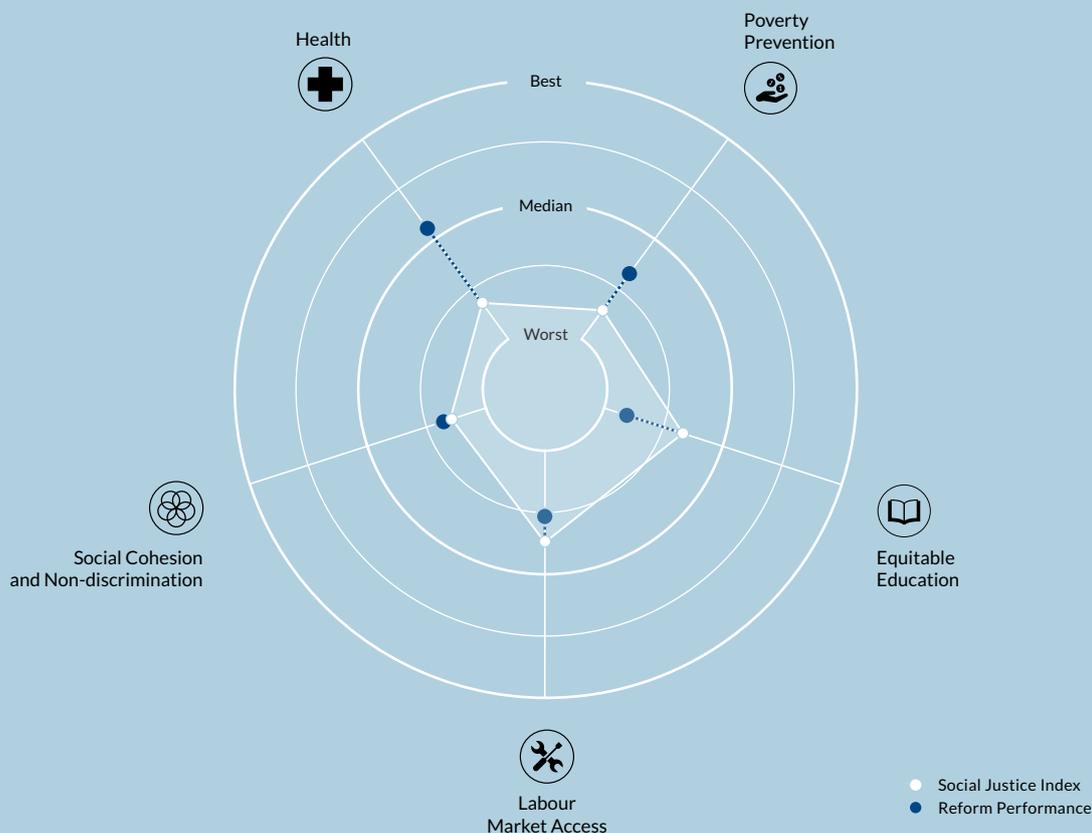


## Findings by Country



# Hungary

How does the country rank in the EU?



## Overall Findings

**Need** The overall need for reforms to improve social inclusion is 2.09, ranking Hungary 9th in this regard. This is quite surprising, as the country comes in 23rd in the 2015 Social Justice Index (SJI), where it finds itself in the bottom half of countries in all six dimensions, ranking among the bottom five with regard to Poverty Prevention as well as Social Cohesion and Non-discrimination.

Looking at the dimensions, the need for reforms ranges between 2.1 and 2.3 for Equitable Education, Labour Market Access, Social Cohesion and Non-discrimination and Health, and is 1.74 for Poverty Prevention. This is quite high, but again surprising in relative terms, as the related ranks do not reflect Hungary's performance in the SJI. For example, in the dimension of Poverty Prevention, Hungary comes in 24th in the SJI, while the need score of 1.74 ranks the country 6th in this regard.

According to the experts, the most pressing issues for the Hungarian government are to:

- reduce poverty among young people (2.76)

## Overall Reform Performance Ranking



## Overview of Reform Barometer Scores



- improve structural conditions regarding finances and human resources in the education system (2.68), especially in secondary and tertiary education (3.0 each)
- reduce the number of early school leavers (2.68)
- improve public health and the quality of health care (2.6)
- increase employment/decrease unemployment levels among the total population (2.55) and, in particular, improve job chances for young people (2.64) and the long-term unemployed/low-skilled (2.91)

**Activity** According to the experts, 36 percent of the overall reform need in Hungary has been addressed (rank 19/23), which is below the EU median (46%) and far behind the leading countries: Luxembourg (65%) and Bulgaria (60%). With regard to Poverty Prevention (38%, rank 14/27), Social Cohesion and Non-discrimination (42%, rank 10/18) and Health (55%, rank 11/20), the activity rates are mediocre. In the other two dimensions, Equitable Education (17%, rank 19/22) and Labour Market Access (28%, rank 18/19), the experts report (very) low government activity.

Looking at the main pressing challenges, the related activity rates differ greatly. (Very) high activity rates can be seen with regard to the policy objectives ‘improve job chances for long-term unemployed/low-skilled’ (90/70%). The rates are mediocre for ‘youth poverty’ (61%), ‘increase employment levels’ of the total population (65%) and young people (50%), and ‘improve structural conditions in education’ on the secondary and tertiary education levels (50%). No expert reports on relevant initiatives to reduce the number of early school leavers.

**Quality** The overall quality score of 0.26 (rank 16/20) shows that the experts expect the reforms undertaken so far to have only slightly positive effects on social inclusion. Looking at the dimensions, the experts see a quite low, but still positive quality with regard to Poverty Prevention (0.38, rank 18/24), Labour Market Access (0.14, rank 12/17) and Health (0.65, rank 8/19). The activities aimed at fostering social inclusion (-0.21, rank 9/12) are expected to (very) slightly worsen the situation. Looking again at the most pressing policy objectives, the experts think the initiatives to tackle youth poverty (0.4) and to increase employment levels among the total population (0.37) as well as among young people (0.32) will have (slightly) positive effects. On the other hand, they are relatively sure that government activities concerning long-term unemployment (-0.44) and unemployment among low-skilled people (-0.71) will significantly worsen job prospects for these groups.

#### Dimension Findings



#### Poverty Prevention

**Need** The relatively low average reform need to tackle poverty (1.74, rank 6/27) is quite surprising, as Hungary ranks 24th in the SJI Poverty dimension. Looking at the different groups of society, the need for reforms differs very greatly. The experts see a more or less strong need to reduce poverty among young people (2.76), single parents (2.35) and the population in general (1.94). For senior citizens (1.47) and refugees (1.2), the reform need is modest. Little need is only seen for reducing poverty among the foreign-born population (0.73, rank 2).

**Activity** Overall, the activity rate is 38 percent in this dimension, ranking Hungary 14th out of 27 countries. The highest activity rates can be discerned with regard to reducing poverty among children (61%) and the population in total (55%). Significantly less government activity is reported with regard to senior citizens (36%) and single parents (26%). Practically no government activities have been seen aimed at tackling poverty among refugees (5%) and the foreign-born population (0%). One expert reports: “Hungary has a non-refundable tax allowance for families with children. The majority of poor people could not deduct the necessary amount from their tax base. In 2015, the government allowed people to deduct the credit not only from the tax (flat rate 16% for each taxpayer), but also from the health and pension contribution. The majority of those with three or more children still cannot use the credit.”<sup>1</sup> Another one sees some more activities: “In 2014, tax modifications affecting families with

<sup>1</sup> Ferge Zsuzsa, University Eötvös Loránd, Budapest

3+ children but in lower income brackets were introduced, changes [were made to] the system of child care benefit and child care fees, (...) the extra nursing fee [was introduced] (in 2015 and Jan. 2016), the free meals programmes for children were further extended (Sept. 2015), [and] the social protection system was significantly restructured in 2015. [Since] March [of] that year, the districts provide income compensation, financed from the central budget, based on nationally set criteria. Local government provides expenses repayment, regulated according to their own local decrees.” Another activity was “a reform of means-tested social benefits (as of March 2015) that reallocated the administration of the main means-tested unemployment assistance (UA) from municipalities to government offices at the micro-region level and, at the same time, gave municipalities more autonomy in designing their own (residual) benefit systems, with no monitoring set up. This is likely to lead to more variation across municipalities in the generosity and accessibility of social benefits. Public works schemes were extended further in 2014 and 2015.”<sup>2</sup>

**Quality** The experts expect the reforms implemented to have slightly positive effects (0.38, rank 18/24). The best reform quality is seen with regard to single parents (1.0). For young people (0.4) and the total population (0.2), the expected effects are rather slight. The written answers show that many experts think the reforms will improve the situation rather more for middle- and upper-class families. One expert explains: “I don’t expect any genuinely positive outcome because the overall policy favours upside-down distribution and ignores the deep problems of poverty. Some partial successes are possible, at least in some cases.”<sup>3</sup> Another expert thinks that “the present system of tax relief post-children definitely favours affluent families. Instead of this, raising the amount of child allowance (unchanged since 2008) would be needed and, within this, a larger increase for single parents.”<sup>4</sup> Some experts complain that support levels are not sufficient. As one writes: “The amount of provisions for the socially excluded, including unemployment provisions, is very moderate, [and] benefits are considered inadequate. Conditions are sometimes discretionary. It seems that local provisions have become more limited, their allocation more unfair. Those living on the smallest amounts receive less support, together with those with a lot of children.” Another expert complains that “the level of provisions is very low and inadequate to lift people out of poverty. Significant numbers are excluded from social support.” Yet another expert is unsure about the effects: “The reform of the social benefit system may have several effects. Moving the main benefit to [the] small, regional level may reduce poverty by ensuring equal access (compared to the previous very fragmented and unmonitored administration), if all the needy are informed (there’s a risk there). Giving more autonomy on other benefits may have the opposite effect. [One] would need more monitoring on what municipalities do and also on the impact of the reform [as well as] research on benefit take-up (last study dates back to 2006).”<sup>5</sup>

Some experts recommend an increase and an indexation of benefits, especially of the minimum pension, as “the amount of a number of social support is tied to the minimum pension.”

<sup>2</sup> Ágota Scharle, Budapest Institute for Policy Analysis

<sup>3</sup> Ferge Zsuzsa, University Eötvös Loránd, Budapest

<sup>4</sup> György Molnár, Institute of Economics, Budapest

<sup>5</sup> Ágota Scharle, Budapest Institute for Policy Analysis

## Equitable Education

**Need** The overall need in this dimension is 2.13, ranking Hungary 12th out of 22 countries. The experts see a more or less pressing need to ensure equal opportunities (2.17, rank 19/25), improve the structural conditions regarding finances and human resources (2.68, rank 23/23), safeguard independence of learning success from children’s socioeconomic background (2.5) and reduce the number of early school leavers (2.67). For the policy objective ‘improve the quality of teaching’ (1.78), the need is modest, and only a slight need is seen in relation to improving the integration of refugees in the education system (1.0, rank 3/18). With regard to equal opportunities, the experts see a need to decrease the ethnic segregation of Roma children. One expert says: “However, the selective nature of the whole educational system has not changed. While before 2010 strengthening the social integration of Roma kids was an important political objective, recently the government has challenged the need for it.” Another expert explains: “The Roma underclass often lives in 100 percent segregated villages. It would be imperative to maintain education in years 1 to 4 in these usually small villages, rather than bus children to more central schools. In years 5 to 8, often Roma children are in special classes. That is an important [cause of] the reproduction of discrimination against them later in life.”

**Activity** The activity rate in the education area is 17 percent, ranking Hungary 19th out of 22 countries. Looking at individual policy objectives, the related activity rates differ very greatly. Sixty percent of the reform need to ensure equal opportunities has been addressed (rank 9/25). The activity rates aimed at improving structural conditions (26%) and improving the quality of teaching (9%) are (very) low. No expert reports any government activity at all with regard to the objectives ‘ensure educational mobility’, ‘reduce the number of early school leavers’ and ‘improve integration of refugees’. The experts report pre-primary (kindergarten) education has been made compulsory for children aged 3 to 6.

**Quality** Though there are no quality scores in this dimension, the written answers give an impression of what the experts think. One expert voices the criticisms that, with nurseries, there is “not enough capacity, especially in the most disadvantaged settlements”, and that, with compulsory kindergarten, there are “not enough quality spaces [and a] lack of well-trained personnel in sufficient numbers.” Another expert thinks: “What is going on in primary and secondary education will increase social inequalities [and] deprive certain groups of children from successful integration into the labour market, with all its consequences.” Another one explains that “some reforms were introduced – like compulsory further education of teachers, new system of quality assurance etc. However, these – in their recent form – have rather a negative effect on teaching/pedagogical quality. Teachers are overwhelmed with administrative duties, the number of hours the teachers have to spend at school has increased etc.” Another one is not satisfied with a new policy measure: “Children may complete their studies at the age of 16 instead of 18 – this will have a negative effect. The government introduced a new programme, ‘Bridge’, for those who complete elementary school and are not 16 yet. First experiences of this new programme are quite unfavourable. Moreover, there is anecdotal information on 16-year-old kids joining the public work scheme to earn some money.”

One expert recommends “investment in the educational system instead of reducing public expenditure for this purpose; [putting] an end to the re-centralisation of the institutional framework (previously [the] responsibility of the municipalities, now of the central state); [increasing] freedom of teachers in choosing methods, textbooks etc.; implementation of special targeted measures for disadvantaged children; [fostering] early child development; [stopping the] segregation of Roma children.”

## ✳ Labour Market Access

**Need** Unlike with most other countries, the experts not only see an urgent need to increase job prospects for the ‘usual suspects’, such as young people (2.64) and the long-term unemployed/low-skilled (2.91), but also for the total population (2.55, rank 18/22). On the other hand, the need to improve labour market access for the foreign-born population (1.0, rank 3) and refugees (1.5, rank 5) is seen to be quite modest. For women and senior citizens, core needs are around 2.0, and the same is true for the policy objectives ‘precarious employment’ and ‘in-work poverty’. With regard to precarious employment, one expert explains: “Labour market demand has not increased in the last few years. Non-registered employment, temporary contracts on involuntary basis are prevalent. Moreover, at several central or local state-run companies and service providers, people are made redundant and re-employed as public workers.”

**Activity** The activity rate in this dimension is 28 percent, ranking Hungary 18th out of 19 countries. The activity rates in raising employment levels differ very greatly. No expert reports any government initiative to improve the integration of foreign-born people or refugees in the labour market. On the other hand, the activity rates with regard to the long-term unemployed (90%, rank 2) and the low-skilled (70%) are (very) high. For the other groups, activity rates were between 18 and 50 percent. Only little government action is taking place to address precarious employment (16%) and in-work poverty (18%). Some experts report that a youth guarantee programme was introduced in 2015. Many experts report that public employment has been increased significantly, with one writing: “Employment in public works has been sequentially increased; the average public works employment was around 75,000 people in 2011, and 220,000 at the beginning of 2016. Public works expenditures have been raised more than fivefold during the last five years. This is a general and only slightly differentiated tool. Main target groups are undereducated people and the long-term unemployed. Public works crowded out almost every other ALMP (active labour market policy). The exit rate from public works to the primary labour market is between 11 and 13 percent.”<sup>6</sup> With regards to women, one expert reports on “minor adjustments to maternity leave to allow mothers to work while on leave and a small increase in public child care capacities for children under 3.”

**Quality** Overall, the experts think the measures initiated to improve Labour Market Access will have very slightly positive effects (0.14, rank 12/17). On

<sup>6</sup> György Molnár, Institute of Economics, Budapest

the one hand, they think the activities will improve job opportunities for the total population (0.37), young people (0.32) and women (0.14). On the other hand, they think the measures will further worsen the situation of the long-term unemployed (-0.44) and the low-skilled (-0.71), ranking Hungary last in this respect. Most experts think the public work measures are not really targeted towards people belonging to risk groups. Furthermore, they think the increase in public employment has only a short-term positive effect because “there are no signs of mobility leading back to the private-sector labour market”. One expert claims that “every research study proves compulsory public work does not facilitate labour market re-integration, emerging rather as a serious obstacle, as the person involved has no time for [a] job search, and public work does not develop human capital.”

Some experts recommend cutting labour taxes, especially on low wages. With regard to senior citizens, one expert recommends “introducing flexible retirement (malus and bonus for deviating from the normal retirement age). Plus, increase access to lifelong learning and improve/extend active labour market policies for those aged 55+”.<sup>7</sup> Another expert would like to “increase the role of non-public works ALMPs and decrease the social contribution paid by the employer, especially for undereducated people.”<sup>8</sup>

With regard to in-work poverty, one expert recommends action to “reintroduce the tax credit for low earners and introduce a minimum income scheme.”



#### Social Cohesion and Non-discrimination

**Need** While the experts see a rather pressing need to ensure income equality (2.38), to foster gender equality (2.5) and to reduce the number of NEETs (2.5), improving integration policies for refugees and the foreign-born population in general is seen as a rather low priority (1.14, rank 4). The latter is quite surprising, as Hungary ranks 18th in the 2015 SJI with regard to integration policies. One expert explains that “most of the foreign-born population are ethnic Hungarians who do not need much integration.”

**Activity** No expert reports any government initiative to improve integration policies. For gender equality (29%, rank 11/17) and income equality (26%, rank 19/22), the activity rates are also quite low. One expert thinks “decreasing inequalities is not on the agenda of the recent government.” Another one explains that “increasing the scope and accessibility of child care services [and] the possibility to join the labour market while on child care leave may have a positive effect on the reconciliation of work and family life. However, the new government has a very conservative approach to gender-related issues and to families; the introduction of these measures had no conscious gender-based consideration.” In contrast, a high activity rate can be observed with regard to the objective ‘reduce number of NEETs’ (88%, rank 2/15). The experts report the introduction of a youth guarantee and the increase in (compulsory) public works.

<sup>7</sup> Ágota Scharle, Budapest Institute for Policy Analysis

<sup>8</sup> György Molnár, Institute of Economics, Budapest

**Quality** The reform activities aiming at a reduction of NEETs are assumed to slightly worsen the situation (-0.39). One expert explains that there is “insufficient labour demand – most of these young people have low levels of education – [and] strong, individualised training programmes would be more effective”. Another expert recommends that compulsory education be raised to 18 years.

With regard to gender equality, one expert comments that “the growing accessibility of child care services may support labour market participation of women if there is sufficient labour demand.” Looking at integration policies, another thinks “the policy towards refugees makes sure that no one gets refugee status in Hungary, so there will be no one to integrate.”<sup>9</sup>

## Health

**Need** The experts see a more or less strong need for all policy objectives in this dimension (2.0 – 2.6); only for the objective ‘unmet needs for medical help’ is the need rather modest (1.67). One expert complains that “social status has a strong influence on the health status of people.” Another adds that “there are serious territorial inequalities concerning access to the health services. In some areas, there is an absolute shortage, e.g. child psychiatry. The situation is getting worse, as a huge number of doctors and nurses are looking for work in Western European countries owing to low wages and unacceptable working conditions.”

**Activity** The activity rate in this dimension is 55 percent, ranking Hungary 11th out of 20 countries. Very high activity rates can be seen in improving health system efficiency and health care governance (100%, rank 1). In contrast, the activity rate concerning unmet needs for medical help (20%) and the improvement of public health (8%, rank 24/24) have been (very) low. Activities named by the experts are centralisation of the health system, “some measures to decrease the emigration of the health workforce”, a new system of provider accreditation, and a primary health care reform project.

**Quality** The quality score in this dimension is 0.65 (rank 8/19), which means that the experts expect the activities to have (slightly) positive effects. The same holds true for the policy objective ‘improve health care governance’ (0.44). In contrast, the experts think the measures will have a negative impact on health system efficiency (-0.3). One expert recommends more prevention strategies to improve the situation. Another would like to see a comprehensive approach: “It would need a whole library: increase public spending, increase salaries of medical personnel, change the structure of the health care system (hospital-centred, more differentiated system meeting the needs of the different social groups), transparency (e.g. doctors running – among others – private practices use the facilities of the public institutions), decrease regional inequalities in the access to the services etc.”

<sup>9</sup> Endre Sik, TÁRKI Ltd., Budapest