

Poverty Watch Report 2020

HUNGARY

Hungarian Anti-Poverty Network
Chance Lab Association



Who are we, and why do we report?

The Hungarian Anti-Poverty Network (HAPN) was founded in 2004, and joined the European Anti-Poverty Network the same year. In the past 16 years we have undergone several organizational restructurings. Ours is a dynamic story, with peaks as well as low points. Regrettably, our operation has been subject to government disrespect for the larger part of our existence, and our recognition has undergone a fundamental transformation since the new regime came to power 10 years ago. This has necessitated the structural and methodological revision of our organization. Our projects currently apply methods of community organizing and development. In 2019, after facing many difficulties, we gave up our office but continued operating with a solid team. Our volunteer-based Dignified Living Working Group remains active, and the Association is headed by a board of five trustees. Currently, HAPN is engaged in three major projects. One is our joint project “Lánreakció” (Chainreaction), with Civil College Foundation, in which we are implementing community organizing to effect changes in the field of social benefits and education, as well as attempting to localize faith-based community organizing.

Another major activity is a five-partner collaboration in the “rEdistributor” project, dealing with energy poverty in a complex approach: addressing not only theoretical issues, but on the ground in a severely disadvantaged small village, applied and practical issues as well. These would include things like weatherstripping and roof maintenance, in line with community development processes spanning several years. The third flagship project is our annual On Poverty With Dignity Media Awards. We involve people experiencing poverty in seeking out the best journalism dealing with poverty issues, in collaboration with other EAPN member organizations.

After the Hungarian Anti-Poverty Foundation was dissolved in 2019, one of our member organizations, Chance Lab Association stepped up to operate the HAPN, and we merged. Our membership consists mostly of social sector experts, but there is also a mathematician and a translator among our most active members. We believe that at no point so far since the 1989 system change, or indeed in recent Hungarian history, has it been this crucial to give a voice to those living in poverty and exclusion. One of the reasons for this situation is that for many years now, politics has put communication first, glossing over real issues and problems. Statistics are made using questionable methodology, and appear to show overall improvement, disregarding the facts, if not omitting them altogether.

In a perpetual bout of belligerence Hungary has become the most unjust society in the European Union, and as the latest OECD study finds: the least open society in the entire

OECD.¹ Aside from this study, this fact is also evident from how Hungary is the least socially mobile country in the EU today; that is, children have a markedly low chance to achieve a higher social status than their parents².

The COVID-19 pandemic has only boosted these political tendencies. Earlier positive trends were found to be unsustainable along with the policies directing them, due to a lack of real reform and structural change. One prominent example is the establishment of a work-based society in Hungary, where working poverty has been steadily on the rise between 2010-2018. The coronavirus epidemic has led to rapidly rising unemployment and a plummeting economy – these will be discussed in more detail later, in the section dealing with the crisis-stricken precariat.

Development of primary poverty and exclusion indicators in Hungary

For reasons of brevity, many aspects of this issue cannot be addressed in this report. We are striving to give a concise summary of indicators relevant to the labor market, poverty and exclusion, in a regional and EU context. In a less conventional manner, we are exercising a methodological critique toward these primary indicators, based on the excellent writings of former Central Statistical Office advisor Éva Havasi, and highlighting the methodological reforms embraced by the EAPN.³ We are using Hungarian examples to illustrate the need for more in-depth research, whereas indicators are often used, even unwittingly, to serve political interests and gloss over the realities.

Subsequently, we give a brief analysis of the most prominent issues posed by the coronavirus epidemic. In closing, we will propose some suggestions to European decision makers.

Features of the labor market and society in regard to a regional (Central and Eastern Europe (CEE) 11) overview⁴

¹ <https://www.oecd.org/publications/all-hands-in-making-diversity-work-for-all-efb14583-en.htm>

² <https://ujegyenloseg.hu/a-szocialis-demokracia-programja/>

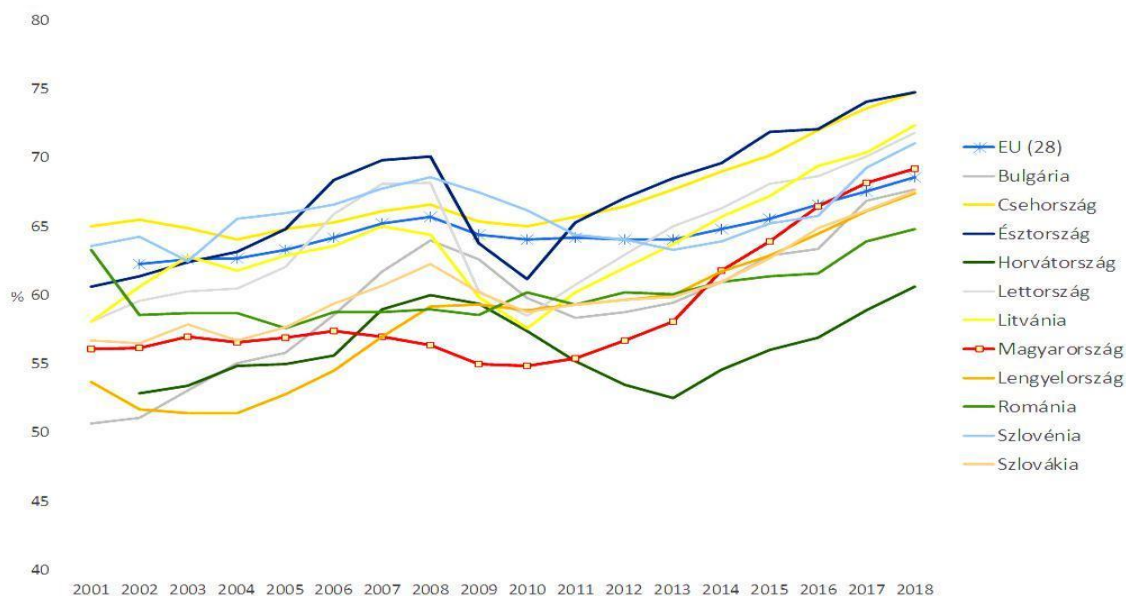
³ <https://www.eapn.eu/wp-content/uploads/2019/11/EAPN-2019-EAPN-Position-Post-2020-Poverty-Strategy-3990.pdf>

⁴ <http://real.mtak.hu/107045/7/26177db4f3b2c4202d12c89d2481682c6d1c592d-3-16.pdf>

Developments in general employment

Labor marked developments between 2008-2018 were presented by national government media in a context nothing short of miraculous. Conversely, Hungary only progressed from the bottom of a list to its middle. Improvement was even less significant concerning the 15-24 age group, not to mention the fact that Hungarians work long hours for wages lower than the regional average. All this is underpinned with low productivity. This state of affairs is the product of several factors: our position in the global economy, a botched workfare policy, and an economical model based on low added value activities – whereby we have become an “a nation of parts assemblers”. Let’s take a look at the numbers:

Figure 1: **Employment rates for the 15-64 age group in the CEE11, 2001-2018 (%)**



Source: Artner, 2020

Noticeably, Hungary was at the bottom of the stack in terms of employment rates during the early 2000's, reaching a low point after the economic crisis, in 2009 - 2010. By 2018, we were repositioned in the middle of the field, along with similarly situated states in our region. An upturn in the economy, the workfare program and a number of foreign workers all contributed to this improvement. However, even a pre-COVID-19 study found that substantial improvement was unrealistic, and by 2019 Hungary's ranking fell 2 places. The months since then have projected a number of critical future issues, which will be discussed in more detail.

Changes in poverty and exclusion indicators

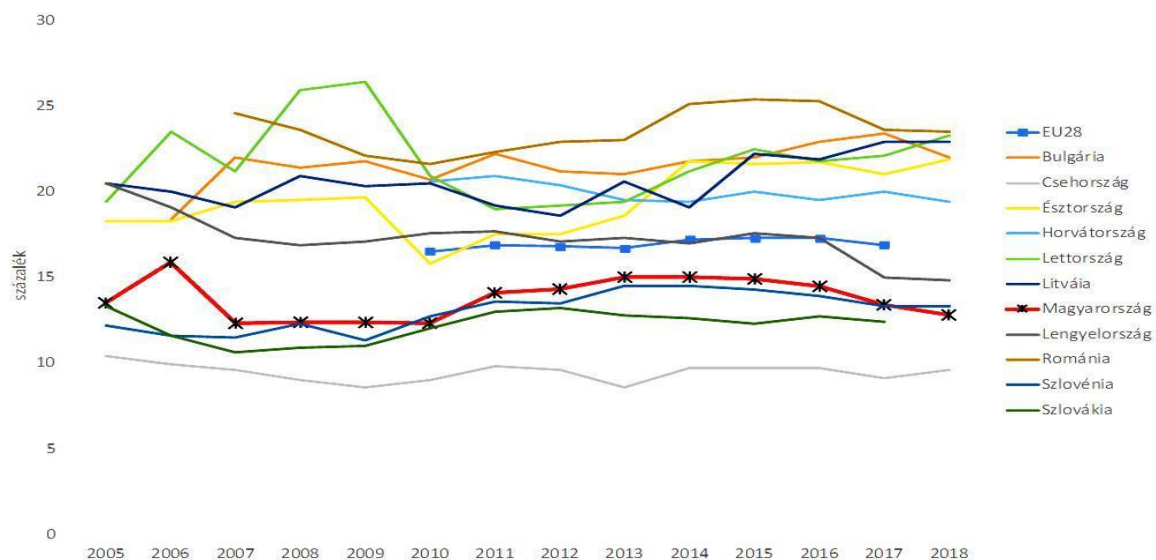
Poverty and social exclusion can be examined using any number of indicators, but the most important are the following:

- **relative poverty**; in this case, the focus is on the income level below 60% of the national median income, including income transfers;
- **severe material deprivation**; 9 factors, if 4 are applicable the household is characterised as severely deprived ;
- **low work intensity**; whereby the members of a household aged 18-59 work 20% or less of their total potential in the given reference year.

Characteristics of relative poverty

In the years 2007-2010, this rate was 12.3 - 12.4%; in another four years it reached 15%; then in 2018 it approximated its previous level at 12.8%. This is below the EU average and among the more encouraging in the region.

Figure 2: **Changes in the relative poverty rate CEE11, 2005-2018 (%)**

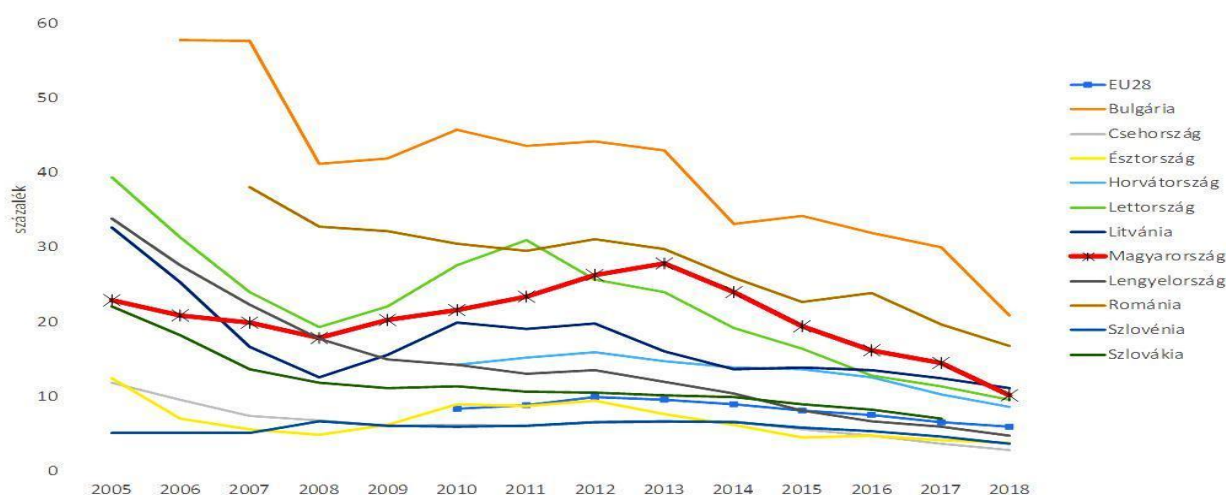


Source: Artner, 2020

Changes in the severe deprivation rate

Before the 2008 economic crisis, this rate showed a decreasing trend, which reversed into an increase, before decreasing again from 2013. This tendency is in line with regionally observed trends.

Figure 3: Changes in the severe deprivation rate, CEE11, 2005-18 (%)



Source: Artner, 2020

Rate of low work intensity households

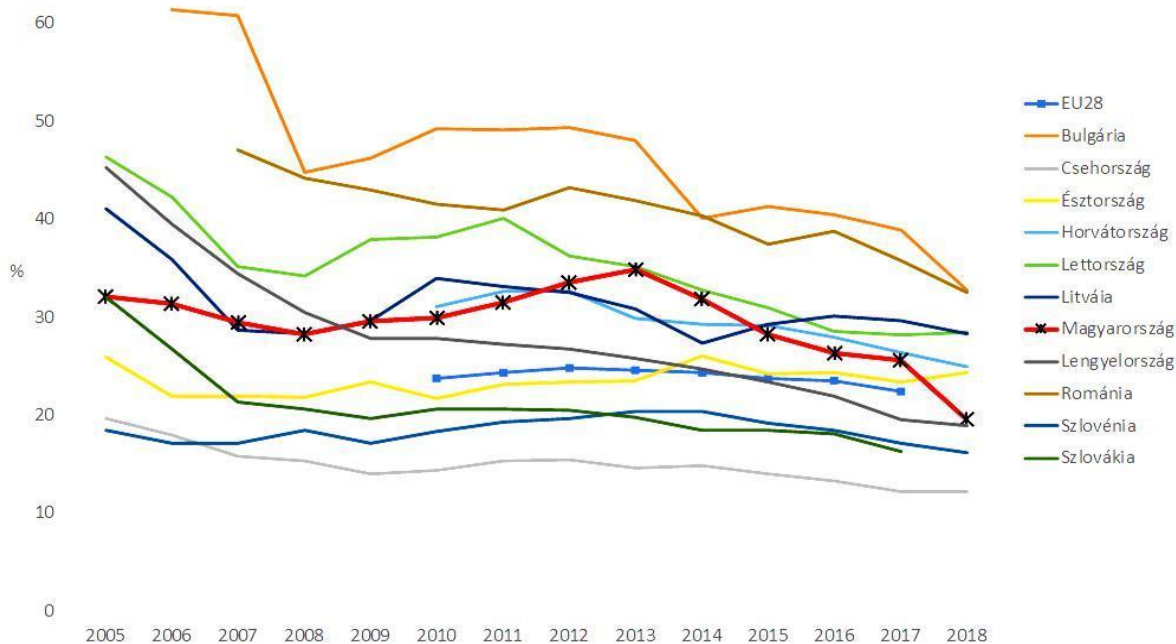
Unsurprisingly, this indicator radically rose after 2009 as well, and from 2013 (which was the point where Hungary's statistics were the least promising in the CEE11) it began to decrease. In 2018, almost 400 thousand people fit this category, projected to the population below the age of 60. This is favorable compared to the EU average, but still only mediocre for the region.

These three partial indicators make up the AROPE-indicator used to measure poverty or social exclusion. Considering the frequent overlaps within individual households, this is not a mass sum of the categories.

The data shows that in Hungary today, 20% of the population is at risk of poverty or social exclusion, the percentage was the same in the CEE11 region in 2015. In an EU perspective, 2018 was the year when the Hungarian rate fell below the EU average. The latest data ranks Hungary 9th among EU member states.

Even so, the rate of children living in deprivation remains very high: 15.2% (EU: 6.4%), and up to 22% among families with 3 or more children – which is by far the highest rate in the EU (EU average: 6.7%). Among the Roma minority, 43.7% live in severe deprivation.

Figure 5: Rate of population at risk of poverty or social exclusion 2005-2018, CEE11 (%)



Source: Artner, 2020

In summary, it can be concluded that poverty and exclusion indicators have indeed undergone significant improvement in the past decade, and the same trend is prevalent in the Eastern-Central European region as well. Hungary fares much worse in the distribution of incomes, the so-called Gini coefficient. This rate was highest in 2006, at 33%, then slumped by nearly 10% by 2010, before rising again, and reaching 28.2% by 2018. The only other country in our league with similar negative figures is Bulgaria. The other indicator that points toward an increasingly polarized and unjust society is the GDP ratio of income deciles. Between 2005-2010 the upper decile, that of the wealthiest population, decreased, while after 2010, only the top 2 deciles showed any increase. Therefore, redistribution only favored the wealthy “elite” segment of the population. All this has made Hungary into a country characterized by the most polarized inequalities, as well as the lowest social mobility in the EU.

Methodological issues of indicators and their aid to misleading political communication

As a preliminary, we would point out that we agree with the previously cited expert opinions observing that the increasing inequality in Hungary is not apparent from statistics because the indicators used for measurement use average values. The statistical categories

used in these data collection procedures do not readily apply to real life scenarios, especially without an adaptation methodology applicable to the given country⁵.

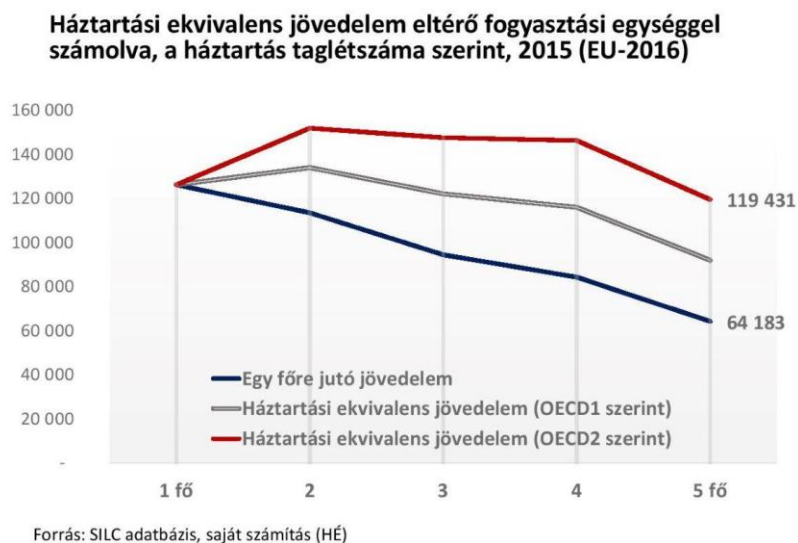
Adapting EuroStat (the Statistical Office of the EU) indicators without basic domestic data on poverty, such as the subsistence minimum figure (discontinued since 2015), poses a challenge in credibly describing reality. To make matters worse, there is a worldwide tendency of growing distrust toward official statistics, as well as many databases being blocked by paywalls, and a lack of independent expert data collectors. Hungary is no exception, and data has increasingly become a matter of politics and finance for the past 10 years. In Hungary, often even professional researchers are forced to pay for access to statistical information held by the taxpayer-financed Central Statistical Office. It is a known phenomenon internationally, that data creators may cater to the interests of data clients (Havasi, 2017).

We have previously described the development of the AROPE indicator and its constituents, which might even serve to placate us: there is no major issue here, we're conforming to the regional average and it must be our own eyes deceiving us as we walk the country. Why ought we worry that we may not be mistaken after all? The following chart should illustrate the magnitude of income difference when we calculate income per person for every household, rather than use international (OECD) methodology's so-called household equivalised income. The following figure (Havasi, 2017) gives a plain demonstration of this disparity, giving projections of the same family, with **two alternate results differing by 90,476 HUF**.

⁵ <https://stadium28.hu/wp-content/uploads/2017/10/Havasi-final-WEBre-Stadium28.pdf>, utolsó letöltés: 2020.09.04.

A jövedelem nagysága eltérő ekvivalencia-skálával számolva

- A háztartás **összjövedelme 400 ezer forint**
- Két felnőtt és két 14 év alatti gyerek van a háztartásban
 - 1 főre jutó jövedelmük: **100 ezer Ft**
 - Háztartási ekvivalens jövedelmük EU-szerint (OECD2) **190 476 Ft**



On top of that, in surveys of income, declining to reply is frequent, as well as the concealment of some real incomes, the “accidental” omission of others when reporting to the interviewer. It is difficult to discover other items of income, such as property income, occasional earnings, etc. Based on the work of Éva Havasi we can say that inequality would be seen at a far greater level if per capita income was calculated. Very low work intensity households as indicator constituents should be held up to special scrutiny due to their methodological difficulty. This indicator can have a value between 0 and 1, 1 indicating full time employment. In 2010, 11.9% of the population (compared to an EU average of 10.4%) lived in a very low work intensity household; while in 2018 this number was down to 5.7% (EU average: 9.4%). What could be misleading about this picture?

Éva Havasi points out that this is difficult to adapt to a Europe where a large proportion of over-25's are still studying, and retirement and pension rules are flexible. Respondees categorized as not in employment receive a zero score even if they do have an income. This includes philanthropists who can afford to seek no employment, while being active citizens and performing socially valuable activities. Such examples show that indicator deficiencies can produce similar statistical values for a University student and a workfare employee, while in most cases their standards of living would differ drastically.

Due to the above factors, we agree with Havasi's diagnosis that a poverty indicator similar to the subsistence minimum used until 2015 is much needed in Hungarian statistics.

The impact of coronavirus on Hungarian processes and its victims in the different sectors

The following is an attempt to provide a brief summary on the impact of COVID-19 pandemic on some of the sectors. Due to the short time since the pandemic's outbreak, there are no relevant, comprehensive policy analyses available. We have used the direct experiences of experts working in the field, as well as articles and publications attempting a deeper analysis, and the 2020 Country Report's analysis.

Education

One of the worst-hit casualties in Hungary is the education sector. The education system had already been in crisis to start out with, and faced enormous challenges with the sudden onset of the pandemic without any warning. All this took place in a country where most educational facilities are at odds with the digital revolution and keep well away from information technology, which in itself is a subject taught using obsolete methodology.⁶

The Hungarian school system is geared toward catering for an old-fashioned economical model, epitomized by an assembly line worker. While the global labor market expects its present and future workers to make independent decisions in complex situations, identify and explore problems, cooperate with fellow workers, most Hungarian educational facilities are still grounded in routines and fragile security.

All this has remained so despite the 2016 adoption of a Digital Education Strategy hailed by experts as groundbreaking. The Strategy called for full curriculum digitalization by 2019, and should have ensured that teachers and students can both access the necessary knowledge for adapting. In reality, digitalization only extended to 15-20% of the curriculum; but even if the strategic aim had been reached, the problem would have been no lighter.⁷

The pandemic had revealed that teachers as well as the general public are lacking technological tools and equipment. The effects of territorial differences can be felt too, and the further out we venture to the peripheral regions, the greater the gap we find. Thus for most cases, the educational shift was not so much toward digital as distance-learning, with assignments e-mailed in PDF format, and parents obliged to scan answers late at night, due the next morning. Civil organizations tried their best to fill in the hardware gap, but managed only a small fraction of the job.

⁶⁶ https://hvg.hu/kultura/20200314_A_koronavirus_elindithatna_akar_egy_valodi_oktatasi_reformot_is

⁷ R.Kiss Kornélia: Iskola a monitoron. In: Magyar Hang

We participated in one of the more successful projects, called “Ablak a padra”⁸. These initiatives resulted in many families being equipped, for lack of a laptop or tablet, at least with a smartphone. This is the reason that trade unions are urging the development of smartphone applications.

Especially difficult is the position of those caring for children with special needs, where even a few weeks’ hiatus results in serious long-term deficits of development. Special needs children require no less individual development under such circumstances, and as one draws further from the central capital, this proves more and more difficult especially towards the smaller disadvantaged settlements, effectively to the point of being impossible to manage. For lack of targeted state support, families affected by this issue faced problems acquiring the necessary technological equipment, often leading to a lapse in the children’s development and the disruption of their progress. This period was a massive burden and challenge for the parents due to their typically low-income, employment anomalies, as well as the overload they faced. SNE children especially require close personal contact with their teachers, who are their main source of motivation and who must therefore fulfill this role for special students.⁹

For many families, the rest of the children were put at a disadvantage because of the increased strain on their parents. According to estimates (Hermann, 2020), about 20% of Hungarian children weren’t successfully involved in education during the pandemic; and most of these are multiply disadvantaged children. It is also clear that adapting rapidly to the new hybrid education model placed an enormous extra workload on most teachers during the pandemic. This proved especially burdensome for working women, who often also had to homeschool their own children, as well as manage the family. Not to mention single mother teachers. One study still under publication points out the sad fact that the new generation of teachers aren’t adequately trained for digital education either, and are no more familiar with relevant applications than their senior colleagues.¹⁰ Government statements indicate that nothing has been done during the summer to alleviate these people’s situation.

⁸ <https://www.ablakapadra.com/>

⁹ <https://qubit.hu/2020/06/19/sok-szulo-ugy-erzi-hogy-a-jarvany-idejen-az-iskola-cserbenhagyta-a-gyerekeket>

¹⁰ Kovács Edina 2020 (megjelenés alatt), hivatkozva: R.Kiss Kornélia In: Magyar Hang

Changes in working poverty

It is now becoming increasingly obvious that the group hardest hit by fallout of the COVID-19 pandemic is the precariat. In April 2020 there were 330,700 registered job seekers, and due to the extreme severity of Hungarian regulations, only 110,000 of them were eligible for the jobseeker's benefit, for a period of only three months. 68,000 people were eligible to collect a 22,800 HUF (67 EUR) employment substitution benefit, and 153,300 people received no benefits whatsoever.¹¹ This accounts for those who had registered. There are several hundred thousand Hungarian employees who are ineligible for benefits and therefore decline to apply. They constitute the precariat, who are present on the labor market without legal protection, subject to the whims of employers and the market alike. Estimates put the number of illegally employed people at roughly 600,000 in a labor market of about 4.5 million. Simplified tax-paying small businesses amount to 140,000 people, and they too have issues accessing the jobseeker's benefit. There are roughly 70-75 thousand interim employees who lost their jobs without redundancy benefits, often losing their homes in the process, many having lived in workers' accommodations.

All this takes place in a country where 2/3 of the population has either no savings, or only enough to last them a couple of months. A large part of registered job holders are forced to settle for the pandemic-induced unilateral two-year employment framework offered by their employer. Meanwhile, the government spent 1% of the GDP, 300 Bn Forints (close to 1 Bn Euros) on respirators of dubious quality, while 0.2% of the GDP on the jobseeker's benefit, and only 50 Bn Forints on actual economic aid. The several hundred billion Forints touted by government news channels were in fact only budget restructurings and reallocations, without any extra aid offered. We do not yet know the number of children raised in precariat families, but in a current UNICEF report it appears that we are facing a 15% increase in child poverty globally. Presumably Hungary won't be able to use its distorted family support scheme to protect those most affected: the children of precariat and lowest decile, who already have no access to most forms of the existing family support schemes.

Meanwhile, 2/3 of all single parents have zero savings! This is one of the reasons why we are still campaigning to double the so-called family allowance, a no-threshold child benefit frozen at its nominal sum for 12 years now.

Social groups that already started out with employment disadvantages, such as people with changed working capacity or disabilities, have now been put to further

¹¹ <https://merce.hu/2020/06/26/a-bizonnyalansagalapu-tarsadalom-tragediaja/>

disadvantage. They have no crisis support available at all. Once the pandemic struck, even their access to adequate information and accessible communication had to be managed by some of the larger advocacy NGOs rather than the central government. But of course the further they are from Budapest, the harder it is to reach this target group.

These a forementioned social groups were invisible in government communications, and information pertaining to the changes and disadvantages brought to their lives were only uncovered thanks to the work of NGOs as well as investigative journalists.

Good practices relating to COVID-19 would include the activities of NGOs as well as the generosity toward charities that even surprised seasoned activists. Many organizations turned to fundraising and direct donations, including ourselves, although it is not our usual profile. The whole country was mobilized, while it is more usual to see similar campaigns mobilize only a few people beyond Budapest. Many businesses made substantial donations to fill the technological gaps facing education foremost. There has been some patchy collaboration across sectors: for example, social workers aided teachers as acting “education organizers”, focusing mainly on the periphery.

Recommendations

Although this is not an official Country Report, to reflect on issues exacerbated by the pandemic, we wish to amend it with the following recommendations:

- substantially increasing social transfers is essential, including family allowance, minimum old age pension (it forms the base of most social transfers) which haven't been increased in 12 years, and the employment substitution benefit, unchanged for 10 years;
- reinstating the official calculation of a subsistence minimum;
- providing the means for non-physical accessibility to people with disabilities;
- providing support to overcome disadvantages e.g. caused by sexual orientation or territorial differences;
- introduce differentiated targeting in government aids;
- provide more resources for municipalities;
- supporting local volunteering programs;
- increase project duration times – 5-year programs are often not long enough;

- ignoring recommendations of official Country Reports in government policy making should have real consequences;
- the European Union should decline funding governments which are actively creating a new periphery¹²

EAPN membership has brought us a number of opportunities for learning and resources in the past fifteen years. We are grateful for all the solidarity, as well as the moral and financial support we have received throughout our shared history.

¹² <https://www.es.hu/szerzo/55193/tompe-istvan>