Towards Alleviating Human Poverty
2000–2002

Human Development Report

Hungary, 2000–2002

Edited
by

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CONTENTS

CHAPTER THREE

APPENDIX

OVERVIEW

Hungary, after a long decade of transition from a planned to a market economy and dismantling and privatization of the system of state institutions, has been experiencing a recent slow-down in the rate of economic and social transformation. The new economic and social patterns are gradually consolidating. Economic growth has resumed after the deep 'transformational' recession of the early 1990s. The improvement in macroeconomic flows has been followed, after an interval, by rising living standards. This report, however, in focusing on the issue of human poverty, provides ample evidence that *these favourable developments have yet to eliminate the huge disparities in living conditions within society, whose most vulnerable groups seem not to have been reached by the benefits of the recent economic growth.* Inequalities have widened further between the highest and lowest income groups, so that the consequences of the massive impoverishment during the recession remain apparent. Poverty has been deepening and persisting during the period of economic transformation. (The nadir was reached in 1996/7, when the poverty gap stood at 32.6 per cent.) Although the most recent data provide some evidence that the process of impoverishment may have eased to some extent, caution is still required before drawing straightforward conclusions for a longer run, since the chronic poverty is still stagnant. Calculating with the most widely used poverty thresholds (50 and 60 per cent of median income), data from various sources[1] show that the proportion of the poor has remained consistently in the range of 9–10 per cent since 1997. As for income inequalities, the difference in average income between those in the uppermost and lowermost income deciles widened from 7.0

times in 1995/6 to 7.9 times in 2001/2.

As mentioned in Chapter 2, Hungary in the 1990s joined several international initiatives to combat poverty – for example, signing the Copenhagen Declaration on social development in 1995, and most recently, adhering to the UN Millennium Development Goals, one of which is to eradicate poverty. Yet no comprehensive strategy for social policy, encompassing a system of supports for the poor, has been set up. As a result, the measures introduced have not been based on a coherent concept, and the serious macroeconomic imbalances (which became especially pronounced in the mid-1990s, due to the recession) have placed tight budgetary constraints on the policy-making of successive governments. Shortage of adequate financial resources seems an obvious explanation for the inefficiency of the policy measures, but in the absence of a comprehensive strategy, it seems justified to ask whether poverty is a matter of political concern at all. 'It is difficult to achieve real progress,' writes a prominent Hungarian sociologist, 'because *successive governments since the political changes have never placed poverty and social exclusion at the top of their list of priorities*' (Ferge, 2001, the Editor's emphasis) Obviously, one reason for this is of an ideological nature. It lies in the neo-liberal ideology that gained ground after the political changes, according to which an efficient market economy requires the state to play only a minimal role. This is reflected, among other things, in the legislation on social provisions adopted in 1993, which assigned increasing responsibility to local government, parallel with a withdrawal by the central state. As a result, successive governments have expected local-government authorities to alleviate poverty at a local

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[1] *TÁRKI and the Central Statistical Office*

level, although their inadequate institutional, financial and human resources have left them illequipped to carry out the responsibilities stipulated in the legal regulations.

Of course, changes in legislation alone cannot explain why 'literally at the moment of birth of the new democratic order, the issue of poverty was removed from the political agenda' (Szalai, 1999). Another factor has been increasing competition for funding from a dwindling quantity of state funds, which has tended to prevent attention focusing on deprived people, even the ones most in need. (The weak position of the 'losers' makes it almost impossible for their voices to be heard.) Moreover, 'the revitalization of the concept of the "deserving poor" has made it difficult to conceptualize universal programmes. When government help is restricted to certain categories of people, it encourages arbitrariness on the part of the officials and may even lead to unfair practices" (Szalai, 1998). (The conclusion is drawn from research into welfare benefits extended by the local government, and it gives further insight into the inefficiency of the welfare benefit system.)

At the same time, it has to be noted that there has been considerable confusion not only over the definition of poverty (as pointed out in Chapter 2), but also over its causes and extent. It has been insufficiently recognized that poverty has deep historical roots in Hungarian society. Although it is often discussed within the context of income inequality, it is an important question whether this is its only source. It is reasonable to conclude that 'poverty is principally a problem of disintegration and only secondarily one of inequality: it has its roots not primarily in the market, but in the system of feudal dependence and direct subordination of the state' (Szalai, 1999).

It becomes clear from the report that alleviating human poverty calls first and foremost for a comprehensive social policy. This needs to be based on a welfare-policy concept made up of clear, consistent and coherent principles. An important prerequisite for devising such a comprehensive policy is much more information on the causes and features of poverty. In addition, more knowledge is required on the functioning of the welfare benefit system. One of the reasons for the present shortcomings is that there has been no systematic, targeted, collection of data on the poor and socially excluded, providing specific information on their living conditions and on their attitudes towards and perception of the benefit system.[2] Surveys analysed in this report could give valuable information on a number of issues about poverty, but they do not address the specific questions that need to be answered to evaluate specific aspects of social exclusion. It is clear that there is an urgent need for a comprehensive, specific survey of poverty, using an adequate sample from which meaningful conclusions can be drawn.

Chapter 3 points out that 'the assistance targeted the poorest with a very low level of efficiency' and 'important groups among the poor were left without provisions.' This means that major changes in the welfare benefit system are required. (For details, see the section on Recommendations.)

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[2] *The aforementioned conclusion by Júlia Szalai came from research in a smaller scale.*

CHAPTER ONE

STATE OF HUMAN DEVELOPMENT IN HUNGARY

INTRODUCTION

The aim of this chapter is to give a brief account of *human development in Hungary* over the past ten years, *i.e. during the period of transition from a planned to a market economy.* The main objective behind the concept of human development is to widen people's choices and capabilities, by enabling them to live long, fulfilling and healthy lives. This should also be an objective of a democratic society, with its ultimate aim of enabling people to participate actively in the decision and policy-making process, at national and local levels. The underlying requirement here is to provide them with opportunities to acquire knowledge and gain access to the financial and other resources needed for a decent standard of living. The concept of human development points to *economic growth as a means of attaining this, not as an end itself.* This is especially relevant in today's Hungary, where economic revival has begun and the average standard of living has started to improve, yet poverty seems to persist at existing levels, as the following chapters show.

The Human Development Index (HDI), as a composite measure of level that allows the human development of countries to be compared, combines indicators of the basic conditions just mentioned. These indicators are average life expectancy at birth, level of educational attainment, and per capita gross domestic product (GDP) at purchasing-power parity. (Details on calculations of HDI appear in the second part of this chapter.)

Hungary stood at 35 in the HDI ranking in 2000, so that it belongs to the group of countries with a high level of human development.[1] Most Central and Eastern-European countries have similar rankings. For example, Slovenia stands at 29, the Czech Republic at 33, Slovakia at 36 and Poland at 37. The differences are explained mainly by differences of income level, i.e. per capita GDP at PPP, although average life expectancy at birth is higher in Slovakia and Poland (both 73.3 years in 2000) than in Hungary (71.3 years).[2] The figure is higher even in neighbouring Croatia (73.8 years), despite a much lower HDI ranking of 48, due mainly to a lower income level. The relatively poor performance of Hungary in this respect, detailed in this chapter, emerges also from the average life-expectancy figure of 77.3 years in 1999 for all the countries with a high level of human development.

Human poverty, the focus of this year's report, is a topic on which the concept of human development places strong emphasis. Combating poverty is an especially topical issue in the countries of Central and Eastern Europe, including Hungary. They were quite unprepared for the massive impoverishment that developed rapidly with the economic recession at the beginning of the 1990s. At the same time, the new governments that took power after the first free elections were placing an emphasis on human rights, including political and social rights, thereby distancing themselves from the heritage under state socialism and bolstering their legitimacy. Many of these rights, however, could not be enforced for lack of appropriate provisions. Commenting on the massive impoverishment, a well-known Hungarian sociologist identifies

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[1] *Latvia has the lowest HDI ranking in the group (53).*

[2] *The figure for Slovenia is a high 75.5 years and for the Czech Republic 74.9 years (Human Development Report, 2002).*

as the main reason for it 'the economic recession, which was largely unavoidable, but even feasible protection from it has not been built up. (For instance, preventive measures were not introduced against the predictable indebtedness building up from housing loans, which had previously been subsidized by the state.) As a result, the extent of the inequalities, poverty and exclusion became more severe than the state of the economy warranted' (Ferge, 2001). Although it has become increasingly recognized since the early 1990s that the transformation produces losers as well as winners, there is *still no comprehensive social policy against poverty.* (The perception reflected by this oftmentioned winner–loser dichotomy may have contributed to the situation as well, by simplifying the consequences of socio-economic transformation and implying that they are somehow inevitable.)

Of course, the most important prerequisite for drawing up an appropriate policy is *to identify and quantify the groups and strata left out of the catching-up process and most exposed to poverty.* This kind of investigation was constrained in the 1990s by confusion about the definition, reasons and treatment of poverty.[3] Not only were protective measures lacking, but *the requisite political culture was also undeveloped.* Szalai (1998) emphasized the determining role of the political culture in this respect and its importance in conceptualizing and measuring poverty.[4]

This chapter consists of two main parts. *The first part* deals with the aspects of human development especially relevant to human poverty, which is the focus of this year's report. The first two sections therefore outline a general background, giving a brief overview

of the economic and income developments and the most recent demographic and labour-market trends.

It is a generally recognized feature specific to Hungary that it has strong regional disparities, despite the small territory of the country. The following chapters also show how considerable a role regional differences play in social exclusion. Regional disparities are also reflected in the indicators of human development. *The second part* of this chapter gives the most recent calculations of regional HDIs.

1. IMPORTANT ASPECTS OF HUMAN DEVELOPMENT

1.1. POLITICAL SITUATION, GOVERNANCE AND PUBLIC ADMINISTRATION

The Republic of Hungary is a parliamentary democracy, in which the Constitution (like those of other countries) defines the basic organizational structure of the state as well as the fundamental human and civil rights and obligations. However, the Constitution confines itself to general rules, with the detailed regulations being contained in other laws. A qualified, two-thirds majority in Parliament is required to adopt or amend the Constitution.[5]

The prime minister has a strong position and the role of the president is largely formal. They are elected by a unicameral Parliament[6] consisting of MPs elected under a mixed system of constituencies and party lists. Parliamentary general elections take place every four years. The first free elections were held in spring 1990, after which three successive governments served their full terms,

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[3] *See a short list of four different interpretations of poverty in Szalai (1998). The first explanation, that 'poverty is an utterly new phenomenon,' is very similar to the aforementioned 'winner–loser' dichotomy.*

[4] *In another paper, she pointed out that 'poverty was a politically taboo subject right up until the collapse of socialism.' She explained not only the main reasons for this, but also proved that the causes of poverty lie deeply embedded in Hungarian society for historical reasons, and that the socialist regime had been unable to eliminate the main 'fault lines' (Szalai, 1999).*

[5] *See: http://www.kancellaria.gov.hu/tevekenyseg/esemeny/oecd.*

[6] *The question of setting up a second chamber is currently being considered. The questions being raised are mainly ones of representation – whether national minorities, or social partners or regions should be represented in an upper chamber or senate of some kind. See Pyszna and Vida, 2002.*

which can be regarded as a sign of political stability. The fourth election took place in April 2002, replacing a conservative coalition with a left wing and liberal one in the following month. (See Table 1.1)

Table 1.1
Governments in power in Hungary since the first free elections

	Character	Members of coalition
1990–1994	Conservative, mid-right	*MDF (Hungarian Democratic Forum)* FKGP (Independent Smallholders' Party) KDNP (Christian Democratic People's Party)
1994–1998	Socialist–liberal	*MSZP (Hungarian Socialist Party)* SZDSZ (Alliance of Free Democrats)
1998–2002	Conservative	*FIDESZ (Alliance of Young Democrats)* FKGP (Independent Smallholders' Party) MDF (Hungarian Democratic Forum)
2002–	Socialist–liberal	*MSZP (Hungarian Socialist Party)* SZDSZ (Alliance of Free Democrats)

Note: Parties in italics were the dominant party in the coalition.
Source: Fóti, (2002a).

Although the Hungarian Socialist Party (MSZP) is the successor of the Hungarian Socialist Workers' Party that ruled in the communist period, its members, according to the Western media, 'are now quite like modern European social democrats' (*The Economist,* April 27, 2002.). Indeed, this big leftwing party identifies itself with social-democratic values. Its coalition partner is a small liberal party that consistently supports a free market economy. The previous coalition was defeated in the last elections only by a very narrow margin. The results gave the government coalition 198 seats, as against 188 seats for the outgoing coalition parties.

One real challenge for the new government has been the strains on the budget, especially with the increased requirements to finance the hitherto neglected health and pension reforms. Fulfillment of election promises (*e.g.* increasing public-sector wages) took the budget deficit up to a high HUF 170 billion (1.2 per cent of GDP) by the end of 2002.

The government is strongly committed to integration into the European Union and the accession process is well advanced. The negotiations are practically finished, although there are some important issues still pending, such as some financial conditions and questions of supports for agriculture. Public-opinion polls confirm that the majority of the population supports EU entry, although the various surveys have also revealed that people are little aware of its possible impacts on their life, work, and living conditions. More information needs to be made available on these matters, especially as a referendum on the accession is due to be held in April 2003.

Hungary has traditionally had a threetier system of *public administration,* consisting of central, regional and local levels. In 2001, a district level consisting of commissioners was inserted between the regional and locals (settlement). There are 150 such districts in the country.

The central level consists of the government (ministries) and various central, extra-ministerial public authorities, such as the Central Statistical Office and Tax and Financial Control Administration (APEH). The government is made up the prime minister, ministers with and without portfolios, and a minister for the Prime

Minister's Office or Chancellery, modelled on the German system. In the current government under Péter Medgyessy, there are 15 ministers, all with portfolios. As a rule, the minister of the Chancellery represents the public administration.

The local and regional administration follows the traditional territorial pattern of the country, consisting of settlements, cities with county status, counties (of which there are 19), and the capital (which has a special legal status). There are altogether 3158 local-government authorities in the country, of which 2832 administer settlements with fewer than 5000 inhabitants. In the 19 counties, four grades of local-government authority function:
* 2,899 villages (36.5 per cent of the inhabitants)
* 214 towns (26 per cent)
* 22 cities with county status (19.9 per cent)
* the capital, Budapest, consisting of 23 districts (17.6 per cent).

Nowadays, the county and the settlement (municipality) are practically on the same level in the public administration system. (The original intention at the time of the political changes was to give local-government authorities more powers and weaken the powers of the counties.) This has led to some incoherence in regional development. To solve this problem, Offices of County-Level Public Administration (for the capital and the counties) were set up in 1996, to supervise the legal and functional activities of local government.

Apart from these institutions, the public administration includes so-called 'deconcentrated bodies' functioning under the auspices of the central bodies (ministries or central, extra-ministerial institutions). Examples include county statistical directorates or county APEH directorates.

The strong commitment to European integration mentioned earlier is reflected, for instance, in the efforts to modernize the Hungarian public-administration system.

This has been one of the main pillars of Hungary's preparations for EU entry, since it has to adjust to the existing structure of EU institutions. A chapter on reform of the public administration features in the National Programme for Adoption of the Acquis. Among the aims of the Programme is to recruit public officials able to "prepare complex social-policy and administration alternatives for the government" (Pyszna, Vida, 2002).

Endeavours towards European integration are also reflected in some important changes in regional development. Seven regions were designated under 1996 legislation, to introduce the five-level EU system of territorial nomenclature (NUTS) and facilitate the receipt of funds from the EU Structural Funds. These are Western Transdanubia, Central Transdanubia, Southern Transdanubia, Central Hungary, Southern Great Plain, Northern Great Plain and Northern Hungary. (See part two of the chapter.) Each covers three counties except Central Hungary, which consists of the capital and Pest County. Although various institutions representing these regions have been established,[7] they cannot yet be regarded as part of the public-administration system. With the creation of the new regions, all territorial units correspond to EU territorial nomenclature, according to which the regions can be ranked in the second level (NUTS II), with the counties as NUTS III, the districts as NUTS IV and the settlements as NUTS V.

1.2. ECONOMIC TRENDS AND INCOME DEVELOPMENTS SINCE 1990

1.2.1. ECONOMIC TRENDS[8]

The economic transformation has brought major changes to the sphere of social welfare, not just to the economic structure. By the early 1990s, the burden of external debtpayment obligations had become

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[7] *Known as territorial development councils and territorial development agencies.*
[8] *This section draws heavily on Bartha (2001).*

unsustainable. This and the deep economic recession that accompanied the beginning of economic transition narrowed considerably the scope for manoeuvre in fiscal and social policy. These developments were compounded by the ideology of a 'minimum state', in which minimizing the role of the state was treated as a prime objective of economic policy. Initially, this approach was a reaction to the ubiquity of the state characteristic of the period of the planned economy, but the approach persisted in the mid-1990s, when the process of integration into the world economy was advancing and globalization therefore affecting the Hungarian economy much more directly. These factors placed a strong curb on economic, and to some extent welfare-policy making at national level.

In terms of *GDP growth,* the most recent period of more than a decade since

1990, known as the period of economic transformation, can be divided into *four phases,* as *Figure 1.1* shows. *The first (1990–93)* brought the collapse of the state-socialist economy and an aggregate GDP decrease of more than 18 per cent. *In the second (1994–6),* the recession gave way to a modest rate of expansion: aggregate GDP growth of 5.8 per cent, which was equivalent to an annual average of almost 2 per cent. In *the third phase (1997–2000),* the annual average growth was almost 5 per cent, which can be regarded as outstanding compared with the historical performance of the Hungarian economy and with the performance of EU members and other Central and Eastern-European (CEE) countries at the time. *The fourth phase,* which began *in 2001* and seemed to be persisting in mid-2002, has seen a deceleration of growth. Last year, GDP grew by only 3.8 per cent.

Figure 1.1
Annual real GDP growth between 1990 and 2001
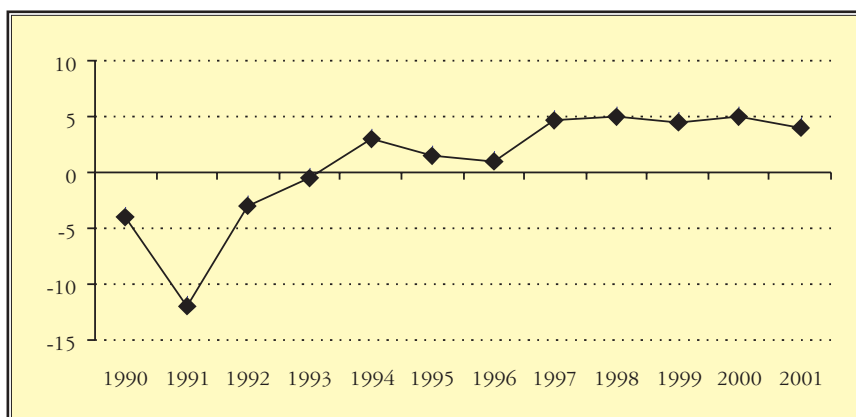
Source: Central Statistical Office (CSO), Budapest.

GDP began to rise in the mid-1990s, but domestic demand, especially private consumption, continued to fall fast *(Table 1.2 and Figure 1.3).* The mainstream, Neoclassical explanation of this disparity is to ascribe it to domestic 'over-consumption' in the early 1990s: the fall in personal consumption in 1990–92 was significantly less than the fall in GDP and the difference financed by foreign borrowing that created an external deficit unsustainable in the medium term. Although

production rose by almost 3 per cent in 1994 while private consumption stagnated (hardly 'over-consumption'), external-debt payments due at the start of 1995 could only be met at the expense of domestic demand. The concerns about external and internal balances were compounded by mounting pessimism over emerging markets in general, fuelled by the Mexican peso crisis.

The economic policy-makers concluded that the balance-of-payments and debt crisis

could be resolved only by a drastic programme of stabilization. The measures, often called the *Bokros package* after the finance minister of the day, came as a piece of *shock therapy.* A hitherto negative primary balance of general government (i.e. excluding interest payments on foreign and domestic debt) already turned positive in 1995 and reached a surplus of almost 4 per cent of GDP in 1996. Meanwhile the disquieting current-account and general-government deficits and external-debt levels were radically cut. Net external debt in 1994 had stood at 44.1 per cent of GDP, while the current-account deficit had been at 9.4 per cent and the general-government deficit at 8.4 per cent of GDP. After the stabilization programme, the respective proportions became 32.6 per cent, 3.7 per cent and 3.1 per cent in 1996.

Table 1.2
Major macroeconomic indicators, 1990–2001 (% change over previous year)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Real GDP growth	-3,5	-11,9	-3,1	-0,6	2,9	1,5	1,3	4,6	4,9	4,4	5,2	3,8
Private consumption	3,6	-5,9	0,0	1,9	-0,2	-7,1	-3,4	1,7	4,9	4,6	4,1	4,0
Fixed capital investment	-7,1	-10,4	-2,6	2,0	12,5	-4,3	6,7	9,2	13,3	5,9	7,7	3,1
Exports of goods and services	-5,3	-13,9	2,1	-10,1	13,7	13,4	7,4	26,4	16,7	13,1	21,8	9,1
Imports of goods and services	-4,3	-6,1	0,2	12,6	5,7	-0,7	5,7	24,6	22,8	12,3	21,1	6,3
Consumer price inflation (average)	28,9	35,0	23,0	22,5	18,8	28,2	23,6	18,3	14,3	10,0	9,8	9,2
Net real wages	-3,7	-7,0	-1,4	-3,9	5,2	-12,2	-5,0	4,9	3,6	2,5	1,5	6,4
Annual average unemployment (per cent)*	1,5	6,8	9,3	11,3	10,2	9,5	9,2	8,7	7,8	7,0	6,4	5,7

* From 1992 on: labour force survey data (ILO criteria). Source: CSO, Budapest.

Figure 1.2
Indicators of internal and external macroeconomic balance, 1990–2001 (% of GDP)
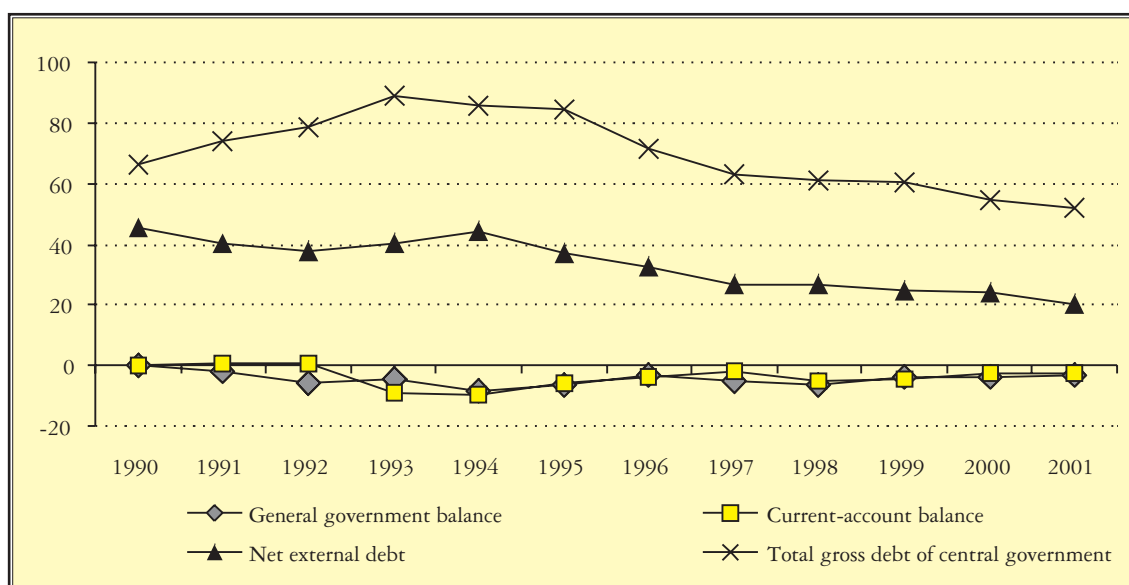
Forrás: KSH

Table 1.3
Development of main indicators of external and internal macroeconomic balance, 1990–2001
(% of GDP)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
General government balance	0,0	-2,1	-6,0	-4,2	-8,4	-6,6	-3,1	-4,8	-6,6	-3,7	-3,7	-3,3
Current-account balance	0,4	0,8	0,8	-9,0	-9,4	-5,6	-3,7	-2,1	-4,8	-4,4	-2,8	-2,2
Net external debt in convertible currencies	45,5	40,3	37,6	40,5	44,1	36,9	32,6	26,4	26,4	25,0	24,0	20,4
Total gross debt of central Government	66,3	74,1	78,3	88,7	86,0	84,3	71,5	62,9	61,1	60,4	54,9	51,9

Source: CSO, Budapest.

The measures of macroeconomic stabilization were backed by micro-level structural changes that eased the negative side effects of the restrictive economic policy. The level of competitiveness of Hungarian firms improved considerably, due notably to impressive productivity growth in engineering. This became the flagship sector for exportled economic growth (now deemed sustainable), thanks to massive foreign direct investment (FDI) by multinational corporations.[9]

However, the cost of the impressive improvement in the macroeconomic indicators for economic growth and the internal and external balances became evident. The avoidance of 'state bankruptcy' (an expression reiterated daily in the press) was financed by households, in two senses. On the one hand, the cumulative decrease in net real wages was over 15 per cent in absolute terms in 1995–6. On the other, a long-term trend in the structure of domestic demand was initiated, with a shift from 'over-consuming' households and from the state (private and public consumption) towards the economic sphere (fixed capital investment).

Figure 1.3
Private consumption, fixed capital investment and total domestic demand, 1990–2001
(% change over previous year)
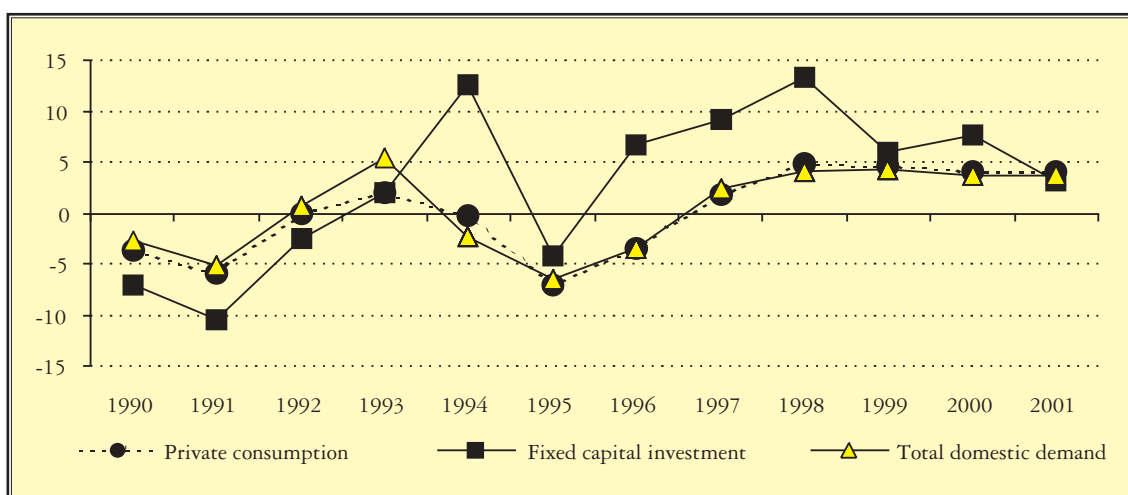
[9] *A conscious policy of attracting Foreign Direct Investment (FDI) started relatively early in Hungary, towards the end of the 1980s, when some liberalizing measures were introduced to facilitate foreign capital inflows. Later, privatization contributed to increasing FDI. Consequently, Hungary in some years of the 1990s had the highest FDI stock per capita of any CEE candidate country for EU membership. At present, the stock of FDI stands at around 25 billion Euros (Fóti, 2002).*

While investment in 2000 was 32 per cent higher than in 1989, household consumption still lagged 4 per cent behind its pretransition level. Moreover, the lag in net real wages was even greater (about 14 per cent). Although there has been a gradual increase in net real wages since 1997, it has yet to compensate for the decrease in the early 1990s and the negative side effects of the income redistribution in 1995–6.

The acceleration of consumerprice inflation (another side effect of the 1995 stabilization measures) proved temporary, so that the average rate of inflation in 2000 fell just below 10 per cent, for the first time in ten years. However, the year-on consumer-price index has remained stubbornly around 10 per cent. It did not decrease much in 2001 either, when it stood at 9.2 per cent. *Figure 1.4* shows, however, that it has not undermined the real value of net wages. The main reason for this lies in an increase in the minimum wage, which was considerable for the first time in January 2001 and again a year later.

Figure 1.4
Consumer price inflation (left-hand scale, %),
and net real wages (right-hand scale, 1989 = 100)
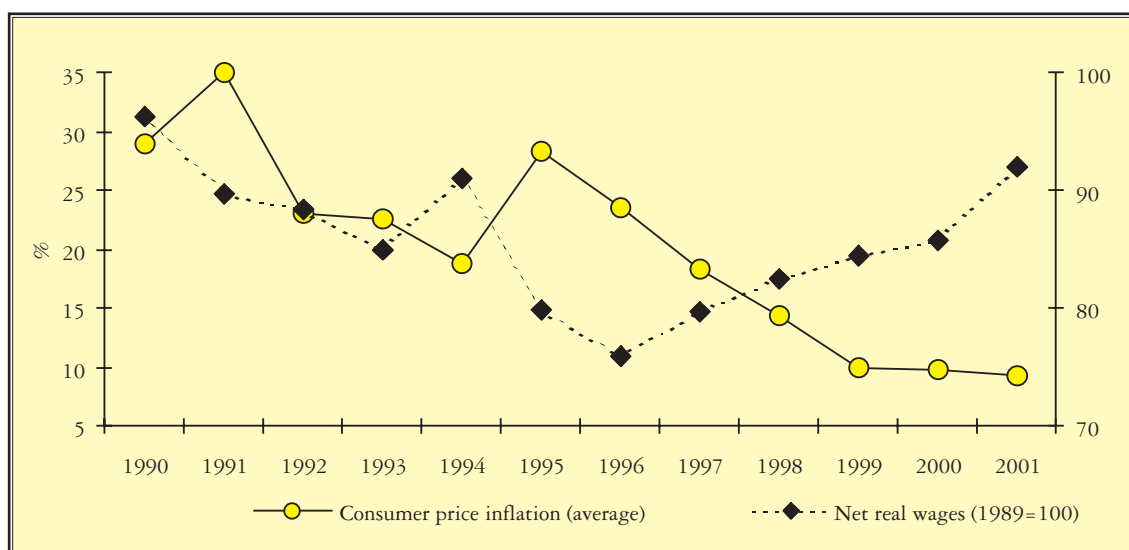
Source: CSO, Budapest, 2002.

It can be seen that although net real wages have recently increased, they have not returned to their pretransition level. The same applies to net earnings at constant prices. The purchasing power of net real wages has not reached its pretransition level in any category of goods except consumer durables.

1.2.2. INCOME DEVELOPMENTS

Price changes affected the various social groups in a differing ways, due to their different income levels and concomitant differences in consumption patterns. Whereas there was a favourable shift in prices for low-income households in 1999 (the prices of the main goods consumed primarily by them increased by less than the average), the process was reversed in 2000.

Understandably, the income position of the population also followed more or less the trend in GDP growth *(Figure 1.1).* Up to the mid-1990s, it decreased every year, due partly to a decline in the level of employment and partly to fall in real earnings. The real value of

Table 1.4
Consumer price index by households with
different incomes, 2001

Households by income groups	2000=100,0
Low-income households	110,4
Middle-income households	109,3
High-income households	108,0
Population total	109,2

Source: CSO, 2002.

pensions also dropped in a similar way, while the number of pensioners grew significantly. The overall result was not only a decline in the total income of the population, but particularly among lower-income households, a drop in the share of income from work (parallel with an increasing share of social transfers). In 1997, the income level of the population began to rise, although initially the growth was almost imperceptible. According to data from the household budget surveys (for details, see Chapter 2), the net average annual income per capita amounted to HUF 425,000, which was a 7 per cent increase over the previous year in real terms. In the uppermost income decile, the average income was HUF 938,000, whereas in the lowermost decile it amounted to only HUF 167,000. The 5.6 ratio between them is lower than the value estimated by the income surveys.[10] Although the very poor and people with outstandingly high incomes are under-represented in the household budget survey, it reflects well the changes and trends over time and the differences in living standards of the various social strata.

Table 1.5
Net income per capita of the population in nominal value and
at constant 2000 prices, between 1989 and 2000 (HUF/capita/year)

	1989	1991	1993	1994	1995	1996	1997	1998	1999	2000
Nominal value	76380	109982	143968	169513	195947	220696	254648	306566	361512	424596
Constant price	615682	509462	442604	438668	395533	360430	351545	370270	396940	424596

Source: CSO household budget surveys.

Figure 1.5
Net income per capita of the population in real value, at 2000 prices
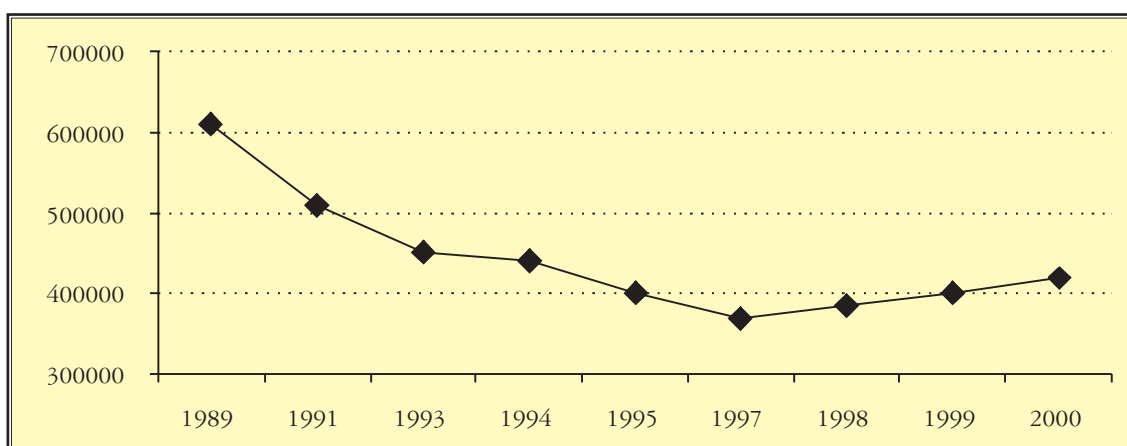
Source: CSO household budget surveys.

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[10] *This is the reason why when the income survey is used instead of the household budget survey to present income inequalities in Chapter 2, although the former is not carried out on a regular basis. It was conducted only once after the political changes, in 1996, and the data were extrapolated to 1997.*

Hungary has successfully integrated into the world economy in the last decade. (Trade has reoriented towards the EU countries, so that by 2001, about three-quarters of the country's exports were directed there.) Furthermore, signs of gradual convergence with the EU in some areas can be observed, as the next chapter points out. However, *there are still huge disparities between the various social groups in their living conditions. The benefits of the recent economic growth do not seem to have reached the most vulnerable groups.*

Long-term demographic developments can also be a source for concern. Although the labour market has shown signs of improvement recently, deeprooted problems still seem to prevail. These are the topics to which we turn next.

1.3. DEMOGRAPHIC TRENDS AND MAIN FEATURES OF HEALTH STATUS

This section outlines some demographic trends. It also looks at the reasons behind them, particularly for the high mortality, which involves discussing the main aspects of the health status of the Hungarian population.

1.3.1. DEMOGRAPHIC TRENDS

There have been many debates in Hungary about demographic changes and the likely prospects, understandably, in the light of the deteriorating trends to be detected. A low birth rate coupled with high mortality had produced a demographic crisis by the 1990s (Gárdos, 2000). The live birth rate was already falling in the early 1980s below the level of the 1960s. This, along with the deterioration in mortality, began to produce a decline in the population in 1981, which exceeded 10.7 million at the time. This decline has continued steadily ever since. Although there was a slight improvement in

2000, the natural decrease in that year (38,000 people) remained considerable. The live birth rate stabilized at 11–12 per thousand in the first half of the 1990s, which was not appreciably different from the rate in most developed Euro-pean countries. The indicator fell to 10 per thousand and under after 1996, following the aforementioned stabilization package of 1995, which curbed some disbursements to families. That worsened Hungary's position by international standards, although it was by no means unique. On the other hand, the mortality rate of about 14 per thousand found in the late 1990s, was still highly unfavourable by international standards. It was due mainly to high mortality among men, especially middle-aged men. The details of this are covered in the next sub-section.

Due to the decreasing birth rate, Hungary showed a similar ageing population to most other countries in Europe. *Figure 1.6* compares the population below the age of 16 with that of elderly (over 60).

Over the decade between 1990 and 2000, the dependency ratio of the elderly (the proportion of the population over 65 to the population of working age – i.e. 15–64) has increased from 20 to 21.4 per cent.

Women live an average of eight years longer than men and usually marry men older than themselves, so that many women remain alone in old age. This means that the majority of single-member households consist of women, as *Table 1.6* shows. This has important implications for poverty. (For details, see Chapters 2 and 3.)

The ageing of population and the high incidence of nucleus families mean that increasing numbers of households consist of elderly members only. This type of household now represents a quarter of all Hungarian families *(Table 1.7),* while the share of households consisting of one woman is 17 per cent. *(Table 1.6)*

16

Figure 1.6
Number of children below 16 and elderly above 60 years, 1989–2000
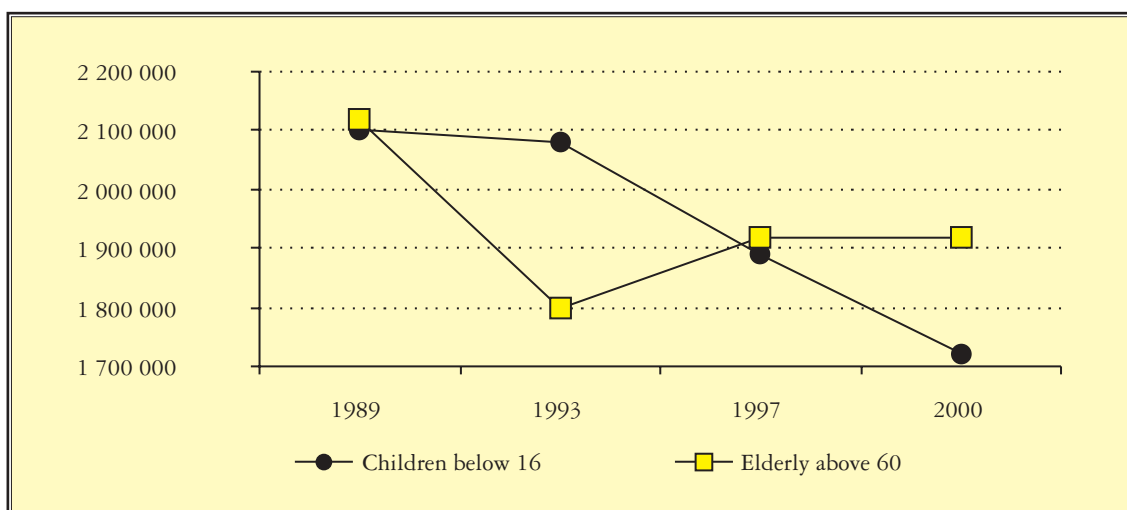
Source: CSO, Statistical Yearbook.

Table 1.6
Number and share of households by types of households, 2000

A háztartás típusa	Households	Members	Households	Members
a benne élők szerint	Number		Share, %	
One-member household (male)	231 342	231 342	6.2	2.3
One-member household (female)	644 477	644 477	17.2	6.5
Couple with no child	825 659	1 651 318	22.0	16.6
Couple with child/children	1 038 143	4 005 430	27.7	40.2
Single parent and child/children	28 345	726 660	7.6	7.3
Other	72 953	2 693 818	19.3	27.1
Total	3 750 919	9 953 045		

Source: CSO household budget survey, 2000.

Table 1.7
Number and share of households by age cohorts of members, 2000

Type of households by age	Households	
cohort of members	Number	Share, %
Only young people (below 30)	265 961	7.1
Only middle-aged (30–60)	612 407	16.3
Only elderly (above 60)	944 445	25.2
Young people and middle-aged	1 414 955	37.7
Middle-aged and elderly	281 343	7.5
All three cohorts together	184 091	4.9
Young people and elderly	47 717	1.3

Source: CSO household budget survey, 2000.

An obvious contribution to the deteriorating demographic trends in Hungary has been made by the unfavourable health status of the population. This applies especially to the period from the mid-1960s and to the mid-1990s. Mortality among men aged 35–65 years increased steadily over the three decades up to 1993, before starting to decline. The long deterioration meant that even in 2000, the mortality of this cohort was higher than it had been 70 years earlier, during the world depression. These developments, together with similar, albeit much more moderate trends for women, caused a low average life expectancy at birth, which stood at 72.3 years in 2001. Although this was the highest value observed in Hungary in the last hundred years, it cannot by any means be regarded as high by international standards. The figure in Western Europe stands at 76–79 years, and it is higher than in Hungary even in most former socialist countries of Central and Eastern Europe. In Hungary, the average life expectancy is actually lower than the level of per capita GDP would predict, which according to some estimates (calculating at purchasing power parity) would be 74.6 years (Józan, 2002).

It is difficult to identify the exact reasons for these developments, but it has become clear that the health-damaging habits such as smoking, high alcohol consumption, eating habits (high-fat and high-calorie foods) and insufficient physical exercise have been dominant factors.[11] The high incidence of these factors is reflected also in the morbidity data for the whole population, so that they seem to influence their health status to a significant extent. Hungary is among the countries with the highest mortality.

Mortality caused by circulatory diseases has increased especially. (It is double the EU average for both males and females.)[12] Hungary is also among the leaders for mortality associated with malignant tumours. The proportion of the population suffering from diabetes is a high 4 per cent, with the incidence rising with age (Central Statistical Office, 2002.) Several of the diseases whose incidence is high can be ascribed primarily to smoking. These include the chronic lower respiratory diseases, including chronic bronchitis and emphysema. The incidence of some diseases is compounded by environmental factors, for instance pulmonary asthma, which affects all generations and more than 1 per cent of the population. A further group of factors relate to social and economic circumstances. Among the most important of these are housing conditions, which are discussed in the next section in relation to social exclusion.

Depressed social conditions are often combined in many areas of the country with bad environmental conditions. Hence it is not surprising that there are serious regional and social differences in the health status of the population. These are reflected, for example, in wide territorial differences in average life expectancy at birth. Here the best-situated regions are Budapest and the highly developed Western county of Győr-Moson-Sopron, neighbouring Austria. The lowest values have been measured in small settlements with less than 1000 inhabitants, and in counties in the north-eastern and eastern part of Hungary. (See *Table 1.9* in the second part of this chapter.)

Some recent investigations have shown that mortality differences among various social groups have increased over the last three decades. For example, rising differences

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[11] *The relevance of habits detrimental to health was detected in the ten most frequent causes of deaths ("nozological entities"), which led to ninetenths of all male deaths between 35 and 64 years. (These causes of death include malignant tumour, coronary diseases, chronic diseases of the liver and contracted liver and cerebrovascular diseases, accidents, suicides, and chronic lower respiratory diseases like chronic bronchitis, emphysema, etc.). See: Józan, 2002.*

[12] *This is explained not only by the ageing, but by the rising incidence of coronary and cerebrovascular diseases. The most recent data show, however, that the incidence of these and other diseases attributable to high blood pressure has ceased to grow in the last couple of years, and in the case of the latter, a decline can be observed over the last decade (Józan, 2002).*

according to educational attainment (especially among men) can be clearly detected. The differences in average life expectancy at birth are especially conspicuous between those with high and low educational attainment (Klinger, 2001.)

A strong influence on health status from all these factors and interplay between them is apparent in the situation of the Roma. Apart from the other disadvantages they face, they seem to have a much worse health status than the majority population. According to some estimates, they live about 10–15 years less long than the average. (Although the birth rate is higher among the Roma, so is the infant mortality rate – Losonczi, 1997.)

After the deteriorating trends of the recent past, many data now point to an improving trend in the health status of the Hungarian population. For example, the average life expectancy at birth has been rising since the late 1990s, so that the process of catching up with other CEE countries at a similar level of economic development seems to have started. Due to the complexity of factors influencing health status, however, there is still much to be done not only in health policy (which itself has many challenges to face), but also in the broader area of social policy. An improvement in equal opportunities could also help in this respect, and efforts to raise health awareness as an important value could contribute to producing a better health status for the Hungarian population.

1.4. KEY EMPLOYMENT TRENDS AND MAJOR CHANGES IN EDUCATION

As the next chapters show, the labour-market position of the adult members of households plays a key role in shaping their income situation, and there is a close connection between bad position and poverty. Trends in employment in a given period obviously have an important impact not only on the labour-market position of individuals, but through this, on human development in general. It is therefore worth giving a brief overview of the trends in this respect over the period of economic transition. Tensions on the labour market have also brought changes in the employment situation of women. This section considers some of the main aspects of these changes.

Employment trends depend not only on labour demand (determined mainly by economic development, touched on in the first section), but also on the supply side. In this respect, a crucial role is played by education, a topic with which this section is also concerned.

1.4.1. KEY EMPLOYMENT TRENDS

As mentioned, the situation on the labour market has recently been showing signs of improvement. Employment has increased, although the increase slowed last year. It is clear that the more favourable situation can be attributed primarily to the economic growth of the past few years, but restrictions on the eligibility conditions for unemployment compensation may have also contributed to lower unemployment rates. Despite the recent improvement, the share of economically active in the working age population, at 59.9 per cent in 2000, is still very low even compared with other CEE countries, let alone EU memberstates. The employment rate, at about 56 per cent, is roughly equal to that of less developed Mediterranean EU members (Greece and Spain).

During the period of economic transition, Hungary, like most other CEE countries, saw unemployment rise to levels comparable to those classed as high in developed countries. The drastic fall in employment in the early 1990s was the result of declining output, which in turn had been caused by the contraction of foreign and domestic demand and the collapse of the giant state-owned enterprises. Consequently, the Hungarian labour force shrank by over 1.5 million between 1988 and 1997. *Figure 1.7* shows the GDP trend mirroring to some extent the employment developments (see *Figure 1.1).* The number of registered

unemployed peaked in early 1993 at 663,000, giving an unemployment rate of 13.2 per cent. Although the number of unemployed fell after 1993 (and has been falling continually since), it did not mean at this stage that the labour-market imbalances had eased to any considerable extent. Employment fell quite significantly, by more than 200,000, even in 1994. Meanwhile the Labour-Force Survey data show an increase in long-term unemployment, from 91,000 in 1992 to 186,000 by 1994. So it can be assumed that the drop since 1993 has been due mainly to tighter eligibility conditions for unemployment benefit. These were introduced in 1992, when the rapid increase in unemployment put strong pressure on government spending. The entitlement period was cut initially from two years to 18 months, and then in late 1992 to one year, which caused large falls in registration. In addition, the ratio of benefit to last wage (the replacement ratio) was reduced. So the more restrictive system offered less incentive for the unemployed to register.

Favourable developments in the economy in the late 1990s are also reflected in the labour-market indicators. Employment increased moderately at the beginning, by more than 50,000, and later more conspicuously, by more than 110,000, although the latter was still only a rise of 3.1 per cent. The recent rise in employment, however, did not offset the big decline at the beginning of the transition period, so that the employment level is still well below what it was before the transition. Nor has it regained the level of 1992, as *Figure 1.7* shows. The fall in the number of unemployed has continued and now stands at less than 260,000, which has meant much lower unemployment rates recently *(Table 1.2)*. An undoubted contribution to the impressive improvements in the unemployment figures came from a further cut in the entitlement period for unemployment benefit in 2000, to only nine months.

Figure 1.7
Trends in employment (indices, 1989 = 100) and the unemployment rate (right-hand scale) between 1990 and 2001
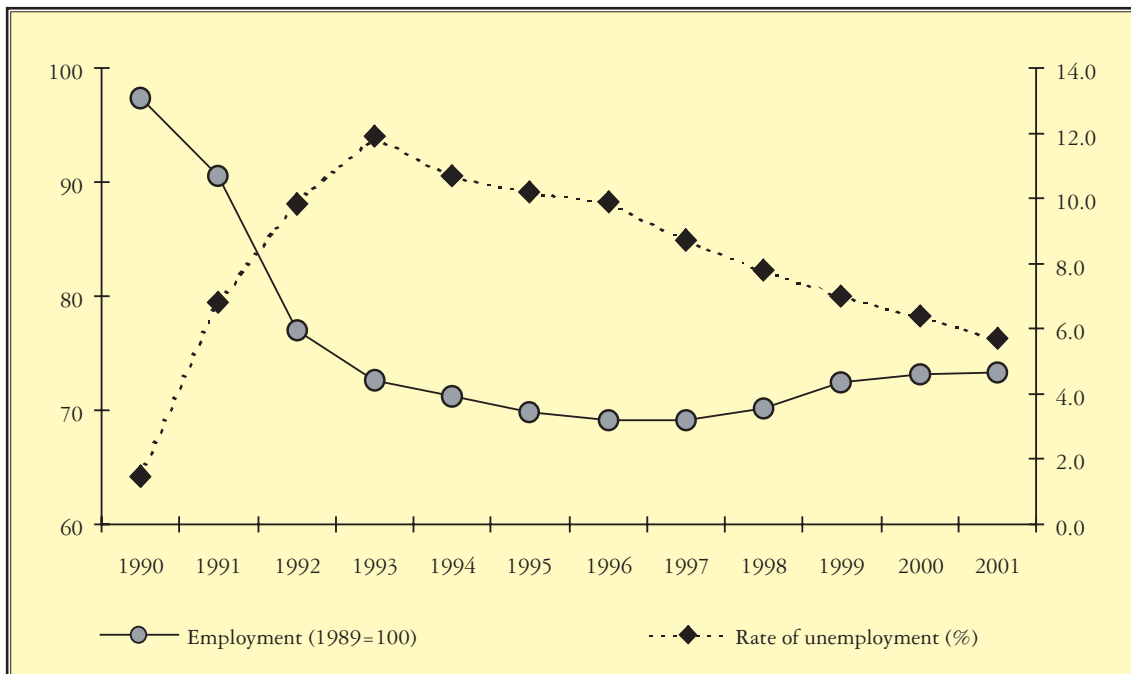
Source: CSO, Budapest.

It should to be noted that the growing imbalance in the labour market led not only to unemployment, but also to a sharp fall in the population's participation rate in economic activity at the beginning of transition. The CEE countries in the statesocialist period, including Hungary, had participation levels far higher than the developed market economies. Participation has now fallen to a level comparable with Western countries, partly because of measures against unemployment and partly because of massive voluntary withdrawal from the labour market. Examples of the former are 'soft' methods of laying off workers – widespread resort to preretirement and early-retirement schemes and to disability pensions, especially in the first half of the decade. Since the beginning of transition, it has also been a conscious policy to raise the number of students in higher education, which again reduces the labour supply. (As a result, the number of students in higher education more than doubled between 1989 and 2000, from 72,000 to 171,000.)

The female unemployment rate has always been lower than the male in Hungary, since unemployment emerged, which is unusual in the CEE region. However, the fall in women's activity has been greater than men´s, contributing largely to the decreasing total participation mentioned already. One of the main reasons is that women faced with the difficulty of finding a job were more inclined to choose early retirement schemes as a preferred way of withdrawing from the labour market: several hundred thousand took early retirement or simply became housewives. The fact that the retirement age used to be low under the planned economy (55 years for women, 60 years for men) contributed to the widespread use of these schemes. (Recent data also reflect these developments: the gender gap is the greatest in the activity rate of the 55–59 age group, where it stands at 45.9 per cent for men and only 16.6 per cent for women.)

The process of economic transition from a planned to a market economy had catastrophic consequences especially for the Roma people, the largest ethnic minority in the country. These effects are most apparent in the labour market. The industrialization process that took place under the planned economy facilitated the integration of Roma into a more modern, industrial society, although their inclusion remained unstable even at that time, mainly because of the delay in this and the discrimination against them. This meant that they remained at the bottom end of the labour market, which made them vulnerable to any kind of changes there. Predictably, therefore, Roma were among the first to become unemployed in the late 1980s, when the first signs of economic crisis appeared, before the transition from a planned to a market economy. Most of those who lost their jobs found themselves unable to re-enter the labour market, and most of those who managed to nonetheless lost their chances of permanent employment. (Fóti, 2002b). These trends are clearly reflected in the data available. Representative surveys of the Roma show that between the mid-1980s and mid-1990s, their employment rate dropped from 75 to 30 per cent. A survey in the mid-1990s also indicated that Roma employment had characteristically high inflow and outflow rates 'and an employment pattern – familiar from the Third World – of unstable employment and short employment spells emerging' (Kertesi, 2002).

It has to be emphasized that despite the low unemployment figures, shown in the official statistics, a massive number of Hungarians do not have a job. Absence from the labour market constitutes the most important risk factor in the incidence of poverty.

1.4.2. THE POSITION OF WOMEN

The position of women and their role in the economy and society have undergone important changes during the transformation years. However, the topic has already been

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[13] See, for example, various articles and papers written by Olga Tóth, Mária Frey, Katalin Lévai, Marietta Pongrácz, Róbert Kiss, Beáta Nagy, Judit Lakatos, Zsuzsa Széman, Tamás Gyulavári and others.

dealt with by several authors,[13] so that only some important features need be mentioned here.

The participation of women in national politics and public life remains very low, one manifestation being their small share of the seats in Parliament. The complex of reasons for this relates embraces perceived gender roles in Hungarian society[14] and economic and other factors arising from the traditional division of labour. However, women have gained a greater role in local politics, where personal contacts and ability to display empathy play a greater part (Tóth, 2000).

The tensions apparent in the labour market in the last decade have substantially reduced the economic activity of women, although the rate of female unemployment remains lower than for men, which is not the case in other Eastern European countries. The main reason is that many women, faced with the difficulty of finding work, withdrew from the labour market altogether: several hundred thousand took early retirement or became housewives. Widespread resort to early retirement was aided by the low retirement age under the planned economy (55 for women and 60 for men). Recent data also reflect these developments: the gender gap is greatest in the participation rate of the 55–59 age group – 45.9 per cent for men and only 16.6 per cent for women. However, the work participation rate of women in Hungary seems to have been affected not only by economic factors, but by value considerations, or rather changes in these. Surveys in the second half of the 1990s showed marked increases in the proportions of both men and women wanting the mothers of children under six to withdraw from employment altogether – this view was held by over half the population. Nonetheless, most mothers raising a child aged three to six actually work full time, provided there is no other small child in the family (Tóth, 2000). The other reasons for this discrepancy between values and reality are probably economic in the main: constraints of livelihood or women's problems with reentry into the labour market after an extended absence.

In addition, there are obviously institutional factors behind the decline in female employment. The number of places in daycare centres for children under three fell to half after blanket subsidies were withdrawn in the 1990s. Institutional factors also help to explain the relatively low rate of female unemployment in Hungary. Some income for mothers at home with children under three or two is provided respectively by flatrate childcare benefit (GYES) and previous-earnings-related childcare allowance (GYED, reintroduced on January 1, 2000).

1.4.3. MAJOR CHANGES IN EDUCATION

A shift towards a higher level of educational attainment could be detected in the Hungarian population in the 1990s. This applies especially to the labour force, where the more favourable composition can be attributed also to the fact that when tensions emerged, most of those who lost their jobs and left the labour market were unskilled workers. At all three education levels – primary, secondary and tertiary attainment – the share in the relevant population has increased, as *Table 1.8* shows:

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[14] *According to Olga Tóth (2000), 'Hungarian society can be regarded as rather conservative in its gender stereotypes. This could be a reaction to the feminism and emancipation propagated under communism.'*

Table 1.8
**Share of those with primary, secondary and tertiary educational attainment
in the population of relevant age**

	Proportion with		
	Primary	secondary	tertiary
	educational attainment within the population		
	15 and over	18 and over	25 and over
1990	78,1	29,2	10,1
1996	85,2	34,7	12,1
2001	88,2	38,2	12,3

Note: For the years 1990 and 2001, Census data, for the year 1996, Microcensus.
*Sources: Életminőség és egészség (Quality of Life and Health). Budapest: KSH (Central Statistical Office),
2002. For the year 2001: Statistical Yearbook of the CSO, 2002. Budapest: KSH*

Besides the labour-market reasons, demographic developments also explain the rationale behind the conscious policy, mentioned earlier, of a higher intake into higher education in the early 1990s. Extremely populous age cohorts (due to large number of births in the early 1970s) were supposed to enter the labour market precisely as labour-market problems were emerging.

Over the 1990s, however, enrolment in higher education rose and secondary education also underwent expansion. Two main factors contributed to this:

(1) (1) There was a shift towards enrolment in secondary schools offering a school-leaving certificate (baccalaureate), as opposed to vocational schools and vocational-training schools. The share of primary-school leavers entering the former rose from about 47 per cent to about 70 per cent between 1989 and 2000.[15] At the same time, enrolment into vocational schools were dropping both in absolute and relative numbers (the share dropped by about 20%).

(2) (2) As a result of introducing a kind of post-secondary system, hitherto unknown in Hungary, it became possible for students of so-called vocational secondary schools[16] to study for an extra two years.

These developments can be explained directly or indirectly in terms of the labour market. The withdrawal of interest in vocational schools followed the collapse of the state-owned enterprises, with a dramatic fall in places for trainees. Meanwhile many of the occupations and skills that the traditional vocational-training system had provided became obsolete during the transition from a planned to a market economy. In addition, new labour market requirements emerged, demanding broader and higher skills. In an effort to meet these challenges, vocational-training schools were abolished as a separate class of institution in 2000 and their curricula adjusted to those of other secondary schools.

The aim of the new post-secondary system was obviously to facilitate adjustment to the changed labour market requirements, and prevent youth unemployment. As a result of this measure and of the expansion of the secondary-school system in general, enrolment proportions among 15–19-year-olds have reached the average for the developed countries. Nowadays, improving effectiveness

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[15] *Although in absolute numbers, enrolments in secondary schools offering a school-leaving certificate did not increase. This was certainly because of demographic trends, as decreasingly populous cohorts completed primary school in the 1990s. See: Halász, 2001.*
[16] *This is one of the two main types of secondary school offering a school-leaving certificate. It caters for students preparing for a higher education (through the examination obligation), while also providing a vocational qualification of some kind.*

has become the priority.[17] This is all the more important because a 1996 amendment to the Act on Public Education envisages raising the minimum school-leaving age from 16 to 18 years, and this provision applies first to those who entered the school system (first year of the primary school) in 1998. If the provision is enforced, it will automatically bring a further expansion. However, the details have yet to be worked out For example, such important questions are still open whether it should be implemented exclusively within the system of public education, on a full-time basis (Halász, 2001).

To sum up, education policy could play a crucial role in meeting new challenges from a changing labour market, and in smoothing the transition from education to work, which has become increasingly protracted and difficult in Hungary. (Recent experiences in the developed countries have been similar.) In this way, education-policy decisions could contribute to facilitating integration of the most disadvantaged social groups into society.

2) COUNTY DIFFERENCES IN THE HUMAN DEVELOPMENT INDEX IN 1999

The Human Development Index (HDI) was published by the United Nations more than a quarter of a century ago. The underlying concept behind the way that the composite index is calculated has remained unchanged since the outset. (Essentially, indicators of human potential are also considered, not just GDP.) But the specific method of calculation has altered several times. The calculations here have been made according to the following method, published in the *Human Development Report 2000.*

The HDI is based on three indicators, as follows:

(1) Longevity, as measured by life expectancy at birth.
(2) Educational attainment, as measured by a combination of two indicators: adult literacy – over 15 years of age – i.e. the inverse indicator of the rate of illiteracy (two-thirds weight), and the combined gross ratio of primary, secondary and tertiary educational enrolment. The second of these compares the full cohort with those enrolled in education at the three levels.
(3) Standard of living, measured by GDP per capita calculated at PPP USD.

The HDI calculations made in international statistics employ fixed minimum and maximum values. The thresholds (theoretical minima and maxima) used in calculating the index are these:

* Life expectancy at birth: 25 years and 85 years.
* Literacy: 0 per cent and 100 per cent.
* Combined educational enrolment: 0 per cent and 100 per cent.
* GDP per capita: USD 100 and USD 40,000 at PPP.

An individual index for any component of the HDI can be calculated by the following general formula:

$$Index = \frac{x_i - x_{min}}{x_{max} - x_{min}}$$

where x_i is the actual value of the variable, x_{min} is the set minimum for the variable, and x_{max} is the set maximum for the variable.
The GDP data enter into the calculations as a surrogate for the components of development that are not reflected in the health and the knowledge indicators. In other words, this indicator proxies for the standard of living.

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[17] *According to Halász, 2001, further expansion is not relevant. The main objective of education policy should rather be to manage the expansion that has taken so far. Similar conclusion could be applied to higher education, where the increase in teaching staff has not kept pace with the rise in the number of students. As mentioned in the previous section, the number of full-time students were about 2.3 times higher in the late 1990s than at the beginning of the decade. At the same time, the number of full-time lecturers increased by only 30 per cent. These developments, together with a large drop in state support for higher education – down to less than half in real terms – have obviously adversely affected its quality. See Stark, 2002.*

The equation for applying GDP in the HDI is based on the assumption that it is not necessary to possess unlimited income to reach a requisite, acceptable level of development. To reflect this, a logarithmic transformation that retains differences in the orders of magnitude is employed, according to the following formula:

$$W_{(y)} = \frac{\log y - \log y_{\min}}{\log y_{\max} - \log y_{\min}}$$

Thus the HDI is calculated in the following way:

1. Calculation of the life-expectancy index (a).
2. Calculation of the adult literacy index (b).
3. Calculation of the combined educational-enrolment index (c).
4. Calculation of the composite educational-attainment index (d = (2b + 1c)/3).
5. Calculation of the discounted GDP per capita index (e).

After calculating the indices, the HDI is obtained by averaging the components concerned.

$$HDI = \frac{a + d + e}{3}$$

The values for the HDI range along a scale from 0 to 1, where a value closer to 1 denotes a relatively developed area and a value closer to 0 a relatively undeveloped area. According to UN figures, Hungary in 1988 had an HDI value of 0.817, which was close to the values for such European countries as Slovakia and Poland, and 43rd among the countries of the world.

The method allows the HDI to be calculated for territorial units and regions, not just at national level, so long as the requisite data are available. The calculations in this chapter refer to the Hungarian counties and the capital city (20 territorial units) in the examined year of 1999. Calculating at county level raises some specific methodological difficulties, which can be corrected by estimation. A difficulty arises in obtaining territorial information because accurate information on most characteristics of the population is available only from census returns. In Hungary's case, county-level figures for GDP have been available since 1994 (with 1999 as the most recent year of publication). Since territorial price indices are not published, the PPP values for GDP have been estimated based on the national index. The Central Statistical Office also publishes county-level statistics for life expectancy at birth. Justifiably in view of the strong difference in life expectancy between the sexes, as mentioned before in this chapter, these are given separately for men and women. The overall county life-expectancy values have been arrived at here by taking an arithmetical average of the two figures. The index of literacy (which has a value of over 99 per cent nationally and hardly differs territorially) has been based on the county data in the 1996 micro-census, since the data for the latest full census have not yet been published. Distortion occurs in the county data for the components of the composite educational-attainment index because the place of residence and place of study of students may be different. (This tends to improve the data mainly for the capital and the counties containing the largest provincial cities and impair the data for the neighbouring counties.) The basic county data employed to calculate the HDI and the county HDI values themselves are shown in the attached table and map. The values for the counties are directly comparable with the values for the UN countries. The regional HDI values are population-weighted averages of the county data.

Table 1.9
County differences in the Human Development Index in 1999

County, region	Population ('000., 2000)	HDI99*	Basic components of HDI			
			Life expectancy at birth (years)	Adult literacy rate (%)	Combined gross enrolment ratio (%)	GDP per capita (PPP, US$)
Budapest	1812	0,866	71,6	99,7	80,3	20400
Pest	1033	0,790	70,2	99,0	63,3	8700
Central Hungary	*2844*	*0,838*				
Fejér	426	0,821	70,7	99,5	70,5	12200
Komárom-Esztergom	310	0,805	70,4	99,5	73,4	8900
Veszprém	373	0,805	71,4	99,6	70,7	8500
Central Transdanubia	*1108*	*0,812*				
Győr-Moson-Sopron	424	0,841	72,1	99,7	74,2	14000
Vas	266	0,823	70,5	99,6	71,3	12600
Zala	293	0,813	70,7	99,5	75,2	9600
Western Transdanubia	*983*	*0,827*				
Baranya	401	0,798	70,0	99,3	72,7	8300
Somogy	330	0,789	70,2	98,9	71,2	7400
Tolna	244	0,805	70,1	98,6	73,8	9500
Southern Transdanubia	*975*	*0,797*				
Borsod-Abaúj-Zemplén	730	0,788	69,6	98,8	75,2	7200
Heves	323	0,800	70,8	99,2	75,4	7700
Nógrád	217	0,776	70,2	98,7	71,2	5900
Northern Hungary	*1269*	*0,790*				
Hajdú-Bihar	542	0,797	70,6	99,1	73,7	7700
Jász-Nagykun-Szolnok	412	0,789	69,7	98,8	75,1	7200
Szabolcs-Szatmár-Bereg	570	0,773	69,3	98,9	72,0	5900
Northern Great Plain	*1523*	*0,786*				
Bács-Kiskun	532	0,796	70,7	99,1	73,2	7500
Békés	392	0,796	70,8	99,5	73,8	7300
Csongrád	418	0,815	70,8	99,5	78,7	9200
Southern Great Plain	*1341*	*0,802*				
Hungary	*10043*	*0,817*	*70,6*	*99,3*	*75,0*	*10700*

* The HDI figures for the regions are population-weighted averages of the county figures.

The following are the main conclusions to be drawn from the values obtained from the calculations:

* * The spatial structure of county HDI follows the territorially most differentiated of the basis components used in the calculation – the trend in GDP per capita – in spite of the logarithmic transformation made to dampen the differences. The picture is much more even for the other indicators of human development.

* The calculations confirm in all essential respects the new spatial structure of Hungary that had developed by the turn of the millennium, above all the conspicuous level of development of Budapest. (The value for the capital, according to data in UN sources, is equal to the HDI score for Malta in 1998.) Consequently, the Central Hungary region likewise displays an HDI value higher than average. (Pest, with its exceptional degree of interpenetration with Budapest, is probably the county least justifiably treated as a separate territorial unit. The conspicuously unfavourable indicator for educational attainment, for instance, is largely explained by the fact that many of its young people travel to schools in the capital, which the statistics do not reflect.)

* The Western regions show a clear advantage on a regional and a county level. Of the regions, Western Transdanubia is above the average, while Western Transdanubian counties

(Győr-Sopron-Moson, Vas) are also at the top, with only Fejér County approaching them.

* Csongrád is the only county in the East and North of the country to approach the average, thanks mainly to the economic growth and great educational traditions of Szeged, its county seat.

* The calculations show that Eastern Hungary and the Northern Great Plain are in the least favourable positions. These regions contain the counties with the poorest scores: Nógrád and Szabolcs-Szatmár-Bereg. (The values for these counties are slightly higher than the national 1998 HDI values for Bulgaria and Romania published by the UN.)

* The fact that there is no regular continuum from West to East is shown

by Southern Transdanubia, which scores far worse than the fast-growing regions of the West. The good position of Tolna in the region is due only to the exceptional value production of the nuclear power station at Paks. It is also worth noting that Pécs, the most important intellectual and cultural city in Transdanubia, cannot compensate for the unfavourable economic and human characteristics of the decaying, crisisridden small villages of Baranya.

The results of the calculations are consonant with the findings of Hungarian territorial researches by different methods, which confirm clearly that any turn towards a better-balanced spatial structure is still to be awaited in Hungary's regional development.

Figure 1.8
Territorial differences in the human development index (1999)
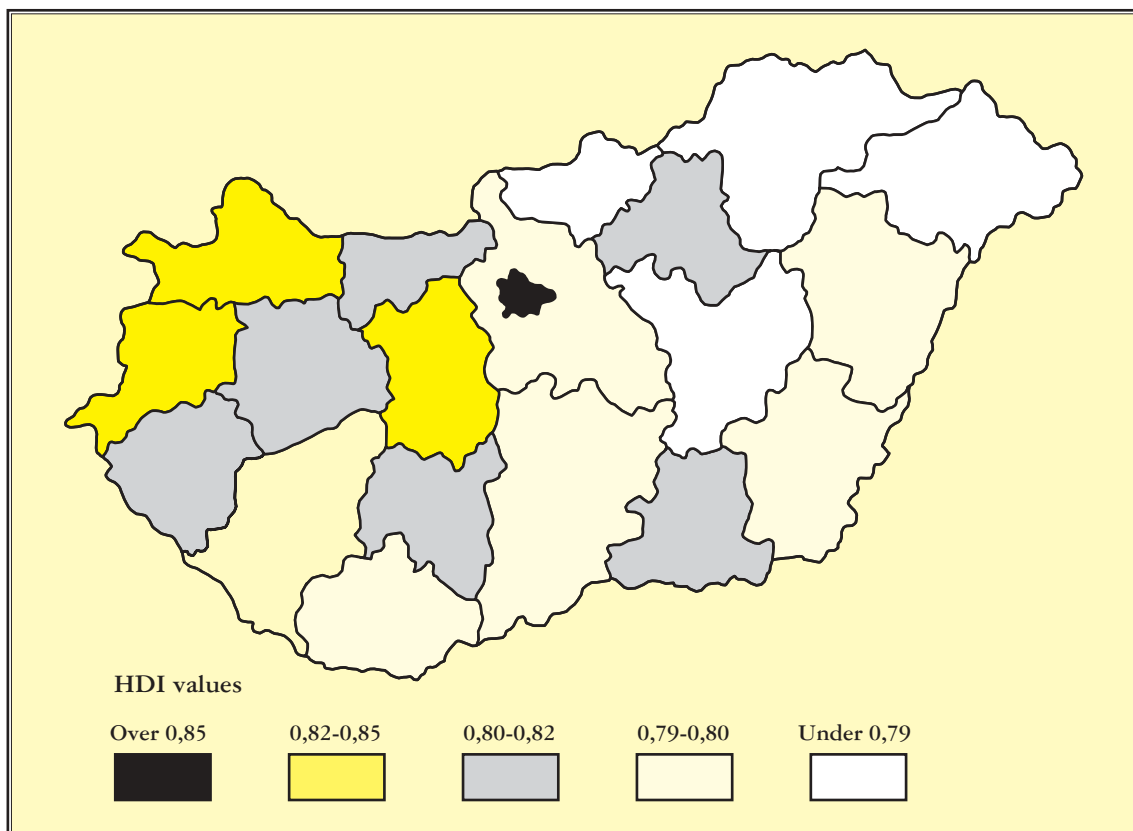
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CHAPTER TWO

POVERTY AND SOCIAL EXCLUSION IN HUNGARY TODAY

INTRODUCTION

This chapter deals with poverty in the specific form of cumulative (human) poverty[1] and social exclusion. The concepts of cumulative poverty and social exclusion are used here to describe the same phenomenon, but it is necessary to distinguish them because they look at the subject from different points of view. Cumulative poverty is primarily the outcome. It focuses on deprivation of goods available to the majority of people. With exclusion, the main emphasis is on the processes that produce the poverty. People can be regarded as cumulatively poor if they suffer at least three out of the five dimensions of poverty (i.e. income poverty, consumption poverty, subjective poverty, housing poverty, and housing-equipment poverty).

This study makes a statistical and sociological analysis based on the findings of a nationally representative household survey. It does not examine the role either of the state and its system of welfare provisions (like the works of Zsuzsa Ferge) or the historical processes of poverty in this country (like some studies by Júlia Szalai). Its novelty and importance lies in examining a slice of society, containing over 400,000 households and 1 million people (10–12 per cent of the country's population), of which, for various reasons detailed in Chapter 1, little is said in today's Hungary. Yet it threatens permanent social dichotomy and disintegration and 'by simply following a succession of ever-failing experiments over a century and a half, may lead to a new blind alley in modernization.'[2]

Since the analysis rests on the household budget surveys of Hungary's Central Statistical Office (CSO), it does not include information on the homeless or so-called 'institutional households' (i.e. people living in various institutions such as homes for the elderly or disabled) – two of the most exposed and socially excluded strata in society. Something more certain about the size of these strata will emerge from the imminent census returns. The number of homeless can be put at 50,000 persons (although the estimates range widely). The institutionalised sick and elderly, who also fall out of social circulation, can be estimated at another 50,000. So the two strata together constitute about 1 per cent of the total population. Another shortcoming of the analysis is its unfortunate inability to provide a picture of exclusion of the Gypsy community, or more generally, of exclusion deriving from ethnic affiliation. This type of information about the people covered by the survey is not available. Although many of the poor in Hungary are Gypsies, this fact cannot be quantified from the survey data.

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[1] The terms 'cumulative poverty' and 'human poverty' are treated thereafter as synonyms.
[2] Szalai, 1991.

Box 2.1.
Main characteristics of the CSO household budget survey
The regular household budget surveys made by the Central Statistical Office date back over half a century. The survey consists of four main parts. The main source of information is the household journal. Each respondent household keeps a record of its income and expenditure over a month. This makes available detailed information about the individual items of income and expenditure. The journal for the month is augmented by a questionnaire on the main demographic and socio-economic attributes of the household members. The questionnaire survey taken at the end of the year, provide information on the big items of expenditure and consumer durables. The next visit is made after the target year and the preparation of income-tax returns. That is when the detailed items of income for the previous year are recorded. This varied and extremely rich process of information gathering allows the household budget survey to be utilized in many different ways. The datagathering process allows a picture to be gained of the consumption standard, consumption structure, income situation, ownership of consumer durables, housing conditions, and opinions on certain subjects, for the whole population and for various socio-economic strata.

The population for the survey is the sum of all Hungarian citizens in Hungary living in households. The data collection therefore does not extend to institutional households. The survey uses representative data collection from the public based on voluntary responses, using a stratified, randomly selected sample. The sampling unit is the dwelling and the unit of analysis the household. The size of the sample in 2000 remained over 10,000, as it had been in previous years. The data from the survey are multiplied out using factors. Thus the 10,191 households surveyed represent 3,750,919 households. Participation in the survey is voluntary, as with the other household surveys with the exception of the census.

1. DEVELOPMENT OF INCOME INEQUALITIES AND POVERTY IN THE DECADE OF SYSTEMIC CHANGE

1.1. LONG-TERM TRENDS IN INCOME INEQUALITY

The change of political and economic system caused a marked restructuring of household incomes. As mentioned in Chapter 1, the rate of increase in income inequalities accelerated. The existing forms of inequality became more pronounced and further forms appeared.

Table 2.1
Shares of aggregate personal income held by population deciles
based on net personal income per capita, 1972–1997, %

Year	Deciles									
	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.
1972	4,0	5,9	7,0	8,0	8,9	9,8	10,8	11,9	13,8	19,9
1977	4,5	6,3	7,3	8,1	8,9	9,8	10,8	12,0	13,7	18,6
1982	4,9	6,4	7,3	8,1	8,8	9,6	10,7	11,9	13,7	18,6
1987	4,5	6,0	6,9	7,7	8,5	9,4	10,5	11,8	13,8	20,9
1995	3,3	5,0	6,2	7,2	8,2	9,1	10,2	11,7	14,1	25,0
1997	2,9	4,7	5,9	7,0	7,9	8,9	10,0	11,6	14,4	26,7

Note: The data for 1997 are extrapolated from the findings of 1995 income survey.
Source: CSO income surveys.

Table 2.2
The trend in the main inequality indices over time, 1972–1997

Index	1972	1977	1982	1987	1995	1997
Proportion of decile 10 to decile 1	5.0	4.1	3.8	4.6	7.5	9.2
Éltető-Frigyes index, %	196	184	182	199	236	
Robin Hood index, %	16.4	15.1	14.9	17.1	21.0	22.7
Gini coefficient	0.2322	0.2112	0.2060	0.2358	0.2964	0.3206

Source: CSO income surveys.

Box 2.2
The main inequality indices
To characterize the inequality of the income distributions, the values were calculated of four inequality:
* the ratio of mean income in the top income decile to that in the bottom decile, *i.e.*

$$D_{10}/D_1$$

* the Éltető-Frigyes index (Éltető and Frigyes, 1968), defined as the ratio of the mean income of those above the mean income of the population to that of those below the mean, *i.e.*

$$v = \bar{x}_2 \Big/ \bar{x}_1$$

$$\text{where} \quad \bar{x}_2 = \frac{1}{n_2} \sum_{i=1}^{n_2} x_i \left(x_i \geq \bar{x} \right) \quad \text{and} \quad \bar{x}_1 = \frac{1}{n_1} \sum_{j=1}^{n_1} x_j \left(x_j < \bar{x} \right), \ n_1 + n_2 = n$$

* the Robin Hood index or 'maximum equalization percentage', defined as the sum of the percentages above 10 per cent of the population deciles with income shares exceeding 10 per cent;
* the Gini coefficient.

The restructuring of incomes showed great differences between social strata and income levels. Neither earnings nor social provisions maintained their real values, which led to a *radical fall in the real value of average incomes.*

The reduction in the size of real individual earnings was accompanied by a *marked increase in the dispersion or inequality of incomes. The most pronounced change was an increase in the proportion of aggregate income earned by those with high incomes, but the impoverishment of the poor also accelerated.*

In 1987, the average income of the highest decile was 4.6 times the average income in the lowest decile. The proportion had risen to 7.5 in 1995, by which time the lowest-income decile of the population was earning only 3.3 per cent of the aggregate income and the highest decile 25 per cent. These trends strengthened in 1997.

The household budget surveys of the CSO, as mentioned in the previous chapter show smaller income inequalities than the income surveys do. This is because the former concentrate primarily on consumption and expenditure figures, while using incomes as background information. Until very recently, the household budget survey was based on responses from the population. Only in 1999 were imputation and correction included. However, it can be usefully applied to tracing the trends in income and income inequalities. This survey has been used to present the trend in individual incomes here because it was the only source available for estimating the

proportion of poor and the analysis in this paper rests on this source of data.

<center>*1.2. TRENDS IN POVERTY*</center>

The income data in Hungary are restricted in their reliability, so that several sources have been used to gauge the trend in poverty. Although there are differences in the proportions they yield (not to mention the calculation differences between them), the trends are similar which-ever source of data is chosen.

Table 2.3
The proportion of poor and size of the normalized poverty gap 1993–2000, %

	1993	1994	1995	1996	1997	1998	1999	2000
Calculated as 60% of median income (using the OECD 1 equivalence scale)								
Proportion of poor households	5,6	6,6	7,2	6,8	6,5	8,2	8,2	7,8
Poverty rate	5,5	7,2	8,0	9,2	8,4	10,3	10,9	9,3
Poverty gap	22,1	18,2	23,1	19,9	16,8	19,5	22,6	21,7
Calculated as 60% of median income (based on income per capita)								
Proportion of poor households	7,0	8,8	10,0	10,2	10,2	11,6	11,0	8,3
Poverty rate	9,6	12,5	13,5	15,4	15,3	16,8	15,8	11,8
Poverty gap	20,2	18,9	22,4	21,9	-	19,3	24,1	23,1

Source: CSO household budget surveys[3].

Table 2.4
The proportion of poor and size of the normalized poverty gap 1993–2000, %

	1995/96	1996/97	1997/98	1998/99	1999/2000	2000/2001
Calculated as 50% of median income (using the OECD 1 equivalence scale)						
Poverty rate	12,8	12,4	9,1	10,3	9,1	10,3
Poverty gap	29,9	32,6	30,7	25,3	26,3	26,8

Source: TÁRKI Hungarian Household Panel and Household Monitor surveys.

The proportion of the population living in income poverty is about 10 per cent at present. In other words, one Hungarian in ten is poor. There was a continual rise in the proportion of poor until 1996, since when it has shown fluctuations connected with the stop-go policies of successive governments. Similar conclusions can be reached about the depth of poverty. *Government measures affecting the system of social provisions have not rested on a uniform, consensus-based welfare-policy concept. Instead, successive governments devise their policy on poverty according to altering values and interests, with restricted budgetary scope for its implementation.*

The calculations in *Tables 2.3–2.4* are on the relative poverty indicator, starting from the income distribution in the country. To evaluate the livelihood relations of the poor, *Table 2.5* shows the subsistence level calculated annually by the CSO since 1995. This can be taken as an absolute measure of poverty in Hungary. In real terms, at constant (2000) prices, the subsistence level has been a

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[3] The author would like to thank her colleague Mrs Lajos Jarabek for making the calculations from the older databases.

relatively stable HUF 32,000–33,000 per month for a single person of active age. Of course, the subsistence level is calculated each year for each type of family. Such calculations are presented in subsequent sections.

Table 2.5
Subsistence level for one adult of active age at nominal values and at constant prices 1990–2000

	1990*	1995	1996	1997	1998	1999	2000
Nominal values	7,053	16,435	19,425	23,709	26,603	29,360	32,851
Constant prices	44,106	33,175	31,724	32,731	32,131	32,237	32,851

* The 1990 data were calculated by a different method.
Source: CSO subsistence-level publications.

1.3. POVERTY MEASUREMENT

1.3.1. TRADITIONS IN POVERTY MEASUREMENT IN HUNGARY

Investigations of poverty and attempts to derive numbers began in Hungary almost a hundred years ago, but they were discontinued for a long time after World War II, for ideological reasons. As mentioned in Chapter 1, the concept of poverty and even the term 'poverty' were taboo during the entire era of socialism. When it once again became possible to recognize poverty for what it was, there was no longer any interest in the subject. 'The subject of poverty was scratched from the list of subjects requiring serious discussion at about the very moment the political system changed'[4] and any demonstration of its existence was actually a criticism of the regime's ideology. Thus when the system changed, the subject lost its political topicality and was ignored, although the social significance of the problem increased steadily thereafter.

There are long traditions in Hungary of approaching poverty from the 'needs' side as well. The first poverty calculations of the so-called absolute type were made at the beginning of the 20th century. The Statistical Office produced and published a monthly 'subsistence level' from 1924 to 1944, while parallel calculations of this type were also made by the trade unions.

The first post-war calculation of a subsistence level was made in 1968 by the CSO. Although the political authorities of the time would not allow this figure to be published, it represented a great step forward in examining and recognising poverty. Similar calculations were resumed by the CSO in 1984. These were kept secret and duplicated in only 50 copies for internal use.

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[4] *Szalai, 1995 (in Hungarian).*

> *Box 2.3*
> ***Historical calculations of subsistence level and their susceptibility to comparative analysis***
> The consumption basket used by the Statistical Office to calculate the subsistence level in the 1930s contained 22 specific items that reflected the living conditions at the time. A calculation today would not include lamp oil and education and culture would not be represented simply by a schoolbook and a daily newspaper. Furniture, household equipment, pharmaceuticals and transport costs were all absent from the basket. Present, needs-based calculations start from goods and services considered natural and available to the majority, so that they are 'relative' in character and contain subjective elements. Absolute-type calculations, with all their errors, are extremely valuable. Unlike relative-type poverty measures, they allow comparisons over time using the same yardstick. This is especially important at times when a country's economic situation and people's livelihood relations change essentially over a short period. The last ten years have been such a period in Hungary. The subsistence level in 1987 was 53 per cent of the average income per capita at the time. In 1980, it was 80 per cent, in 1999, 73 per cent, and in 2000, 72 per cent. Of the relative poverty thresholds, 60 per cent of median income puts the poverty line at 54 per cent of average income, in other words, lower than the subsistence level.

1.3.2. POVERTY MEASUREMENT WITH VARIOUS POVERTY THRESHOLDS

Attempts to clarify the concept of poverty over several decades have reinforced the author's belief that there is no universally acceptable definition valid for all situations. Many people equate poverty with income poverty, or if they extend the use of the concept, they return to a monetary basis for measuring poverty.

Subsistence-level measures have been published and accessible to all since 1991. Although the CSO calculates and publishes *the subsistence level every year, these cannot be considered an officially accepted poverty line.* These values exceed substantially the income values that serve as a threshold for welfare entitlements.[5]

Alongside and instead of the subsistence level, poverty and inequality measures of a relative type are most frequently used. These are the most widespread in Hungary as well, where the poor are commonly considered to be the lowermost 10 or 20 per cent of the population by net annual income per capita (consumption unit), i.e. the first income decile or quintile. Others follow more closely the practice in Western European countries in defining the poor as those living on 50 or 60 per cent of the median per capita

income. Such figures appeared in Table 2.5 of the previous section. However, the two measures approximate very closely to each other. In 2000, half the median income (HUF 191,000) amounted to 90 per cent of the upper limit of the lowermost income decile. The importance of absolute-type poverty measures is unquestionable, although relative-type approaches to poverty appear to contain fewer subjective elements and are much simpler. In practice, what kind of measure is used depends most frequently on the paucity of available information, along with the purpose of the measurement.

The simplest way of quantifying poverty is to ask people how they gauge their own income situation. According to this definition, the poor are those who class themselves as such. Based on self-categorization, 6.5 per cent of households in Hungary today (540,000 households and almost 2 million people) can be considered poor, since that many classed themselves as 'very poor'.

Another subjective-type measure of poverty that has proved very useful is to ask households to estimate the sums of income required by households similar to their own to attain various subsistence levels. This allows the actual income of the households surveyed

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[5] *The discussion of the concept of poverty has been confined this year to a short summary, as detailed historical treatments of it have featured several times in this series of publications in earlier years.*

to be compared with the sums considered necessary for the subsistence of the type of household concerned. In 2000, the average per capita sum of income considered necessary for 'a very meagre livelihood' was HUF 22,000 a month, which was 8 per cent below the calculated value for the subsistence level. There were about 635,000 households (2.3 million people) living below that level of income.

It has been mentioned already that *Hungary has no declared, 'official poverty line'. The level for entitlement under welfare programmes is the minimum pension guaranteed by the state or some* *proportion of that sum, which amounts to 65 per cent of the subsistence level* calculated by the CSO. *This is the lowest of the poverty thresholds discussed so far; 4.8 per cent of households (7 per cent of the population) live on incomes lower than this.*

Tables 2.6 and *2.7* show the income levels of the various poverty lines and compare them with each other. The order is not necessarily permanent, but it has been stable in Hungary for many years. It can be hoped that as the country's economic situation improves, the threshold of welfare entitlement will rise above some of the poverty lines.

Table 2.6
Various income levels of poverty thresholds and the income of those living in excluded poverty, 2000, HUF per capita per annum

Poverty line	Income
Minimum pension (income ceiling for welfare entitlement)	199,200
60% of median income (based on per capita income)	229,229
Poor living in social exclusion (average income of those in cumulative poverty)	251,675
Subjective poverty threshold 1 (average income of self-categorized very poor)	268,944
Subjective poverty threshold 2 (sum deemed necessary for very meagre subsistence)	280,764
Calculated subsistence level	306,972

Source: CSO household budget survey, 2000.

Table 2.7
Numbers of households and persons living below various poverty lines and the proportion among them of those living in excluded poverty, 2000

Below:	Households		Persons	
	Number	Proportion excluded, %	Number	Proportion excluded, %
Minimum pension	177,993	53	696,591	54
60% of median income	310,495	46	1,177,229	46
Subjective poverty threshold 1	539,044	39	1,982,266	38
Subjective poverty threshold 2	634,685	35	2,293,453	34
Subsistence level	845,473	29	2,965,944	28

Source: CSO household budget survey, 2000.

2) SOCIAL EXCLUSION AND CUMULATIVE POVERTY

2.1. THE CONCEPT, MEASUREMENT AND CHARACTERISTICS OF SOCIAL EXCLUSION AND POVERTY

The concept of social exclusion, as a new, modern type of apprehension of poverty, began at the end of the 1970s to receive increasing attention in France and then Britain. The concept later altered and expanded, and its popularity was fuelled by interest from the European Union and its predecessor, where the term was adopted in 1985 during the EC presidency of Jacques Delors. The many EC-supported research programmes that started at that time were aimed at eliminating poverty and centred on the phenomenon of social exclusion. In March 1995, Hungary was among the countries to take part in a Copenhagen summit meeting arranged by the UN aimed at 'defining directions to be followed in social development' and to sign the Copenhagen Agreement committing it to eliminate poverty and social exclusion. The importance of combating social exclusion was again formulated in the European Social Charter (1996, Article 30). The greatest advance in the importance of the subject came with the 1997 Amsterdam Treaty, whose Article 137 calls for a comprehensive strategy for eliminating social exclusion in the EU countries. Although employment plays an essential role in social inclusion, people may also become excluded for other reasons not closely tied to work or employment. Activity to combat social exclusion needs to be manifold, also embracing housing conditions, health care, education and training, transport, communications, the welfare system, and social benefits. The Amsterdam Treaty is significant in this context because it not only declared the need to eliminate social exclusion, but designated areas beyond employment that needed to be considered.

A milestone in clarifying the concept and apprehending it empirically came with a recent study by Atkinson and others.[6]

Social exclusion denotes an isolation process in which individual people and social groups are left with no choice. It has been mentioned in the Introduction that social exclusion, as opposed to poverty approaches, places the emphasis in the exclusion process not on the 'outcome', but on the 'process', the 'mechanism' that results in and reproduces multiple deprivation. Directly or indirectly, poverty studies concentrate mainly on income, while exclusion studies take account of a combination of many other factors.

This study identifies social exclusion with the 'outcome': cumulative poverty and deprivation. It then confirms in several ways that this type of deprivation ties in closely with absence of autonomy, social participation and 'opportunities' and with weakness of national and institutional support systems. Absence of the requisite social participation and a weak ability to assert interests mean for some members of society that they are unable to exercise the civil and social rights to which all are entitled but only the majority secure.

To capture cumulative poverty empirically, five fields of 'deprivation' considered important were examined: (1) income poverty, (2) consumption poverty, (3) subjective poverty, (4) housing poverty, and (5) housing-equipment poverty.

Individuals and households are classed as being in cumulative poverty or excluded if they suffer from poverty in at least three of these five dimensions.

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[6] *Atkinson et al., 2000.*

> *Box 2.4*
> *The dimensions of poverty*
> The ceiling for *income poverty* has been set at the first quintile of personal net income. *Consumption poverty* is defined in terms of the proportion of spending on food within total expenditure. It was deemed to apply to households where the proportion was 45 per cent or more. The criteria of *housing poverty* are the social environment of the dwelling, the condition of the dwelling and the standard of facilities in the dwelling. (The calculation procedure changed somewhat from the previous year, as different background variables were available.) *Housing-equipment poverty* concerns provision of the household with consumer durables. Households are considered poor in this dimension if they possess a maximum of two of the appliances commonly found in Hungarian homes (colour television, automatic washing machine, vacuum cleaner, and refrigerator) and do not own another valuable consumer durable or a holiday home. *Subjective poverty* is defined by self-categorization. A household could therefore be poor according to five different criteria, so that the poverty of a household can be given a score of 0 to 5. A score of 5 means that the household or individual examined is poor according to all the criteria examined.

The five dimensions chosen were not equal in force, as the various kinds of poverty contributed to cumulative poverty in different ways. The greatest deprivation by comparison with the national average was found in housing conditions and housing equipment. Here the likelihood of poverty was almost four times the national average. This shows concurrently that these households live in chronic poverty: they had no chance in previous years either to ensure themselves with adequate housing conditions, modernise their homes or buy themselves the equipment offering the basic housing equipment available to the majority of the Hungary's population.

Table 2.8
Various types of poverty and the existence of cumulative poverty in Hungarian households, also among the excluded poor, 1999–2000, %

Type of poverty	Those in excluded poverty		National average	
	1999	2000	1999	2000
Income	51.0	50.2	14.4	14.4
Consumption	81.7	77.5	29.1	27.7
Subjective	70.1	70.0	22.3	20.6
Housing	76.6	70.1	20.4	19.3
Housing-equipment	72.0	71.3	18.7	17.3
Number of households	471,240	415,872	3,766,109	3,750,919

Source: CSO household budget survey, 1999–2000.

Based on the data for 2000, 44 per cent of households never encountered poverty in any dimension examined. But to turn that statement round, almost 56 per cent of households can be taken as poor in at least one dimension. Cumulative poverty affects about 416,000 households and almost 1.1 million people. Adding in the homeless and the poor living in 'institutional households', there are 1.2–1.3 million people (12–13 per cent of the Hungarian population) living in deep, excluded poverty on society's fringes.

The accumulation of poverty was examined in the same way in 1999 and 1998 as in 2000, but in 1998, a much looser yardstick of subjective poverty was employed and very strict conditions for housing poverty. So the three years cannot be compared

mechanically.[7] However, it emerges that the poverty characteristics in Hungary in all three years are cumulative rather than single in about 28 per cent of households. Where income poverty, housing poverty and housing-equipment poverty occur, it is common to find one or two other poverty characteristics associated with them.

Table 2.9
The accumulation of poverty in households, 1998–2000, %

Types and combinations of poverty in households*	1998	1999	2000
	National proportion, %		
No type	28,3	41,5	42,9
Just one type, of which:	34,1	30,9	30,4
Just income	3.7	4.1	4.5
Just consumption	7.2	10.1	10.7
Just subjective	16.3	6.5	6.4
Just housing	0.9	5.4	5.0
Just housing-equipment	5.9	4.9	4.6
Two types	23.8	15.1	14.9
Three types	9.4	7.3	6.7
Four types	2.7	3.9	2.9
Five types	1.2	1.2	1.4
Altogether	100.0	100.0	100.0

* The poverty conditions formulated in 1998 and 1999 differ due to the data available. The biggest change was in the determination of subjective poverty. Substantially more information was available in 1999, so that it was possible to tighten the conditions and apply them more accurately. With housing poverty, however, fewer criteria could be examined and looser conditions were established. The income-poverty and consumption-poverty criteria were the same in both years.
Source: CSO household budget surveys, 1998, 1999 and 2000.

Table 2.10
Relations between various types of poverty among the Hungarian population
2000, Φ coefficients
(Statistical correlation between the two poverty components)

Type of poverty	Income	Consumption	Subjective	Housing	Housing-equipment
Income	1.000	0.162	0.148	0.202	0.163
Consumption	-	1.000	0.180	0.182	0.184
Subjective	-	-	1.000	0.220	0.173
Housing	-	-	-	1.000	0.259
Housing-equipment	-	-	-	-	1.000

Source: CSO household budget survey, 2000.

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[7] *Since the 1998 figures appeared in last year's publication on Hungary, it was thought necessary to present the two rows of figures side by side, while drawing readers' attention to the fact that they can only be examined together with circumspection and to a limited extent. The tightening of the conditions for subjective poverty and the loosening of them for housing poverty has also changed the clusters.*

Table 11
**Relation of various poverty types to the number of poverty characteristics displayed,
in the Hungarian population, Cramer's V, 2000
(Statistical correlation between the poverty components and the number of poverty dimensions)**

Type of poverty	Cramer's V
Income	0.573
Consumption	0.629
Subjective	0.572
Housing	0.626
Housing-equipment	0.588

Source: CSO household budget survey, 2000.

2.2. CHARACTERISTICS OF HOUSEHOLDS LIVING IN CUMULATIVE POVERTY AND SOCIAL EXCLUSION

2.2.1. DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS

Almost half the households in cumulative poverty live the countryside and villages. Many of them are single elderly people. The proportion of these households consisting solely of the elderly is higher than the national average, while the proportion of large families with several children is much higher than the average.

Families with at least three dependent children are three times as likely to live in cumulative poverty as the national average. *Cumulative poverty affects one-fifth (19.4 per cent) of children below school age* and 17 per cent of children of 14 or younger, but only 0.7 per cent of students in higher education.

There are also big differences between the cumulatively poor and the national average in the economic activity and educational attainment of heads of household. Only 1 per cent of heads of household in cumulative poverty have completed a higher education. The majority have only an elementary-school education. A high proportion of cumulatively poor house-holds have a head who is unemployed. If the heads of such households are earning, they are likely to be so in unskilled jobs. The majority are completely excluded from the labour market or in an unfavourable labour-market position.

Households headed by a woman are represented at one-and-a-half times the national average rate among households living in cumulative poverty.

Table 2.12
Demographic characteristics of non-poor and cumulatively poor households and the national average, %

Demographic characteristics	Non-poor	Excluded poor	National average
Number of members			
One member	17.4	33.3	23.4
Six or more members	1.5	7.2	2.7
Age structure			
Young people only	8.9	6.8	7.1
Elderly only	17.2	33.9	25.2
Age group of head of household			
Head under 25 years of age	2.2	3.1	2.1
Head 75 years of age or over	5.0	16.6	9.1
Educational attainment of head of household			
Less than 8 grades	3.7	31.7	10.9
8 elementary grades	14.7	41.7	23.9
College or university	22.9	1.1	13.4
Sex of head of household			
Male	80.1	64.1	74.1
Female	19.9	35.9	25.9
Type of place of residence			
Budapest	22.7	8.7	20.7
Village	27.0	53	33.8
Number of dependent children under 20 years of age			
No such children	62.9	62.5	64
At least 3 such children	2.6	11.5	4.7
Number of households	1,610,500	415,872	3,750,919

Source: CSO household budget survey, 2000.

Figure 2.1
Membership structure of non-poor households and households living in cumulative poverty, %
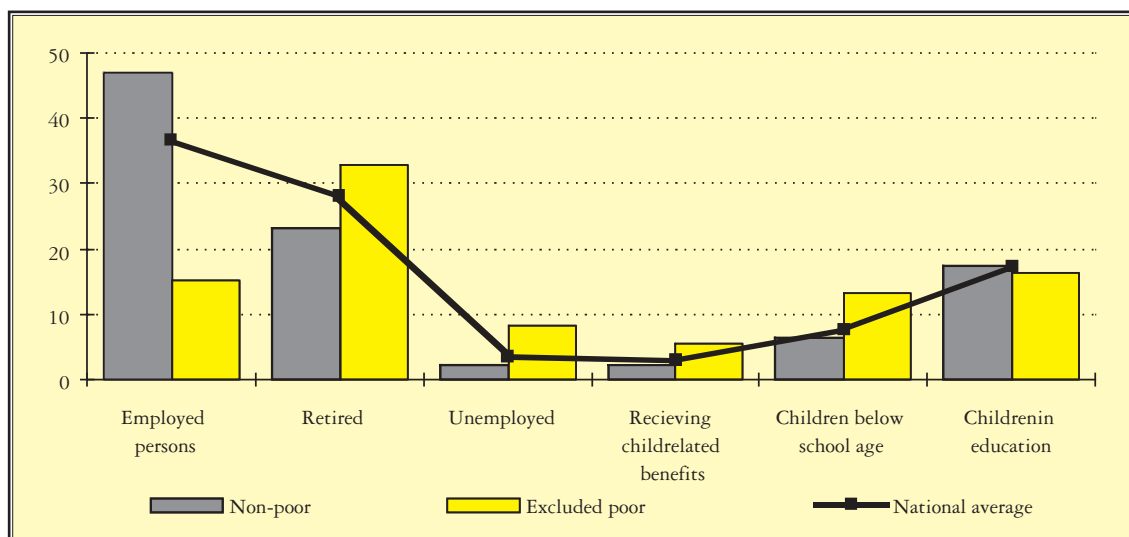
Source: CSO household budget survey, 2000.

The cumulatively poor live in smaller dwelling of worse quality than the national average. Now, when the 'average person' cannot conceive of living without running water or other basic facilities, almost half the cumulatively poor still draw their water from a well, while the majority use an outside toilet and have no bathroom. The absence of such facilities, considered natural by the majority of society, underscores their deprivation.

Table 2.13
Some major housing characteristics of households, %

Housing characteristic	Excluded poor	National average
Size of dwelling, m^2	61.0	73.4
Bathroom and toilet in the dwelling	36.9	88.7
Running water in the dwelling	63.2	94.4
Mains sewage disposal	19.3	56.2
Piped gas in the dwelling	32.5	69.8
Conventional heating	86.2	52.2
Telephone in the dwelling	35.0	79.9

Source: CSO household budget survey, 2000.

The cumulatively poor live in housing that is in worse condition, but they spend more than the national average proportion of their income on housing (20.4%), which lacks basic facilities, although the sum spent is only 61 per cent of the national average.

The 2000 household statistics survey devoted more space than usual to housing characteristics and housing facilities. In terms of nine auxiliary criteria defining the quality of housing, 31 per cent of households in cumulative poverty occupy an adequate dwelling that can be considered healthy. Meanwhile almost half occupy a dwelling inadequate according to at least three essential characteristics. The proportion among the non-poor is 8 per cent and as a national average 13.5 per cent.

Table 2.14
Housing quality among the non-poor and excluded poor, and the national average, %

Quality of dwelling based on the nine criteria*	Non-poor	Excluded poor	National average
No negative physical characteristic	61.1	30.9	55.2
1–2 negative physical characteristics	31.1	31.5	31.3
3–4 negative physical characteristics	6.9	23.8	10.1
5 < negative physical characteristics	0.9	13.9	3.4
Altogether	100.0	100.0	100.0

* These are (1) the size of the dwelling is too small, (2) the dwelling is too dark, (3) walls are wet, or musty, (4) draughty, cold dwelling, (5) heating system is not appropriate, (6) roof leaks, (7) noisy neighbours, roads, (8) industrial or environmental pollution, (9) low public security.
Source: CSO household budget survey, 2000.

2.2.3. EARNINGS AND EXPENDITURES

The income and expenditure of households living in cumulative poverty both fall short of the national average. The sum of each is smaller and the structures are different.

Table 2.15
Income and expenditure of households

Income and expenditure of households	Non-poor	Excluded poor	National average
Net annual per capita income, HUF	517,267	251,035	424,596
Net annual per capita personal spending, HUF	499,150	220,054	400,566
Net annual per capita income as a proportion of national average, %	121,8	59,1	100,0
Net annual per capita personal spending as a proportion of national average, %	124,6	54,9	100,0

Source: CSO household budget survey, 2000.

Over half the expenditure by households in cumulative poverty goes on food and one-fifth on housing costs; these two items together make up three-quarters of the total household spending. Hardly anything is spent on clothing, domestic equipment or cultural or other needs. Less than 40 per cent of the national average is spent on clothing and only a quarter on cultural needs, holidays and entertainment. They have no car and few have a telephone, so that transport and telecommunications spending falls far short of the national average.

Table 2.16
Structure of household spending by main expenditure groups, %

Main expenditure groups	Non-poor	Excluded poor	National average
Food and comestibles	28.4	52.9	34.0
Clothing	6.2	4.5	5.7
Housing costs	16.9	20.4	18.3
Domestic and housing equipment	6.1	4.3	5.7
Health and body care	5.6	6.7	5.8
Transport and telecommunications	19.8	5.2	15.9
Culture, holidays and entertainment	7.9	2.8	6.5
Other personal expenditure	4.6	1.4	3.8
Housing investment	4.6	1.8	4.4
Total expenditure	100.0	100.0	100.0

Source: CSO household budget survey, 2000.

The facts listed are clear signs of exclusion. For people who cannot clothe themselves adequately, lack money for health care, spend nothing on culture and do not go out for entertainment, it is very difficult or impossible to join in the life of society on an equal footing. An impoverished appearance is a drawback when seeking a job, seeing to official business and in other areas of life. Nine-tenths of those in cumulative poverty live in the provinces, of whom half live in villages. Yet these households do not have a

car and have no money for public transport. Without travelling, they cannot see to their affairs in the town or the capital city. These are just the 'technical' barriers they face. More serious still is their inability to advance their own interests due to their low educational attainment.

Those living in exclusion spend 86 per cent of the national average sum on food, 43 per cent on clothing and 18 per cent on transport and telecommunications.

Almost half the excluded poor cannot heat their dwelling adequately, 82 per cent cannot afford to buy new clothing when needed, and 91 per cent cannot spend a family holiday together once a year. Unfortunately the overall national picture is not really positive by international comparisons. Overall, 30 per cent of Hungarian households today cannot heat their dwelling adequately and two-thirds do not go away for a family holiday of a week or more.

Table 2.17
Opinions of non-poor households and households in excluded poverty on certain basic needs that they could not allow themselves, 2000, %

	Non-poor	Excluded poor	National average
Adequate heating	11.0	49.1	29.5
Clothing purchase as needed	26.2	82.2	55.4
At least one week's annual family holiday	48.9	90.7	77.7
Entertainment of friends and relations	20.9	83.8	65.8
Replacement of outworn furniture	38.6	92.0	81.3

Source: CSO household budget survey, 2000.

Figure 2.2
Main items of expenditure by the non-poor and excluded poor compared with the national spending sum (= 100), in 2000, %
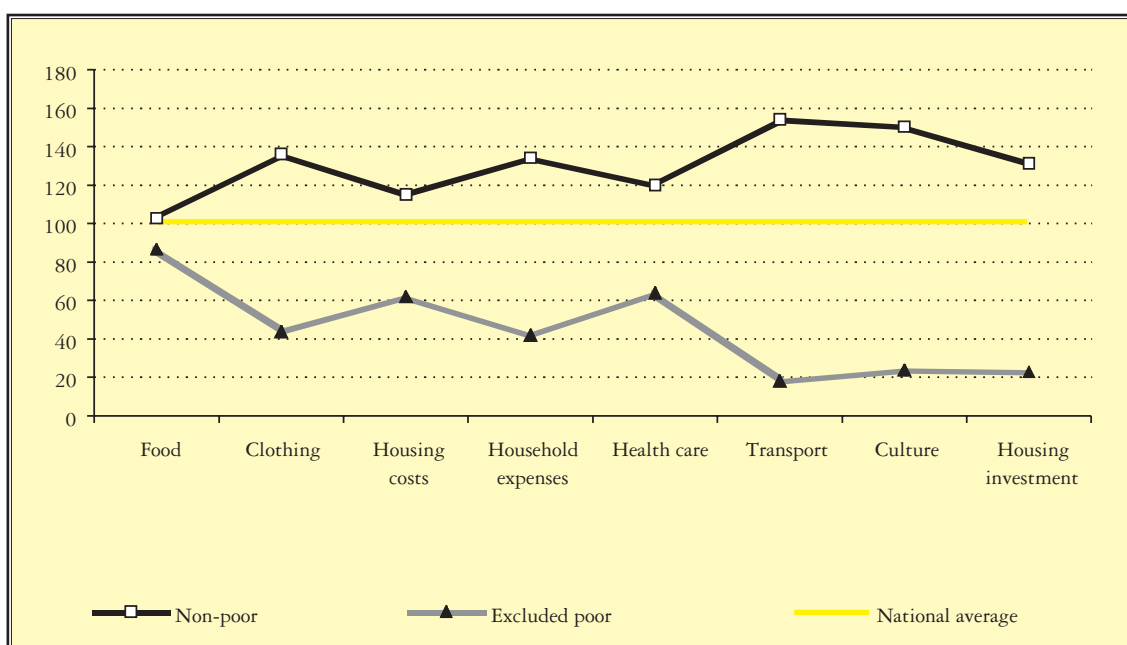
Note: The main expenditure groups correspond to those in Table 2.16.
Source: CSO household budget survey, 2000.

2.2.4. HOUSING EQUIPMENT AND FACILITIES

The excluded poor live in housing that it is in poor condition and with a low level of facilities, and also at a low level of equipment.

The prices of basic domestic appliances have risen far less in recent years than the general consumer-price index. Although a refrigerator cost almost a month's average pay in 1990 and in 2000, a deep-freeze cost little more than a month's pay in 2000, whereas it cost three months' pay in 1990. In 1990, annual average earnings would buy about three colour television sets, whereas in 2000 it would buy ten. The proportions have shifted favourably for the purchase of consumer durables, but the intervening rise in the costs of food, clothing and housing upkeep have left many households unable to make higher-value purchases at all.

Table 2.18
Proportions of households possessing selected consumer durables, %

	Non-poor	Excluded poor	National average
Deep-freeze	87.2	38.2	75.3
Microwave oven	69.1	6.3	49.1
Automatic washing machine	80.1	8.4	58.7
Colour television	98.1	62.9	91.7
Video player	64.9	12.4	48.0
Personal computer	22.9	1.0	13.9
Satellite dish, cable TV	63.1	12.2	48.2

Source: CSO household budget survey, 2000.

An equipment index calculated from the presence or absence of characteristic consumer durables yielded values that clearly distinguish excluded poor from non-poor households.

Box 2.5
The housing-equipment index
The basis of the calculation is possession of household consumer durables. Altogether 17 types of high-value domestic appliance were included. The index, based on standardized values for each appliance weighted for their distribution, was used to obtain housing-equipment quintiles. The values of the index fell between − 10.11 and + 48.22. Households were then ranked accordingly, with the lowest-scoring fifth being placed in the first quintile and the highest-scoring fifth in the top quintile.

Table 2.19
The level of equipment of households, %

Household quintiles based on equipment index	Non-poor	Excluded poor	National average
Lowest	5,2	44,4	19,7
2nd	20,0	16,5	20,3
3rd	34,7	8,4	19,6
4th	54,4	3,5	19,9
Top	72,2	0,0	20,5

Source: CSO household budget survey, 2000.

Figure 2.3
Chances of households of joining the cumulatively poor or non-poor according to degree of housing equipment, based on housing-equipment index quintiles
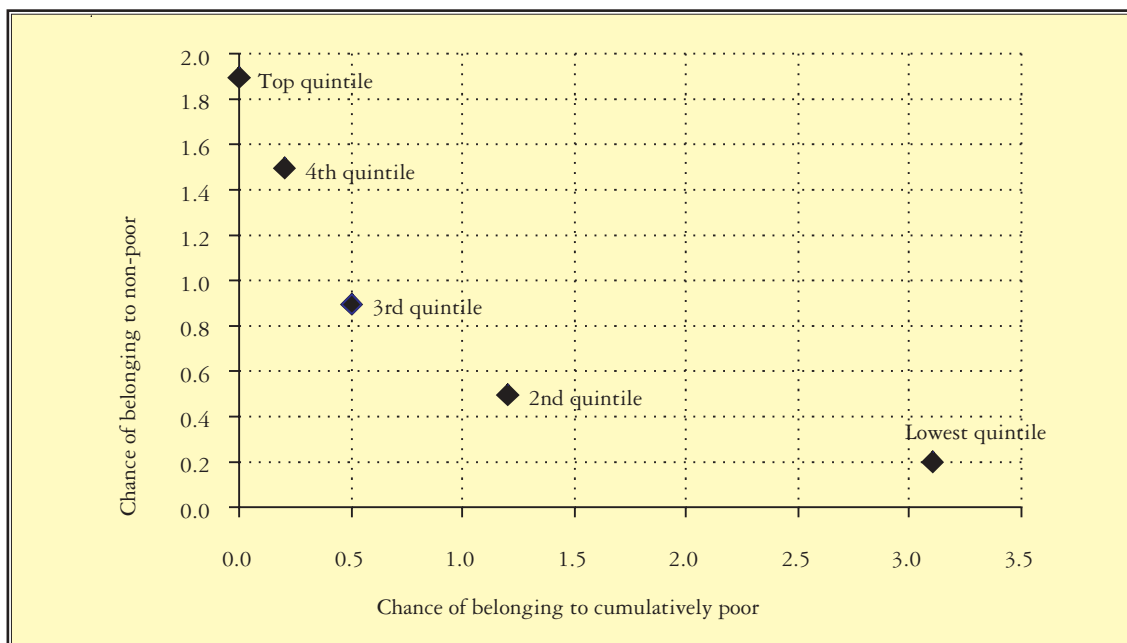
Box 2.6
Poverty risk
The risk measure of falling below the poverty line (Q = risk) is used to examine the way the socio-economic structure of the poor differs from the average. It is especially useful for quantifying the characteristics of the cumulatively poor, which differ essentially from the average.

Let us assume that the aim is to examine among the poor the role of category A, which has been created according to some criterion. Let q_p denote those who have fallen below the poverty line k and q the proportion of the population belong to category A. The risk of falling below the poverty line is then customarily denoted as Q(A) = q_p/q. Q is not interpretable if q = 0, in other words, if no member of the population examined falls into category A. If q_p= 0, i.e. there is no individual in category A who has fallen below the poverty line, then Q is equal to 0. As the value of Q increases, the more people below the poverty line k belong to category A, and as it decreases, the less the weight of category A becomes in the population.

Source: CSO household budget survey, 2000.

A close and significant relation appeared between the number of poverty dimensions and the housing-equipment quintiles for households (Cramer's V = 0.315).

The type of residential environment, the condition of the dwelling and the degree of housing equipment and facilities show a strong relation to the incidence of poverty. A dilapidated dwelling, a socially inadequate residential environment and an absence of consumer durables are strong indicators of chronic poverty. These are disadvantages that can only be improved after a long time, even with higher income.

3) THE SYMBIOSIS BETWEEN CUMULATIVE POVERTY AND EXCLUSION

3.1. PROPORTION OF SOCIAL PARTICIPATION

Low income places tight constraints on the consumption and expenditure of the poor. Spending on food takes half their income, after which a fifth of their total expenditure goes on housing upkeep. The remaining third has to cover clothing, medicines, transport, culture and other expenses.

The spending on cultural pursuits covers only the most essential items. School text-books and equipment have to be purchased, but there is no spending on cinemas, theatres or other cultural purposes. There are no newspaper subscriptions or membership fees for libraries or sports clubs. Cultural goods enjoyed high rates of subsidy in the period before the change of system. The charges for newspapers, books, cinemas, theatres and sports facilities were nominal. As culture became privatised and state subsidies fell, the prices of cultural, educational and entertainment opportunities leaped. The combination of exclusion and isolation almost guaranteed the reproduction of poverty. Since such households do not receive adequate information about the outside world and their social contacts remain within a narrow sphere, they are unable to articulate or adequately represent their own underlying interests. Pierre Bourdieu distinguished three basic types of capital: financial capital, cultural capital, and the system of social contacts. The role of the last is especially pronounced in today's world. Beyond the emotional and psychological advantages that they bring, people's social contacts can be mobilised as a resource in certain situations. People looking for a good doctor, involved in a legal dispute, or simply wanting to know what institutional assistance is available for their financial or other problems or what entitlements they have if they are unemployed or want a better job, mobilize family members, relatives and acquaintances, utilizing the comparative advantages of informal contacts. The narrower and more homogeneous the network of relations people have, the smaller the likelihood that their household will be able to break out of poverty.

3.2. MANIFESTATIONS OF FAMILY AND SOCIAL SOLIDARITY

What assistance can the cumulatively poor expect from family and society when they are in difficulties? To what extent can the family and other relatives offer a helping hand? Who is the system of social provisions prepared to help?

Families were asked what types of help they had received and given in recent times. The questions concerned both financial and non-financial types of assistance. As a national average, the assistance given to and received from other households should be largely in balance. On average, an annual sum of HUF 35,000–40,000 was redistributed between households in Hungary in 2000. The average sum of assistance received from others by households in cumulative poverty was about half the national average (HUF 20,600). The average sum they gave to other households in assistance was HUF 17,000. There was no way of telling, of course, to what extent the transfers between households were segregated in the sense that the poor were receiving help from other poor or from non-poor households as well.

Eighteen per cent of households mentioned that they had needed financial assistance in the last year because of livelihood problems. The proportion among the excluded households was 35 per cent. Those living in cumulative poverty are presumably in great need and reliance on assistance, but 64 per cent said they did not need assistance from others in the last year. This proportion was almost 20 percentage points higher on a national average (82 per cent). Exposed people are especially shy about sharing their financial problems with others. Considering the income relations in this country, these figures seem too favourable. Sixteen per cent of respondents mentioned help from friends and 4 per cent

help from institutions. Help from the local-government authority was mentioned by 12.5 per cent of excluded households, which was three times the national proportion.

Of those living in cumulative poverty, 13 per cent said they had no one to rely on in cases of livelihood difficulties. The national proportion was a much lower 3.8 per cent. About 80 per cent of Hungarian households have not given financial assistance to others. The proportion is similar among the cumulatively poor.

Poor and non-poor alike may need support of a moral or psychological kind. Based on the responses, almost 60 per cent of Hungarian families had not needed support of this kind in the previous year, irrespective of whether they were poor or non-poor. However, 2 per cent could not rely on receiving moral or psychological help from anyone despite great need of it. This proportion was 4 per cent among the cumulatively poor. Most of those complaining of the absence of much-needed psychological support were elderly people, who did not receive it during an illness of the respondent or the respondent's spouse.

The national proportion of households providing moral or psychological support was 37 per cent. It was somewhat lower at 29 per cent in the case of the cumulatively poor.

To sum up, it can be stated that Hungarian families, at least according to the responses given about themselves, basically have only themselves to rely on in solving their financial or psychological problems. Providing help of a financial nature is characteristic of one household in five. Unfortunately, people do not really feel they are supported institutionally by the system of social provisions. *Help from the local government authority or any other welfare-related institution, even a church, was hardly mentioned.*

4) THE POVERTY OF SOME VULNERABLE GROUPS

4.1. CHILD POVERTY

The population under the age of 15 in Hungary declined dramatically from 2.3 million in 1980 to 1.7 million in 2000, due to a tragic fall in the number of births. Sixteen per cent of this age group live in excluded poverty. This includes one fifth of children below school age and 15 per cent of children attending elementary school, but less than 1 per cent of those in higher education. The figures show clearly that *excluded poverty reproduces itself.* The children of families living in excluded poverty do not study further, which almost automatically ensures poverty in the following generation.

Setting the relative poverty threshold at 60 per cent of median income, in line with general EU practice, places more children among the poor than applying a more comprehensive, exclusion-based poverty threshold. Having children involves families in serious financial sacrifices, especially at younger stages in life. These ease later as mothers return to work.

Small children (under three) are over-represented among those living in deep income poverty and among the excluded poor. (Their share of the population is 2.5 per cent, whereas they comprise 4.1 per cent of those living in deep income poverty and 6 per cent of the excluded poor – two-and-a-half times their share of the population.)

Table 2.20
Distribution of those below the relative income threshold and the excluded poor by age, 2000, %

	Those living in deep income poverty (under 60 per cent of median)	Excluded poor	National proportions
Under 3	6,0	4,1	2,5
3–5	7,8	6,0	3,5
6–14	20,7	15,1	11,2
15–18	6,9	4,7	5,1
19–24	10,3	7,8	9,2
25 and over	48,4	62,3	68,6
Altogether	100,0	100,0	100,0

Source: CSO household budget survey, 2000.

Table 2.21
**Numbers of students below the age of 20 and children below school age
in non-poor and poor households, 2000**

	Non-poor	Excluded poor	National total
Children below school age	281,185	145,722	767,889
Elementary schoolchildren	395,791	144,025	974,153
Secondary school students	247,983	34,237	537,991
Students in higher education	127,746	1,290	195,511
Altogether	771,520	1,100,224	1,707,655

Source: CSO household budget survey, 2000.

The biggest and most regular form of support received by families raising children is family allowance and schooling support. But the household receives them only for as long as the child is below school age or in school. The families of young people who leave school early lose the support. *The real value of the family allowance sank continually* through the period of economic recession, reaching a low point in 1997, when its real value per child was 40 per cent of what it had been in 1989. In relation to earnings, the average family allowance per child in 1989 was equivalent to 23 per cent of the average net earnings. By 1997, the proportion was only 11 per cent. Meanwhile the real value of earnings had also been falling for several years, so that *the burdens on families with children had risen steeply.* The fall in the real value of social benefits payable for children and the reduction in the dependants' supporting capacity of earnings substantially worsened the income situation of families with several children. Households raising at least three children were very likely to be among the poor irrespective of the head of household's position on the labour market.

At present, the tax concessions to families with children and the restoration of childcare benefit (a proportion of previous earnings from employment paid to a parent of a child under two) have improved the financial position of families raising children. However, that has not made up for the nine-year loss in the value of child-related payments. *The new measures have not improved the unfavourable financial situation of large families with low earnings or no earnings,* but they have improved appreciably the net income available to households with working parents raising three or more children. *The income poverty and income gap of children in excluded poverty continue to constitute an unresolved social problem.*

Figure 2.4
The proportions of school students and children below school age among the non-poor,
households displaying 1–2 poverty dimensions, and the national population, 2000, %
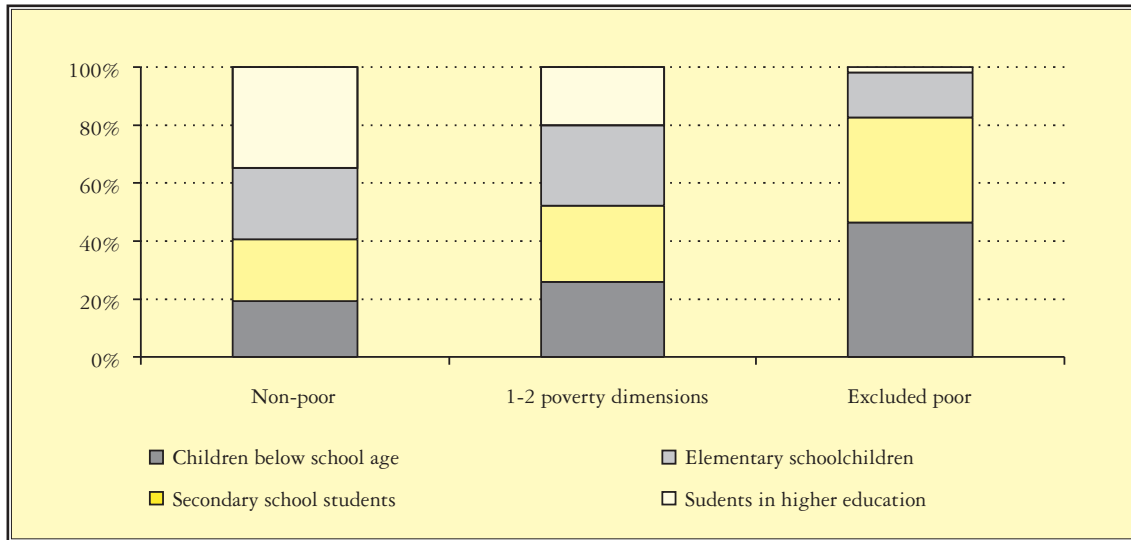
Source: CSO household budget survey, 2000.

Table 2.22
Membership of the non-poor and risk of excluded poverty among children below school age
and school students under 20, 2000 (risk values)

	Non-poor	Excluded poor	National average
Children below school age	0.9	1.4	1.0
Element schoolchildren	1.0	1.1	1.0
Secondary school students	1.1	0.5	1.0
Students in higher education	1.5	0.1	1.0

Source: CSO household budget survey, 2000.

4.2. EXPOSURE OF THE ELDERLY AND THE
RELATION BETWEEN ILLNESS AND POVERTY

The average old-age pension in Hungary today is modest, but it provides a secure livelihood for most elderly people. Since employment was encouraged by direct and indirect methods under the socialist system, most old people today receive a pension in their own right. A minority receive a widow's pension. However, *the real value of pensions has not kept pace with inflation,* so that the values of

people's pensions decrease with age and the period spent on pension. One great turning point in the income situation of the elderly comes with the *loss of the spouse.* Apart from the psychological trials this entails, it also brings a serious financial loss. The surviving elderly person, in most cases the wife, has to pay out of one pension instead of two the cost of housing upkeep, which these days constitutes a sizeable proportion (about one-fifth) of total expenditure.

Figure 2.5
The age structure of the non-poor and excluded poor, 2000, %
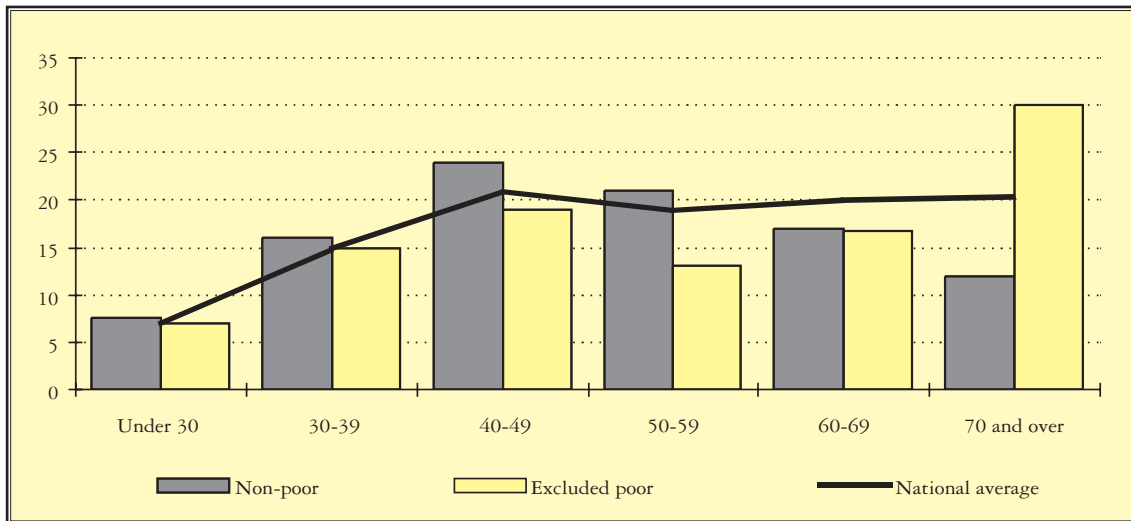
Source: CSO household budget survey, 2000.

The cumulatively poor therefore include a great many lonely, elderly people living from one day to the next on their pensions. If anything breaks or goes wrong in the house, they are unable to replace it or have it repaired. Without exception, *these people are the subjects of total deprivation in the comfort of their homes.* The head of the household has completed his/her 75th year in 17 per cent of the households living in cumulative poverty, while those whose heads of household are 70 or older account for one-third of the households living in exclusion. Although there are traditions of social care for the elderly in Hungarian society, little of this assistance reaches these exposed people most in need of it.

There is a persistent relation between chronic illness and poverty, but the closeness of it depends on the measure of social solidarity. People suffering from illness need a higher income than their healthy counterparts if they are to maintain a similar quality and way of life under more difficult conditions than healthy people do. Amartya Sen received a Nobel Prize for his Capabilities Approach, but welfare systems do not yet follow this idea. However, this level of social solidarity is quite doubtful in an individualized world. The incidence of illness among the cumulatively poor and the exposed is much greater than the national average. With households consisting of elderly people, the higher the per capita income available, the higher the expenditure on medicines as well. Many medicines and medicinal preparations serve to prevent illness, but these are in some cases more expensive and in others seen as 'unnecessary' expenditure. The poor buy medicines at most if they must.

Chronic illness is present in one-fifth of Hungarian households. The average state of health in the country is unfavourable by international standards. This problem is faced by 30 per cent of the excluded households.

4.3. FEMALE POVERTY

There is seldom any mention of the feminization of poverty. The level of employment among women is relatively high, and women, like men, go into full-time, eight-hour employment after finishing school. Part-time employment is untypical in Hungary. Many Hungarian sociologists argue that men were the big losers by the change of system. Industry supplying the socialist market largely collapsed and this mainly affected men. The strengthening of the service sector also favoured female labour. Yet, more women than 'expected' can be found among the excluded poor. Nationally, three-quarters

of households are headed by a man and a quarter by a woman, but 36 per cent of households living in exclusion are headed by a woman.

The proportion of female heads of household among those living in cumulative poverty with a head of household 60 or younger is slightly lower (24 per cent) and among those living in cumulative poverty with a head of household over 60 is much higher (60 per cent). The life expectancies of Hungarians (as the detailed figures given in the Introduction make clear) are substantially worse than those of Western Europeans or other Central and Eastern Europeans. This applies especially to the mortality rates for men. Women live on average eight years longer than men. Men in Hungary, especially those now in the older generations, tend to choose a younger wife, which further lengthens the period of old age when the wife is alone. The older a single person is, the greater the probability of poverty. Society under the socialist system did not provide opportunities for people to accumulate substantial sums of money, so that the livelihood and living standard of old people today is a function of the state pension system.

The loss in value of old-age pensions is proportionate to the number of years in which the pension is received.

Men are threatened by early death and women by isolation and the risk of exclusion.

5) THE PROCESS AND REPRODUCTION OF SOCIAL EXCLUSION

5.1. THE INCIDENCE OF POVERTY DURING THE LIFETIME

Long-term longitudinal, panel data on poverty are available for Hungary only to a limited extent. The proportion of chronic poor in the two periods of the household budget survey for which there are panel data – 1993–5 and 1996–8 – was 2.6–2.9 per cent.

There are data for several years on how the public views the alterations over time in its financial situation and standard of living.

One-fifth of households declare that they were 'never poor' and another proportion of almost a fifth that they 'often or always lived in poverty.' Poverty is recalled as 'having occurred' in the lives of 56 per cent of households, but it was temporary or lasted only a short time.

Table 2.23
The proportion of households showing chronic income poverty over the two three-year periods examined, %

	1993–1994–1995	1996–1997–1998
All three years	2.6	2.9
Two years	3.4	3.9
One year	10.0	7.9

Source: CSO household budget surveys.

Table 2.24
Repetition of poverty in the lives of households according to self-categorization, 2000, %

Repetition of poverty in the life of the household	Non-poor	Excluded poor	National average
Never poor	29.6	2.9	14.2
Periodically poor	60.8	25.2	53.6
Frequently poor, through most of life	9.6	51.5	28.1
Always poor	-	20.4	4.1

Source: CSO household budget survey, 2000.

Social exclusion is associated with poverty through most or all of life. This was the response of 72 per cent of the households in that category, while 25 per cent described their poverty as temporary and 3 per cent said they had never lived in poverty. The typical form of classic poverty is the last case, in which poverty becomes natural and is assumed to be 'normal'. Some of the cumulatively poor who described themselves as 'living in periodic poverty' presumably belong to the new losers by the change of system, although such background information is not provided by the survey. Certainly the general decline in living standards accompanying the change of system and speeding up with the economic recession brought more difficult livelihood conditions for many people over a longer or shorter period. People tend to gauge their situation in terms of the recent living conditions of themselves and their immediate environment, so that their assessment of poverty is always relative. This certainly increases the prevalence of subjective poverty under Hungarian conditions. Nationally, only 14 per cent of households state that they have never had to live in poverty.

5.2. HOPES OF A BETTER LIFE

The income of people living in exclusion amounts to hardly more than half the national average income. This sum is enough only for the most necessary things. The housing conditions of such households are poor and their homes lack equipment. Most of them have spent most or all of their lives in poverty. With such a background, it is obviously hard to conceive that life will ever be better. A third are elderly people with little enough to hope for. Understandably, 70 per cent of such households answered 'none' when asked what chances they saw of a future improvement in their situation – and let us add, realistically.

Those who have hopes expect an improvement to come primarily from their work, as do the population as a whole. Unfortunately, the market for unskilled labour is extremely weak. Unskilled workers are paid badly, often not registered by their employers, and sometimes paid cash out of the boss's pocket, which brings disadvantages in sickness and old age. However, the philosophy that 'where there is life, there is hope' is the first and perhaps most important factor in changing people's lives. Where hope remains, it can fuel an actual improvement.

Hope of a work-induced improvement in the household's financial situation is found in 38 per cent of Hungarian households and 18.5 per cent of those living in exclusion. This also points to the fact that a sizeable proportion of the poor are still of active working age.

Table 2.25
What chance households see of an improvement in their future situation, 1999–2000, %

Perceived chance of	Excluded poor		National average	
a better financial situation	1999	2000	1999	2000
None	75.7	69.7	51.0	38.2
Work-induced	16.3	18.5	31.5	38.1
Health-induced	4.3	7.4	9.2	13.4
Related to future of child or children	2.5	2.7	5.8	7.2
Other	1.2	1.7	2.5	3.1
Altogether	100.0	100.0	100.0	100.0

Source: CSO household budget surveys, the author's calculations, 1999 and 2000.

Figure 2.6
What chance households see of an improvement in their future situation, 2000, %
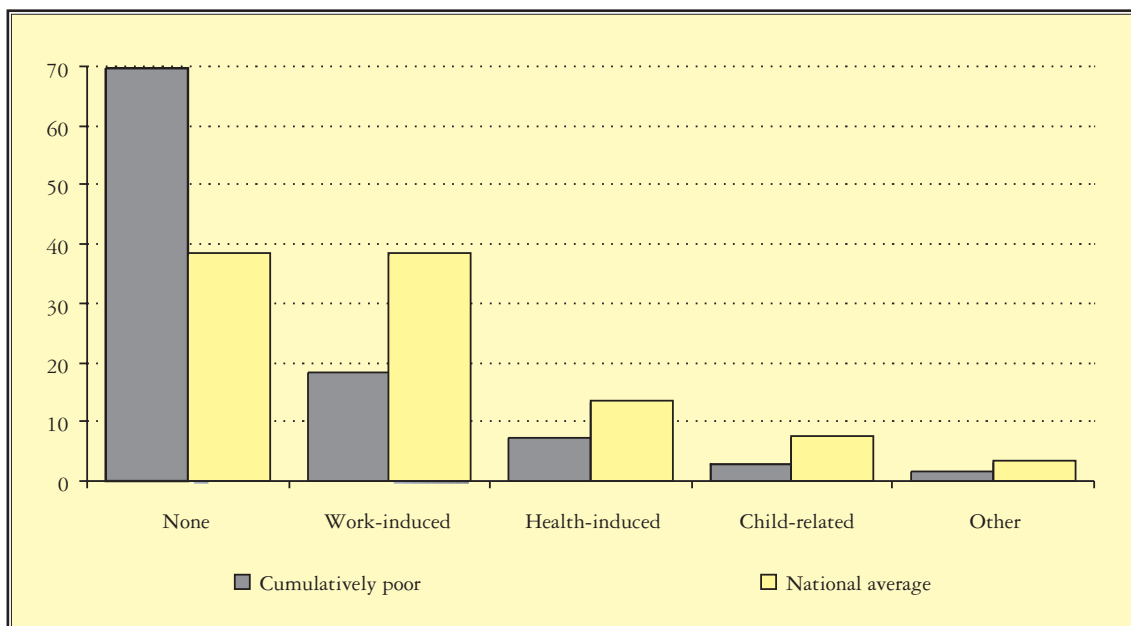
Source: CSO household budget surveys, 1999 and 2000.

The subjective picture of the future improved between 1999 and 2000, perceptibly and in a way that can be shown in figures. The economy's emergence from recession, the rise in employment and the increase in job opportunities were producing greater hopes for the future nationally and among the poor.

6) THE ROLE OF THE WELFARE SYSTEM IN ELIMINATING CUMULATIVE POVERTY AND IN SOCIAL PROVISIONS FOR THE POOR

Although more is said about the Hungarian welfare system in the next chapter, a brief mention must be made here of the role it plays in eliminating social exclusion. Welfare payments account for the majority of the earnings of the excluded poor. However, these payments cannot compensate for the missing income from work.

Figure 2.7
The proportion of earnings from work to earnings from welfare payments in per capita gross income, 2000, %
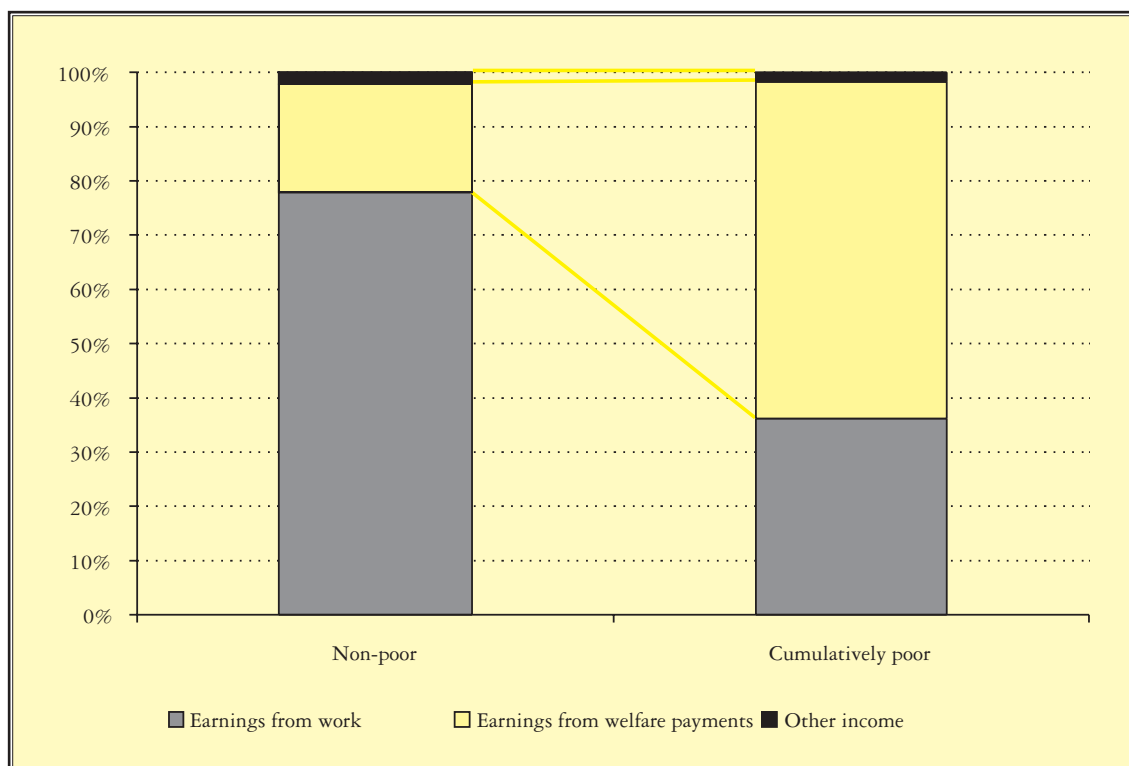
Source: CSO household budget survey, 2000.

Table 2.26
The proportion of earnings from work to earnings from welfare payments in per capita gross income, 2000, %

	Non-poor	Excluded poor	National average
Total income from work	517,351	96,575	357,842
Pension	105,834	107,634	115,315
Unemployment benefits	3,217	10,773	4,915
Childcare benefits	5,939	11,134	6,914
Family allowance, schooling benefit	12,585	26,994	16,046
Other income	20,079	13,149	16,148
Gross income	665,005	266,259	517,180

Source: CSO household budget survey, 2000.

Figure 2.8
Per capita sums of various types of income received by the poor,
compared with the national average (= 100), 2000, %
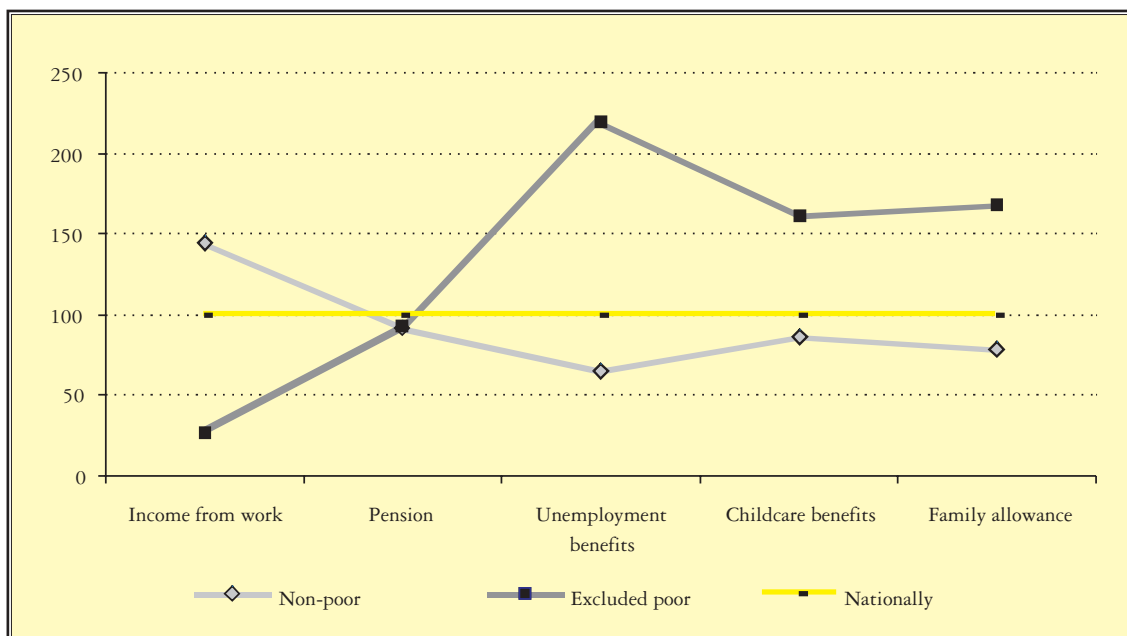
Source: CSO household budget survey, 2000.

About one-third of the per capita earnings of the cumulative poor derives from work. The proportion for the non-poor is more than two-thirds (77.8 per cent). Two decisive items in social income are pensions, which account for 22 per cent of per capita income nationally and double that (40.4 per cent) for the excluded poor, and family allowance, which with schooling benefit accounts for 3 per cent of per capita income nationally and 10 per cent for the poor. Unemployment benefits are also a substantial item of income for the poor (4 per cent).

The other forms of assistance and social benefit make up between them only 10 per cent of the total per capita income of the persons living in deep poverty, although these are targeted at the poorest and most destitute. Six per cent of the excluded households received regular social assistance, as opposed to 3 per cent nationally. The excluded fail to compete for irregular assistance – only 3 per cent of them received such assistance, which was the same as the national proportion.

Another form of provision is housing-upkeep assistance, designed to help those for whom the upkeep of housing is a heavy financial burden. That applies to the very elderly households consisting of one person (or occasionally two), who make up one-third of the excluded. At the same time, only 5.5 per cent of the cumulatively poor receive this form of provision, compared with a national proportion of 3.2 per cent.

The figures show that apart from the income supplement for the unemployed, which indeed combats poverty among jobseekers, no form of welfare provision has succeeded in reaching the targeted group of the most destitute and exposed in society. It is worth pointing to some problems, although no attempt can be made here at a comprehensive examination of the causes for the failure. Most of the deprived live in villages and some (although the proportion is not accurately known) live in communities with many other people in difficult, if not equivalent situations. The local government authorities in communities with many poor people are also poor, which places greater constraints on their welfare provisions than those faced by richer communities. A greater

and more decisive problem than this community trap is lack of information among the excluded and a poor ability to assert their own interests. Dozens of case studies examining the efficiency of assistance have confirmed that less penurious claimants apply for and obtain greater sums of the non-regular assistance awarded under looser conditions.

Finally, it is important to emphasise that this does not mean the system of social welfare is supporting people who do not need it. It means that the system fails to provide for in due proportion the most deprived and socially excluded people in society. The institutional paths for reaching those living in exclusion are still lacking.

Three-quarters of the households living in excluded poverty are headed by someone with an educational attainment of the eight grades of elementary school or less. Writing and filling up forms are not their forte. They are not familiar with the legal regulations. They have hardly any social contacts, as many of them are lonely elderly people, or if they are of active age, unemployed. They do not take a newspaper. Their peripheral position in the system of welfare provisions follows inevitably from their inability to assert their own interests and their lack of information.

SUMMARY

The political and structural transformation of today's Hungarian society was accompanied by a deep economic recession. This led to a contest for survival among most of the population. Many people managed to escape from their difficulties during the economic recovery. Both income and consumption data reflect that general living standards are approaching their level prior to the change, and in some areas, have attained or even surpassed that. A smaller, *less visible section of society, however, has become divorced from the rest of society* in a statistically verifiable way. *They are now vegetating, unable to assert their interests effectively, in the absence of a purposeful state welfare programme designed to help them to catch up.* They proved unable to maintain their economic and social positions and living standards after the economic recession and major social transformation. As a consequence, 'new' losers joined the 'old' (those traditionally living in poverty) in today's society. Among these two groups are some who live in massive, cumulative poverty, excluded and divorced from the rest of society.

Poverty is measured in various ways in Hungary, none of which can be regarded as 'official'. The threshold of entitlement under welfare programmes is the minimum amount of old-age pension, under which there are 178,000 households living (697,000 people, or almost 7 per cent of the Hungarian population). As regards the relative income-poverty level applied in EU member-states, there are 310,000 households (1.2 million people or 12 per cent of the population) living on incomes below this. If the subsistence level, calculated on a basis of 'needs' is considered, poverty affects 845,000 households and nearly 3 million people, so that 30 per cent of the population can be regarded as poor.

One consideration with income-poverty calculations is that income declarations in Hungary are unreliable. The survey on which this analysis is based cannot be regarded as exceptional in this respect. With excluded poverty, however, the poor were distinguished in terms of five dimensions – income, consumption pattern, housing and housing equipment – with income as only one aspect out of the five. The poverty rate so calculated is significantly lower, but much stricter and more comprehensive as a criterion and at the same time more reliable than calculations based solely on income. Almost 56 per cent of households in 2000 could be taken as poor in at least one dimension. Cumulative poverty affects about 416,000 households and almost 1.1 million people. Adding in the homeless and the poor living in institutional households, there are 1.2–1.3 million people, at least 12–13 per cent of the Hungarian population live in deep, excluded poverty, on society's fringes. That is the reason why this chapter has been written.

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ADDENDUM

THE POVERTY RISK OF VARIOUS SOCIO-DEMOGRAPHIC GROUPS

Figure 1
The chances of households of joining the cumulatively poor or the non-poor, based on certain characteristics*
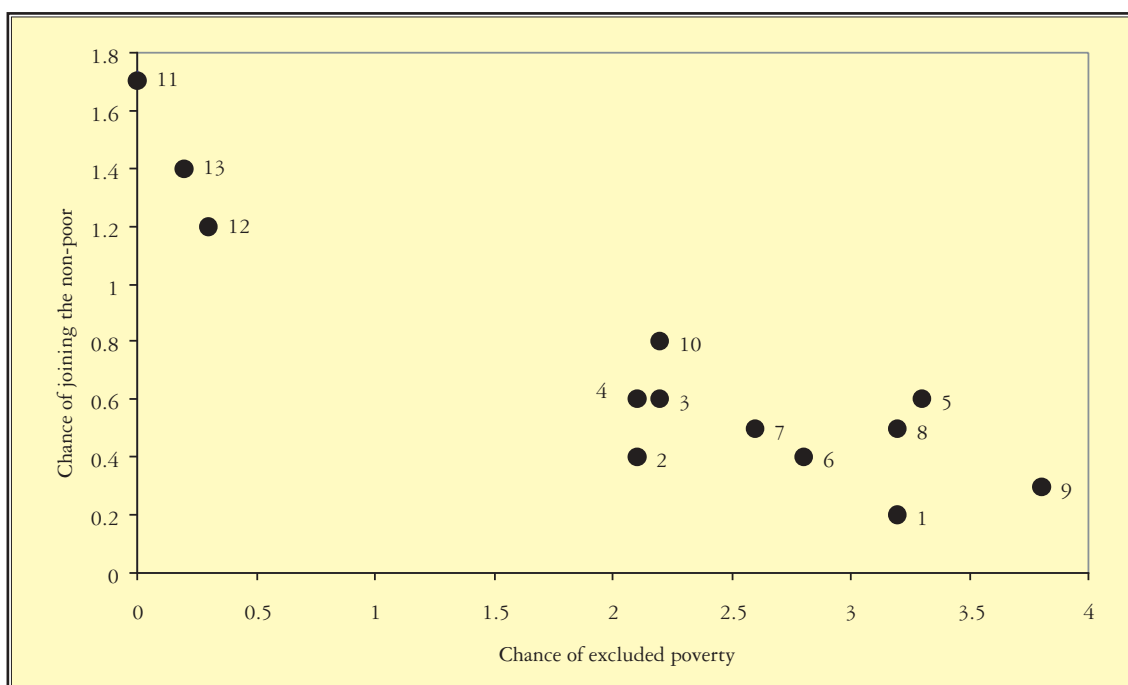
Types of household denoted by the numbers:
1. Elderly and single village dwellers.
2. Elderly single people.
3. Households with at least two children and an unemployed head.
4. Households with at least two children and a female head.
5. Households with at least two children and a unskilled or semiskilled worker as head.
6. Village households with three or more children.
7. Households with three or more children.
8. Households with children and a head under the age of 25.
9. Households with at least two children and a head with at most an elementary-school education.
10. Households with at least two children and a head under the age of 30.
11. Budapest households with a head working in a managerial or supervisory position.
12. Budapest households of active age with no children.
13. Budapest households with a head with a higher education.

* The author is grateful to her colleague Péter Vági for the idea of depicting the risk values.

CHAPTER THREE

POVERTY AND WELFARE BENEFITS

INTRODUCTION

One of the most important social changes in the second half of the 1990s was that the *fall in the standard of living ceased,* some time after the macroeconomic indicators had begun to improve. A slow rise began on a macro level, in incomes and in consumption.

At the same time, *the inequalities of income between households were still increasing* at the end of the 1990s, if not at so rapid a rate as earlier. According to the Hungarian Household Panel and TÁRKI Household Monitor surveys, the difference of average income between those in the uppermost and lowermost income deciles widened from 7.0 times in 1995/6 to 7.9 times in 2001/2 (Tóth, 2001).

It can be concluded about the poor in general, that the average increase in the level of welfare and the trend in equality did not produce a decrease in the number of poor. Taking 50 per cent of the median income as the poverty line, the proportion of poor was 12.8 per cent in 1995/6 and consistently in the 9–10 per cent range from 1997 onwards.

Another important index connected with poverty is the depth of poverty in which households below the poverty line live. The customary measure used for examining this is the poverty gap: the average shortfall of the income of those below the poverty line as a percentage of the poverty threshold value. The higher the value of this measure is, the greater the 'further' the poor are below the poverty line. In the second half of the decade, this measure showed a low point of 32.6 per cent in

1996/7. Thereafter came a slight fall, but researchers again identified an increase in 1998/9 (1998/9: 25.3, 1999/2000: 26.3, 2000/2001: 26.8%. Gábos and Szívós, 2001).

These measures indicate that *there has been no reduction in the calls on welfare policy,* alongside the rise in the average level of welfare. *The extent of poverty has decreased slightly or stagnated since the mid-1990s,* while the depth of poverty seems to be increasing again.

Meanwhile the share of welfare spending in GDP declined during the decade. The proportion of social-security, social and welfare expenditure to national income was 20.7 per cent in 1991, 17.4 per cent in 1995 and 14.9 per cent in 1999 (Bartha, 2001.). Some of these expenditures consisted of welfare benefits – forms of provision designed to support the poorest in society. This study focuses on an examination of these. However, it covers only some of them: those designed to replace and supplement income, and those designed to alleviate temporary financial hardship.

The first part enquires into the way the phenomena of poverty and of welfare benefits are connected. What structural differences can be discerned between the poor and the recipients of benefits, in the demographic, sociological and territorial dimensions? *How efficient is the assistance,* and which groups of the poor receive such support? The second part of the study examines the living conditions of the benefit recipients.

The data source is the 1999–2000 Lifestyle and Time-Balance Survey of the Central Statistical Office *(see Box 3.1).*

> *Box 3.1*
> **The Lifestyle and Time-Balance Survey and the main features of the data**
> The Lifestyle and Time-Balance Survey, conducted by the Central Statistical Office (CSO) every ten years, consists of two parts. One is a time-balance diary, recording respondents' use of time, locations of the activities and detailed information on who the respondents spend time with. These data about eating habits, use of free time and social relations have a wide range of uses. The second part of the survey explores the demographic and socio-economic attributes of the respondents.
> The questioning process over a period of a year covered information about welfare benefits at the end of 1999 and the beginning of 2000. Respondents simply had to say whether they had received benefits, and if so, on what pretext. No information about amounts of benefit received is available. Fifteen per cent of the families stated that they had received assistance of some kind during the year. This proportion is much lower than the data obtained by the CSO from a local-government register of benefit payments, which showed almost a third of Hungarian households receiving assistance, but it corresponds with the proportion found in other public surveys.
> The question about income was also put at the end of 1999 and the beginning of 2000. Not equal weight was given to all household members when calculating equivalent income. A distinction was made between those over and under 15 years of age. The weight of the adults was decided by whether or not there were active earners in the family. If there were, the first adult scored 1 unit and subsequent adults 0.75 units each. If there were no employed persons, the first adult scored 0.9 and the other adults 0.65 units each. The income measured is post-assistance – in other words, the regular sums of benefits received are included in the income figure.

1) The benefit system

The system of welfare benefits operating in the 1990s is based on the 1993 welfare act, the 1997 child-protection act, and local-government welfare regulations. The 1993 legislation took the form of a framework act, whose purpose was to present recommendations to those preparing local-government regulations on what situations in life were associated with a need for assistance. Some local-government decision-makers used a tighter interpretation of the act when drawing up their local assistance regulations, while others made greater use of local powers and actually treated the legislation only as a framework. However, the 1993 act did not cover the field of child benefits, which was covered central by the child-protection act of 1997.

The funding of welfare benefits is provided by the central budget and the local-government authorities. Some of the provisions paid by local government are based on social standards. The standard amounts made available are decided by the number of permanent residents in the community and the degree of need. The differentiated distribution takes account of the demographic structure of the community, its unemployment indices and its ability to pay income tax. With certain provisions, the central budget supplies all or part of the sum required.

In terms of regulation and of funding, assistance rested on a system of sharing the responsibility between the state and local government. However, *the number of state-regulated forms of provision increased during the decade,* while the importance of those whose conditions were set by local government decreased.

Empirical evidence for this centralizing tendency can only be approximate. For one thing, it is very hard to decide, without knowing every local regulation, which are the central and which the local-government benefits, since local government can augment centrally regulated provisions, so that in that sense, a centrally regulated provision can become a local-government one. Furthermore, local government can abide by the letter of the law, even in cases where the laws and other central regulations include only recommendations. So local statutes can be direct applications of central regulations. Since

it was not possible to study all the local regulations, an attempt was made to review the regulatory material using a sample of over 200 local-government authorities, to decide which forms of assistance should be classed as centrally controlled and which as controlled by local government.[1]

Based on a CSO examination of all settlements, the amount spent on centrally regulated assistance more than quintupled between 1993 and 2000 at nominal values, while expenditures on local-government provisions hardly more than doubled over the period examined *(Figure 3.1).*

Figure 3.1
The trends in the sums spent on central and local-government assistance at nominal values, 1993–2000 (1993 = 100)
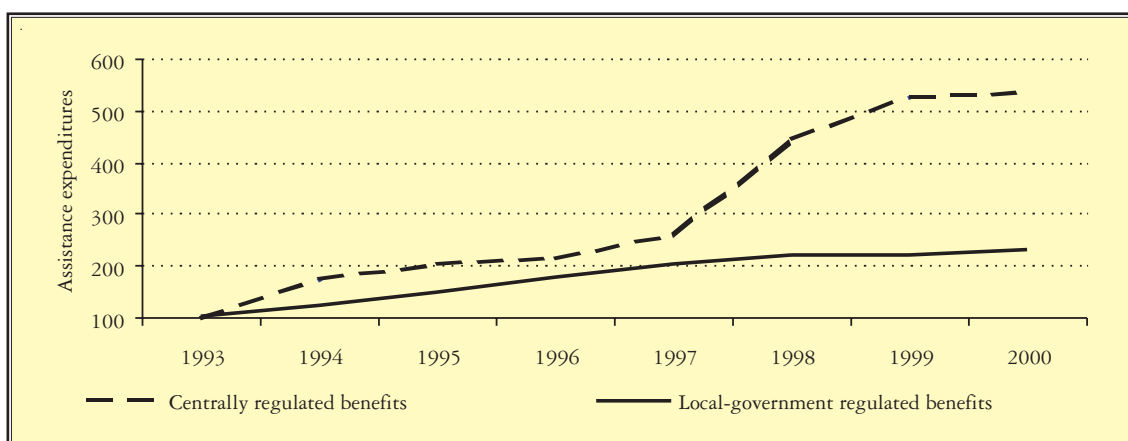
Sources: CSO and own calculations.

One feature of the Hungarian assistance system is that there is no general benefit to bring the income of the needy up a guaranteed level, bearing in mind the type and size of household. The 'right to sufficient resources' formulated in a 1992 recommendation of the Economic Council of Europe fails to apply in Hungary.

The benefits decided by central and local decision-makers can be placed in three overall types according to their function and method of utilization.

The first type consists of income-supplementing and other augmenting types of provision that can be freely used. The characteristic of these is that they try to compensate for low levels of family income that have arisen for various reasons. In general, they are intended to provide long-term support for a permanent state. They can be freely used in the sense that families receiving them are under no utilization obligations. The forms that belong here are income supplement for the unemployed, regular child-raising support, social benefit for those of active age, allowance for the elderly, and nursing allowance. These will be referred to henceforward as income-supplementing benefits.

The common feature of the provisions in the second type is that they are designed to augment specific needs. The two basic needs

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[1] *The following types of benefit were taken in the examination to be centrally controlled: income supplement for the unemployed, regular social benefit, allowance for the elderly, regular child-protection support, nursing allowance, and public burial. The local-government benefits were temporary benefits, emergency child-protection support, housing support and funeral benefit. This does not cover all the types of assistance, but it is known from other CSO researches that the order of magnitude of the other benefits and the trend in the omitted benefits from one year to the next mean that they do not affect the results in this case.*

that the Hungarian system of assistance sets out to support directly are housing maintenance and health-care expenditures. The condition for support is a relatively low level of income (though typically higher than the income ceiling for income-supplementing benefits, i.e. mostly exceeding the minimum old-age pension) and a high proportion of family income being expended on the need concerned. These provisions are earmarked, so that they have to be spent on the specified purpose. Examples are housing support and the forms of support for pharmaceutical supplies and for the physically disabled. These forms will be referred to henceforth as expenditure-compensating benefits.

The third type consists of temporary benefits, which cover a wide range of forms.

They include supports for school meals and educational supplies, school-entry assistance, one-off pharmaceutical support, food parcels, clothing assistance, and several other forms of local-government regulated provision. Their common denominator is that they go to families in exceptional life situations or suffering from livelihood problems, usually on a single occasion or over a period of a few months. These will be referred to henceforward as temporary benefits.

At the end of the 1990s, major alterations occurred in the structure of spending on the various types of benefit, with income-supplementing benefits increasing at the expense of expenditure-compensating and temporary benefits. (Table 3.1)

Table 3.1
Numbers of households receiving the various types of benefit (%)

	1997	1998	1999	2000
Income-supplementing or substituting benefits	68.0	73.9	75.7	77.6
Expenditure-compensating benefits	13.9	11.5	10.5	10.7
Temporary benefits	15.1	12.3	11.5	11.7
Other local-government benefits not included	3.0	2.3	2.3	-

Source: Monostori, 2002.

A big shift in the target groups for support under the benefit system took place in mid-decade. The most important target group in the early 1990s was the long-term unemployed, while *in the second half of the decade it was families with children.* This is reflected in a rise in the proportion of all recipients receiving regular child-protection support, while the total of those receiving income-supplementing benefit plus those of active age receiving social benefit fell. *(Figure 3.2)* One

reason is that the unemployment rate steadily eased (as mentioned in Chapter 1.), but the rate of child poverty remained high even at the end of the decade. Another reason is the welfare-policy measures taken. Active job creation came to the fore in handling unemployment in the second half of the decade, while child protection was strengthened when the child-protection benefits were introduced in 1997.

Box 3.2
The main features of benefits at the end of the 1990s and changes in benefit regulations
Income supplement for the unemployed. This targets the long-term unemployed not receiving other provisions for the unemployed. The entitlement is a per capita monthly net family income of not more than 80 per cent of the minimum old-age pension at any time. An essential regulatory change came when a time limit of two years was placed on receipt of the benefit, in the summer of 1995. The supplement was abolished in May 2000, after which it was received only by those with an entitlement obtained before that date.
Regular social benefit. New regulations for this benefit were introduced in 1997. The target groups are those who have reached the age of 18, have lost at least 67 per cent of their capacity to work, receive blind person's benefit, are older than 62 (up to 1998), or are non-employed of working age. The entitlement is an income and a per capita monthly net family income of not more than 80 per cent of the minimum old-age pension at any time for those with health impairment and for the elderly, and an income of not more than 70 per cent and a per capita monthly net family income of not more than 80 per cent of the minimum old-age pension at any time for those of active age. The last target group mentioned consists effectively of those long-term unemployed who are excluded from income supplement, see above.
Allowance for the elderly. This form of provision has come under the welfare act since 1998, when the aged were removed from the target groups for regular social benefit. The entitlement covers those persons who have reached the age of 62 or the pensionable age applicable to them and whose per capita monthly net family income does not exceed 80 per cent of the minimum pension, or 95 per cent in the case of those living alone.
Housing support. The prime criteria are per capita income and housing expenses. Regulation of the support is in the province of local government, but according to the welfare act, support is especially indicated in families where per capita income does not exceed double the minimum pension and housing expenses account for 35 per cent or heating costs for at least 20 per cent of total family income. Special consideration of heating costs entered the legislation in 1997.
Regular child-protection support. Support for children was not addressed in the 1993 welfare act. Local government either adopted local rules on regular assistance for bringing up children or made no provision at all. Central legislation came only in the autumn of 1997, not in the welfare act, but in the act on protection of children and guardianship. The entitlement covers children in families whose per capita net income falls short of the minimum pension.
Temporary assistance. Regulation is a local-government task. The welfare act merely states that 'the representative assembly of the local-government authority extends the temporary assistance specified in its regulations to persons in an exceptional life situation threatening to livelihood or suffering temporarily or permanently from livelihood problems.'
Emergency child-protection support. The idea behind the regulation of this is the same as the previous, except that the basic principle is laid down in the child-protection act, not the welfare act.
Public medical provision. There are three types of public medical provision: statutory, compassionate and normative. The first covers support for individuals who belong to specific target groups, such as those in institutional care, or receiving central welfare benefits or disablement allowances. The second supports those deemed needy by local government. The third contributes to the health-care expenses of those whose regular monthly medicine costs exceed 10 per cent of the minimum pension and whose per capita family income does not reach the minimum pension, or in the case of those living alone, 150 per cent of the minimum pension. The last form was regulated in 1996.
Child-raising support. The entitlement covers families raising at least three children, of whom the youngest is aged 3–8, where net per capita monthly income is below the threshold set for entitlement to childcare assistance. Child-raising support was removed from the sphere of the welfare act in 1999, since when it has been forwarded by the National Health Fund.
Nursing allowance. This provision goes to family members of persons requiring constant care at home. There is a statutory entitlement for those nursing a chronically ill patient who is severely disabled or under 18. Nursing allowance may also be given by local government on compassionate grounds to those nursing a chronically ill patient over 18.
Forms of support for the physically disabled. The four types are car-purchase support, car-adaptation support, transport support, and parking permits. The first three go to those classed as severely physically disabled whose per capita average monthly family income does not exceed two-and-a-half times the minimum pension in the year concerned.
Sources: Acts III/1993 on Social Justice and Social Provisions; Act XXXI/1997 on Child Protection and Guardianship; Government Decree No. 164/1995 (December 25) on Transport Concessions for Severely Physically Disabled Persons.

Figure 3.2
The proportions of all beneficiary households receiving various types of benefit
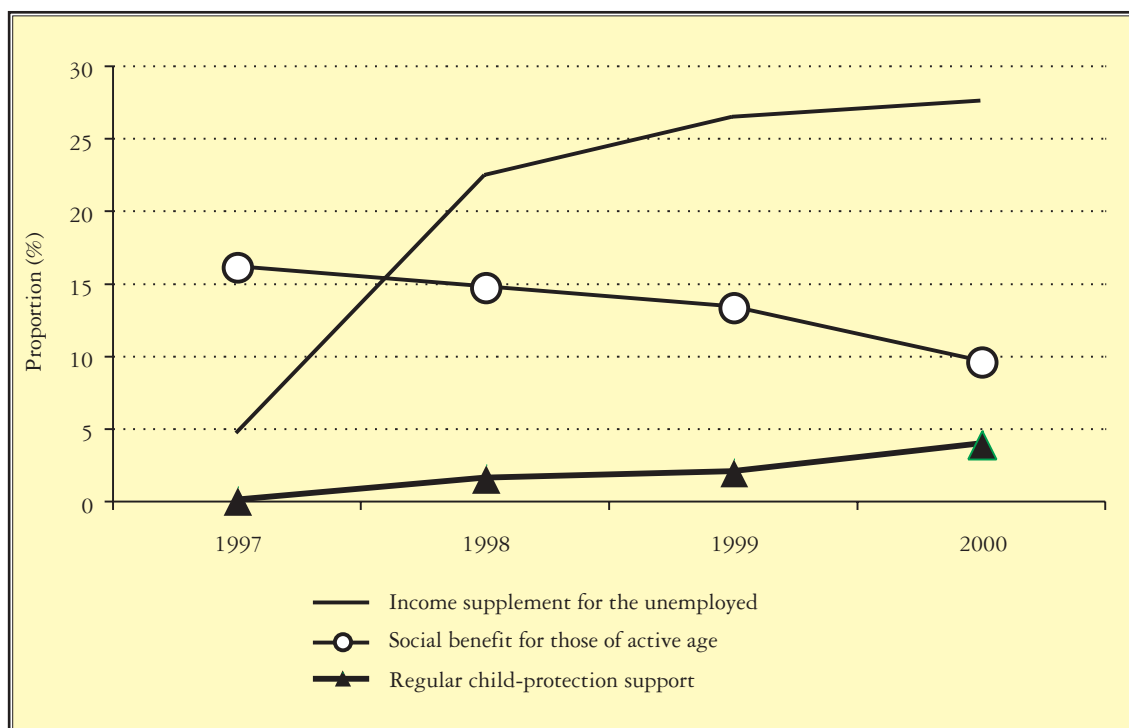
Source: CSO and own calculations.

A decisive feature of the Hungarian benefit system throughout the 1990s was that 'it considers not the cohabiting community, but the individual members of it' (Ferge, 1996) Entitlement derives from the life situation of one family member (long-term unemployment, advanced age, illness, etc.) coupled with a low per capita family income. The welfare and child-protection acts do not set entitlement thresholds for types of family and only a fraction of the local-government authorities set thresholds for such groups as single people, those with three or more children, or families with parents, in line with their various needs. The same applies in setting amounts of assistance.

The absence of assistance according to family types also appears in the practice of calculating with per capita net monthly income. Unlike calculations with consumption units, this ignores the principle of economic family size. Families with many members appear to be poorer and smaller families and single persons are discriminated against. Housing costs, one of the big items of expenditure, leapt in the 1990s, which exacerbated the problem.

The benefit thresholds are expressed, as they were earlier, in terms of the minimum pension and various proportions of that sum. The proportion of the average income represented by the minimum pension has not changed since the middle of the decade. According to the TÁRKI survey of 1995/6, the average net income per consumption unit was HUF 19,972 (Kolosi, Bedekovics and Sík, 1997) while the minimum pension was HUF 8400. In 1999/2000, the average income was HUF 32,516 (Szívós and Tóth, 2000) and the minimum pension HUF 15,350. So in both years, the minimum pension amounted to somewhat less than half the average income.

2) THE RELATION BETWEEN POVERTY AND ASSISTANCE

One obviously important question when assessing a benefit system is how efficiently it reaches the needy. On the other hand, neediness is hard to define. The

definition also depends on the research criteria being applied. In the author's view, assistance is the part of the social welfare system that should undertake to support the poor as a kind of ultimate safety net. That, of course, does not mean there should not also be parts of the welfare net that set out to reduce poverty itself.

On the other hand, as emphasised in Chapter 2., there is no generally accepted concept of how to measure poverty. Researchers use various approaches. This study applies three concepts: (1) income poverty, (2) 'official' or 'political' poverty, and (3) income-wealth poverty. With income poverty, both stricter and looser definitions are applied here. As mentioned in the previous chapter, the poor are considered to consist of households whose income per consumption unit falls within the lowermost decile or lowermost quintile of income in the population. The study includes among the 'official' poor those whose per capita income does not reach the level of the minimum pension. As mentioned above, the minimum pension or some proportion of it is often used as a threshold or ceiling for entitlement. The concept of income-wealth poverty is relative, like income poverty, i.e. it is related to other members of society. However, the variables included in the examination cover the wealth as well as the income situation of households. The data for evaluating wealth situation are value of housing, possession of more expensive items of property (car, holiday home, second building plot etc.) and of consumer durables.

Box 3.3
Defining the sphere of income-wealth poverty

The poor are considered here to consist of households whose income per consumption unit falls within the lowermost quintile of income in the population. The wealth situation was analysed in several dimensions.

The first was the value of housing. With no information on this in the survey, the housing value was arrived at from a regression model, based on the value declared by respondents in the CSO 'Housing Conditions 1999' survey, converted into a value per square metre. The dependent variable was square-metre housing value and the explanatory variables the factors determining the values: region, type of settlement, type of building, standard of facilities, and quality of housing. The coefficients of the equation were used to compile the housing-value variable adjusted for the survey. Those owning no housing or housing of low value were placed in the lowermost quintile.

The second dimension was possession of consumer durables. Possession of a washing machine, refrigerator, television, computer, microwave oven and video player were considered. Distinctions were made between a traditional and an automatic washing machine and a colour and a black-and-white television. With washing machines, refrigerators and televisions, the age was also considered. The raw variables were translated into standard z scores, giving commoner items a lower weighting and rarer possessions a greater one in the combined index. The third dimension was possession of real estate and movables of greater value. The constituents were a holiday home, a car, a garage and land. The type and age of car owned were considered, as was the area of a landholding. A similar course was taken in combining the variables as with the consumer durables.

Based on these dimensions, society was divided into nine clusters. Those in the worst or next-to-worst situations in each dimension were taken as deprived. Considering all the dimensions together yielded the most excluded group in the survey.

The proportion of poor households in the population according to each approach is shown in Figure 3.3.

Figure 3.3
The proportion of poor households according to various definitions of poverty
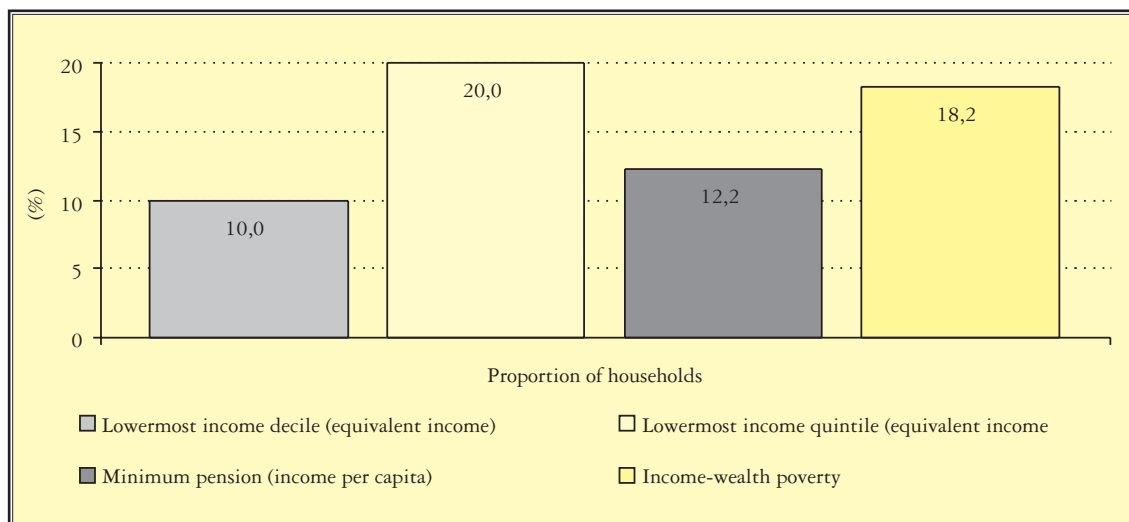
Source: CSO and own calculations.

Why are so many concepts of poverty being used? Most benefit-dispensing legislation examined have treated the income relations in the claimant's household as a central criterion. Many local regulations on temporary benefits stipulate that the support may be given to households in crisis irrespective of income, but most temporary benefits are dispensed in practice to families in temporary hardship living beneath a level defined in terms of the minimum pension. The central role of income justifies examining what support can be expected by those whom researchers class as income-poor. Thus the concepts of lowermost income quintile and decile have been employed (as in the previous chapter).

This approach is not connected directly with the 'official' poverty concept, whose threshold is set by a process of political bargaining. The minimum pension acts as a kind of official poverty ceiling, beneath which support kicks in under legislation or local regulations. Examining the support for those living on less than the minimum pension sheds light on whether the benefits are reaching the 'politically' targeted needy

The third concept of poverty is intended to show that poverty is not a unidimensional phenomenon. Poverty can be marked not only by a low income level, but by consumption shortcomings as well. The data available to the authors did not allow measurement of such consumption constituents as food or clothing. The concept of income poverty could only be linked with wealth poverty instead, but in the authors' view, this approach likewise points to the problematic nature of equating standard of living simply with income level, which is frequent practice.

For some social groups, it has great significance whether their risk of poverty is based only on income, or whether a broader perspective of lifestyle is considered. *Figure 3.4* shows the proportion of the poor in certain types of household according to income-decile and income-wealth criteria.

Figure 3.4
Proportions of income poor and income-wealth poor in certain types of household
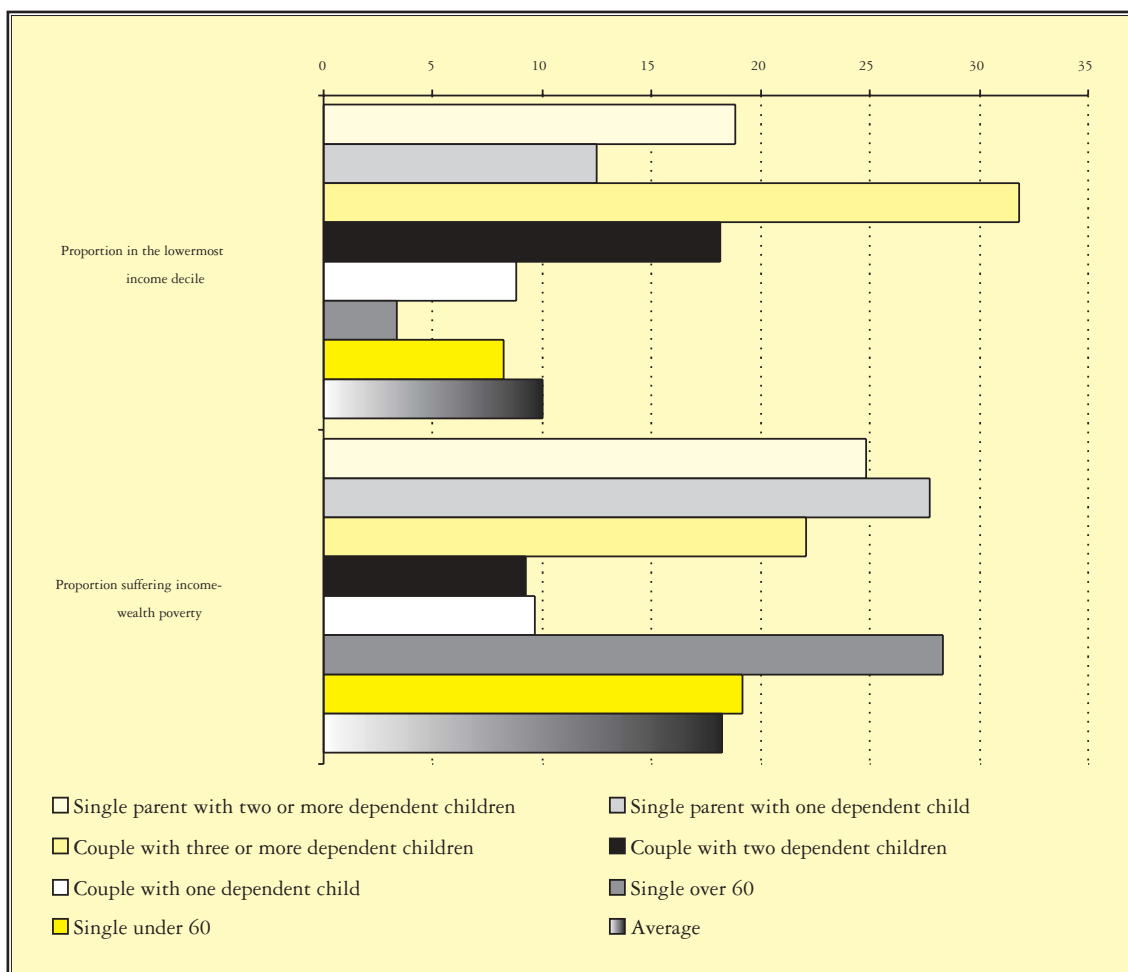
Source: CSO and own calculations.

The groups examined in relation to assistance consisted of those receiving income-supplementing benefits, and those receiving temporary benefits. The former group included those who mentioned receiving at least one of the following support types: income supplement for the unemployed, regular child-raising benefit, regular child-protection support, regular social benefit, allowance for those of active age, allowance for the elderly, and nursing allowance. With the group receiving temporary benefits, the types included were support for school meals and school requisites, occasional pharmaceutical support, food parcels, clothing assistance and several other types of temporary support.

The account that follows examines the relation between poverty and assistance by comparing groups embodying demographic, sociological or territorial characteristics for poverty risk and likelihood of receiving assistance. The demographic variables taken were size of household, number of children aged 18 or under, the age group of the head of the household and the household structure. The territorial variables were the regional location and type of the settlement inhabited.

The method of examination was to calculate and compare for each group the poverty risk and the likelihood of receiving assistance. The subject examined was not how adequate was the assistance given to each group, but which groups were preferred over which by the assistance regime.

The households were first divided into groups according to the number of people in the household. This revealed that the risk of poverty was above average in households with 4 and with 5 members, according to the indices used for examining income poverty. With 4-member households, there was almost double the average risk (1.82) of being in the lowest income decile, while with 5-member households the risk was almost three times (2.83) the average. However, the multidimensional approach drew attention to the problems of households with 1 and 2 members. The poverty risk of single persons was one-and-a-half times the average. The indices for the likelihood of receiving assistance suggest that assistance practice tends to follow the 'pattern' of income poverty, since households with 4 or more members are overrepresented among the beneficiaries. It can also be stated that temporary assistance is more likely to be the support for smaller households than regular income-supplementing forms of provision. The likelihood of 1 and 2-member households receiving assistance is greater than their risk of income poverty, but the likelihood of these households receiving income-supplementing benefits is less (Table 3.2)

Table 3.2
Risk of income poverty and likelihood of receiving assistance by number of household members

Number of household members	Risk of income poverty with various poverty ceilings			Multi-dimensional poverty risk	Likelihood of receiving assistance by types of assistance	
	Lowermost quintile	Lowermost decile	Minimum pension		Income-substituting and supplementing	Temporary
1	0.25	0.46	0.37	1.38	0.33	0.79
2	0.40	0.41	0.32	1.27	0.44	0.61
3	1.30	0.85	0.68	0.61	0.98	0.94
4	1.68	1.82	1.63	0.52	1.75	1.23
5 <	2.74	2.83	4.08	0.96	2.94	2.40

Source: CSO and own calculations.

The other demographic element examined was the number of children in the household aged 18 or less. Whatever definition was employed, it could be concluded that the risk of income poverty was lowest in the households without children of 18 or less – about half the average. The greater the number of such children the greater was the poverty risk for the household, especially in the case of 3 or more children. Applying the multidimensional poverty formula produced somewhat different results. Households

without children had a higher risk of income-wealth poverty than those with 1–2 children. However, a greater number of children still increased the risk of poverty when this approach was taken.

The distribution of income-supplementing benefits follows very closely the pattern of income poverty. The system of support shows a clear preference for households with 4 or more children. Although the chances of being in the lowermost decile are more than five times as great (5.62) for these households, the average likelihood of receiving income-supplementing supports is almost 8 times (7.91). The correlation with temporary benefits is even closer than with income-supplementing benefits *(Table 3.3).*

Table 3.3
Risk of income poverty and likelihood of receiving assistance by number of children under 18

Number of children under 18	Risk of income poverty according to various poverty ceilings			Multi-dimensional poverty risk	Likelihood of receiving benefit by type of benefit	
	Lowermost quintile	Lowermost decile	Minimum pension		Income-substituting and supplementing	Temporary benefits
0	0.58	0.52	0.46	1.08	0.42	0.65
1	1.81	1.56	1.51	0.70	1.64	1.24
2	1.78	2.31	2.40	0.77	2.49	1.95
3	3.20	3.39	4.85	1.33	4.38	3.64
4 <	3.76	5.62	6.32	2.13	7.91	5.25

Source: CSO and own calculations.

The age of the head of household proved to be another important grouping criterion for how the poverty risk and likelihood of receiving assistance varied among social groups. The risk of poverty by all three measures was highest among the 30–39 and 40–49-year-old age groups, where it lay between one-and-a-half times and twice the average risk. The multidimensional approach to poverty gave a different picture, in which the middle cohorts were in the greatest security and the risk values for the youngest and oldest were above average. Especially conspicuous was the risk of income-wealth poverty among the over 70s.

Looking at the age cohorts for income-supplementing benefits, the group most preferred was the youngest, whose poverty risk by any definition was lower than its likelihood of receiving assistance. The preference to the over 60s is more ambiguous. In their case, it consists of temporary assistance in smaller amounts. Furthermore, the older cohorts are clear losers under the support system if multidimensional poverty is taken as the yardstick *(Table 3.4).*

Examination by types of household helps to fill out the picture, but there are some further items of information worth considering. One is that *the system pays exceptional attention to single parents with dependent children,* by comparison with other types of household. Here the values for likelihood of receiving assistance exceed those for the risk of poverty by any definition. There is a similar situation with large families, although the preference is not discernible with all poverty thresholds. Another group worth considering consists of households where the children have grown up. Although their risk of poverty is above average according to only a few approaches and is characteristically below average, they are insufficiently assisted by comparison with their poverty risk. There is a low likelihood of such households receiving local-government assistance *(Table 3.5).*

Table 3.4
Risk of income poverty and likelihood of receiving assistance by age of head of household

Age cohort of head of household	Risk of income poverty according to various poverty ceilings			Multi-dimensional poverty risk	Likelihood of receiving benefit by type of benefit	
	Lowermost quintile	Lowermost decile	Minimum pension		Income-substituting and supplementing	Temporary benefits
15–29	1.33	1.51	1.49	1.09	2.38	0.85
30–39	1.60	1.80	1.94	0.87	2.59	1.82
40–49	1.65	1.59	1.58	0.71	1.35	1.31
50–59	1.11	0.95	0.94	0.74	0.77	0.76
60–69	0.46	0.44	0.44	1.12	0.24	0.64
70 <	0.23	0.30	0.26	1.52	0.26	0.76

Source: CSO and own calculations.

Table 3.5
Risk of income poverty and likelihood of receiving assistance by type of household

Type of household	Risk of income poverty according to various poverty ceilings			Multi-dimensional poverty risk	Likelihood of receiving benefit by type of benefit	
	Lowermost quintile	Lowermost decile	Minimum pension		Income-substituting and supplementing	Temporary benefits
Single < 60	0,46	0,85	0,67	1,02	0,77	0,79
Single > 60	0,18	0,34	0,27	1,57	0,16	0,81
Couple < 60	0,54	0,43	0,34	0,87	0,56	0,35
Couple > 60	0,12	0,19	0,15	1,21	0,60	0,50
Couple with 1 dependent child	1,36	0,91	0,72	0,54	1,01	1,08
Couple with 2 dependent children	1,61	1,87	1,64	0,51	1,82	1,32
Couple with 3 < dep. children	2,90	3,27	4,45	1,19	3,79	2,97
Couple with adult child(ren)	1,25	0,80	0,71	0,40	0,68	0,44
Single parent with 1 dep. child	1,26	1,29	1,03	1,50	2,66	1,54
Single parent with 2 < dep. children	2,25	1,93	1,86	1,38	3,06	2,94
Single parent with adult child(ren)	0,79	0,63	0,50	1,52	0,27	0,90
Multiple families	2,59	2,61	3,58	0,83	2,62	2,07
Other	1,52	1,33	1,58	0,95	1,35	1,04

Source: CSO and own calculations.

Educational attainment of the head of household is a traditional predictor of poverty risk. The households of skilled manual workers are in the worst position in terms of income situation, with a poverty risk almost one-and-a-half times the average. Those who have completed only the eight grades of primary schooling have a lower risk because there is a high proportion of elderly among them, for many of whom an old-age pension provides relative income security. Taking the multidimensional approach, the risk value of the latter group becomes almost twice the average. The pattern of income-supplementing supports follows income poverty very closely. The data indicates that in this respect, there are no significant preference orders for assisting the groups. With temporary benefits, the preferred groups are those at the top and bottom of the ladder of educational attainment, although the figures do not point to strong discrimination among these groups *(Table 3.6)*.

Table 3.6
Risk of income poverty and likelihood of receiving assistance by of head of household's educational attainment

Educational attainment of head of household	Risk of income poverty according to various poverty ceilings			Multi-dimensional poverty risk	Likelihood of receiving benefit by type of benefit	
	Lowermost quintile	Lowermost decile	Minimum pension		Income-substituting and supplementing	Temporary benefits
8 > grades of primary	1,11	1,32	1,23	1,87	1,09	1,33
Vocational training and vocational school	1,44	1,35	1,41	0,75	1,47	1,08
School-leaving certificate (baccalaureate)	0,72	0,54	0,58	0,42	0,73	0,70
Diploma or degree	0,28	0,20	0,23	0,17	0,26	0,45

Source: CSO and own calculations.

There is nothing new either in the role of type and region of place of residence in poverty risk, although neither can be said to have a clearly stronger effect than the latter. The disadvantages of certain settlement types may transcend the advantages deriving from regional location. It can also be stated that the flow out of the cities and development of the settlements surrounding them make the homogeneity of the villages ever more doubtful. For that reason, a variable was devised that took into account regional location, type of settlement, the influence of urban areas on villages. According to this structure, the risk of poverty was lowest in Budapest. However, it was higher than average in villages, especially those in the eastern part of the country and in Eastern Hungarian towns. Applying the multidimensional poverty formula, the territorial differences became less striking, but the incidence of poverty in Eastern Hungarian villages remained above average. Comparing these results with the assistance structure, it emerged that the income-poor in Budapest were in a relatively favourable position, or at least suffered no disadvantages compared with those in the provinces. The risk of joining the lowest income decile, for instance, was 0.34, while the likelihood of receiving either

income-supplementing or temporary assistance was 0.44. Differences of strategy between the western and eastern counties could be discerned in the large county seats. In the West, the provision of assistance preferred the poor in the county seats over those in other territories or types of settlement, whereas in the East, county-seat inhabitants relying on local-government assistance were in more difficulty. The situation was reversed with smaller towns, where the poverty rate was higher than the rate of receiving assistance in the western counties, so that the risk of poverty there was higher than the likelihood of receiving assistance *(Table 3.7).*

Table 3.7
Risk of income poverty and likelihood of receiving assistance by type of settlement

Type and regional location of settlement	Risk of income poverty according to various poverty ceilings			Multi-dimensional poverty risk	Likelihood of receiving benefit by type of benefit	
	Lowermost quintile	Lowermost decile	Minimum pension		Income-substituting and supplementing	Temporary benefits
Budapest	0,38	0,34	0,34	0,52	0,44	0,44
Transdanubian county seats	0,57	0,46	0,49	0,62	0,81	0,53
Transdanubian and Pest-County towns	0,93	0,83	0,82	0,88	0,42	0,81
Transd. and Pest-County urbanized villages	0,85	0,81	0,80	0,38	0,60	0,85
Transd. and Pest-County villages	1,38	1,43	1,49	0,99	1,12	1,68
N. Hungary and N. Great Plain county seats	0,68	0,63	0,61	0,96	0,46	0,37
N. Hungary and N. Great Plain county towns	1,24	1,21	1,22	1,52	1,62	1,33
N. Hungary and N. Great Plain urbanized villages	2,10	2,73	2,49	1,35	0,83	1,50
N. Hungary and N. Great Plain villages	1,75	1,93	1,89	1,74	2,18	1,69

Source: CSO and own calculations.

3) THE EFFICIENCY OF THE BENEFIT SYSTEM

Having looked at the structural differences between the poor and those receiving assistance, it is time to examine *what proportions of various groups of poor are reached and supported by the benefit system.*[2] The income data include the benefits received, so that they must be interpreted as income after benefits. For that reason, no examination was made of what proportion of those living above the poverty lines were receiving assistance, as there was no way to tell in which cases the benefits themselves were raising the recipient above the threshold. Furthermore, the survey found hardly any cases among either income-supplementing or temporary benefit recipients where the income figure was above the ceiling of the minimum pension, or with some temporary benefits, one-and-a-half time the minimum pension. So it cannot be assumed that any large group of recipient families had preassistance per capita incomes above the minimum pension. The research therefore concentrated on determining *what groups of the poor were receiving the assistance.*

The data suggest that a very low level of assistance reaches the poor. Looking at both types of assistance and depending on which approach is taken, it appears that the proportion of assisted households among the poor is between 10 and 20 per cent *(Tables 3.8 and 3.9).*

The targeting of the benefits is more effective for families with children than for childless families, probably because families with children, through the kindergartens and schools, become much better informed about the benefits that can be claimed, so that they can make greater use of them. The other reason has to do with the benefit system itself. It has already been mentioned that the Hungarian benefit system lacks a general benefit that give support below a specified level of income. Each benefit is tied to a specific target group, within which it attempts to ease poverty. In such a system, known as a categorized system, a distinction is drawn between the selection and entitlement stages. The selection entails choosing the target groups. With the income-supplementing benefits, these are the long-term unemployed, the elderly, children, and those living with a sick family member. The result may be that some groups with low income levels may lose the chance of benefit at the selection stage (i.e. at the eligibility stage). The proportion of such cases is probably higher among childless families than among those with children. That is also suggested by the data already given showing that households with no children under 18 and not consisting entirely of pensioners form one of the under-assisted groups.

Among families with children, the targeting of benefits increased with the number of children. The proportion of households with 3 or more children that received assistance was 25–40 per cent using various poverty thresholds.

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[2] *The low numbers of cases preclude such a detailed examination as the one in the previous section.*

Table 3.8
Proportions of households receiving income-supplementing or substituting support among the poor
(%)

Social and demographic characteristics	Proportion of households receiving benefit, among			
	Those in the lowermost income quintile	Those in the lowermost income decile	Those living on less than the minimum pension	Those living in income-wealth poverty
Total	17,3	21,1	21,5	10,5
Type of household				
With children	22,9	26,7	26,2	29,4
Childless	9,2	11,3	11,5	4,4
No. of children				
1	16,5	22,1	20,8	25,1
2	26,7	27,5	27,3	29,0
3 <	32,0	33,5	31,4	38,7
Age cohort of head of household				
15–39	30,3	34,0	33,2	29,8
40–59	13,9	18,3	18,2	15,7
60 <	7,2	5,2	7,3	1,5
Type of settlement				
Budapest	10,5	12,7	12,6	8,4
County seat	12.6	17.7	16.9	7.3
Other town	16.7	19.9	20.6	10.7
Village	19.8	23.4	24.0	11.9

Source: CSO and own calculations.

As the age of the head of household rose, the efficiency of benefit provision decreased. The exclusion of elderly people beneath minimum-pension level cannot be explained in terms of the categorized system, because the allowance for the elderly introduced in 1998 provides 80 per cent of the minimum pension or 95 per cent for a single elderly person (see Box 3.2). With the elderly, it's probably the case that the poorest have the lowest take-up right for the allowance. Furthermore, the proportion of households with a head over 60 living under the minimum pension level is only 5 per cent, so that simply because there are few of them, they may fall through the welfare net, which is mainly concerned with the problems of broader strata in society.

The targeting of benefits improves as one goes down the size-scale of settlements. In Budapest, only 13 per cent of those in the bottom income decile and the same proportion of those under minimum-pension level receive income-supplementing assistance, whereas it is 23 and 24 per cent in the villages.

Table 3.9
Proportions of households receiving temporary benefits among the poor
(%)

Social and demographic characteristics	Proportion of households receiving benefit, among:			
	Those in the lowermost income quintile	Those in the lowermost income decile	Those living on less than the minimum pension	Those living in income-wealth poverty
All households	13,1	15,6	15,9	11,2
Type of household				
With children	16.0	16.6	17.3	20.7
Childless	8.9	13.8	12.9	8.1
No. of children				
1	11.6	10.2	10.6	17.6
2	16.5	16.8	16.8	20.2
3 <	25.6	27.3	26.5	27.8
Age cohort of head of household				
15–39	17.5	19.0	19.6	17.6
40–59	12.6	15.4	15.4	14.5
60 <	6.7	8.9	9.0	7.3
Type of settlement				
Budapest	6.9	13.3	11.3	6.8
County seat	8.9	9.2	10.2	5.0
Other town	12.4	14.9	14.9	11.3
Village	15.5	17.4	18.1	14.1

Source: CSO and own calculations.

4) THE LIVING CONDITIONS OF BENEFIT RECIPIENTS

The second half of the study examines the living conditions of those receiving benefits, according to demographic and sociological groups. The first aspect is the income position of households. Average monthly income per consumption unit in 1999/2000 approached HUF 36,000. The post-benefit monthly income of those receiving income-supplementing supports and temporary benefits fell far short of this. The households in the first group had incomes that did not reach 60 per cent of the average, while for those on temporary benefits, the proportion was 70 per cent. One of the important differences was between households with children and childless households. The other differentiating factor was place of residence. These fault lines ran through the whole population and through individual groups of benefit recipients. The first probably existed because the benefits were more effective in smaller households, or at least, they yielded more income per consumption unit. The settlement-type difference is probably because the benefit system failed to compensate for strongly differentiated prebenefit incomes (see Table 3.10).

Table 3.10
Income per consumption unit
(HUF)

Social and demographic characteristics	Recipients of income-supplementing or substituting benefits	Recipients of temporary benefits	All households
Average	21 001	25 018	35 541
Type of household			
With children	19 446	28 013	28 328
Childless	24 757	22 524	38 620
No. of children			
1	20 070	24 109	30 335
2	19 024	23 146	27 597
3 <	19 231	19 408	21 899
Age cohort of head of household			
15–39	20 178	22 079	36 081
40–59	20 652	23 841	35 001
60 <	26 324	29 805	35 897
Type of settlement			
Budapest	28 088	32 340	48 391
County seat	24 774	25 015	38 112
Other town	20 643	24 835	32 566
Village	19 003	23 842	28 792

Source: CSO and own calculations.

Income is not the only important factor when examining the living conditions of benefit recipients. Consideration also has to be given to all possessions that can act as a reserve for the household. One such is housing property, although a dwelling is not only an asset that represents accumulated wealth, but a liability, if the household proves unable to pay for its running costs. A third aspect of housing conditions is that it forms one of the venues for recreation and relaxation, and its quality and size affect its ability to perform such functions. For all these reasons, the survey examined the value, size, level of facilities, and quality of housing, comparing them with those characteristic of the whole population.

Looking at the situation with housing ownership, it can be seen that one tenth of households occupied housing as tenants. This proportion was higher among benefit recipients, especially recipients of income-supplementing benefits, of whom 18 per cent rented their housing from a private person or local government. The proportion of tenants was also higher among younger cohorts, large families and residents of larger cities. Within the last two groups, the proportion of tenants was larger among the recipients of income-supplementing benefit than it was in other social groups.

Almost a third of the group whose housing fell into the lowermost value quintile are benefit recipients. There was a notably higher proportion among households without children whose housing fell into the lowermost value quintile. Within the benefit recipients, it was noticeable, for instance, that 40 per cent of the income-supplementing benefit recipients occupied housing in the lowermost quintile. The situation of younger and of elderly cohorts was clearly worse in this respect, while among the benefit recipients, the proportion occupying very low-value housing was higher still among these two age groups. Housing value is determined mainly by the size of dwelling, but the type of settlement and the level of facilities are also

important value determinants. The price per square metre was also calculated, to eliminate the area factor in price differences. These indicators showed a somewhat greater difference between benefit recipients and the whole population, which suggests that including other factors besides the size of dwelling somewhat increased the lag by benefit recipients *(Table 3.11)*.

This does not mean, of course, that the size of the dwellings was adequate for the number of people living in them. The proportion of those living in cramped housing was greater for income-supplementing benefit receivers and those receiving temporary benefits than it was for the requisite groups in population as a whole. While only 9 per cent of all households lived in cramped housing, 21–27 per cent of the benefit recipients did so. Of course, there were major differences in this respect between demographic and social groups, which manifested themselves most of all in a higher proportion of cramped housing

among families with children. In this case, the differences of settlement type were not significant. The difference between the population and the benefit recipients also showed in the indicators for size of dwelling per capita. The average area of housing per capita in the population was 36 sq. m, while it was 24 sq. m among one group of benefit recipients and 31 sq. m among the other *(Table 3.12)*.

It was mentioned earlier that housing is a space for living, as well as an item of wealth. In that respect, objective housing conditions and the degree of occupant satisfaction are extremely important. The survey looked at whether dwellings had a bathroom and at amenity shortcomings. Both of these showed the poor at a clear disadvantage. About a fifth of families had no bathroom and lacked one of the amenities, while among the overall population, the proportions were under 10 per cent in each case *(Table 3.13)*.

Table 3.11
Housing characteristics I.
Relative value of dwelling in certain groups (%)

Social and demographic characteristics	Proportion of households living in dwellings as tenants			Proportion of those in the lowermost housing-value quintile			Proportion of those in the lowermost quintile for unit housing value (sq. m)		
	Recipients of income-supplementing benefit	Recipients of temporary benefits	All households	Recipients of income-supplementing benefit	Recipients of temporary benefits	All households	Recipients of income-supplementing benefit	Recipients of temporary benefits	All households
Altogether	17,5	13,3	10,6	34,2	30,2	20,0	36,0	30,5	19,3
Type of household									
With children	16.1	13.1	11.6	31.9	25.3	17.7	35.0	27.5	18.7
Childless	21.1	13.5	10.1	39.8	36.2	21.0	38.4	34.2	19.5
No. of children									
1	16.6	14.8	11.7	35.5	27.8	17.6	34.9	26.7	17.5
2	11.2	10.6	10.2	26.3	20.4	15.8	30.2	23.1	17.5
3 <	22.9	14.6	15.5	35.5	29.6	24.7	42.5	35.8	27.0
Age cohort of head of household									
15–39	18.2	14.6	16.8	36.2	30.9	25.7	38.7	31.8	25.3
40–59	15.5	12.4	9.3	31.5	30.0	16.9	34.3	28.5	15.9
60 <	24.3	13.3	9.2	38.2	29.8	20.9	31.6	32.6	20.3
Type of settlement									
Budapest	39.2	31.6	19.1	43.6	51.2	26.3	39.8	34.9	19.8
County seat	42.8	14.4	13.8	43.5	14.4	14.9	48.6	16.7	16.4
Other town	16.9	17.6	9.6	35.9	30.3	21.6	33.5	32.4	20.8
Village	9.0	7.5	4.8	29.7	29.8	17.3	34.5	30.4	18.9

Source: CSO and own calculations.

Table 3.12
Housing characteristics II.
Relative value of dwelling in certain groups

Social and demographic characteristics	Proportion living in cramped housing (%)			Average area of housing per capita (m²)		
	Recipients of income-supplementing benefit	Recipients of temporary benefits	All households	Recipients of income-supplementing benefit	Recipients of temporary benefits	All households
Altogether	27,2	20,9	9,0	23,7	30,6	36,1
Type of household						
With children	34.5	31.3	23.3	19.1	20.4	21.5
Childless	9.4	8.4	3.3	35.1	42.9	42.3
No. of children						
1	30.3	28.3	17.3	22.3	24.3	23.2
2	26.9	20.9	23.0	19.2	20.1	20.7
3 <	52.1	51.7	47.5	14.4	15.3	16.3
Age cohort of head of household						
15–39	32.9	34.0	20.7	21.1	20.1	26.6
40–59	25.2	23.1	10.4	25.0	26.5	30.2
60 <	11.4	4.5	2.7	29.5	47.4	46.6
Type of settlement						
Budapest	22.2	16.9	8.2	26.5	28.4	33.3
County seat	23.8	28.3	8.6	19.7	20.2	32.1
Other town	28.7	19.6	9.7	22.7	29.2	35.5
Village	28.1	21.1	9.6	24.6	33.3	40.0

Source: CSO and own calculations.

Table 3.13
Housing characteristics III.
Level of amenities (%)

Social and demographic characteristics	No bathroom			Absence of an amenity		
	Recipients of income-supplementing benefit	Recipients of temporary benefits	All households	Recipients of income-supplementing benefit	Recipients of temporary benefits	All households
Altogether	18,5	16,7	8,1	20,9	18,5	9,5
Type of household						
With children	17.2	11.3	5.7	19.8	13.0	6.8
Childless	21.6	23.2	9.1	23.6	25.2	10.6
No. of children						
1	16.1	9.2	4.5	19.0	11.1	5.6
2	14.3	9.1	4.8	15.4	9.7	5.4
3 <	23.1	17.7	13.7	27.8	20.8	16.5
Age cohort of head of household						
15–39	20.6	14.1	7.2	22.5	15.0	8.1
40–59	17.2	15.7	5.7	20.0	18.1	6.9
60 <	14.8	20.9	11.1	18.0	22.6	13.0
Type of settlement						
Budapest	13.5	5.7	4.0	11.9	7.7	5.1
County seat	4.4	9.1	3.5	4.4	9.1	4.6
Other town	15.6	12.4	7.5	19.2	14.2	8.9
Village	24.4	22.4	13.5	27.5	24.4	15.1

Source: CSO and own calculations.

Table 3.14
Possession of consumer durables I.
(%)

Social and demographic characteristics	No refrigerator			No washing machine or only of old type		
	Recipients of income-supplementing benefit	Recipients of temporary benefits	All households	Recipients of income-supplementing benefit	Recipients of temporary benefits	All households
Altogether	6,3	6,6	2,8	62,1	77,9	45,7
Type of household						
With children	5.8	5.1	1.6	57.9	46.3	29.5
Childless	7.7	8.5	3.3	72.6	77.9	52.7
No. of children						
1	4.2	1.5	1.1	62.1	49.6	28.5
2	4.5	4.7	1.4	50.8	40.9	26.6
3 <	10.1	10.7	4.3	63.4	50.2	42.9
Age cohort of head of household						
15–39	6.8	6.5	2.4	59.5	46.9	30.9
40–59	6.5	6.7	2.2	61.5	52.1	33.6
60 <	3.8	6.6	3.6	77.9	87.6	65.4
Type of settlement						
Budapest	3.4	6.6	0.8	37.1	34.0	22.9
County seat	1.3	1.6	0.9	28.8	32.3	32.9
Other town	2.7	7.3	3.0	59.3	60.2	48.9
Village	9.9	6.9	4.6	74.7	69.1	62.3

Source: CSO and own calculations.

Table 3.14
Possession of consumer durables II.
(%)

Social and demographic characteristics	Only black-and-white television			Proportion falling into lowermost wealth decile		
	Recipients of income-supplementing benefit	Recipients of temporary benefits	All households	Recipients of income-supplementing benefit	Recipients of temporary benefits	All households
Altogether	13.1	19.5	8.6	25.1	31.8	20.0
Type of household						
With children	11.3	12.0	4.2	20.1	17.5	8.8
Childless	17.5	28.5	10.5	37.8	49.2	24.8
No. of children						
1	15.2	10.5	3.8	22.5	16.8	8.3
2	7.2	8.9	3.2	18.9	14.3	7.4
3 <	12.4	19.2	8.8	18.8	23.4	15.2
Age cohort of head of household						
15–39	11.1	13.0	4.5	19.6	19.6	8.4
40–59	14.3	14.4	5.1	26.5	24.5	12.4
60 <	16.5	33.9	14.1	45.2	55.4	33.4
Type of settlement						
Budapest	10.7	11.3	3.2	24.0	17.9	12.2
County seat	6.2	3.3	3.9	17.3	12.6	14.1
Other town	9.6	20.7	9.1	20.6	36.3	20.6
Village	16.9	22.4	13.6	29.6	34.3	26.7

Source: CSO and own calculations.

The difficulties in objective conditions are also manifested in dissatisfaction with them. Whichever factor was examined, benefit recipients registered far more problems with their housing or its surroundings than was the case with all households *(Figure 3.5)*.

Figure 3.5
Dissatisfaction with housing in various groups
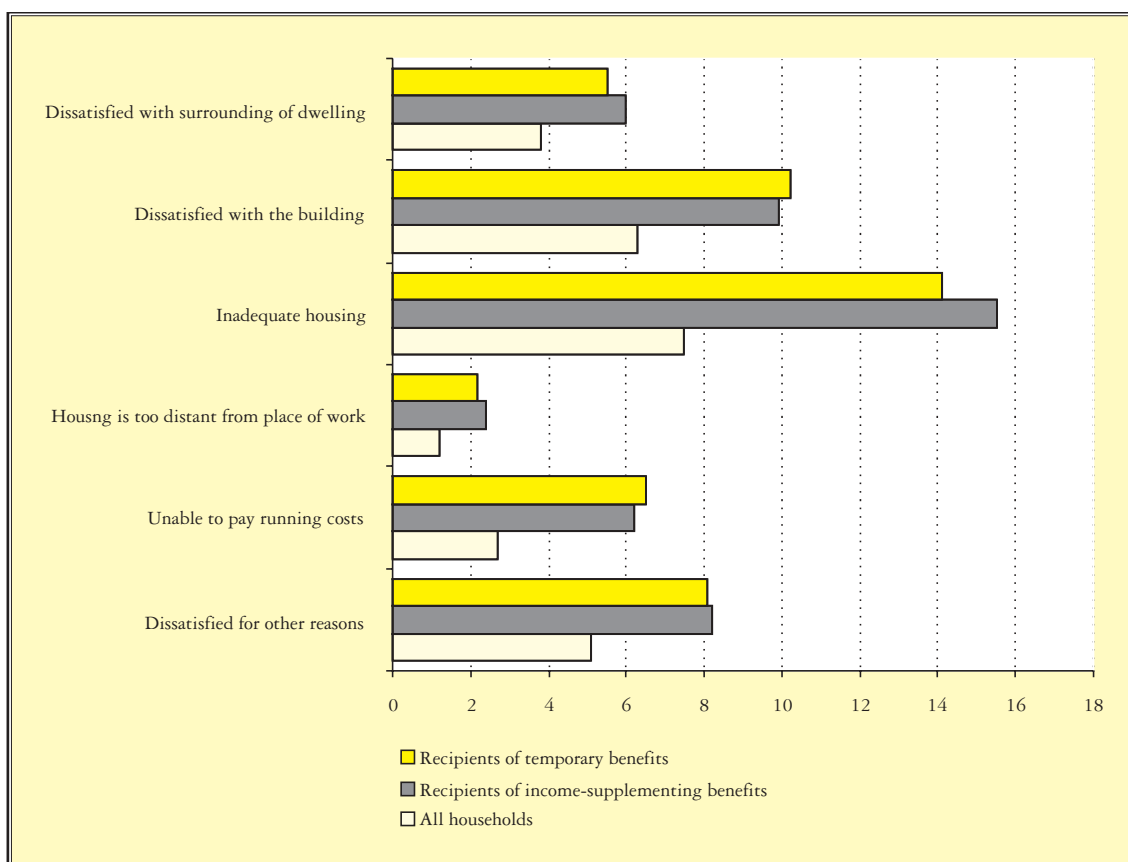
Source: CSO and own calculations.

One reason for dissatifaction with housing was inability to pay running costs. However, this was not anything like so grave a factor as the objective indicators, probably because occupants saw housing running costs as generally high, not high for their specific dwelling. Such costs covered 28 per cent of household income on average, and 30 per cent in the case of benefit recipients, although they were drastically high for some groups of benefit recipients. Such costs accounted for 35 per cent of the income of childless families receiving income-supplementing benefits, 41 per cent for benefit recipients in Budapest, and 54 per cent for single-member households.

Another dimension of living conditions examined was possession of consumer durables. Here the elderly, large families and those at the bottom of the settlement hierarchy were at a clear disadvantage, taking the whole population or just benefit recipients. Furthermore, the wealth situation of benefit recipients was much worse than average, in terms of personal wealth and a comprehensive index of consumer-durable ownership *(Table 3.14)*

SUMMARY

The study has examined the relation between poverty and assistance. The analysis covered the benefits whose main purpose is to supplement, regularly or temporarily, the income of low-income households.

It began by examining, through various demographic, sociological and territorial characteristics, which were the groups whose poverty risks were overrepresented or underrepresented. It was concluded that the benefit system broadly reflects the pattern of income poverty in its regular income-supplementing benefits, although discrepancies were found in some dimensions examined. Compared with poverty risk, there was overrepresentation of large families, especially with four or more children, younger cohorts, single parents, and those living in Budapest, western county seats, and eastern towns and villages. The losers were households without children, those raising a single child, the elderly, and those resident in western small towns and villages and eastern county seats. With temporary income benefits, it is important to underline that the provisions covered differ from regular benefits mainly in provision for the elderly. Here the benefit system prefers the elderly, but they provide much less dependable assistance. However, it should be noted that these findings from an examination only of structural differences in the poor and benefit recipients do not necessarily mean that conclusions can be drawn about the efficiency or efficacy of any group of provisions. They establish only a hierarchy of preferences.

The assistance targeted the poorest with a very low level of efficiency. Important groups among the poor were left without the provisions examined. However, the assistance was better directed in the cases of families with children, large families, younger cohorts and those residents in small towns and villages.

The study showed that the living conditions of benefit recipients fell substantially short of the average for the population.

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Distribution of the groups examined according to various social attributes
(%)

Social and demographic attributes	All households	in lower-most income quintile	in lower-most income decile	living below minimum-pension level	receiving benefits	receiving income-supple-menting or temporary benefits
Type of settlement						
Budapest	20.7	8.0	7.1	7.2	11.5	9.8
County seat	17.8	11.7	10.5	10.6	11.6	10.8
Other town	27.3	29.6	27.9	27.9	29.6	29.3
Village	34.2	50.7	54.5	54.4	47.2	50.1
Type of household						
Single < 60	7.7	3.5	6.5	5.2	6.6	6.0
Single > 60	16.3	3.0	5.5	4.4	16.5	9.3
Couple < 60	7.2	3.9	3.1	2.5	3.6	3.5
Couple > 60	13.4	1.6	2.5	2.0	9.6	4.5
Couple with 1 dependent child	7.6	10.4	6.9	5.5	6.6	7.8
Couple with 2 dep. children	13.3	21.5	24.9	21.9	16.1	20.8
Couple with 3 < dep. children	4.5	13.1	14.9	20.2	9.6	13.8
Couple with adult child(ren)	9.5	11.9	7.6	6.7	6.2	5.4
Single parent with 1 dep. child	1.8	2.3	2.4	1.9	2.7	3.6
Single parent with 2 < dep. ch.	2.0	4.4	3.8	3.6	4.1	5.6
Single p. with adult child(ren)	5.6	4.4	3.5	2.8	4.9	3.8
Multiple families	2.8	7.4	7.4	10.2	4.6	6.1
Other	8.3	12.7	11.1	13.2	8.7	9.7
No. of children						
None	69.9	40.8	36.8	31.9	55.1	40.1
1	15.3	27.7	23.9	23.1	17.3	22.0
2	11.2	20.0	25.9	27.0	17.7	24.0
3	2.7	8.7	9.2	13.3	6.8	9.7
4 <	0.8	2.8	4.2	4.7	3.1	4.3
Age cohort of head of household						
15–29	4.5	6.1	6.9	6.7	5.6	7.0
30–39	12.8	20.4	22.8	24.9	18.9	26.1
40–9	22.5	37.0	35.7	35.4	23.5	29.0
50–59	20.9	23.3	19.9	19.6	17.1	16.5
60–69	18.4	8.4	8.2	8.0	13.5	9.2
70 <	21.0	5.0	6.4	5.4	21.4	12.1

Táblázat folytatása

Social and demographic attributes	All households	in lower-most income quintile	in lower-most income decile	living below minimum-pension level	receiving benefits	receiving income-supple-menting or temporary benefits
Educational attainment of head of household						
8 > grades of primary	36.0	39.8	47.3	44.3	49.2	43.0
Worker-training or specialist sch.	27.9	40.0	37.7	39.3	30.1	34.7
School-leaving certificate	22.7	16.4	12.3	13.2	15.6	16.9
Diploma or degree	13.4	3.7	2.7	3.1	5.1	5.3
Economic activity of head of household						
Working	48.6	56.9	49.9	51.9	38.4	48.6
Retired	46.1	26.5	28.5	26.8	47.7	32.6
Unemployed, benefit recipient	3.9	12.6	16.6	16.5	11.1	15.0
Other	1.6	4.0	4.9	4.7	2.9	3.8
Employment group of head of household*						
Upper professional	13.0	4.1	2.0	2.9	5.7	5.9
Lower professional	14.6	5.8	4.5	4.8	9.6	9.3
Middle clerical	4.5	2.8	2.0	2.0	3.5	2.7
Commercial and service	4.0	3.7	2.7	2.8	4.6	4.8
Self-employed with employees	4.3	3.7	3.4	3.7	2.0	2.1
Self-employed with no employees	7.7	7.4	6.6	6.4	5.9	5.5
Agricultural self-employed	2.7	5.1	6.9	6.2	2.2	2.7
Managerial	6.4	6.9	7.6	7.5	5.5	5.5
Skilled worker	20.5	23.7	21.5	22.6	23.5	23.9
Unskilled worker	18.7	28.6	32.2	31.2	30.9	30.8
Agricultural	3.7	8.1	10.7	9.8	6.6	6.8
Labour-market situation of household						
Only active earners	13.9	3.8	3.3	2.7	3.4	3.3
At least one active earner	47.2	75.0	62.8	65.7	49.3	59.4
Only retired	28.0	3.8	7.0	5.5	25.7	13.6
No active earner, mixed	11.0	17.4	26.9	26.0	21.6	23.7
N	10825	2178	1148	1467	1584	1097

*The figures include only the employed. They comprise 47.8 per cent of all households, 55.4 per cent of those in the lowermost quintile, 48.5 per cent of those in the lowermost decile, 50.1 per cent of those living below the minimum-pension level, 37.3 per cent of those receiving benefits, and 47.1 per cent of those receiving income-supplementing or temporary benefits.

CONCLUSIONS AND RECOMMENDATIONS

This year the report has concentrated on the issue of human poverty, an important aspect of human development. There are some traditions of measuring poverty in Hungary (as pointed out in Chapter 2), so that it may be surprising to find there is relatively little knowledge available today about its extent, depth, features, forms, dimensions and causes, and about the people involved. The main reason is that *Hungary has not seen any targeted, systematic collection of data on poverty, based on sufficiently large samples.* Hence, one objective of the report has been to make up for this shortcoming by analysing thoroughly two nationwide representative surveys carried out on large samples by the Central Statistical Office. Although it has been possible to glean much valuable information from these, it must be emphasized that they cannot be a substitute for systematic data collection on the specific issue of poverty, for three main reasons.

First, as mentioned in Chapter 2, the surveys omit the homeless (who are estimated to number around 50,000) and so-called 'institutional households' (i.e. people living in institutions such as homes for the elderly, prisons, etc., who likewise number about 50,000).

Secondly, the surveys do not contain any separate information on Roma people, who are heavily over-represented among the poor, and, as some researchers have pointed out, constitute the majority of those living in deep poverty. Therefore, the specific problems of this ethnic group (accounting about 6 per cent of the Hungarian population) are closely connected with those of poverty. Issues such as problems of disintegration, the ethnic

dimension of deep poverty,[1] etc. still need to be addressed through a major exercise of data collection.

Thirdly, the questionnaire in a survey on poverty ought to contain specific questions (for example, about opinions on welfare services and institutions).

For these reasons, it has to be underlined that *targeted systematic data collection on the extent, causes, features of poverty is essential before a well-founded, efficient welfare policy can be devised.* Information from such data collection should serve as the basis for drawing up a *comprehensive social policy,* something that *is still lacking in Hungary today.*

Analysing the trends in income inequality and poverty, the report has pointed to rapid impoverishment and deepening of poverty, both of them still growing more serious all the time. For example, Chapter 2, in focusing on human poverty, pointed out that some 1.2–1.3 million people (12–13 per cent of the Hungarian population) live in cumulative poverty.[2] These problems obviously point to shortcomings in welfare policy.

Although there were many changes in the benefit system throughout the 1990s (for example, shifts in the target groups), these have not affected its essence or the philosophy underlying it. Now that economic recovery is underway, it is high time that *major changes in the welfare policy were introduced.* The experiences with the welfare benefit system revealed from other research and the evidence in this report point in the same direction. It is not sufficient to implement reforms to the system – *radical changes are needed.* The authors

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[1] *On these issues, see Szalai (2000).*

[2] *As mentioned in Chapter 2, individuals/households suffering at least three out of the five dimensions of poverty (i.e. income poverty, consumption poverty, subjective poverty, housing poverty, and housing-equipment poverty) can be regarded as cumulatively poor.*

of this report think that the philosophy behind the current system – *the concept of a 'deserving poor' – should be entirely abandoned.* The country's international commitments require this and so does its obvious inconsistency with the basic values of a civilized society. Rejection of the concept is also a prerequisite for *improving the efficiency of the welfare benefit system.* Chapter 3 points to a serious shortcoming in the system, relating to the categorized benefit system prevalent in Hungary: there are very poor families who fall through the welfare net, precisely because they do not fit into any of the presupposed categories. If the concept of 'deserving poor' is abandoned in favour of a general category of entitlement – *'people chronically threatened in maintaining their livelihood'* – the current categorized system could be preserved,[3] and at the same time, its efficiency substantially improved. Current inefficiency obviously derives from the fact that 'the Hungarian benefit system lacks a general benefit that gives support below a specified level of income' (Chapter 3). The categorized system itself is unable to remedy this. If it were supplemented with this rather general category, other disadvantages such as uncertainty and unpredictability could also be removed.[4]

Another shortcoming of the benefit system identified in the report is that it ignores the economies of scale within families, considering *individual family members, instead of the cohabiting community[5] to which the individual belongs.* For example, Chapter 3 shows that households in which adult offspring cohabit with their parents are insufficiently assisted by comparison with their poverty risk. Hence it is necessary to *set different entitlement thresholds for different types of family/cohabiting community.*

Chapter 3 points out that in terms of regulation and financing, the welfare benefit system is based on a duality of roles, played by central and local government. When evaluating the efficiency of the system, the report finds that at present, *central regulations on welfare benefits are too broad and vague. They only provide guidance, putting excessive burdens and responsibilities on local-government authorities, which tend to over-regulate their systems.[6]* This reaction from local government is understandable as a protection against accusations of *unjust and arbitrary practices.* However, it is clear from other research (Szalai, 2000.) that *such practices are fuelled by vagueness in central regulations.* To improve the efficiency of the system, *central regulations and state funding need to be strengthened.* The latter is also important, as the report found that local-government authorities in poorer regions are themselves poor in resources. In principle, the system of social standards (mentioned in the report) could help in this respect, by taking account of a number of indicators that measure how depressed a given region is. A relationship to the potential number of benefit recipients, however, could be ambiguous in its effects. The system of sharing responsibility between the state and local government should be maintained, but there should be a shift in emphasis towards the state.

Further investigations are needed to evaluate the effects of the shift from expenditure-compensating and temporary benefits towards income-supplementing benefits. From one point of view, this can be seen as a positive development. In the authors' view, temporary benefits, in line with their designation and original objective, should be confined to real situations of crisis, not employed to supplement low income on a

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[3] *See Ferge (1996).*

[4] *For example, Chapter 3 shows a shift in target groups in the 1990s from the long-term unemployed towards families with children. Changes in preferences could bring much uncertainty into the system, and as a result, poor people could become more exposed.*

[5] *This was emphasized by Ferge (1996).*

[6] *This was pointed out also by Szalai (2000).*

regular basis, as they often are in current practice.

The report found that welfare assistance covers only a fraction of the poor households (between 10 and 20 per cent, see Chapter 3). This implies that there is much to be done in informing the public about the welfare benefits that can be claimed. As Chapter 2 points out, the problem is an absence of necessary channels between the potential claimants and the authorities. Here the role of NGOs needs increasing and churches could also be involved.

APPENDIX

1. Human Development Index		
Life expectancy at birth (years)	2000	71.5
	2001	72.32
Adult literacy rate (%)**	1996	99.3
Mean years of schooling	1996	11*
Real GDP per capita (PPPUSD)	1997	9973
	1998	9800
	1999	10600
	2000	11500**

2. Profile of human development		
Life expectancy at birth (years)	2001	72.32
Maternal mortality rate (per 100,000 live births)	2001	5.2
Population per doctor	1999	217
Scientists and technicians (per 1000 people)	1996	72.4
Enrolment ratio for all levels (%-age 6–22)	2001	79.5
Tertiary full time gross enrolment ratio (% of the 18–22 age cohort)	2001	25.2
Of all full time students: female (%)	2001	53.9
Daily newspapers (copies per 100 people)	1998	4626
Televisions (per 100 people)	1999	45
Real GDP per capita (PPPUSD)	2000	11500**
GDP per capita (USD)	2000	4564

3. Profile of human distress		
Unemployment rate (%) Total	2000	6.4
	2001	5.7
Adults with less than upper-secondary education (as %-age 15–64)	1996	63.6
Ratio of income of highest 20% of households to lowest 20%	1999	3.6
Female wages (as % of male wages)	2001	84.5
Injuries from road accidents (per 100,000 people)	2001	249
Homicides by men (per 100,000 males)	2001	2.7
Suicides by men (per 100,000 males)	2001	47
Nitrogen emission (kg per capita) NOX	1999	21.9
Sulphur emission (kg per capita) SO_2	1999	58.5

Estimate;
*** Preliminary data*

4. Trends in human development		
Life expectancy at birth (years)	1960	68.0
	1970	69.2
	1980	69.0
	1990	69.3
	1999	70.9
	2000	71.5
	2001	72.3
Tertiary full-time equivalent gross enrolment ratio (% of 18–22)	2001	25.2
	2000	23.0
Real GDP per capita (PPPUSD)	2000	11500**
GDP per capita (USD)	2000	4564
Total public education expenditure (as % of GDP)	2000	5.1
	2001	5.2
Total health expenditure (as % of GDP)	1996	6.2

5. Female-male gaps		
Females as a percentage of males		
Life expectancy	2001	112.2
Population	2001	110.3
Years of schooling	1995	102*
Secondary enrolment, full time only	1999/2000	98.8
Upper-secondary graduates (age 14–17)	1999	101.8
University full-time enrolment	1999/2000	115.5
Natural and applied science enrolment	2001	23.7
Labour force	2000	80.2
Unemployment	2001	63.2
Wages (based on net average earnings of full time employees of firms employing more than 20 persons)	2001	84.5

6. Status of women		
Life expectancy at birth (years)	2001	76.46
Average age at first marriage (years)	2001	25.2
Maternal mortality rate (per 100.000 live births)	2001	5.2
Secondary net enrolment	1997/98	84.9
Tertiary natural and applied science enrolment (as % of female tertiary)	2001	4.0
Women in labour force (as of total labour force)	2001	42.2
Administrators and managers (% female)	1996	66.1
Parliament (% of seats occupied by women)	2001	9.4

* *Estimate;*
** *Preliminary data*

7. Demographic profile		
Estimated population (millions)	1960	10.0
	1970	10.3
	1980	10.7
	1990	10.4
	1997	10.2
	2000	10.1
	2001	10.2
	2010	9.7
	2020	9.4
Annual population growth rate (%)	1960/70	0.36
	1970/80	0.37
	1980/90	-0.32
	1990/97	-0.28
	1997/2000	-0.36
	2000/2001	1.6*
	2000/10	-0.39
	2010/20	-0.33
Total fertility rate	2001	1.31
Fertility rates over time (as % of 1960)	2001	64.9
Dependency ratio (%)	2001	46.5
Population aged 60 and over (%)	2001	20.4
Life expectancy at age 60 (years) male	2001	15.97
female	2001	20.65

8. Health profile		
Years of life lost to premature death (per 1000 people)	2001	75.74
Deaths from circulatory system diseases (as % of all cases)	2001	51.0
AIDS cases (per 100,000 people)	2001	0.81
Alcohol consumption (liters per person)	2000	20.2
Tobacco consumption (kg per person)	2000	1.5
Population per doctor	1999	217
Public expenditure on health (as % of total public expenditure)	2001	9.2
Total expenditure on health (as % of GDP)	1996	6.2
Private expenditure on health (as % of total health expenditure)	1996	8.8

Data from the Census of 2001. This cannot be compared with previous years, since net migration is also included.

9. Education profile		
Enrolments ratio for all levels, full time (%) (age 6–22)	2001	79.5
Upper secondary full-time gross enrolment ratio as a % of the previous year (ISCED 3, 4)	2001	101.5
Upper secondary technical enrolment (as % of full time upper secondary, ISCED 3, 4)	1999	7.8
19-year-olds still in full time education (%)	1996	29.3
Tertiary full time gross enrolment ratio (%)	2001	25.2
Tertiary natural and applied science enrolment (as % of all levels)	2001	9.8
Expenditure on tertiary education (as % of all levels)	2001	21.0
Public expenditure per tertiary student (PPPUSD)		-
Total education expenditure (as % of GDP)		-
Public expenditure on education (as % of GDP)	2001	5.2

10. Human capital formation		
Mean years of schooling (25+)	1996	11*
Scientists and technicians (per 1000 people)	1996	72.4
R+D scientists and technicians (per 10,000 people)	2001	44.8
Expenditure on research and development (as % of GDP)	2000	0.76
Upper secondary graduates in full time education (as % of population of normal graduate age)	2001	52.4
Tertiary graduates in full-time form (as % of population of normal graduate age)	1996/97	15.0
	1997/98	12.7
	1999	15.4
	2000	17.7
	2001	18.3

11. Employment		
Labour force (as % of total population)	2000	53.5
Percentage of labour force in		
Primary sector	2000	6.5
Secondary sector	2000	33.7
Tertiary sector	2000	59.8
Future labour force replacement ratio	-	-
Earnings per employee annual growth rate (%)	2000	11.4
Earnings disparity: Ratio of earnings of upper half of labour force	-	-
Percentage of labour force unionised	-	-
Weekly hours of work (per person in manufacturing)	1996	37*
Expenditure on labour market programmes (as % of GDP)	1997	1.09**

Estimate;
*** Source: Labour Ministry*

12. **Unemployment**		
Unemployed persons (thousands)	2000	262.5
Unemployment rate	2001	5.7
Unemployment benefits expenditure (as % of total government expenditure)	2000	1.3
Incidence of long-term unemployment (as % of total)	2000	51.2
Regional unemployment disparity Unemployment rate (%) – national average	2000	6.4
Worst region		10.1
Best region		4.2
Ratio of unemployment rate of those not completing secondary School (16.8%) to rate of those graduating from third level (2.0)	1996	8.4

13. **Military expenditure and resources use imbalances**			
Military expenditure (as % of GDP)		2000	1.6
Military expenditure (as % of combined education and health expenditure)		1996	15
ODA (Official Development Assistance) disbursed		-	-
Average annual export of non-nuclear arms to developing	USD millions	-	-
	Percentage share	-	-
Armed forces	Per 1000 people	2000	5.6
	Per teacher	1998	0.65
	Per doctor	1998	2.6

14. **Natural resources balance sheet**			
Land area (thousands of km^2)		2000	93
Population density (people per km^2)		2000	108
Arable land and permanent cropland (as % of total land area)		2000	48.4
Permanent grasslands (as % of total land area)		2000	11.3
Forest and wooded lands (as % of land area)		2000	18.9
Irrigated land	(as % of total land area)	2000	1.3
	(as % of agricultural area)	2001	1.8
Internal renewable water resources per capita (1000 m^3 per year)		1999	14.76
Annual freshwater withdrawals (million m^3)		2000	5494

15. **National income accounts**		
Total GDP (USD billions)	2001	51.74
Agricultural production (as % of GDP)	2000	3.6
Industrial production (as % of GDP)	2000	30.3
Services (as % of GDP)	2000	66.1
Consumption private (as % of GDP)	2000	56.0
Government (as % of GDP)	2001	21.3
Gross domestic investment (as % of GDP)	1997	27.9
Gross domestic savings (as % of GDP)	1996	26.8
Tax revenue (as % of GDP)	2001	21.5
Central government expenditure (as % of GDP)	2001	30.2
Exports (as % of GDP)	2001	60.7
Imports (as % of GDP)	2001	62.8

16. Trends in economic performance		
Total GDP (USD billions)	2001	51.74
Annual growth rate (%)	2001	103.7
GDP per capita annual growth rate (%)	2001	104.0
Average annual rate of inflation (%)	2001	109.2
Exports as % of GDP	2001	60.7
Tax revenue (as % of GDP)	2001	21.5
Direct taxes as % of total taxes	1996	38.4
Overall budget surplus/deficit (as % of GDP)	2001	-2.9

17. Weakening social fabric		
Prisoners (per 100,000 people)	2001	169
Juveniles (age 14–17) (as % of total prisoners)	2001	0.3
Intentional homicides by men (per 100,000)	2001	2.7
Reported rapes (per 100,000 women age 15–59)	2001	9.9
Drug crimes (per 100,000 people)	2001	122
Asylum applications received (thousands)	1997	0.03
Divorces (as % marriages contracted)	2001	56.0
Births outside marriage (%)	2001	30.3
Single female parent homes (as % of families)	1996	19.7
Suicides by men (per 100,000)	2001	47

18. Wealth, poverty and social investment		
Real GDP per capita (PPPUSD)	2000	11500*
GDP per capita (USD)	2000	4564
Share of industrial GDP (%)	1997	24.0
Income, share		
Lowest 40% of households (%)	1999	31.7
Ratio of highest 20% of lowest 20%	1999	3.6
Social security benefits expenditure (% of GDP)(in cash)	1996	3.8
Total education expenditure (% of GDP)	1997	5.0
Total health expenditure (% of GDP)	1996	6.2

* *Preliminary data*

19. Communication profile		
Radios (per 100 households)	2001	95.0
Televisions (per 100 households)	2001	126.0
Annual cinema attendance's (per person)	2001	1.5
Annual museum attendance's (per person)	2001	0.96
Registered library users (% of total population)	2001	14.3
Daily newspapers (copies per 100 people)	1998	4626
Books (titles) published (per 100,000 people)	2001	87
Printing and writing paper consumed (metric tons per 1000 people)	1997	11.77
Letters posted (per capita)	2001	121.0
Telephones (per 100 households)	1999	77.0
International telephone calls (million calls)	2001	67
Motor vehicles (motorbikes + passenger cars per 100 households)	2001	(11+44=)55

20. Urbanization		
Urban population (as % of total)	1960	53.8
	1970	58.6
	1980	62.3
	1990	64.1
	1998	65.7
	2000	63.6
	2001	64.1
Urban population annual growth rate (%)	2001	95.6
Population in largest city (as % of urban)	2001	26.6
Population in cities of more than 1 million (as % of urban)	2001	26.6
Population in cities of more than 1 million(as % of total)	2001	17.1
Major city with highest population density	2001	Budapest
Population per km^2	2001	3312
Population exposed to 60 + decibels of road traffic noise (%)	-	-

21. Energy		
Energy sources: (%)		
production	2000	40.7
of which: coal		10.7
hydrocarbons		15.4
electricity from nuclear power plan		12.6
electricity from hydroelectric power		0.2
firewood		1.8
other		0.0
imports		59.3
Energy consumption (petajoule)		
industry	2001	373.3
construction		9.4
agriculture, forestry and water management		39.2
transport and communication		48.9
households		398.2

22. Environment and pollution		
Drought-affected area (as % of total area)	2000	0.5
CO_2 emissions of mobile sources (as % of total CO_2 emissions)	1999	15.3
CO_2 emissions of industry (as % of total CO_2 emissions)	1999	15.5
Communal (population + services) CO_2 emissions (as % of total CO_2 emissions)	1999	25.2
Proportion of dwellings supplied with water		84.8
sewage	2000	44.1
gas (pipe)		41.7