



Social Policy Review: Hungary
(final version)

The World Bank project on Social Inclusion in the EU8
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Introduction¹

This paper intends to contribute to a larger project of The World Bank on EU8 Social Inclusion Study. Under the coordination of Chris de Neubourg, from the Maastricht Graduate School of Governance, three selected countries (Estonia, Hungary and Poland) prepared country reports on their respective social policies. Reports look at country cases of social policy development to draw early lessons from policy choices on welfare and labour market outcomes. It looks at social policy broadly, including social insurance, social assistance and labour market policies. Social policy choices in these countries are being shaped by multiple and interrelated forces, including the influences of EU accession, economic transition and the legacies of socialist systems, as well as the dynamics of unemployment, poverty and exclusion. This report describes the social protection system of Hungary, as it is at around 2004-5.

As the social protection system always reflects the challenges facing society and works in the context of a complex social and economic environment, it is important to outline some background facts concerning the given country. In view of that, in the following paragraphs the economic, demographic and labour market situation of the country is described.

One of the important characteristics of the macro-economic processes of the past few years is that the growth of the Hungarian economy has been consistently above the EU average by more than two percentage points. (Table 1.) This fact significantly contributes to Hungary rapidly approximating the average GDP level of the EU member states. The 52 percent increase of the GDP's real value in 2004 was followed by a rise of 4.1 in 2005. Besides the moderate growth of the real economy, the country's economic growth is also determined by the fiscal tensions of the public sector. In 2005, of the 25 EU member states Hungary had the highest deficit of public finances (6,1%). Thus Hungary slid one place back on this negative list, as in 2004 it was „only” last but one behind Greece with a deficit of 5.4%. Among the new member states, Hungary's deficit is by far the largest. In fact, the other Central-Eastern European countries were successful in substantially decreasing their public finances deficit last year. As a result, by 2005 (except for Malta's minor deficit amounting to 3.3%) Hungary became the only country that did not meet the Maastricht criteria. At present, the debt of the Hungarian public finances in terms of the GDP and consequently, the country's debt towards foreign countries is growing at a fast rate. Although in 2005 the country's need of external financing in proportion to the GDP decreased and the inflow of non-debt generating capital, the lack of external equilibrium remained enormous, which makes the economy vulnerable. Autumn 2006 Government introduced an austerity package and, in collaboration with the EU, a mid-term roadmap to euro accession. These have serious impact on living standard through increasing co-payment in health and higher education eg, as well as tax (both income and VAT). However, these cuts on state budget have not intend to decrease benefits and allowances per se.

Another determinants of social policy is the demographic situation of a given country. Following a continuous and dramatic decrease in the 1990's, the number of births levelled out at around 95 thousand during the past few years. In the years preceding the change of regime, there were about 125 thousand births per year, after which a steep decline was registered

¹ The report was written within the framework of a contact between Maastricht Graduate School of Governance and TÁRKI Social Research Institute by the Hungarian team, includes András Gábos, Péter Szivós, Ildikó Barczaházy.

throughout the 90's. Parallel to the decrease of the number of births, mortality figures were, except for minor oscillations, around 140-150 thousand until the early nineties, and then, after the 1993 peak, they started to decrease, again with minor oscillations, and have been moving between 130 and 140 thousand since. As a resultant of the births and deaths, the Hungarian population has been steadily decreasing since 1981. The pace of the decline was accelerating until the end of the nineties, but seems to have become stable over the past years. The average age at giving birth was 28 in 2004 in Hungary, as opposed to 24 and a half years of age observed in 1980. This trend is similar to that in the 15 EU states, but there the values are on the average 1 or one and a half years higher than in Hungary. The delaying of childbirth to a later date reduces the final number of children women eventually have, as the actual fertility period is thus reduced, too. According to estimates, in 2002 the proportion of Roma new borns within the total number of births was 15%, as opposed to 1993, when the same figure was 11% – in 2002, it amounted to an estimated 15%. Within the total population, the ratio of the Roma is between 5 and 8 percent, according to different estimates.

Table 1. Main macro-economic indicators, 2003-2005

	2003	2004	2005	2006	2007
GDP growth rate, %	3.4	5.2	4.1	3.9	2.2
Consumer price index, %	4.7	6.8	3.6	3.7	7.2
Employment, annual change, %	1.7	-0.5	0.0		
Unemployment rate, % (ILO)	5.9	6.1	7.2	7.3	7.4
Net real wages, annual change, %	9.2	-1.0	6.3	3.4	-2.6
Budget deficit, in % of GDP (including private pension funds - ESA-95)	-6.5	-5.4	-6.1	-10.3	-7.0

Source: 2003-2005 Central Statistical Office, 2006-2007 ICEG.

As a result of low fertility rates and the growth of life expectancy, developed societies are ageing. One of the indicators of this tendency is the dependency rate at old age, which has been studied over the past 15 years both in Hungary and in the EU. The ratio of the population over 65 compared to the population aged 15-64 has significantly increased both in Hungary and in the EU before the expansion as well as in the new member states ever since 1990. Although the Hungarian figures are behind those of the EU 15 and the trend does not seem to be as steep as in the old member states, either, the dependency rates are higher than those of all the other new member states.

At the 2000 Lisbon Summit the objectives of achieving permanent economic growth, full employment, social cohesion and sustainable development were formulated. In terms of employment, concrete aims were set for the member states. According to these aims, by 2010 in the population aged 15 to 64 the employment rates have to reach 70% in all member states, and for women within that age group this rate must reach 60%, while for the population aged 55-64 the aim is an employment rate of 50%. Hungary is fairly far from these EU objectives. The Hungarian labour market, compared with other EU member states as well as the OECD countries, is characterised on the whole by a low employment rate, as well as high inactivity and low unemployment. (Fazekas and Köllő, 2005; Frey, 2004) This is emphasised in the

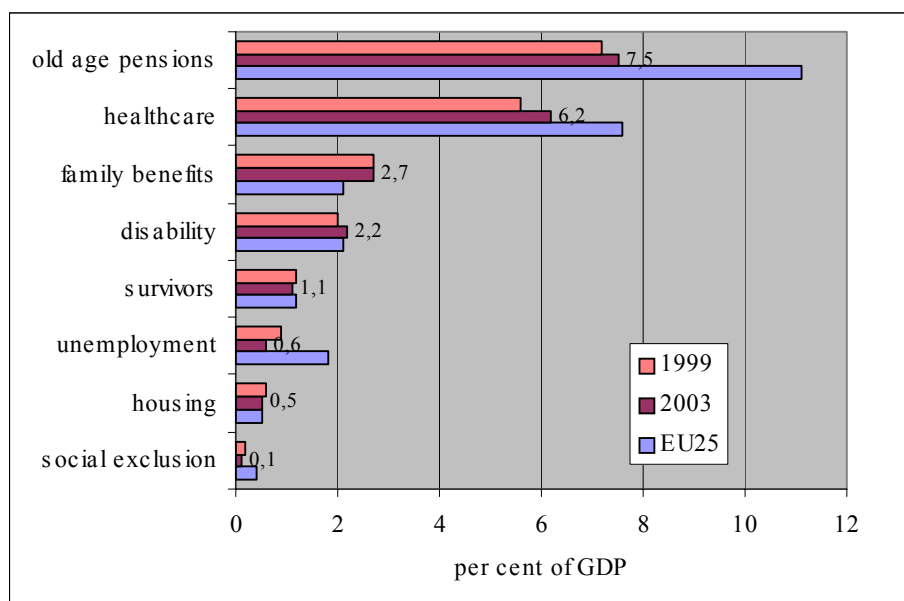
report drawn up by the European Commission on the state of employment in the member states and the possibility to reach the aforementioned employment aims (the Kok-report). The report states that the Hungarian labour market is characterised by a low employment rate especially in the case of the under skilled, the disadvantaged groups, women and the elderly. The report also mentions the regional inequalities in the labour market as well as the low sectoral and geographical mobility.

Inputs

In 2001 the total social protection expenditure of Hungary, including administrative expenses, amounted to 19.8% of the GDP. This ratio was lower than the average of the then 15 EU member states by 7.7 percentage points. In 2003 the ratio increased by 1.5 percentage points and thus amounted to 21.4 percent, while in the EU the growth was of 0.8 points and the ratio reached 28.3 percent. Hungary's backlog has therefore been somewhat reduced. Incidentally, the Hungarian ratio is almost exactly the same as the Polish one.

The per capita social expenditure in terms of euro shows a far higher difference. While in 2003 the average spending was 6925 euros per head in the EU15, this was only 1590 euros in Hungary. It was exactly the same in the Czech Republic, and more than twice than in the Baltic states. Regarding the structure of the social protection expenditure as of GDP, the most significant positive shift occurred at the sickness/healthcare function, which rose by 0.6 percentage points, whereas old age pension rose by 0.3, ranked second, between 1999-2003. (Fig 1.) The proportion of the unemployment function decreased by 0.3 during the same period. Old age and health care are by far the largest two functions, their share in total spending amounting to 35.2 and 29.1 respectively in 2003.

Fig. 1. The structure of the social protection function



For source and notes see Table 1a. in the Annex.

Two functions have a higher ratio than in the EU25, namely disability and at a more higher degree, family. Disability pension was used as a common way to leave labour market for those losing their utilizable human capital during the deep transformations of the Hungarian economy in the nineties, including a sharp decrease of employment level. Approximately one third of the total of about 3 million pensioners, receive disability benefits. The system of family benefits is fairly complex in Hungary. The development of the system is fuelled by the low fertility level, present since the early 60s, labour market problems treated with social policy instruments as well as post-transitional social problems which cause higher child poverty. In mid-2005 this fragmented system consists of the following types of benefits:

Maternity Allowance (*Terhességi-gyermekágyi segély*): Mothers giving birth to a child are entitled to two types of benefits depending on their previous employment situation. If they were insured for at least 180 days in the two years preceding delivery they are entitled to maternity allowance. It is paid for 24 weeks (4 weeks before and 20 weeks after the planned date of birth, or 24 weeks after the date of birth, depending on the mothers' choice) and its amount is 70% of the daily average gross earnings of the previous year.

Maternity Grant (*Anyasági támogatás*): Resident women who give birth, and have previously participated in prenatal care at least 4 times, and have no insurance are entitled to a one-off lump-sum payment of 225% of the minimum old-age pension (*Öregségi nyugdíj*) = HUF 55575 (98% of minimum wage) or 300% = HUF 74,100 (130% of minimum wage) in case of twins.

Child Care Allowance (*Gyermekgondozási segély*) is a universal entitlement financed from the state budget that provides a flat-rate benefit to parents who stay away from work to care for their children under the age 3 (under the age of 10 in case of permanently ill or severely disabled children) or for grandparents who care for their grandchildren aged between 1-3 years in the household of the parent. In case of twins the allowance is paid until the children reach the compulsory schooling age (usually 6 years of age). The monthly amount is equal to the minimum old-age pension of HUF 23,200 (41% of minimum wage), in case of twins the amount is doubled.

Child Care Fee (*Gyermekgondozási díj*): is a contributory benefit, which is paid after the expiry of Maternity Allowance until the child reaches 2 years of age if the parent does not work. The eligibility criterion is at least 180 days of insurance during the two years preceding delivery of the parent who chooses to take care of the child at home. Its amount is 70% of the daily average gross earnings of the previous year with a maximum of HUF 83,000 (146% of minimum wage) per month. Parents entitled to the child care fee cannot be eligible for child care allowance.

Child Raising Support: (*Gyermeknevelési támogatás*) it is a universal benefit financed from the state budget for parents who raise three or more children in their own home, if the youngest child is between 3 and 8 years old. The monthly amount is equal to the minimum old-age pension, irrespective of the number of children.

In Hungary a well-developed child benefit system is operating consisting of universal and means-tested benefits as well.

Family Allowance (*Családi pótlék*) is a universal benefit financed from the state budget. It is paid to the parent from the birth of the child to the termination of the child's studies in the compulsory education system (usually 0-16 years), and then during the secondary school education or vocational training of the child (up to 24 years of age). Its amount depends on

the number of children in the family, on whether it is a single-parent family or not and on whether the child is disabled. In the month of July double amounts are going to be paid in order to support schooling.

Monthly amounts:

1 child in family: HUF 5,100 (9% of minimum wage),
1 child, single parent: HUF 6,000,
2 children in family: HUF 6,200 per child,
2 children single parent: HUF 7,200 per child,
3 or more children in family: HUF 7,800 per child,
3 or more children, single parent: HUF 8,400 per child,
permanently ill or severely disabled child in family: HUF 13,900,
permanently ill or severely disabled child, single parent: HUF 15,700,
child in foster home/at foster parent: HUF 7,200.

Advance on maintenance payments (*Tartásdíj megelőlegezése*): This benefit is paid to the parent who takes care of the child if the child maintenance is temporarily irrecoverable by the other parent obliged to maintain the child, or if the person who takes care of the child cannot maintain the child, and if the income per person in the applicant's family does not exceed three times the current minimum amount of old-age pension. Its amount is equal to the amount of child maintenance decided by the court.

Regular Child Protection Benefit (*Rendszeres gyermekvédelmi támogatás*): This benefit is paid to the family if the income per person in the family does not exceed the amount of the minimum old-age pension of HUF 24,700 (43% of minimum wage). The local government can also examine the financial situation of the family. The monthly amount of the regular child protection benefit is 22% of the minimum old-age pension = HUF 5,434. The regular child protection benefit can be provided even after the child reaches 18 years of age if he/she is a regular student, until by he/she is 23 in the case of secondary education, and until 25 in the case of tertiary education.

Irregular Child Protection Benefit (*Rendkívüli gyermekvédelmi támogatás*) is paid to families with temporary cash flow problems or facing emergency situations that seriously threaten their standard of living. The amount is designated by a decree of the respective local government. In 2004, this benefit was paid after 270000 children with a total amount of 2160 million HUF, which means an average payment of 8000 HUF per child (14% of minimum wage).

Family tax allowance (*Családi adókedvezmény*):

Every household with children is eligible for family tax allowance if they have a taxable income. Its amount varies according to the number of children in the family:

One child family: HUF 3000 (5% of minimum wage),
Two children family: HUF 4000 (7% of minimum wage) / child,
Three or more children: HUF 10000 (18% of minimum wage) / child.

Table 2. Expenditure on family (maternity and child) benefits, million HUF

Benefit	2004 (expected)	Number of beneficiaries, 2004	2005 (planned)	Financing	Adminis- tration
Maternity allowance	21 348	28 000	25340	NHIF	Employer or local office of NHIF
Maternity grant	5 315	91 673	5 432	GB	Employer or local office of NHIF
Child care allowance	53 102	163 000	54 848	GB	Employer or local office of NHIF
Child care fee	53 019	84 000	57 941	NHIF	Employer or local office of NHIF
Child raising support	14 436	47 000	14 697	GB	LG
Family allowance	187887	1 287 000 (families) 2 109 000 (children)	195 938	GB	Employer or local office of NHIF
Regular child protection benefit	36 905	675 000 (670 167)	39 193	GB	LG
Family tax allowance	67 500	1 150 000	65 000	GB	STA

Source: CSO, Ministry of Youth, Social and Family Affairs.

Notes. SIF – National Health Insurance Fund, GB- general budget LG – local governments, STA – State Tax Authority.

As a benchmark, the GDP at current prices was 20,413,500 million HUF in 2004.

A minor simplification of the fragmented system occurred at the beginning of 2006. The main objective of this step was to reach a higher degree of fairness. The family tax allowance was kept only for families with 3 or more children, the irregular child protection benefit was abolished, but parallel to that, the family allowance was doubled – making the system more universal than before.

According to ESSPROS data on the contribution to social protection by type between 1999-2003, the ratio of the employer's contribution dropped by 4 percentage points to 43.5. The government is the second highest contributor (34.8 percent), with its share increasing by 3 points during the same period. A slight increase can be witnessed concerning the individuals' contribution, which was 14.9 percent in 2003. The share of the corporations decreased, while that of the government as well as of households rose. Non-profit institutions have a marginal importance with 1-1.5 percent. Looking at another dimension we can see that most of the social protection benefits are contributory, only 4-4.5 percent are non-contributory, according to rough estimates.

Basic Figures

Two areas can be highlighted in this chapter. One regards the labour market, while the second one is the redistribution across income groups. As mentioned earlier, the labour market characteristics of the country are not favourable. The low level of employment has been the key issue since the beginning the transition. (World Bank, 2001) Following a slight increase, the employment rate dropped back to the 2000 level of 50% in 2004, and remained at that level in 2005. The explanation lies in the changes in the absolute number of workplaces. At the same time, inactivity shot up only temporarily, and it seems to have levelled out at the roughly 45-46% rate, which is still exceptionally high. Compared to the other countries of the EU, Hungary is one of the last in terms of labour market activity. The average of the employment rates of the EU15 (regarding the population aged 15 to 64) is about 10 percent higher than that of Hungary. Even the least developed of those countries are better off than Hungary in this respect. Unemployment rates do not differ significantly, which indicates that the hidden cause of the problem is the low participation in the labour market. That factor plays an important role in the country's competitiveness, the extent to which the social protection system is used, as well as of the sustainability of the financing. The most important task of any government employment policy is therefore to lure back the inactive, working age population to the labour market. The Hungarian inactivity rate is outstandingly low by international comparison, and that may lead to long-term social problems. The willingness to take employment of the inactive masses is an important issue, as the majority does not wish to work. This in itself may not represent a problem, as the age group between 15 and 74 includes pupils/students, those on maternity leave as well as pensioners. What is however problematic is that those working in the black economy also belong to this group. They should be made interested in working in the legal labour market. (Gábor and Nagy, 2002) The ratio of those who have lost all hope of finding employment as they do not look for a job thinking that they have no chance of finding an appropriate one. Activity rate vary by gender, 61.2 percent for male, 47.0 percent for female. Both are low, but later one is particularly far from EU average. This may underline one important policy issue: reconciliation of work and family.

The employment situation has not improved, the regional differences however have grown. The best figures in 2005 were recorded in Central-Hungary, with an employment ratio of 56.6%, while North-Hungary had the worst figures with a mere 43.6%. In 2004 there were also two regions representing the two extreme values, but then the difference between the two amounted to only 11.7%, as opposed to the 13 percentage points measured in 2005.

Income redistribution has many objectives, namely to reduce poverty and decrease inequality and it may result in the generation of original/market income, among other things. The performance of the state in this area can be quantified in several ways, in this paper we apply a fairly basic approach comparing income before and after taxes and benefits. According to HBS 2003 data, the poverty rate is 9.9 percent, using the usual concept of disposable income. The same ratio, using before tax/benefits, is 31.9, more than three times higher. While this measures relative poverty, it is closely related to the distribution of income. The decile ratio of after tax/benefit income is 4.8, but it jumps to 12.9 using before tax/benefits income. The difference is quite considerable. In the first decile, redistribution more than doubles (215 percent) the original income, while those belonging to the tenth decile lost 22 percent as a net effect of receiving benefits and paying direct taxes.

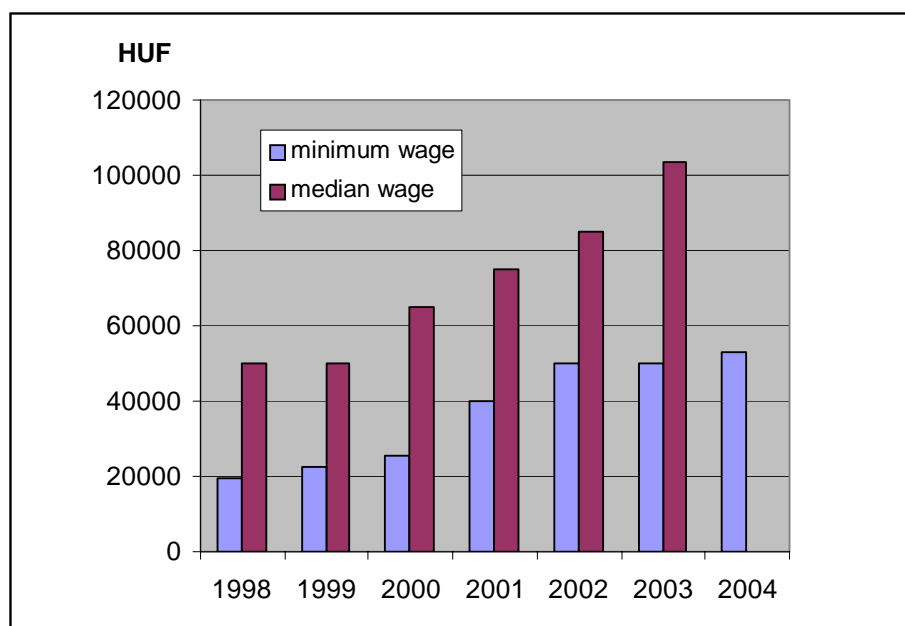
Design features

There are two main features that can be highlighted here. First, low percentage means-tested benefits, and secondly, the constant changes of the benefit system.

The vast majority of the social benefits is made up of the means-tested benefits. In 2001, the eligibility to 6.3% of these, while in 2003 only 5.2% was linked to the financial situation of the person or household involved. This ratio is somewhat higher on the average in the EU, although a substantial dispersion can be observed between the individual countries. As far as the extent to which benefits are linked to the beneficiaries' property and/or income situation, there are marked differences between the various social protection aims. The highest value (100%) can be found at the „housing” function, the reason being that the ESSPROS methodology – exclusively in the case of this function – regards as social protection only those benefits that are linked to the property/income status. In Hungary, in the majority of subsidised housing eligibility does not depend on the income status of the beneficiaries, therefore they do not appear at all in the data of social protection. The second largest value can be found at the „other, non-classifiable social exclusion” function. The ratio of the benefits linked to property/income status is close to half of the EU average. A substantial proportion of the benefits categorised under this function aims to support the low-income households, therefore eligibility is means-tested. According to ESSPROS the various benefits provided for addicted persons, which in Hungary are universal benefits. It is mainly such institutions, foundations, churches etc. that provide means-tested benefits from which it is hard or impossible to obtain relevant information. In Hungary, it is old age and disability benefits that are the least tied to property/income status. Practically all of these benefits may be obtained on an insurance basis or are universal benefits. By contrast, in EU states both functions have a larger proportion of means-tested benefits, especially in the case of the disabled. As far as the „family/children” function's eligibility basis is concerned, there are substantial differences between the countries. In Hungary, somewhat more than 10% of such benefits were means-tested. The EU average is close to double, but even among the new member states some countries have a higher ratio than the Hungarian.

In Hungary, a number of changes have been made in the past few years that affect the social policy directly or indirectly. In 2001, the minimum wage was raised by 57%, followed by a further raise of 25% in 2002, so that minimum wages were almost doubled in two years. Its two-face impact is well known. On the one hand, for those who are in and remained economically active it may bring some positive changes, but for those who are out of the labour force it makes the barrier even higher.

Fig. 2. Monthly minimum and median wage, 1998-2004



Source: Central Statistical Office.

In order to encourage employment, people receiving childcare allowance for children of over a year-and-a-half or receiving child support are permitted to work for up to four hours a day. Since 2003, once the child is one-year old, parents have been able to transfer their childcare allowance to grandparents, to enable them to return to full-time employment. In addition, since January 2005 recipients of the childcare allowance have been allowed to work part-time after the child is one. The housing maintenance support, part of the social assistance system to help those in need, was reformed in 2004, with the amount being increased significantly and local authorities being given a capitation grant to ensure they can cover its payment. Under a programme agreed on in 2004, needy families have been given help to manage debt on home loans and unpaid utility bills (with an option of suspending repayment for up to 10 years) and debt management services have been expanded. The programme is aimed at increasing the number of recipients of such services by 5000 by 2005 as well as to eliminate overdue debt, which is expected to affect some 10,000 people. As a result, household debt is expected to be cut by HUF 2 billion.

A major priority of policy is to reduce the risk of poverty among children (as indicated in the Hungarian NAP on social inclusion). In 2000, the childcare fee was re-introduced after being temporarily withdrawn by the Government at the time. The amount is related to the previous earnings of the mother, with an upper limit of 70%, and payable for the first two years after birth. In 1999, a tax credit system was introduced for families with children and the amount being subsequently increased considerably, especially for those with three or more children. According to data from 2002, however, 17% of families do not have taxable income, so are unable to benefit at all, and 6% are able to claim only part of the credit. Since then, these proportions have increased since the minimum wage has become no longer liable to tax and the number of recipients of full credit has fallen. (According to 2004 data, 600,000 employees earn the minimum wage.) Since 2002, the government introduced a 13th month payment of family allowance, paid at mid-year.

Since September 2003, meals have been free of charge in kindergartens and since 2004 in crèches as well for children receiving regular child protection benefit. In 2004, this affected 100,000 children in kindergartens. In elementary and secondary schools, children receiving such a benefit, together with those with disabilities or from a large family, are entitled to a 50% reduction in the price of meals, affecting 343,000 children in 2004. In addition, an even wider group of children have been given entitlement to free textbooks.

Special policy attention has also been given to those in retirement. In 2002, a one-off supplement of 40% of the average monthly old-age pension was paid and a new basis for indexation of pensions – a pensioner CPI – was introduced. In 2003 and 2004, widows' pensions, paid in addition to their own pension, were raised from 20% to 30%, affecting around 580,000 people. Since 2003, a 13th month pension has also been gradually introduced, the full 13th month payment becoming effective in 2006. In 2004, an additional two-week pension was paid in two instalments, while in 2005, three weeks of additional pension will be paid in two instalments. In aggregate, together with other increases, this has resulted in pensions rising in real terms by 8% in 2003, 2.5% 2004 and, it is estimated, by almost 4% in 2005.

Outcome

According to TÁRKI's most recent household survey, in 2005, 52% of the households total yearly income from work, while 43% some kind of a welfare transfer. 1 percent of household revenues are from other households, and the proportion of other incomes (such as income from capital investments) is close to 5 percent. While labour incomes represent a ratio of two thirds in the upper income deciles, in the lowest decile they amount to less than one fourth of the total household income while the ratio of social benefit transfers is larger than three fourths. (Table 2.) It is conspicuous at the same time that in the second income decile the proportion of labour incomes and that of social benefit and social security incomes are far more balanced. This results partly from the fact that pensioners are typically found in the middle decile, and on the other hand, it indicates that there is a large layer of the poor, which may be classified as income-deficient even though there are one or more active members in the household. The proportion of capital and entrepreneurial incomes is high only in the upper two quintiles, and within that, for those belonging to the top income decile they amount to 16 percent. Analysing the individual elements of the social protection expenses we can state that one fourth of the total income of an average household is made up of the old-age pension (including pension-like benefits). In Hungary, the second largest item (5 percent) is that of the family assistance benefits (maternity and child-related benefits together), but disability pensions represent a similar order of magnitude (4 percent). By contrast, the proportion of the assistance type benefits within household incomes is insignificant. If we look at the occurrence of the various types of social incomes along the income deciles, it becomes obvious that the significance of the old-age pension is the largest in the case of the 3rd to 5th income deciles, where it reaches the ratio of two quintiles, but even in the sixth decile it amounts on the average to one third of the total income. The case of the disability pension is rather different. This benefit is a significant sum basically in the lowest decile (15%). The position of family benefits is similarly high in the income structure of the households belonging to the low deciles. In the case of the lowest decile, 18 percent of the average

household's income is sourced from family benefits, in the case of the second lowest 11 percent, while in that of the third lowest 8 percent. As opposed to that, among the incomes of the households belonging to the upper deciles then ratio of this income type is of a mere 2-3 percent. Housing benefits and other forms of social assistance follow a similar pattern.

Table 2. Sources of income as percentage of total disposable household income for all deciles and households below the poverty line

	below poverty line	tenth decile	ninth decile	eight decile	seventh decile	sixth decile	fifth decile	fourth decile	third decile	second decile	first decile
2005											
<i>Sources of income</i>											
Labour	26,2	66,2	63,9	62,3	56,0	45,3	36,4	30,2	33,7	41,6	22,9
Social transfers	72,6	15	30,5	36,1	41,0	53,5	62,6	68,6	65,6	57,6	76,1
Transfers from other households	0,8	2,6	1,4	0,5	0,4	0,6	0,2	0,9	0,4	0,6	0,6
Other	0,4	16,3	4,2	1,2	2,5	0,7	0,7	0,2	0,3	0,2	0,4

For source and notes see Table 7a in the Annex.

One of the most important findings of TÁRKI's Household Monitor survey of 2005 is that whichever inequality indicator we look at, on the whole, inequalities have decreased compared to 2003. The magnitude of the inequality index numbers shows approximately the same picture that characterised the Hungarian income distribution between 1996 and 2000. (Tóth, 2006) Of the income inequality indices of the Laeken indicator list, the ratio of the top and lowest income quintiles (S80/S20) vary between 3.6 and 3.9 in the case of the CSO surveys referring to 2004. The lowest rate is represented by HBS, with no significant difference between the Income Survey and the EU-SILC. TÁRKI's estimated index for 2005 is of 3.8. There is also a slight difference in the case of another inequality index, the Gini-coefficient. On the basis of HBS, its value is 0.27, while on the basis of the other three data sources it is of 0.29. In European terms, that makes Hungary one of the countries with a less unequal income structure.

In 2004, relative income poverty affected 12 to 14 percent of the population. The poverty rate is 12.4 according to HBS, while according to the Income Survey it is as high as 13.7 percent, almost the same as the figure calculated from the EU-SILC, which is 13.3 percent. According to TÁRKI's data, also calculated on the basis of the Laeken methodology, we can consider 12 percent of the total population to be poor. (Table 3.) This proportion, in accordance with the changes of income inequalities observed in the period surveyed, shows a slight decrease in relative income poverty compared to 2003. (Gábos and Szivós, 2004, 2006) Looking at these indicators of poverty in an international context, what we can see is that in terms of income inequalities, Hungary is placed between the least unequal Scandinavian countries and the moderately unequal continental European countries (The Netherlands, Austria, France, Belgium). Of the 10 new member states joining in 2004 Hungary can be ranked as one of those with the lowest income poverty, alongside the Czech Republic (8 percent) and Slovenia (10 percent). The majority of the EU 10 actually shows fairly similar relative poverty rates (between 15 and 17 percent), all placed in the middle of the distribution. The three countries with low poverty rates that have already been mentioned and Slovakia, with a high poverty

rate of 21 percent, are the exceptions. The Laeken indicator of the depth of poverty, the relative median poverty gap was between 20 percent (HBS) and 18 (Income Survey, EU-SILC) in 2004. TÁRKI's estimate for the year 2005 is 19 percent. All these values grant Hungary a place in the middle in the European league.

Table 3. Indices of poverty and inequality

	1998	1999	2000	2001	2003	2005
Income of average person (HUF)	421681	516152	593051	714821	976212	1133299
Income of average person in tenth decile (HUF)	952778	1213764	1432656	1670503	2397381	2760366
<i>Risk of poverty rates</i>						
40% median income	4,2	4,1	2,9	3,9	3,6	3,2
50% median income	7,1	7,4	7,2	7,4	6,5	6,7
60% median income	12,6	13,6	12,8	13,0	12,2	12,0
<i>Risk of poverty rate at 60% median income for age groups</i>						
below 18	18,7	17,8	17,1	19,3	17,7	15,8
18-25	13,2	16,4	14,8	13,1	12,2	15,1
26 to 50	12,9	14,1	12,0	12,0	11,7	12,3
51 to 65	9,6	10,7	12,7	10,6	9,4	10,1
above 65	8,7	8,4	7,9	10,7	8,1	6,9
Inequality - Gini coefficients	0,274	0,282	0,292	0,289	0,297	0,290
Percentage of children living in households below 50% median income	11,4	10,6	10,8	12,9	8,5	9,5

For source and notes see Table 8 in the Annex.

According to TÁRKI's most recent, 2005 data the risk of poverty decreases with age. The age group with the highest risk of poverty is that of children and young adults. As opposed to the 12 percent average poverty rate, poverty among those aged 0-15 is 15 percent, while in the age group between 16 and 24 years is of 17 percent. Of the adults, the extension of poverty is average in the case of the middle-aged, 25-64 years of age), between 10 and 12 percent. In contrast, the poverty risk of the elderly population over 65 is significantly lower than the average with a poverty rate of 7 percent. We can make a similar observation regarding the year 2004. The poverty rate measured for children, that is those between 0 to 15 years of age, is larger than that of any other age group, depending on the source of the data. It is 17 percent based on HBS, and 18 percent according to the Income Survey and EU-SILC. By comparison, the poverty risk of those over 65, in the case of all data sources, was lower than the average both in 2004 and 2005. In the case of those aged 16-64 the values are very similar to those measured for the total population.

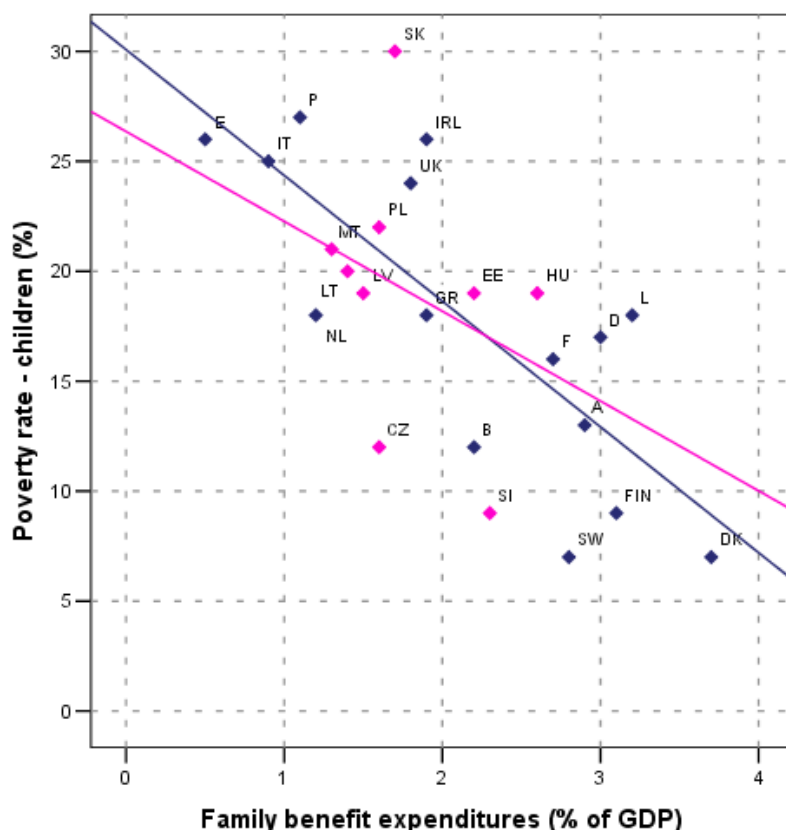
Comparing the relation between age and poverty in time we can see that in this dimension a significant rearrangement has occurred since the beginning of the 1990's. While immediately

after the change of regime the relative poverty of the elderly was outstandingly high (22 percent in 1992), by the second half of the 90's it was the poverty risk of the children and young people that was the highest, and has remained it ever since. In the case of those aged 25-49, that is the age groups including parents, a similar tendency can be observed, but the growth of the initially very low poverty indices levelled out near the countrywide average around the millennium. Parallel to that, the poverty, that is the place occupied in the income structure of those over 65, gradually improved, and their poverty risk fell to below the average by the end of the decade. There were minor oscillations in the poverty rates of the 50 to 64 age group, but in their case there was no significant rearrangement as opposed to the previous group.

TÁRKI's 2005 Household Monitor survey found that the members of those households with a Roma head belong to the social groups that run a significantly higher than the average poverty risk. This is valid for the whole of the past one and a half decades. In these households the poverty rate steadily increased between 1992 and 2000, and then it started to decrease. In 2003 of those living in a Roma household every other person lived under the poverty threshold, in proportion the same as in 1992. TÁRKI's households survey show that of the five periods examined it was in 2000 that the Roma poverty risk was the highest (5.5 times the average) and in 2005 the lowest (3.1-times the average). The effectiveness of social protection system in alleviating poverty might be evaluated in many ways. The incidence of main benefits indicate that most elements of the Hungarian system are well targeted, since lower income deciles receive higher than average ratios of welfare expenditures. (Tóth, 2005, 2006) Considering different type of benefits however, different mechanisms occur. Self-targeting can be mentioned at the case of universal family allowance or unemployment benefit. On the other hand there are targeted benefits by design, although their importance is quite low. However, looking at family benefits from the children's view, one would observe that in their population benefits are evenly distributed. Therefore, the high share of family benefits in the lower income groups is explained by above average poverty rates among children. (Förster and Tóth, 2001; Gábos and Szivós, 2001; Spéder, 2002)

To establish a direct link between social policy expenditure and poverty outcome, the relationship between family benefits and child poverty are considered here as an illustration. Recent investigation (Network on social inclusion and income distribution, 2005) shows that while an inverse relationship between expenditure on family benefits and the risk of poverty among children is evident, differences between countries can be observed (see Fig. 3). Poverty rates vary considerably at similar levels of expenditure. Looking at the Hungarian case, the family benefit system performs badly in reducing poverty reduction. Lying above the regression line, the Hungarian child poverty is higher than one can expect based on expenditure level, both considering EU15 and NMSs.

Fig 3. Child poverty and family benefits in the European Union



Source: European Observatory on the Social Situation (2005).

Notes. HU – Hungarian data from TARKI, HU1 – Hungarian data from EUROSTAT. Poverty rates of children are from year 2001. Exceptions are Malta (2002), Latvia (2002), Slovakia (2003). Data on family benefit expenditures are from 2000.

Conclusion

To sum up, we can state that, having compared the size of the expenditure, the distribution of the benefits by decile, its role in the income structure of poor households as well as its poverty-decreasing effects, the performance of the Hungarian social protection system is good, in as much as we evaluate it in terms of its income inequality and poverty decreasing function. Another important aspect, however, is looking at to what extent and how the dependence of poor households on social welfare transfers poor households leads to impoverishment as well as to what extent and how it obstructs the stepping out of poverty. The main issues are:

- Work incentives – hidden economy
- Fragmentation
- Lack of coordination among institutions
- Decentralisation

In Hungary, ever since the emergence of mass unemployment, outflow from the unemployed cohort has been rather low, which has led to a significant ratio of permanent unemployment. In reaction to that, worries were voiced fairly early on concerning the potential disincentive nature of unemployment benefits. Besides financial considerations, these concerns also played a role in the repeated tightening of the eligibility criteria.

A recent study shows that those unemployed who receive a regular social benefit or are involved in public work have a lower possibility to enter the labour market than other unemployed and inactive persons. (Firle and Szabó, 2006) Those receiving some sort of a benefit are 3 percent less likely to take up employment: the effect is not large but it is definitely negative. The duration of unemployment (each month by 0.5 percent) and the region's unemployment rate (each percentage point by 4 percent) also decreases the chance of re-entering the labour market. In order to reduce these disincentive effects, the government has recently modified the regulation of this social benefit. This new law introduced, since April 2006, a gradual withdrawal, after entering into the labour market half of the previous benefit is paid for 3 months, then 25 percent for another 3 months. However, the benefit of work incentives in an environment that is characterised by a relatively high level of hidden economy is a very difficult question. Some estimates say that today in Hungary the proportion of the hidden economy may be as much as 20-25 percent of the GDP. The proportion of the hidden economy is substantially lower in developed economies than in Hungary, on average representing 4-10 percent of GDP.

The next issue to be raised is the fragmentation of the cash benefit system. In Hungary, not less than 44 kinds of benefits are paid at present. Different laws at different points regulate this large numbers of benefits, which are administered by different institutions, each with a countrywide organisation. The institutions involved are social security (pension and health), labour market service, and social bodies of local governments, as well as non-profit institutes. This fragmentation causes plenty of inconsistency, parallel functions, as well as leakage. The high number of institutions make it necessary to establish some sort of coordination, because the lack of coordination results not only in higher administrative costs, but also a lack of effectiveness and potential biases. Family benefits have already been described, now let us look at another list of benefits of the social assistance system:

- Regular social benefit (Rendszeres szociális segély)
- Nursing Fee (Ápolási díj)
- Old-age Allowance (Időskorúak járadéka)
- Home Maintenance Support (Lakásfenntartási támogatás)
- Debt-management Benefit (Adósságcsökkentési támogatás)
- Public Health Benefit (Közgyógyellátás)
- Temporary Benefit (Átmeneti segély)
- Funeral Support (Temetési segély)
- Home renting support (lakbértámogatás)
- Interest-free social loan (kamatmentes szociális kölcsön)
- Meals support (étkezési támogatás),

- Local transportation support (helyi utazási támogatás).

The change of regime radically rearranged the spatial structure of the performance of state tasks, thus changing the centralised system of social services as well. Local governments became the main arenas of the organisation of social services and social assistance. The logic behind this division of labour is that assistance should be as close as possible to those in need. However, the problem is that in this relatively small country there are 3200 settlements and the same number of local governments. There are severe regional inequalities along the hierarchy of settlements that is between villages, towns and cities, and on the other hand between the eastern and the western part of Hungary. In more than half of the villages the population is less than 1000, with 8% of the total population of the country living in them. Another characteristic of the Hungarian settlement structure is the existence of small hamlets that abound especially in the Western- and Southern-Transdanubian regions. The regional differences of social-demographic features are also significant in Hungary. These differences are tangible at the level of large regions as well, but the distinctive, deep differences can be observed on the level of small regions and districts.

All these features create tensions in the financing, the needs and the resources are separated, which can be only partly alleviated by the central redistribution. Due to the decentralisation of social assistance significant differences have been generated in the regulation: the definition of the eligibility criteria, the way the benefits are adjudged, as well as the actual amounts paid are all regulated locally. The reduction of the resulting inequalities is one of the hardest issues to be tackled in the transformation of the system.

Beside measures taken recently, mentioned at different parts of this paper, currently social policy has not a high priority, although fight against child poverty became a day-to-day issue. A policy concept was produced, but a plan for implementation has not been accepted yet. These xxx might be based on the complexity of the issues to be resolved, like institutional setting of social policy linked to regionality, connections between social and labour policy, as well as benefits and taxation. Recent merge of to government bodies, namely Ministry of Labour and ministry responsible for social affairs might produce synergies and improve common policy design and implementation of these fields.

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Annex

Table 1a**Overview social protection expenditures as percentage of GDP and total expenditures on social protection**

	1999		2000		2001		2002		2003	
	% GDP	% total SP	% GDP	% total SP	% GDP	% total SP	% GDP	% total SP	% GDP	% total SP
old age pensions	7,2	34,6	6,9	35,0	7,1	35,9	7,6	36,9	7,5	35,2
survivors	1,2	5,6	1,1	5,6	1,1	5,6	1,1	5,4	1,1	5,3
disability	2,0	9,5	1,9	9,4	2,0	10,0	2,1	9,9	2,2	10,0
unemployment	0,9	4,5	0,8	4,0	0,7	3,3	0,6	2,9	0,6	2,8
family benefits	2,7	13,0	2,6	12,9	2,5	12,7	2,5	12,3	2,7	12,7
sickness/ healthcare	5,6	26,9	5,4	27,3	5,3	27,0	5,7	27,4	6,2	29,1
housing	0,6	3,0	0,6	2,8	0,5	2,4	0,5	2,3	0,5	2,2
social assistance/social exclusion	0,2	0,9	0,2	0,9	0,2	0,9	0,2	1,0	0,1	0,6

Note: the categories for the different benefit schemes are taken from ESSPROS database

Source: EUROSTAT, ESSPROS database

Table 1b**Expenditures on social benefits by type as percentage of total social benefits**

	1998	1999	2000	2001	2002	2003
Contributory						
Non-contributory						
Universal/ demogrants						
Categorical						
Means tested		7,1	6,7	6,1	5,6	5,2

Source: EUROSTAT, ESSPROS database

Table 1c**Number of beneficiaries (yearly averages as percentage of total population)**

	1998	1999	2000	2001	2002	2003
Old age pensions	16,2	16,3	16,4	16,4	16,3	16,3
Survivors	7,48	7,43	7,52	7,67	7,82	7,93
Disability	3,18	3,27	3,19	3,11	3,04	2,97
Unemployment	3,08	2,90	2,33	1,70	1,21	1,11
Family benefits (family allowance)	24,09	25,04	25,13	24,80	23,80	24,89
Sickness	0,96	0,98	0,96	0,99	1,03	1,06
housing	2,62	2,07	1,93	1,80	1,72	1,46
Social assistance (regular soc. benefit)	0,27	0,34	0,46	0,93	1,24	1,36

Source: CSO, yearbooks on social statistics

Table 2**Contributions to social protection system per type and sector of origin as percentage of total contribution**

		1999	2000	2001	2002	2003
types	employers' contributions	47,7	47,0	45,3	42,7	43,5
	individuals' contributions	13,2	12,8	13,0	13,0	14,9

	government contributions	31,7	31,6	33,1	36,4	34,8
	other contributions	7,4	8,7	8,6	7,9	6,9
sectors	corporations	38,1	36,8	36,7	32,7	32,1
	general government	45,3	46,1	45,4	49,8	48,7
	households	15,6	16,0	16,8	16,4	18,0
	non-profit institutions	1,0	1,0	1,1	1,1	1,3

Note: the categories for the different types and sectors are taken from ESSPROS database

Source: EUROSTAT, ESSPROS database

Table 3a/1

Depth of selected social benefits (benefits as percentage of) (latest year available and fill new table for every year in the period 1998 – 2003 when major changes occurred).

	1998			1999			2000		
	% minimum wage	% GMI	% median wage	% minimum wage	% GMI	% median wage	% minimum wage	% GMI	% median wage
Unemployment	96,9	98,0	37,8	99,6	105,3	44,8	91,3	93,1	35,8
Pensions (first pillar)	133,9	135,4	52,3	131,7	139,2	59,2	129,4	132,0	50,7
Child benefits (monthly allowances)	42,9	43,4	16,8	37,6	39,8	16,9	33,3	34,0	13,1
Social assistance	48,4	49,0	18,9	47,1	49,7	21,2	43,4	44,2	17,0

Table 3a/2

Depth of selected social benefits (benefits as percentage of) (latest year available and fill new table for every year in the period 1998 – 2003 when major changes occurred).

	2001			2002			2003				
	% minimum wage	% GMI	% median wage	% minimum wage	% GMI	% median wage	% minimum wage	% GMI	% median wage	% median hsh. income before taxes/benefits ¹	% median hsh. Income after taxes/benefits net disposable income ¹
Unemployment	68,6	93,1	36,5	63,7	101,9	37,4	70,9	97,8	34,2	50,8	47,8
Pensions (first pillar)	95,9	132,0	51,1	88,9	142,2	52,2	100,9	139,1	48,6	72,3	68,0
Child benefits (monthly allowances)	21,5	34,0	11,5	20,1	32,1	11,8	20,8	28,7	10,0	14,9	14,0
Social assistance	32,5	44,2	17,3	29,3	46,9	17,2	30,0	41,4	14,5	21,5	20,2

Source: CSO yearbook of social statistics, decrees of Government on minimum wages, CSO calculations of GMI

Note. 1. Median household income=equivalent median income using Laeken methodology

Table 3b

Maximum duration of benefit in months (latest year available and fill new table for every year in the period 1998 – 2003 when major changes occurred)

	Number of months	
Unemployment	9	max 270 days
Children	216	max 18 (24) year old
Social assistance	24	

Source: IV. law from 1991 for facilitating employment and on unemployment benefits, LXXXIV. law from 1998 on assistance for families, III. law from 1993 on social administration and social provisions

Table 3c

Tax credits (latest year available and fill new table for every year in the period 1998 – 2003 when major changes occurred)

Type of credit: Basis	Level (absolute)	Level (% of hsh. income)	Level (absolute)	Level (% of hsh. income)	Level (absolute)	Level (% of hsh. income)
	2002		2003		2004	
tax benefit (child related)	8643	1,51	7715	1,17	7301	1,00

Not a credit, but minimum wage are
exempt of income tax

Source: CSO yearbooks on household statistics

Table 3d

Expenditures of household selected categories as percentage of total household income (2003 or latest available year for household budget survey)

	% of total household expenditure 2003	% of total household expenditure 2004
Education	0,78	0,81
Health	3,80	3,83
Day care children	0,0001	0,0002
Day care elderly	0,0004	0,0002

Source: CSO yearbooks on household statistics

Table 4a

Conditionality selected type of benefits (latest year available and fill new table for every year in the period 1998 – 2003 when major changes occurred)

	age	Contribution history	residence	Means tested Yes/no	Type of means testing (1)	Level of means Testing (2)	Maximum family solidarity (3)
Unemployment (UEB)	-	yes	yes	no			
Pension (first pillar)	62	yes	yes	no			
Children's benefits (FA)	0-18 (24)	no	yes	no			
Social assistance (RSB)	-	no	yes	yes	4		9

(1) Type of means testing = means taken into account: 1 = income out of labour only; 2 = income out of pension only; 3 = all income; 4 = income and assets.

(2) Level of means testing: threshold in % of median household income after taxes/benefits.

(3) Maximum level of family solidarity = means of following persons taken into account: 1 = person/beneficiary only; 2 = 1 + cohabitating official spouse only; 3 = 1 + partner cohabitating; 4 = 1 + official spouse non-cohabitating; 5 = 3 + children cohabitating; 6 = 3 + children non-cohabitating; 7 = 3 + parents cohabitating; 8 = 3 + parents non-cohabitating; 9 = 5 + grandparents/grandchildren cohabitating; 10 = 5 + grandparents/children non-cohabitating; 11 = 5 + all family members in third degree.

Table 4b

Number of beneficiaries (percentage of total) subject to compulsory activation measure (work, study, activity other than work seeking)

	1998	1999	2000	2001	2002	2003
Unemployment						
Pension (first pillar)						
Social assistance						

Table 5

Centralization – decentralization

Percentage of the benefits by type of level of financing

	1998	1999	2000	2001	2002	2003
<i>Unemployment</i>						
Open capitation	100	100	100	100	100	100
Block grant						
Conditional block grant						
Fully locally						
<i>Pension (first pillar)</i>						
Open capitation	100	100	100	100	100	100
Block grant						
Conditional block grant						
Fully locally						
<i>Children's benefits</i>						
Open capitation	100	100	100	100	100	100
Block grant						
Conditional block grant						
Fully locally						
<i>Social assistance</i>	90	90	90	90	90	90
Open capitation						
Block grant						
Conditional block grant						
Fully locally	10	10	10	10	10	10

Tables 6a, 6b, 6c and 6d

Benefits by different household situations (for latest year possible)

Note for researchers: tables 6 should be made for each benefit type that we focus on: unemployment, pension (first pillar), child benefits/family allowances, social assistance (for households eligible for social assistance). The idea I to give an approximation for the typical family situations under the four benefit schemes.

unemployment	entitlement	range of benefit levels
household with average income, 2 children	no	for 3 months: 60 percent of earlier earning of the unemployed person, for 6 additional months: 60 percent of minimum wage
household with 2 adults in active age but unemployed	yes	
household with 2 adults at pension age	no	
household with single parent at average income with 3 children	no	
household with 2 adults with social assistance as only income	no	
pension	entitlement	range of benefit levels
household with average income, 2 children	no	103692
household with 2 adults in active age but unemployed	no	
household with 2 adults at pension age	yes	
household with single parent at average income with 3 children	no	
household with 2 adults with social assistance as only income	no	
child benefits/family allowances	entitlement	range of benefit levels
household with average income, 2 children	yes	11800
household with 2 adults in active age but unemployed	no	24000
household with 2 adults at pension age	no	
household with single parent at average income with 3 children	yes	
household with 2 adults with social assistance as only income	no	

social assistance	entitlement	range of benefit levels
household with average income, 2 children	no	
household with 2 adults in active age but unemployed	yes	15260
household with 2 adults at pension age	yes	17440-28340
household with single parent at average income with 3 children	yes	15000
household with 2 adults with social assistance as only income	yes	17440

Source: III. law from 1993 on social administration and social provisions, XXXI. law from 1997 on child protection and

Table 7a

Sources of income as percentage of total disposable household income for all deciles and households below the poverty line (for latest year possible)

2003	below poverty line	tenth decile	ninth decile	eight decile	seventh decile	sixth decile	fifth decile	fourth decile	third decile	second decile	first decile
<i>sources of income</i>											
Labour	29,5	66,9	73,5	62,1	58,0	52,9	45,0	42,1	36,1	30,6	29,4
social transfers	69,6	13,5	20,6	34,4	39,4	45,3	53,2	56,1	62,4	68,8	69,5
transfers from other households	0,6	8,7	1,3	1,4	0,9	0,7	0,9	0,8	0,9	0,2	0,8
Other	0,4	10,9	4,6	2,1	1,8	1,1	0,9	1,0	0,6	0,4	0,3

Note: poverty line is defined along Laeken indicators as 60% of equivalent (net disposable) median income, using modified OECD scale. Income deciles are of individuals sorted by their equivalent household income, using the same equivalence scale. Income types share are calculated at household level.

Source: TÁRKI Household Monitor Survey

2005	below poverty line	tenth decile	ninth decile	eight decile	seventh decile	sixth decile	fifth decile	fourth decile	third decile	second decile	first decile
<i>sources of income</i>											
Labour	26,2	66,2	63,9	62,3	56,0	45,3	36,4	30,2	33,7	41,6	22,9
social transfers	72,6	15	30,5	36,1	41,0	53,5	62,6	68,6	65,6	57,6	76,1
transfers from other households	0,8	2,6	1,4	0,5	0,4	0,6	0,2	0,9	0,4	0,6	0,6
Other	0,4	16,3	4,2	1,2	2,5	0,7	0,7	0,2	0,3	0,2	0,4

Note: poverty line is defined along Laeken indicators as 60% of equivalent (net disposable) median income, using modified OECD scale. Income deciles are of individuals sorted by their equivalent household income, using the same equivalence scale. Income types share are calculated at household level.

Source: TÁRKI Household Monitor Survey

Table 7b**Social transfers**

as percentage of total disposable household income for all deciles and households below the poverty line (for latest year possible)

2003	below poverty line	tenth decile	ninth decile	eight decile	seventh decile	sixth decile	fifth decile	fourth decile	third decile	second decile	first decile
<i>social transfers</i>											
old age pensions	19,3	8,4	9,7	21,0	28,0	30,1	34,4	33,3	34,6	31,3	16,5
survivors benefits	3,4	0,0	0,2	1,0	0,7	0,7	1,3	0,5	1,3	2,5	3,2
disability benefits	15,7	1,1	2,7	2,9	3,3	5,2	7,2	10,2	11,7	12,0	14,3
unemployment benefits	4,5	0,1	0,7	0,5	0,5	0,5	1,0	0,9	2,6	2,5	5,3
family benefits	17,9	1,4	2,9	3,5	3,2	4,2	5,0	6,7	8,3	11,9	21,5
sickness/healthcare	0,4	0,5	1,5	0,7	1,4	1,3	0,9	1,2	0,9	0,5	0,4
housing benefits	0,4	0,0	0,0	0,0	0,0	0,0	0,1	0,1	0,1	0,3	0,5
Social assistance/social exclusion	0,9	0,0	0,1	0,0	0,0	0,1	0,3	0,1	0,2	0,5	0,7

Note: poverty line is defined along Laeken indicators as 60% of equivalent (net disposable) median income, using modified OECD scale. Income deciles are of individuals sorted by their equivalent household income, using the same equivalence scale. Income types share are calculated at household level.

Source: TÁRKI Household Monitor Survey

2005	below poverty line	tenth decile	ninth decile	eight decile	seventh decile	sixth decile	fifth decile	fourth decile	third decile	second decile	first decile
<i>social transfers</i>											
old age pensions	23.1	8.9	17.9	21.3	24.7	32.8	41.0	41.3	39.6	27.6	21.5
survivors benefits	3.5	0.2	0.2	0.5	0.4	0.6	0.2	2.5	1.2	2.2	3.9
disability benefits	13.6	0.9	2.2	2.3	3.2	4.5	6.6	7.9	8.3	6.7	14.8
unemployment benefits	6.1	0.1	0.4	0.7	1.0	0.8	0.6	1.7	1.3	2.7	7.7
family benefits	16.9	2.2	2.6	2.9	3.0	5.4	4.5	6.7	8.4	10.9	18.5
sickness/healthcare	0.7	0.6	0.6	0.5	1.5	1.3	0.2	0.4	0.5	0.4	0.8
housing benefits	0.6	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.2	0.3	0.7
Social assistance/social exclusion	2.7	0.0	0.3	0.5	0.0	0.3	1.0	0.9	0.8	1.7	2.6

Note: poverty line is defined along Laeken indicators as 60% of equivalent (net disposable) median income, using modified OECD scale. Income deciles are of individuals sorted by their equivalent household income, using the same equivalence scale. Income types share are calculated at household level.

Table 8**Indices of poverty and inequality**

	1998	1999	2000	2001	2003	2005
income of average person (HUF)	421681	516152	593051	714821	976212	1133299
income of average person in tenth decile (HUF)	952778	1213764	1432656	1670503	2397381	2760366
<i>risk of poverty rates</i>						
40% median income	4.2	4.1	2.9	3.9	3.6	3.2
50% median income	7.1	7.4	7.2	7.4	6.5	6.7
60% median income	12.6	13.6	12.8	13.0	12.2	12.0
<i>risk of poverty rate at 60% median income for age groups</i>						
below 18	18.7	17.8	17.1	19.3	17.7	15.8
18-25	13.2	16.4	14.8	13.1	12.2	15.1
26 to 50	12.9	14.1	12.0	12.0	11.7	12.3
51 to 65	9.6	10.7	12.7	10.6	9.4	10.1
above 65	8.7	8.4	7.9	10.7	8.1	6.9
Inequality - Gini coefficients	0.274	0.282	0.292	0.289	0.297	0.290
percentage of children living in households below 50% median income	11.4	10.6	10.8	12.9	8.5	9.5

Note: all calculations include individuals. Poverty line is defined along Laeken indicators as 60% of equivalent (net disposable) median income. using modified OECD scale.

Source: TÁRKI Household Monitor Survey

Table 9:
Basic Labour market data

		1998	1999	2000	2001	2002	2003
1	Total population	10 113 574	10 117 507	10 171 761	10 187 576	10 158 608	10 129 552
2	population ≥ 16	1 758 176	1 730 935	1 704 620	1 676 055	1 646 901	1 619 903
3	population ≥ 16 ≤ 64	6 890 215	6 868 738	6 910 744	6 963 073	6 956 127	6 946 482
4	active population (E + U)	3 943 100	4 038 200	4 063 000	4 055 300	4 059 900	4 107 500
5	employed (E)	3 695 600	3 809 300	3 856 200	3 868 300	3 870 600	3 921 900
6	unemployed (U)	247 500	228 900	206 800	187 000	189 300	185 600
7	Out of the labour force (D+R+O)	6 192 258	6 053 589	6 080 224	6 144 998	6 114 953	6 034 862
8	disabled (D)	803 833	782 872	787 781	797 776	815 894	827 024
9	retired (R)	2 221 836	2 288 297	2 243 739	2 203 749	2 174 489	2 153 349
10	other (O)	3 166 589	2 982 420	3 048 704	3 143 473	3 124 570	3 054 489
11	participation rate 1 (4/1 x 100)	38.9	40.0	40.1	39.8	39.9	40.5
12	participation rate 2 (4/2 x 100)	222.6	231.5	236.6	239.7	244.6	251.4
13	participation rate 3 (4/3 x 100)	57.1	58.7	59.2	58.2	58.3	59.1
14	activity rate 1 (5/1 x 100)	36.5	37.7	38.0	37.9	38.0	38.7
15	activity rate 2 (5/2 x 100)	208.6	218.3	224.6	228.6	233.2	240.1
16	activity rate 3 (5/3 x 100)	53.6	55.4	56.2	55.6	55.6	56.4
17	unemployment rate (6/4 x 100)	6.3	5.7	5.1	4.6	4.7	4.5
18	non-activity rate 1 (7/1 x 100)	61.1	60.0	59.9	60.2	60.1	59.5
19	non-activity rate 2 (7/2 x 100)	349.5	347.0	354.1	363.2	368.3	369.4
20	disability rate (8/2 x 100)	7.9	7.8	7.8	7.8	8.0	8.2
21	dependency rate (7/4 x 100)	157.0	149.9	149.6	151.5	150.6	146.9

Source: CSO demographic yearbook. 2004; time-series data of the labour survey. 1992-2003

Table 10**Average incomes before and after taxes and transfers**

	2003
average income before taxes and transfers	115
average income after taxes and transfers <i>(as percentage of median income)</i>	112
number of poor before taxes and transfers	31.9
number of poor after taxes and transfers <i>(as percentage of total population)</i>	9.9
average income before taxes and transfers	1025316
average income after taxes and transfers <i>(absolute numbers. HUF)</i>	995667
number of poor before taxes and transfers	2850935
number of poor after taxes and transfers <i>(absolute numbers)</i>	940307

Source: calculations on Household Budget Survey. 2003

Note: all calculations include individuals. Poverty line is defined along Laeken indicators as 60% of equivalent median income. using modified OECD scale. The same equivalence scale was used when calculating average and median income.

Equivalent (oecd2) median income before taxes (HUF)	837167
Equivalent (oecd2) median income after taxes (HUF)	890345

Table 11**Average incomes before and after taxes and transfers by decile**

	10th dec.	9th dec.	8th dec.	7th dec.	6th dec.	5th dec.	4th dec.	3rd dec.	2nd dec.	1st. Dec.
average income before taxes and transfers	297	182	145	115	98	77	62	52	38	23
average income after taxes and transfers	233	155	132	117	105	96	86	77	67	49
<i>(as percentage of median income)</i>										
average income before taxes and transfers	2647274	1621975	1286569	1025659	874904	683423	550856	460595	335011	202722
average income after taxes and transfers	2076124	1379554	1178676	1044752	938484	850462	768699	688565	594739	436461
<i>(absolute numbers. HUF)</i>										

Source: calculations on Household Budget Survey. 2003

Note: all calculations include individuals. Income deciles are of individuals sorted by their equivalent household income. using modified OECD scale.

The same rquivalence scale was used when calculating average and median income.