



EMIN Hungary Report (Year 1 - 2013)

Analysis of Minimum Income Schemes

December 2013

What is the EMIN Project?

Bringing together various experts, professionals, academics and diverse entities active in the fight against poverty and social exclusion, the EUROPEAN MINIMUM INCOME NETWORK aims at building consensus towards the progressive realisation of adequate and accessible minimum income schemes in EU Member States.

The EMIN is a two-year project (2013-2014) funded by the European Commission, in line with the European Commission's Active Inclusion Recommendation of 2008, the Europe 2020 Strategy and in the context of the European Platform against Poverty and Social Exclusion.

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The opinions expressed do not represent the European Commission's official position.

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Introductory remark:

The request for “a national report on the current state of play on minimum income schemes in terms of adequacy, coverage and take-up in their country” implicitly suggests that Member States identify with the EU’s objectives concerning social integration and reduction of poverty, including progressive realisation of adequate and accessible minimum income schemes in Member States. This is clearly one of the elements of a modern European welfare state.

Before presenting some of the processes we have to make clear that the Hungarian government does not consider the country any more a “welfare state”. A few quotations from public speeches of the Prime Minister, Viktor Orban may illustrate this point. Early 2013 he said in Brussels: “It seems to me that the European Union is in need of an economic system change. I am not in a position to speak on behalf of Europe, but I can definitely speak on behalf of Hungary. Instead of chasing the illusions surrounding the welfare state, we have converted to a workfare state.”¹ The speech on 13 May 2003 is more explicit and presents the steps made by Hungary to abolish its welfare system: “We have to acknowledge, even if it is difficult, that the concept of welfare state is over. Instead of that, we have to build up workfare states and replace entitlements with a merit-based society. In Hungary we have made a true European attempt: we have renewed the country by restructuring the major systems. We abolished the former tax system which has penalised work and was too complicated to be competitive. Our new tax system is a flat tax system, which honours those who want to work more or to employ more people. We have introduced a 16 per cent tax rate on income and a 10 per cent rate for companies. We have introduced Europe’s probably most flexible Labour Code; we have restructured the higher education system and the vocational system in order to meet the demands of the businesses”².

Hence for the time being the minimum income scheme cannot be brought to the political agenda. Hungary will have elections in 2014 and some of the parties in opposition have concrete proposals for the introduction of a MIS in their program. We agree with many of their proposed “practical steps towards progressive realisation of adequate and accessible minimum income schemes“. Yet these and similar proposals are most unlikely to be implemented without a change of government.

¹http://www.miniszterelnok.hu/in_english_article/speech_of_viktor_orban_at_the_bruegel_economic_research_institute Brussels, 30th January 2013.

²http://www.miniszterelnok.hu/in_english_article/speech_by_prime_minister_orban_at_the_aleksanteri_institute_of_the_university_of_helsinki

In the followings we use the system of MISSOC which includes three categories of social benefits – all belong to ‘social security’ which is synonymous with ‘social protection’³:

1. social insurance (which is usually contributory and covers pension, health, unemployment⁴);
2. non-contributory and usually universal or employment-related benefits⁵ (mainly family support systems);
3. means-tested and often discretionary assistance.

According to the European Commission, ‘*there are five main branches of social security in Hungary. Pensions and health services (including the statutory work accident system) are classified as social insurance. The other three branches are the unemployment insurance, the family support system and the social assistance system*’. Unfortunately the Commission does not classify unemployment benefit with the other branches of social insurance, because it became non-contributory in 2010, but in the Commission’s terminology it is still called insurance.⁶

³ See:

http://ec.europa.eu/employment_social/empl_portal/SSRinEU/Your%20social%20security%20rights%20in%20Hungary_en.pdf

See also MISSOC FOR HUNGARY, 2013 and

http://www.missoc.org/MISSOC/INFORMATIONBASE/COUNTRYSPECIFICDESCS/ORGANISATION/2013_01/EN/HU-Org-EN.pdf

⁴ E.g. unemployment benefit after the first 3 months (which are not means-tested, not conditional and still resemble social insurance-type benefits) becomes means-tested, non-contributory and conditional in several respects. Therefore theoretically it is, in MISSOC terms, an element of social security called social assistance.

⁵ The term ‘benefit for people at working age’ includes also the unemployment assistance called employment substituting benefit. About the ‘unemployment assistance’, which is wrongly often mentioned as ‘unemployment benefit’, we would like to clarify that it is an assistance that the government does not want to call by its proper name. It belongs to social security, but not to social insurance. All assistance schemes belong to social security. The reason why we do not separate the topic of unemployment assistance from workfare work (or public work – as its synonym) is that there is a constant fluctuation between the two: in the year 2013 over 300 000 people moved several times between workfare work and unemployment assistance.

⁶ We have to add that the present government tries to cut back the insurance-like characteristics of the pension system too, but this is a complicated issue which is for the present purpose irrelevant.

1) Panorama

The impact of the crisis in Hungary has been damaging for the poor. According to the most recent survey of TARKI⁷ relating to 2012 all measures of income inequality have increased as well as poverty, severe poverty and all forms of deprivation. (Table 1)

Table 1. Poverty rates and inequality measures, 2007-2012

	2007	2009	2012
	Poverty rates (OECD2 scale)*		
Overall poverty rate	12,6	14,0	17,0
Children under 18	17	21	26
Couple with 3+ children, %	24	21	41
Roma population	50	70	76
Households where head is inactive or jobless	41	47	66
	Inequality measures		
GINI coefficient	0,29	0,29	0,31
S10/S1 (Highest/lowest decile)	6,8	7,2	9,0
Poverty gap (based on per capita income)	20,0	27,5	30,6
Impact of cash transfers on the poverty rate (rate after transfers/rate before transfers)	3,63	3,44	2,69

* The poverty rate is calculated according to the most common EU definition. It is the proportion of individuals in households having less than 60 per cent of the median equivalised household income in the country in question

Source: http://www.tarki.hu/hu/research/hm/monitor2012_teljes.pdf Note: The TARKI inequality and poverty data are usually somewhat higher than that of SILC. For example, the CSO⁸ poverty rate (same definition) was 12,3 for 2007 and 12,4 for 2009. (http://www.ksh.hu/thm/2/indi2_6_1.html). We use the data of TARKI because SILC data for 2012 will be available only later.

The main reasons of the increase of the poverty rates are the following:

- The activity rate is still one of the lowest in Europe, 57.2 % in 2012. Since 2009 statistics improved to a slight extent because of public work. Public work has acquired a peculiar role in Hungary. Because of a switch to workfare enforced with increasing severity the number of those participating in public work programs grew from 2 or 3 to 8 per cent (10 per cent in projections for the near future) of the actively employed. It has many

⁷ TÁRKI Social Research Institute is an independent, employee-owned research organisation that specialises in policy research in the fields of social policy and the social consequences of economic policies. This includes related data-collection, archiving and statistical activities' – resource: <http://www.tarki.hu/en/>

⁸ Hungarian Central Statistical Office (CSO) – see more: <http://www.ksh.hu/?lang=en>

characteristics of forced labour⁹, such as lack of any choice, low pay under the statutory minimum, limited rights. There is little chance of exit from public work to the open labour market.¹⁰

- Wages remained low. Their real value slightly fluctuated, in 2012 it was 99 % as compared to 2007¹¹.
- The wage differentiation has increased: higher wages increased while many new regulations affected negatively the lower wages. In 2013 both the minimum wage and the public work wage were indexed to prices (5%).
- Child and parental benefits (family allowance, child home care grants) have not been indexed since 2008. Prices increased by 20 % between 2008 and 2012.
- The tax credit for children, considerable for 3+ children, profited only the high earners.
- Since 2010 all benefits for unemployed in active age (job-seeker benefit, regular social allowance and employment substituting benefit) were considerably decreased.
- Some benefits were cut because of conditionality introduced in 2012. Local authorities acquired the right to define conditions of access other than cooperation with agencies that help access to jobs. The new conditions may intrude on people's privacy for instance by home visits controlling the tidiness of the home or the surroundings of it.

The main reasons of the increase of inequalities are partly the same, and partly different: The introduction of the single tax rate (16%) and the family tax relief redistributed about 500 billion HUF (1.7 billion Euros) from the poor to the rich¹². The overall tax relief profiting the low earners was simultaneously abolished and tax-paying became compulsory even for those on public work. Lower income groups were strongly affected by the often radical decrease or cut of social protection payments. As a result, inequalities increased by creating a genuine split. Between 2009 and 2012 the income of the lowest decile decreased by 6 % (in real terms over 10%), while the average in the top decile grew by 18 % in nominal, by 11% in real terms.¹³

Short answers to the specific questions:

- *We are of the opinion that Hungary has an inadequate and incomplete MIS that may be called one only by stretching its definition so as to lose from sight the objective of a MIS. Since the issue seems to be of relevance we present a more detailed argument in the box below.*
- Government efforts varied. The MI appeared (not very forcefully) on the government agenda around 2005. A variant of it, a household minimum income was introduced in

⁹ See: <http://www.antislavery.org.au/home/what-is-force-labour.html>

¹⁰ There is a vast literature on the special role of public work in Hungary, e.g. Csoba, Judit and Nagy, Zita Éva (2012) The evaluation of training, wage subsidy and public works programs in Hungary. In: Labour Market Review 2012, p. 96-122. See also other references in 5.2.5 of the present report.

¹¹ http://www.ksh.hu/docs/hun/xstadat/xstadat_eves/i_qli042.html

¹² The yearly mean of the exchange rate of the Euro was HUF 280 in 2009, 279 in 2011, 289 in 2012, 296 in January-June 2013.

¹³ http://www.tarki.hu/hu/research/hm/monitor2012_teljes.pdf

2006. It meant that the total sum of earnings and social benefits (except family allowance) had to be topped up until a pre-defined level, depending on the number of family members, was reached. (The level is the product of the number of the adult equivalents in the household multiplied by 90% of the minimum pension.) At the time of the introduction of the measure its level could attain up to 300 euros in case of large families. Its level was shortly maximised at the level of the minimum wage (around 200 euros) independently of the number of household members. This sum was further reduced in 2011 to the level of the public work wage, 160 euros, and some conditions have been made harsher. Since 2010 the concept of MI disappeared from the government discourse. It is on the agenda in the programs for after 2014 of some left-liberal parties.

- Many benefits may be considered as building blocks of a MIS. Some of them are universal, the most important ones being the family allowance for children, and the child home care grant for mothers of under 3, if they were not employed before the birth of the child (If they were employed they are entitled to a higher earnings-related benefit, the child care fee). For old age, the insurance based pension system is completed by a non-contributory, means-tested old-age allowance. **For jobless in active age there are various benefits:** namely the formerly insurance-based job-seeker benefit for 3 months, followed by the “employment substituting benefit” for those available for public work, and means-tested regular social assistance (often called in official documents social allowance) for groups unable to work ¹⁴.
- The main defects of the current quasi-MI schemes are:
 - the extremely low level of most social benefits, particularly all means-tested benefits and benefits related to joblessness. (In Table 3 information is given about the difference of the amount of available social benefits and the statistically calculated subsistence minimum);
 - conditionalities and discretionary local decisions that affect not only the means tested benefits (including the employment substitute benefit and the regular social assistance), but even the universal ones (e.g. family allowance may be withdrawn in case of truancy);
 - the difficulties of access to benefits. Because of them the take-up rate of assistance is under 50 per cent (see Table 2);
 - most means-tested benefits, particularly those related to joblessness (regular social allowance and employment substituting benefit) are reviewed each year and may be withdrawn altogether or for long periods if some minor formal or behavioural conditions are not fulfilled.

¹⁴ For a description of the Hungarian social security system see MISSOC, http://ec.europa.eu/employment_social/empl_portal/SSRinEU/Your%20social%20security%20rights%20in%20Hungary_en.pdf

BOX 1. *Is there a MIS in Hungary?*

- The issue seems to be controversial. According to the 2009 report of the Hungarian national independent expert Hungary had a MIS conforming the criteria of the Communication of the Commission.¹⁵ The same independent expert wrote in her 2012 Report (Albert 2012) “To summarise, the present system is getting further away to be called a minimum income scheme especially in 2 regards: it is decreasingly true, that these provisions ensure basic needs at minimum standards, plus the discretionary element (“tidy living environment”, regulated in local government decrees and also evaluated locally) is increasing, which further limits the availability of such assistance¹⁶
- Several comments may be added to these two valuations. On the one hand, the criteria listed in COM(2006)44 do not amount to a genuine definition. The document only identifies common characteristics of the national MI systems, the first of them being that these systems „ensure basic needs at minimum standards of living, providing assistance for individuals and their dependants, when no other source of financial support is available”. It is not clarified what the “basic needs” are, therefore it is hard to judge whether a national scheme achieves this aim. In our view (based for instance on statistics on the subsistence minimum) basic needs were very partially covered in 2009 and the situation (as pointed out by the expert) deteriorated further in the subsequent years.
- On the other hand the existence of MIS in 2009 is attributed to the positive change of the social assistance system in 2009. In our view this change (despite its rhetoric) did not improve the social protection system. It was partly only formal: the two former main types of income support (unemployment assistance to employable unemployed, regular social assistance to the other groups in need of support) got a common definition, “support to people in active age”, and one of them was slightly renamed (regular social allowance remained unchanged, but the former “unemployment assistance” became in 2008 “assistance for job search”, and in 2009 “support for those available for work”. (Conditions of these benefits remained by and large unchanged.)
- The access to unemployment support has become in 2009 more strictly work-related than before. The main condition has become the acceptance of any public work on offer. The switch from welfare to workfare has become complete rendering access more difficult. Conditions of access to regular social assistance have also become somewhat stricter.
- It may be added that the legal acceptance of a MIS has also weakened between the two dates. In the Constitution of 1989 §. 70/E.(1) stipulated that “the citizens of the

¹⁵ COM(2006)44

¹⁶ Note that only very tight groups in active age are entitled to get regular social assistance. Those a) who are invalid; b) who are maximum five years younger than the pensionable age limit defined for their group (that may be different for women and men, etc.); c) who care for a child under 14 if there is no one in the family who gets child care grant, and if there is no place for the child in the institutions (nursery, kindergarten, school) that offer day care to children; d) who fulfills the conditions defined in the regulations of the local authority.

Republic of Hungary have a right to social security; they are entitled to get benefits sufficient for living in case of old age, sickness, disability, handicap, widowhood, orphanage, unemployment for reasons outside of his or her control. The Constitution was replaced in 2011 by a Fundamental Law. According to its Article XVIII.(1) "Hungary shall strive to provide social security to all of its citizens. Every Hungarian citizen shall be entitled to assistance in the case of maternity, illness, disability, handicap, widowhood, orphanage and unemployment for reasons outside of his or her control, as provided for by an Act." (Rights and old age are not mentioned in the new document.)

On the basis of the above facts it is debatable whether Hungary had a MIS in 2009 and did not have one in 2012. The decision depends on the definition which is hazy or elastic to say the least. Since definitional debates in these cases blur rather than enlighten the issue, we think it sufficient to say that Hungary does not have a genuine MIS but only an inadequate and incomplete one.

1.1. Changes in the number of beneficiaries:

The number of beneficiaries as well as their composition according to the type of the benefit changed significantly in the last years. The number of jobseekers increased but the number of beneficiaries of the various unemployment provisions decreased. The rate of those getting the non-means-tested job-seeking benefit radically decreased, the rate of those getting regular social allowance or employment substituting benefit remained almost unchanged, and the rate of those receiving no benefit at all increased considerably. The changes hit most radically the formerly insurance-based, currently budget financed job-seeking benefit, that was gradually reduced from 24 to 9, and in 2012 to 3 months.

Table 2. The number of registered job-seekers and their benefit-groups, 2008-2012

	Entitled to job-seeking benefit	Entitled to social assistance (regular social allowance and employment substituting benefit)	Job-seekers receiving no benefit or social assistance ¹⁷	Registered job seekers, total
	Monthly average number of registered job-seekers (1,000 capita)			
2008	134	148	161	443
2010	188	168	227	583

¹⁷ It means that they literally do not get any support. Although let us remark that this is not an unheard of event in other countries, either. (See the European comparative study of non-take-up.

2012	68	200	290	558
	Percentage distribution, %			
2008	30	33	37	100
2010	32	29	39	100
2012	12	36	52	100

Source: http://nfsz.munka.hu/engine.aspx?page=full_afsz_eves_reszletes,
http://nfsz.munka.hu/engine.aspx?page=full_afsz_stat_merop_2012

- The jobless enrolled in public work schemes may also be considered in some sense as beneficiaries of social protection payments. Their monthly earning is closer to the level of social assistance payments than to the statutory minimal wage. This indeed may be considered not as a wage but as a strongly conditional unemployment benefit. The total yearly number of all those enrolled in public work has increased from over 100.000 in 2009 to 300.000 (projected) in 2013. However most of them worked only for part of the year (the average number of months is estimated to be around 4, 5 or 5) so that their average (daily) number was around 100.000 in 2012. Their monthly earning (if they worked full time) was in 2009 equal to the official minimal wage, HUF 73 500 (254 euros). From 2011 the sum was reduced to HUF 57 000 (204 euros), the net wage being 47 000 (168 euros). The gross wage was later increased because of the tax increases. The net wage remained HUF 47 000 (168 euros) until 2013, and was then nominally increased to HUF 49 000 (165 euros).
- In 2011 the disability pension was terminated. It was replaced by two benefits: the rehabilitation benefit and the disability benefit. Those having lost their working ability up to 60 per cent underwent a complex controlling check. If they were categorised as “fit for rehabilitation” their pension was reduced to a fraction of the minimum wage (minimum 30, maximum 50 % of it depending on their health status and former earning). There are many conditions of this benefit, starting with active job-search. If the invalid person was classified as “not fit for rehabilitation” s/he became entitled to disability benefit, the sum being between 50 and 150 % of the minimum wage. About 200 000 people underwent the complex check-up. According to informed estimates in case of one fourth of them the former benefit was more or less radically reduced.

1.2. Has the crisis led to tighten up eligibility conditions or increase conditionality?

The Hungarian government did not take any measure to alleviate the difficulties of the poor that considerably increased with the crisis. The opposite happened as shown above by the decreasing level of most benefits. Also conditions of access were tightened. Some examples:

- Formerly universal family allowance can be withdrawn in case of truancy.
- Truancy has become in 2013 a punishable offence: unemployed parents of the truant child have to be excluded from public work for 3 months.
- Local authorities acquired the right to introduce additional behavioural conditions in case of means-tested benefits (incl. checks on tidiness of home and surroundings.)

1.3. Have there been changes to the time duration, the amounts, the possible combination with other benefits?

- The level of benefits related to unemployment and/or to the pension minimum, including the maximum sum of family assistance was cut back;
- disability benefits were decreased in case of large groups;
- many types of social benefits in cash started to be replaced partly or fully by food-vouchers of limited use. Until 2013 only the regular child protection assistance was fully replaced but there are more ambitious plans of extension.

2) Assessment of minimum income schemes

There have not been any major changes in the last years in **coverage, take-up and adequacy** of MI elements other than those already mentioned.

2.1 Coverage:

Wages from public work may be considered as an element of MI. Hence MI coverage may be seen as improved because the number of those on public work increased from about the yearly average 60.000 in 2007 to 120.000 or more in 2013. Meanwhile the number and rate of jobless not covered by any scheme also increased.

2.2 Take-up:

The take-up rate decreased and there are no efforts to increase it. (See Table 2.) The contrary is closer to the truth. Since the punitive aspects of the state are strengthening many sanctions may decrease the take-up rate which is currently under 50 % among the jobless jobseekers. The issue is not subject of public debates or of intensive research. The last major study on take-up dates back to 2006, and some elements were highlighted in a research in 2008 among poor families with children. (Both are mentioned in the independent expert's report¹⁸)

2.3 Adequacy:

As indicated above, adequacy as such is a non-issue for the government. The difference between some current benefits and the subsistence minimum calculated by the Central Statistical Office (CSO)¹⁹ may highlight the point. The subsistence minimum of the CSO is a sum that assures "the satisfaction of the needs of households on a very modest level that nonetheless may be considered conventionally adequate on the given development level of the country". Its mean value per equivalent unit was 280 euros per month in 2012. (In 2013 40% of the population fell under this level due to recent impoverishment of middle strata. The rate oscillated for decades around 30 %.) The often used EU poverty line, 60 per cent of the median equivalised household income was 220 euros in the same year (TARKI data). The gap between the CSO subsistence level or even the OECD poverty line and the available social help may be huge as shown by Table 3. (The maximum sum of family assistance was 146 euros in 2012.) Table 3 presents only cash benefits. The gap is somewhat narrowed on the one hand by some disregards not mentioned in the Table, and, on the other, by some means-tested

¹⁸ General study: *Exit from and non-take-up of public services. A comparative analysis: France, Greece, Spain, Germany, Netherlands, Hungary*. FINAL REPORT. EXNOTA. March 2006. European Commission, Community Research. <http://cordis.europa.eu/documents/documentlibrary/100124181EN6.pdf>. *Hungarian survey on child poverty including some information on non-take-up*: Bass László, Darvas Ágnes, Farkas Zsombor, Ferge Zsuzsa (2008) *A gyermekszegénység elleni küzdelem állása 2008-ban* (The results of the combat against child poverty in 2008). <http://mta.hu/fileadmin/2008/11/01-gyermeksz.pdf>

¹⁹The subsistence level calculated by the CSO is not an official benchmark of poverty. It is a publicly available information since decades widely used by the media and various organisation including the trade unions, and relatively well known by the general public. The public as well as social researchers acknowledge it as a good estimate for an adequate minimum „living” income. “Subsistence minimum” suggesting mere subsistence may be a misnomer but it has become an important indicator for large groups. Its level is too high for offering a realistic immediate aim: it is more a tool for information than for policymaking.

benefits in kind such as free school meal, free school appliances for needy children, vouchers for medication or housing costs. All these in-kind benefits may cover at most one quarter of the gap between the subsistence minimum and the total income of the family.

Table 3. Some examples of the monthly sum of the CSO subsistence minimum and the benefits that may be obtained (2011, in Euro)

Type of household	Subsistence minimum		Social benefits that may be obtained		
	2011	2012*	Type of benefit	2011	2012
Single adult	300	304	Net wage for public work	169	163
			Or: Employment substitute benefiting	102	79
			Or: Regular social assistance	97	68
2 parents, 1 child	722	732	Maximum sum of family assistance (the level to be reached by topping up incomes except family allowance)	217	146
			Plus: Family allowance	44	42
2 parents, 4 children	1113	1128	Maximum sum of family assistance (the level to be reached by topping up incomes except family allowance)	217	146
			Plus: Family allowance	229	221

*calculated from 2011 with the consumer price index, 105,7.

Source: CSO Subsistence Minimum 2011, 2012, and official regulations.

Updating mechanisms are very varied. Pensions have to be indexed yearly by law though the method – whether they are indexed to prices or to economic growth or both - often varies. The exception is the minimum pension that was not upgraded since 2008, so that benefits tied to it in some way (including all means-tested, assistance-type benefits) remained also unchanged. The minimum wage has been updated each year since 1989 by governmental decree. Since 2011 the wage for public work is a fixed percentage of the “normal” minimum wage so that it was increased in 2013. In a few other cases (fee for home nursing, severe disability support) that were stagnating for years a slight increase will be introduced from 2014 despite the rule that severe disability support is tied to the minimum pension. The positive changes have no connection to the MI. The benefits serving mainly the poor have not been updated, and many of them, as already detailed, were arbitrarily lowered. This is in line with

the explicit and often declared intention of the government to strengthen “the national middle class” at the expense of the poor.

I. Public debate:

The introduction of a decent social minimum is a central topic of many civil organisations including HAPN²⁰, and figures emphatically in the election programs of some left-liberal parties. Trade unions do not play a major role in these debates²¹. Many of the civil organisations plan consultations about MI issues with poor people and the general public. Other public debates are frequently dominated by the right, often the extreme right. These topics include the primacy of work over benefits, benefits to be handed out only in kind or vouchers because of widespread fraud and the inability of the poor to “use well” cash, the futility of helping the poor and the Roma who do not want to work or to help themselves (one famous example from the recent past is the so-called ‘model of Monok’)²². In short: all the anti-poor myths well known in many countries (maybe with an unusually strong racist bias) are on the public agenda. Unfortunately they are often listened to by the government (see a currently used voucher called ‘Erzsébet-utalvány’²³) and the municipalities (e. g. the measures of certain districts of the capital²⁴).

II. Good and unsatisfactory practices:

It seems to us that the details above show many unsatisfactory practices.

Some good practices may be found in the local projects for social inclusion financed mainly by the European Social Fund.

²⁰ HAPN has over 130 member organisations, many of them with national coverage. http://mszeh.hu/index.php?option=com_content&view=article&id=53&Itemid=64

²¹ Not even concerning the issue of public work / workfare work.

²² In 2010 the mayor of Monok, Zsolt Szepessy, introduced the ‘social card’ in the town, because according to his observations the poor did not spend the social assistance on proper goods, but more on alcohol, cigarettes etc. The main idea was that instead of giving the assistance in cash, a card would have been top up which could have been used in certain shops to buy food and basic goods. The social card was also a part of the ‘model of Monok’ (monoki modell) which focused on the principle of ‘worthy and unworthy poor’: the poor have to work for the money (for the social assistance!), keep their environment clean etc. The ‘model’ created huge debates and collected several followers across the country. It also influenced the public discourse by reflecting on growing poverty and racism, and instead of empowering the poor, stigmatizing and blaming them for their situation.

²³ Since 01/08/2012 several types of social transfers – including the social assistance – can be given ‘in nature’ by using the voucher called Erzsébet-utalvány. (The usage of this voucher is based on the discretionary right of the municipality, which is often the source of discrimination.) See more details about the voucher on the [official site:](http://erzsebetutalvany.hu/contents/31,%C3%81tal%C3%A1nos+inform%C3%A1ci%C3%B3k) <http://erzsebetutalvany.hu/contents/31,%C3%81tal%C3%A1nos+inform%C3%A1ci%C3%B3k>

²⁴ For instance, in the District I., Budapest (which is a wealthy area in comparison with most of the other parts of the capital) since 01/01/2013 the poor inhabitants have got the food aid by the help of the social card: the municipality tops up 7500 HUF/month (approx.. 24 EUR/month) on the card. From this money basic goods (milk, bread, sugar, flour, rice, oil, potatoe, apple, meat, cold cuts) can be bought in those shops which have a contract with the municipality. (See: <http://www2.budavar.hu/index.php?node=news&id=686>)

Within the current EU programming period, Hungary expend its ESF budget for social inclusion mainly within the priority axis nr. 5 “Strengthening social inclusion and participation” of the Social Renewal Operational Programme.

“This priority axis focuses on the groups of individuals and communities living in increasingly disadvantaged social and labour market situations whose realignment and social integration requires special tools and integrated methods. Operations launched in the framework of this priority axis, will contribute to providing integrated support for the most disadvantaged people. Measures will aim at strengthening active citizenship, self-organisation of communities and the strengthening of civil society. The re-generation of social disadvantages will be prevented through strengthening social integration and reducing poverty. The common goal of the indicative operations planned under the priority axis is to strengthen social cohesion and develop communities. The aim of these activities is to reduce social exclusion caused by income poverty and other disadvantages and to prevent the inheriting of poverty, exclusion from the society and disadvantages.”²⁵

If we have a look at implementation of measures covered by this priority axis, we experience that policy context and delivery mechanisms strongly influenced the targeted results of social inclusion interventions.

Evaluation of the implementation of measures²⁶ covered by this priority axis showed that final beneficiaries could be divided into three main groups:

- (1) in case of relatively skilled, temporarily unemployed people projects brought new opportunities and finally job places,
- (2) for the ageing population programmes were not able to offer a real alternative; however, they contained positive aspects at least for a while,
- (3) in those areas where there are no labour market demand for those far from the labour market, developments can strengthen or maintain some skills, but results will eliminate quickly.

Social inclusion projects financed by ESF mostly reached the least developed areas, but at the same time, they were lacking from those settlements which faces multiplied disadvantages. Indicators often mean great pressure for beneficiaries, it many times leads to skim the cream off the target group. Designing and implementing an ESF project requires expertise and capacities, and usually those areas do not have these preconditions who are the most in need.

Good stories can be found for example at developments related to combat child poverty. The launching of Sure Start Houses is definitely one of the best initiative. It was precisely targeted, competition for EU support was limited. Similarly, the complex developments implemented in micro-regions within the frame of “Chance for Children” Programme were unique. Involved micro-regions received expertise support for 1,5 years in order to prepare their 3 years interventions so they had the opportunity to compile their complex programme that fits perfectly their needs.

²⁵ Social Renewal Operational Programme 2007-2013. pp. 148.
<http://palyazat.gov.hu/download/44027/tamop%202011%20EN.pdf>

²⁶ A társadalmi befogadást szolgáló fejlesztések (TÁMOP 5. prioritás) értékelése (only in Hungarian)
http://palyazat.gov.hu/download/48414/T%C3%A1rsadalmi_%20befogad%C3%A1s_%C3%A9rt%C3%A9kel%C3%A9si_jelent%C3%A9s.pdf

At the same time, we have to note, that strategic documents planned for a longer term than national policies, and EU financed measures are driven by actual national policies. As a consequence of the changes in the recent past, the delivery of many social inclusion measures have been either centralized, or monopolized as key projects and moved their implementation to a background institution of the Ministry of Human Resources, the Türr István Training and Research Institute.

These changes sometimes encumber efforts towards social inclusion since centralized projects cannot be suited for all areas of diverse disadvantages. Social inclusion measures are unimaginable without the involvement and participation of local stakeholders.

3) The link between minimum income and the other two pillars of active inclusion

The links between the three pillars have been discussed in detail in the 2012 report of the national independent expert. Specific questions to be addressed:

Has a clear active inclusion strategy been developed in your country?

Yes, the National Social Strategy for Social Inclusion. As reported by the independent expert, many recent laws contradict the goals of the strategy and funds seem to be inadequate. The official evaluation and monitoring of the local implementation of the projects within the ESF operative program framework, particularly the Social Renewal OP (SROP), and the Social Infrastructure (SIOP) have been rather formal.²⁷ Independent research and civil evaluations give a more complete and more critical picture of the implementation of the Strategy²⁸ or the use of the European Social Fund²⁹

3.2 Link with inclusive labour markets:

According to available statistics and research the return of those in the public work schemes to the primary labour market was scarce and public work often hinders this return³⁰. From

²⁷ See the Progress Report 2012 on Roma Inclusion describing the relevant OP-s but not offering any evaluation. (http://www.romadecade.org/cms/upload/file/9276_file7_progress-report-hu.pdf), The same is true of the overall Monitoring Report of the National Strategy for Social Inclusion in 2012 that was circulated in a restricted circle as a draft. It does not seem to be available on the web. Some civil reports and studies referred to elsewhere give some more insight.

²⁸ *Civil Society Monitoring Report on the Implementation of the National Roma Integration Strategy and Decade Action Plan in 2012 in Hungary*. Budapest: Decade of Roma Inclusion Secretariat Foundation, 2013. http://www.romadecade.org/cms/upload/file/9270_file8_hu_civil-society-monitoring-report_en.pdf. *Civil report on children's chances 2011 (Civil jelentés a gyerekesélyekről 2011)*. Budapest: Chances for Children Association, 2012. http://www.gyere.net/downloads/Civil_jelentes_2011.pdf (Introduction and Contents in English.)

²⁹ Autonomia Foundation had various initiatives to follow up the realisation of EU funded social programs. See e.g. <http://autonomia.hu/hu/programok/eu-forrasokkal-a-romak-integraciojaert?page=6>. See also *Programs to improve chances for children, and how they look when applied to micro-regions*. Chances for Children Association (2013), www.gyere.net/downloads/gyerekes%C3%A9ly%20angol.pdf, in English

³⁰ See for details and references footnote 3 on p.1 and chapter 5.2.5 of the present report.

2012 on the number of public work projects that are linked to training and/or to “producing (marketable) value” is slowly increasing. They seem to assure somewhat better access to the primary labour market.

3.3 Link with access to quality services:

The services offered to the poor have always been defective – a fact well known from the independent reports. In the last two years some components have been changed:

- The administration (electronic data reporting, linking of the benefits of each person) has been developed. The data are not available for the public.
- The professional level of social work seems to lose its importance for the government. Many brief training courses serve the preparation of “social helpers” with inadequate professional knowledge.
- The budget contribution to the maintenance and development of social and similar services is indexed only in a few cases. More often budget funding both of individual budgetary norms (e.g. cost of day care for one child) and of lump sums (e.g. for the maintenance of an institution such as a social work office) remained unchanged or cut back in the last years³¹.

3.4 Coherence of active inclusion strategy:

The available documents like the National Strategy emphasize the importance of coherence, and some dispositions were made to link the work of the different government units involved with the strategy. In practice coherence seems to be missing on the government level: documents of the various ministries or of the divisions within one ministry are often contradictory. On the local level there is no mechanism to assure coherence among various ESF-funded or other operative projects aiming at social inclusion.³²

³¹ Source: Government Budgets of Hungary.

³² *Programs to improve chances for children, and how they look when applied to micro-regions.* □ Chances for Children Association (2013), www.gyere.net/downloads/gyerekes%C3%A9ly%20angol.pdf, in English

4) Identification of obstacles to the implementation of adequate minimum income schemes and suggestions on how to overcome these obstacles

4.1. The Fundamental Law

Recent changes in constitutional law further restrict the justiciability of social rights in Hungary and signal a retreat from the idea of social citizenship – which could be argued to be the philosophical foundation of minimum income schemes. The *Fundamental Law of Hungary*, which replaced the constitution of 1989 and went into force on 1 January 2012 does not include the right to social security (as the previous constitution did). Its Article XVIII declares only that „Hungary shall strive to provide social security to all of its citizens”, which is an important step backward for the justiciability of social rights in Hungary. The wording of the article restricts the state's duty for social provision to a set of defined conditions (such as motherhood, disability or involuntary loss of employment), and therefore relieves the state of any responsibility with respect to the social security of citizens not covered in the specification. It is also of importance that the conditional nature of social provision is declared as a matter of principle in the *Fundamental Law*: “The nature and extent of social measures may be determined by an Act of Parliament also according to the activity useful for the community conducted by the person benefiting from the social measure”.

It requires the votes of two-thirds of all Members of Parliament to change the Fundamental Law, which is highly unlikely in the current political context. However, the Fundamental Law does not in itself impede in any way the implementation of an adequate minimum income scheme, though it does not provide a favourable constitutional context for it.

4.2. The government and the governing parties

Currently the main obstacle to the implementation of a minimum income scheme is the ideological orientation and dominant social policy ideas of the governing parties. The election programme and the 2010 government programme of Fidesz emphasized the importance of social provision and criticized the previous government's workfare program (which tightened the eligibility conditions to social assistance) as one that “punished the poorest”. Since its coming into power, however, the alleviation of poverty or the goal of social justice has not been a priority for the government, while the moralizing rhetoric of leading government officials on poverty and unemployment is sometimes appealing to – and arouse – prejudices against people living poverty.

The unfavourable political context for the introduction of an adequate minimum income scheme is exemplified by various statements by Prime Minister Viktor Orbán in which the welfare state is presented as if it was incompatible with competitiveness. Furthermore, people living in poverty are not seen as an important part of the constituency by the governing parties. As Viktor Orbán recently explicitly announced: “Fidesz holds the power in the hands of the

middle class and exercises it in the name of the middle class”³³. The elimination of progressive taxation and the introduction of a generous family tax allowance (inaccessible for low income families) implied a large cut in public revenues, which obviously does not help the prospects of any extension of welfare state provision – especially that the government prioritizes above all the reduction of public debt and the budget deficit.

The lack of political support for anti-poor policies was also signalled by the fate of the *National Social Policy Strategy*, commissioned by the line ministry. The strategy drafted by a group of respected experts by early 2011 interpreted social policy as a “productive factor, actively contributing to the competitiveness of the economy”, and while emphasizing the importance of work incentives, it argued that “work incentives should not principally be strengthened by punitive measures”. It proposed two alternative models of social assistance: though neither promised a large-enough rise in benefit levels,³⁴ one of the models would have implied a move towards a more comprehensive and adequate minimum income scheme and both would have strengthened the role of inclusive labour market policies and access to quality services. . However the strategy was never adopted by the government, its proposals were not implemented, and a few months after its publication the deputy under-secretary of state in charge of social policy was dismissed from his office. By now, the group of social policy experts authoring the strategy has essentially lost all its influence on government policy.

In 2011, the government adopted another strategic document as well, prepared by government experts in response to the European initiative to promote Roma inclusion. The *National Social Inclusion Strategy of Hungary* underlines the need to reduce the prevalence of social assistance reciprocity and to strengthen activation measures. This strategy does not raise the issue of the adequacy of social assistance while it confirms the dominance of public works both in terms of funding and participation. This suggests that the government continues to give priority to workfare programs over activation measures that could facilitate employment in the primary labour market. Furthermore, the efforts towards prevention and alleviation of poverty envisaged in the strategy have so far remained at a small scale, as noted by the recent Civil Society Monitoring Report concerning the inclusion of Roma or the Civil Report on Children’s Chances, 2011.³⁵

It follows from the foregoing that it is improbable that the government would initiate the implementation of an adequate minimum income scheme. However, this obstacle is not only ideological (as a minimum income scheme could possibly be framed in a way which would

³³ Viktor Orban’s responses to questions of MPs, 07-05-2012. http://www.miniszterelnok.hu/cikk/orban_viktor_kepviseleknek_valaszolt_az_orzaggyulesben

³⁴ A joint report of Hungarian NGO-s on the strategy stressed the undeveloped and inadequate nature of the proposals, describing the provided minimum as “remarkably low.” Source: Szociális szakmai és civil szervezetek véleménye a Nemzeti Szociálpolitikai Konceptióról. Accessible in Hungarian at <http://www.3sz.hu/tartalom/szocialis-szakmai-es-civil-szervezetek-velemenye-nemzeti-szocialpolitikai-koncepciorol>

³⁵ See references in footnote 15 to Civil Reports on Roma Integration and Children’s Chances.

allow for the government's support) but lies also in the fact that the policy making process of the government does not allow for any input from experts or advocacy groups.

4.3. Opposition parties

Opposition parties vary with respect to their position on the implementation of a minimum income scheme. Two smaller left-leaning opposition parties, *LMP – Lehet Más a Politika* (“Another Politics is Possible”) and *PM – Párbeszéd Magyarországért* (“Dialogue for Hungary”) explicitly advocate a guaranteed minimum income, and this seems to be the position of the newly formed electoral alliance of *PM* and *Együtt 2014* (“Together 2014”) as well.

It is more complicated to assess the position of *MSZP - Magyar Szocialista Párt* (“Hungarian Socialist Party”) and its recent spin-off *DK – Demokratikus Koalíció* (“Democratic Coalition”) on the issue. It was the previous *MSZP* government (led by the current president of *DK*) that implemented and then almost annulled the minimum income scheme in 2006 described above. (See above: Short answers to the specific questions: Changes as compared to the information box.) Currently both parties criticize the government for its restrictive and punitive approach to social policy, but neither worked out an alternative system and therefore it is hard to tell whether they would support the implementation of an adequate minimum income scheme.³⁶

It is also relevant that liberal and left-leaning opposition parties in general are usually more receptive to the arguments of social policy experts which, as Hungarian social policy experts are generally supportive of the idea, is also favourable to the implementation of an adequate minimum income scheme.

Finally, far right-wing *Jobbik* (“Movement for a Better Hungary”) advocates the complete elimination of any state support that is not conditional on work effort and other behavioural regulations, and for strict measures against “welfare scroungers”. They would decrease the importance of direct state provision and would strengthen the role of churches in charity and welfare provision. The proposals and discourse of *Jobbik* seem to have been very effective in influencing the public agenda and the media coverage of poverty and social assistance, as well as in providing an inspiration for the government. Therefore, the social policy ideas – the “penal populism”- of *Jobbik* is an important obstacle to an adequate minimum income scheme both directly and indirectly.

4.4. Public opinion

The available data on the attitudes of Hungarian society on welfare provision show an ambiguous picture with respect to potential public support for the implementation of an adequate minimum income scheme.

On the one hand, according to a 2010 Eurobarometer survey, the overwhelming majority of Hungarians agree with the statements that “poverty in Hungary is a problem that needs urgent action by the Government” (94 percent), and that “people who are well-off should pay higher taxes so the Government has more means to fight poverty” (92 percent). Also, a large majority

³⁶ The program of *DK* for the 2014 elections has already been published and it does not mention the MI.

of Hungarians held the view that the government is primarily responsible for reducing or preventing poverty (73 percent as opposed to the 53 percent European average).

On the other hand, distrust in, and prejudices against recipients of social assistance are also prevalent in Hungarian society. According to a 2011 survey, three quarter of Hungarians think that it is a serious issue that recipients of social assistance spend their income in “inappropriate ways” (which is a reference to the widespread view that much of social assistance is spent on alcohol or gambling).³⁷ The Hungarian public significantly overestimates the prevalence of benefit abuse, and think that only half of the recipients are truly in need (the true incidence of abuse is well within the EU average). There is also strong support for various behavioural conditions for entitlement to social assistance: not only for those more in line with the logic of European minimum income schemes, such as cooperation with the job centre or family assistance centre (87 percent) or participation in public works schemes (78 percent), but also regular school attendance of children (89 percent), and well-kept home environment and garden (81 percent). However, there is also support, and increasingly so, for the idea that everyone who is in need or cannot hope for help from anywhere else should be eligible for state assistance: in 2011, around half of the respondents were on this opinion, whereas the other half held that “the state should support only those who deserve help due on account of their work or their behaviour”.

The results of a discussion with people living in poverty (organized recently by the Hungarian Anti-Poverty Network) on the obstacles to the implementation of a minimum income scheme suggests that there are a lot of tensions between the poor and those with slightly higher incomes (and between those who participate in workfare programs and those who do not, between Roma and non-Roma low-income people, and so on), which could impede public support for a progressive reform of the current system of workfare and social assistance.

All in all, the attitudes of the Hungarian public toward poverty and welfare provision do not exclude the possibility of widespread public support for the implementation of an adequate minimum income scheme as long as it framed in a way that corresponds to the importance that most Hungarians attribute to work incentives, reciprocal responsibilities and certain conditions. Support for a minimum income can further be increased if its implementation is seen as part of a more extensive programme to fight poverty and income insecurity to which broader segments of the working- and middle-class could positively relate.

4.5. Lack of institutional capacity

The evaluation of benefit claims is devolved to local governments, many of whom are too small to have the necessary expertise that would ensure fair administration. While entitlement rules are mainly determined by law, there is no monitoring system in place that would enforce their proper implementation and ensure equal access to social assistance across the country. The newly acquired right of local authorities to define behaviour conditions of access gave free way to the spreading of arbitrary practices.

³⁷ Some of the respondents might also had in mind the issue that people in extreme poverty are often forced to take up loans from loan sharks or usurers with extreme rates of interest and therefore later must spend much of their social assistance paying off these loans.

The insufficient capacities of job centres and family assistance centres, the uneven and incomplete access to family assistance, and the lack of methodological guidance and supervision are all obstacles to the implementation of an adequate minimum income scheme, especially as its links to quality services and labour markets are concerned. Mechanisms to equilibrate the regional inequalities in the resources and case load of family assistance centres are weak. Furthermore, the cooperation between different social services is insufficient and incidental, and the capacities of NGO-s – which could compensate for the aforesaid limitations of state social provision – are increasingly limited.³⁸

³⁸ Hungary has national elections on 06/04/2014. Therefore, unfortunately now it seems to be difficult to discuss this issue of MIS with the stakeholders of the decision-maker level, because other topics are far more in the spotlight.

5) Suggested next steps to improve adequacy, coverage and/or take-up of minimum income schemes

Whereas the details of any major reform should be worked out through comprehensive consultations with experts, advocacy groups, trade unions, parliamentary parties and people living in poverty, the general direction of the following recommendations are arguably consensual at least within the Hungarian social policy field (and enjoys the support of some of the opposition parties as well). We first address smaller alterations of the current system which could be introduced immediately and have some chance of being feasible within the current political constraints as well. These are followed with more far-reaching recommendations that would most likely require a considerable change in the political situation for their implementation.

Note that while budgetary constraints are considerable, the improvement of coverage, adequacy and access to quality services would be nonetheless feasible even without (significant) additional spending, through the rearrangement of financial resources from expensive workfare programs to cash transfers and more efficient activation measures.

5.1. Immediate measures

5.1.1. Adequacy

- Benefits should be regularly updated
- Workfare participants should be paid the minimum wage

Even within the current political constraints, it could be possible to put into place a transparent and effective mechanism for up-rating the level of social assistance (and that of the wage paid in related workfare programs) which would prevent its automatic loss of purchasing power due to inflation. The issue of paying the statutory minimum wage in workfare programs should also be raised. Increasing the amount of the housing allowance (and implementing an automatic mechanism for its uprating) or the family allowance (*családi pótlék*) are other – and possibly, politically more feasible – ways to bringing the income of the poorest households closer to what is necessary to live in a manner compatible with human dignity.³⁹

5.1.2. Take-up

- The evaluation of benefit claims should be regularly monitored

³⁹ The costs would depend on the goals. If the objective is restricted to the maintenance of the current level of, for instance, family allowance, the yearly cost would amount to 30 million euros (assuming 3% inflation). If however uprating is understood as the restoration of the level in 2008 when uprating stopped, the cost would amount to over 200 million euros, 0.02% of the GDP.

- Behavioural conditions should be limited to job search and cooperation with the agencies of “activation” (job centre and social workers)

Take up as well as equitable participation in workfare programs could be enhanced if job centres would cooperate with social work agencies and would receive guidance on referring clients to these programmes⁴⁰ and if the levels of non-take-up, sanctioning and discrimination were regularly monitored. Due process appeal should be available to those who have been excluded from social assistance or workfare because of assumed violation of behaviour conditions. A further step would be to ease sanctions that are currently very severe (see Section 2).

Further measures may include an easing of the definition of a suitable job (ie. the qualifications of job seekers should be given greater weight in the allocation of workfare positions). Lastly, behavioural conditions not related to availability to work or to employability, but prone to arbitrary application (e.g. the requirement to keep a tidy house) should be abolished.

5.2. Suggested measures in the mid-term

5.2.1. Evidence-based policies and participation in policy making

- The government should consult experts, stakeholders and consider EU recommendations

It would significantly enhance the prospects of the implementation of an adequate minimum income scheme if the policy making process relied more intensively on the insights and recommendations of the European Union as well as the Hungarian social policy experts and people living in poverty. The goals and expected results of policy changes should be published in strategic documents, and the effects of their implementation should be monitored. The general use of poverty impact assessments could facilitate a more coordinated effort on poverty reduction on part of the legislation and government agencies.

5.2.2. Adequacy

- The current system of means- tested benefits (some flat-rate, some varying) for adults in active age should be replaced with a single top-up scheme which is proportional to household incomes and has no ceiling. This would be the “household minimum income”
- The level of minimum income should be significantly raised and be up-rated annually
- Participants of workfare programs should be paid the statutory minimum wage

⁴⁰ The effectiveness of this has been confirmed by research on activation programs. (see Csoba, Judit (ed.) 2009: Social and labour market integration of marginalized groups. Debrecen University Press. (In Hungarian))

The level of minimum income should be calculated as the difference of a legally defined minimum income level and the available resources of the household. This minimum should be defined through research, wide public dialogue and in consideration of the level of other benefits (especially family allowance and housing allowance). The level of minimum income (together with other available benefits) must cover the costs of essential needs and should approach the level of income necessary for dignified life. According to a recent proposal, the equivalent minimum income should not be lower than the 150 percent of the retrospectively upgraded value of the statutory minimum for old-age pensions (approx. 33 000 HUF or 113 EUR, which roughly equals the upper threshold of the bottom income decile)⁴¹. It should be considered what might be the most adequate reference point for the level of minimum income, instead of the currently used (and sociologically totally arbitrary) minimum for old-age pensions (e.g. reference budgets, thresholds of relative poverty).

To prevent the level of minimum income to be directly dependent on the actual political situation and its automatic loss of purchasing power, its annual uprating (which at the very least should compensate for the inflation) should be legislated for. Participants of workfare programs should be paid the statutory minimum wage.

5.2.3. Coverage

- Social assistance should be made available to the working poor

We recommend to expand the coverage of the minimum income scheme to the working poor through ensuring that all households whose equivalent income falls below the defined minimum are eligible regardless of whether their members are employed or unemployed. This could decrease work disincentives. The scope of coverage expansion is dependent on the level of minimum income and also on the extent of disregard (see *section 5.2.5* below).

5.2.4. Take-up

- Sanctions on failing to meet behavioural conditions should be eased

As mentioned earlier research is very scant about the causes of non-take-up. Nonetheless even in the absence of evidence it is more than likely that take-up would be increased through the reconfiguration of conditionality, the lightening of sanctions, and by insuring the legal and equitable management of workfare programs. Conditions related to the eligibility to minimum income should be related solely to availability for work and employability (such as cooperation with the job centres and social work agencies, participation in education and training to improve employability, etc.). Other behavioural conditions, especially when they allow for a violation of the right to respect for the private and family life, and home, of recipients, should be abolished. Conditions should be defined in the national “Act on Social Administration and Social Assistance”, and local authorities should not be authorised to impose further conditions.

⁴¹ TÁRKI and Budapest Institute (2012): Mobility with joint forces: the decreasing of deep poverty with conditional transfers. http://www.tarki.hu/en/news/2012/items/20120329_HAHA_angol_tanulmany.pdf

While there is strong public support for further conditions, public opinion could be arguably won in favour of a decent minimum income scheme which is conditional only on willingness to work and/or be trained. Arbitrary and clientelistic implementation of workfare programs should be prevented through central regulation, monitoring, and strengthening the rights of participants. Sanctions for violations of conditions should be eased considerably.

5.2.5 Link with access to quality services and activation measures

- Quality and accessibility of active labour market measures should be improved

The improvement of access to quality services requires increased funding for, and a reorganization of social work agencies (called family care centres), further training of their personnel and the establishment of quality assurance. Instead of the widespread use of workfare programs, which all evaluation studies⁴² have found to be unable to improve the primary labour market participants, activation should principally rely on personalized activation, social work, trainings, transit employment, rehabilitation and wage subsidies. Activation measures should be adapted on the basis of to the needs of the unemployed person (and his/her family). The capacity and expertise of job centres and social work (family care) agencies should be developed, and the latter should be organized at the sub-regional level (with local access) to guarantee uniformly high standards. The current trend whereby the long-term unemployed most in need of activation are the least likely to participate in personalised programs should be reversed. In order to facilitate the employment of the non-skilled unemployed, it is necessary to monitor and increase the standard of trainings.

The improvement of ALMPs has been supported by the European Social Fund. Recent evaluation studies showed that some of the ESF funded schemes which included a personalised combination of training, labour market counselling, mentoring and wage subsidies for disadvantaged jobseekers can significantly improve the reemployment chances of long term unemployed individuals.⁴³ Also personalised training schemes for the unskilled should be expanded to cover a substantial proportion of unskilled jobseekers.

5.2.5 Links with the labour market

- Behavioural conditions should be limited to job search and cooperation with the job centre fine-tuned withdrawal rules should be worked out to decrease work

⁴² Csoba, Judit and Nagy, Zita Éva (2011): [The evaluation of training, wage subsidy and public works programs in Hungary](#)

In: The Hungarian Labour Market 2011. Budapest: IE HAS 2012, pp. 96-122; Firlé, Réka and Szabó, Péter András (2007): Targeting and labour supply effect of the regular social assistance, Working Papers in Public Finance, No. 18, April 2007. Fleck, Gábor and Messing, Vera (2009): Transformations of Roma employment policies In: The Hungarian labour market 2009. Budapest: IE HAS 2010, pp. 83-98; Köllő, János and Scharle, Ágota (2011): The impact of the expansion of public works programs on long-term unemployment In: The Hungarian labour market 2011, IE HAS 2012 pp 123-137. Váradi, Mónika (2009): Az „Út A Munkához” Program Hatásvizsgálatának eredményei. Kutatási összefoglaló. Budapest: MTA Térségfejlesztési Kutatások Osztálya.

⁴³ Adamecz et al: Targeting and Roma inclusion impact evaluation of two mainstream EU funded active labour market programmes, Budapest Institute, 2013.

disincentives (rather than keeping the benefit level low or stopping it altogether for non-compliance with behavioural conditions, however minor)

Instead of keeping or further increasing the gap between the level of social assistance and the statutory minimum wage, work disincentives should be addressed through job search conditions, and through a slower rate of benefit withdrawal. Empirical studies show that increasing the difference between social assistance and the minimum wage was not successful in significantly increasing the reemployment rate of recipients.⁴⁴ Incentives to work should therefore not be secured through the low value of minimum income, but by a slower rate of withdrawal of the benefit upon employment, and by decreasing the marginal effective tax rate on low wages by disregarding a part of the wage in the calculation of entitlement. Work disincentives could also be decreased by initially only suspending (instead of terminating) the entitlement to minimum income upon an increase in the income of the household at the first phase of employment, which then could be easily renewed upon recurring unemployment (or wage decrease).

⁴⁴ Joachim Wolff (2001): The Hungarian Unemployment Insurance Benefit System and Incentives to Return to Work. LMU IS, Sonderforschungsbereich 386, Paper 253; Cseres-Gergely Zsombor and Scharle Ágota (2012): Evaluating the impact of Hungarian labour market policies. In. The Hungarian labour market 2012. Budapest: Research Centre for Economic and Regional Studies, Hungarian Academy of Sciences and National Employment Non-Profit Public Company, pp 160-172.

Appendix: List of persons consulted for the report

The following people have been interviewed in relation to the EMIN report:

- Péter Mózer, assistant lecturer, Eötvös Loránd University, Department of Social Policy
- Tibor Kovács, rapporteur of social policy, Nationwide Alliance of Local Authorities
- Győző Papp, director of Family Assistance Centre, Szekszárd
- Imre Nyitrai, social policy expert (former deputy state secretary of social policy)
- Gábor Nagy, deputy director of Hungarian Red Cross