European Commission

EUROPEAN SOCIAL POLICY NETWORK (ESPN)

In-work poverty in Hungary

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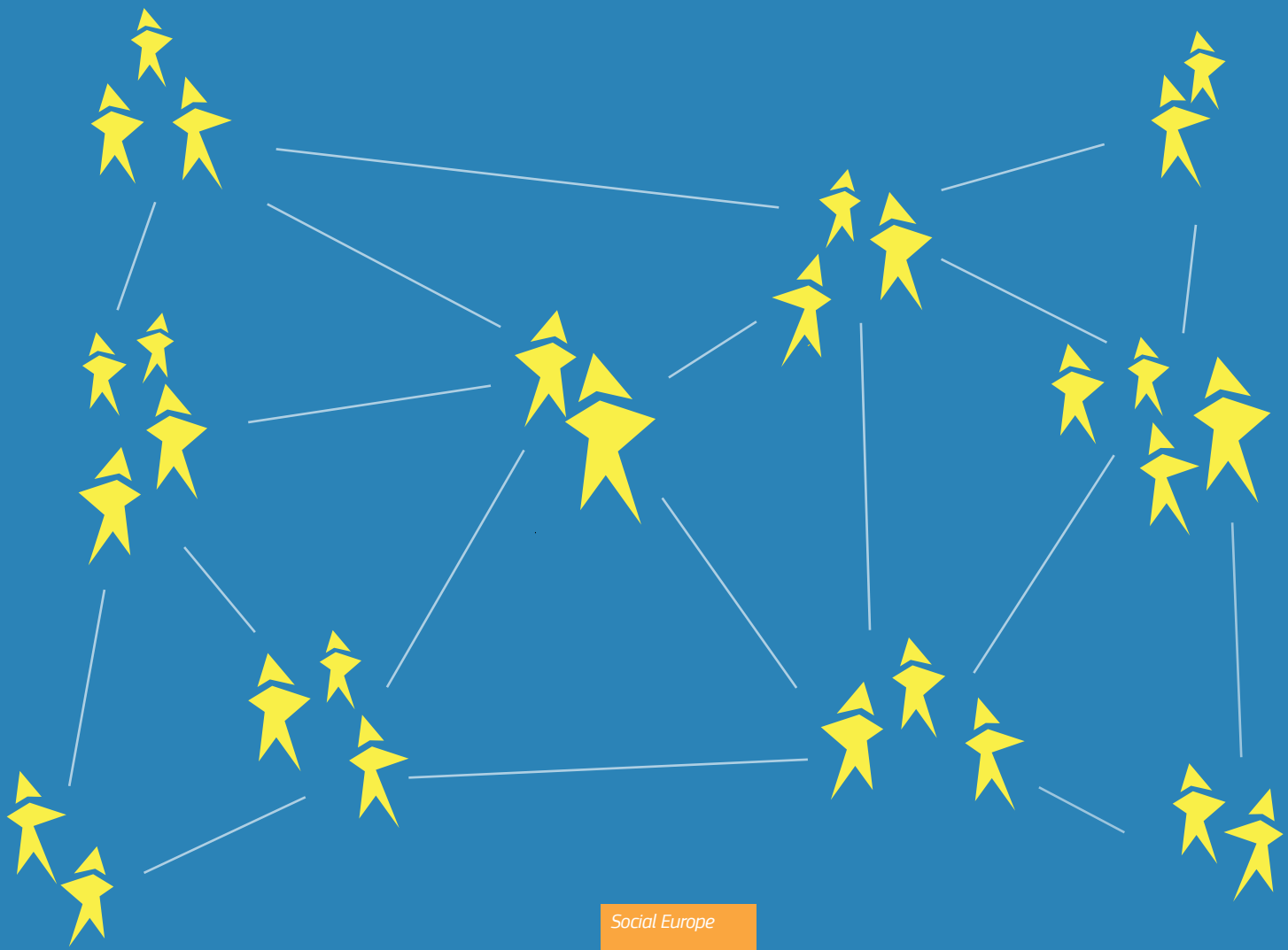

Social Europe

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European Social Policy Network (ESPN)

ESPN Thematic Report on In-work poverty

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Directorate-General for Employment, Social Affairs and Inclusion

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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 the Luxembourg Institute of Socio-Economic Research (LISER) and APPLICA, together with the European Social Observatory (OSE).

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Contents

Summary

In 2017, 10.2% of the employed population aged 18-64 was at risk of in-work poverty[1] (IWP). This was slightly above the EU average of 9.6%. However, we can see an almost linear, altogether 4.5 percentage point (pp) increase since 2012. The intensity of the increase is 78.9%, which is by far the highest in the EU. Groups especially at risk of in-work poverty in 2017 in Hungary were those living in low work-intensity households (31.3%) – especially those without dependent children (41.3%), but also those with dependent children (25.5%); single adults with dependent children (30.6%); those employed on a temporary contract (22.9%) or working part time (22%); the self-employed (20.8%); those with a low educational level (17.4%); and older workers (12.1%). Between 2012 and 2017, the risk of in-work poverty increased by more than 5 pp among the self-employed (14.8 pp); women (5.9 pp); those aged between 55 and 64 (6.9 pp); those with tertiary education (6.1 pp); part-time workers (6.2 pp); single persons with dependent children (9.9 pp); households with medium work intensity (5.2 pp); all households without dependent children (5.2–6.8 pp) but especially low work-intensity ones (17.4 pp); and households with dependent children (5.1–6.8 pp), except for those with low work intensity.

As to key challenges: it is alarming that in-work poverty has increased dynamically in Hungary despite the significant increase in the minimum income and average wage levels and overall improving poverty indices. The reasons behind this should be identified and targeted with policy measures. The difference in median and average wage levels, the overwhelmingly dominant active labour market policies (ALMP), the public works scheme (PWS) and partly the tax system all had a direct negative impact; while the introduction of family tax refunds had a positive impact on IWP for families with dependent children. The lack of social transfers and tax credits specifically used to combat IWP seems problematic, based on available data, and no relevant analysis was found regarding the impact of in-work benefits on IWP.

The public works scheme, employing at its peak around 5% of the working population, intentionally provides wages that are significantly (and increasingly) lower than the minimum wage. The supposedly positive impact of the significant minimum wage increases of 2017 and 2018 cannot yet be seen in the data analysed. The flat-rate tax system and the abolition of the tax refund for low wage earners had a negative effect on IWP Benefits and services do not focus on the poor, and often the well-to-do have better access to public resources than the needy. Income supports for those of working age have even decreased in Hungary since the crisis. The adequacy of the minimum income scheme is decreasing; the duration and amount of unemployment benefit has been cut back; the value of basic social provisions has not been increased (or has been reduced) since 2008; and the restructuring of the social protection system, including the abolition of the universal housing maintenance support in 2015, has also cut the social security of the population and most probably contributed to the worsening of IWP rates. The government places special focus on family policy, and the situation of households with children has deteriorated relatively less than that of households without children.

IWP has not been an explicit policy priority in Hungary. It was neither mentioned in the National Reform Programmes (NRPs) in the time period analysed, nor were there any measures to explicitly target it. A major priority of the government since 2010 has been to increase employment levels and activate people ("workfare" instead of "welfare"), and in this it succeeded. The issue of IWP is more on the agenda of opposition parties (and more regularly trade unions); however, social dialogue is very weak in Hungary.

[1] For ease of reading, in the rest of this report we will refer to the notion 'at risk of in-work poverty', and to the indicator that measures it, using the generic term of 'in-work poverty' (IWP).

Apart from the repeated general claims of increasing the adequacy of benefits, more focused interventions are particularly needed (e.g. tax refund for low-income earners or the reintroduction of the universal housing support).

1 Analysis of the country's population at risk of in-work poverty

This section describes the Hungarian situation with respect to in-work poverty (IWP), based on the most recent available data (see Annex, Tables A.1–3), and also analyses trends in the country over the period 2012-2017. A person is at risk of in-work poverty if he/she is in employment and lives in a household that is at risk of poverty. A person is "in employment" when he/she worked for more than half of the income reference year. Employed individuals can be waged employees or self-employed. In Hungary, the income reference year is the calendar year prior to the survey. A household is "at risk of poverty" (or "income poor") if its equivalised disposable income is below 60% of the national equivalised disposable household median income. The population covered in this analysis are those aged 18-64. We not only report figures for the latest available year, but also often indicate the absolute difference between 2017 and 2012, plus a ratio showing in percentage terms the intensity of the change (i.e. absolute change divided by incidence at the beginning of the period considered).

In 2017, 10.2% of the employed population aged 18-64 was at risk of in-work poverty. This was slightly above the EU average of 9.6%. However, we can see an almost linear increase of altogether 4.5 percentage points from the 5.7% IWP rate in 2012. The intensity of the increase in this period was 78.9%, which was by far the highest in the EU. In the EU, Bulgaria and the Netherlands had significant deterioration in their rates, as well, but with 35.1% and 32.6% respectively.

Figure 1. The evolution of in-work poverty in Hungary, 2012-2017 (%)

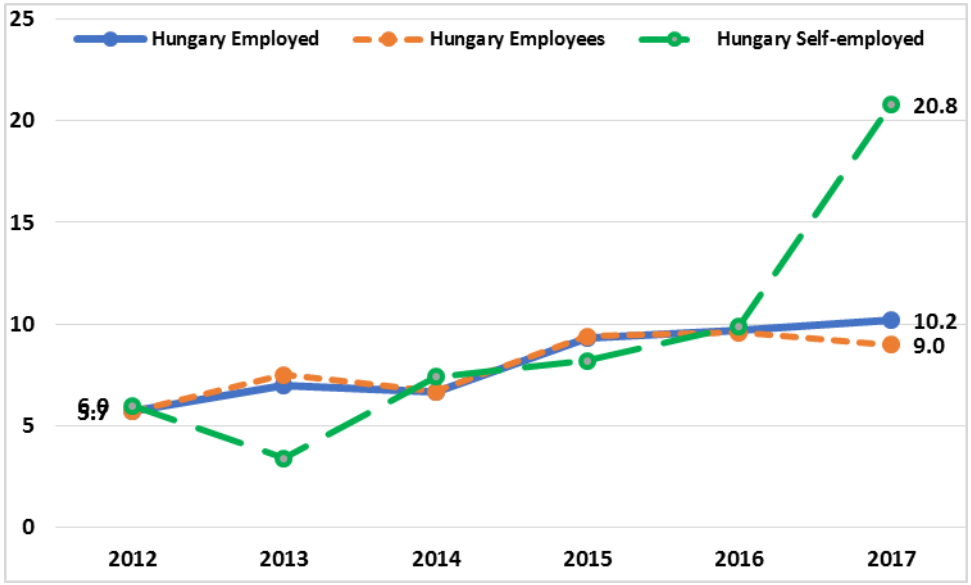
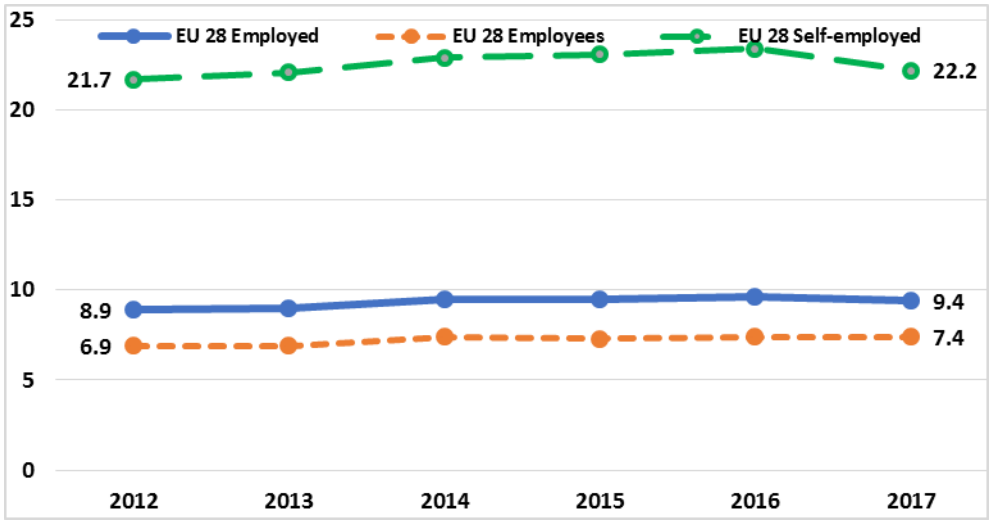


Figure 2. The evolution of in-work poverty in the EU, 2012-2017 (%)



To put the evolution of the Hungarian situation into context (for detailed data see Table A.3 in the Annex), having peaked in 2013 after the crises, the index measuring people at risk of poverty and social exclusion (AROPE) gradually improved from 33.5% in 2012 to 25.6% in 2017. The severe material deprivation index also improved significantly, from 26.3% to 14.5%. Income poverty (those at risk of poverty), however, did not change much: it was 14.3% in 2012 and 13.4% in 2017 for the total population, and for the working-age population it barely changed at all, even increasing a bit (14% in 2012 and 14.2% in 2017, but 15% in 2016). However, the at-risk-of-poverty threshold increased from 64,350 HUF (€208)/month to 83,854 HUF (€270)/month, for a single person. The share of people living in low work-intensity households dropped from 13.5% to 6.6%. This is understandable, as the employment rate increased from 60.5% in 2012 to 72.5% in 2017, while unemployment dropped from 11% in 2012 to 4.2% in 2017. The long-term unemployment rate also decreased. The rate of self-employment decreased slightly, from 11.4% in 2012 to 10.1% in 2017. Part-time employment also decreased – from 6.7% to 4.3% – and the share of temporary employment declined from 9% to 7.3% over this period.

In 2012, there was no significant difference in the IWP rate of employees and the self-employed; but in 2017 we find a difference of more than twofold: 9% of employees and 20.8% of the self-employed population were at risk of IWP. In the latter category, the increase was 14.8 percentage points in the absolute number and 246.7% in intensity. It is also worth mentioning that the AROPE rate for the self-employed was significantly lower than for employees/employed persons between 2012 and 2016, but more than doubled between 2016 (10.7%) and 2017 (23%). Yet it is difficult to find any reasonable explanation for the huge increase either in IWP among the self-employed – from 9.9% in 2016 to 20.8% in 2017 – or in their AROPE rate, especially since their material and social deprivation rate (MSD[2]) improved significantly between 2014 and 2017 – from

[2] The material and social deprivation rate (MSD) is the proportion of people living in households that lack at least five out of the 13 items on the following list: seven items relate to material deprivation at household level: face unexpected expenses; afford a one-week annual holiday away from home; avoid arrears (in mortgage or rent, utility bills or hire purchase instalments); afford a meal with meat, chicken or fish every second day; afford to keep the home adequately warm; have access to a car/van for personal use; and replace worn-out furniture. Six items relate to social deprivation at the personal level: replace worn-out clothes; have two pairs of properly fitting shoes; spend a small amount of money each week on oneself; have regular leisure activities; get together with friends/family for a drink/meal at least monthly; have an internet connection.

14.3% to 4.4%. The method for calculating these indices remained unchanged in the period analysed.

In 2012, the in-work poverty rate was higher for men, but by 2017 the trend had reversed: 9.9% of men and 10.6% of women were at risk of IWP. For men there was a 50% increase over the period analysed, while for women it was 125.5%.

Regarding age, older workers are those most affected by IWP. In 2017, 6.6% of 18-24-year-olds, 10% of 25-54-year-olds and 12.1% of 55-64-year-olds were affected by in-work poverty. The increase was biggest both in absolute numbers (6.9 pp) and in intensity (132.7%) in this latter group.

The figures are quite surprising with respect to the educational level of workers. In line with expectations, those with low educational levels (ISCED levels 0-2) are in the worst situation: 17.4% of them were at risk of IWP, which was almost double the national average. However, the trends have improved somewhat. From 19% in 2012, there was a further increase, peaking at 27.8% in 2015. Then there was an improvement of 1.6 pp in absolute figures. The IWP rate for those with upper secondary and post-secondary education was 9.8% and for those with tertiary education (ISCED levels 5-8) 7.9% in 2017. Compared to 2012, the intensity of the deterioration was 88.5% and 338.9%, respectively. This latter deterioration may be due to the fact that the income of public servants in a number of sectors did not increase significantly (e.g. social workers, those working in higher education, etc.). There has been job polarisation throughout Europe, including Hungary. Recent evidence suggests that the proportion of workers in mid-paid occupations is shrinking. In Hungary, the proportion of those in low-paying jobs increased significantly from 2009 to 2016 at the expense of those in middle-paying occupations (see EC 2018: 60; Figure A.1 in Annex). There is an increasing demand for highly educated workers, even in low-paid jobs (EC 2018: 63), and although data is not available for Hungary, we may consider that it is the same trend, which may also explain the dynamic growth of the in-work poverty rate, especially among those with tertiary education.

There is a very low rate of migration into Hungary[3] (especially from non-EU countries, for which the data is unreliable). Figures for the country of birth of workers reflect a deterioration in the situation of those born in Hungary, while there has been an improvement among citizens from other EU-28 or foreign countries. In Hungary, it is important to have data on the Roma minority, as it is undoubtedly a group at risk.

Regarding the type of contract, the in-work poverty rate among temporary workers was more than three times that of workers on a permanent contract in 2017 (22.9% vs 6.9%). For those on a temporary contract, the in-work poverty rate was even higher in 2015 (32%), after which it improved. If we consider the whole period analysed, the deterioration in the situation of permanent workers is more significant: the intensity of deterioration was 76.9% (as against 19.9% for temporary workers). In 2016, the in-work poverty rate was 22% for part-time and 8.7% for full-time workers, and although in absolute terms the deterioration in the period under analysis was higher for part-time workers (6.2 pp, vs 4 pp for full-time workers), the intensity of the deterioration was double for full-time workers.

Regarding household-type and parenthood, in 2017 single persons with dependent children had the highest IWP rate – 22.9% (which, at 9.9 pp, was also the highest increase since 2012); they were followed by single persons (14.6%). Regarding the intensity of the change, the otherwise "best-situated" category – two or more adults with dependent children (8.1%) – had the biggest increase since 2012 (153.1%).

Regarding work intensity, in line with expectations the work intensity of households and their risk of IWP has a reverse connection. Every third household (31.3%) with low (0.2-

[3] http://www.ksh.hu/docs/hun/xstadat/xstadat_eves/i_wnvn001b.html

0.45) work intensity[4] was affected by in-work poverty, as against 7.7% of those with very high work intensity (0.85-1). However, the situation actually improved in the low work-intensity category by 3.9 pp, whereas in the other three categories there was an increase of 5-6 pp. The 5.8 pp increase in absolute figures in the very high work-intensity category meant a threefold increase in terms of intensity of change (305.3%).[5] If we consider those households with and without dependent children separately, we can observe similar trends. However, there was an interesting situation in low work-intensity households: of such households without dependent children, 41.3% were at risk of IWP (a 17.4% increase over 2012); meanwhile in low work-intensity households with dependent children, there was a significant (17.4 pp**)** improvement over the period (from 42.9% in 2012 to 25.5% in 2017). This was probably the effect of the tax refund for children and other child-related benefits. Yet it still means that ever fourth low work-intensity household with children is income poor. The absolute increase in the in-work poverty rate of very high work-intensity households was higher for households with dependent children than without (IWP rate in 2017 was 8.6% vs 7.2%). The increase in intensity was almost fourfold for the former group (377.8%), but 2.5-fold (260%) for the latter group over the period of analysis.

In summary, those groups especially at risk of IWP in 2017 in Hungary were the self-employed (20.8%), older workers (12.1%), those with a low educational level (17.4%), those employed on a temporary contract (22.9%), part-time workers (22%), single adults with dependent children (30.6%) and those living in low work-intensity households (31.3%) – especially those without dependent children (41.3%), but also those with (25.5%). Between 2012 and 2017, the risk of in-work poverty increased by more than 5 pp among the self-employed (14.8 pp); women (5.9 pp); those aged between 55 and 64 (6.9 pp); those with tertiary education (6.1 pp); part-time workers (6.2 pp); single persons with dependent children (9.9 pp); households with medium work intensity (5.2 pp); all households without dependent children (5.2–6.8 pp) but especially low work-intensity ones (17.4 pp); and households with dependent children (5.1–6.8 pp), except for those with low work intensity.

As to key challenges: it is alarming that in-work poverty has increased dynamically in Hungary despite the significant increase in the minimum income and average wage levels and overall improving poverty indices. The reasons behind this should be identified and targeted with policy measures. The self-employed seem especially affected, and it is difficult to explain why. The case of single parents with dependent children should be highlighted: it is not only their present level of in-work poverty that is alarming, but so is the magnitude of the increase; it calls attention to the fact that in the case of single-parent families (a growing segment of the population), current child-related benefits cannot compensate for the absence of a second earner in the family. The difference in median and average wage levels,[6] the overwhelmingly dominant ALMP, the public works scheme (PWS) and partly the tax system all had a direct negative; while the introduction of family tax refunds had a positive impact on IWP for families with dependent children. The lack of social transfers and tax credits specifically used to combat IWP seems problematic, based on available data.

[4] There is no data for the "very low work intensity" modality in nearly all countries, including Hungary, across the period. This is largely due to the use of most frequent activity status (more than six months in employment in income year) to define the work status of the in-work poor.

[5] A possible explanation may be that a significant proportion of public workers were employed full time year-round, but on wages below the poverty line, and so their situation contributed significantly to this deterioration.

[6] Average wage: all wages divided by the number of recipients. Median wage: the wage as compared to which half of the wages are lower and half are higher.

https://stats.oecd.org/Index.aspx?DataSetCode=MIN2AVE

2 Analysis of the policies in place

Halleröd et al.'s (2015) longitudinal analysis using European Union Statistics on Income and Living Conditions (EU-SILC) data over a three-year period calls attention to the fact that the focus should be put on actual labour market conditions that lead to poverty. Those problems caused by low hourly wages should be separated out from those caused by few working hours. In Hungary, we have witnessed an increase in in-work poverty at a time when all the other labour market processes are positive: employment levels have risen (so that we now have a labour shortage in the country); the unemployment level has fallen to a very low level; and most poverty indices have dynamically improved. Yet in recent years Hungary has witnessed the most significant deterioration in in-work poverty in the whole EU.

2.1 Most important policies directly influencing IWP

We now need to consider in detail the wage levels (most importantly the level of the minimum wage), the characteristics of the tax system and the overwhelmingly dominant ALMP (i.e. the public works scheme) over the period under consideration (2012-2018), focusing particularly on the challenges identified in Section 1. These are the factors that directly influence IWP in the country, and by and large the policies pursued have had a negative impact on in-work poverty (although an element of the tax reform – the introduction of family tax refunds and subsequent amendments – did have a positive impact on IWP for families with dependent children).

2.1.1 Minimum wage, wage levels

In Hungary, the minimum wage is legally binding for all workers in all sectors of the economy. In the EU, Hungary belongs to the group of countries with low minimum wages (together with Bulgaria, Croatia, Czech Republic, Estonia, Latvia, Lithuania, Poland, Romania and Slovakia). That said, the nominal increase between 2010 and 2018 was 87.8% (63.3% in real terms) (Eurofound 2018).

Increases in the minimum wage have the potential to reduce in-work poverty, but it is feared that they could have a negative effect on employment levels and be problematic especially for SMEs; they may also enhance informal economy practices. There are two levels of guarantees in Hungary, introduced in 2006: the basic *minimum wage* and the *guaranteed minimum wage* – this latter is for jobs requiring at least secondary school or a vocational training qualification. After the outbreak of the crisis – from 2009 until 2016 – net wages increased by 5.6% per year on average. In the private sector, average wages increased by 34% between 2010 and 2016, and in the public sector by 21% (Belyó et al 2018: 11,13). The low wage levels characteristic of the public sector and budget restrictions kept salaries in some segments of it at the same level, e.g. among social workers, those working for municipalities.

The minimum wage was significantly increased in 2017 and then in 2018 (the gross minimum wage for 2018 increased by 24% compared to 2016; the guaranteed minimum wage increased by 40%). This will probably reduce IWP, but the increase is not reflected in our data at all, as the figures for 2017 are based on income gained in 2016.

The minimum wage levels are especially important in Hungary, as large numbers of workers are paid the minimum wage or around that level (in 2015, 600,000 – Eurofound 2018). In 2016, the minimum wage was 39% of the average wage and 51% of the median wage. According to the president of the Hungarian Trade Union Confederation, two-thirds of employees earn less than the average wage, and so the median would be a more realistic estimation of the average monthly income level (250,000 HUF/€806, rather than 310,000 HUF/€1,000; but the former figure is not published by the Hungarian Central Statistical Office). Some 71% of public servants are covered by the minimum wage or guaranteed minimum wage, which means that two-thirds of the 800,000 public servants are paid the smallest possible amount. According to a survey by

the Hungarian Trade Union Confederation, 50% of all employees can only make ends meet, and any extra expenditure would cause them serious problems.[7]

Wage inequalities are growing, and the average and median wages are diverging. The think tank Policy Agenda (2018) recently published an analysis on wage inequalities in Hungary. Based on the individual wage and income statistics of the Ministry of Finance, Policy Agenda calculated income inequality, comparing median and average wages. The data refers to 2016, before the significant minimum wage increase, which came into effect in 2017. The survey indicated a deterioration since 2014: in 2016, the median wage was only 74% of the average wage. Out of 100 workers, 69 earn less than the average wage. In the competitive sector, this is true of 73 workers out of 100. The bottom 52% of the population generally earns as much in total as the top 10%. The top 5% earns as much as the bottom 40%. The situation is even worse in the private sector, where the bottom 58% earns as much as the top 10% (Policy Agenda 2018: 2-4).

Using income tax declarations submitted in 2017, their results also indicate a very distorted, significantly unequal wage system where there is sizeable income under the radar. The researchers took two types of income into account: wages from employment relations (4.26 million people submitted such declarations) and other work-related income (self-employed entrepreneurs, small agricultural producers, etc.: 551,000 people gained such income, based on their tax returns). There is a sizeable overlap between these two groups (people who have wages from employment and also have other work-related income. Only 271,000 people claimed not to have employment-related income only other work-related income type(s). Based on the above data, *34% did not earn as much as the minimum wage (1.45 million people) and a further 43% earned incomes between the minimum wage and the average wage published by the Hungarian Central Statistical Office (1.83 million people).* Some 23% (981,000 workers) earned above the average wage in 2017.

There is also some discrepancy between the number of employees registered by the Hungarian Central Statistical Office (HCSO) and the tax return data. On average 3.6 million people are employed on at least the minimum wage. However, only 2.8 million submitted such a tax return to the authorities. There is a significant 800,000 difference between the two (see further details in Policy Agenda 2018: 7-8). It seems that several people either completely hide from the tax authorities with their income gained, or else they (or their employers) declare significantly lower sums than they actually receive. The analysis first included only employment-related income; then it considered all income (though this data did not include income received under the Fixed-rate Tax for Small Taxpayer Enterprises (KATA)). The study concluded that "other income" earned besides being employed does not lessen wage inequalities. The flat-rate tax system only reinforces the unequal structure, and the majority of employees can be considered losers under this system.

The net minimum wage was under the poverty line in 2012 and 2013; it was slightly above it between 2014 and 2016; and it started to be significantly higher from 2017 on. As for the minimum subsistence level, it is still higher than the net minimum wage, although in 2017 the difference between them was smaller than at any time previously in the analysed period (see Figure A.2 in Annex). In 2012, the poverty line was 65,600 HUF (€212) a month; the net minimum wage was 60,619 HUF (€196) a month; and the minimum subsistence level was 87,510 HUF (€282) a month. In 2017, the poverty line was 77,680 HUF (€251), the net minimum wage was 84,788 HUF (€273) and the minimum subsistence level was 90,450 HUF (€292).

[7] http://nepszava.hu/cikk/1158628-ketmillio-alulfizetett The article that cites this survey does not provide any further details and the original survey seems to be publicly unavailable.

2.1.2 Taxation

Hungary introduced a flat-rate tax in 2011, which initially was 16%; since 2016, it has been 15%. The tax refund for low wage earners was abolished. The labour tax wedge has been among the highest in the EU, and especially workers in low income brackets are affected, for it has an impact on their employability.

On the positive side (at least for families with dependent children), a new family tax allowance was also introduced in January 2011. While the family tax allowance does reduce the tax wedge for earners with children, the effect is substantial only for those with at least three children, and better-off households can profit from it even more. The majority of children live in families with very limited income, and they cannot enjoy the positive effects of the modification of the tax system (since, especially on the introduction of the system, they had no or very low work-related income). Those in low income brackets earn so little that they lose money under the present tax system due to the abolition of tax credits for those on low income, while they can utilise the family tax allowance to a much lesser extent than those families in the highest income brackets, since they simply do not earn enough to reclaim the amounts theoretically possible. The allowance is still significantly lower for those with one or two children, but initially this difference was even greater. Only 6% of employees have three children or more.[8] For this reason, the system has been modified several times since its introduction, in order to have a more positive effect on the situation of families with children, and especially those with lower incomes. Since 2014, the family tax allowance also takes account of the expense of their 7% health insurance contribution and 10% pension contribution.[9] In 2015, the circle of those eligible for the family tax allowance was extended: the spouse of the partner eligible for family allowance can also claim this allowance. Furthermore, alongside income earned under a permanent work contract, other income can also now be included in the tax base (e.g. permanent contract of services[10] or rental income). In 2016, the tax allowance payable to families with two children was also increased, so that it will have doubled by 2019 – a yearly increase of 2,500 HUF (€8). And in 2018 it was raised to 17,500 HUF (€56) per child per month, affecting approximately 330,000 families.

A financial analysis which also provoked some media attention and political debate in 2013[11] stated that the tax reform altogether decreased state revenues significantly. Taking other factors (e.g. the number of children) into account, 1.7 million people gained, while 2.5 million lost under the new tax system. The top two deciles received 59% of the reductions the extension of family tax allowance produced (Tóth and Virovácz 2013).

More recent calculations on the available data indicate that while families with one or two children can mostly (above 90%) take advantage of their (limited) family tax allowance, only around 50% of those with three or more children can do so. In 2015, 544,000 families with one child, 358,000 with two and 196,000 with three or more children utilised family tax allowance; in 91% of cases, only one of the parents did so. In 2015, more than a quarter of them did not pay any income tax at all, while 130,000 did not pay income tax or contributions either. Families with children could not use a third of the theoretically available tax allowance.[12]

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[8] Civil jelentés a gyermekesélyekről 2011 (Gyerekesély Egyesület), p. 22.

[9] The tax allowance was extended to include not only income tax, but contributions.

[10] "Megbízási szerződés", a general service contract type regulated by the Hungarian Civil Code.

[11] See among others:
http://index.hu/gazdasag/2013/11/19/ezt_tette_velunk_az_egykulcsos_szja/
http://index.hu/gazdasag/penzbeszel/2013/11/27/nobilis/

[12] https://24.hu/fn/gazdasag/2017/08/11/a-csaladi-kedvezmeny-harmadat-nem-tudjak-igenybe-venni-a-szulok/

In 2018, Policy Agenda prepared an analysis of tax benefits.[13] In 2017, 92% of taxed income was from employment. The family tax allowance affected the widest circle. Comparing income deciles, we can see that workers belonging to the top 10% received 24% of family tax allowances – the same proportion as the bottom 48% of workers (see Figure A.3 in Annex).

2.1.3 Public works

The most important ALMP since 2010, both regarding the number of people involved and the funds allocated to it, has been the often-criticised public works scheme (PWS). It is at least partly responsible for the increase in IWP levels in Hungary.

The PWS was significantly extended in 2011: "direct job creation", which represented about 80% of the budget dedicated to ALMPs is a means for the labour market reintegration of unemployed people and was designed to gradually replace social benefits.[14] Although public workers are registered as employees, it can also be considered as a social provision, a part of the minimum income scheme. Public works play a significant role in social policy, particularly in disadvantaged areas of the country. Workers engaged in the PWS have been paid less than the national minimum wage since 2011: the government decides on the wage levels for the workers involved. PWS has raised the employment rate, but has also increased the in-work poverty rate (for more details see Albert 2015a, 2017).

The gap between the minimum wage and the public work wage has increased over the years: in 2016, the public work wage was 71.3% of the minimum wage; in 2017 – 63.9%; and in 2018 – 59.1%. The fact that this gap has widened is especially disadvantageous for the poorest households, even if in the lowest decile the share of active workers increased from 14% in 2011 to 34.5% in 2017. But while the share of work-related household income increased by 45% between 2010 and 2016, in the lowest income decile the figure was only 13%, which also means that the difference between the net household incomes of the first and the fifth deciles increased from 1.7 times in 2010 to 2.3 times in 2016.

In 2018, the gross wage for those involved in public works was the same as it was in 2017. These people, who comprised 5% of the employed population in 2016 and 4.2% in 2017, had a net minimum wage of 75% of the poverty line in 2012; by 2017, it had declined to less than 70%. Their wage diverges even further from the minimum subsistence level. For the sake of simplicity, the data in Table 1 refers to single households (a consumption unit); if there are dependants, the figures can be much worse.

[13] https://www.policyagenda.hu/elemzesek/2018/az-adokedvezmenyek-is-a-gazdagokat-segitik/#more-16592

[14] There have been public works projects in Hungary since the 1990s, but until 2009 they did not involve more than 15,000 to 20,000 people a year. Unemployment benefits in Hungary are linked to the acceptance of employment opportunities, regardless of the recipient's educational level or skills. If there are no employment opportunities, one is obliged to join the public works scheme.

Table 1. The changes in the monthly amounts of minimum income and public works income between 2012 and 2018

	2012	2013	2014	2015	2016	2017	2018
Gross public works salary (HUF/EUR)	71,800/232	75,500/244	77,300/249	79,155/255	79,155/255	81,530/263	81,530/263
Net public works salary (HUF/EUR)	47,029/152	49,453/160	50,632/163	51,846/167	52,638/170	54,217/175	54,217/175
Number of public workers	90,800	129,100	182,500	191,900	202,500	164,600	
Gross minimum wage (HUF/EUR)	93,000/300	98,000/316	101,500/327	105,000/339	111,000/358	127,500/411	138,000/445
Net minimum wage (HUF/EUR)	60,915/197	64,190/207	66,483/214	68,775/222	73,815/238	84,788/274	91,770/296
Subsistence minimum (HUF/EUR)	85,960/277	87,510/282	87,351/282	88,016/284	88,619/286	90,450/292	n.d.
Poverty line (60% of median) (HUF/EUR)	65,600/212	64,350/208	66,979/216	70,328/227	73,900/283	77,680/251	n.d.
Net public works salary/net minimum wage (%)	77.2	77.0	76.2	75.4	71.3	63.9	59.1
Net public works salary/poverty line (%)	75.3	76.8	75.6	73.7	71.2	69.7	n.d.

Source: Policy Agenda calculations;[15] HCSO;[16] Tájékoztató (2018); own calculations.

The PWS is still the most important measure in employment schemes for vulnerable people, among them the Roma,[17] though it has been criticised for its low efficiency in reintegrating people into the primary labour market,[18] its poor targeting (involving not only those in the most disadvantaged positions, from disadvantaged regions) and for the fact that it absorbs funds from other more efficient labour market tools and provides a lower income than the minimum wage (Albert 2015a). The need to modify the scheme has been referred to in the Country Specific Recommendations (CSRs) for Hungary every year since 2012.

As of January 2017, further activation measures were introduced in the PWS (see Albert 2017), such as the reimbursement of travel costs and a move to increase further the gap between the minimum wage and the public works wage, which may encourage transition to the open labour market (besides increasing IWP). The training component of the PWS has been enhanced.

[15] https://www.policyagenda.hu/elemzesek/2018/kozmunkasok-helyzete-tovabb-romlik/#.WlmsSpOdWqB

[16] HCSO: A közfoglalkoztatás keretében foglalkoztatottak munkaügyi adatai (Labour market data of those involved in public works) https://www.ksh.hu/docs/hun/xstadat/xstadat_evkozi/e_qli037.html; *Statisztikai tükör*, 7(18), at http://www.ksh.hu/docs/hun/xftp/idoszaki/mpf/mpf1212.pdf; http://www.ksh.hu/thm/2/indi2_6_1.html

[17] In 2016, 6.2% of the underemployed, 1% of the unemployed, 13% of the inactive considered as labour-reserve and 18% of public works participants claimed to be Roma in the Labour Force Survey. So, while in 2016, 3% of the Hungarian population aged 15-74 claimed to be Roma, every fifth public works participant was Roma (HCSO 2017: 10). In 2015, 42% of the employed Roma were engaged in public works and every fifth public works participant was Roma (HCSO 2016: 15).

[18] According to the data compiled by the Ministry of Interior, the rate of successful exit from the scheme was 12.2% in 2015 and 14.5% during the first five months of 2016.

Due to the set of measures the government announced in March 2017, the number of those involved in the public works scheme has been decreasing, as there is a significant labour shortage in the country. In 2017, the average number of public workers was 179,500 – a 19.7% decrease over 2016 (*Beszámoló* 2018). A recent, wide-scale study on public works commissioned by the government to refocus the programme (Hétfa 2018) states that those stuck in the system of public works are growing further and further distant from the primary labour market and can only be reintegrated through long-term, complex services. Public works are increasingly a programme for the elderly, women with small children and those with health-related and other complex problems, and for them it works like sheltered employment. Thus, the role of public works has to be reconsidered.

2.2 Most important policies indirectly influencing IWP

2.2.1 Social assistance schemes

In the following section, we assess the most important policies which indirectly influenced IWP in the country during the period concerned. The Hungarian welfare system can be characterised as a "corrupt redistribution", because benefits and services do not focus on the poor, and often the well-to-do have better access to public resources than the needy (Szikra 2014, 2018). The income position is practically irrelevant in explaining receipt of benefits, but age is not, as the main beneficiaries of the Hungarian welfare state are children and elderly people (Gál and Medgyesi 2017: 5). Together with Greece, Hungary was a country that did not see an increase in social protection receipts between 2006 and 2015 (EC 2018: 145). Of the OECD countries, Hungary is the only one where cash income support for those of working age has significantly decreased. Restrictive income protection policies, including a nominal freeze on social transfers in force since 2008 and a cutting back of the unemployment benefit period, have most probably contributed to the worsening of IWP rates.

From the perspective of this study, the minimum income scheme is especially important for temporary workers or those on the periphery of the labour market (for details see Albert 2009, 2015b). Unfortunately, Hungary is gradually moving away from a general minimum income scheme (MIS). The conditionality of provisions is increasing. The level of MI (minimum income) benefits was found to be inadequate even in 2009, and since then the situation has deteriorated even further, with a nominal decrease in certain provisions (job-seeking allowance, employment replacement subsidy) and the abolition of others (e.g. social assistance, home maintenance support). Regarding general minimum income schemes, the country lies at the bottom in terms of expenditure, spending the lowest amount (€0.50) per inhabitant (Pena-Casas et al. 2013: 49). Formerly there were more regulations to enhance transition to employment. The contribution-based unemployment benefit (now called *job-seeking allowance* or *álláskeresési járadék*) is available for a maximum of 90 days – the shortest duration of such provisions in the EU. Its amount is capped at a maximum of 100% of the effective minimum wage. After 90 days, unemployed people may apply only for the *benefit for people of active age*. If found capable of work, they may receive *employment replacement subsidy* (which is fixed, irrespective of the number of members and composition of the family, and which currently amounts to 80% of the statutory minimum for old-age pensions: 22,800 HUF a month (€73.50) – 33.6% of the at-risk-of-poverty (AROP) threshold for a one-person household), or else they may be employed in public works at approximately 70% of the statutory minimum wage. Recipients of the benefit for people of active age are entitled to health care. At present, the eligibility conditions do not ensure that the MI scheme covers all the relevant population at risk. There are no studies on coverage or take-up of MI benefits, despite the fact that we know that approximately half of registered job-seekers do not receive any provisions: the working poor are not included at all in the MIS (Albert 2015b). Most probably, take-up could be increased by easing behavioural conditions; but with the positive exception of the employment replacement subsidy – where the "tidy

living arrangements" condition was removed from the regulations – the opposite tendency has been more in evidence.

The impact of the MI scheme on reducing the level of poverty can be regarded as moderate and has been decreasing in recent years. The net replacement rates for long-term unemployment are among the lowest in the EU. Participation in public works increasingly comprises the work-incentive element of basic social provisions (minimum income) for those of active age and capable of work, but the data indicates that public works do not promote employment in the primary job market and cannot lift families out of poverty.

There is a need for a legally defined minimum income level, which is based on research and takes into consideration the level of other related benefits. Based on this, the level of minimum income should be calculated as the difference between the available resources of the household and this level. The current level of minimum income should be significantly raised and indexed annually. Conditionality and sanctions exclude thousands in need from the current MIS.

Resources for provisions connected to employment, *regular* and *not low* income (e.g. family tax allowance, Family Home Creation Loan, certain child-care related provisions (CSED, GYED)) have been increased, often due to the rise in the minimum wage, to which several of these provisions are tied. On the other hand, funds for universal provisions offered without further criteria being met (e.g. family allowance, child-care leave (GYES), child-raising support (GYET)), together with provisions for low-income families with children (regular child protection benefit) or the employment substitute benefit have not been increased, and so their real value continues to decrease. Although it has appeared among CSRs every year since 2014, there has been no improvement in the adequacy and coverage of most social benefits. The value of basic social provisions has not been increased (or has decreased) since 2008. At the very least, the indexation of these latter provisions to make up for their value loss since 2008 is necessary. Half of the registered job-seekers are without any social provisions.[19] In 2018, the employment replacement subsidy was still 22,800 HUF (€76) a month, which is 30% of the at-risk-of-poverty threshold.

The government rightly argues that the short duration of unemployment benefits may enhance job searches, but it may also force job-seekers to accept jobs that do not match their qualifications, reducing productivity in the economy. Also, due to the limited benefit duration and the lack of adequate savings (plus the fear of losing even the minimal social support, since job-seekers must accept the public works offer in order to keep their eligibility for social assistance), people are forced to join the PWS, which almost automatically means in-work poverty.

In line with previous studies, our analysis shows that the risk of in-work poverty is relatively large among households with children – especially households with many children and single-parent households. Figures by household type show a positive impact of the government's family policy: although the risk of in-work poverty is still higher for households with children, their situation has deteriorated less than that of households without children (Eurofound 2017a: 46). Yet family policies should redistribute more resources for those in low-income categories and single-parent families.

Regarding access to healthcare services,[20] self-reported unmet need due to financial reasons are similar to the EU average: in 2016, it was 0.9% on the grounds of medical

[19] https://nfsz.munka.hu/Lapok/full_afsz_kozos_statisztika/full_afsz_munkaeropiaci_helyzetkep/content/nfsz_stat_merop_helyzet_2018_11.pdf

These people have probably lost (or not yet gained) eligibility for the Employment Replacement Subsidy, e.g. were dismissed from public works due to alcohol or behaviour problems, did not cooperate as prescribed, etc.

[20] Hungary has a social insurance-based compulsory healthcare scheme with practically universal coverage. On inequalities in the health system, see Albert (2018).

care being too expensive; 0.2% because it was too far to travel; and 0.2% because of waiting lists.[21] However, the availability has improved for the better-off 60% of the population; for the rest, especially for the poorest quintile, it has deteriorated, and so inequalities have increased.[22] The European Quality of Life Survey data also indicates that only 32% of Hungarians in the lowest income quintile considered that they could cover primary care costs (Eurofound 2017b: 56), so worse access to health care must be a problem for workers affected by IWP.

The reform of the social protection system in 2015 may also have contributed to an increase in IWP, especially as housing costs are a heavy burden for 60% of the in-work poor and 36% of the working population (Eurofound 2017a: 50). Yet *normative housing support* was abolished in 2015, and at present there is no coherent housing policy that targets the needs of those at risk of poverty and social exclusion (Habitat 2018), offering real opportunities to fight homelessness and provide adequate social housing options. It is problematic, as recently both rental and real estate prices have increased significantly.[23]

The restructuring of the social protection system separated income- and expense-compensation provisions. The latter are now provided on the basis of local decrees in the form of a single provision called "settlement support", which replaces the previous statutory housing maintenance support, kindergarten support, debt management services, equity public health provision and nursing fee. Every local government has had to issue its own decree setting the criteria for this provision. Regarding this reform, which was introduced in 2015, the first comprehensive quantitative analysis of statistical data by the HCSO was recently published. It reaches the following conclusions. Between 2014 and 2016, the total number of recipients did not change, but the real value of provisions fell to 68% of their 2014 level at the individual level. Take-up increased only in settlements with low tax capacity – by a significant 29%. So due to increasing demands, the decrease of per capita support was the highest in such settlements, it dropped to 58% of its value in 2014. The change in the system of social provisions affected housing-related provisions the most: the number of those receiving such support decreased by 44%, but municipalities provided less money to support medication or nursing. The study concludes that the change resulted in decreased social security for the population, especially for those living in smaller, more disadvantaged settlements (Kopasz and Gábos 2018). Previous studies also concluded that local provisions target the poorest population segment (including large families with a number of children) to a decreased extent and provide less support for them, while discretionary elements are more abundant and the transparency of the allocation of provisions has often decreased significantly (Mózer 2016).

2.2.2 In-work benefits

Employers can provide benefits to their employees – either regular fixed benefits, e.g. 10,000 HUF (€32) food voucher for every employee/month, or optional ones (the benefits can be chosen by the employee from a list within the framework of a determined amount). This optional system – called the "Cafeteria system" – is being significantly curbed from 2019 on. On top of these, employers may provide vouchers (e.g. Erzsébet vouchers (food support); School starting vouchers; Culture vouchers; Gift voucher); or the SZÉP Card – this card has three "pockets", covering restaurant meals, leisure accommodation and culture. A frequent provision is a local public transport season ticket. Apart from that, the Health Care Fund Card and voluntary pension fund additions can be

[21] EU-SILC 2016 data downloaded on 13 April 2018.

[22] Eurostat. hlth_silc_08.

[23] http://kettosmerce.blog.hu/2017/09/02/egekbe_szoknek_az_alberleti_dijak_a_fidesz_lakaspolitikajanak_kudarca; http://www.gki.hu/wp-content/uploads/2017/11/GKI_ing_1704.pdf

financed. There is limited data regarding access to such benefits. A survey conducted in 2018 on a sample of 683 companies (the majority of them from the private sector) found that 87% provided some kind of in-work benefits: of these, 4% provided them for certain groups of employees, 57% for all their employees, and 39% for all their employees, but with different kinds of benefits for specific groups. Some 30% provided only fixed benefits, while 38% offered only flexible ones, permitting individual choice, while 32% has systems with some fix elements and also benefits permitting individual choice. In all, 37% of organisations with at most 10 employees provided no in-work benefits. Bigger organisations tend to provide such benefits more and in more flexible ways.[24] Another survey found that 55% of employers provide local public transport tickets, and Erzsébet vouchers are also very widespread. The SZÉP Card is also very popular, especially among big companies.[25] The analysis does not contain information on the impact of such benefits on the income of the employees.

3 Policy debates, proposals and reforms on in-work poverty and recommendations

IWP has not been an explicit policy priority in Hungary. It was not mentioned at all in the NRPs in the analysed time period and nor were there any measures to target it explicitly – although this is not very surprising in light of the fact that a couple of years ago, before this current quite dramatic increase, Hungary had very low IWP levels. Poverty is addressed in the NRPs only with regard to the EU 2020 poverty targets and the changes in the AROPE indices.

A major priority of the Orbán government since 2010 has been to increase employment levels and activate people ("workfare" instead of "welfare"). The underlying assumption has been that work lifts people out of poverty; thus increasing the work intensity of households means that poverty will decrease. One has to acknowledge that the intention of increasing work intensity, to a significant extent through the PWS, has been successful. However, it has not automatically meant that people who work are not affected by poverty. The data shows that this is not the case: poverty among the employed is increasing. This is mostly in categories that are at risk anyway (older people, those with low education, in temporary or part-time jobs, etc.), but there has also been an increase among, for example, those with tertiary education. Yet, the problems of the working poor are still not the focus of government measures. The following may exemplify this claim: the former secretary of state responsible for social exclusion was asked in an interview in February 2017 about the significant increase in IWP. He argued that this had happened because the number of those living in deep poverty had decreased from 465,000 to 185,000 over the preceding three years, and these people were now among the working poor. He stressed that previously these people had been in a far worse situation, without work, living on social benefits and with a "fraction of the amount of their present wage".[26]

The government gained a supermajority in parliament for the third time in a row in April 2018, and it acts with the total certainty that it is fully authorised by the majority of the voters. The opposition parties are weak and so are the trade unions. It seems that the government is more inclined to take steps for purely economic reasons than for social ones. Based on available information, the government plans no change regarding wage

[24] http://bkik.hu/gszt/wp-content/uploads/sites/3/2018/02/Cafeteria-kutat%C3%A1s_Magyarorsz%C3%A1g_2018.pdf

[25] http://www.origo.hu/gazdasag/20181011-felmeres-a-magyar-vallalkozasoknal-a-dolgozok-88-szazaleka-reszesul-iden-a-cafeteria-legalabb-egy.html

[26] Czibere: A felemelkedés miatt nőtt Magyarországon a dolgozói szegénység, *168 óra*, 16 February 2017, https://168ora.hu/itthon/czibere-a-felemelkedes-miatt-nott-magyarorszagon-a-dolgozoi-szegenyseg-10514

levels in the PWS, but does plan other modifications in the system – their actual impact has yet to be seen. A further increase in the minimum wage is planned, together with a further decrease in wage costs. The family tax allowance is still being extended, which is a positive step for families with dependent children. However there seem to be no intention of increasing the adequacy of most social benefits.

Over the past years, there have been a few instances of some opposition parties and the trade unions trying to focus attention on IWP and the significant increase in it, in order to mobilise people; but these attempts have had a limited direct impact on government policies. The issue of in-work poverty comes up repeatedly in the media, mostly when some new data gets published either at the European or the national level. It is also an issue that trade unions try to focus on when setting the minimum wage. However, social dialogue is very weak in Hungary (its strengthening was among the CSRs for the country in 2018).

In 2011, the FIDESZ-led government replaced the former tripartite forum (National Interest Reconciliation Council, OÉT) with a new bipartite body, the National Economic and Social Council (*Nemzeti Gazdasági és Társadalmi Tanács* – NESC). This consists of a wider range of organisations (32), including chambers of commerce, social and scientific civil organisations and Hungary's historical churches, and it no longer sets the minimum wage. The government is not a member of this body. Council members only have the option of drafting proposals for the government. In reality, the government presents drafted regulations and laws to the NESC, leaving it without enough time to prepare and limiting the time for consultation. Since 2011, Hungary's national minimum wage has been set by government decree, though the government has to consult the NESC. The new practice of consultation on national minimum wages (both minimum wages and guaranteed minimum wages) happens within the framework of the Permanent Consultation Forum of the Private Sector and the Government (PCFPSG, *Versenyszféra és a Kormány Állandó Konzultációs Fóruma*), which is a new national tripartite forum formed in 2012. There, three employers' organisations (MGYOSZ, ÁFÉOSZ and VOSZ), three trade unions (LIGA, MSZOSZ and Munkástanácsok) and the government consult on industrial policy. The other trade unions are excluded, as they are regarded as primarily representing workers in public services and publicly owned utilities. When the employers' organisations and trade unions in the PCFPSG reach a consensus, that agreement is submitted to the government, which consults the NESC on it and makes an announcement, codifying the agreement.

The change in the institutional framework of minimum wage setting was strongly criticised by the unions. But union membership is decreasing in Hungary: in 2015, trade union density in Hungary was only 9%.[27] Although there is an institutional framework, as presented above, it has limited meaningful content and transparency – at least in the view of social partners. A six-year wage agreement accepted in autumn 2016 meant that from January 2018 the minimum wage reached the minimum subsistence level for the first time since its introduction in 1989. This had been on the agenda of trade unions since the 1990s. At first sight, one might think that the 2016 agreement was a victory for social partners; however, it turns out that although certain trade union confederations had long argued for and advocated this, they had not achieved a breakthrough. They had even entrusted a think tank, Policy Agenda, with preparing a plan for how to increase the level of the net minimum wage to the minimum subsistence level (Programme against in-work poverty!),[28] and in 2014 the trade unions had unanimously put forward this proposal at wage negotiations. They had sent the programme to the press and the government. But in 2014, neither the government nor the employers' organisations supported it, and there was no meaningful debate on it.[29] In 2015, an updated version[30]

[27] Labour Force Survey data. http://www.ksh.hu/docs/hun/xstadat/xstadat_evkozi/e_szerv9_01_16.html

[28] http://szakszervezet.net/images/dokumentumok/Tobb%20bert%20a%20dolgozoknak%200922.pdf

[29] As there are no accessible documents of the PCFPSG meetings, this information can only be based on interviews.

of the programme was introduced by the trade unions. They threatened to initiate a referendum if talks remained unsuccessful, but neither the government nor the employers supported the initiative and no referendum took place. Against this background, in 2016 the minister of national economy himself introduced the topic of a two-step wage increase for 2017 and 2018.

For the future, apart from the repeated general claims of increasing the adequacy of benefits, more focused interventions would be especially needed in the case of single-parent families, e.g. a significant increase in their family allowance, because at present the difference between the family allowance of single-parent and two-parent families is very small. A tax refund for low-income earners could also have a positive impact on IWP. A normative housing support for those in need should also be reintroduced.

4 Assessing data and indicators

The IWP index, as it is a relative measure, conceals any information about the quality of the poverty it indicates, and thus, in this sense, its relevance in international comparisons is limited. That is why Hungary, which a couple of years ago was characterised by low IWP, seemed unproblematic, even though in a European comparison, due to low wage levels in the country, Hungarian workers were a lot poorer than workers in a number of other countries. That is also why it is understandable that the trade unions, who are almost the only public actors interested in the issue of IWP right now, try to argue for and use a different, somewhat modified definition. Instead of 60% of the median income, they would rather use the minimum subsistence level as a poverty line. In 2015, the HCSO announced that it would stop calculating minimum subsistence levels, as (they contend) it is misinterpreted and does not indicate poverty levels. Thus, Policy Agenda, a research and consultancy firm supported by the Friedrich Ebert Stiftung and the Hungarian Trade Union Confederation (Magyar Szakszervezeti Szövetség) started to calculate minimum subsistence levels[31] using the same methodology that the HCSO used previously. Policy Agenda initiated the calculation of another indicator based on the minimum subsistence level. Called the *social minimum*, this signifies a modest consumption level which, beyond satisfying the most basic needs, provides opportunities to meet some mass demands in other areas and to create some reserves for emergencies.[32] Taking the gross amounts of the minimum subsistence level and those of the social minimum, one can conclude that 2.67 million people with employment-related income had income higher than the minimum subsistence level, and 2.04 million had income higher than the social minimum[33] (see also Table 1 above). Policy Agenda (working together closely with the trade unions) also argues for taking into account legal income and disregarding social transfers, saying that this only highlights the fact that people cannot live on their income from employment.[34]

[30] http://www.vdsz.hu/files/1/466/program_a_dolgozoi_szegenyseg_ellen.pdf

[31] https://www.policyagenda.hu/elemzesek/2016/letminimum-2015/#more-10313

[32] https://www.policyagenda.hu/wp-content/uploads/2018/05/T%C3%A1rsadalmi-mininum-sz%C3%A1m%C3%ADt%C3%A1sa2107.pdf

[33] https://www.policyagenda.hu/elemzesek/2018/adobevallasok-alapjan-latszik-a-hatalmas-beregyenlotlenseg/#more-16582

[34] Only 7% of households living below the minimum subsistence level could save some money in a given month, as opposed to 37% of those living above that level. Although the numbers of those living below the minimum subsistence level decreased from 41% in 2016 to 36% in 2017, in the lowest two income deciles everyone lives below the minimum subsistence level, as do two-thirds of those in the third decile. Some 35% of these people work, and so in 2016 there were 840,000 people (19% of the employed) living below the minimum subsistence level. If there are no children under 18 years in the household, this rate goes up to 23%. If there is a dependent child, the rate goes up to 51%, which indicates an awful situation, even if it does show a decrease from 59% in 2015 (Belyó et al. 2018: 34).

Based on the EU-SILC database, it should be possible (and would be relevant) to ascertain the IWP figure split for the Roma and non-Roma populations in Hungary; however, the HCSO does not publish this data.[35]

[35] The Hungarian dataset of EU-SILC contains data on ethnicity (since 2013), but the Hungarian Central Statistical Office only regularly reports data split by ethnicity for the AROPE indices. See: https://www.ksh.hu/docs/eng/xstadat/xstadat_annual/i_zaa007.html

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Annex

Table A.1. Proportion of people living at risk of in-work poverty in Hungary (%)

		Reference period						Change 2017 vs 2012	
Country		2012	2013	2014	2015	2016	2017	Absolute	Intensity
Hungary	*Employees*	5.7	7.5	6.7	9.4	9.6	9.0	3.3	57.9%
	Self-employed	6.0	3.4	7.4	8.2	9.9	20.8	14.8	246.7 %
Hungary		5.7	7	6.7	9.3	9.7	10.2	4.5	78.9%
Hungary	*Males*	6.6	7.7	7.4	9.8	9.5	9.9	3.3	50.0%
	Females	4.7	6.2	5.9	8.7	9.9	10.6	5.9	125.5 %
Hungary	*18 to 24 years*	5.2	9.5	6.6	14.2	8.6	6.6	1.4	26.9%
	25 to 54 years	5.8	7.0	6.9	9.0	9.4	10.0	4.2	72.4%
	55 to 64 years	5.2	6.4	6.0	9.2	11.0	12.1	6.9	132.7 %
Hungary	*Less than primary, primary and lower secondary education (levels 0-2)*	19.0	24.3	21.0	27.8	25.2	17.4	-1.6	-8.4%
	Upper secondary and post-secondary non-tertiary education (levels 3 and 4)	5.2	6.7	6.9	8.9	8.3	9.8	4.6	88.5%
	Tertiary education (levels 5-8)	1.8	1.1	1.1	3.7	6.0	7.9	6.1	338.9 %
Hungary	*EU28 countries except reporting country*	8.1	3.6	3.3	10.1	9.7	6.2	-1.9	-23.5%
	Non-EU28 countries nor reportin	unreliable	unreliable	unreliable	unreliable	unreliable	unreliable	:	:

	g country								
	Foreign country	9.1	3.8	2.7	12.8	9.1	5.3	-3.8	-41.8%
	Reporting country	5.7	7.1	6.8	9.2	9.7	10.3	4.6	80.7%
Hungary	***Permanent contract***	3.9	5.1	4.2	6.4	6.8	6.9	3.0	76.9%
	Temporary contract	19.1	26.3	28.8	32.0	28.9	22.9	3.8	19.9%
Hungary	***Part-time***	15.8	17.9	20.1	18.2	22.0	:	6.2	39.2%
	Full-time	4.7	5.8	5.4	8.4	8.7	:	4.0	85.1%
Hungary	**Single person**	11.0	10.6	9.3	15.5	14.1	14.6	3.6	32.7%
	Single person with dependent children	13.0	13.8	13.7	20.5	30.6	22.9	9.9	76.2%
	Two or more adults without dependent children	3.2	4.9	4.0	6.4	6.4	8.1	4.9	153.1 %
	Two or more adults with dependent children	6.3	7.7	8.1	9.6	10.0	10.2	3.9	61.9%
Hungary	***Very high work intensity (0.85-1)***	1.9	2.1	2.9	5.6	6.7	7.7	5.8	305.3 %
	High work intensity (0.55-0.85)	6.6	10.6	7.5	13.2	13.3	12.8	6.2	93.9%
	Medium work intensity (0.45-0.55)	13.6	15.4	16.3	18.4	16.5	18.8	5.2	38.2%
	Low work intensity (0.2-0.45)	35.2	42.2	41.4	51.7	35.7	31.3	-3.9	-11.1%

	Very low work intensity (0-0.2)	:	:	:	:	:	:	:	:
Hungary HH without dependent children	***Very high work intensity (0.85-1)***	2.0	2.4	2.4	5.2	6.4	7.2	5.2	260.0 %
	High work intensity (0.55-0.85)	6.3	10.7	8.4	17.4	10.5	13.1	6.8	107.9 %
	Medium work intensity (0.45-0.55)	13.2	14.3	16.5	12.9	14.7	18.5	5.3	40.2%
	Low work intensity (0.2-0.45)	23.9	38.8	28.4	46.7	35.6	41.3	17.4	72.8%
	Very low work intensity (0-0.2)	:	:	:	:	:	:	:	:
Hungary HHs with dependent children	***Very high work intensity (0.85-1)***	1.8	1.8	3.6	6.1	7.2	8.6	6.8	377.8 %
	High work intensity (0.55-0.85)	7.0	10.5	6.7	9.6	16.0	12.5	5.5	78.6%
	Medium work intensity (0.45-0.55)	13.8	15.9	16.2	20.8	17.2	18.9	5.1	37.0%
	Low work intensity (0.2-0.45)	42.9	44.1	50.0	54.9	35.8	25.5	-17.4	-40.6%
	Very low work intensity (0-0.2)	:	:	:	:	:	:	:	:
	Employees			35	31.3	27.6	21.7	-13.3	-38.0%
	Self-employed			14.3	13.3	6.2	4.4	-9.9	-69.2%

Source: EU-SILC survey.

Table A.2. At-risk-of-poverty and social exclusion (AROPE) and material and social deprivation (MSD) rates for the employed in Hungary, 2012-2017 (%)

		2012	2013	2014	2015	2016	2017	Absolute change	Intensity of change
Hungary AROPE	**Employed persons**	20.9	23.7	20.3	18.8	18.5	19.0	-1.9	-9.1%
	Employees	22.2	25.3	21.3	19.5	19.4	18.6	-3.6	-16.2%
	Self-employed	11.7	11.1	12.8	12.6	10.7	23.0	11.3	96.6%
Hungary MSD	**Employed persons**			32.7	29.4	25.4	19.9	-12.8	-39.1%

Source: EU-SILC survey.

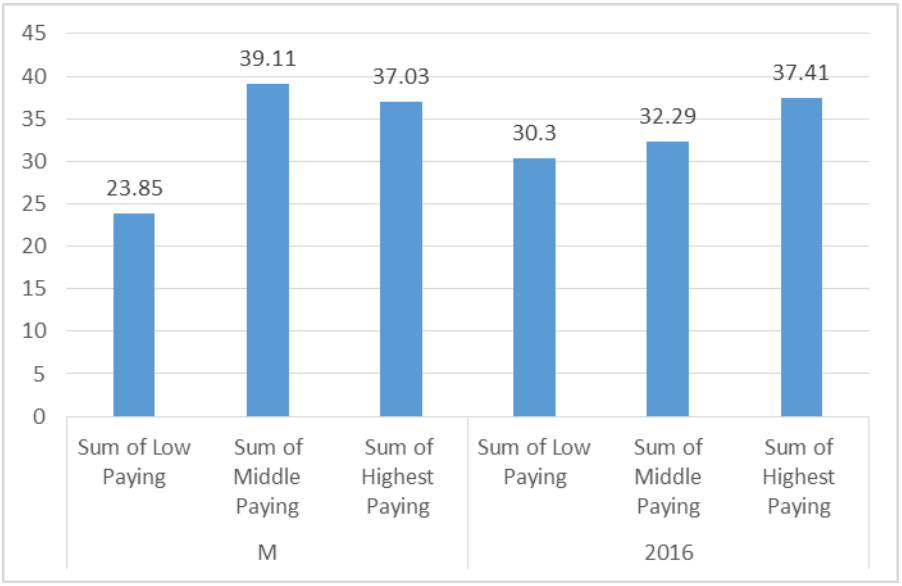
Table A.3. Labour market, social exclusion and social protection indicators in Hungary, 2012-2017

		2012	2013	2014	2015	2016	2017
Macro-economic indicators (annual % growth)	Total employment, annual growth %	0.2	1.1	4.8	2.4	2.6	2.0
	Real compensation per employee (GDP deflator)	-1.6	-1.1	-2.5	-3.3	3.0	4.1
	Real compensation per employee (private consumption deflator)	-3.7	0.1	0.8	-1.6	3.5	5.4
	Nominal unit labour costs	3.6	0.8	1.4	-2.4	4.4	5.8
	Real unit labour costs	0.2	-2.0	-1.9	-4.2	3.5	2.1
Labour market indicators, total	FTE employment rate (% population aged 20-64)	60.5	62.2	65.3	67.4	70.3	72.5
	Self-employed (% total employment)	11.4	10.9	10.6	10.6	10.4	10.1
	Part-time employment (% total employment)	6.7	6.4	6.0	5.7	4.8	4.3
	Temporary employment (% total employment)	9.0	9.9	9.7	10.1	8.2	7.3
	Unemployment rate (% labour force)	11.0	10.2	7.7	6.8	5.1	4.2
	Youth unemployment rate (% labour force 15-24)	28.2	26.6	20.4	17.3	12.9	10.7
	Long-term unemployment rate (% labour force)	5.0	4.9	3.7	3.1	2.4	1.7
	Share of long-term unemployment (% of total unemployment)	45.3	48.6	47.5	45.6	46.5	40.4
All	At risk of poverty or social exclusion (% of total population)	33.5	34.8	31.8	28.2	26.3	25.6
	At risk of poverty (% of total population)	14.3	15.0	15.0	14.9	14.5	13.4
	At-risk-of-poverty threshold (PPS single person)	4563	4366	4535	4751	5032	5025
	Poverty gap (%)	20.9	21.0	22.3	21.8	18.8	16.7

	Persistent at risk of poverty (% of total population)	7.6	7.3	8.6	7.2	7.9	5.8
	At risk of poverty before social transfers, excl. pensions (% of total population)	27.3	27.0	26.6	25.7	25.8	25.0
	Impact of social transfers (excl. pensions) in reducing poverty (%)	47.6	44.4	43.6	42.0	43.8	46.4
	Severe material deprivation (% of total population)	26.3	27.8	24.0	19.4	16.2	14.5
	Share of people living in low work-intensity households (% of people aged 0-59)	13.5	13.6	12.8	9.4	8.2	6.6
	Real gross household disposable income (growth %)	-3.2	1.8	3.8	2.0		
	Income quintile share ratio S80/S20	4.0	4.3	4.3	4.3	4.3	4.3
	GINI coefficient	27.2	28.3	28.6	28.2	28.2	28.1
Working age (18-64)	At risk of poverty or social exclusion (% of working-age population)	34.0	36.0	32.4	28.9	27.2	26.3
	At risk of poverty (% of working-age population)	14.0	15.2	14.9	15.5	15.0	14.2
	Severe material deprivation (% of working-age population)	26.1	28.1	23.8	19.2	16.5	14.7
	Very low work intensity (18-59)	12.6	13.2	12.1	8.9	7.9	6.3
	In-work at-risk-of-poverty rate (% of persons employed 18-64)	5.7	7.0	6.7	9.3	9.7	10.2
	Impact of social transfers (excl. pensions) in reducing poverty (%)	48.5	44.1	43.6	39.7	41.0	42.0
Expenditure in social protection indicators (% of GDP)	Sickness/health care	5.0	4.9	4.8	5.6		
	Disability	1.6	1.5	1.4	1.4		
	Old age and survivors	10.9	10.8	10.2	9.7		
	Family/children	2.6	2.5	2.3	2.4		
	Unemployment	0.6	0.5	0.4	0.3		
	Housing and social exclusion n.e.c.	0.4	0.4	0.4	0.4		
	Total (including admin and other expenditures)	21.3	20.8	19.8	20.0		
	of which: means-tested benefits	0.9	0.9	0.7	0.8		

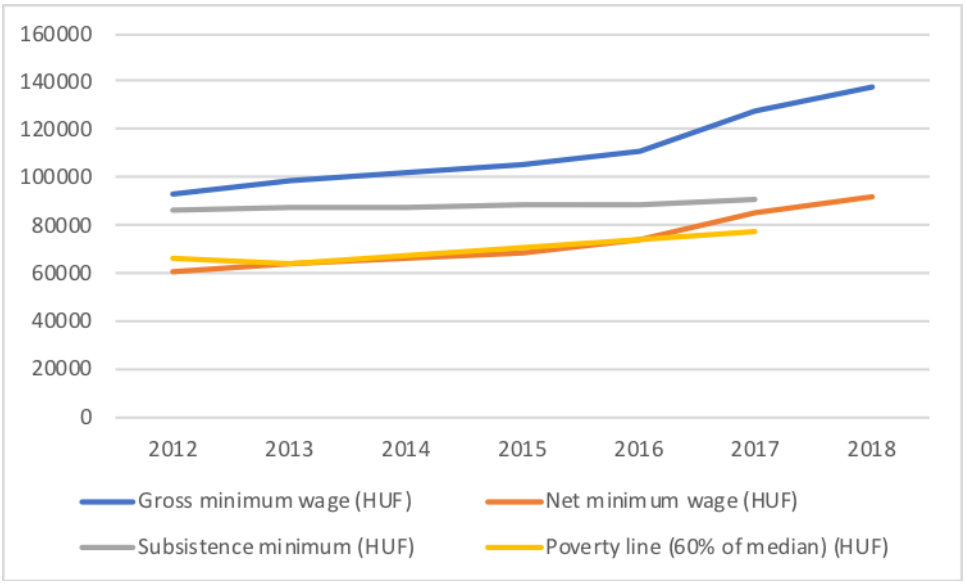
Source: EC (2018): 232-234.

Figure A.1. High, middle and low-paying jobs in Hungary – change from 2002 to 2016 (%)



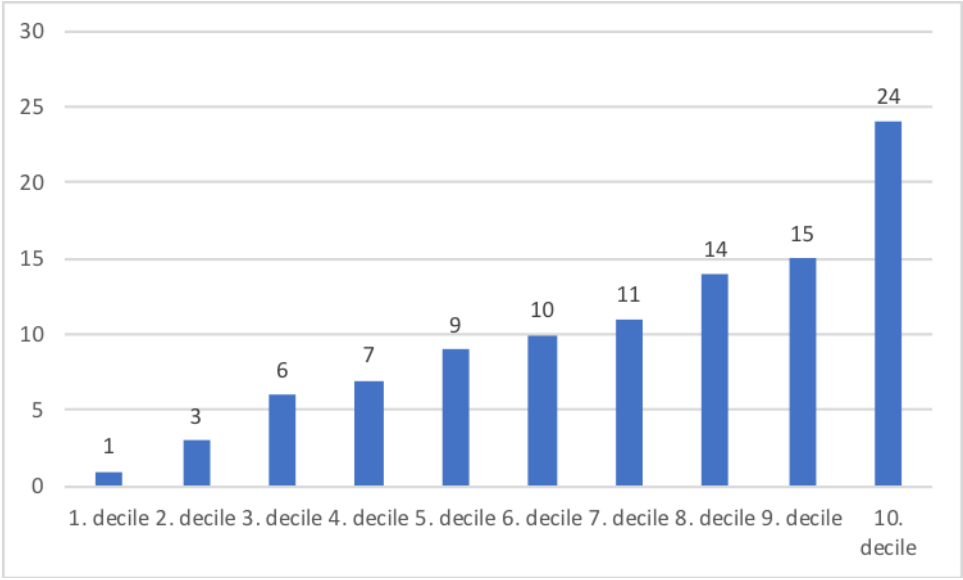
Source: EC 2018:60

Figure A.2. The gross and net minimum wage, the minimum subsistence and income poverty lines in Hungary, 2012-2018, in HUF



Source: Data in Table 1.

Figure A.3. The distribution of family tax allowance by employment-related income deciles in 2017



Source: Policy Agenda, https://www.policyagenda.hu/elemzesek/2018/az-adokedvezmenyek-is-a-gazdagokat-segitik/#more-16592