

Hungary: Cooperatives offer contribution-free and flexible employment for parents with small children

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*Hungary introduces a new atypical form of employment to support the labour market participation of parents with small children. Membership of the newly established cooperatives for parents staying at home with young children (colloquially, "young mums' cooperative" or *kismama szövetkezet*) offers flexible employment, preferential taxation and administrative assistance.*

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Description

On 15 June 2021, the Hungarian National Assembly amended Act 10/2006 on cooperatives (and adjusted several other regulations) by introducing cooperatives for parents staying at home with young children (Act 85/2021 on amending specific laws in connection with the establishment of a cooperative for persons with young children at home, effective from 1 July 2021).

The new legislation exempts cooperative members from employees' and employers' social security contributions (respectively, 18.5% and 13.0% of the gross wage). They are obliged to pay only personal income tax (15% of the gross wage).

Eligibility for membership of a cooperative is based on receipt of cash childcare benefits. In effect, this means that parents with young children aged between 6 months and 3 years, as well as some other categories, such as parents of twins not yet of school age or parents of permanently ill or severely disabled children younger than 10, are also eligible. However, grandparents, who can also receive childcare allowances, cannot be cooperative members.

The contribution exemption can be extended to parents currently in employment if they meet the eligibility conditions.

The new regulation applies to all parents irrespective of gender, but most of the time it is mothers who stay at home with their children.

The membership fee is symbolic.

Cooperatives connect employees and employers and, in this way, reduce search costs and encourage work. They also take over all administrative tasks, making non-regular employment cheaper and more profitable for employers. By bringing together potential employees, cooperatives also offer much-needed flexibility for parents with small children.



Outlook and commentary

The new cooperatives fit a pattern of Hungarian social policy reforms shifting away from the male breadwinner pattern. Cash programmes keeping mothers at home are gradually being matched by measures, both cash and in kind, that help them to reconcile work and child-raising.

The employment rate for childless Hungarian women aged 20-49 was 8 percentage points (p.p.) higher than the average in the European Union in 2020 (Eurostat; table *lfst_hheredch*). However, after the first child, the employment rate difference became negative (-5p.p.), and as the number of children grew, it became ever larger (-7p.p. and -11p.p. with two or three and more children, respectively). In contrast, the employment rates of men in the same age brackets were higher than the EU average in all categories.

The new cooperatives are a further step in a series of measures. In 2014, eligibilities assigned to the childcare benefit (*gyermekgondozási díj, gyed*) were extended (childcare benefit extra or *gyed extra*), allowing parents unlimited work while concurrently receiving *gyed* and maternity benefits. In 2016, the age limit of the child resulting in parental eligibility for *gyed extra* was reduced from one year

to six months. In 2020, eligibility for *gyed* was extended to grandparents, with the aim of improving the employability of working-age parents.

Also in 2020, mothers of four or more children were granted a total exemption from personal income tax in order to encourage their labour participation (see Albert 2020).

Non-cash programmes also reflect this development. New legal types of childcare facilities have been defined (2017), such as the "family crèche" (*családi bölcsőde*), "mini crèche" (*mini bölcsőde*, for a limited number of children), "on-the-job crèche" (*munkahelyi bölcsőde*) and "day-care child supervision" (*napközbeni*

gyermekfelügyelet), to better suit the relevant population segments in the various locations and adapt better to the labour-market needs.

Since 2017, all towns or villages with more than 40 children under the age of three, or locations where at least five families apply for such a service, should provide childcare.

As a consequence, the crèche capacity grew from 46,500 in 2017 to 52,800 in 2021 - which is still insufficient, as 56,000 children under the age of three (20.1% of the targeted population) were still left without a crèche place in their respective town or village in 2021 (KSH 2022; see also European Commission 2021 and 2022).

Further reading

Albert, Fruzsina (2020), "Hungary: Tax exemption for mothers of four or more children", ESPN Flash Report 2020/17, European Social Policy Network (ESPN), Brussels: European Commission.

European Commission (2022), "2022 Country Report – Hungary. Accompanying the document Recommendation for a Council Recommendation on the 2022 National Reform Programme of Hungary and delivering a Council opinion on the 2022 Convergence Programme of Hungary", Brussels: European Commission.

European Commission (2021), "Education and Training Monitor 2021 – Hungary", Luxembourg: Publications Office of the European Union.

KSH (2022), "A kisgyermek napközbeni ellátása, 2021", Budapest: Central Statistical Office (<https://www.ksh.hu/docs/hun/xftp/sattukor/kisgyermnapkozbeni/2021/index.html>).

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