



# **Exploratory study: filling in the knowledge gaps and identifying strengths and challenges in the effectiveness of the EU Member States' minimum income schemes**

Country Fiche - Hungary

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# **Exploratory study: filling in the knowledge gaps and identifying strengths and challenges in the effectiveness of the EU Member States' minimum income schemes**

Country Fiche - Hungary

Directorate-General for Employment, Social Affairs and Inclusion

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## Summary

In Hungary, the benefit for persons of active age (*aktív korúak ellátása*) is split into two separate categories: i) employment substituting benefit (ESB) (*foglalkoztatást helyettesítő támogatás*), received by those who are capable of working and of active age, when not working on a public works project, and ii) social assistance (for those of active age and incapable of work), i.e. a benefit for people suffering from health problems or taking care of a child (*egészségkárosodási és gyermekfelügyeleti támogatás*). These can be considered minimum income schemes (MIS), supplemented with other linked benefits, especially for families with children. The entitlement to minimum income (MI) benefits is not time limited but remains available for as long as the eligibility conditions are met.

A key challenge for current MIS is that the levels of the benefit for persons in active age are arbitrarily set and not tied to any poverty threshold. Amounts are not regularly adjusted and there is no predetermined method for indexation. As a result, the level of the ESB has not changed since 2008, as the level is tied to the statutory minimum of the old-age pension the amount of which has not changed since 2008. As well as making the provision increasingly less adequate, its relative percentage was decreased to 80% of the statutory minimum of the old-age pension in 2012. As a fixed benefit, its amount does not depend on family size, composition or income.

No change has been made to the existing scheme in light of the COVID-19 pandemic.

The focus on labour market integration is very strong, while the level of provision is so low that participation in the public works scheme is not only legally compulsory but it is indispensable to making ends meet. Labour market activation is not formally linked to MIS or supported by social services, irrespective of beneficiaries' situations. Although there are no studies on MIS beneficiaries, interviews with representatives from the public employment services (PES) and non-governmental organisation (NGO) highlight multiple disadvantages that require systematic inclusion of social service providers. The representative from the PES confirmed that recently councillors started to provide information about social services, suggesting a positive shift in this direction.

The lack of regular monitoring of take-up and effectiveness of social provisions may reflect the arbitrary linking of social provisions to the statutory minimum for old-age pensions. The adequacy of MIS provisions has not been researched, and they are neither tied to any poverty level nor indexed.

Given the income of different household types with a different mix of MIS benefits and their relation to poverty thresholds, MIS benefits are inadequate, despite the fact that all beneficiaries receive free healthcare, may use local transport with reduced charges, and, if they have children, are eligible for a number of linked benefits (e.g. family allowance, if participating in public works, family tax refunds). The level of MI benefits was found to be inadequate as far back as 2009 (Albert, 2009). The situation has continued to deteriorate, with a nominal decrease in certain provisions (e.g. amount of the employment substitute benefit in 2012) and the abolition of others (e.g. home maintenance support)– replaced by the local benefit in 2015.

The following sections, first, outline the features of the MI support in place; secondly, describe the eligibility criteria and coverage and consider the adequacy of the financial support provided and the links with other benefits; thirdly, examine the extent of integration with labour market measures to help those supported into employment; fourthly, consider the access provided for the people concerned to social services; fifthly, summarise the governance mechanisms in place; and, finally, review the evidence on the impact on reducing poverty and assisting beneficiaries to find work.

An annex outlines the underlying situation in terms of the relative number of people at risk of poverty or social exclusion and the changes that have occurred over recent years, as well as the characteristics of the people concerned – their sex, age, employment status, education level, country of birth and the structure of the households in which they live. As such, it provides the context in which MI support is operating and indicates the groups on which support needs to be targeted.

## **1 Description of national schemes providing minimum income support**

Income compensation is primarily rights-based, i.e. anyone who meets the prescribed criteria and conditions receives the benefit. Regulations on expense compensation provisions are mostly prepared by the various local governments and vary substantially, with some exceptions, for example the public health care card system (*közzeggyógyellátás*). The contribution-based unemployment benefit (now called job-seeker benefit (*álláskeresési járadék*)) is available for a maximum of 90 days, the shortest in the European Union (EU). Its amount is capped at 100% of the effective minimum wage. After 90 days, unemployed people may apply only for the benefit for persons of active age. The national legal framework for this is Act III of 1993 on Social Administration and Social Benefits, and Regulation 63/2006 on the detailed rules of claiming, establishing and the payment of social benefits in cash and in kind. The minimum income scheme (MIS) was significantly altered from 1 January 2009, following a parliamentary decision of 15 December 2008 (341/2008. (XII.30.)) and a Government Decree modifying social and employment legislation (2008. CVII. Law) within the framework of the Pathway to Work programme. A number of changes and further restrictions have since been made.

According to the government officials interviewed, the picture of the support system based on the benefit for persons of active age is highly distorted, as the most deprived people include substantial numbers living in family households and supported by additional regular benefits related to the upbringing, care and nursing of children. Statistics from the Central Statistical Office (KSH) show<sup>1</sup> that regular child-related benefits are comparable to working-age benefits, both in terms of the numbers of beneficiaries and the amount per person. According to government officials', several elements of the social assistance system are taken into account. For example, the phenomenon of in-work poverty, large regional and jobseeker group disparities, and the lack of jobs, which means that the jobseekers' allowance system (linked to work experience and contribution-based) still does not offer many people a livelihood. In addition, they explained that the key objective of maintaining long-term employability and securing livelihoods makes public works the only realistic alternative for the most vulnerable. Government officials highlighted that the decade-long high rates of long-term unemployment and inactivity have recently reduced, and that overly generous supports might reverse favourable labour market trends. For the most vulnerable, the realistic labour market alternative is undeclared work, which threatens individual and family livelihoods, both because of its precariousness and the low level of disposable income. Government officials observed that 'normative subsidies often violate the principle of subsidiarity, which is particularly important in terms of equity, accessibility, fairness of distribution, etc.'. They believed that the types of income and benefit-in-kind needed for subsistence should be examined more broadly and include more elements (all forms of social security), noting that 'thus the figures in the online database prepared for this study are fragmented and do not reflect the functioning of the system'.

The benefit for persons of active age (*aktív korúak ellátása*) is split into two separate categories: i) employment substituting benefit (ESB) (*foglalkoztatást helyettesítő támogatás*), received by those capable of working and of active age, when not working

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<sup>1</sup> [https://www.ksh.hu/stadat\\_files/szo/en/szo0021.html](https://www.ksh.hu/stadat_files/szo/en/szo0021.html)

on a public works project, and ii) social assistance (for those of active age and incapable of work), i.e. a benefit for people suffering from health problems or taking care of a child (*egészségkárosodási és gyermekfelügyeleti támogatás*). The entitlement to minimum income (MI) benefits is not time-limited but remains available as long as the eligibility conditions are met. At least once a year, the district office audits entitlement in respect of the ESB and, if the eligibility conditions are met, the provision continues. In addition to the recipient's financial circumstances, they consider whether the recipient has participated in work activities for at least 30 days in the preceding 12 months. In order to maintain eligibility, 30 days of work must be certified, but the law does not specify that it must be a full-time activity. Eligibility for the benefit for people suffering from health problems or taking care of a child is examined every two years. The amount of this latter provision was increased by 3% from January 2018.

No adaptations were made to benefit levels in response to the COVID-19 pandemic. However, where revision of the entitlement fell due during the COVID-19 state of emergency, that revision has been postponed to the end of the second month after the end of the emergency. On 24 November 2021, the state of emergency was extended to 31 May 2022.

The lack of regular monitoring of the take-up and effectiveness of social provisions reflects the arbitrary link with the statutory minimum for old-age pensions, which has remained unchanged since 2008. The adequacy of MIS provisions has not been researched, neither are they tied to any poverty level nor indexed.

## **1.1 Eligibility**

Means testing means that the applicant is entitled to the benefit for persons in active age if the family has no possessions and the per-consumption-unit net family income does not exceed 90% of the statutory minimum old-age pension, HUF 25 650 (EUR 70)<sup>2</sup> a month since January 2008. Income is all money defined as such by the law on personal income tax, including tax-free income and income on which simplified entrepreneurial tax or simplified public duty contribution must be paid. Family allowance, orphan's allowance and child maintenance must be taken into account as income of the person to whom it is paid.

The family is narrowly defined as a 'nuclear' family or, more specifically, the head of the family, their spouse or cohabiting partner, and children below the age of 20 years with no independent income (the age limit is 23 years for a child attending secondary school; 25 years for a child in higher education; and there is no age limit for permanently sick, autistic or disabled children, provided their condition existed before they turned 25). The eligibility of any person over 18 years of age and living in the same household as their parents is independent of their parents' income, i.e. if an adult child still lives with their original family, the parents' income is not taken into account and they are instead considered a separate household. Income is defined in net terms, i.e. after deducting recognised expenses (expenses recognised in Act CXVII of 1995 on Personal Income Tax and child support) and payment obligations (taxes and contributions). No basic costs – other than child support – are excluded.

The period used to calculate regular monthly income is the income of the month immediately preceding the claim. The period considered for irregular income is the average monthly income in the 12 months preceding the claim, or, if the period is shorter than 12 months, the monthly average income for the real period of activity.

The following types of income are excluded from the means test for the benefit for persons in active age:

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<sup>2</sup> The exchange rate applied in this report is 365 HUF/ EUR.



Expenses defined as such by the personal income tax law and any child maintenance paid;

- Certain benefits: extraordinary local benefit (*rendkívüli települési támogatás*), local benefit supporting the costs of home maintenance, medication and debt management, irregular child protection support (*rendkívüli gyermekvédelmi támogatás*), the component of the regular child protection allowance provided in vouchers (*rendszeres gyermekvédelmi kedvezmény*), fees and allowances paid to foster parents (*nevelési díj és külön ellátmány*), birth grant (*anyasági támogatás*), pension premium (*nyugdíjprémium*), one-time provision (*egyszeri juttatás*), 13th month pension (*13. havi nyugdíj*), 13th month provision (*13.havi ellátás*), a jubilee grant (*szépkorúak jubileumi juttatása*), in-cash transportation allowance for the mobility-impaired (*súlyos mozgáskorlátozott személyek pénzügyi közlekedési kedvezményei*), personal annuity for the blind (*vakok személyi járadéka*), disability support (*fogyatékosági támogatás*), assignment given to volunteers (*az önkéntesnek biztosított juttatás*), and energy support (*energiafelhasználáshoz nyújtott támogatás*);
- Income from some forms of employment: monthly income from occasional work, carer's fee in the framework of domestic assistance (*házi segítségnyújtás keretében kapott tiszteletdíj*) and tax-free income received as a member of a social cooperative;
- For public employment, only the amount of employment replacement benefit (HUF 22 800 (62.5 EUR) ) is taken into account as income.
- Income from the sale of real estate where the claimant lives, or from the rights connected to this real estate, for a period of one year after the sale;
- Cancelled debt, ceased duty, a vehicle used to transport a mobility-impaired person, regular income ceased before submittance of the claim, and income from an activity that has already ended.

The claimant is not entitled to the benefit if their family property exceeds the limit defined by law, i.e. the value of one piece of property cannot be more than 30 times greater than the statutory minimum of the old-age pension (*öregségi nyugdíj minimum*) (HUF 855 000) (EUR 2 343), or the value of the whole property cannot be more than 80 times the minimum old-age pension (HUF 2 280 000) (EUR 6 247)). Property includes usable real estate, the rights associated with that real estate, and vehicles. Every asset belonging to family members is taken into account, using the full value declared by the claimant. In case of disputes, the tax authority sets the value. There is no obligation to sell/rent/resize the property, but if the value exceeds the limit, the claim is rejected.

NGO experience<sup>3</sup> suggests that in evaluating applications, district offices may disregard the fact that only assets that can be utilised could be taken into account to reject applications or abolish previous eligibility. Instead, they prescribe payback, due to considering property used by others or with usufruct, or in case of owning a small share of a property. While this practice is against the law, not all claimants can enforce their rights, despite claims made in court. The right to appeal an administrative decision has ceased to exist, and the only remaining recourse for an unfair decision is to go to court.

The two types of provisions for the benefit for persons in active age differ primarily in respect of fitness to work.

The ESB is open to people capable of undertaking work, who must then register and cooperate with the PES. Their entitlement to the ESB is terminated if they are deleted

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<sup>3</sup> Information collected through consultation with an NGO on 14 October 2021.

from the registry of jobseekers by their own fault, if they refuse a proper job offered, if they are found to be working illegally (for the second time), or if they cannot prove pursuit of a gainful activity, training programme or labour market programme for at least 30 days in the preceding 12 months. The person must not be engaged in any gainful activity, which excludes public employment, a simplified employment relationship in seasonal work or occasional work, or domestic employment. Payment of the benefit is suspended during the first 120 days of gainful activity, but the entitlement does not cease until the 121st day of gainful activity.

Those eligible for the benefit for people suffering from health problems or taking care of a child are people who have a health impairment, i.e. who have lost at least 67% of their work capacity, have a health impairment of at least 50%, or whose health status does not exceed 50%, based on a complex evaluation by the rehabilitation authorities, or who receive a blind person's allowance or support for people with disabilities. Those raising a child under 14 years old whose attendance at a day-care institution is not ensured are also eligible.

There is no information on how the eligibility criteria were chosen, and they seem unlikely to be based on studies or evaluations. According to government officials, there is only limited scope for uniform and central distribution of the level and conditions of benefits, given the large regional differences and variation between jobseeker groups. This reasoning does not explain the lack of transparent, empirically grounded (e.g. linked to poverty limits) criteria.

## **1.2 Coverage**

KSH data show that, on 31 December 2020, 113 689 persons were entitled to the ESB and 19 407 were entitled to the benefit for people suffering from health problems or taking care of a child. According to the PES, in 2020, 70 545 received the ESB (stock data)<sup>4</sup>. In 2020, there were 90 258 applications for the ESB, of which 14 315 were rejected (16%). KSH data show that there were 6 131 applications for the benefit for people suffering from health problems or taking care of a child, of which 1 184 were rejected (19%). No information is available on the reasons for rejection.

Only qualitative (interview) evidence could be collected on **non-take up**. The strict eligibility criteria may exclude a significant group but there is no publicly available evidence. However, the NGOs interviewed suggested that, in their experience, significant numbers of people in need cannot access these provisions. Despite the current income threshold being so low, a share of people living below the official Eurostat at-risk-of-poverty (AROP) line (60% of median household income) are not eligible for the benefit. NGOs also noted that the conditions on health status are too restrictive<sup>5</sup>. As tax-free income is taken into account, the benefit may be withdrawn from people who occasionally receive small donations from acquaintances<sup>6</sup> in order to make ends meet.

Another excluded group consists of those who are unaware of the benefits or cannot claim them without help. Even if service providers try to help them, most staff at PES or government offices have no training on dealing with people from disadvantaged backgrounds, those with multiple problems who struggle to understand or read the relevant regulations and application forms, or those who lack the necessary, albeit small-scale, means to acquire them. These social support services are available only to a fraction of the population in need, exacerbated by a lack of capacity within the

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<sup>4</sup> Source: Ministry of Innovation and Technology.

<sup>5</sup> Information collected through consultation with NGOs on 13 and 14 October 2021.

<sup>6</sup> The interviewed lawyer referred to a case where the annual revision found that the recipient had received several transfers of around EUR 30 each from acquaintances to help them to pay to stay in a hostel-type of homeless shelter. As a result, he had to repay the benefit. This may be rare – and indeed the PES said that check-ups are rarely so thorough and only occasionally check bank accounts, etc.

family support services. However, the PES has recently begun to provide social information, suggesting a positive shift in this respect.

Activation conditions (e.g. ESB recipients cannot reject public works offers) may also prevent people from taking-up the benefit, perhaps because of poor health (although they do not qualify for the benefit for people suffering from health problems or taking care of a child), or because they cannot reconcile paid work and their caring responsibilities for children or adult family members. Women with low education levels are often expected to take up shift work, which is impossible without other family members to take care of their children. The current childcare system is not sufficiently flexible to provide workable solutions<sup>7</sup>.

Another reason for non-take-up may be indebtedness. This happens where people do not wish to be legally employed because a significant proportion of their income would be automatically deducted to cover their debts. Instead, they choose to pay their own health contributions and to work illegally<sup>8</sup>.

### **1.3 Adequacy**

The levels of the benefit for persons in active age are set arbitrarily and are not tied to a poverty threshold. The monthly amount of the benefit for people suffering from health problems or taking care of a child (BSH) is the difference between the family income limit (sum of the consumption units of the household, multiplied by 95% of the statutory minimum pension<sup>9</sup>) and total family income, with the amount capped at 90% of the net minimum wage for public works. The adjustment to family income is tied to the arbitrarily set level of the statutory minimum of the old-age pension. Family encompasses close relatives residing at the same (registered) address (spouse, domestic partner, a child under 20 years of age without any independent income, a child under 23 years of age without any independent income and pursuing full-time study, a child under 25 years of age without any independent income and pursuing full-time study in an institution of higher education, and a child who is permanently ill or disabled, irrespective of their age). The benefit can be claimed by any family member, but only one person can be eligible for the benefit for persons in active age, except where two claimants are entitled to different cash benefits (one entitled to the ESB, and the other to benefit for people suffering from health problems or taking care of a child). The monthly amount of benefit for people suffering from health problems or taking care of a child is calculated as follows:

$SA = (0.95 * \text{minimum old-age pension} * \text{consumption unit}) - \text{household monthly income}.$

The consumption unit is as follows: the first adult: 1.0 (+ 0.2, if they are a single parent), spouse or partner: 0.9, first and second child: 0.8, third and other children: 0.7, disabled child: 1.0 (if there are disabled and healthy children, the first healthy child counts as 0.8). If the first adult or the spouse (partner) is receiving disability support (*fogyatékossági támogatás*), they count 1.0+0.2, or 0.9+0.2.

The eligibility entitlement is reviewed at least every two years and the amount may change slightly depending on income. Adjustments are ad hoc rather than on an annual/periodic basis. In 2019, for a single beneficiary without a family, the maximum amount per month was HUF 27 075 (EUR 74), while for a whole family (irrespective of the number of children), the total amount was capped at HUF 48 795 (EUR 134) per month. That figure remained unchanged in 2020 but increased to HUF 50 875 (EUR 139) in 2021.

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<sup>7</sup> Information collected through consultation with the PES on 27 October 2021.

<sup>8</sup> Information collected through consultation with the PES on 27 October 2021.

<sup>9</sup> Until 28 February 2015, it was 90% of the statutory minimum pension.

The level of the ESB is set arbitrarily, using a method that is neither transparent nor predictable. As a fixed benefit, the amount does not depend on family size, composition or income. Those who receive the ESB may be employed as public works scheme workers (they cannot refuse and continue to claim the ESB) and the wage for public works scheme could thus be considered a kind of social provision and part of the MI scheme. However, the scope of the public works scheme has been reduced significantly in recent years in line with EU recommendations, raising doubts about the access of all ESB beneficiaries to public works opportunities.

Entitlement is reviewed at least once a year by the district office. If the eligibility conditions are met, the provision continues. In addition to the recipient's financial circumstances, the review looks at the recipient's participation in 30 days of work activities in the previous 12 months. In order to maintain their eligibility, 30 days of work must be certified, although not necessarily full-time. The amount of the benefit depends on the statutory minimum of old-age pensions (*öregségi nyugdíj*).

Table 1 presents the income of different household types with different mixes of MIS benefits and the share of that income compared to relative poverty indices and the gross and net minimum wage, based on data from 2020. In the case of families with children, the adequacy of benefits is significantly better than for single people or even couples without children. Nevertheless, the benefit levels often lag far behind the national at risk of poverty threshold. The amount of the ESB is clearly inadequate, for example, at only 21.6% of the 60% of median income threshold, 32.4% of the extreme AROP threshold, and 21.3% of the net minimum wage. The amount of benefit for people suffering from health problems or taking care of a child and therefore unable to work is slightly larger.

Employment as public works scheme workers, which can be considered part of the MIS, increases adequacy significantly, but these people work full-time and are thus part of the employed population, raising the issue of in-work-poverty. Even in the most favourable case, for a family with two earners in public works and two children, the family income is only 79.1% of the 60% of median income threshold and amounts to slightly more than one and a half net minimum wage. Table 1 suggests that the amount of provision is both very low and inadequate. The level of MI benefits was found to be inadequate as far back as 2009 (Albert, 2009) and has since deteriorated further, with a nominal decrease in certain provisions (e.g. the ESB in 2012) and the abolition of others (e.g. home maintenance support). Child-related benefits are significant, but particularly for those in employment. As the local benefits for compensation of expenses are regulated at municipal level, nationally valid calculations are not possible.

*Table 1. Net monthly provisions, including family allowance, and their ratio to the national AROP threshold (60% of median income), the national extreme AROP threshold (40% of median income), gross minimum wage (of a single earner), and income of a minimum wage earner (single household), in HUF, 2020*

	Relative poverty thresholds (HUF/month) – 60/40% of median income	Provisions	Nominal value	% of national AROP threshold (60% of median income)	% of national extreme AROP threshold (40% of median income)	% of gross minimum wage of single earner	% of income of minimum wage earner (single household)
<b>Single person</b>	105 369/ 70 246	ESB	22 800	21.6%	32.4%	14.1%	21.3%
		BSH	27 075	25.7%	38.5%	16.8%	25.3%
		PW	54 217	51.45%	77.2%	33.7%	50.6%
<b>Single person with two children</b>	168 590/ 112 393	BSH+2FA	48 795+ 29 600 =78 395	46.5%	69.7%	48.7%	73.2%
		PW +2FA	80 307 + 29 600 =109 907	65.2%	97.8%	68.3%	102,60%
<b>Couple without children</b>	158 054/ 105 369	1 ESB +1 BSH	48 795	30.8%	46.3%	30.3%	45.6%
		2 PW	54 217x2 = 108 434	68.6%	102.3%	67.3%	101.2%
<b>Couple with 2 children</b>	221 275/ 147 517	1ESB +1BSH+ 2 FA	48 795+ 26 600 =75 395	34.1%	51.1%	46.8%	70.4%
		FHT+PW + 2 FA	22 800+ 74 217 + 26 600 =129 707	58.6%	87.9%	80.6%	121.1%
		2 PW+2 FA	148 435+ 26 600 =175 035	79.1%	118.6%%	108.7%	163.5%
<b>Couple with 3+ children</b>	252 886/ 168 590	Childcare assistance + ESB+3 FA	28 500 + 22 800+ 48 000 =99 300	39.3%	58.9%	61.7%	92.7%
		BSH + ESB+3 FA	48 795+ 48 000 =96 795	38.3%	57.4%	60.1%	90.4%
		ESB + PW+3 FA	22 800 + 80 307+	59.7%	89.6%	93.8%	141.1%

Relative poverty thresholds (HUF/month) – 60/40% of median income	Provisions	Nominal value	% of national AROP threshold (60% of median income)	% of national extreme AROP threshold (40% of median income)	% of gross minimum wage of single earner	% of income of minimum wage earner (single household)
		48 000 =151 107				

*Note: ESB = employment substitute benefit; BSH = benefit for people suffering from health problems or taking care of a child and are therefore unable to work; PW = public works (net amount, depending significantly on the number of children due to the family tax refund); FA = family allowance.*

#### 1.4 Links with other benefits

The recipients of the benefit for persons in active age are entitled to free health services but have no special healthcare entitlement. Those in social need may qualify for the public healthcare card<sup>10</sup>, which contributes towards the cost of medicines, medical aids and medical treatment for medical rehabilitation. Those people, who are entitled to some other provisions (disability benefit in case of health status not more than 30%; higher amount of family allowance, a benefit for people suffering from health problems or taking care of a child etc.), receive the public health care card automatically (the social need is not examined). Beneficiaries are entitled to reduced local transport fees, which is especially significant in bigger cities. The rate of reduction varies depending on the municipality.

No general housing scheme exists in Hungary. Local governments can provide financial aid to support housing costs in the form of the local benefit (*települési támogatás*), a single provision that replaced the previous normative home maintenance support. Since 1 March 2015, the forms, eligibility criteria and amount of allowances provided in the framework of local benefit are determined and financed by local government, meaning that the conditions and scale of the service are no longer transparent. Mózer (2016) analysed the 'low income' eligibility criteria across a sample of local measures, and identified 16 different sets of criteria. Various analyses of the impact of the 2015 reform concluded that, although the total number of recipients did not change, the real value of the provisions has fallen significantly, especially in

<sup>10</sup> The public health card is an in-kind provision to help socially deprived people to reduce their out-of-pocket expenses for maintaining and recovering their health. The regulation is quite complex, but relevant details are noted here. The benefit can be claimed on three grounds: as a universal, or normative or equitable benefit. A person with a disability who is entitled to the benefit for people in active age is entitled to the universal benefit. A person is entitled to a normative allowance if the recognised reimbursement of the cost of regular monthly medical care exceeds 10% of the minimum amount of the old-age pension (HUF 2 850/EUR 7.80), provided that the monthly income per person in the family is less than 105% of the minimum amount of the old-age pension (HUF 29 925/EUR 82) or 155% if the person lives alone (HUF 44 175/EUR 121). The individual drug benefit can only be granted if the cost of the drug exceeds HUF 1 000/EUR 2.70 per month, and the maximum amount of the drug benefit cannot currently exceed HUF 12 000/EUR 33 per month (the maximum monthly amount of the drug benefit is set by the annual Central Budget Act for new applications for public health insurance cards in a given year). In determining the cost of the medicine, the lowest cost per month appropriate to the applicant's chronic illness, and the first choice, according to medical rules, with the lowest daily therapeutic cost, is taken into account. Medicines that are not prescribed by a specialist may be taken into account in the calculation of the cost of medicines, up to a maximum of HUF 6 000 per month. If the monthly cost of medicines exceeds HUF 6 000/EUR 16.50, the amount above HUF 6 000 may be calculated by taking into account medicines prescribed only by a specialist or on the advice of a specialist. Medical devices may be dispensed by the distributor and medical benefits by the provider if the prescription is endorsed with the patient's public health card number by the prescriber.

smaller settlements and in the most deprived areas. The change was most severe for housing-related provisions, with the number of those receiving such support decreasing by 44% (Kopasz and Gábos, 2018). Previous studies concluded that local provisions are less targeted at the poorest population segment and provide less support, while discretionary elements are more abundant and the transparency of the allocation of provisions often decreases significantly (Mózer, 2016; Kováts, 2015). An analysis by the think tank, Policy Agenda, indicates a 36% decline in expenditure for social provisions over a four-year period (2014-2017). They looked at the national distribution of provisions and compared (disregarding Budapest) county districts for their per capita income by taxpayers and found that both the best and worse performers were negatively affected by the reformed system of social provision. Cash provisions in the best situated district decreased by 43%, compared to a reduction by 55% in the worst situated district. The change was difficult to justify from a budgetary perspective, as the amount saved amounted to just 0.08% of total budget expenditure<sup>11</sup>. From 1 July 2020, Budapest, which houses one-fifth of Hungary's population, reintroduced the home maintenance support<sup>12</sup>.

Certain types of universal family provisions should be noted. Universally available support includes several cash benefits, notably family allowance, childcare allowance (GYES), child-raising support (GYET), and maternity support. Family benefits play a very significant role in alleviating the financial situation of the poorest families with children. The amount of family allowance depends on the number of children, whether the child (children) is (are) raised by a single parent, and whether the child is disabled. A person can also be excluded from public works if the authorities find them responsible for the truancy of their child. From September 2015, compulsory kindergarten attendance was introduced for children aged 3 years and older. If a child is unjustifiably absent from kindergarten for 20 days, the family allowance is withdrawn.

To compensate for the financial burden of having children, women who give birth to a child after participating in the pregnancy care programme at least four times are entitled to a lump-sum maternity grant of 225% of the minimum pension (300% for twins). The GYES is a flat benefit paid to parents who remain out of the labour market<sup>13</sup> until their child is three years old (or 10 years old in the case of permanently ill or severely disabled children), or to grandparents who look after their grandchildren between the ages of one and three years in the parents' household. In the case of twins, this support is paid until the children reach school age (usually six years). The amount of the allowance is the same as the minimum pension (in the case of twins it is multiplied by the number of twins).

Parents who raise three or more children in their own homes (with the youngest aged between three and eight years) and who work a maximum of four hours a day are eligible for the GYET. The monthly amount of this support is the same as the minimum pension, regardless of the number of children.

The regular child protection benefit is a passport-type benefit, which establishes entitlement to free or low-cost preschool and school meals, depending on family income. In the framework of regular child protection benefit a benefit in cash is provided twice a year. The amount of the benefit in cash is 2x HUF 6 000 (EUR 16.4) in case of children who are not disadvantaged or multiple disadvantaged, and 2x HUF 6 500 (EUR 17.8) in case of children who are disadvantaged or multiple disadvantaged.

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<sup>11</sup> <https://www.policyagenda.hu/elemzesek/2018/szocialis-rendszer-valtozasanak-hatasai/#.W8d1UhMzMmB>

<sup>12</sup> <https://budapest.hu/Lapok/2020/ujraindul-a-fovarosi-lakasrezsi-tamogatas.aspx>

<sup>13</sup> GYES is paid either from the birth of the child (if the parent is only eligible for this non-contributory, universal benefit) or from the end of non-universal benefits, from the age of 2 of the child.

Provided under the Act XXXI of 1997 Act on the Protection of Children and Guardianship Administration, it is a key means of support for children living in difficult circumstances. 80,000 families in poverty lost their entitlement to this benefit between 2012 and 2014 as a result of (among other things) an increase in the minimum wage, which itself did little to significantly improve their living conditions (Farkas, 2015). The eligibility criteria for regular child protection benefit remained unchanged between 2008 and 2017, which saw significant numbers of poor children lose their eligibility. In 2018, as the amount of the minimum pension had still not been increased, the eligibility criteria for child protection benefit were modified slightly, with eligible income levels increasing from 130-140% of the minimum pension to 135-145%.

All children in public education receive textbooks free-of-charge. Every municipality is obliged to provide a free warm lunch as the main meal for children in need during the autumn, spring and summer holidays, provided their parents have claimed their eligibility. This service can be considered as a good practice, as it reaches a high proportion of children from low-income families.

Recipients of the ESB may be employed as public workers and cannot refuse such work if they wish to continue claiming their entitlement. The wage for public works scheme could therefore be considered a kind of social provision and part of the MIS.

Child home care fee (GYOD) for parents taking care of their permanently ill or severely disabled children, reliant on care is not a means-tested benefit. In 2021, it was increased to 88% of the minimum wage (HUF 147 312 (EUR 404)) and will reach the minimum wage in 2022. (In the case of more than one eligible child, it is 1.5 times this amount.)

Nursing fee (ápolási díj) is paid to people who provide long-term care for seriously disabled or permanently ill family members. The aim of the benefit is to compensate the lost income of those who cannot perform full time gainful activity because of nursing their relatives. The amount of the benefit depends on the health state of the care recipient. [Basic nursing fee-HUF 43 405 (EUR 119); Nursing fee provided in case of an increased need of nursing – HUF 65 110 (EUR 178); Nursing fee provided to the carers of relatives of the most severe status – HUF 78 130 (EUR 214)].

It is important to note that beneficiaries of benefit for persons in active age cannot be entitled to child home care fee (GYOD) or nursing fee (ápolási díj).

## **2 Links with labour market activation**

Not all people in receipt of the benefit for people of active age are required to register with the PES. Persons who receive the benefit for people suffering from health problems or taking care of a child are not obliged to cooperate with the PES, but can choose whether or not to apply for employment services. By contrast, those who are capable of undertaking work and who are entitled to the ESB are obliged to register and cooperate with the PES on jobseeking agreements and participation in public works. Those receiving the ESB must accept any employment opportunity offered. Refusal can result in termination of their ESB, although the service providers interviewed noted that they try to avoid this in practice.

All jobseekers are profiled and assigned an appropriate client category, including their receipt of the ESB. The largest proportion of ESB beneficiaries are in Profile 3<sup>14</sup>, which is further segmented into 'assisted by public works', 'to be developed', or 'at risk' (i.e. most difficult to engage in employment). In many cases, a long phase of service is

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<sup>14</sup> Three main profiles: 1. Independent jobseekers, 2. Jobseekers who can be employed with support, 3. Jobseekers requiring complex support.



needed to ensure adequate activation. The services available vary, with those needing complex assistance receiving social information, reintegration group work, motivational group work and public employment. Previous EU programmes targeted ESB recipients, but this group is no longer a focus, due to a significant overlap with other prioritised groups, such as those with only primary education. ESB recipients are offered the option to draw up an individual action plan, which includes their labour market objective (finding a job or becoming self-employed) and the means to achieve it (range of services, support instruments available, client targets and individual steps). The individual assessment and integration agreement does not include aspects linked to social inclusion beyond integration into the labour market. A new element, providing 'social information support', was introduced in 2020, partly in response to COVID-19 pandemic. However, the real institutional background may be missing and there seems to be significant regional variation<sup>15</sup>.

An individual action plan is compulsory for severely disadvantaged and disadvantaged applicants. Agreed after the first interview, it covers key elements determined jointly by the case manager and the client. The following services may be offered to clients requiring complex assistance: information provision, social information provision, counselling, work counselling, training development preparation, reintegration group sessions, group sessions to develop key skills and key competences for employment, motivational group sessions, mentoring, psychological counselling, assessment of employability skills, assessment of learning skills, assessment of competences, placement in public employment. These services are implemented by local and county department counsellors and part of them have been subcontracted to NGOs in the framework of an EU-funded programme (VEKOP 8.1.2. and GINOP 5.1.5.). In 2020, the legal regulations strengthened the PES to provide more flexible employment enhancing services. There is also a move to increase the number of counsellors and alleviate the shortage, together with extending the wider service infrastructure of local networks of providers.

Clients normally report to the department every three months and their compliance with the individual action plan is assessed and modified if necessary. The individual action plan is similar to that for other jobseekers, but relies on different tools. Where the client receives the ESB, the profile, segment or activities in their individual action plan may change at the next appointment. If those in receipt of the ESB do not comply with their obligation to cooperate, the PES will write and ask them to do so. If clients still do not comply, they will be called for individual counselling, with failure to comply then resulting in their removal from the register of jobseekers and the termination of their benefit. Clients will then have to cooperate with the PES for one year in order to reactivate their ESB entitlement. Public works (*közfoglalkoztatás*) is considered an appropriate job for a person receiving the ESB, and the PES will offer such jobs when the opportunity arises. If the client does not accept it, they may be removed from the register of jobseekers and have their ESB terminated.

PES offices vary regionally and have little scope to involve other services. However, under EU-funded projects, a wider range of services may be temporarily available. In individual cases (mostly in smaller settlements) the local PES may contact family support services about clients' social problems, although they have limited capacity to do so. The PES can also refer clients to other services as part of the provision of social information. The individual action plan primarily covers labour market services and human services (e.g. information provision, individual and group counselling). These elements build on one another and help to motivate the individual to enter public employment or the open labour market. Local initiatives may seek to improve this situation, for example a cooperation agreement is being prepared between the Health and Social Centre of *Salgótarján* and its Region and the *Nógrád* County Government

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<sup>15</sup> This whole section is based on interviews, with relevant data provided by the Ministry of the Interior.

Office on the use of community and daycare services for the needy, and outpatient services for daycare.

Public works is the most common active labour market policy (ALMP) measure for ESB beneficiaries. The regulations consider public works appropriate employment for ESB recipients and designate them as a special target group. The public works scheme intentionally provides wages that are significantly (and increasingly) lower than the minimum wage (Albert, 2019), but are nevertheless more than double the amount of the ESB. There is a possibility of providing wage supplements for people employed under the employment support scheme for severely disadvantaged workers, provided they apply no later than the date on which the employment relationship was established. The allowance is granted for the first six months of employment, at the rate of 30% of the minimum wage (HUF 50 220/EUR 137 in 2021). The recent Service Plan drawn up by the PES designates the severely disadvantaged as a priority target group. One problem with access to these supports is that the beneficiaries must apply, which relies on information from the PES. Furthermore, jobseekers registered for at least one month can also receive wage subsidy from the ongoing labour market programme called 'Labour Support for Companies' while those jobseekers more disadvantaged on the labour market can receive support from its targeted sub-elements.

Data on ESB beneficiaries participating in ALMPs are available from the PES Databank and show that training and wage subsidies are by far the most common. No information is available on the impact of take-up of MI benefit and activation services.

There is no framework for tapering benefits after return to the labour market, except for those participating in public works. Recipients of the benefit for people of active age do not, in principle, receive the benefits if they are participating in ALMP measures. If they participate in training under the EU-funded GINOP 6.1.1, they receive a public employment wage. If they are placed in a labour market programme, they already receive a wage and the employer receives a wage subsidy to help them into employment. There are provisions for the most disadvantaged groups, which typically include ESB beneficiaries, but the provision is based on labour market status. A person who has been in public employment for at least one month and whose public employment is terminated because they work in the private sector, and a person who has been in public employment for at least 180 days in the two years preceding the application may apply for an Employment Support Allowance (*elhelyezkedési támogatás*, EHT). The amount of that allowance is twice the amount of the ESB applicable on the date of the application, calculated from the day following the termination of the public employment relationship until the date on which the public employment relationship would have continued if no employment had been established. A public works scheme who has been in public employment for at least one month and who takes part in seasonal agricultural work under the simplified employment scheme for at least 14 days in one month may also claim the EHT. During the period of seasonal agricultural work, the daily amount of EHT is HUF 2 000 (EUR 5.50).

A cash benefit may be claimed by a service applicant to enable them to participate in Pes initiatives to help them to find a job and improve their skills. A jobseeking cash benefit may be claimed for continuous use of the service for at least five days, provided the person is not in receipt of jobseeker's allowance or in gainful employment. The daily amount of the benefit is 70% of the minimum wage, which was HUF 5 390 (EUR 14.70) per day in 2021, for a maximum 90 days in a calendar year<sup>16</sup>.

If an ESB recipient gets a job, they still receive the full month's benefit in that month of employment but not thereafter. Entitlement to the benefit is suspended for 120

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<sup>16</sup> Government Decree 100/2021 (II.27).

days, allowing the recipient to return to the scheme automatically if they lose their job during that period.

*Table 2. Proportion of MI recipients required to actively seek work or training*

	2018	2019	2020	September 2021
Self-placed	14.8%	13.7%	14.3%	13.1%
Placed with mediation	2.0%	2.0%	1.2%	0.9%
Placed with support	59.9%	60.0%	37.1%	28.8%
Total placed	76.6%	75.8%	52.6%	42.9%

*Source: NFSZ Adattárház /PES Databank. Data provided by the Ministry of Innovation and Technology.*

*Table 3. Number and distribution of ALMP recipients entitled to the ESB*

		2018		2019		2020		To 2021	
		N	%	N	%	N	%	N	%
Employer	Support for reduced working hours		0		0.00	2	0.01		0.00
	Training aid to promote employment	8 299	14.30	3 732	9.29	3 620	11.30	381	2.57
	Housing contribution aid	1	0.00	1	0.00	1	0.00		0.00
	Training aid through the employer	1	0.00		0.00		0.00		0.00
	<b>Employer total</b>	<b>8 301</b>	<b>14.30</b>	<b>3 733</b>	<b>9.30</b>	<b>3 623</b>	<b>11.31</b>	<b>162</b>	<b>0.65</b>
Public works	Support for longer-term public employment	21 560	37.14	16 269	40.51	12 834	40.05	11 716	46.84
	Support for a model programme for small-scale start-up work	21 045	36.25	15 382	38.30	12 015	37.49	10 266	41.56
	Support for national public employment programme	6 227	10.73	4 050	10.09	3 161	9.86	2 697	10.90
	<b>Public works total</b>	<b>48 833</b>	<b>84.13</b>	<b>35 701</b>	<b>88.90</b>	<b>28 010</b>	<b>40.05</b>	<b>24 679</b>	<b>99.30</b>
Individual	Earnings-related allowance for the duration of participation in a job-search club	12	0.02	9	0.02		0.00		0.01
	Jobseekers' grants to help jobseekers become entrepreneurs		0.00	6	0.04	2	0.01	1	0.00
	Salary cost subsidy	843	1.45	660	16.30	389	1.21	50	0.34
	Wage subsidy	47	0.08	46	0.11	19	0.06		0.00

Intercity travel allowance	12	0.02	3	0.01	3	0.01	0.00
Job retention allowance	1	0.00		0.00		0.00	0.00
Individual total	915	1.58	724	1.80	413	1.29	51
Total		0		0.00	2	0.01	0.00

Source: NFSZ Adattárház /PES Databank. Data provided by the Ministry of Innovation and Technology. Data referring to public workers provided by the Ministry of the Interior.

Table 4. Number of labour market services provided for persons eligible for the ESB in September 2021

<b>04 FIT (Occ. Inf. Counsellor)</b>	<b>120</b>
05 Participation in job fairs	249
07 Career guidance session (group)	155
08 Career change sessions (group)	15
10 Individual psychological counselling	318
11 Job search techniques training (group)	111
12 Job-search club sessions (group)	10
13 Job counselling (individual)	5 299
14 Provision of training information	524
16 Rehabilitation counselling (individual)	5
17 Reintegration group sessions	426
18 Reorientation group sessions	1
19 Key skills group session	3
20 Motivational group sessions	5
25 Job search counselling (individual)	8 836
26 Career counselling (individual)	356
27 Labour market and employment information	71 731
28 Mentoring services	4 400
29 Mediation interviews	7 426
30 Group information sessions	3 766
31 Career guidance (individual)	125
32 Career change counselling (individual)	308
42 Provision of social information	160
44 Personalised job search and placement	493
45 Provision of social information	63
46 Individual development plan	677
47 Needs assessment group sessions	2
48 Work counselling to help people become entrepreneurs	120

49 personal development, integration, independent living group support	1
Total number of services	105 705
Total number of beneficiaries concerned	57 820

Source: NFSZ Adattárház /PES Databank. Data provided by the Ministry of Innovation and Technology.

### **3 Links to social services and integrated provision of targeted social services**

There is no real multidimensional needs assessment, only a formal assessment when deciding the type of benefit for which people of active age are eligible. The official department of the district office examines the health and financial situation when benefits are established, and assesses eligibility for the ESB or for a benefit for people suffering from health problems or taking care of a child. For the latter, the extent of the client's health impairment is also examined, with the decision resting with the complex assessment of the rehabilitation committee. This latter group of beneficiaries does not have to cooperate with the PES, but can register as service claimants and continue to benefit from employment support and services from the PES if they meet the jobseeker criteria.

There is no framework for a social integration agreement and no social services routinely target MI recipients. Benefit recipients have free access to healthcare, reduced local travel, all universal provisions (e.g. family allowance, or based on their income, if they meet the criteria), local benefits, regular child protection benefit or public health card, but there are no formal mechanisms that promote access by MI recipients. The exception is public works, where MI recipients are a designated target group.

Limited data are available on take-up, showing only that 43.6% of the 255 701 registered jobseekers in August 2021<sup>17</sup> were without any benefits. No studies in the last ten years have accounted for the reasons behind non-take-up (Albert, 2015). There is very little integrated provision of services, although this may happen informally in some locations or as part of EU-funded programmes<sup>18</sup>. In Budapest, for example, employment services are provided by NGOs, which are capable of providing very complex services for disadvantaged clients with a wide scope of needs. This is not systematic or formalised, as there are neither sequential services nor a monitoring framework.

### **4 Governance mechanisms**

Since 1 March 2015, decisions on MI schemes are made at national level, with delivery implemented by district-level government authorities (*járási kormányhivatalok*). Some linked benefits (e.g. the local benefit, *települési támogatás*) are regulated by local governments, as well as at national level. Applications for social provisions in cash and in kind are submitted to the local government where the applicant officially resides and the relevant district (either the *járás* – an entity smaller than the county level, or the *kerület* – a district of Budapest). Applications for the benefit for people of active age are submitted to the PES where the client is registered, and the PES then forwards the application to the relevant district office. The benefit for persons in active age is tax-financed from the central budget.

<sup>17</sup> [https://kozfoglalkoztataskormany.hu/download/6/25/d2000/Havi%20jelent%C3%A9s\\_2021\\_aug\\_%28port%C3%A1l%29.pdf](https://kozfoglalkoztataskormany.hu/download/6/25/d2000/Havi%20jelent%C3%A9s_2021_aug_%28port%C3%A1l%29.pdf)

<sup>18</sup> Interviews with the PES and NGO representatives.

Although data are available, there is no regular monitoring. The follow-up inspection process is carried out monthly, but only for the beneficiaries of ALMPs. For jobseekers in receipt of the ESB, there is no follow-up, except where they are participating in an ALMP. Data are collected in suitably structured databases, with individual records linked across sources, but are used only by the benefit paying agency to administer support payments.

The district office has the power to review and monitor for fraud. Such reviews (e.g. annually for the ESB) consist of the authorities requiring clients to complete a form and attach proof of at least 30 days' work in the last 12 months. The benefit is then extended for another year. Authorities may request account information from the bank and they also may check the land registry for property ownership. A certificate of value of the property can be requested from the tax authority. There is no information as to whether they do this in all cases or randomly. The regulations also allow them to check the social benefits register to determine if a person receives benefits from elsewhere, or they may ask the National Tax Authority for these data. Fraudulent cases may also come to light during inspections by the labour inspection authorities. The possibility to appeal to the government office against an administrative decision of a district office was abolished two years ago, with revoke/refund decisions now only challenged directly in the administrative court within 30 days of the decision. According to an NGO representative providing legal services for the most disadvantaged people, appeals made little sense as it was very rare for the government office to reverse the decision of a district office. Although appeals to the courts are free of charge, the extremely technical nature of the application form makes it extremely difficult for the person concerned to submit an application that the court will accept or indeed to give good reasons why they should receive the benefit. Social service providers should be involved formally in the service provision for MIS recipients. There is no regular, systematic monitoring and evaluation, although data are available, if not publicly.

## **5 Impact of MI schemes**

Current eligibility conditions do not ensure that the MI scheme covers all of the relevant population at risk. There are no studies on coverage or take-up of MI benefits, despite the fact that approximately half of registered jobseekers do not receive any provisions and the working poor are not included in MIS. In recent years, the numbers of ESB recipients decreased significantly, from over 200 000 at the beginning of the 2010s to 79 327 (monthly average) in 2020<sup>19</sup>. The number of ESB beneficiaries decreased more than the number of registered jobseekers, representing 22.9% of jobseekers in 2020. There are very significant regional variations: in more disadvantaged counties in Northern Hungary and Southern Transdanubia, this proportion was over 30%, in Budapest it was only 11%, while in Győr-Moson-Sopron county, it was as low as 3.7%. Even bigger differences can be found when comparing smaller territorial units. In regions with unfavourable employment opportunities, the proportion (and the actual number) of ESB recipients is higher<sup>20</sup>, suggesting that a significant segment of the population in these deprived regions is dependent on last-resort type schemes.

There is no official poverty line in Hungary - the AROP index is used only for comparison and is not related to benefit levels. The KSH no longer calculates subsistence minimums. Most social provisions are tied to the arbitrary level of the statutory minimum for old-age pensions, which has remained the same amount since 2008. The adequacy of the MIS has not been researched and the benefit amount is not indexed. The amount of the ESB has not changed since 2012 and is fixed at 80% of the monthly statutory minimum for old-age pensions, irrespective of family members

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<sup>19</sup> [https://www.ksh.hu/stadat\\_files/szo/en/szo0021.html](https://www.ksh.hu/stadat_files/szo/en/szo0021.html)

<sup>20</sup> PES data provided by the Ministry of the Interior on 18 October 2021.

or composition. It is therefore doubtful that it can fulfil basic social protection or poverty reduction needs. Social provisions payable to families with children somewhat compensate for this. Although available data would permit a number of analyses, there is no scientific evidence on the relative numbers of people taken out of poverty or other indicators of the social integration of MI recipients.

Labour market activation is not supported by social services, despite being justified by the disadvantaged situation of most of the beneficiaries. Some minor recent steps have been made in this direction, however. This approach should be strengthened, as the government still intends to carry out social integration via labour market participation. Without a monitoring framework to measure the efficacy and effectiveness of the MIS, there is no basis for evidence-based policy-making.

Those aged under 18 years are not eligible for MI schemes. However, after the government decreased mandatory schooling from 18 to 16 years in 2013, the number of very young (16-17 years old) registered jobseekers increased dramatically, most of whom were subsequently employed as public works scheme workers, suggesting that they likely registered with this specific aim in mind (Molnár, 2019a). Most have no vocational skills or have not finished primary school, and have little chance of finding employment on the primary labour market. The government modified the regulations for public works so that those under 25 can only be employed as public works scheme workers if they cannot find any other job with the help of the Youth Guarantee Scheme. A major obstacle is the low level of inclination to register as a jobseeker. Some do not register as they do not have sufficient employment history to obtain the jobseekers benefit<sup>21</sup> (Bördös and Koltai, 2020). Research based on interviews has found that the most disadvantaged young people are overrepresented among those less than 25 years old registered as jobseekers (Bördös and Koltai, 2020). Another study analysing data from the EU Labour Force Survey found that among young people not in education, employment or training (NEET), the registration rate is highest for those who have the highest chance of finding employment, i.e. those most in need of PES support were those least likely to register (Molnár, 2019b).

There is a need for a legally defined minimum income level, based on research and taking into consideration the level of other related benefits. The level of minimum income should then be calculated as the difference between the available resources of the household and that baseline level. The current level of minimum income should be significantly raised and indexed annually. Conditionality and sanctions likely exclude thousands of needy people from the current MIS<sup>22</sup>, but there is no research as yet to support this statement. The impact of the MI scheme on reducing levels of poverty can be seen as limited and decreasing. This is not surprising, as net replacement rates have been also decreasing, being among the lowest in the OECD for the long-term unemployed: for single earners, the rate was only 21% in 2020<sup>23</sup>.

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<sup>21</sup> A number of online articles and websites try to highlight the advantages of registration even where a person is not eligible for the ESB: <https://www.teol.hu/tolna/kozelet-tolna/palyakezdokent-is-erdemes-regisztralni-705561/>

<sup>22</sup> Similar views were shared in 2014 by experts from the Hungarian Minimum Income Network (EMIN, 2014).

<sup>23</sup> <https://stats.oecd.org/Index.aspx?DataSetCode=NRR#>



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### • Statistical sources

- Country-level data on regular social benefits, including MIS, in a given year, in HUF are available annually at the webpage of the KSH at: [https://www.ksh.hu/stadat\\_files/szo/en/szo0021.html](https://www.ksh.hu/stadat_files/szo/en/szo0021.html), since 2000 (up to 2020).
- In regional distribution, the amount paid for social benefits, split by county and region, in HUF thousands, available at: [https://www.ksh.hu/stadat\\_files/szo/en/szo0045.html](https://www.ksh.hu/stadat_files/szo/en/szo0045.html)

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- **Interviews**

**National ministries:**

Rézműves Judit, member of the SPC, Ministry of Human Resources, telephone interview on who to contact from the state administration on 11 October 2021.

Andor Csaba, MINET member, Ministry of the Interior (Zoom meetings on 19 and 27 October 2021 and email).

Busch Irén, former MINET member, Ministry of the Interior (Zoom meeting on 27 October 2021 and email).

**National agencies**

Hungarian Statistical Office email and via the information service of the KSH.

**PES**

Balla András, Head of Department, PES, Budapest Főváros Kormányhivatala IV. Kerületi Hivatala Foglalkoztatási Osztály, telephone interview on 28 October 2021.

Máté Judit, Head of Department, PES, Rétsági Járási Hivatal Foglalkoztatási Osztály, telephone interview on 27 October 2021 and email.

**NGOs**

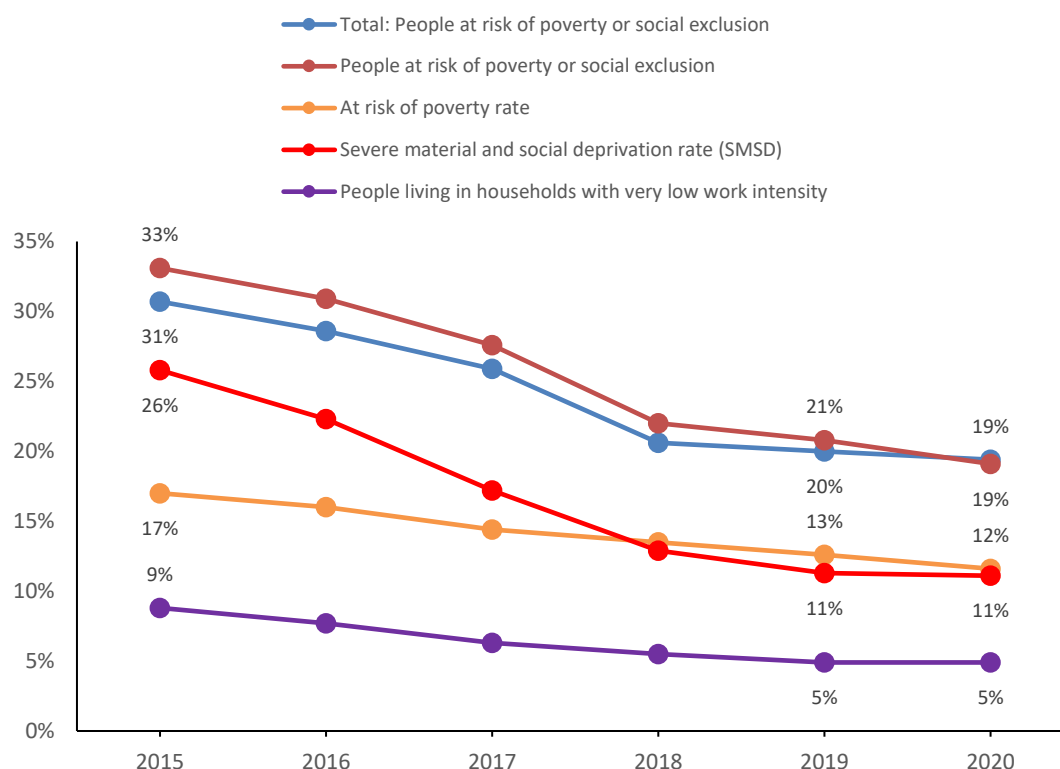
Előd Ágnes, Hungarian Maltese Charity Fund, Labour Market Service Centre Manager (*Magyar Máltai Szeretetszolgálat Munkaerőpiaci Szolgáltató Központ vezető*), Zoom interview on 15 October 2021.

Szatmári Andrea, Street Lawyer Association (*Utcajogász Egyesület*), telephone interview on 14 October 2021 and email.

László Johanna, Chance Laboratory Association (*Esély Labor Egyesület*), Zoom interview on 13 October 2021.

## 7 Annex

Figure 1. AROPE indicator and components, Hungary, 2015-2020 (%)

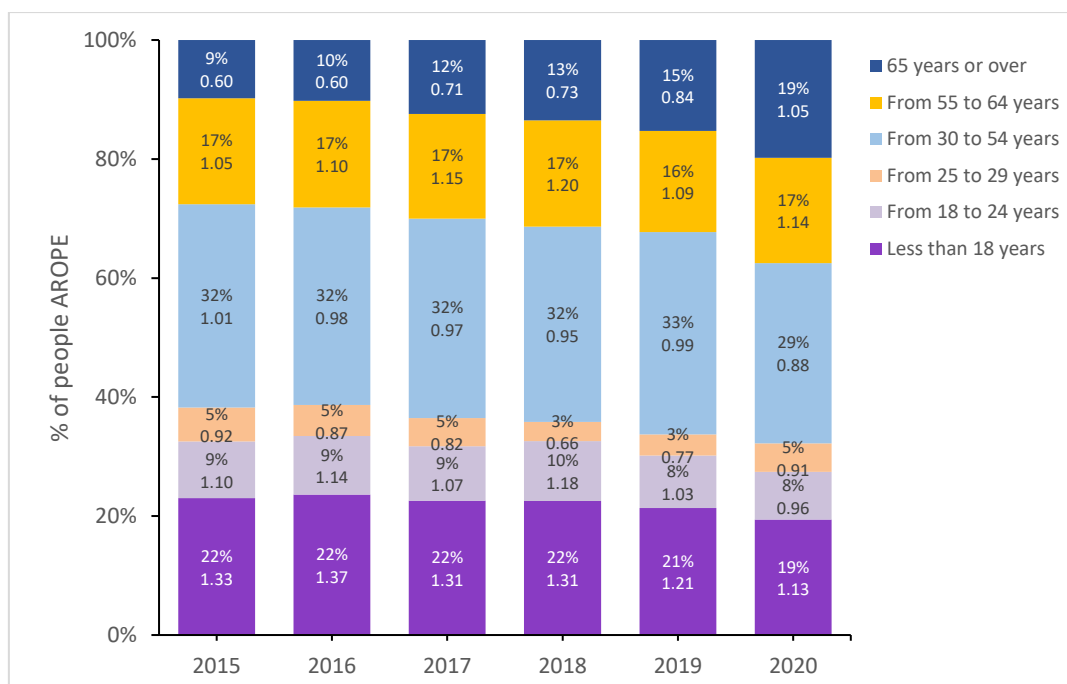


Note: The line for "Total: People at risk of poverty or social exclusion" indicates the trend for overall population, while the other lines show the figures for individuals aged 0-64.

Source: Eurostat EU-SILC indicators [ilc\_peps01n], [ilc\_li02], [ilc\_mdsc11] and [ilc\_lvhl11n]. Data downloaded on 14/02/2022.

1. In 2020, the share of total population at risk of poverty or social exclusion (AROPE) in Hungary stood at 19.4%, while that of those aged 0-64 was marginally lower at 19.1%, reflecting the slightly higher risk among older people aged 65 and over. Over the period 2015-2020, there was a substantial decline in the risk for both age groups, but especially for those aged 0-64, the proportion at risk falling by 14 percentage points.
2. The majority of the people at risk of poverty or social exclusion, 11.6 % of those aged 0-64, had household disposable income of below 60% of the median in 2020 (i.e. they were at risk of poverty), the latter proportion falling by much less more than the AROPE rate over the 2015-2020 period (by just 6 percentage points).
3. The majority of those at risk of poverty and social exclusion were also affected by severe material and social deprivation, 11.1% of those aged 0-64, this proportion falling by even more than the AROPE rate between 2015 and 2020 (by 15 percentage points).
4. Only around quarter of those at risk of poverty or social exclusion lived in households with very low work intensity, 4.9% of those aged 0-64, the proportion also declining between 2015 to 2020, but by only 4 percentage points.

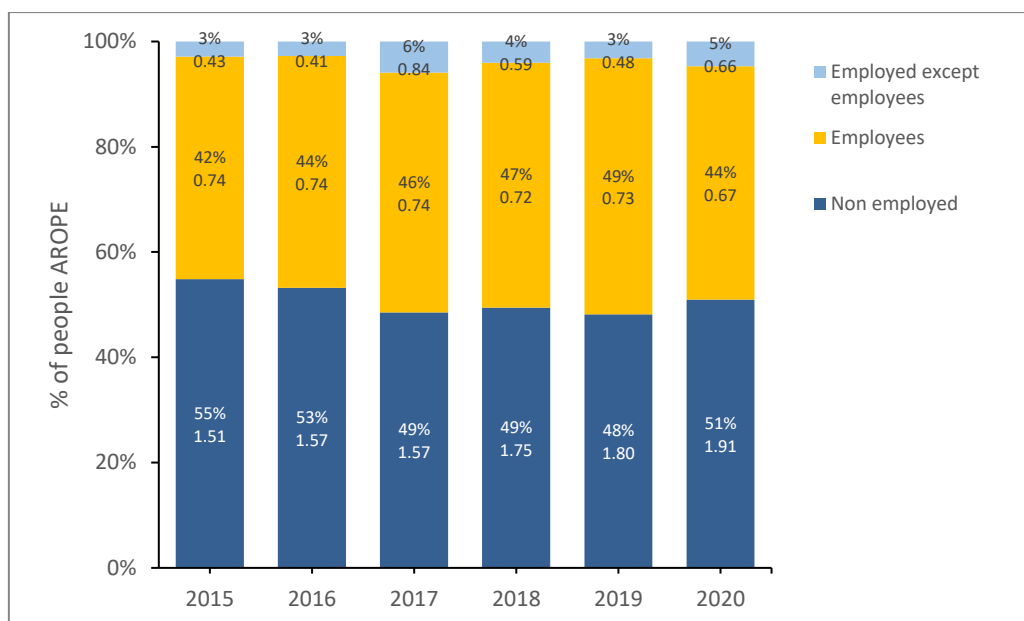
Figure 2. Division of people aged 0-64 and in AROPE by age group, Hungary, 2015-2020 (%)



Source: Eurostat EU-SILC indicators [ilc\_peps01n], own calculation. Data downloaded on 14/02/2022.

1. Slightly less women than men aged 0-64 were at risk of poverty or social exclusion in 2020 (49% of the total). Since there was the same number of women of this age as me, women were therefore, were also slightly less at risk than men.
2. As implied by Figure 1, older people aged 65 and over were slightly more likely to be at risk of poverty or social exclusion in 2020 than those younger, though this was not the case in the preceding 5 years, the risk increasing significantly over this period. Older people, therefore, made up 19% of the total at risk in 2020, marginally more than their share of population.
3. Those aged 55-64 nearing retirement were also more likely to be at risk than average, in line with earlier years, these making up 17% of the total at risk in 2020, i.e. only slightly less than those of 65 and over.
4. Children under 18 were more likely than average to be at risk of poverty or social exclusion as well, though the risk tended to decline between 2015 and 2020, when they made up 19% of the total at risk, the same as those aged 65 and over.
5. Young people aged 18-24 were only slightly more likely to be at risk than those aged 25-54 and significantly less so than those aged 55-64.

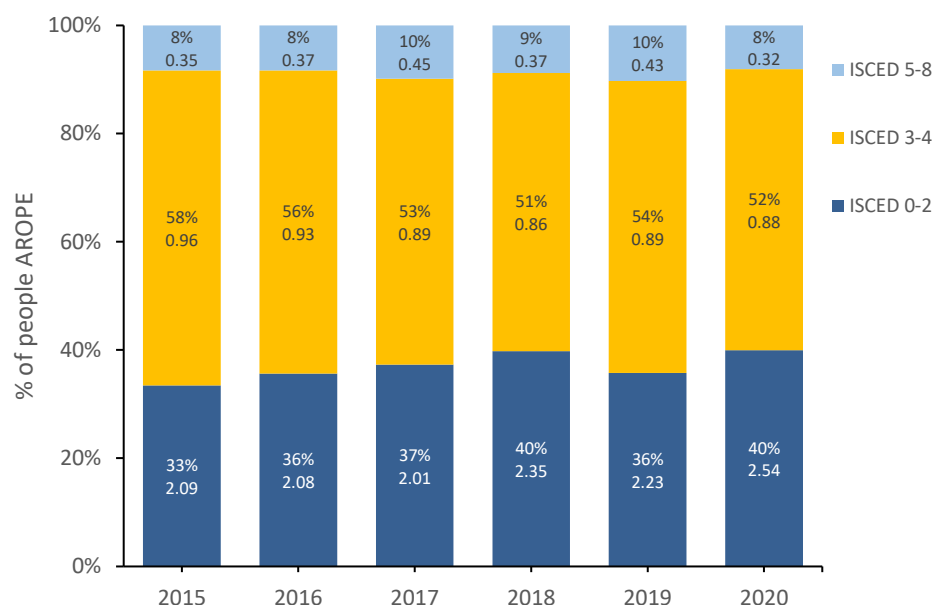
**Figure 3.** *Division of people aged 18-64 in AROPE by most frequent economic activity status, Hungary, 2015-2020 (%)*



Source: Eurostat EU-SILC indicators [ilc\_peps02n] and [ilc\_lvhl02], own calculation. Data downloaded on 14/02/2022.

1. People aged of working-age (18-64) not in work are far more likely to be at risk of poverty or social exclusion than those in employment, the likelihood increasing markedly over the period. Nevertheless, the non-employed made up only just over half of the total at risk in 2020.
2. Among those in employment, the likelihood of being at risk was much the same for the self-employed as for employees, but the small number of the latter means that they made up only 5% of the total at risk in 2020.

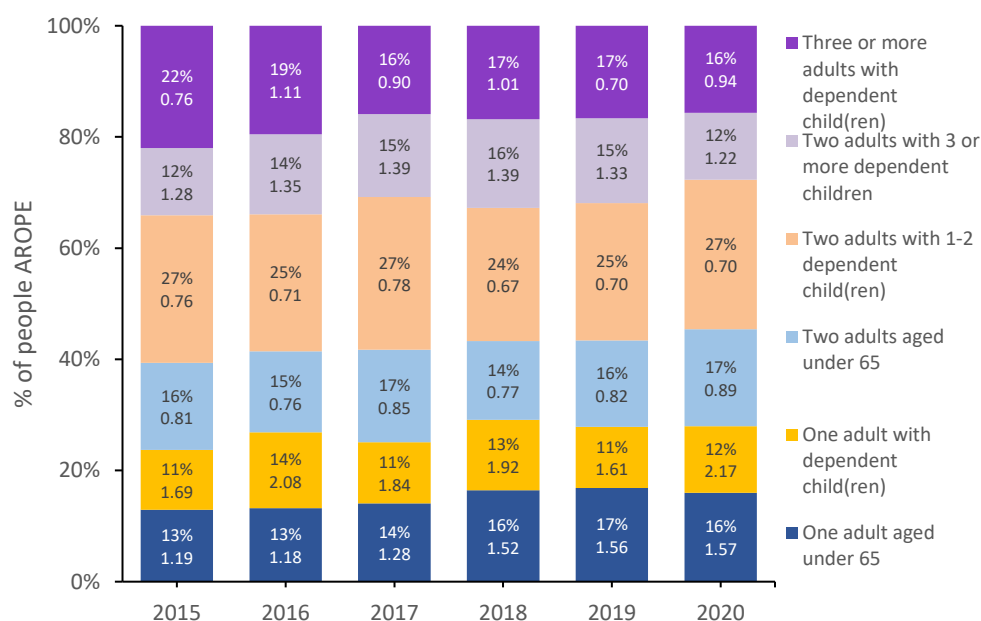
**Figure 4.** Division of people aged 18-64 in AROPE by education level, Hungary, 2015-2020 (%)



Source: Eurostat EU-SILC indicators [ilc\_peps04n] and [ilc\_lvps04], own calculation. Data downloaded on 14/02/2022.

1. People aged 18-64 with only basic schooling (ISCED 0-2) are considerably more likely to be at risk of poverty or social exclusion than those with higher education levels, the likelihood increasing over the period 2015-2020. In 2020, however, they still made up much less than half of the total at risk (40%).
2. Those with tertiary education (ISCED 5-8) are far less likely to be at risk than those with upper secondary education level (ISCED 3 and 4) and made up only 8% of the total at risk in 2020.
3. Accordingly, those with upper secondary education made up the majority of the total at risk in 2020.

**Figure 5. Division of people in AROPE by household type, Hungary, 2015-2020 (%)**



Source: Eurostat EU-SILC indicators [ilc\_peps03n] and [ilc\_lvps02], own calculation. Data downloaded on 14/02/2022.

1. People aged under 65 living alone are far more likely to be at risk of poverty or social exclusion than others. This is even more the case for those living alone with children, Their relatively small numbers, however, mean that the latter accounted for only 12% of the total at risk in 2020, the former for 16%.
2. Couples with 1-2 children have the smallest risk of poverty or social exclusion of all types of household but made up over a quarter (27%) of the total at risk in 2020.
3. Couples with 3 or more children by contrast are significantly more likely than average to be at risk, accounting for 12% of the total at risk, the same as lone parents.

Table 5. At risk of poverty rate before and after social transfers, excluding old age benefits, for those aged 0-64, Hungary, 2015-2020

	Before social transfers, excl. old-age benefits (%)	After social transfers (%)	Effect of social transfers on atrop rate (%-point change)
2015	29.4	17.0	-12.4
2016	29.2	16.0	-13.2
2017	28.0	14.4	-13.6
2018	27.8	13.5	-14.3
2019	21.8	12.6	-9.2
2020	23.1	11.6	-11.5

Source: Eurostat EU-SILC indicators [ilc\_li02] and [ilc\_li10]. Data downloaded on 14/02/2022.

1. Social transfers had the effect of reducing the at-risk-of-poverty (atrop) rate by 11.5 percentage points in 2020, cutting the number at risk by half, slightly more than in most of the preceding 5 years (it was just over half in 2018).

Table 6. At risk of poverty rate and persistent at risk of poverty rate for those aged 18-64, Hungary, 2015-2020

	At risk of poverty rate (%)	Persistent at risk of poverty rate (%)	Persistent rate as % of annual rate
2015	15.5	7.2	46.5
2016	15.0	7.4	49.3
2017	14.2	7.1	50.0
2018	13.4	6.2	46.3
2019	12.9	5.1	39.5
2020	12.2	4.1	33.6

Source: Eurostat EU-SILC indicators [ilc\_li02] and [ilc\_li21]. Data downloaded on 14/02/2022.

- Only a third of people of working age (18-64) at risk of poverty in 2020 were at persistent risk, i.e. they were consistently at risk for a number of years rather than being at risk for only one year, or temporarily. This is less than in the 5 preceding years, especially before 2019,, when the proportion was around half.

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