

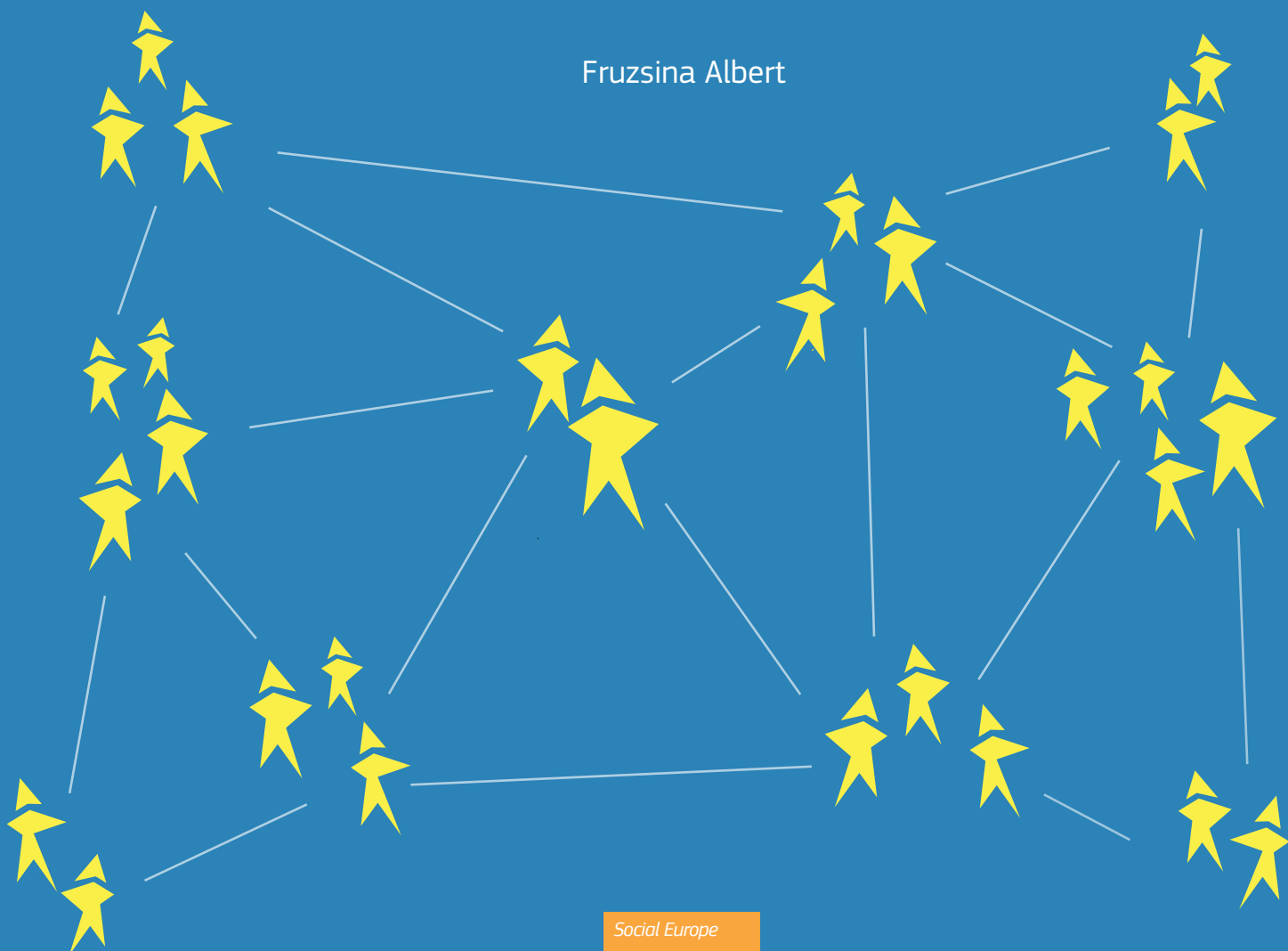


EUROPEAN SOCIAL POLICY NETWORK (ESPN)

Social protection and inclusion policy responses to the COVID-19 crisis

Hungary

Fruzsina Albert



Social Europe

EUROPEAN COMMISSION

Directorate-General for Employment, Social Affairs and Inclusion
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European Social Policy Network (ESPN)

**ESPN Thematic Report:
Social protection and inclusion
policy responses to the COVID-
19 crisis**

Hungary

2021

Fruzsina Albert

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.

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Summary

Between Monday, 3 February 2020 and Sunday, 18 April 2021, the total number of confirmed COVID-19 cases per 100,000 people was 6,740 for the EU-27 as a whole; in Hungary, it was 7,966. The total number of deaths per 100,000 people was 151 for the EU-27 versus 276 in Hungary.

The social protection system and social policies have unfortunately remained quite untouched by the pandemic in Hungary. The composition of the rescue package detailed in the report reflects the declared goal of the government to build a work-based society; thus the measures introduced, with few exceptions, have focused on maintaining demand for labour. There have been no measures to support those in crisis based on universal principles or using unconditional/automatic criteria, and there has been no emergency cash aid for those who have suddenly lost their income and have no reserves. The measures have primarily supported various interventions to maintain employment opportunities; they have only to a small extent supported those suffering job loss.

As significant child-related provisions are dependent on employment-related income, the crisis is expected to have hit families with children even harder – not only in the event of parental job loss, but also if work-related income has fallen, e.g. due to periodic unpaid leave or reduced working hours. Taking into account the very low level of income of people engaged in the public works scheme, if the planned re-extension of this programme does indeed happen, it will have a negative effect on poverty indices, including child poverty (especially as people on such low incomes cannot take advantage of the family tax allowance) and in-work poverty rates.

The 3-month timeframe provided by the current unemployment-provision system is clearly insufficient to find new employment. As the benefits for job loss compensate for only a small fraction of the average income, these can also be considered inadequate. The inadequacy of social provisions is becoming more severe, as the government has not increased cash provisions since 2008. Unemployment disproportionately affects young and older people (those below 25 and those over 55). The reintroduction of the 13th month pension is expected to increase inequalities among pensioners, while also reducing the sustainability of the pension system.

In the middle of the COVID-19 related crisis, a new law to reform the healthcare system was introduced. It considerably increases the salaries of doctors and seeks to tackle some important issues, such as excluding informal payments and clarifying the role of public and private healthcare. The actual pay rise process started on 1 January 2021. The bill provoked heightened concerns and insecurity in the sector at a critical time.

At present, the exact figures for government spending on COVID-19 related protective measures cannot be ascertained. The Minister of Finance announced that 8% of GDP had been spent on COVID-19 related measures; but this is debatable, as data collected from the Official Registers for 2020 indicate that actual spending was at most 2% of the 2019 GDP. The social protection system and social policies have unfortunately remained fairly untouched. The measures introduced have focused largely on maintaining demand for labour, rather than supporting consumption. Most of the measures have not reached those in the most vulnerable groups. The continued (and continually deteriorating) inadequacy of benefits (e.g. the minimum income scheme, unemployment-related benefits) may become an even more serious matter, affecting wider population segments.

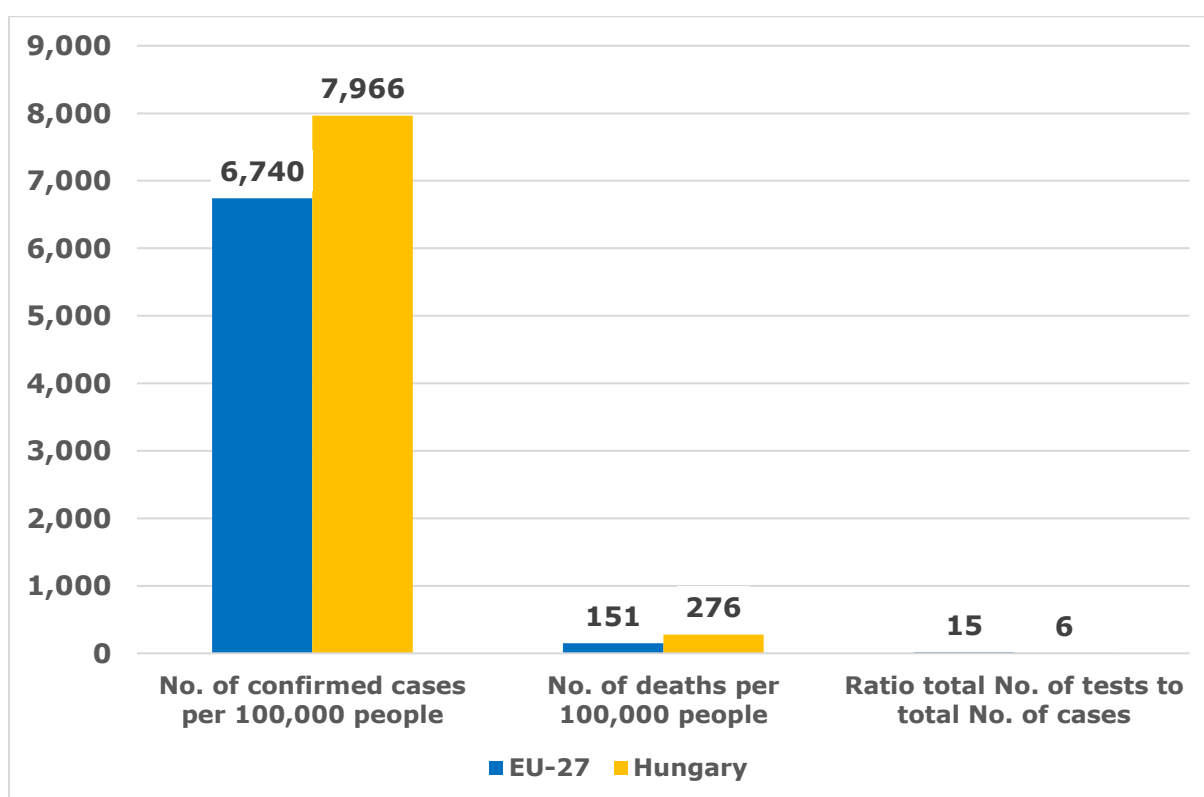
Social partners have also highlighted the need for extended wage support during the second wave, the extension of unemployment benefit from 3 to at least 6 months, and the introduction of paid leave for parents who need to stay home with their children, even if they are not sick (e.g. due to quarantine).

1 TRENDS OF THE PANDEMIC AND SOCIAL AND ECONOMIC IMPACT¹

1.1 Epidemiological situation

During the 63 weeks considered for these three indicators (from Monday 3 February 2020 to Sunday 18 April 2021), the total number of confirmed COVID-19 cases per 100,000 people was 6,740 for the EU-27 as a whole; in Hungary, it was 7,966. The total number of deaths per 100,000 people was 151 for the EU-27 versus 276 in Hungary. The ratio of the total number of COVID-19 tests conducted to the total number of confirmed cases was 15.3 for the EU-27 and 6.3 for Hungary.

Figure 1: Total number of COVID-19 cases and deaths per 100,000 people & ratio of total number of COVID-19 tests to total number of cases, 3 February 2020 to 18 April 2021 (EU-27 and Hungary)

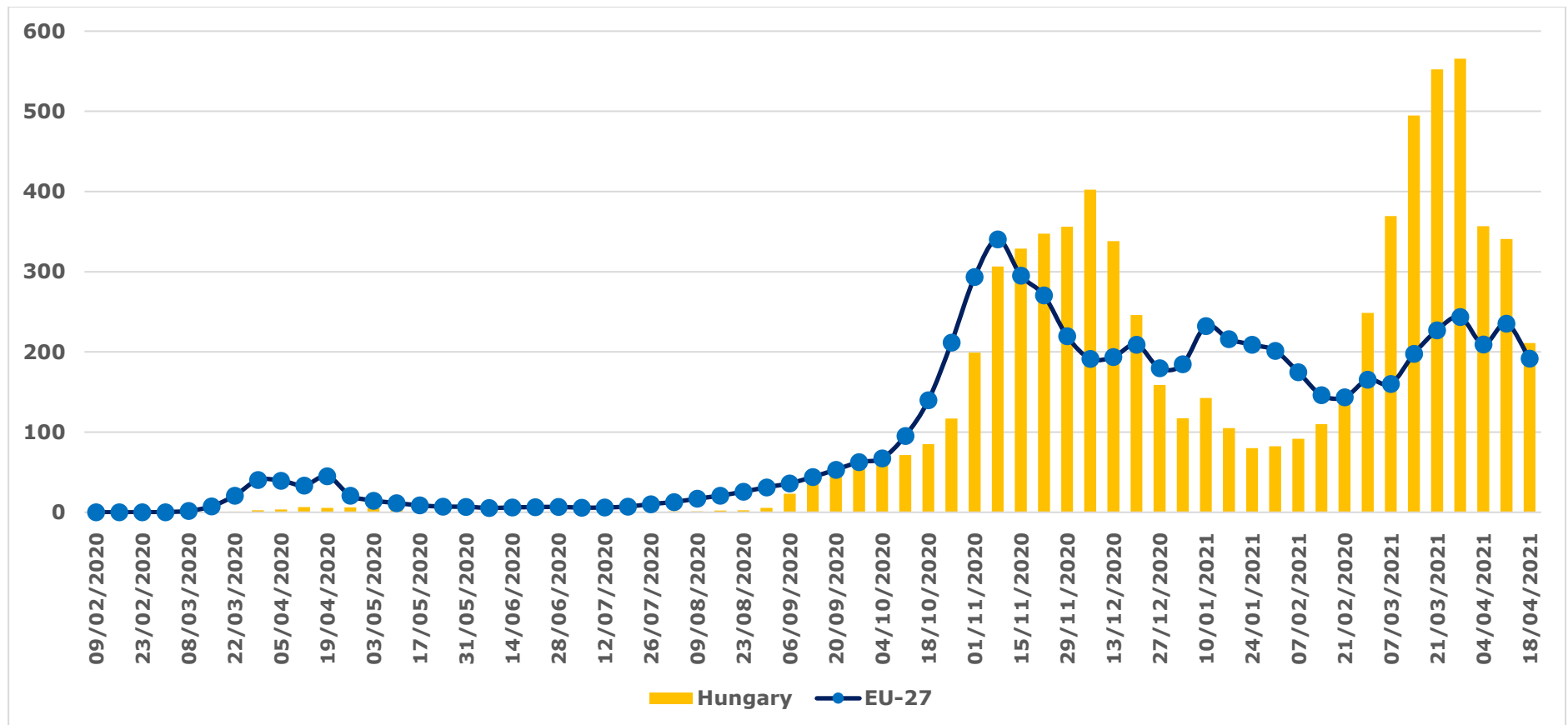


Source: Our World in Data (OWID) online database on COVID-19 - downloaded 26 April 2021

¹ Except if otherwise specified, the indicators presented in Sections 1.1 and 1.2 were calculated by the ESPN Network Core Team on the basis of data coming from two data sources: Our World in Data (OWID: <https://ourworldindata.org/coronavirus-source-data>) and the statistical office of the European Union (Eurostat: <https://ec.europa.eu/eurostat>). These indicators were calculated for all the 35 ESPN countries for which data were available. All of them are presented in Annex B of the following report: Isabel Baptista, Eric Marlier, Slavina Spasova, Ramón Peña-Casas, Boris Fronteddu, Dalila Ghailani, Sebastiano Sabato and Pietro Regazzoni (2021), *Social protection and inclusion policy responses to the COVID-19 crisis. An analysis of policies in 35 countries*, European Social Policy Network (ESPN), Luxembourg: Publications Office of the European Union. This report also provides additional explanations on the data sources used and the calculation of the indicators. In addition, Annex B of the report provides the country results related to all ESPN countries included in the two international data sources used (see Tables B1.1, B2.1 and B3.1 for Figure 1, Table B1.2 for Figure 2, Table B2.2 for Figure 3, Table B3.2 for Figure 4, Tables B4.1, B4.2 and B4.3 for Figure 5, Table B5 for Figure 6, Tables B6.1-3 for Figures 7a-c, and Tables B7.1-3 for Figures 8a-c). The full report and its various annexes can be downloaded [here](#).

In the last week of observations (from Monday 12 April 2021 to Sunday 18 April 2021), the number of confirmed COVID-19 cases per 100,000 people reached 191.8 for the EU-27. In Hungary, it was 211.0.

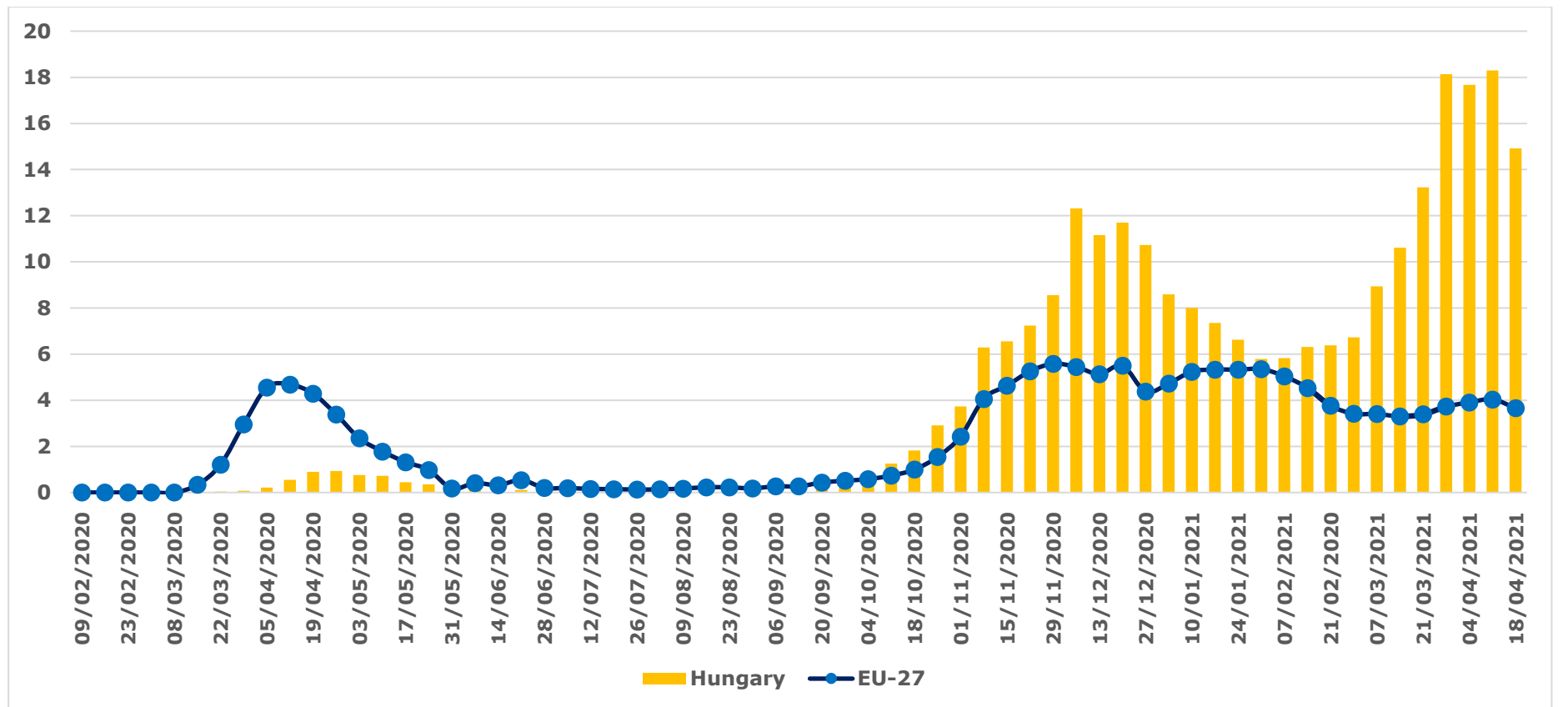
Figure 2: Weekly evolution - Number of confirmed COVID-19 cases per 100,000 people from 3 February 2020 to 18 April 2021 (EU-27 and Hungary)



Source: Our World in Data (OWID) online database on COVID-19 - downloaded 26 April 2021.

In the last week of observations (from Monday 12 April 2021 to Sunday 18 April 2021), the number of COVID-19 deaths per 100,000 people reached 3.66 for the EU-27 as a whole. In Hungary, it was 14.92.

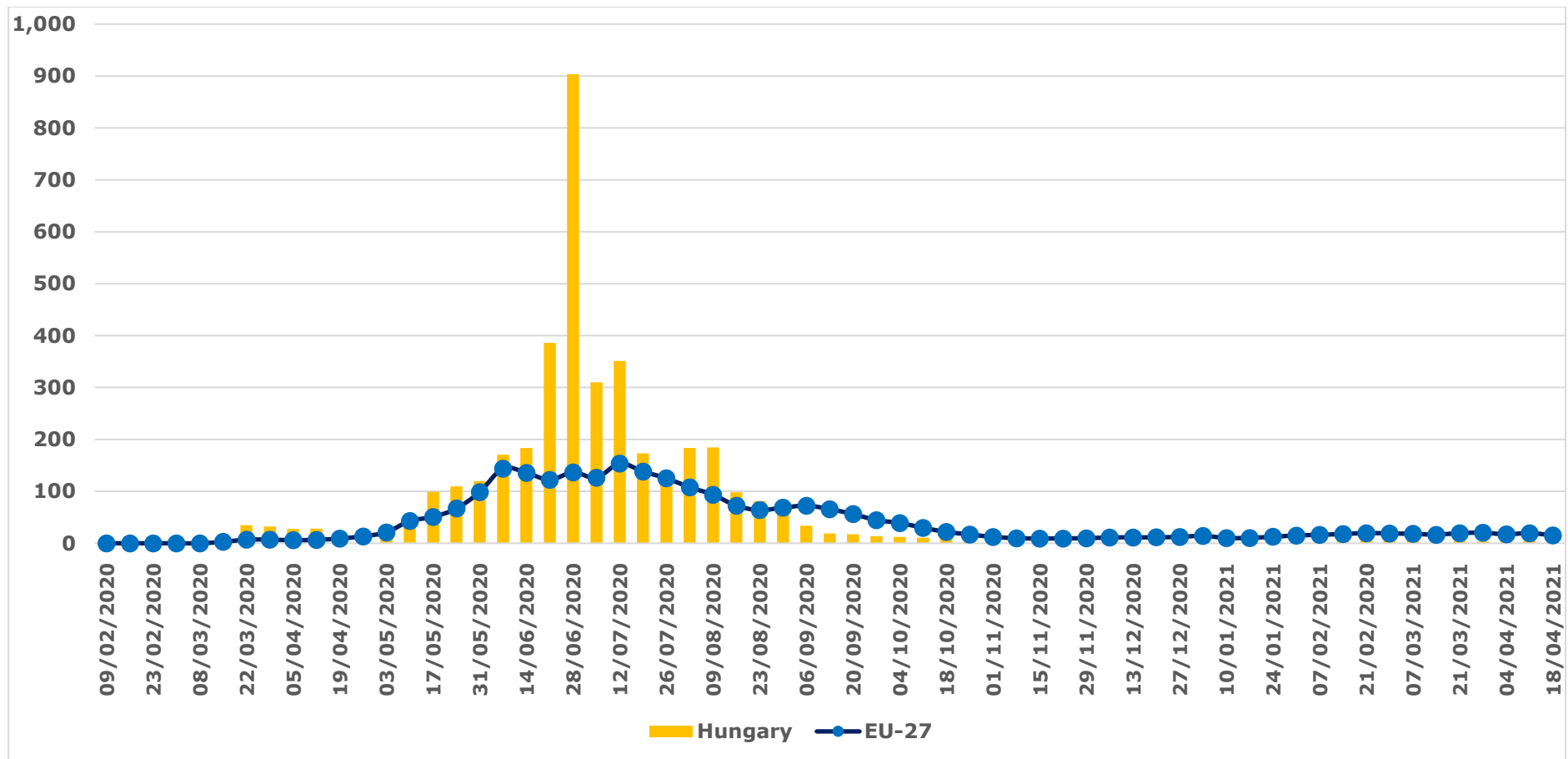
Figure 3: Weekly evolution - Number of COVID-19 deaths per 100,000 people, 3 February 2020 to 18 April 2021 (EU-27 and Hungary)



Source: Our World in Data (OWID) online database on COVID-19 - downloaded 26 April 2021.

In the last week of observations (from Monday 12 April 2021 to Sunday 18 April 2021), the number of COVID-19 tests per new confirmed COVID-19 cases was 15.2 for the EU-27. In Hungary, it was 6.3.

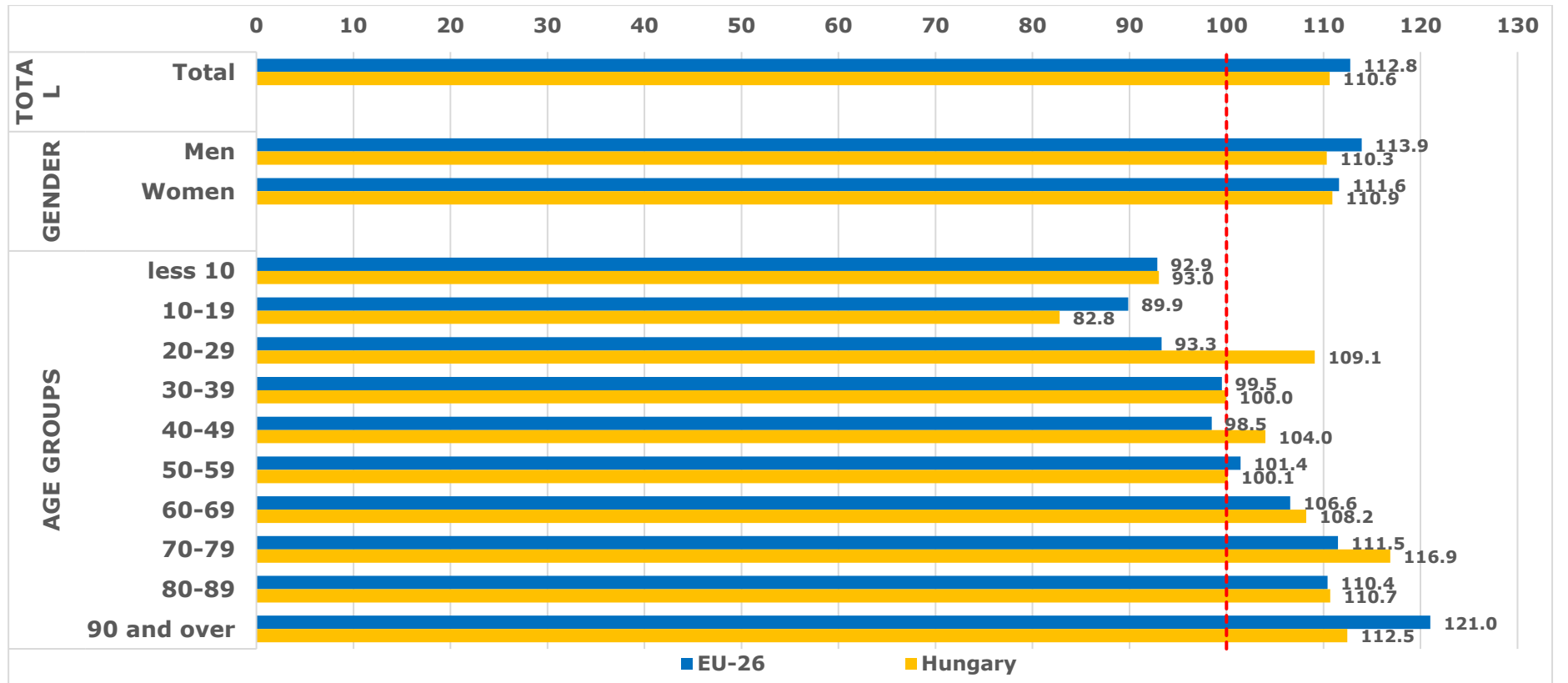
Figure 4: Weekly evolution - Number of COVID-19 tests per new confirmed COVID-19 case, 3 February 2020 to 18 April 2021 (EU-27 and Hungary)



Source: Our World in Data (OWID) online database on COVID-19 - downloaded 26 April 2021. Full quote for these testing data: Hasell, J., Mathieu, E., Beltekian, D. et al. (2020). "A cross-country database of COVID-19 testing". *Sci Data* 7, 345 (2020) (<https://www.nature.com/articles/s41597-020-00688-8>).

The excess mortality ratio for 2020 is the total number of deaths (without distinction of causes) in the year 2020 expressed as a percentage of the previous 4-year (2016-2019) annual average of the total number of deaths. For the EU-26 average (no data for Ireland), the ratio of the total population is 112.8% while it is 110.6% in Hungary. For the EU-26, it is 113.9% for men and 111.6% for women. In Hungary, these gendered ratios are 110.3% and 110.9% respectively. Excess mortality is higher among older age groups. For those aged 90 years and more it reaches 121.0% for EU-26 and 112.5% for Hungary.

Figure 5: Excess mortality - Total number of all deaths in 2020 as percentage of the 2016-2019 annual average (including gender and age breakdowns (EU-26 and Hungary))

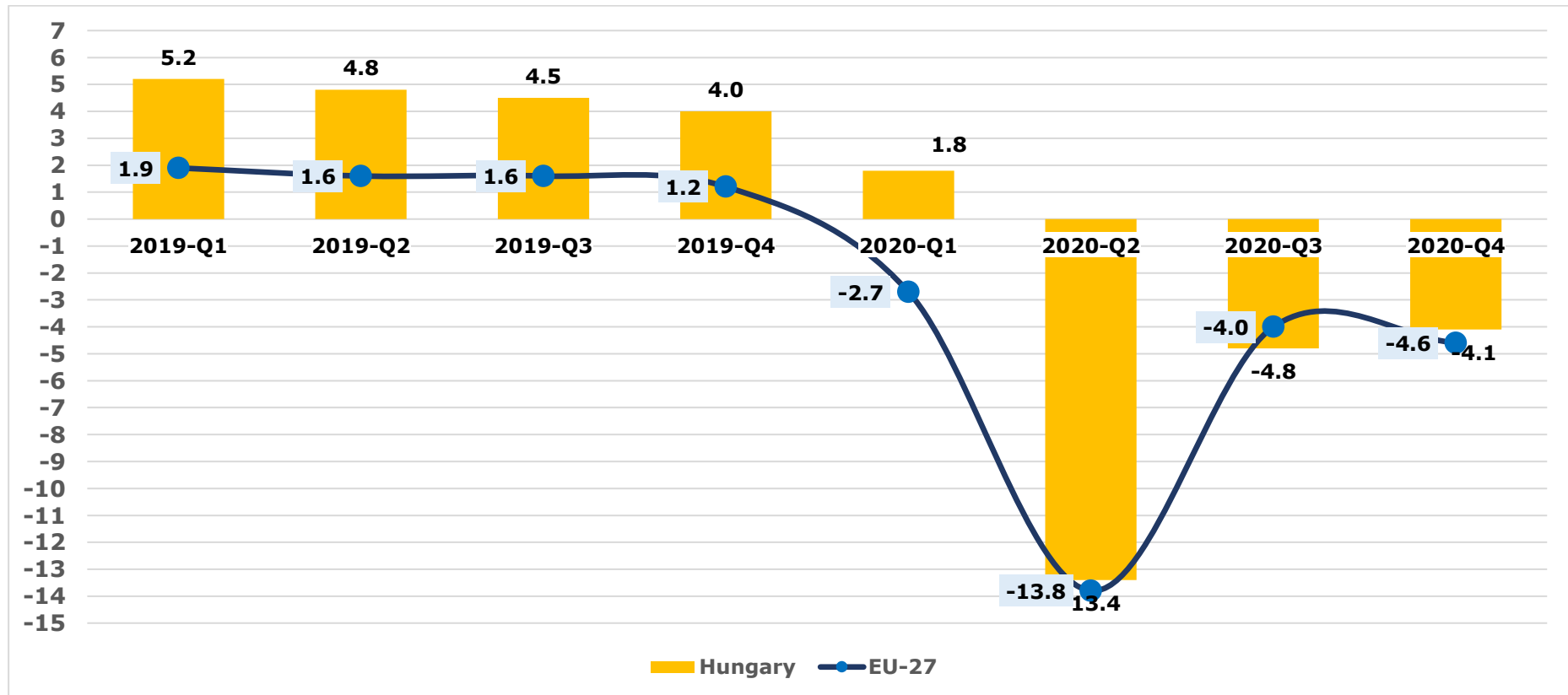


Source: Eurostat - indicator [DEMO_R_MWK_10__custom_560457] Deaths by week, sex and 10-year age groups - downloaded 26 April 2021. For Bosnia and Herzegovina: Agency for statistics of Bosnia and Herzegovina (data received upon request on 19 April 2021).

1.2 Economic and (un)employment situation

In the EU-27, GDP in the fourth quarter (2020-Q4) of 2020 fell by 4.6% compared to the fourth quarter of 2019 (2019-Q4). In Hungary, the decrease was 4.1% for the same period.

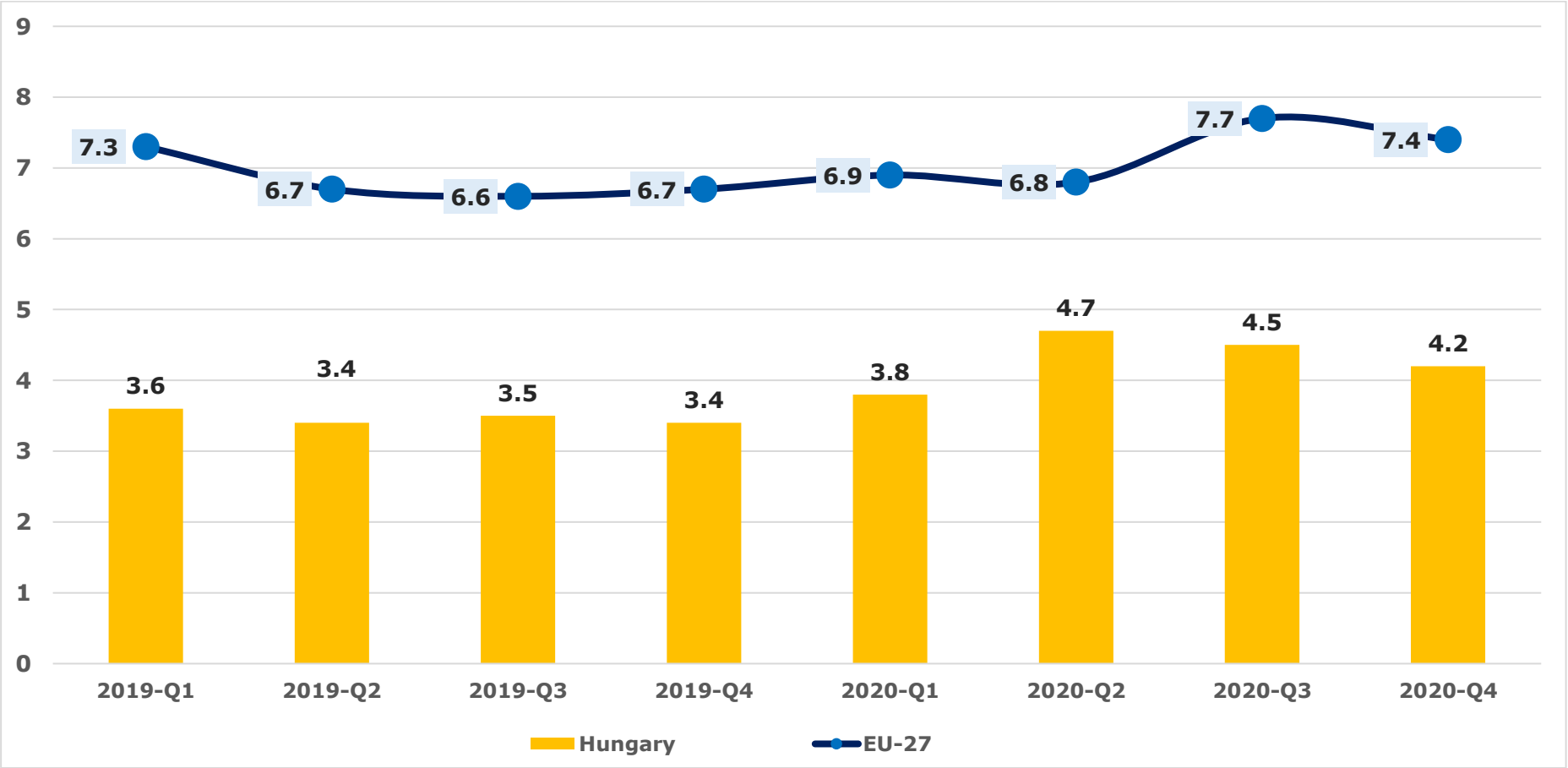
Figure 6: Gross domestic product at market prices, chain-linked volumes prices adjusted, percentage changes in quarter compared with same quarter in previous year (2019-2020, EU-27 and Hungary, %)



Source: Eurostat -GDP and main components (output, expenditure and income) - indicator [NAMQ_10_GDP__custom_507806] - downloaded 26 April 2021.

In the fourth quarter of 2020 (2020-Q4), the unemployment rate in the EU-27 for people aged 15-64 years is 7.4%. In Hungary, it is 4.2%.

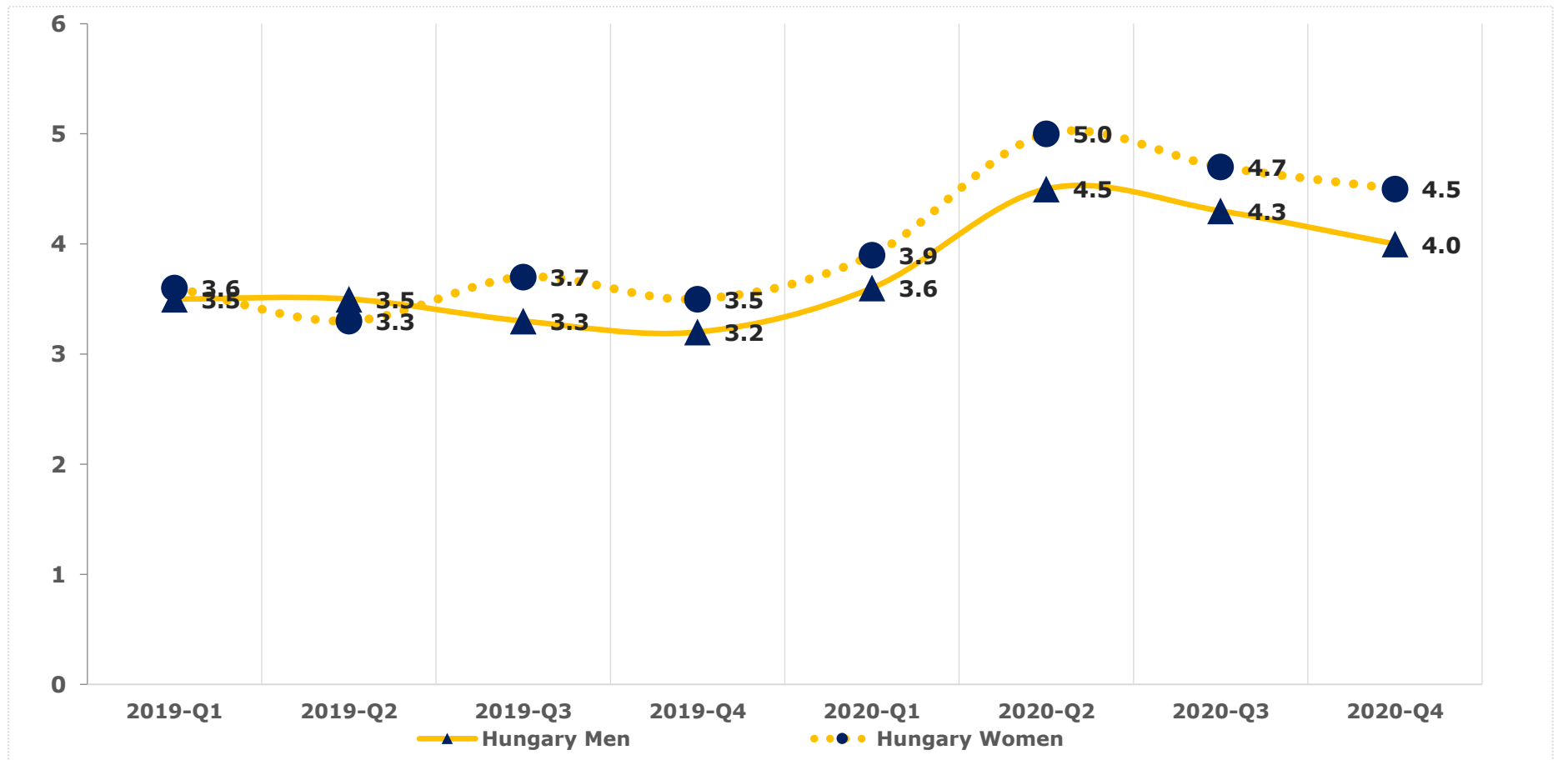
Figure 7a: Seasonally-adjusted unemployment rate, quarterly data, total population aged 15-64 (2019-2020, EU-27 and Hungary, %)



Source: Eurostat LFS - indicator [lfsq_urgan] - downloaded 26 April 2021.

In the fourth quarter of 2020 (2020-Q4), the unemployment rate in the EU-27 for people aged 15-64 years is 7.1% for men and 7.7% for women. In Hungary, these figures are 4.0% and 4.5% respectively.

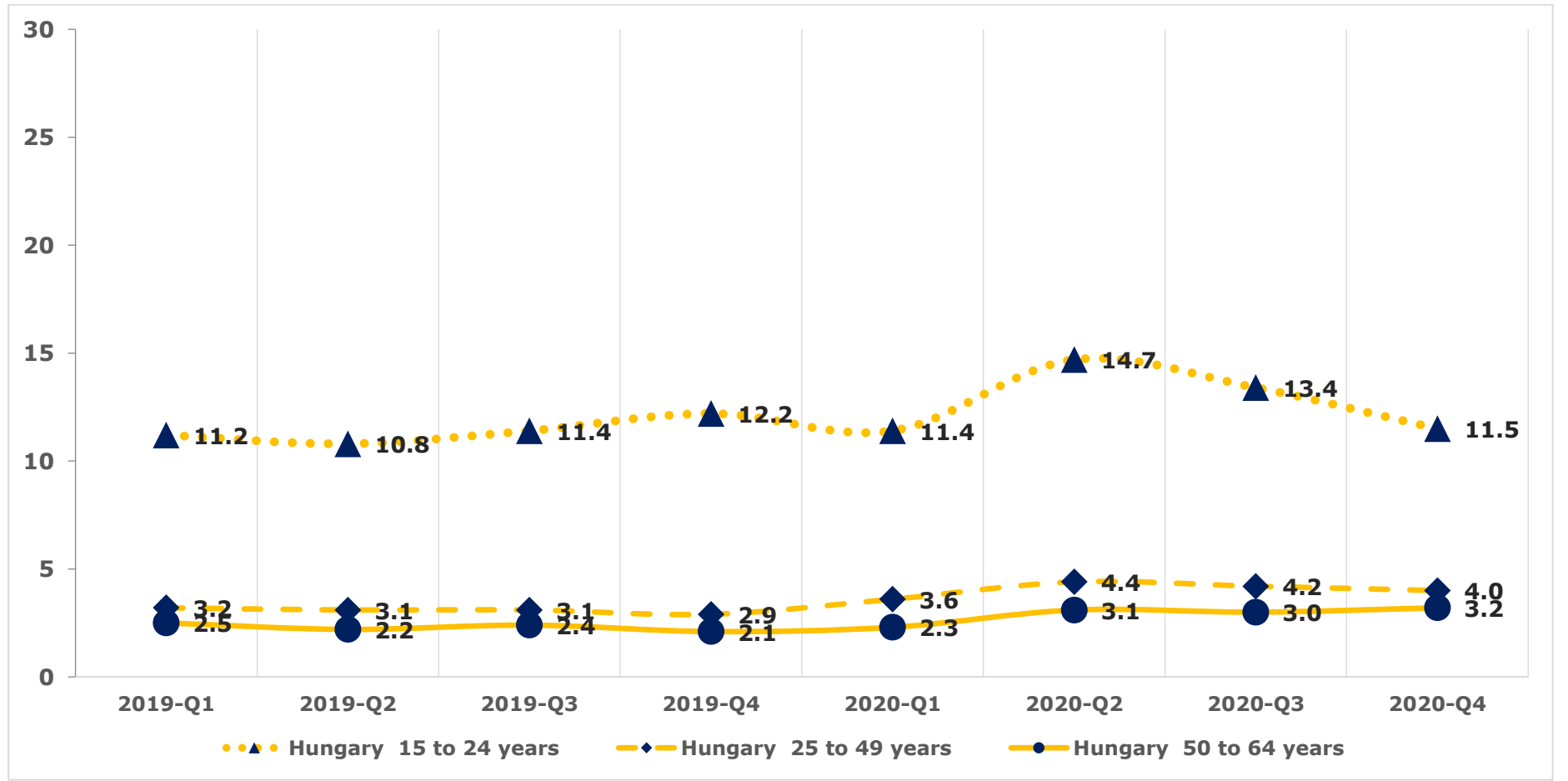
Figure 7b: Seasonally-adjusted unemployment rate, quarterly data, total population aged 15-64 – by gender (2019-2020, Hungary, %)



Source: Eurostat LFS - indicator [lfsq_urgan] - downloaded 26 April 2021.

In the fourth quarter of 2020 (2020-Q4), the unemployment rate in the EU-27 is 16.9% for the 15-24 age group. In Hungary, it is 11.5%.

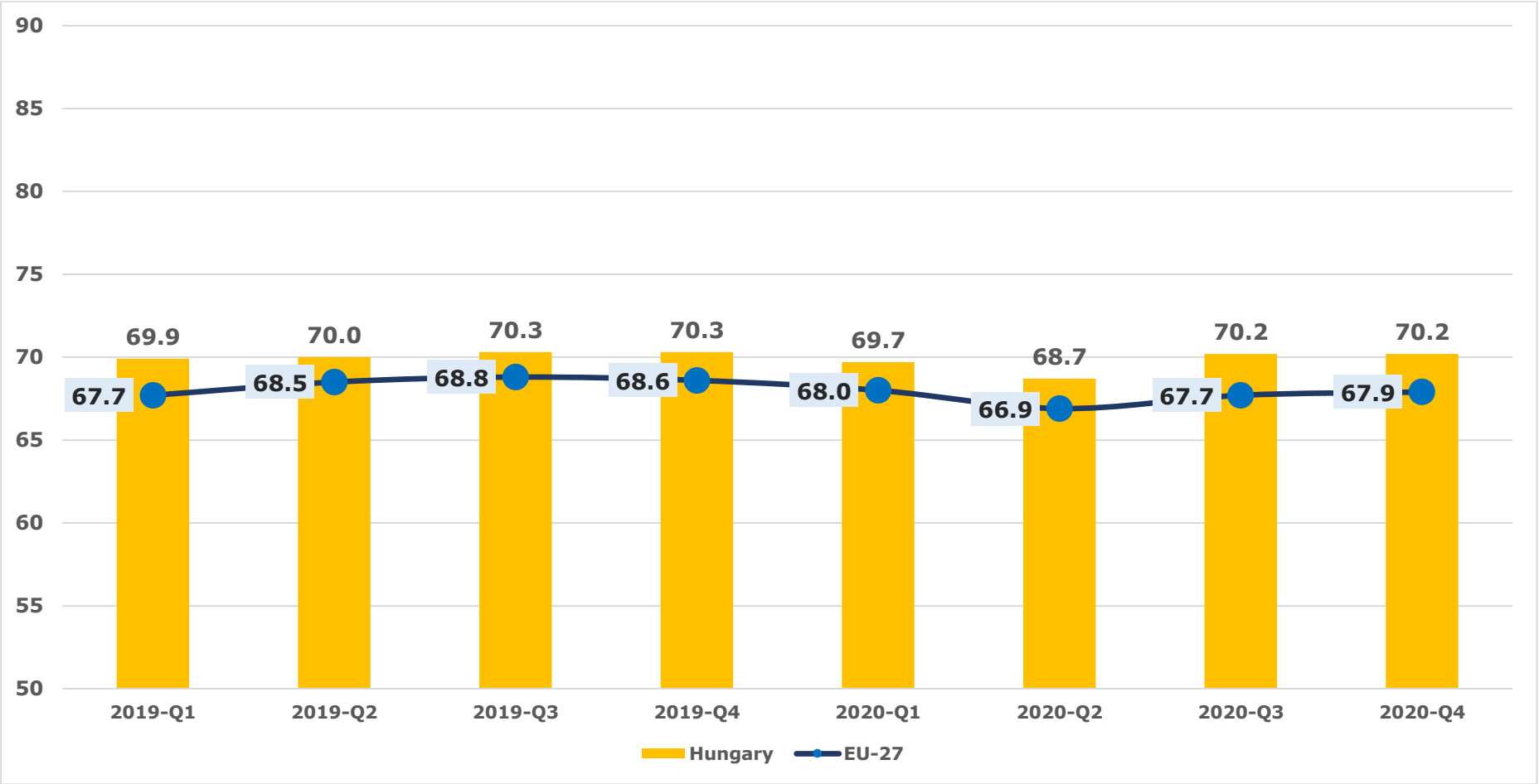
Figure 7c: Seasonally-adjusted unemployment rate, quarterly data, total population aged 15-64 – by age group (2019-2020, Hungary, %)



Source: Eurostat LFS - indicator [lfsq_urgan] - downloaded 26 April 2021.

In the fourth quarter of 2020 (2020-Q4), the employment rate for people aged 15-64 in the EU-27 is 67.9%. In Hungary, it is 70.2%.

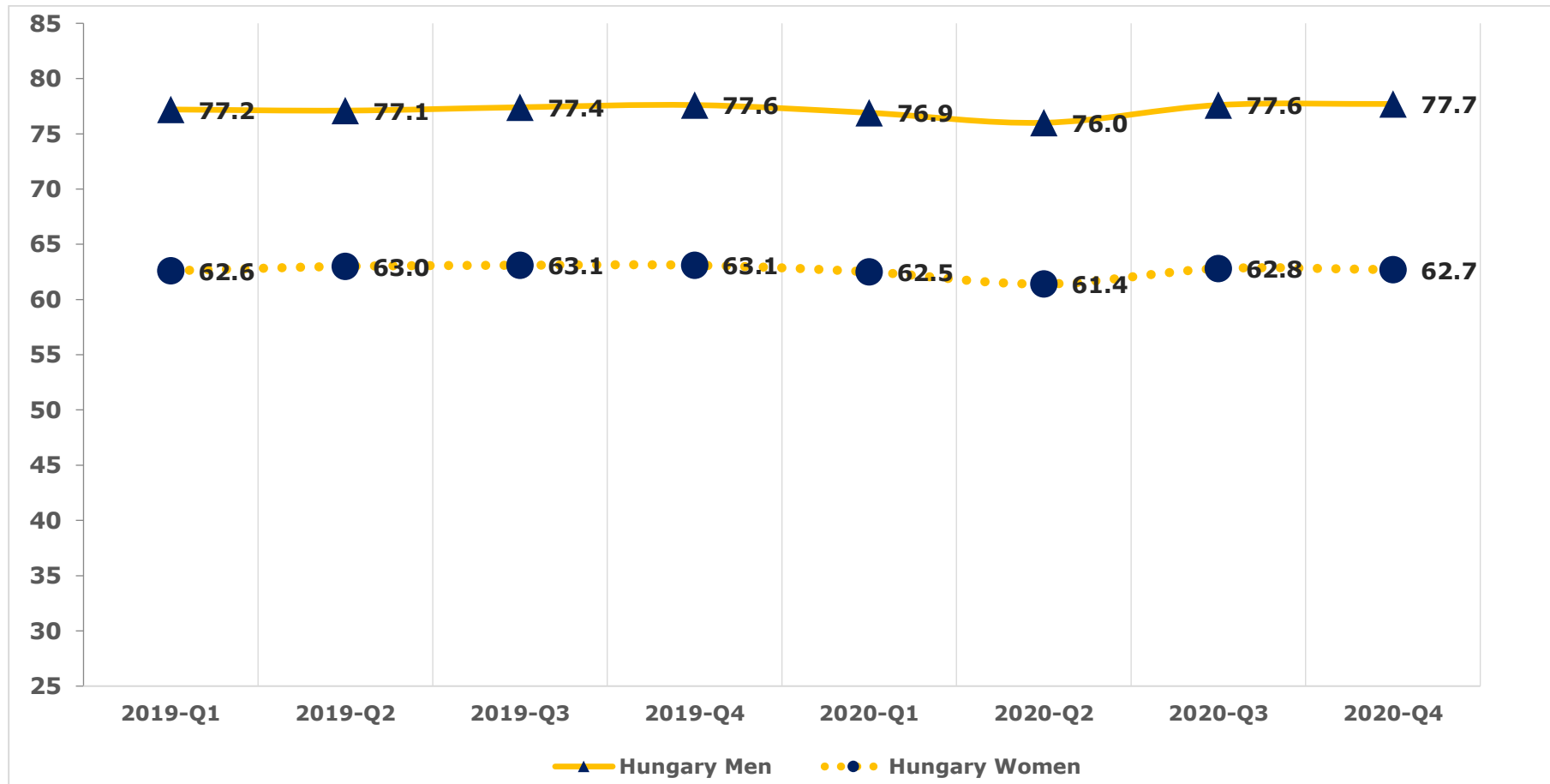
Figure 8a: Seasonally-adjusted employment rate, quarterly data, total population aged 15-64 (2019-2020, EU-27 and Hungary, %)



Source: Eurostat LFS - indicator [lfsq_ergan] - downloaded 26 April 2021.

In the fourth quarter of 2020 (2020-Q4), the employment rate in the EU-27 is 73.0% for men and 62.8% for women. In Hungary, these figures are 77.7% and 62.7% respectively.

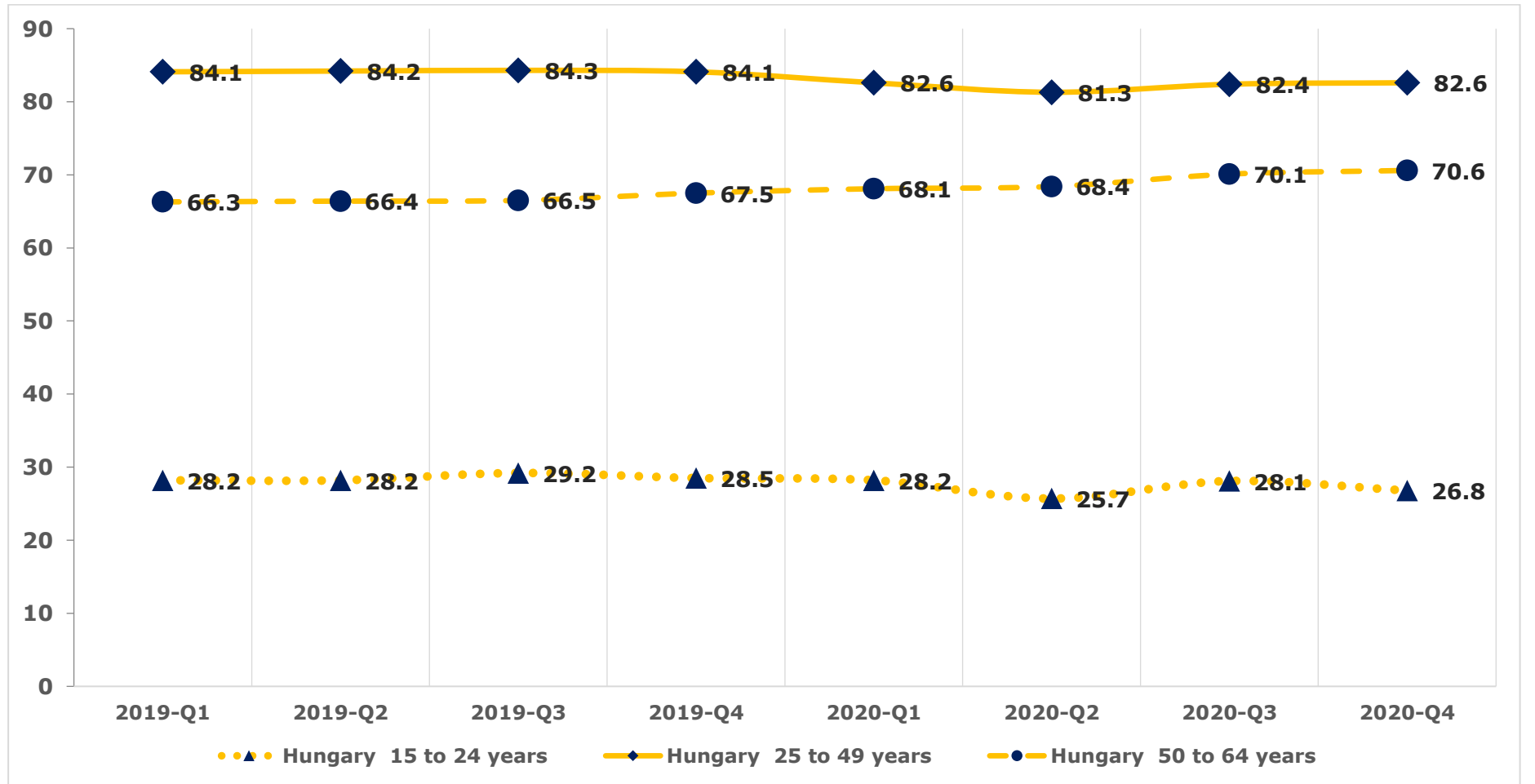
Figure 8b: Seasonally-adjusted employment rate, quarterly data, total population aged 15-64 – by gender (2019-2020, Hungary, %)



Source: Eurostat LFS - indicator [lfsq_ergan] - downloaded 26 April 2021.

In the fourth quarter of 2020 (2020-Q4), the employment rate in the EU-27 is 31.1% for the 15-24 age group. In Hungary, it is 26.8%.

Figure 8c: Seasonally-adjusted employment rate, quarterly data, total population aged 15-64 – by age group (2019-2020, Hungary, %)



Source: Eurostat LFS - indicator [lfsq_ergan] - downloaded 26 April 2021.

1.3 Poverty, inequality and social exclusion situation

There is no direct information from national sources regarding the impact of the COVID-19 pandemic on poverty, inequality and social inclusion. However, the number of beneficiaries of the guaranteed minimum income and the number of registered jobseekers without any benefits clearly indicate an increase over the previous year, with peaks during the summer of 2020 (Table 1). A survey of the Roma population in Hungary in May–August 2020 also indicates an increase in poverty as a result of the pandemic (without mentioning exact figures) (NDI 2020).

Table 1: Monthly number of recipients of employment substitution support and the number of registered jobseekers without benefits (February 2020–March 2021, Hungary)

	Recipients of employment substitution support	Jobseekers without any benefit
March 2021	77,382	147,882
February 2021	77,453	147,021
January 2021	75,052	147,426
December 2020	71,589	140,793
November 2020	70,811	148,771
October 2020	70,935	156,870
September 2020	71,589	169,500
August 2020	72,934	185,254
July 2020	74,504	190,982
June 2020	75,105	175,669
May 2020	72,225	159,003
April 2020	68,194	152,302
March 2020	68,915	130,087
February 2020	67,701	123,448

Source: <https://kozoglalkoztatas.kormany.hu/havi-tajekoztatas-a-kozoglalkoztatasrol>

2 Social protection and inclusion measures in response to the pandemic²

This section provides a brief description of the main measures related to social protection and social inclusion that have been put in place to help mitigate the financial and social distress produced by the economic downturn caused by the pandemic. It is based on readily available data and evidence. For each measure, it provides the following:

- a) Short description of the measure.
- b) Category: Is it a flat benefit, a conditional benefit, both a flat and a conditional benefit, or neither a flat nor a conditional benefit?
- c) Timing: When did the measure start/end? Has it been extended?
- d) Depending on the category:
 - Amount and duration (for flat measures);
 - Range (minimum-maximum), duration and conditionality (thresholds) (for conditional measures).

If the measure is neither flat nor conditional, this is 'Not applicable'.

- e) Targeted population: What is/are the target(s), i.e. the parts of the population/labour force/sectors targeted by the measure? If data and evidence are readily available, estimated number of people targeted and/or applicants.
- f) Beneficiaries: How many recipients of the measure are there (if relevant and available)?
- g) Novelty: Was the measure new or an already existing one that was adapted?

2.1 Measures related to unemployment benefits

No measures have been implemented in the existing unemployment benefit scheme, despite the fact that the duration of the benefit is among the shortest in the EU – only 3 months – and the level of the related provisions is also low.

2.2 Measures of job protection provided through support to the employers, employees and the self-employed

2.2.1 *Munkahelyvédelmi bértámogatási program – Kurzarbeit (Wage support programme for job retention – short-time working (Kurzarbeit) with training obligation)*

- a) Short description of the measure: The aim of this wage subsidy measure³ was to prevent layoffs in the face of the COVID-19 crisis. Businesses that were planning to cut back 30–50% of the working time of employees (compared to the pre-COVID-19 situation), that could prove that their orders had not fallen by more than 50% and that were working in the 'interests of the national economy' were eligible.⁴ In the original version of the scheme, the employer had to agree to keep the headcount level until the end of 2020. The amount of income support was transferred directly from the state to the employee, while the reduced wage was paid by the employer. In April 2020, the measure was extended and the eligibility criteria for application were eased. Eligible companies could use this measure in combination with the new working time banking

² This section is significantly, but not exclusively, based on the Eurofound COVID-19 EU Policy Watch database, see at: <https://static.eurofound.europa.eu/covid19db/index.html> The temporary measures mentioned in this report refer to the situation as of 15 April 2021. Their duration may have been extended since then.

³ Government decree 105/2020. (IV. 10).

⁴ Hungarian: *Nemzetgazdasági érdek*. The scope of businesses belonging to this category is regulated by government decrees.

system, which was favourable for employers. At the same time, the companies became eligible for a job retention loan for a 9-month wage, at 0.1% preferential interest. The loan lasts 2 years. The ceiling of HUF 75,000 (EUR 205) wage support per employee per month was not changed.

- b) Category: Conditional benefit.
- c) Timing: 1 May 2020 – 31 July 2020; the measure was extended by 1 month, i.e. up to 31 August 2020.
- d) Range, duration and conditionality: For every employee who was being considered for layoff, the state agreed to pay 70% of that part of the salary that was lost due to the worktime reduction, while the rest was paid by the employer. Only the part of salaries up to HUF 214,300 (EUR 587) net (twice the minimum wage) per month received the income supplement; earnings above that threshold were not subsidised. An additional criterion for eligibility was that the employer had to agree to keep the headcount level until the end of the year. The shortened work contract could not drop below 4 hours per day of working time. Employers had to organise training for an affected employee for 30% of the hours that were cut from the working time and to pay wages for this time as well. In April 2020, the eligibility criteria were eased: the condition that the company must be working in the 'interests of the national economy' was dropped; the compulsory training could be held within 2 years of approval; and the ban on layoffs only applied to employees in the scheme, rather than to the firm's total headcount. More applicants became eligible for the support: those who worked for just 2 hours per day could also apply. Companies where turnover had fallen by 75% also became eligible.
- e) Targeted population: Standard workers employed by businesses, as specified above. The total number of employed persons in Hungary was 4,023,600 in 2019. The data indicate that more than half of Hungary's workforce was employed in jobs with high or medium vulnerability to being lost due to COVID-19 (Csizmadia and Illésy 2020).
- f) Beneficiaries: On 26 August 2020, the Ministry for Innovation and Technology reported that ultimately 226,000 employees had benefitted from the scheme. Earlier the ministry had said that indirectly it had reached 1.2 million people,⁵ 30% of the employed population. The proportions of the types of companies supported were as follows: 13% micro-enterprises, 25% small companies, 27.9% medium-sized enterprises, 33.8% large firms. With regard to sector, the composition is as follows: manufacturing – 49.1% (nearly 100,000 applications); trade and machinery – 16.7% (nearly 33,000 applications); accommodation, hospitality – 9.1% (nearly 18,000 applications); administrative activities and supporting services administration – 4.9% (nearly 10,000 applications).
- g) Novelty: This is a new measure in Hungary; it followed the German example of *Kurzarbeit*, but was on a much smaller scale and with a lot of limiting criteria that the applicant had to fulfil.

2.2.2 K+F tevékenységet végző munkavállalók bérkiegészítése (Income support for employees engaged in R&D activities)

- a) Short description of the measure: The measure aimed at preventing job losses due to COVID-19 in areas of innovation and product development. From 15 April 2020,⁶ employees working in R&D as engineers could receive an income supplement for 3 months during the pandemic, in order to avoid job cuts in this occupational field. The employer could apply for the 3-month subsidy no later than 30 days after the end of

⁵ The monitoring report of the Employment Committee and Social Protection Committee (2021: 28, 34) publishes participation figures related to two job protection wage-support programmes (one of which is most probably the *Kurzarbeit*): in this case, between April and October 2020, in all 207,911 jobs were supported. In the case of the other programme for the same period, this figure is 17,079.

⁶ Government decree 103/2020.

the state of emergency, or by 31 December 2020 at the latest. In January 2021, the Ministry for Innovation and Technology announced that applications for the R&D subsidy were again being accepted.

- b) Category: Conditional benefit.
- c) Timing: 15 April 2020 – 8 February 2021, extended to 22 February 2021.
- d) Range, duration and conditionality: The recipient employee could not receive any other employment subsidy and had to be employed in an R&D position. The employer must have operated for at least 6 months.⁷ They had to agree to keep the headcount level with that of the previous month, and to keep the employee on for at least 3 months after the end of the subsidy, with no cut in salary. The income supplement paid by the state was 40% of gross income, but could be no more than HUF 318,920 (EUR 874) per month. The amount was transferred from the state directly to the employee. The maximum support applied to gross monthly salaries of HUF 670,000 (EUR 1,835), and all the usual taxes were payable. From 4 January 2021, a new element was introduced: the support could be claimed by the company for new hires as well.
- e) Targeted population: Employees working in R&D as engineers, science and engineering professionals, typically working for multinational companies in manufacturing sectors (but the measure was not sector specific). The definition of eligible R&D employees can be found in the law (Itv. 3. § 15), but the actual evaluation of the R&D status seemed a critical issue regarding applications.⁸ The ministry said in April 2020 that the measure could be used by 33,000 researchers/developers.
- f) Beneficiaries: Regarding applications, we found contradictory information on the government's website: (1) by the end of January 2021, almost 400 employers had applied for funding for 5,000 employees, totalling almost HUF 4 billion (EUR 10.9 million);⁹ but (2) at the start of January 2021, 'the measure has contributed to maintaining the jobs of 23,000 highly qualified employees, with more than HUF 17 billion [EUR 46.1 million]'.¹⁰
- g) Novelty: This is a new measure, the support is for new knowledge, intellectual developments, products, services or procedures and methods.

2.2.3 Az egészségügyi és egészségügyben dolgozók bruttó 500,000 forintos egyszeri rendkívüli juttatása (Healthcare workers' one-off bonus for COVID-19 work)

- a) Short description of the measure: Under the government decree 275/2020. (VI. 12), healthcare workers received a one-off bonus of HUF 500,000 (EUR 1,370) in the summer of 2020 to reward them for their extra efforts in the handling of the COVID-19 epidemic from March to June 2020.
- b) Category: Flat benefit.
- c) Timing: 1 July 2020 – 31 July 2020, applications were to be received by 19 June 2020.
- d) Amount and duration: A one-off bonus of HUF 500,000 (EUR 1,370). Employers had to apply to the National Health Insurance Fund (NEAK) on behalf of their employees from 10 June 2020. Eligibility was set out in a 5-page information leaflet issued by

⁷ The employer should also prove that the request is in connection with the economic hardship suffered due to COVID-19 and provide evidence of steps taken to overcome the situation; also the employer cannot be under insolvency procedures. The subsidy does not apply to work carried out at a different location from pre-COVID-19 (including remote working).

⁸ <https://www.danubia.com/hu/palyazat/3-havi-bertamogatas-kutatas-fejleszt-es-kf-tevekenyseget-vegzo-munkavallalok-szamara/>

⁹ <https://koronavirus.gov.hu/cikkek/itm-ket-hettel-tovabb-igenyelhető-kutatási-fejlesztési-es-innovációs-bertamogatas>

¹⁰ <https://koronavirus.gov.hu/cikkek/itm-hetfotol-ujra-igenyelhető-kfi-bertamogatas>

NEAK. The recipient had to have had a contractual relationship with the employer on 1 April 2020.

- e) Targeted population: Those employers with eligible employees included hospitals, one-day clinics, laboratory service providers, dialysis centres, patient transport services, national ambulance and blood transport services. In addition, a wide range of healthcare professionals could qualify to receive the award: from GPs, paediatricians and dentists, to school nurses, hospice workers and medical students involved in COVID-19 defence activities. The bonus was also given to part-time workers and employees on sick or maternity leave. The amount earmarked for the measure (HUF 101 billion (EUR 277 million) was sufficient for bonuses to be awarded to 170,000 workers, including administrative assistants, business and technical support staff. The healthcare trade union FESZ reported that only about 120,000 workers were expected to receive the bonus and that many would not get it, despite promises that all workers in the sector were eligible.
- f) Beneficiaries: Not available.
- g) Novelty: New measure.

2.2.4 Egészségügyi szolgálati jogviszony létrehozása – orvosi béremelés (New service contracts for doctors in the wake of coronavirus)

- a) Short description of the measure: This was a new law to reform the healthcare system and to considerably increase the salaries of doctors – an urgent topic in the wake of the increase in doctors' responsibilities due to COVID-19. The law seeks to tackle important issues, such as forbidding informal payments and clarifying the role of public and private healthcare.¹¹ This is a permanent measure, but it was adopted because of the COVID-19 context.
- b) Category: Conditional benefit.
- c) Timing: Started on 1 January 2021.
- d) Range, duration and conditionality: By 1 January 2023, doctors' salaries will have increased to between 193% and 471% of their 2020 salaries, depending on the number of service years. Doctors who wish to receive this salary increase need to sign a new contract with the government, by which they lose their civil servant status and gain a new status in 'health service relations'. Those who do not sign the new contract will lose their right to work in public hospitals and specialist clinics, and their contracts will be terminated. This law does not cover the majority of GPs and dentists, who since the transition from state socialism have worked as entrepreneurs; extra funding for their services is provided separately.
- e) Targeted population: 110,000 doctors working in the public sector.
- f) Beneficiaries: 106,000.¹²
- g) Novelty: New measure.

2.2.5 Munkát terhelő adók elengedése a koronavírus járvány által érintett szektorokban (Relief of tax on labour for certain target sectors hit hard by COVID-19)

- a) Short description of the measure: A select group of businesses received relief from certain types of taxes (including social contributions) in the months of March–June 2020.¹³ The main objective was to help employees working in sectors that had been

¹¹ For details, see Albert (2021).

¹² Some 3.7% had not signed the new service contract by 1 March 2021.

<https://telex.hu/belfold/2021/03/03/egeszseguigy-szolgalati-jogviszony-orvos-apolo-beremeles-szerzodes-korhaz>

¹³ Sections 3–5 of the government decree 47/2020 (18 March 2020).

hard hit by the pandemic. In the period of the intervention, companies did not pay social contributions for their workers, and employees did not have certain taxes deducted from their pay. Employers got relief from paying all tax on labour, and employees were exempt from all taxes (excluding health contributions) in the months of March–June 2020. Employees paid no more than the minimum amount of health contributions – HUF 7,710 (EUR 21) per month. Those businesses with a main activity specified by government decree 485/2020 were mainly in the catering, live performance, sports, recreation and personal services sectors.¹⁴

- b) Category: Conditional benefit.
- c) Timing: 1 March to 30 June 2020, extended until the end of April 2021.¹⁵
- d) Range, duration and conditionality: This was a temporary measure. Employers got relief from paying all tax on labour, and employees were exempt from all taxes, apart from health contributions (they paid just the minimum amount of health contributions – HUF 7,710 (EUR 21) per month). Those businesses eligible were active in the following sectors: tourism, catering, entertainment, gambling, film industry, live performance, event organiser and sports activities. Passenger transport services were also included, but the people covered (taxi drivers) tend more often to operate as sole traders. Businesses subject to tourism development contributions also got relief from this payment from March to June 2020.
- e) Targeted population: Businesses active in the following sectors: tourism, catering, entertainment, gambling, film industry, live performance, and event organiser and sports activities. Passenger transport services were also included, but the people covered (taxi drivers) tend more often to operate as sole traders. Businesses subject to tourism development contributions also got relief from this payment from March to June 2020. Standard workers, the self-employed and joint ventures were eligible. Statistical office data show that in 2019 some 428,000 people worked in the tourism industry and 80,100 in the entertainment industry; catering and accommodation together employed 186,800. In November 2020, the eligible businesses were mainly in the catering, live performance, sports, recreation and personal services sectors. Tourism (accommodation) was excluded from this group, as it had different subsidies assigned. The list of sectors benefiting was later extended to include 56 different sectors.
- f) Beneficiaries: Not available.
- g) Novelty: New measure.

2.2.6 Kisvállalkozók egyszerűsített adójának (KATA) elengedése a koronavírus járvány által érintett szektorokban (Relief of 'KATA' small entrepreneurs' tax for certain target sectors hard hit by the coronavirus pandemic)

- a) Short description of the measure: Self-employed people and micro-companies paying the KATA flat tax for small entrepreneurs were exempt from the tax in the period of March to June 2020.¹⁶ The KATA tax includes social insurance tax, and entrepreneurs who received this assistance remained insured. In addition, a freeze was applied to any KATA arrears accumulated before 1 March 2020 until the end of the 'state of emergency' announced by the government on 11 March 2020. The main objective was to help small businesses¹⁷ stay working in sectors that were hard hit by the pandemic. Further amendments extended the measure.

¹⁴ Tourism (accommodation) is excluded from this group, as that sector has different subsidies assigned.

¹⁵ Government decree 485/2020 was amended several times to extend the tax relief. (https://static.eurofound.europa.eu/covid19db/cases/HU-2020-10_653.html)

¹⁶ Sections 3–5 of the government decree 47/2020 (18 March 2020).

¹⁷ Micro and small enterprises, employing a maximum of 49 people and with a net income of at most the Hungarian forint equivalent of EUR 10 million.

- b) Category: Neither flat nor conditional benefit.
- c) Timing: 1 March 2020 – 30 June 2020, extended until 30 April 2021.¹⁸
- d) Amount and duration/Range, duration and conditionality: Not applicable.
- e) Targeted population: A select group of self-employed and micro-companies. There were 82,000 KATA-registered businesses paying HUF 25,000, HUF 50,000 or HUF 75,000 (EUR 68.5, EUR 137 or EUR 205.50) per month (depending on what category they are in) that could receive the tax relief. The following sectors were eligible: tourism, catering, entertainment, gambling, film industry, live performance, event organiser and sports activities and passenger land transport services (taxi services). After the circle of sectors was extended, the relief affected about 120,000 solo entrepreneurs in 2021.
- f) Beneficiaries: Not available.
- g) Novelty: New measure.

2.2.7 Támogatás a 'raktárkoncerteknek' (Support for online 'warehouse' concerts)

- a) Short description of the measure: In early August 2020,¹⁹ national funds were allocated for musicians to play concerts that would be streamed online. The measure is intended to help the music industry, and there is a special programme designed to focus on support for Roma musicians. The move came after the ban on staging any concerts with an audience of more than 500 people, which stayed in place in Hungary beyond 15 August 2020 as a result of the precautions to prevent a second wave of COVID-19. The bands perform in empty halls, without an audience.
- b) Category: Conditional benefit.
- c) Timing: Temporary, started on 6 August 2020.
- d) Range, duration and conditionality: The government wants to channel the funding through the Hungarian Tourism Agency (*Magyar Turisztikai Ügynökség*) and has also appointed an adviser to choose 100 bands (most of which were in big festival line-ups that were cancelled) that will be supported. It is not known how much support each band is getting, but there is a limit of HUF 15 million (EUR 41,095) for each live act.
- e) Targeted population: Musicians. The Hungarian Association of Festivals estimates that the ban has directly affected 37,000 jobs and has indirect adverse effects on up to 370,000 workers.
- f) Beneficiaries: It is not known how many jobs can be saved by the warehouse concert funding.
- g) Novelty: New measure.

2.2.8 Munkaidőkeret hosszabbítása a veszélyhelyzetben (Working time banking period extended during the pandemic)

- a) Short description of the measure: Employers can increase the period of allocated cumulative working time (working time banking) to 24 months during the COVID-19 emergency.²⁰ The measure is designed to make working arrangements more flexible for the employer, in order to help protect jobs in companies where business has shut down or work has been reduced due to the pandemic. The new measure states that

¹⁸ Government decree 105/2021, effective 5 March 2021, amended decree 485/2020 so that it includes tax exemption for the KATA tax for March 2021, with an amended list that now includes 56 different sectors. Government decree 105/2021, effective 28 March 2021, amended decree 485/2020 so that it includes tax exemption for the KATA tax for April 2021.

¹⁹ Government decree 1470/2020.

²⁰ Government decree 104/2020.

the rules of the Labour Code capping the working time banking period at 4 months (or 6 months in some professions) will now not apply. The Labour Code (modified in late 2018) earlier allowed the working time banking frame to be raised to 36 months only by collective agreement. Now employers can use this method of working time arrangement for up to 24 months without signing/modifying a collective agreement. This means that an employer who is unable to provide work to an employee during the pandemic period will continue to pay the wages in full, but can order extended working hours to make up for the loss once business returns to normal.

- b) Category: Neither flat nor conditional benefit.
- c) Timing: Open ended, started on 25 April 2020.
- d) Amount and duration/Range, duration and conditionality: Not applicable.
- e) Targeted population: Employees in standard employment, 3.046 million.²¹
- f) Beneficiaries: There are about 50 companies known to have taken advantage of this measure to extend working time banking due to COVID-19. These include 42 electronics, metal, machinery and car manufacturers.²²
- g) Novelty: New measure.

2.2.9 *Ágazati bértámogatási program (Wage support for the catering and leisure sectors)*

- a) Short description of the measure: Businesses hard hit by the COVID-19 pandemic could receive state support by becoming exempt from paying the social contribution, rehabilitation contribution and vocational training contribution, and (if applicable) the personal contribution, KIVA.²³ (In a separate measure that also targeted the catering sector,²⁴ value added tax (VAT) on home deliveries of food was reduced from 27% to 5%, allowing catering businesses to cut their prices and stimulating demand during the pandemic.)
- b) Category: Conditional benefit.
- c) Timing: November 2020, then in December extended until 31 January 2021.
- d) Range, duration and conditionality: The sectoral subsidy is the equivalent of 50% of a full-time or part-time employee's wages, up to an amount equivalent to 150% of the minimum wage (currently pre-tax HUF 241,500 or EUR 662). The measure applied for 3 months. During that time, the employer had to pay the wages in full, but was exempt from payroll taxes. The employee still had to be in full employment with the company on the last day of the month in which the support ended, and their work contract could not be terminated. Businesses were eligible if at least 30% of their revenue in the 6 months preceding 11 November 2020 had come from one of the selected ailing sectors – catering or leisure – and provided they had no public debts.
- e) Targeted population: Businesses economically active in catering and leisure (i.e. at least 30% of their revenue had come from that activity in the previous 6 months).²⁵ In December 2020, the government extended the range of beneficiaries to include privately-owned bus services. The measure was expected to save 140,000 jobs in the sector.²⁶

²¹ https://www.ksh.hu/docs/hun/xstadat/xstadat_eves/i_qli060a.html

²² https://static.eurofound.europa.eu/covid19db/cases/HU-2020-17_722.html

²³ Government decree 485/2020 (10 November 2020).

²⁴ Government decree 498/2020 (13 November 2020).

²⁵ NACE 5610, NACE 5621, NACE 5630, NACE 5914, NACE 8230, NACE 8551, NACE 9001, NACE 9002, NACE 9004, NACE 9102, NACE 9104, NACE 9311, NACE 9312, NACE 9313, NACE 9319, NACE 9321, NACE 9604, NACE 9329.

²⁶ <https://koronavirus.gov.hu/cikkek/varga-mihaly-kormany-januar-vegeig-meghosszabbitja-az-50-szazalekos-bertamogatast-turizmusban>

- f) Beneficiaries: Contradictory information can be found regarding recipients. In December 2020, we were told that support was going to more than 100,000 employees,²⁷ but on 2 February 2021 we read that more than 4,500 employers had applied for support for their 35,000 employees.²⁸
- g) Novelty: New measure.

2.2.10A Széchenyi Pihenő Kártya formájában – béren kívüli juttatásként – adható összeg emelése és mentesítése a szociális hozzájárulási adó alól (Employee bonus scheme – increase in the SZÉP card limit)

- a) Short description of the measure: It raises the ceiling on the bonuses that employers can pay employees via the SZÉP card.²⁹ The increased amounts of the SZÉP card bonuses paid by employers to employees are exempt from the social contribution, though employers continue to pay 15% tax on the amounts given during the COVID-19 pandemic. In April 2021, a further amendment was introduced: recipients of SZÉP card bonuses will be allowed to use the money placed in the three targeted-spending categories (accommodation, meals and recreation) interchangeably, so any amount can be used to pay for any of the three purposes. This rule applies until 31 December 2021.
- b) Category: Conditional benefit.
- c) Timing: 22 April – 30 June 2020, extended to 31 December 2020 and then to June 2021.
- d) Range, duration and conditionality: The ceiling has been raised to HUF 800,000 (EUR 2,192) a year (from HUF 450,000 (EUR 1,232)) for private companies, and to HUF 400,000 (EUR 1,095) (from HUF 200,000 (EUR 547)) for public (state budget-run) institutions.
- e) Targeted population: Employees in standard employment. If someone is employed part time or on a temporary contract, this fringe benefit can be provided proportionately. The government has estimated that the measure could affect 115,000 people.
- f) Beneficiaries: Not available.
- g) Novelty: New measure.

2.2.11 Rendkívüli munkavégzési feltételek lehetővé tétele a járvány alatt (Allowing new working arrangements due to pandemic)

- a) Short description of the measure: During the pandemic, an employer may deviate from the Labour Code, or from any part of an existing collective agreement, in making new working arrangements involving working schedules, ordering employees to work remotely (home office) and in any other aspect necessary in connection with health and safety.³⁰ The aim of the measure is to allow the employer to make flexible changes to working conditions, rather than lay off workers in the adverse economic climate of the pandemic. Under new legislation published in November 2020,³¹ rules pertaining to working from home (commonly known as home office) during the COVID-19 pandemic were laid out. For the period of the state of emergency (until 8 February 2021), the rules laid out in the Labour Code on working from home agreements did not apply; instead, these working arrangements were by individual agreement

²⁷ <https://koronavirus.gov.hu/cikkek/felgyorsul-bertamogatások-kifizetése-vendéglátásban-turizmusban>

²⁸ <https://koronavirus.gov.hu/cikkek/itm-tobben-es-tovabb-igenyelhetik-az-agazati-bertamogatást>

²⁹ The Széchenyi Recreation Card ('SZÉP' Card): a fringe benefit in Hungary with 3 'pockets' – accommodation, catering and leisure. The employer and the employee have to agree on the allocation of amounts to these beforehand. There is a cap on the amounts (government decree 58/2020).

³⁰ Section 6 of government decree 47/2020 (18 March 2020).

³¹ Government decree 487/2020.

between the employer and employee. Employers are not obliged to do so, but they can optionally pay compensation to employees for the costs incurred from working from home, as a flat amount of up to 10% of the minimum wage (currently HUF 16,000 or EUR 44 a month) or reimbursing invoices as per agreement. The rules of work safety have been temporarily suspended, and employers have to notify their employees of the current rules.³²

- b) Category: Neither flat nor conditional benefit.
- c) Timing: Open ended, started on 10 March 2020.
- d) Amount and duration/Range, duration and conditionality: Not applicable.
- e) Targeted population: The measure applies to all employees working under the legal status regulated by the Labour Code (Act. 1/2012),³³ approximately 4 million in total.
- f) Beneficiaries: In April 2020, 8.4% of employees were regularly working from home.³⁴
- g) Novelty: New measure.

2.2.12 Munkahelyteremtő bértámogatás (Wage support for job creation)

- a) Short description of the measure: The aim of the measure is to create jobs for registered jobseekers, thus reducing the level of unemployment. Businesses may apply to the local branch of the National Employment Office (which acts as a state authority) for a full grant of 100% of wages for 6 months, in return for employing a registered jobseeker. The candidate for the job may be stated on the application form or may be selected (recruited) by the Employment Office. If the application is approved, the Employment Office signs a contract with the employer which includes details and conditions about the grant. Businesses that apply for this subsidy receive 100% of the employee's wages and social contributions for 6 months, but they must promise to keep the new employee on for at least 3 months after the grant period, at their own expense.
- b) Category: Conditional benefit.
- c) Timing: from 18 May 2020, extended until 31 March 2021.
- d) Range, duration and conditionality: This is a *de minimis* subsidy, and so the rules of decree 1407/2013/EU apply and certain sectors (such as export-linked sectors, farming and fisheries) are excluded. The subsidy cannot exceed HUF 200,000 (EUR 550) per month, including social taxes. The employer must choose one of two options when applying for the support: (1) Headcount increase: the new hire will result in an increase in, or maintenance of, the existing headcount at the firm (counting part-time workers as one) on the day the application is submitted; or (2) Net headcount increase: the new hire will increase (or maintain) the headcount average over the 6 months prior to the application, meaning that any workers laid off due to the COVID-19 pandemic can be re-hired with help from this subsidy. There was an extension in October 2020 for 5 months. The amount of the subsidy is the equivalent of 50% of the new hire's wages, with social contributions, but may be no more than HUF 100,000 (EUR 275) a month in the case of full-time employees (and a proportionate amount for part-time workers).
- e) Targeted population: Registered jobseekers. From 15 July 2020, applicants aged 15–25 or those who have been registered as jobseekers for at least 6 months. From 15 October 2020: the young unemployed and unemployed people with an education level

³² During the state of emergency, the special regulations of the labour code regarding remote working are suspended, but employers must inform their employees of the safety rules that apply to guarantee non-health-damaging working arrangements.

³³ An employee is 'any natural person who works under an employment contract. Workers must be at least sixteen years of age.'

³⁴ <http://www.ksh.hu/docs/hun/xftp/idoszaki/mpf/mpf202/index.html>

of less than completed secondary school. The Ministry for Innovation and Technology announced that it would help 70,000 people with this measure (calculated on the expectation that most companies would apply for the maximum subsidy). In May 2020, when the measure was announced, the number of registered jobseekers in Hungary, who were in receipt of unemployment benefit or social assistance (income substitution), stood at around 160,000. In the extension to the programme, launched on 15 October 2020, some 25,000 people are expected to benefit from the measure, according to the ministry's estimates.

- f) Beneficiaries: Up to 10 August 2020, 32,900 claims had been submitted for 44,600 employees, and by the end of July 2020 some 30,000 claims had been approved. Around 80% of those who would potentially benefit had lost their jobs beforehand, due to the pandemic. Most applications came from the trade, tourism, catering and construction sectors (ÁSZ 2020b: 39). In mid-April 2021, the state secretary of the Ministry for Innovation and Technology reported that to date 166,000 claims had been submitted, 48% of them in the catering industry and 12% in the hotel industry.³⁵
- g) Novelty: New measure.

2.3 Measures related to sickness benefits and sick pay

2.3.1 *Közegészségügyi karantén* (Quarantine for public health reasons)

- a) Short description of the measure: Employees who are quarantined are eligible for sickness benefit from the first day and throughout the period during which they are unable to work. There is nothing new, except for the administrative change that sick leave certificates can be submitted in electronic form. Anyone who is infected with COVID-19, or who is suspected of being infected but has not yet officially been quarantined,³⁶ must go on sick leave until quarantined.
- b) Category: Conditional benefit.
- c) Timing: Open ended.
- d) Range, duration and conditionality: The quarantine must be certified by a GP, and the amount of pay follows the general rules – except that in this special case the employer pays no sick pay, and only the sickness insurance is paid. During quarantine, the state 'in theory'³⁷ pays workers the difference between their work-related income and the sickness insurance.
- e) Targeted population: 4 million Hungarian employees.
- f) Beneficiaries: Not available.
- g) Novelty: Existing measure, however hardly ever used previously.

2.3.2 *Foglalkozási megbetegedés* (COVID-19 as an occupational illness)

- a) Short description of the measure: Based on the previous regulations, if the COVID-19 infection can be considered an occupational sickness – that is, if the employee was infected while performing employment-related duties – 100% sickness benefit must be paid. Generally, in case of illness, employees may receive sick pay for a maximum of 15 days a year, and the amount is 70% of the what one would receive if one went on paid leave. If the illness lasts longer, then one is eligible for sickness benefit.

³⁵ https://hvg.hu/gazdasag/20210419_bodo_sandor_kozfoglalkoztas_ujranytas_allaskeresok

³⁶ It may be suspected that somebody is infected with COVID-19, but this has not yet been confirmed (e.g. still waiting for the results of the test); or else (as has been the case on several occasions) someone has gone to a private test facility (perhaps after waiting several days for a test, or perhaps the GP did not consider testing to be necessary) and the GP has not yet been informed of the result.

³⁷ <https://tasz.hu/koronavirus-karanten>; <https://tasz.hu/koronavirus-betegszabadsag-tappenz>

- b) Category: Conditional benefit.
- c) Timing: Open ended.
- d) Range, duration and conditionality: In theory, if the COVID-19 infection was acquired while performing employment-related duties, employees should receive 100% of their salary. But initially, the worker is only entitled to the basic sickness benefit (just as with any other illness), and the rest of the amount is paid only if the relevant authorities approve it (see further details in Section 3.3).
- e) Targeted population: 4 million Hungarian employees.
- f) Beneficiaries: Not available.
- g) Novelty: Existing measure, however seldom used previously.

2.4 Measures related to health insurance

2.4.1 Fizetésnélküli szabadságon levők egészségbiztosítása (Health insurance for workers on unpaid leave)

- a) Short description of the measure: In effect from 22 April 2020, the government decree³⁸ obliges employers to pay the health insurance of their employees who are sent on unpaid leave³⁹ on account of the state of emergency introduced because of the pandemic, until 60 days after the end of the state of emergency, thus securing health insurance for such workers.
- b) Category: Flat benefit.
- c) Timing: Ongoing from 11 April 2020, during the state of emergency.
- d) Amount and duration: In effect from 22 April 2020, employers must pay the monthly HUF 7,710 (EUR 21) health insurance.
- e) Targeted population: Employees on unpaid leave after 11 March 2020 due to the state of emergency.
- f) Beneficiaries: No information.
- g) Novelty: New measure to secure ongoing health service access for employees, even if they cannot be paid.

2.4.2 New Social Security Act in effect

- a) Short description of the measure: Although the new Social Security Act was passed before the pandemic, it only came into effect on 1 July 2020. Here only one aspect is highlighted, as it could prove problematic during the present crisis. If somebody fails to pay health contributions, and if the amount due exceeds six times the contribution's monthly amount, then that person is not entitled to free health services. According to the amendment to the Decree No. 43/1999. (III.3) published on 1 July 2020, if the arrears exceed six times the monthly contribution, entitlement to healthcare cannot be regained retroactively, after receiving treatment. In August 2020, a further modification was introduced to remove emergency care from the scope of free services.
- b) Category: Neither flat nor conditional benefit.
- c) Timing: In effect from 1 July 2020.
- d) Amount and duration/Range, duration and conditionality: Not applicable.

³⁸ Government decree 140/2020 (IV. 21).

³⁹ This unpaid leave is related to the lack of work (due to the COVID epidemic), e.g. temporary shop closure due to lockdown measures, etc.

- e) Targeted population: Citizens between 18 years of age and retirement. In 2019, there were around half a million people who had failed to keep up their health contributions, and so probably a similar number of people will be excluded from healthcare, but with more severe consequences than before. Emergency care cannot be denied, but costs of up to HUF 750,000 (EUR 2,054) must be reimbursed by the patient (with anything over and above that paid by the state). The new regulation is expected to affect a number of socially excluded people: temporary or illegal workers, those who generally work abroad, registered jobseekers without benefits and citizens without a permanent address – i.e. who have been evicted or are living in homeless shelters or workers' hostels, temporary family shelters or in the streets (this latter group accounts for around 70,000 people).⁴⁰
- f) Beneficiaries: Not applicable.
- g) Novelty: New measure.⁴¹

2.5 Measures related to minimum income schemes and other forms of social assistance

2.5.1 *A lejártó GYES és GYET meghosszabbítása a vészhelyzet idejére (Expiring benefits for persons on maternity leave extended until the end of the state of emergency)*

- a) Short description of the measure: This measure⁴² extended child-related benefits that would have expired during the state of emergency until the end of the state of emergency.
- b) Category: Flat benefit.
- c) Timing: 11 March 2020 – 18 June 2020.
- d) Amount and duration: Flat-rate benefits of HUF 28,500 (EUR 78) per month were extended until 18 June 2020, even if they expired during the state of emergency.
- e) Targeted population: Child-related benefit (GYES and GYET)⁴³ recipients, whose entitlement expired during the state of emergency.
- f) Beneficiaries: According to a government official, 60,000 parents profited from the extension.⁴⁴
- g) Novelty: New extension of an already existing measure.

2.5.2 *A közmunka program módosítása (Modification of the public works scheme)*

- a) Short description of the measure: To provide employment mainly for those on the periphery of the labour market, the public works scheme has been significantly extended since 2010 to become the most important employment programme in Hungary. In 2016, the average number of those employed in public works was 223,470: 41.6% of registered jobseekers and 4.9% of all those employed in Hungary.

⁴⁰ <https://merce.hu/2020/10/19/miert-indokolatlan-a-szegenyek-kizarasa-az-alapveto-egeszsegugyi-ellatasbol/>

⁴¹ Previously, if someone paid the debt, his/her access to the system was restored retrospectively as well. Now it is not, and so if someone needs care and is not insured, he/she will have to pay back the costs come what may, but they may be entitled to free care afterwards.

⁴² Government decree 59/2020 (III. 23).

⁴³ GYES (childcare leave) and GYET (child-raising support): GYES is provided after the end of GYET (child's second birthday) until the child's third birthday, for insured parents; and from birth until the child's third birthday for parents who are not insured. GYET is available for families with at least three children, during the period between the third and the eighth birthday of the youngest child.

⁴⁴ <https://koronavirus.gov.hu/cikkek/tallai-andras-az-adokedvezmenyek-reven-soha-nem-latott-osszeg-marad-csaladoknal>

In 2017, due to a massive labour shortage in the primary labour market, it was decided to steadily reduce the number of those employed in public works. However, the re-extension of the scheme is supposed to alleviate the labour market impact of the pandemic. Government decrees introduced during the pandemic⁴⁵ permit participation in the programme by those who are unable to find a job on the labour market on their own, and also lifts restrictions on skilled workers during the state of emergency. This is in line with the government's intentions that those unable to find new employment within the 3 months that they are entitled to unemployment benefit should be provided with one by the state.

- b) Category: Neither flat nor conditional benefit.
- c) Timing: 11 March 2020 – 18 June 2020.
- d) Amount and duration/Range, duration and conditionality: Not applicable.
- e) Targeted population: The unemployed. The government decree⁴⁶ states that the government will provide employment within the framework of the public works programme for anyone who applies for it. However, the programme was modified on 9 May 2020 to exclude jobseekers from the public works scheme for 3 months in the event of 'disorderliness of their immediate living environments'. That means if they are reported by the relevant authorities as a public health or safety risk, or if the obligations set out in local ordinances by the notary or the mayor are not adhered to.
- f) Beneficiaries: The planned extension of the public works programme does not seem to have happened, as the average number of those engaged in it in December 2020 was 94,600, which is a 1% increase on the previous month, but a decrease of 8,400 people compared to December 2019. In March 2021, the average number was 83,800 – a slight (0.3 percentage point) decrease compared to March 2020.⁴⁷
- g) Novelty: Alteration of an already existing measure.

2.6 Measures related to housing support

2.6.1 Tőke és kamatfizetési kötelezettség felfüggesztése magánszemélyeknek (Suspension of loan payments for private individuals)

- a) Short description of the measure: Under Section 1 of the 47/2020 (18 March 2020) and 62/2020 (24 March 2020) government decrees, a payment moratorium was introduced to alleviate the adverse effects of the COVID-19 pandemic. One goal is to protect people who have lost their income because of the pandemic and who cannot keep up with their loan repayments. Another goal is to keep lending activities afloat despite the crisis. The interest repayments, capital repayment and any related fees on every commercial loan, mortgage or other loan agreement signed before 18 March 2020 were frozen until at least 31 December 2020 (later extended). The loan will be extended by as long as the payments are frozen. The law states that the loan recipient cannot be disadvantaged financially for making use of the moratorium, and so no fees or any extra interest may be charged. On 22 December 2020, the government announced that the repayment freeze would apply to anyone who requested it⁴⁸ (if they had not already done so) and would be extended automatically for those who were already in the scheme (otherwise the conditions are the same as in the first version of the scheme).

⁴⁵ Government decrees 1240/2020 (IV. 15) and 1344/2020 (VI. 24).

⁴⁶ Government decree 1466/2020 (VII. 31).

⁴⁷

https://kozfooglalkoztatás.kormany.hu/download/7/f5/c2000/Havi%20jelent%C3%A9s_2021_m%C3%A1rc_%28port%C3%A1l%29.pdf

⁴⁸ Government decree 637/2020 (22 December 2020).

- b) Category: Neither flat nor conditional benefit.
- c) Timing: 18 March 2020 – 31 December 2020, in October 2020 extended until 30 June 2021.
- d) Amount and duration/Range, duration and conditionality: Not applicable.
- e) Targeted population: In 2020, all citizens with loans already granted – thus, everyone with a loan (and who did not refuse the offer) until the end of 2020. That was the default setting: clients had to sign a statement (online) if they wished to opt out of the payment holiday. In 2021, when the payment holiday was extended until 30 June, only certain special social groups were targeted: pensioners, parents and expectant parents, registered jobseekers and people in public works schemes, as well as people undergoing a 'personal bankruptcy procedure'. For the extension, debtors had to state which target groups they belonged to. Initially, all 2.7 million loan recipients were targeted; for the restricted extension – 752,000 contracts.⁴⁹
- f) Beneficiaries: In 2020, 60% of debtors (1.6 million people) suspended at least one of their loans.⁵⁰ The prediction of the National Bank of Hungary was that about 30% of all individual clients at the time would take up the offer. In its inflation report of June 2020,⁵¹ the National Bank of Hungary said that the payment holiday for individuals had succeeded in its goal of replacing lost income so that consumption could stay level or flatten out. Out of a total of about HUF 1,100 billion (EUR 3.01 billion) in household loan repayments eligible for deferral, requests were made to defer HUF 600 billion (EUR 1.6 billion) worth of repayments under the scheme. The bank estimates that 50–70% of the amount thus freed up went towards consumption by households (private individuals). In March 2021, some 1.6 million individuals benefited from the payment holiday. This amounted to HUF 4.2 billion (EUR 11.5 million) or 42% of all loans (54% of retail loans).⁵²
- g) Novelty: New measure.

2.7 Leave for parents whose children are unable to attend school or a pre-school service by reason of COVID-19

No such measures have been introduced.

2.8 Other important temporary social protection/inclusion measures adopted in the context of the pandemic, which do not fall in any of the categories listed in the previous sections

2.8.1 *Kamatmentes diákhitel* (Interest-free student loans)

- a) Short description of the measure: Under government decree 96, students of higher education and adult education may take out an interest-free loan to offset their living expenses during the COVID-19 pandemic. The measure was introduced as part of an effort to help families with little or no savings, as well as to assist students, who were regarded as being at risk of losing their part-time jobs or of not finding a job during the pandemic. As part of the same set of measures to target students, the rules governing the loss of state scholarships in the event of inadequate academic performance have been suspended for the duration of the pandemic. Nor will students in higher education be required to pass a foreign language exam during this period,

⁴⁹ <https://www.facebook.com/kormanyzat/videos/951608235342594>

⁵⁰ https://nepszava.hu/3092010_hitelmoratorium-az-mnb-nem-mindenkinek-hosszabbtana-a-bankok-segitseget-igernek-a-bajba-jutottaknak

⁵¹ MNB Inflation Report, 25 June 2020, page 22.

⁵² <http://www.ksh.hu/docs/hun/xftp/idoszaki/lakashitel/20204/index.html>

and any existing targeted language-exam loans will be converted to the new 0% interest loan. The repayment of other existing student loans has also been suspended.

- b) Category: Conditional benefit.
- c) Timing: 1 May 2020 – 31 December 2020, extended until 30 June 2021.
- d) Range, duration and conditionality: Students in higher education could request an interest-free student loan in the form of a one-off lump sum of HUF 500,000 (EUR 1,370). Students on adult education courses organised by the Ministry for Innovation and Technology were also eligible to apply for an interest-free loan of HUF 1.2 million (EUR 3,287). The loan could be requested via the student loans provider Diákhitel Központ up to 31 December 2020. Students have 12 months before they have to start repaying the loan, which can be over a period of from 1 to 5 years, at their discretion.
- e) Targeted population: Hungarian citizens up to 55 years who have active student status.
- f) Beneficiaries: Over the first 6-month period, more than 30,000 students applied – most of them seeking the maximum sum. Half of them used it to cover their housing costs.⁵³ According to a press report in April 2021, a total of HUF 31 billion (EUR 86.1 million) in student loans were issued in 2020 to 42,000 new student applicants – three times more than in the previous year. More than two thirds of the loans were the pandemic free-use loans available from 1 May 2020.⁵⁴
- g) Novelty: New measure.

2.8.2 A 13. havi nyugdíj visszavezetése (Reintroduction of the 13th month pension)

- a) Short description of the measure: The gradual reintroduction of the 13th month pension – an extra month of benefit – was part of the Hungarian government’s COVID-related rescue package. For a detailed evaluation, see Gál (2020).
- b) Category: Conditional benefit.
- c) Timing: Ongoing from January 2021.
- d) Range, duration and conditionality: The amount of this provision depends on the amount of a given individual’s pension. Pensioners received 1 week of benefit in January 2021, in addition to their regular allocation. This will be increased to the equivalent of 2 weeks’ benefit in 2022 and 3 weeks in 2023. As from 2024, pensioners will be paid a full month’s extra benefit every January.
- e) Targeted population: Pensioners.
- f) Beneficiaries: All pensioners.
- g) Novelty: Reintroduction of a previous measure (the 13th month pension was abolished in 2009).

⁵³ <https://koronavirus.gov.hu/cikkek/junius-30-ig-meghosszabbitjak-diakhitel-plusz-igenylesi-hataridejet>

⁵⁴ <https://www.vg.hu/gazdasag/gazdasagpolitika/tul-a-negyszazmilliard-forinton-2-3662005/>

3 Social protection and inclusion responses to the crisis: overall assessment and possible gaps

This third section briefly considers three aspects: the expected cost of the social protection and inclusion measures put in place by the country (Section 3.1), the impact of these measures on the social protection system and on social inclusion policies (Section 3.2), and the possible remaining gaps in the social protection system and in social inclusion policies (Section 3.3). It concludes with a section (3.4) on debates and recommendations.

3.1 Expected cost of social protection and inclusion measures

At present, based on available information, it seems impossible to provide exact figures for government spending on COVID-19 related protective measures. On 4 January 2021, the Minister of Finance announced that Hungary had spent HUF 1,014 billion (EUR 2.778 billion) or 2.13% of 2019 GDP on fighting the epidemic and HUF 3,700 billion (EUR 10.1 billion) or 7.78% of 2019 GDP on relaunching the economy; thus, 9.92% of GDP was spent on COVID-19 related measures.⁵⁵ Based on the claim, that the government spent HUF 3,628 billion (EUR 9.9 billion) or 7.63% of 2019 GDP on economic protection, the economic weekly *HVG* reviewed all the Official Registers for 2020, with an eye to resources that the government used from the Economic Defence Fund (*Gazdaságvédelmi Alap*) (created in April 2020 with HUF 923 billion (EUR 2.528 billion) or 1.94% of 2019 GDP) to finance public investment programmes) which have been allocated via government decrees. *HVG* grouped expenses according to targeted use. They concluded that, in a strict sense, only 11.3% of expenditure can be considered to have been to protect the economy – HUF 409 billion (EUR 1.12 billion) or 0.86% of 2019 GDP. This included measures to promote competitiveness, investment support for big companies, public functions to preserve jobs, support for economic companies, countering adverse economic effects on food production, the National Employment Fund, operational support for local governments, and the *Garantiqa Krízis Garanciaprogram* (Garantiqa Crisis Guarantee Programme).

If we take into account measures that were planned earlier, but on which spending was supposedly increased because of the pandemic (e.g. support for the health sector and healthcare institutions, economic development programmes abroad, tourism development, social expenditure and individual support for municipalities), then spending on economic defence amounted to HUF 875 billion (EUR 2.397 billion) – 24.1% of the total sum (or 1.84% of 2019 GDP).⁵⁶ Based on newspaper articles covering announcements by government officials, HUF 32 billion (EUR 88.9 million) – 0.07% of 2019 GDP – went on *Kurzarbeit*; HUF 92 billion (EUR 252 million) – 0.19% of 2019 GDP – went on wage support for job creation; HUF 101 billion (EUR 276 million) – 0.21% of 2019 GDP – went on the bonus for healthcare workers; HUF 21 billion (EUR 57.5 million) – 0.04% of 2019 GDP – went on income support for R&D employees; and HUF 28 billion (EUR 76.7 million) – 0.06% of 2019 GDP – went on wage support for the catering and leisure sectors.

Hardly any of the amount mentioned above – HUF 875 billion (EUR 2.397 billion) – was spent on supporting those most affected by poverty and social exclusion, as there were no extra measures related to unemployment benefits, sickness benefits or leave for parents; and hardly any went on health insurance, the minimum income scheme or housing. Most interventions concentrated on job creation and protection.⁵⁷

⁵⁵ https://index.hu/gazdasag/2021/01/04/varga_mihaly_interju/

⁵⁶ 'A gazdaságvédelemre szánt pénzeknek legfeljebb a negyede mehetett válságkezelésre [At most quarter of the money spent on economic defence was spent on handling the crisis]', *HVG*, 19 January 2021, https://hvg.hu/gazdasag/20210119_gazdasagvedelmi_alap_szamok

⁵⁷ We tried to gather scattered information on specific measures from the media, but the reports seem to be unsuited to indicating actual spending: they are quite contradictory, both regarding the target group reached and the amounts spent – we suspect that the different announcements refer to different and unspecified time spans, and also include different (sets of?) measures. One such example is cited above in the report at Section 2.2.2.

3.2 Impact on the social protection system and on social inclusion policies

The social protection system and social policies remained largely untouched by the pandemic in Hungary. The composition of the rescue package detailed above reflects the declared goal of the government to build a work-based society (*workfare*). Thus, the measures introduced, with few exceptions, have focused on maintaining demand for labour, rather than supporting consumption. There have been no measures to support those in crisis based on universal principles or using unconditional/automatic criteria. The measures have primarily supported various interventions to maintain employment opportunities; they have not supported those who have become unemployed, and have only to a small extent supported those suffering job loss. This latter group was mainly supported via the Health insurance for workers on unpaid leave (Section 2.4.1) (Makó and Nábelek 2020).

The epidemic-induced job loss poses a serious threat to the results so far achieved in the fight against poverty, as poverty figures were improving significantly until COVID struck. Fighting poverty by providing employment (*workfare*) is considered a successful approach, which justifies interventions to keep and create employment opportunities (ÁSZ 2020a: 7). Only a fraction of the COVID-19 related measures affect households directly. Most of the measures introduced do not reach those in the most vulnerable groups: there was no emergency cash aid for those who suddenly lost their income and had no reserves – 33% of the population, 66% of single-parent families and 65% of those living below the poverty line (Molnár 2020); and the severity of the situation is not helped by the fact that the government has not increased cash provisions since 2008. Moreover, although the minimum pension (which is the basis of the calculations for most social provisions) has not increased since 2008, at least the government had to announce the exact figure for the minimum pension each year; but from 1 January 2021, it no longer even needs to make that annual announcement.

As mentioned above (Section 1), there is no information from national sources regarding the impact of the COVID-19 pandemic on poverty, inequality and social inclusion. Given the measures introduced, however, one can expect an increase in poverty, with the poorest households hit the hardest. Between 25 April and 4 May 2020, the TÁRKI research institute prepared a nationally representative survey of the adult population (N=878) on the impact of the pandemic: 18% of respondents reported a significant loss of income due to the restrictions. At the time of data collection, 7% of the sample reported the loss of their jobs (Tóth and Hudácskó 2020a: 2–3). Research carried out during a similar period (between April and June 2020) by Kantar, also indicated the different vulnerability of social groups: 10% of employees with only primary education were sent on unpaid leave, while the figure was only 5% among those with tertiary education. Kantar also found that among those aged 16–54, some 46% had suffered loss of income (in the TÁRKI survey, the figure for the same age group was only 32%; although in that survey, respondents were asked about significant loss of income) (Tóth and Hudácskó 2020b: 559–560, citing results from Kantar 2020a and 2020b). The third wave of surveys by Kantar (2020c) indicated that Hungary was among those countries where respondents were most likely to have experienced financial problems (55%), to report a loss of income since the start of the pandemic (44%) and to report unemployment or partial unemployment as a problem (30%). On the subject of the measures introduced, Hungarians were also very likely to feel that the economic damage resulting from them was greater than the health benefits accruing (67%). The NDI report (2020) on 27 disadvantaged settlements (focusing mainly on Roma people) not only mentions loss of income opportunities, but very limited access to healthcare provision – including coronavirus-related provision, such as testing, access to hospital treatment and protective gear.

The micro-simulation by Almeida et al. (2020), which analyses the potential impact of policy measures taken by EU Member States, predicted that particularly high poverty rates would be observed in Hungary in the hypothetical scenario, with no policy intervention. This was decreased somewhat by the actual policy interventions, but still a substantial

increase of over 5 percentage points in the at-risk-of-poverty rate is expected. When the national poverty risk thresholds are anchored to their 2019 values, the at-risk-of-poverty rates are expected to rise significantly in various countries, including Hungary (Social Protection Committee 2020: 42). Also, Hungary was among those countries where, on a year-on-year basis, by the third quarter of 2020 financial distress had increased most markedly for those in the lowest income quartile (Employment Committee and Social Protection Committee 2021: 14).

A recent survey carried out a year after the outbreak of the pandemic (Friedrich-Ebert-Stiftung and Policy Solutions, 2021) found that 39% of respondents reported that their financial circumstances had worsened, while 10% had suffered from job loss in the preceding year – particularly among those with at most primary education (12%, compared to 8% of those with tertiary education). Single parents reported especially high job loss (25%); meanwhile 34% of the adults surveyed reported a decrease in their salaries.

As presented above, hardly any measures have been put in place in response to the crisis that could possibly contribute to reshaping the social protection system and social policies, especially in a positive sense. Some of the measures introduced are permanent: either they came into effect during the pandemic or their introduction was triggered by it. Although reform of the healthcare system (Section 2.2.4) has been long in coming, its timing and the fact that almost 5,000 employees have not signed up to the new service agreement have had a negative impact. The ambition of the new Social Security Act (Section 2.4.2) to purge the system of freeloaders who do not pay their health contributions, which came into effect during the pandemic, may be laudable; however, it will have a negative impact on the ability of many people affected by poverty and social exclusion to access healthcare. More systematic attempts should be made to help those with payment arrears in their administrative and financial efforts to resolve matters in this regard. According to experts,⁵⁸ the reintroduction of the 13th month pension (Section 2.8.2) will increase inequality among pensioners, while at the same time decreasing the sustainability of the pension system (Gál 2020).

3.3 Remaining gaps in the social protection system and social inclusion policies

The inadequacy of benefits and the minimum income scheme have been an issue for several years now. If anything, this problem has become more acute. The measures introduced do not focus on those already on the periphery of society, and even the State Audit Office highlights in its COVID-19 related analysis that 'it is a highlighted poverty risk that the number of jobseekers receiving jobseeker's benefit, social assistance or no provisions at all is high and increasing' (ÁSZ 2020b: 45). Several, even smaller-scale measures (e.g. taken by service providers) cannot reach those at the very bottom of society, e.g. service providers promised not to disconnect anyone from public utilities during the epidemic. However, those who have prepaid meters have not had any support whatsoever. Or internet providers, in order to promote access to digital education for schoolchildren,⁵⁹ are providing free data access to a list of websites; however, most disadvantaged students have prepaid mobile internet and so cannot take advantage of this provision.

The characteristics of the Hungarian unemployment system are especially problematic in times such as the current pandemic: the jobseeker's benefit is the lowest in the EU at 60% of the labour market contribution paid over the preceding 4 quarters, and capped at the sum of the actual minimum wage. Furthermore, it can only be provided for 90 days, on condition that the applicant has worked for 365 days in the preceding 3 years. The social provision that can be received compensates for less than a tenth of the average income

⁵⁸ <https://www.portfolio.hu/gazdasag/20210212/13-havi-nyuqdi-j-most-szakad-csak-szet-igazan-a-nyuqdi-jastarsadalom-469322>

⁵⁹ <https://koronavirus.gov.hu/cikkek/mobilszolgalatok-visszavonasig-maradnak-az-adatforgalmi-kedvezmenyek-tavoktatas>

(the net average monthly income was HUF 266,257 (EUR 752) in 2020, while the employment substitute benefit was HUF 22,800 (EUR 64)), and those who cannot find another job within 3 months will most likely be at risk of poverty, unless another member of the household has income that can cover the reduction. In fact, the employment substitute benefit amounts to less than 20% of the poverty threshold. Yet, in April 2021 the Hungarian trade union confederation MASZSZ reported that the parliamentary Business Development Committee had voted against tabling a request to raise the duration of Hungary's jobseeker's benefit from 3 to 9 months.⁶⁰

Unemployment affects young and older people (those below 25 and those over 55) disproportionately, and it is especially hard for them to find new employment. As the EAPN Poverty watch highlights, there are significant numbers of Hungarian employees who are ineligible for benefits, which means that they do not even register/apply, e.g. those employed illegally (in 2020 estimated to be 600,000 people), and simplified tax-paying small businesses (140,000 people) also have issues accessing the jobseeker's benefit.

Regarding active labour market measures, during the first half of 2020 wage support predominated: it accounted for 63% of all recipients, while 14% received training support and 13% support to become an entrepreneur. Taking into account the very low amount of income of people engaged in public works, the planned extension to 200,000 places on public works would again have a negative effect on poverty rates, including child poverty (especially as people on such low incomes cannot take advantage of the family tax allowance) and in-work poverty.

The number of registered jobseekers peaked in June 2020 at 376,000; and although the number decreased significantly, in December 2020 it was still 19.6% higher than a year previously, standing at 6.5% of the active population. In March 2021, 30.1% of the 303,631 registered jobseekers had been looking for a job for over a year. Some 48.7% of jobseekers receive no provisions at all; 25.8% are eligible for jobseeker's benefit; and 25.4% receive employment substitution support. Even the State Audit Office highlighted in its report that in June 2020, two thirds of the jobseekers who were receiving no financial help did not have a sufficient record of prior employment or had been employed illegally, and one third had been unable to find employment during the 3 months during which they received unemployment benefit. The report concluded that the data indicate that the 3-month period covered by the unemployment benefit is too short for significant numbers of jobseekers to find new employment (ÁSZ 2020b: 29).

As for measures related to sickness benefits and sickness pay, although these existed before, they were seldom (if ever) applied. During the pandemic, they have been widely used, but the actual practices are not clear. For example, regarding the difference between the money received from sickness insurance during quarantine and a person's regular income, it is still uncertain (and even the Ministry of Human Resources cannot provide information) how, from which authority and using which procedure the shortfall can be reclaimed, and so this is not yet an accessible option.⁶¹ The situation is very similar regarding occupational illness: the media have reported several instances where the provision (for 100% of salary) has not in practice been implemented, often leading to financial difficulties for recipients.⁶² The compensation procedure is quite vague and lengthy.⁶³ According to some analysts, the data indicate that several people continued to

⁶⁰ https://static.eurofound.europa.eu/covid19db/cases/HU-2020-12_1335.html

⁶¹ <https://tasz.hu/koronavirus-karanten>; <https://tasz.hu/koronavirus-betegszabadsag-tappenz>

⁶² <https://24.hu/fn/gazdasag/2020/12/17/koronavirus-100-szazalekos-tappenz-a-tanarok-ugy-erzik-a-kormany-meg-mindig-atveri-oket/>; https://index.hu/belfold/2020/12/11/kasler_koronavirus_tappenz/; <https://magyarnarancs.hu/belpol/a-pedagogusok-tobbsege-eselytelen-a-100-szazalekos-tappenzre-135166>

⁶³ Detailed regulations and links to related official resolutions in Hungarian can be found here: <https://tasz.hu/koronavirus-betegszabadsag-tappenz> Once notified by telephone, the GP orders a test. If the test is positive, the employee notifies the GP that the infection was probably contracted on the job. The GP then reports the suspicion of occupational illness to the Job Protection Authority. This can also be done directly, without the GP. Then, after a thorough examination, the authority reports to the National Public Health Centre Job Hygiene and Occupational Medicine Department, which reaches a decision. Related to the sickness

work when infected with the virus – partly because they feared losing their job and partly because their income falls when they are on sick leave.⁶⁴

Among the measures introduced in response to the COVID-19 crisis, we find none related to unemployment benefits, sickness benefits or leave for parents, and hardly any related to health insurance, the minimum income scheme or housing.

3.4 Debates and recommendations

The social partners, who were often ignored when new measures related to the pandemic were introduced, have welcomed government support for business in the face of the COVID-19 crisis, but they also feel that the government has not gone far enough in helping the most vulnerable sectors. Among other things, they have demanded longer unemployment benefits, have proposed raising the wage support scheme across all affected sectors and for all companies that are forced to shut down due to the pandemic (and especially for companies with revenue that has fallen by more than 50%), and have proposed that sick pay should be raised to 100% of wages (from the current 70%). The author of this report shares this assessment.

Regarding *Kurzarbeit*, critics have noted that the employer has attractive alternatives: dismissal, unpaid leave, or even invoking the pandemic as a *force majeure*, allowing the business to avoid paying wages for down-time. Critics also argue that the measure came much too late – 5 weeks after Hungary announced its ‘state of emergency’ on 11 March 2020.

As for the one-off bonus for healthcare workers, the healthcare union FESZ warned in a press report that the one-off bonus would not solve the huge healthcare pay crisis. In addition, the move provoked wide-scale discontent that social workers were not rewarded, even though they were as much at risk of contracting COVID-19 as were healthcare workers.

The measure to cut local taxes is regarded as politically motivated by opposition-leaning cities. Mayors from the Alliance of Free Cities said that the move would be a ‘final blow’ to local councils, and called for protests to remind citizens of the importance of public services offered by councils.

Regarding new working arrangements due to the pandemic, trade union confederations have signed a joint statement protesting about this new measure, arguing that heaps too much of the economic burden of COVID-19 onto employees. They want to make monthly compensation for remote working from home compulsory.

With respect to the suspension of loan payments for private individuals, analysts have warned that many people who have opted for the payment holiday and who continue to stay in the scheme have not been sufficiently informed. In some cases, their loans could be extended for months – or even years – beyond the period of the holiday, because, while the monthly repayments cannot be increased, interest rates may well rise during the intervening period. It is clear from bank records that it is the lower educated and lower earners who have proved most keen to join the loan deferral scheme.⁶⁵

insurance payable to teachers during the COVID epidemic, the Ministry of Human Resources published official guidance (https://tasz.hu/a/img/emmi_baleseti_tappenz1-1.pdf).

⁶⁴ <https://g7.hu/adat/20210330/a-tappenzadatok-arra-utalnak-hogy-fertozottkent-is-sokan-dolgozhattak/>

⁶⁵ <https://merce.hu/2021/04/09/a-csodafegyverkent-beallitott-hitelmoratorium-tizezreket-sodorhat-adossagvalsagba/>

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