share of related social protection expenditure.³⁹ It barely attracts attention and political forces are not particularly inclined towards reform. The bulk of long-term care activities are left to households or an informal market. Empirical evidence⁴⁰ shows that familial relations play a particularly important role in the well-being of the elderly in Hungary.

The Labour Law allows relatives to go on unpaid leave for a maximum of two years in order to take care of relatives in need. No statistics were available on the frequency and average length of such leaves.

Over the last five years there has been an expansion of home-based care⁴¹. Between 2008, when the process started, and 2013 the number of recipients nearly tripled. The increase in the availability of long-term care is negatively related to the availability of

³² The lowest in the EU, see Bouget et al. (2015), Annex 3, Table A3.

³³ The second lowest in the EU, see Bouget et al. (2015), Annex 3, Table B7.

³⁴ Civil jelentés a gyerekesélyekről 2012-2013. P. 119.

http://www.gyere.net/downloads/Civil_jelentes_2012-2013.pdf.

³⁵ *Pörögnek a családi napközök. Magyar Nemzet* 2014.08.14. and

http://hvg.hu/itthon/20140814_Tarolnak_a_csaladi_napkozok_szaporodnak_a#utm_source=hirkereso&utm_medium=listing&utm_campaign=hirkereso_2014_8_14.

³⁶ See Appendix.

³⁷ Fazekas, K et al. (eds): *The Hungarian Labour Market 2013*, Centre for Economic and Regional Studies, Hungarian Academy of Sciences & National Employment Non-profit Public Company Ltd. Budapest, 2013, p. 288.

³⁸ See Bouget et al. (2015), Annex 3, Table A1.

³⁹ See Bouget et al. (2015), Annex 3, Table B2.

⁴⁰ Stoeckel KJ, Litwin H (2013): Personal social networks in Europe: do people from different countries have different interpersonal solidarities? In: Börsch-Supan A, Brandt M, Litwin H, Weber G (eds.): *Active ageing and solidarity between generations in Europe: First results from SHARE after the economic crisis*. Berlin: De Gruyter, 277-287.

⁴¹ See Appendix, Table 1.

jobs. Demand for labour is lower in smaller settlements but home care is more easily available (see Figure 1. in the Appendix). Instead of relieving households and increasing the labour force participation rate of relatives, public long-term care proved to be a job opportunity by itself. The rapid increase in the number of home care recipients was faster in smaller settlements.⁴² In order to contain this expansion the government raised the eligibility criteria for new recipients in January 2015.

2.2.3 Maternal/paternal/parental leave schemes

In Hungary, paid maternal leave is extremely long: there is 24-weeks maternity leave, but parents are allowed to take up to three years off and receive maternity benefits. For the first six months, a woman receives 70% of her previous salary (GYÁS), then until the child's second birthday, a Childcare Fee (GYED) is available, the amount paid is 70% of the previous earnings of the parent taking care of the child (it can be the father as well, but they do so only in 5-6% of families⁴³). However it is capped, and cannot be higher than 70% of twice the minimum daily wage. A benefit called Child Home Care Allowance (GYES) is available for parents or grandparents taking care of a child up to the age of 3, although this is a much smaller amount. For those who were unemployed when giving birth, only GYES is payable. The system of parental leave and childcare benefits has been modified several times since 2010, e.g. the necessary insurance period was extended. Employment figures of mothers with small children are very low.

To increase the employability of mothers with small children plus improve the financial situation for families with children, from 2014 on, Childcare Allowance Extra⁴⁴ was introduced, allowing parents unlimited work while concurrently receiving maternity benefits and childcare allowance. Employers of mothers with 3 or more children also receive further tax reductions.

These above measures improved the employability of women.⁴⁵

Fathers are entitled to five days paternity leave, to be taken in the first two months following the birth.

2.3 Policy measures to address social and labour market exclusion

2.3.1 Unemployment benefits

The AROP rate of unemployed persons increased from 44.9% in 2010 to 50.8% in 2013.⁴⁶ The share of the GDP of the government spending on unemployment benefits decreased from the already low 0.8% in 2008 to 0.6% in 2012.⁴⁷ In recent years Hungary transformed unemployment benefit provisions. This included abolishing the former unemployment assistance, tightening access to social assistance, and reducing the duration of unemployment insurance (now called job-seeking allowance ("*álláskeresői járadék*", available for maximum 90 days) as well as applying stricter conditions for availability. The reasoning behind this is that the source of the problem of low employment levels is on the supply side, that is, it is more favourable for people to live on social provisions, or maybe to have informal jobs than to find a permanent job, so curbing entitlements and provisions can force people back to the labour market, and the public works scheme can act as an educational tool to lead people back to work.⁴⁸ Although the government could improve employment figures,

⁴² Central Statistical Office Yearbook of Welfare Statistics, 2007 (CSO 2008), Table 7.8 and Central Statistical Office Yearbook of Welfare Statistics, 2013 (CSO 2014), Table 8.8.

⁴³ http://hvg.hu/plazs/20110620_ferfiak_gyese_n_magyar_apak/.

⁴⁴ See Appendix.

⁴⁵ Ministry for National Economy 2014. August 11. Based on KSH data.

⁴⁶ See Bouget et al. (2015), Annex 3, Table C15c.

⁴⁷ See Bouget et al. (2015), Annex 3, Table C1.

⁴⁸ Bakó Tamás et al.: *A munkaerőpiac peremén lévő és a költségvetés*. 2014. Szeptember p.4. http://www.parlament.hu/documents/126660/133966/MTA+KRTK+KTI+A+munkaer%C5%91piac+perem%

mostly as a result of the wide-scale public work scheme, it does not prevent the population from being increasingly affected by poverty and social exclusion. The 3month time frame of the unemployment benefit is too short (especially compared to the average time needed to find a new job, which is almost 20 months). Only 13.2% of 380,242 registered jobseekers received jobseekers' allowance⁴⁹ and 31% received social assistance at the end of September 2014. However, 27% of registered jobseekers have been looking for a job for longer than a year. 55.7% of jobseekers are without any benefits.⁵⁰ The amount of the Employment Replacement Subsidy, as of 01 January 2012, decreased from 100% of the minimum pension to 80%. The amount has not changed since then, but in 2015 a further 25% decrease is planned, and a complete, gradual abolishment by 2018.⁵¹

The wage for public workers, as introduced in 2012, is 77% of the minimum wage or 85% where secondary education is a minimum requirement for doing some public work. It has been adjusted to inflation, but its proportion compared to the minimum wage did not change. Public work has become the most important measure in employment schemes for vulnerable people, among them the Roma, and involves a record number of participants. It is not only a labour market tool but in fact has very important social functions and can be viewed as a social provision as well.⁵²

The amount of unemployment provisions, especially after the maximum 90 days of job-seeking allowance, is very low and insufficient to provide for even basic subsistence levels. It is very easy to remain without any provisions by not accepting any job offer or failing to take up the offered public work job, or breaking rules while doing public work e.g. consuming alcohol, etc. (55.7% of jobseekers are without any benefits).⁵³

2.3.2 Minimum income

Hungary is moving gradually away from a general minimum income scheme. The conditionality of provisions is increasing. Among OECD countries Hungary was the only country where cash income support (unemployment + social assistance) for those in active age significantly decreased between 2007/08 and 2012/13 (by 6% in real value⁵⁴, thus moving further and further away from the poverty threshold. Provisions for the poor are (at best) decreasing in real terms. In addition to which recent changes of the law (2012 CXVIII.⁵⁵) permit, that a portion of social assistance formerly provided in cash, can only be provided in vouchers to buy food products ready for consumption. According to further plans, additional significant restructuring and cutbacks in provisions will be introduced from March 2015.⁵⁶ The value of basic social provisions has not been increased (or has been decreased) since 2008. As a consequence of restrictions introduced by the government, the number of adults not receiving social benefits and being excluded from welfare services has increased in

[C3%A9n+I%C3%A9v%C5%91k+%C3%A9s+a+k%C3%B6lts%C3%A9qvet%C3%A9s+jav%C3%ADtott.pdf/ba01c982-873e-416c-8b7f-c6684fe55db8](http://www.afsz.hu/resource.aspx?ResourceID=en_afsz_stat_monthly_report_201409/ba01c982-873e-416c-8b7f-c6684fe55db8)

⁴⁹ Maximized at the level of the minimum wage (HUF 101,500 in 2014), available for a maximum period of 3 months.

⁵⁰ http://en.afsz.hu/resource.aspx?ResourceID=en_afsz_stat_monthly_report_201409

⁵¹ <http://www.orientpress.hu/134762>, <http://privatbankar.hu/makro/orban-alma-negy-ev-mulva-mindenkinek-lesz-munkaja-273951>, <http://www.stop.hu/belfold/orban-vizioja/1272727/>, <http://www.vg.hu/kozelet/politika/orban-kozeledunk-a-teljes-foglalkoztatottsaghoz-438113>

⁵² Bakó Tamás et al.: *A munkaerőpiac peremén lévők és a költségvetés*. 2014. Szeptember p.4. <http://www.parlament.hu/documents/126660/133966/MTA+KRTK+KTI+A+munkaer%C5%91piac+perem%C3%A9n+I%C3%A9v%C5%91k+%C3%A9s+a+k%C3%B6lts%C3%A9qvet%C3%A9s+jav%C3%ADtott.pdf/ba01c982-873e-416c-8b7f-c6684fe55db8>.

⁵³ http://en.afsz.hu/resource.aspx?ResourceID=en_afsz_stat_monthly_report_201409

⁵⁴ OECD (2014), *Society at a Glance 2014: OECD Social Indicators*, OECD Publishing. http://dx.doi.org/10.1787/soc_glance-2014-en p. 116 and p. 38.

⁵⁵ <http://www.magyarokzlony.hu/pdf/13606>.

⁵⁶ <http://www.vg.hu/gazdasag/gazdasagpolitika/lepasszoljak-a-felelosseget-440323>.

Hungary since 2011, a tendency particularly affecting Romani communities living in deep poverty.”⁵⁷

The maximum amount of regular social assistance is determined so that the income per consumption unit in a family cannot exceed the 90% of the minimum pension (not increased since 2008). From 2013, only one person per family is entitled to this provision. Its real value is estimated to have decreased by 20% between 2007 and 2013.⁵⁸ Changes in the social protection system since 2009 further strengthened social exclusion as they had a negative impact on social groups already in a vulnerable situation.⁵⁹

2.3.3 Active labour market policies⁶⁰

To promote the employability of disadvantaged groups in the labour market, the Job Protection Plan⁶¹ was launched in January 2013 to provide tax incentives to employers. In terms of wage subsidies, both the scope of eligible employers and employees was extended. So far 890,000 people took part in this scheme, including 150,000 young people; however, the plan can be used not only for new entrants but for current employees as well, so its direct impact on job creation is unknown. The unemployment rate in Hungary has fallen to below 8%.⁶² Employers of mothers in part-time jobs reduced their contributions. Single parents, although a significant at-risk group regarding child poverty, are not targeted with special measures.

Participation in public work⁶³ comprises the work incentive element for basic social provisions (minimum income) for those in active age and capable of work. Inability to meet the preconditions of the provision or violations of the rules while working in public work schemes (which, partly due to the discretionary elements in the system and the local power relations give way to discriminatory practices often in the case of the most disadvantaged) leads to exclusion from the system. This seems to be quite a harsh sanction in such a last resort type of provision. Public work has been the most dynamic employment program since 2010 and its further extension is expected for 2015. Now it is the most important employment program for those at the periphery of the labour market, while considering chances of employment after participating in the program it is the least effective.⁶⁴ Since 2011, funds for active labour market programs also decreased, the emphasis is shifting towards public employment, funds for active tools comprise around/less than 20% of public employment expenditures.⁶⁵

75% of public workers have not been offered a training opportunity or training that is available is often not well designed. In 2011-2012 the number of people involved in active labour market programs did not change much, the average per capita costs decreased (in 2011 HUF 415,000, in 2012 HUF 336,000, while the average cost in

⁵⁷ *Civil Society Monitoring DECADE OF ROMA INCLUSION 2005-2015* pp. 7-8.

⁵⁸ Civil jelentés a gyerekesélyekről 2012-2013. P. 148.

http://www.gyere.net/downloads/Civil_jelentes_2012-2013.pdf.

⁵⁹ *Egyenlőtlenség és polarizálódás a magyar társadalomban. TÁRKI Monitor Jelentések 2012*, Szívós, P. – Tóth I.Gy. (eds), 2013 April. p. 41. http://www.tarki.hu/hu/research/hm/monitor2012_teljes.pdf.

⁶⁰ For more detail, see Albert, F. (2012) Assessment of the Implementation of the European Commission Recommendation on Active Inclusion - A study of national policies - Country Report: Hungary, for European Commission.

<http://ec.europa.eu/social/main.jsp?catId=1025&langId=en&newsId=1823&moreDocuments=yes&tableName=news>.

⁶¹ See Appendix.

⁶² Prime Minister's Office 2014. September 4.

⁶³ See Appendix.

⁶⁴ Bakó Tamás et al.: *A munkaerőpiac peremén lévők és a költségvetés*. 2014. szeptember

<http://www.parlament.hu/documents/126660/133966/MTA+KRTK+KTI+A+munkaer%C5%91piac+perem%C3%A9n+l%C3%A9v%C5%91k+%C3%A9s+a+k%C3%B6lts%C3%A9gvet%C3%A9s+jav%C3%ADtott.pdf/ba01c982-873e-416c-8b7f-c6684fe55db8>

⁶⁵ Source : Bakó Tamás et al.: *A munkaerőpiac peremén lévők és a költségvetés*. 2014. Szeptember, p. 73. <http://www.parlament.hu/documents/126660/133966/MTA+KRTK+KTI+A+munkaer%C5%91piac+perem%C3%A9n+l%C3%A9v%C5%91k+%C3%A9s+a+k%C3%B6lts%C3%A9gvet%C3%A9s+jav%C3%ADtott.pdf/ba01c982-873e-416c-8b7f-c6684fe55db8>

public employment was HUF 270,000 in 2011 and HUF 511,000 in 2012). The success rate of finding a job in the open labour market is significantly higher in case of other active tools, around 50-60%. The proposed budget plan for 2015 includes an extension of the chapter of the National Employment Fund (HUF 428.3 billion, 51 billion more than in 2014) but it allocates significantly more to Start Work programs and less for unemployment provisions. Between 2011 and 2014 public work scheme related expenditures almost tripled (and a further significant increase is planned for 2015).

The participation rate of Hungarians in education or training is very low, approximately half the EU average, and slightly decreasing (in 2013 8.9% for 18-64 year olds)⁶⁶. From 2012 to 2013 the share of trainings in ALMPs decreased from 9.3 to 6.3%.⁶⁷

The introduction of the client profiling system of the Public Employment Service is still not in place and, as in the previous structure the National Labour Office, "did not act as a bridge between jobseekers and employers". The government restructured the system from 2015 on to enhance the efficiency of labour market processes and help to keep unemployment levels low.⁶⁸

2.3.4 Social services

Where demands are the greatest, the capacities of such services regularly prove to be insufficient. In bigger settlements service providers are more qualified. There are regional differences as well.⁶⁹ The normative budgetary financing for social child welfare and child protection services has practically remained unchanged in recent years⁷⁰. This has an especially negative impact in disadvantaged regions and settlements, where services have suffered most thus far from lack of capacities in almost all areas. The salaries of those working as social service providers, especially those employed as social workers are often very low, creating tensions within the sector as well.

⁶⁶ See Bouget et al. (2015), Annex 3, Table C11.

⁶⁷ Mód Péter: Az aktív foglalkoztatáspolitikai eszközök fontosabb létszámadatai 2013-ban. Nemzeti Munkaügyi Hivatal, Budapest. p.19.

http://www.afsz.hu/engine.aspx?page=full_AFSZ_A_foglalkoztataspolitikai_eszkozok_mukod.

⁶⁸ <http://www.kormany.hu/hu/nemzetgazdasagi-miniszterium/hirek/atalakul-a-munkaugyi-szervezet>.

⁶⁹ *Jelentés a „Legyen jobb a gyermekeknek!” Nemzeti Stratégia Értékelő Bizottság 2011. évi feladatainak végrehajtásáról.* Droszterné, K. M. et al (eds) 2012. március.

⁷⁰ Ferge Zs. (2012) A gyermekes családok helyzetének változása Magyarországon a válság éveiben. in: *Esély* 2012/6. pp. 4-30. p. 28.

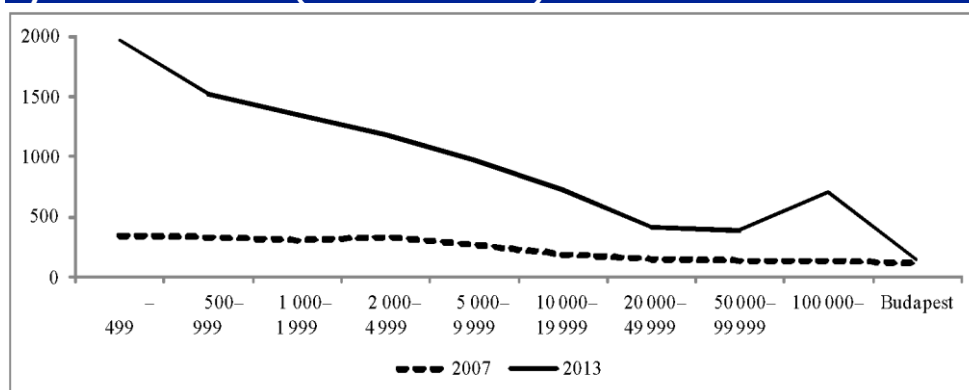
Appendix

Table 1: Summary statistics of the Hungarian long-term care system

	2011, total	2012, total	2013, total	2013, per 1000 inhabitants	2013, per 1000 65+ inhabitants
Social care					
In kind					
Home care recipients	87 941	125 281	131 791		77.4
Home care nurses, total	11 975	16 323	13 830		8.1
Meal on wheels recipients	155 091	165 382	170 136		100.0
Alarm system-based home assistance	25 503	24 651	23 144		13.6
Attendees of day-care for elderly	37 066	36 666	36 654		21.5
Number of elderly homes	1 004	993	1 002		
Residents in elderly homes	52 140	52 281	52 852		31.1
In cash					
Recipients of nursing allowance	57 970	57 973	58 179	5.9	
Total spending on nursing allowance (% of GDP)	0.07	0.07	0.07		
Nursing allowance per recipient (% of per capita GDP)	13	12	12		

Source: Central Statistical Office: Yearbook of welfare statistics, 2013 (2014).

Figure 1: Home care recipients per 10,000 inhabitants over 65 years of age by settlement size (2007 and 2013)⁷¹



Childcare Allowance Extra

After the child turns 1 year old, mothers can be employed while also receiving either the childcare allowance or the childcare fee (GYES, GYED). If a second child is born in the family, the parent gets individual entitlement for each child. This applies for children born previously in case another baby is born in the family after 1 January 2014, but a maximum of two childcare allowances can be paid for one family. A novel feature is that students in full-time tertiary education and newly graduated students, with certain conditions⁷², also gain entitlement to childcare payments. Parents of twins are entitled to childcare payments for a year longer, until their children reach the age of 3.

⁷¹ Central Statistical Office Yearbook of Welfare Statistics, 2007 (CSO 2008), Table 7.8 and Central Statistical Office Yearbook of Welfare Statistics, 2013 (CSO 2014), Table 8.8.

⁷² Having participated in Hungarian language full-time education for at least two years before birth, having at least two active semesters in this period. If giving birth within one year from finishing their studies, former students will also receive a childcare allowance, amounting to the minimum wage or 70% of the guaranteed minimum wage (depending on the type of studies).

Family tax allowance

In Hungary the amount of income tax is lowered by an annually set amount for every child, depending on the number of children. In the case of 1-2 child families, the income tax may be reduced by HUF 62,500 per child per year (approx. €221), while in the case of families with 3 or more children the income tax may be reduced by HUF 206,250 per child per year (approx. €731). This is a very significant amount considering average Hungarian income conditions.

Sure Start Children's Houses

In the framework of the measure Integrated Regional Programs to fight child poverty, at least two Sure Start Children's Houses must be established in every affected micro-region. The Integrated Regional Programs to fight child poverty (Social Renewal OP 5.2.3.) are complex programs launched in 2009 in the intervention areas of the "Let it be better for Children" national strategy to fight child poverty, and started in the five most disadvantaged micro-regions. The program was slightly modified in 2011 and included another 6 micro-regions. In 2012 another 15 disadvantaged micro-regions with the worst child poverty indices joined in.⁷³

Job Protection Action plan

Introduced in 2013, it helps prospective employees who are at a disadvantage on the job market in view of their circumstances and/or age, including first time jobseekers under the age of 25, mothers with young children, the long-term unemployed, people with low education and people over 55 who are approaching retirement.

Kindergarten attendance support

Poor and uneducated families (families qualified as multiply disadvantaged) receive a specified amount of money (HUF 20,000 for the first time after formerly 3, now 2 months of regular kindergarten attendance and HUF 10,000 later) every 6 months if they send their 3 or 4 year-old child to kindergarten regularly. Multiple studies have been written about the details of the pre-schooling support, the conditions under which it was introduced and its effectiveness.⁷⁴

Public Work

Public work programs have 1.5 times bigger budget than all the other active labour market programs including those with EU support, while considering chances of employment after participating in the program it is the least effective. A most recent study prepared by the Economic Research Institute, ordered by the Fiscal Council of Hungary⁷⁵ demonstrates that 6 months after the end of participating in a public work scheme only slightly more than 10% of the participants found a job in the open labour market and this proportion is decreasing since 2011. The more times someone participated in public employment, the harder it becomes to find other employment opportunities (and in 2013 half of public workers had been public workers in 2011 as well). Therefore, it is not true that public work leads people back to the labour market; on the contrary it decreases the chances of finding a job in the primary labour market. One reason is that the amount of support received when not in public employment (HUF 22,800) is so low that one cannot even cover transportation expenses to go to a job interview, and second, with such a large public work volume as there is in

⁷³ For further details in English see: Zsófia Bauer, Ildikó Husz, Éva Szontágh, Hungarian Academy of Sciences Centre for Social Sciences: *GIVE KIDS A CHANCE PROGRAMME: RESULTS AND CHALLENGES*. Manuscript.

⁷⁴ E.g. Autonómia Alapítvány (2010): A 2009. január 1-től bevezetett óvodáztatási támogatás hatásvizsgálata. In: Ferge, Zs. – Darvas, A. (Eds.): *Gyerekesélyek Magyarországon 2009*. MTA GYEP, Budapest, 2010. And Kertesi G.- Kézdi G. (2012) Az óvodáztatási támogatásról. Egy feltételekhez kötött készpénz-támogatási program értékelése (Kindergarten Attendance Allowance in Hungary Evaluation of a conditional cash transfer program) *Budapest Working Papers On The Labour Market*. Budapesti Munkagazdaságtani Füzetek BWP – 2012/6.

⁷⁵ Bakó Tamás et al.: *A munkaerőpiac peremén lévők és a költségvetés*. 2014. Szeptember <http://www.parlament.hu/documents/126660/133966/MTA+KRTK+KTI+A+munkaer%C5%91piac+perem%C3%A9n+l%C3%A9v%C5%91k+%C3%A9s+a+k%C3%B6lts%C3%A9gvet%C3%A9s+jav%C3%ADtott.pdf/ba01c982-873e-416c-8b7f-c6684fe55db8>

Hungary, the chances to have a job in public employment is 5 times bigger than in the open labour market. This is a trap: if someone is without work, it is very important to find employment even if it is public work, as it is impossible to live on the employment replacement subsidy (which only one person can receive in the household), and permanent joblessness decreases the chances of employment. On the other hand longer or multiple participations in public work also decreases chances for employment. The research of the Hungarian Anti-Poverty Network⁷⁶ indicated that often public workers are prevented from finding another job, e.g. they are not allowed to go for a job interview, make phone calls related to finding a job during working hours etc. Approximately one fifth of current public workers do the same job as they used to previously as "normal" employees. The local governments just dismissed them and reemployed them for lower salaries. The proportion of those who find a job in the open labour market is the lowest among those employed by local governments, while two thirds of public employment is organised by local governments. Local exposure is problematic also as public workers are especially unprotected, because public work is not regulated by the Labour Code.

Social Renewal Operational Program measure 2.4.5

The program provided support in several sub-measures to enhance work-life balance, e.g. by supporting the establishment of flexible, alternative child day care facilities and by providing support for local innovative solutions enhancing work-life balance to create flexible workplaces.

Summer Meals

In 2014 the government spent HUF 2.64 billion on summer meals for disadvantaged children, 240 million more than in 2013⁷⁷ and for 10% more children, securing a warm meal once a day between June 16 and August 29. The program differentiates between settlements on the basis of how disadvantaged they are, and those in the worst situation can apply for funding without any of their own contribution for all the needy children in their settlement. 1,300 municipalities applied for state grants and the Government was able to fund summer meals in all underprivileged or multiple-underprivileged settlements⁷⁸. The government plans to complement the program with a special operative program to support the underprivileged and EU funding will also be available during the next European Union financing period, increasing the available budget to HUF 29 billion. The money will mostly be spent on meals and supplementary packages, including diapers for example, for children under the age of 3.⁷⁹

⁷⁶ Magyar Szegénységellenes Hálózat: *A közfoglalkoztatási csapda* 2014. <http://econ.core.hu/file/download/szeminarium/csapda.pdf>

⁷⁷ It has to be noted however, that funding was not increased since 2009 so probably this 10% increase cannot compensate for the 17% value loss experienced during previous years.

⁷⁸ <http://www.haon.hu/emmi-iden-264-milliard-forintot-fordit-a-kormany-a-nyari-gyermeketkeztetesre/2509713>. For a detailed analysis of the program see Husz Ildikó - Marozsán Csilla: Szociális nyári gyermekétkeztetés – egy rendelet tanulságai. In: *Esély* 2014/5 pp. 55-78.

⁷⁹ Ministry of Human Resources 2014. August 14.

