The Hungarian leave system in times of policy regime change

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Structure of the presentation

1. Long-term fertility trends
2. Policy responses
3. Effects on fertility and labour market participation
Long-run demographic trends in Hungary

1. 1953
   After II WW fertility peak

2. 1973
   Second peak: children of the first peak mothers

   Slight recovery I

4. 2010
   Slight recovery II

Source: Hungarian Central Statistical Office (HCSO) data.

Leave Policy and Research Network seminar
Prague, 21-22 September 2017
Responses through population and family policy means

1. 1953
Ban on abortions

2. 1967
The introduction of Child care allowance (GYES) due to fertility and LM concerns

3. 1973
Complex family policy package (incl. extension of social security entitlements, housing, increase in cash benefits) + heavy restriction on abortions

4. 1985
The introduction of Child care fee (GYED)

5. 1995
Austerity measures (means-test and the withdrawal of GYED), while the institutional child care system was already severely cut back (1990/91)

6. 1998-2002
The first Orbán government reintroduced GYED and increased transfers through the PIT system

7. 2010-
The second and the third Orbán government. Even more focus on employment-related transfers. Outwards migration.

Source: Hungarian Central Statistical Office (HCSO) data.

Leave Policy and Research Network seminar
Prague, 21-22 September 2017
The recent maternity and parental leave system in Hungary

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**CSED (Infant care payment)** – 70% of actual average daily earning, with no ceiling on payments. Gross. Eligibility: employment record of at least 365 days within two years prior to the birth of a child.

**GYED (Child care fee)** – from the end of the Maternity leave period until the child’s second birthday, for insured parents. Benefit of 70% of average daily earnings calculated for the last 180 days prior the birth, up to a ceiling of 70% of twice the minimum daily wage. Gross. Eligibility: either of the parents employed for at least 365 days within two years prior the birth.

**GYES (Child care allowance)** – Until the child’s third birthday for parents who are not insured. All parents are eligible and guardians too. Flat-rate benefit equal to the amount of the minimum old-age pension.

**Anyasági támogatás (Birth grant)** – Lump-sum at birth.
Recipiency in GYES and GYED, 1967-2016

Source: Hungarian Central Statistical Office (HCSO) data.
Fertility effects of the Hungarian family policy

- Low levels and huge disparities by education level: women with less than primary education had more than twice as more children as those with secondary education (2011 HCSO Census) and the gap increased since 2001

- High spendings and strong debate on effects on effects and efficiency

- Overall effects of cash transfers: an estimated 0.2 – 0.25 elasticity for the period between 1950-2006 (Gábos, Gál & Kézdi 2009)
  - higher than 0.3 elasticity for the third child in this period

- The introduction of GYED had a positive effect on fertility in 1985 (Kapitány 2008)

- Strong pressure on middle income hhs (Bartus et al. 2013; Bartus and Spéder 2016)
  - the work-life conflict is highest among couples with completed secondary education

- The latest TFR (1.49) is far the highest since the political regime change and partly might be attributed to the changes introduced by the Orbán-government since 2010, but research evidence is needed
  - outwards migration may also play a role
Labour market participation effects

Source: Hungarian Central Statistical Office (HCSO) data.
Labour market participation effects: maternal employment

Employment rates of women aged 20-49 by household composition (%)

Gap in the employment rate of women without and with children, EU, 2005 and 2016 (%)

Source: EUROSTAT database.
Summary

• The Hungarian leave policy system is an extended and complex one, and has started to expand step-by-step from the late 60’s

• Two parallel tendencies linked to the political cycle:
  • Stationarity: its main elements (more or less) are staying since their introduction, political costs of withdrawing them
  • Subject to ideology-driven changes: vertical redistributional (left) and population policy focus (right) alter when governments are changing, brings uncertainty

• While being complex and resources, outcomes (fertility, LM participation, child well-being, poverty) are mixed

• Since 2010: a further expansion and more flexibility, advantaging the middle income families in the first place

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Societal outcomes of Hungarian demographic processes

- Decreasing number of children in new generations
- Decreasing share of families with children
  - especially those with 3+ children
  - increasing number of single parent families
- Low labour market participation among mothers
- High relative poverty risk of children
- Disparities in fertility levels by
  - Educational level/social status
  - Settlement type
  - Ethnic background
Societal outcomes: household type structure

Societal outcomes: child poverty rate