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# Conditional cash transfers and their impact on children

**SHORT REPORT**

Hungary, 8-9 October 2015

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**Peer Reviews in social protection  
and social inclusion**

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This Peer Review, held in Budapest, Hungary on 8-9 October 2015, discussed Hungary's policy of giving Conditional Cash Transfers and its impact on children. It was hosted by the Ministry of Human Capacities.

Representatives from five peer countries attended: Belgium, Bulgaria, Croatia, Estonia and Latvia as well as two stakeholders: COFACE – the Confederation of Family Organisations in the European Union – and Eurochild. A representative from the European Commission's DG Employment, Social Affairs and Inclusion participated.

## **1 The policy under review**

### **Policy context**

Within the European Union there has been an increasing emphasis on 'social-investment' policies. This is reflected in the importance attributed within the EU 2020 agenda to investing in human capital as the groundwork for future productivity and innovation. The aim is to invest in families and children in order to strengthen skills and capacity so that this produces a better-educated population to drive the EU's economy and reduces the number of families at risk from poverty and social exclusion.

In many EU Member States social policy measures now incorporate 'Conditional Cash Transfers': cash transfers conditioned on the recipient's (or child's) behaviour. The present Peer Review focussed on transfers with conditions related to human capital accumulation of children (most often use of educational and health-care services).

### **Hungary's Family Policy**

Hungary's family policy is an integral part of its strategy to push forward the country's social and economic development. It is working to achieve this by reversing the country's falling birth rate by giving financial support to allow families to have more children, reconciling work and family life and raising families out of poverty and promoting child welfare. Coupled with this are initiatives to expand the country's human capital by ensuring full school attendance, thus boosting educational achievement, and having a well-educated workforce.

Hungary currently spends 4% of GDP on family support (above the OECD average of 2.55%), and gives a large number of universal allowances as a right. These include: a family tax benefit, a Baby Bond, Child care allowance GYES, free preschool, school and summer holiday meals, Sure Start Children's Centres, free school text books, the Elizabeth Programme (social vacations) and Roma Boarding Schools.

### **Hungary's Family Policy: Conditional Cash Transfers**

Hungary is taking additional measures using Conditional Cash Transfers (CCTs) to spur on families to: improve child health, enable mothers to return to work by giving financial support for childcare, reduce their children's high school dropout rates and improve their grades, and encourage marginalised and very poor families to access free educational, social and health support.

These CCTs offer families financial incentives provided they fulfil certain conditions related to human capital accumulation. The CCTs are as follows:

Birth grants: to improve child health, a cash transfer of €210 is paid directly to the mother, provided she attended at least four pre-natal check-ups.

Kindergarten allowance: to encourage parents in disadvantaged families to send their children early to preschool childcare. Parents of children under five receive €70 at the first enrolment of their child, and €35 for each following semester if attendance is satisfactory. Attendance is satisfactory if child attends for six hours a day, and does not miss more than 25% of total days. This allowance is only available to low-income families where parents did not complete secondary school. This allowance is being eliminated as compulsory kindergarten age is being set at three years.

Results show this financial incentive encouraged 1/6 of all the newly enrolled children.

**Schooling allowance:** Given to families with school-aged children as a contribution to child-rearing and schooling expenses. Rates vary between €40 for a family with one child, to €55 per child for a single parent with three or more children. The allowance is suspended if a student misses 50 hours in a three-month period, when the allowance is transferred to the local authority for support services. It is reinstated if/when attendance improves. To encourage high standards the allowance is withdrawn if a student repeats a year.

In a survey of school directors 25-38% reported fewer absent students, which 25% of these attributed to the CCTs.

**Equal opportunities scholarships – Utravaldo:** ‘One for the Road’ Monthly payments and mentoring for primary (from 7th grade) and secondary school students. It is targeted to children from disadvantaged families (including Roma). Payments are based on performance so vary between €27-50 depending on grades in the previous school year, and for vocational education between €23-42. Teachers who mentor the students also receive a monthly payment, partly dependent on students’ grades.

## 2 Key issues discussed during the meeting

In the discussions the following key issues were raised:

- Has the efficacy of these measures been properly evaluated, and do we know if people would take advantage of the allowances without the conditionality?
- What is the long-term effect of CCTs? Do they succeed in changing long-term behaviour? Where they achieve short-term effects, such as improving school attendance, will this improve final education levels?
- Are these measures helping children in need, or pushing marginalised families further into poverty, and thus making the situation worse for children?
- Are these programmes stigmatising children, and should there be more emphasis on raising standards universally?
- How cost-effective are CCTs in increasing human capital, as the administration needed to apply them could make it more costly than offering them free, as the aim is to change behaviour, not to save money?
- How much discretion should be allowed to those administering the policies? Should application rely on administrative figures or on the case workers?

## 3 Key learning elements

- In order to base future policies on **empirical evidence**, the effects of these transfers needs to be closely monitored and measured to learn about the indirect and direct positive and negative effects.
- While **behavioural conditions** are accepted in labour market policies, such as for unemployment benefit, the public is less likely to accept these when applied to families and children, which may be a reason why Northern and Western European governments less frequently apply them.
- CCT programmes are heterogeneous, so one has to be precise about the **type of programme** in question. One issue is whether it operates with positive incentives for some behaviour (grants for high school grades) or sanctions if the behavioural conditions are not fulfilled (school/college absences)?
- The **opinion on CCTs** might be influenced depending on whether it is a newly created CCT or a previously unconditional transfer made conditional.

- CCTs would work at their optimum level if they are applied in combination with other social services or as part of a more **complex and integrated strategy** which includes preventive measures.
- The design of CCTs needs to be flexible so they can be adapted to the needs of **vulnerable** and special **groups**, e.g. rural families/persons with disabilities/Roma children.
- CCTs might also have a strong **symbolic value**, by giving a signal about the importance of prenatal check-ups or school attendance and stressing that only certain behaviour merits a financial reward.
- One should distinguish between **universal benefits** and **targeted CCTs**. Good targeting seems of great important for accomplishing the aims of CCTs, although targeting to the poor might cause resentment among those who automatically do what is required by the benefit.
- A **comprehensive holistic approach** is needed when dealing with children in trouble – e.g. finding out why they do not attend school. CCTs can be used to tackle well-defined problems but they cannot solve social inequality.
- **CCTs** could be given **in kind**, or as other types of direct support to children, so parents do not spend the money otherwise.
- One should consider providing more **positive CCTs**, such as giving bonuses as the result of particular behaviour.

## 4 Contribution of the Peer Review to Europe 2020 and the Social Investment Package

### Europe 2020

The aim of the Europe 2020 strategy is to create smart, sustainable and inclusive growth built on knowledge, innovation, high employment and a stable society. This Peer review contributed to two 'flagship initiatives' within inclusive growth: the agenda for new skills and jobs, and the European Platform against poverty.

There are two targets relating to accumulating new skills: reduce the rates of early school leaving to below 10% (also mentioned in the Social Investment Package) and for at least 40% of 30-34 year olds to complete tertiary education.

Hungary's specific target (also mentioned in the European Semester) is to reduce early school leaving to 10%, from its current 15% level. Hungary has matched the second target for women of 40% of 30-34 year olds to have completed tertiary education, but the level for men is only 30%.

The European Platform against poverty aims to reduce the numbers of those at risk of poverty by 20 million by 2020. However the numbers of Europeans in poverty has risen from 122 million in 2008 to 127 million today (including 30 million children).

Another target within the European Platform is its emphasis on using evidence-based research and implementation, and the conclusions of this Peer Review stress the importance of monitoring and evaluation of CCTs to ensure their effective use.

### Social Investment Package

The Social Investment package (SIP) underlines the need to strengthen people's skills and capacities, and the CCTs are in line with this approach, by encouraging educational achievement. The SIP also stresses the need to Invest in Children through Early Child Education and Care (ECEC), and CCTs encouraged kindergarten attendance. Although now withdrawn this raised public awareness about the importance of early education and boosted attendance.

The SIP highlights the need for strategies to help integrate the Roma, whose children are at risk of being socially and economically marginalised and discriminated against. Integrating Roma children is an aim of the CCTs.

The lessons from this Peer Review also contribute to the Recommendation on 'Investing in Children' to 'break the cycle of disadvantage' through examining the use of a combination of cash and in-kind benefits and access to quality early education, health and social services. Participants at the Peer Review also learned how Hungary is working to achieve the Investing in Children's recommendation to ensure that education systems impact on equal opportunities so all children can benefit from high quality education through using CCT school allowances.



