

Peer Review on Conditional cash transfers and their impact on children (Hungary, 8-9 October 2015)

Requirements of conditional benefits

Ministry of Human Capacities

Several recently published studies (by the World Bank, TÁRKI) pointed out that the efficient application of conditional cash benefits as a social policy tool has a number of requirements: a number of these requirements pertain to the type of service and the supply-demand aspects. Performance-expectations, as well as the definition of prior access requirements are not suitable for establishing or strengthening motivation, which means their efficient operation cannot be ensured in every life situation or in every supporting service. A very important lesson of these researches is that it does matter where these requirements are introduced.

Another conclusion, a basic one, also originating from the researches and despite appearances, being even less evident, is that it does matter how conditional benefits are applied. The defining factor of the programmes' promotion, success, sustainability and efficiency is the *service environment* where the mandatory requirements appear. Concurrent experiences of the studies show that the system of related services is a very important aspect in the success of conditional benefits. During the *Peer Review* discussion, we wish to emphasise this service aspect during our short overview, as well as on the role of services as regards the success of cash benefits.

Hungarian family policy

A precondition of the medium and long-term social development of Hungary is a lasting turn in demographic trends. The objective can be achieved with a stable, complex, targeted and flexible family policy that is capable of adapting to changing needs and conditions.

Parents and parents-to-be need long-term stability and a reliable financial situation. In this respect, employment and the easy reconciliation of work and family obligations are of key importance. Therefore, we make attempts to help parents harmonise their career and raising children as much as we can.

International experience shows that individuals are more willing to have more children in those countries where the employment rate is high and the state offers prioritised help to ensure that parents can reconcile work and private life.

The Hungarian family policy has complex toolkits to offer such help to families. A prioritised objective is to implement a lasting turn in demographic trends; for this reason, efforts are made to give all help to ensure that all children wished for are actually born. In Hungary, the average number of children parents wish for is approximately two; however, the number of children who are actually born is considerably lower.

Our intention is to ensure that financial or labour market factors do not prevent individuals from having children. To this end, special emphasis is laid on – besides the financial support of families – the promotion of the reconciliation of having children, raising children and participation in the labour market.



A principle of our family policy is that parents should be offered the opportunity to decide if they wish to stay at home and raise their children for a longer period of time or to return to the labour market as soon as possible. Therefore, citizens are offered, on the one hand, childcare support and family support on a normative basis and a social security basis and, on the other hand, benefits that promote return to the labour market and the development of day-care for children.

In Hungary, families are offered outstanding support: Hungary spends 4 % of its GDP for such purposes as opposed to the OECD average of 2.55 % (2011, Source: *OECD Family Database*). More specifically, 2.2 % of the GDP is allocated to in-cash support, 1.15 % to services and 0.65 % to tax allowances.

The forms of family support are either universal (given on the basis of a subjective right) or are conditional upon employment before the child's birth. In addition to this, there are supports provided for children taken into consideration among income-dependent care, that is, care provided to families with financial difficulties.

An emblematic tool of Hungary's family support system is the family tax benefit, offered gradually to more and more citizens in recent years. However, the biggest budgetary item is the family allowance, offered on the basis of a subjective right and for each child; Hungary allocates approximately 1.1 % of its GDP to this purpose.

On the basis of their subjective right, parents are entitled to paid childcare leave for three years. In case the parent had social security coverage before the child was born, infant care fee (Hungarian abbreviation: CSED) is offered for 168 days and, after that, child home care fee (GYED) until the child reaches the age of two years. This is 70 % of the salary earned before the child was born (a capped amount) and can be claimed instead of the child home care allowance. Between the age of 2 and 3 of the child, the parent is entitled to a benefit of a lower amount, granted on the basis of a subjective right. In case the parent did not have social security coverage before the child was born, child home care allowance (a support based on subjective right) is granted until the child reaches the age of 3 years. Mothers of three or more children are entitled to a benefit of the same amount until the youngest child reaches the age of 8.

For each child, a family allowance is granted until the completion of the child's secondary studies. The amount of the allowance varies depending on the beneficiary's situation, e.g. it is higher if there are more children, if the beneficiary is a single parent or in the case of disability. Another type of support granted on the basis of a subjective right is maternity support, a one-off payment offered when the child is born.

Among different types of income-dependent care, the Regular Child Protection Benefits promotes that children grow up in families by providing free or reduced-rate access to services and allowances (e.g. institutionalised or summer child catering, school book supply) for children living in families with financial difficulties in order to ensure their raising in health.

In addition to the support provided in the Regular Child Protection Benefit for children in need, other types of benefits are also provided.

Housing is promoted with a non-repayable grant (housing allowance for families), loans with subsidised interest and state-supported housing savings programmes.



Family policy measures

I. Financial benefits

I.1. Family tax benefit

Recently, the system of family tax benefit has undergone major changes. Before 2011, only families with three or more children were entitled to the benefit. However, as of 1 January 2011, parents expecting their first child are eligible for the benefit from the date when the foetus is 91 days old onwards. Before the calculation of the tax advance payment, the amount of the benefit is deducted from the private individual's combined tax base. As a result, in 2013 more than four-fifths of families with children (950,000 households) enjoyed a total HUF 185 billion benefit.

Another difference is that as of 2014, the family tax benefit may be deducted from the pension and health care contributions besides personal income tax, which means that a greater number of individuals may benefit and that citizens with a relatively low income are now in a more favourable position. As a result, in 2014 the scheme left a total of approximately HUF 240 billion with the families.

I.2. GYED (child home care allowance) Extra

GYED (child home-care fee) Extra, introduced in 2014 offers significant support and marked a conceptual change. Its objective is to ensure that having children does not exclude individuals from the labour market and that mothers with children will not be forced to decide if they want to be at home with their children or to take up employment. In addition, this measure offers contribution allowance for employers to ensure that they have a positive approach to the employment of mothers with young children.

As a result of the measure, in 2014 nearly 50 thousand parents with young children were beneficiaries of GYED Extra. Nearly 30,000 of them were employed while receiving child home care allowance/fee, and, as a result of GYED Extra, they continued to be eligible for childcare benefits.

The government introduced a major change by restoring the duration of the payment of the child care allowance (a benefit payable on the basis of a subjective right and independent of the beneficiary's income level) from two years to three years. (Pursuant to a legislative amendment adopted in 2009, the duration of the payment of child home care allowance was reduced to two years.)

In the period 2010-2015, the maximum gross amount of the child home care fee was increased by 43 %, from HUF 102,900 to HUF 147,100.

I.3. Family allowance

As for in-cash forms of family support, family allowance is the benefit (granted on the basis of a subjective right) that affects most citizens. As a result of the government's measures, since 2010 the family allowance includes two benefit types: child-raising benefit and schooling support. The child-raising benefit is granted for non-school-age children, while the schooling support is given for school-age children or older children who continue their studies in institutions of public education, up to the age of 23 years. The net amount granted to families with one child and two parents is HUF 12,200 per month. The amount is increased when another child is born in the family and is higher for single parents or for children with disabilities.



The conditions of the payment of the family allowance will be further modified in the future: a precondition of payment will be the child's kindergarten attendance. As of September 2015, mandatory nursery school-age will be reduced from 5 to 3 years; consequently, the number of children involved in nursery school education will be increased by approximately 20,000. In this context – employing the method that proved to be efficient for school absenteeism – as of 2016 unjustified absences from kindergarten (in case of 20 or more days of absence) will entail the possibility of the suspension of the payment of the family allowance.

1.4. Baby Bond

The parents have the opportunity to save money for their children with state support. The Baby Bond (currently managed by the Hungarian State Treasury) means that an amount – made up by the new start allowance of HUF 42,500 deposited by the state for each newborn baby, by the amount optionally deposited by the parents and by the amount credited annually by the state every month for the first two payments (10 % of their amount, but a maximum of HUF 6,000) collected on the Start securities account opened at the Treasury – is deposited on a bond of a maturity of 19 years. The success of the new construction is shown by the fact that during the year after its launch, the number of Start accounts has quadrupled, which means that the Treasury manages the accounts of approximately 70,000 children. The total amount deposited on the accounts is approximately HUF 11 billion.

II. Child-raising and employment

Since the government took office, it has prioritised the increase in women's employment – and, especially, offering support to mothers with young children to enter the labour market. The results are clearly evidenced by the statistical data: the current employment rate of women is the highest in more than 20 years. (In 2014, the employment rate of women of 15-64 years of age was 55.9 %. The rate was similar – 52.3 % – in 1992; since then however, it was always lower. At the time of the change of the government in 2010, it was around 50 %).

With regard to (re)integration into the labour market, the prioritised support of mothers with young children is especially called for, given that in terms of employment this group is one of the four groups highly exposed to risk (the other three being those younger than 25 years, those above 55 years and individuals with low qualification). To improve the labour market position of this group, the government has taken several measures since 2010; the most important ones include:

- New Labour Code;
- Job Protection Action Plan;
- GYED (child home care allowance) Extra;
- Extension of capacities for daytime care of children.



To increase the employment of women with young children and to help them reconcile family and job-related tasks, several governmental measures have been introduced:

- The new Labour Code brings to the fore flexible and atypical forms of employment which ensure that the employment of women be as continuous as possible. These non-conventional forms of employment are promoted by the provision of the new Labour Code (in force as of 2012) that obliges employers – should the parents so require – to continue employing parents part-time until the child reaches the age of 3 years. As of 2015, the period of this obligation is extended to 5 years for large families.
- The part-time employment allowance introduced as of 1 January 2011 offers contribution allowance for the part-time employment of parents returning from childcare leave and is also intended to promote flexible forms of employment.
- The Job Protection Action Plan intends to incentivise employers to use female labour force. Within the framework of the Job Protection Action Plan, as of 1 January 2013 employers are eligible for contribution allowance in case they employ individuals who belong to the most vulnerable groups: individuals above the age of 55 or under the age of 25, women with young children, long-term unemployed (persons out of employment for 6 months or longer).
- As of 1 January 2014, the system differentiates parents returning from parental leave on the basis of the number of children. For three or more children, the period of eligibility for the above-mentioned allowance is extended by 1 year.
- As of 2015, the gross HUF 100,000 maximum income level can be applied for parents with young children in case of full employment and part-time employment alike.

In 2014, allowances of a total amount of HUF 9.3 billion were granted for a total number of 37,000 parents with young children.

In March 2015, within the framework of the Job Protection Action Plan, contribution allowance was granted for employers of nearly 40,000 parents returning from their child home care allowance/fee period. This rate is 12 % higher than it was in the same period of the previous year.

Daytime Care of Young Children

The timing of taking up employment after the birth of a child is strongly determined by the availability of institutionalised care facilities for young children. In Hungary, the most frequent forms of childcare are nurseries and family day-care facilities. Children are admitted to nurseries from the age of 20 weeks onwards; in practice, however – and this fact is related to the timing of the expiry of the payment of child home care fee – parents normally enrol their children after they reach the age of 2.

Compulsory kindergarten attendance, to be introduced this year, is expected to facilitate the entry of women with children younger than 6 years into the labour market. As of September 2015, mandatory nursery school-age will be reduced from 5 to 3 years; consequently, the number of children involved in nursery school education will be increased by approximately 10-15,000. A precondition of the payment of the family allowance is kindergarten attendance, which introduces another incentive for parents. We are convinced that an early entry into a community promotes a child's development.

The number of nursery and family day-care places available for children under the age of 3 has been continuously increased. In the period from 2010 to 2014, the



number of nursery places was increased by 20 % (from 37,000 to 47,000), and approximately HUF 28 billion was channelled to that purpose. As a result of the improvements, day-care in some form is available for 16.5 % of children under the age of 3 years.

Capacity of day nurseries and family day-care	number	growth	Participating children under 3 years of age
2010	37,000	100 %	13.4 %
2014	47,000	<u>125 %</u>	16.5 %

The government is currently planning to increase the number of day-care places available for children under 3 years from 42,000 to 60,000 in the period from 2014 to 2018 and, thus, to help mothers returning to the labour market.

III. Housing

Owning a home of an adequate size is a key factor for having children. For this reason, supporting the housing of young people is of high priority. As of 2012, one-off in-cash support (social housing subsidy) is provided again. The amount varies between HUF 800,000 and HUF 3,250,000 depending on the number of children, and the size and energy efficiency of the apartment). It is available for families having and bringing up two or more children for the purpose of building or buying a new home; for home loans, parents are entitled to interest subsidy.

Youth home-start subsidy

As of 1 July 2015, the social housing subsidy is replaced by the youth home-start subsidy (Hungarian abbreviation: CSOK) which is now offered to a wider range of beneficiaries to promote the achievement of housing-related objectives of families which have or bring up children. Currently, families with one child are also eligible for the subsidy whose amount varies between HUF 500,000 and 780,000; in addition, the subsidy is also available for purchasing used apartments or for expanding existing ones. 2015 approximately 5,000 new applicants and an expenditure increase of HUF 4 billion are expected.

In 2015, nearly HUF 816 billion was channelled to families through direct family support; this amount is more than HUF 200 billion higher than it was in 2010.

IV. Fighting poverty; child welfare

In Hungary families with children are currently more exposed to the risk of poverty than families without children. Therefore, family policy tools are employed to make sure that having children does not constitute a risk of poverty.



In 2013, there were nearly 1,295,000 households with children under the age of 25. In 2013, 36.3 % of families with children and 25.7 % of families without children were exposed to the risk of poverty and exclusion (Source: KSH – Central Statistical Office).

Having one or two children does not constitute a major risk of poverty; if compared to families without children, no significant difference is detected in this respect. Approximately one-fourth of families with one or two children qualify as poor on the basis of some criterion (the national average rate being one-third). However, it is evident that families with three or more children and individuals raising their children alone are the most exposed to the risk of poverty. Almost the half of citizens with three or more children and more than 60 % of individuals raising their children alone are affected.

Still, from 2012 to 2013 we successfully decreased the risk of poverty of households with children by almost 1.5 percentage points. The poverty risk of families with three or more children decreased by nearly 5 percentage points (!), while the poverty risk of households with one parent and child/children grew by more than 2 percentage points.

Among social transfers, pensions – making up more than 80 % of social benefits – play a crucial role in reducing poverty. At the same time, it is to be noted that the family support system also contributes significantly to reducing poverty, as the poverty rate of single-parent families and families with three or more children would be more than 1.5 times higher without social benefits. In 2014, more than HUF 800 billion was spent on family support.

Regular Child Protection Benefit

This benefit aims to help children in need to enable their raising in the family at home in accordance with children's rights. The benefit can be granted to children whose family has a monthly income per capita under 130 % of the current smallest amount of pension (HUF 37,050 in 2015), in special cases (e.g. single parents or children who are permanently sick or disabled) 140 % of that amount (HUF 39,900 in 2015), and does not have a property with a value exceeding the limit set out in the legislation.

The period of eligibility for the benefit is one year for each case.

The purpose of determining eligibility for regular child protection benefit is to certify whether, based on their social situation or status, the child is eligible to receive:

- normative child catering (free or reduced-rate catering),
- 'child protection' support provided 2 times per year (in August and November) in the form of the Erzsébet voucher (the amount of which was 5,800 HUF/child in 2013) for the purposes of purchasing school supplies, clothes and food, and
- other benefits specified in separate legislation (e.g. school book support, summer child catering, reduced-rate students' hostels, etc.).

This means that children are the beneficiaries of the support, which aims to satisfy the basic needs of children in need with in-kind components.

The importance of regular child protection benefit is that through its various support elements, it provides complex in-kind support to children and families in need, hence it is an effective means to prevent the need to remove children from



their families, eliminate child poverty and prevent that poverty is passed on to the new generation.

Institutionalised and summer child catering

One of the means to take action against child poverty and relieve the burden of families with children is the institutionalised (in day-nurseries or institutions of public education) normative child catering support and the free or reduced-rate holiday catering of children in need. Child catering improves the health condition of children and facilitates their healthy development through the reduction of the poverty rate of families with children, and indirectly improves the chances of social integration for affected children and, consequently, diminishes the reproduction of poverty among them.

Presently, in case of requesting institutionalised child catering a child in day-nursery, kindergarten or full-time primary-school education (1-8 graders) as well as a disabled child in daytime care eligible for regular child protection benefit can be provided free catering, while a reduced rate of 50 % can be provided to a child or student not falling within the previous categories but eligible for regular child protection benefit, a child living in a family with three or more children and a permanently sick or disabled child or student. Out of the approximately 1,013,000 children falling into these categories, about 319,000 were provided free and 209,000 were provided reduced-rate catering, which is nearly 53 % of all children requesting catering.

As of 1 September 2015, the circle of children in day-nursery or kindergarten care eligible for free catering has widened: in addition to those eligible for regular child protection benefit, children living in families with three or more children as well as permanently sick or disabled children may also be provided free catering instead of the former reduced rate of 50 %. The healthy siblings of permanently sick or disabled children in day-nursery or kindergarten as well as children of families with three or more children also become eligible, if the monthly income per capita is below 130 % of the net lowest obligatory work-income (HUF 89,408 in 2015). As a result of this modification, as of 1 September 2015 nearly 172,000 children in day-nursery or kindergarten care will become eligible again for free catering, 53,000 children may have free catering instead of the previous 50 % reduced rate, and an additional 15-20,000 children currently not in kindergarten care will become eligible for free catering as a result of mandatory pre-school education.

Owing to the above-mentioned measures, the amendment of 19 June 2015 of the Act on the 2015 Central Budget allocates HUF 61,080 million instead of HUF 58,000 million for child catering support. The Act on the 2016 Central Budget earmarks HUF 72,140 million for this purpose.

Furthermore, the Central Budget Act includes a budgetary item for the support of local governments for providing the summer catering of children in need in the framework of the programme aimed at combating child poverty. Tender applications (or requests for support before 2015) could be submitted by local governments undertaking to provide catering in the summer for children eligible for regular child protection benefit. The minister responsible for the protection of the youth is to decide on the support. The non-repayable support is granted in pre-financing as a one-off amount. (If this budgetary estimate is not fully used up in the tender, or during the year some of the allocated funds are repaid by 30 September of the current year the latest, then this remainder can be spent on the one-off support of local governments that organised summer child catering by using their own funds.)



The budgetary fund dedicated to this was HUF 2.4 billion in 2013, HUF 2.64 billion in 2014, and HUF 3 billion in 2015, which was used by 1,485 local governments submitting a valid application to provide the catering of 141,500 children in summer 2015, which is nearly 14 % higher than last year.

The eligibility and the service periods will be extended in case of both the institutionalised child catering and the holiday catering.

Sure Start Children's Centre

The Sure Start programme was launched in 1999 in the United Kingdom in order to reduce poverty and social exclusion among children. In the framework of the programme, integrated healthcare, education and social services are provided in disadvantaged settlements or parts thereof in so-called Child Centres for children under the age of four and their families, in order to reduce inequalities the pre-school-age period. The programme is primarily aimed at families whose situation is considered to be disadvantaged.

Based on the British programme and with similar objectives, the naturalisation of the programme began in 2003 under the title "*Biztos Kezdet*" (Sure Start). The programme in Hungary is based on the Sure Start Children's Centres (hereinafter: Children's Centre), their implementation picked up speed during the 2007-2013 EU period, during which 115 Children's Centres were established, primarily in the most disadvantaged micro-regions, as well as in disadvantaged micro-regions, estates or estate-like living environments densely populated by Roma.

The Children's Centre is a low requirement, preventive service, which offers support – with the involvement of the parents – for young children living in families in extreme poverty facing severe social disadvantages during the early life stage most important for later development, by receiving help in reaching the potential of their skills and talents. This allows for the earliest possible detection of possible issues, for the early, targeted development of skills, for the prevention, avoidance of underdevelopment, for the reduction of disadvantages, for the reduction of risks of exclusion, which becomes absolutely necessary later for their integration in pre-school and success at school. It must be highlighted in the regulations that the Children's Centre provides its service for both parent and child, thus the Children's Centre is not a service providing daytime care for children.

It is a very significant improvement that since 2013, the Children's Centres established in the framework of the EU projects have been integrated into the Act XXXI of 1997 on Child protection and Guardian Administration. The integration of the Children's Centres into the Hungarian service system is progressively carried out.

Pre-school education

Based on international data, it is a well-known fact that children in disadvantaged families – where parents are poor and uneducated – start their school careers with severe disadvantages. The cognitive skills of these young children often show a significant difference compared to children of similar age. They can only reduce this difference through good quality, long-term competent disadvantage-equalising programmes for young children. Pre-school education plays a major role in mitigating the disadvantages in skills of young children growing up in uneducated, poor families.



In accordance with the provisions of the Act CXC of 2011 on National Public Education, a pre-school is an institution educating the child from the age of three until the start of compulsory education. In a regulation that enters into force on 1 September 2015, the child who reaches the age of three by the 31 August shall attend an at least four hours long pre-school activity on a daily basis starting with the first day of the school year.

The three year-long mandatory pre-school attendance is not without precursor, several measures made during recent years have contributed to children's – especially disadvantaged, mostly Roma children's – early pre-school attendance.

The previous legislation¹ also offered the opportunity for children to attend pre-school education from the age of three, however, participation in the daily four-hours long education was only mandatory from the age of five.

Despite the very severe significance of pre-school education in founding later on a successful school career, surveys investigating the pre-school attendance of disadvantaged children show that due to a lack of capacity, admission was only granted to children who reached the age of five or whose both parents are working. It is most likely that those children whose parents are either undereducated, unemployed or on a disability pension, will not be admitted to pre-school, which means those children who most require the longest available pre-school education are denied it.

For the above reasons, two measures were introduced in order to promote early pre-school attendance of disadvantaged and multiple disadvantaged children:

The pre-school development programme was introduced in 2007. Only those children could participate in the pre-school development programme who were classified as disadvantaged. In the framework of the programme – adjusted to the child's needs – the pre-school provides the child with pedagogical exercises related to the child's development, pedagogical activities that support the mitigation of social disadvantages, as well as helping to establish cooperation with services that support the parents during the children's pre-school education and provide services for the children themselves.

The conditions to organise a pre-school development programme is that in a given school year, at least 70 % in each age group of pre-school aged disadvantaged children living in the admission region of the pre-school to attend pre-school education, furthermore, the rate of disadvantaged children in the pre-school has to reach 10 % – rounded down in case of an uneven headcount. The pre-school development programme was the first pre-school institution development programme which aimed to provide pre-school education for disadvantaged, multiple disadvantaged children who have reached the age of three. Since the implementation of the programme in 2007, it was supported by national funds.

Útravaló-MACIKA Scholarship Programme

The objectives of the *Útravaló-MACIKA* ("For the Road-MACIKA") Scholarship Programme, which was launched in 2005, are on the one hand to promote the school success of multiple disadvantaged – primarily Roma – students and on the other hand to nurture the talents of students interested in natural sciences. The *Útravaló-MACIKA* Scholarship Programme is a complex supporting, helping educational motivation system. The student and the mentor supporting the student's school progress participate together in this system. The programme offers

¹ Section 24, Point (3) of the Act LXXIX of 1993 on Public Education.



mentor and scholarship benefits for primary and secondary school students, as well as scholarship or tuition fee benefits for multiple disadvantaged students.

Students primarily enter the programme based on social entitlement, needs, but since the 2013/2014 school year, the amount of scholarship granted depends on the previous year's learning outcomes, thereby acknowledging the student's performance. The requirements for joining and participating in the programme are set out in legislation.

The basic objective of the Scholarship Programme is to accompany multiple disadvantaged – including Roma – students through the learning process. This manifests itself, for example, in that the programme accompanies the students from the primary-secondary school transition to the diploma. An important part of the programme is that if once the student joins the programme, the student's participation will automatically continue.

The promotion of school success of multiple disadvantaged – primarily Roma – students in the *Útravaló-MACIKA* Scholarship Programme is ensured in the framework of four equal opportunities sub-programme:

- The objective of the Road to Secondary School sub-programme is to prepare students further education in secondary schools that provide graduation;
- The Road to Graduation sub-programme helps students successfully complete secondary school;
- The Road to Vocation sub-programme contributes to combating learning challenges of students in vocational schools;
- The objective of the Road to Diploma sub-programme is to improve the equal opportunities of multiple disadvantaged students in higher education, as well as to support the start of their higher education.

Through these four sub-programmes, the *Útravaló-MACIKA* Scholarship Programme supports multiple disadvantaged students from 7th grade in primary school all the way until they finish their higher education.

