



HUNGARIAN **DEMOGRAPHIC**
RESEARCH INSTITUTE

Reform of the Hungarian family policy system: are employed parents the main beneficiarries?

Zsuzsanna Makay

Leave network workshop

30.08.2019

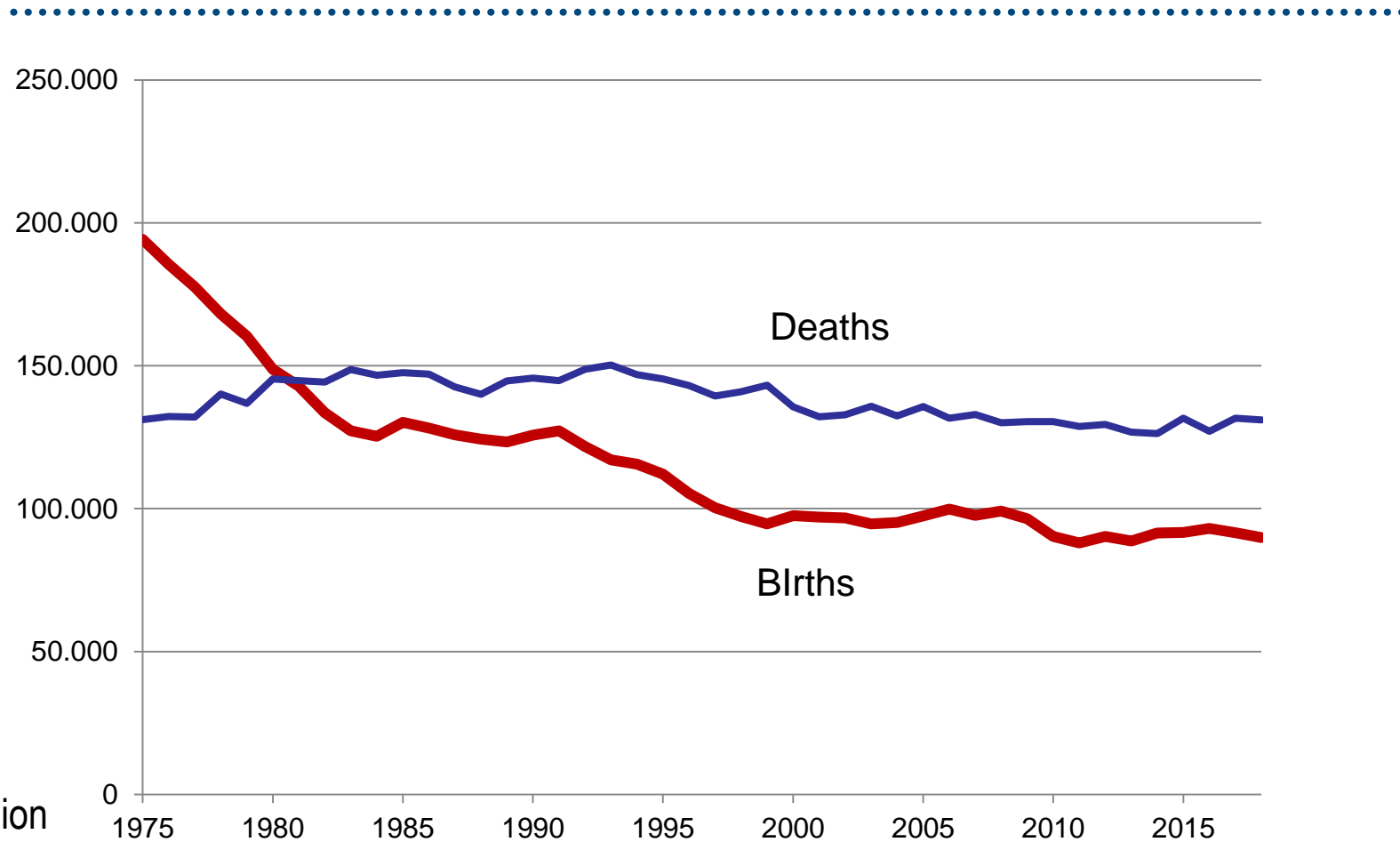


Introduction: the Hungarian context

- Low fertility is a major concern



Number of births and deaths 1975-2018



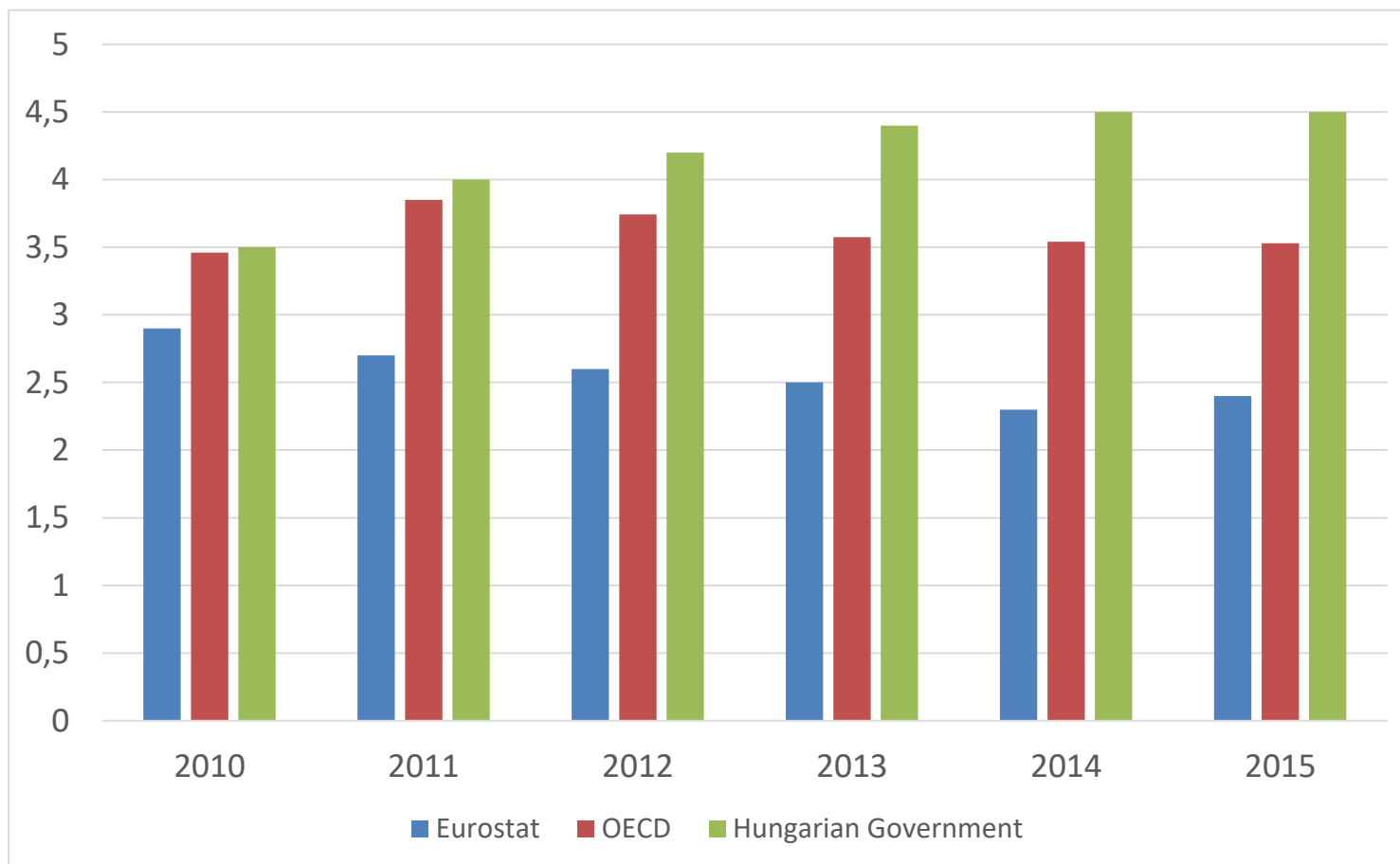
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Introduction: the Hungarian context

- Low fertility is a major concern
- Generous family policy system
 - First paid parental leave of 3 years introduced in 1967



Public spending on family benefits according to different calculations, 2010-2015



Introduction: the Hungarian context

- Low fertility is a major concern
- Generous family policy system
 - First paid parental leave of 3 years introduced in 1967
- Main goal: promote childbirth
- Many changes in the system in the last 30 years



Focus of the presentation

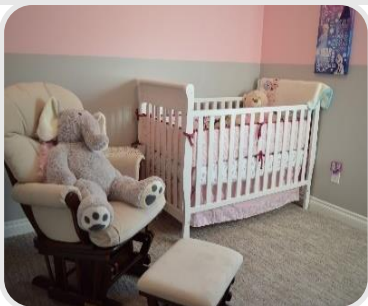
- Parental leave benefits
 - Dependent on previous employment
 - Universal
- Family allowance
 - Universal
- Tax break
 - Connected to employment



I. Parental leaves and benefits after childbirth for employed parents (mothers)



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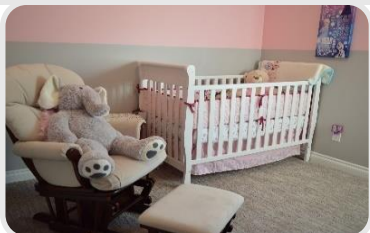


Baby care allowance during maternity leave (CSED)

- 6 months of paid maternity leave
- Benefit: 70% of previous income and no upper limit



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Childcare benefit during parental leave 1 (GYED)

- Until the 2nd birthday of the child
- Benefit: 70% of previous income
- With an upper limit at 70% of twice the amount of the minimum wage 193 200 HUF=600 Euros (average perceived amount is about 37% of mean wage: 118 600 HUF =370 Euros)

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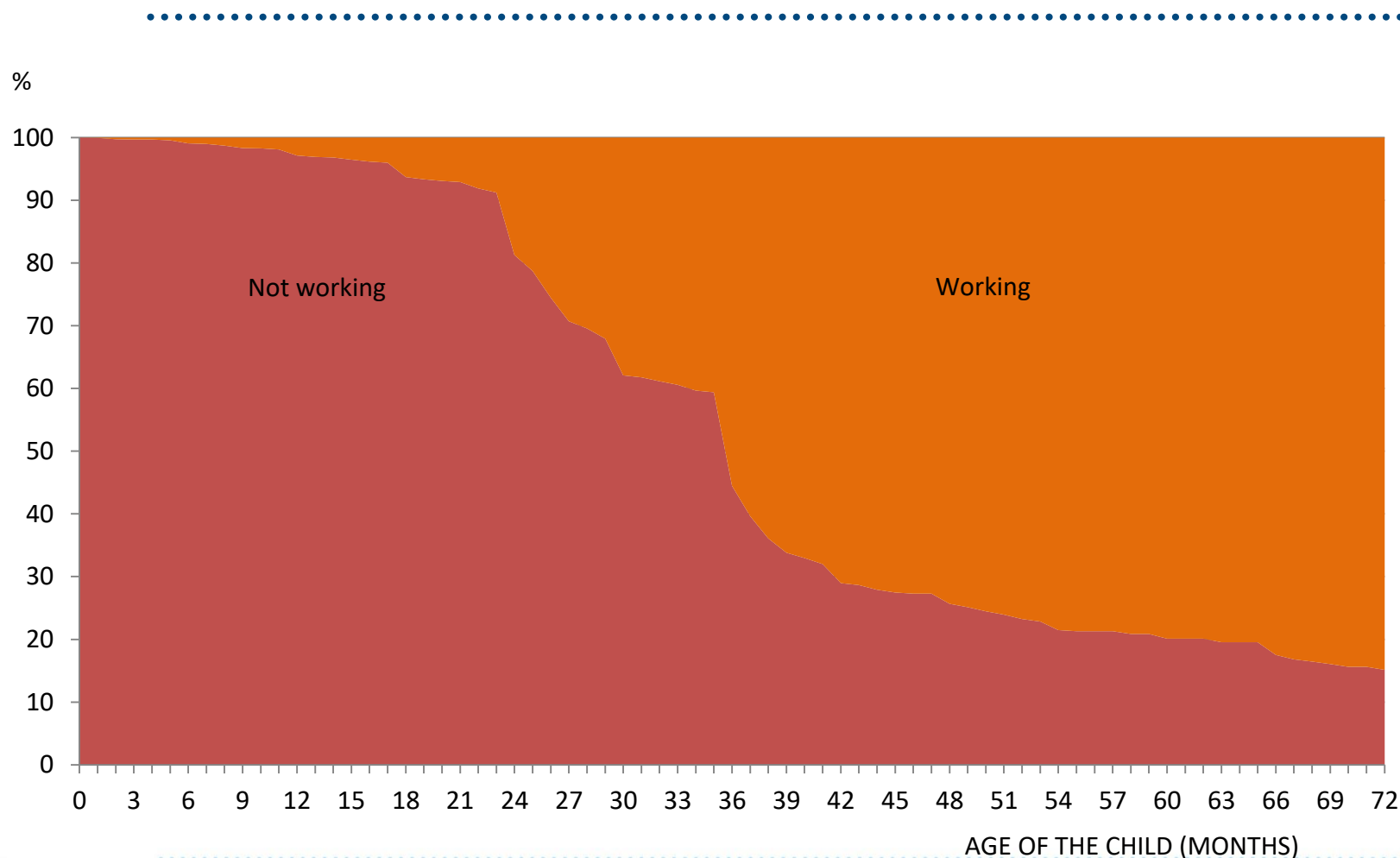
Childcare allowance during parental leave 2 (GYES)

- Until the 3rd birthday of the child
- Benefit: fixed rate, about 9% of the mean wage in Hungary (28 500 HUF = 90 Euros)

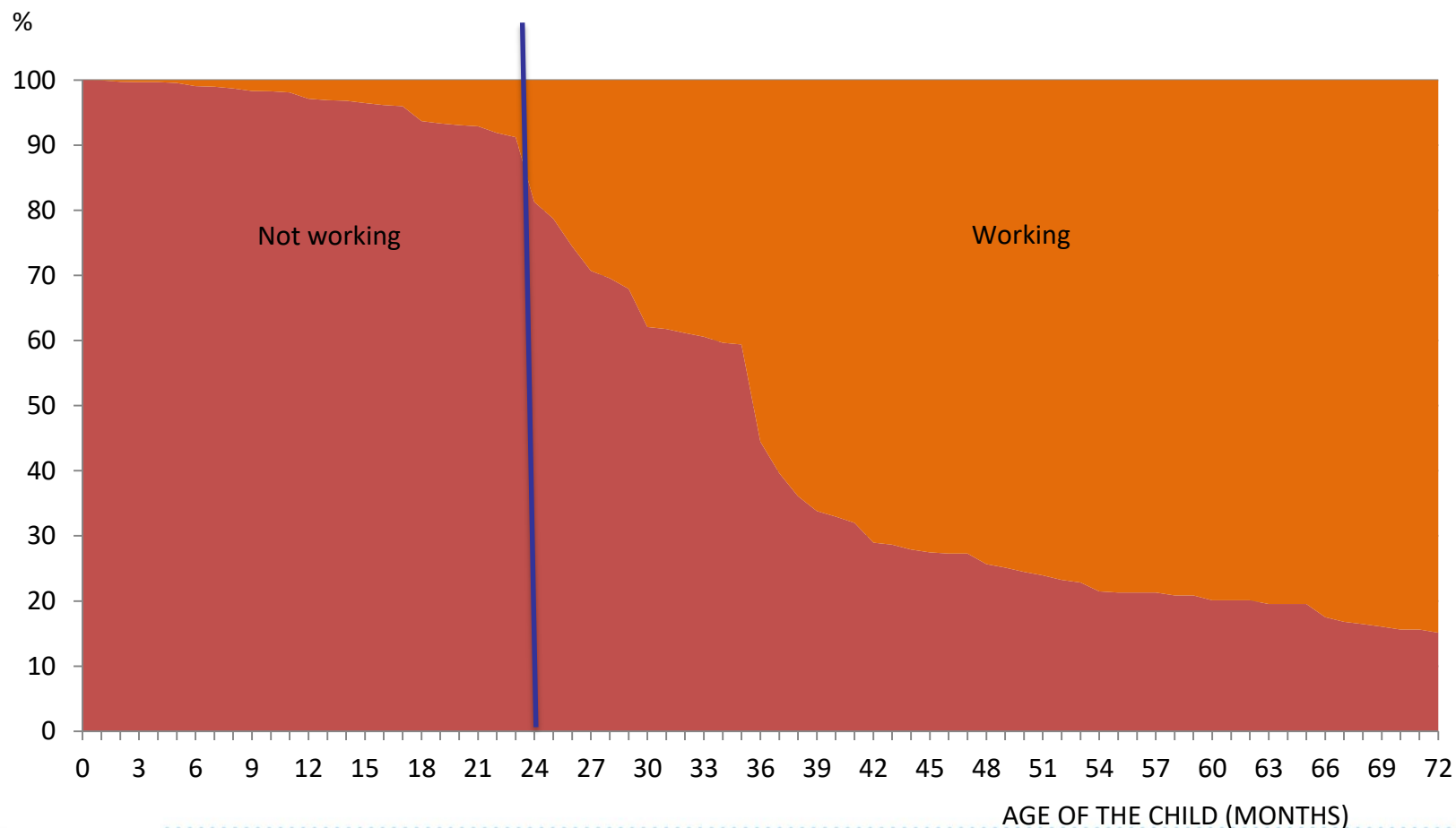
Proportion of women taking-up work according to the age of the youngest child



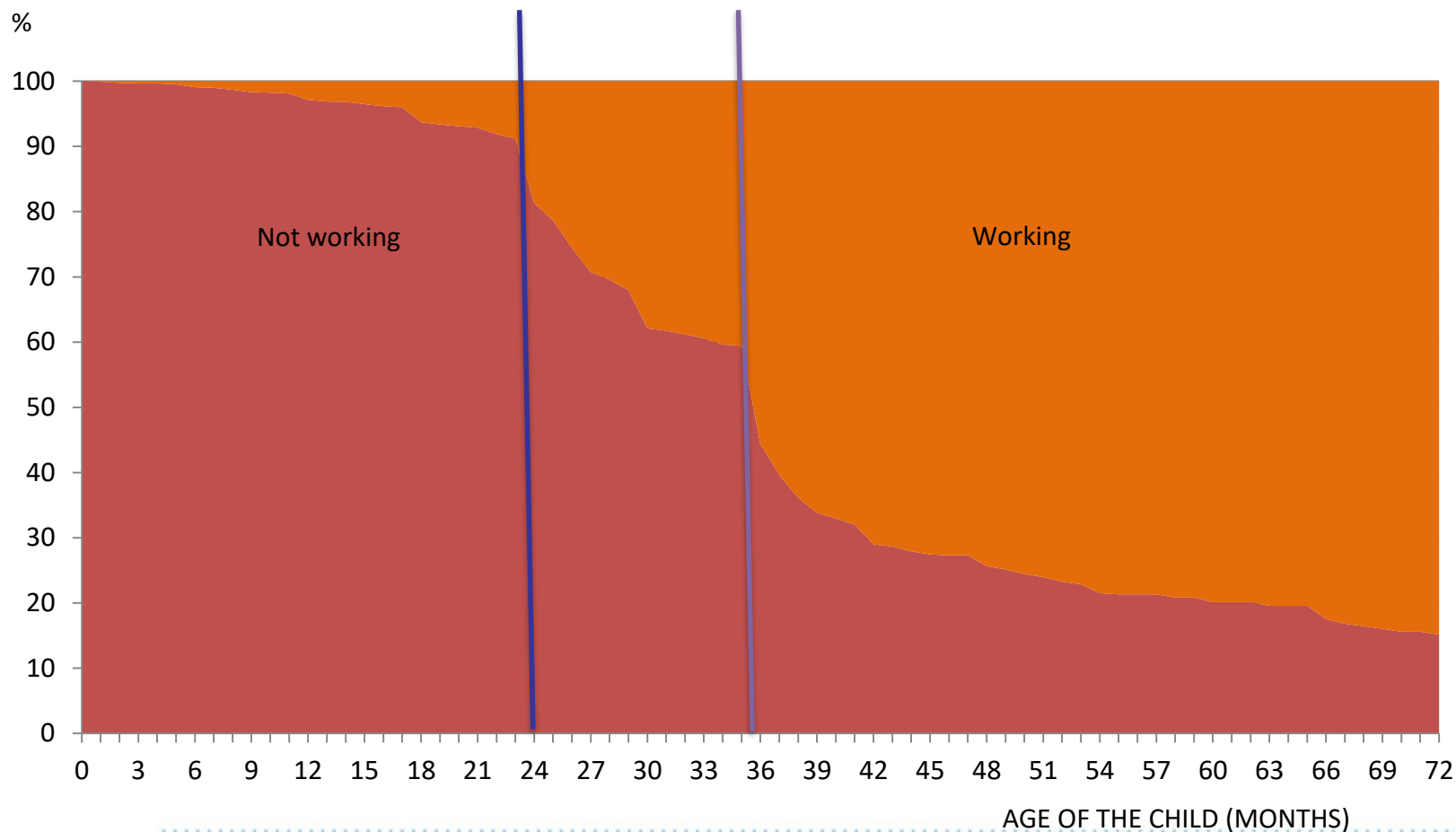
Proportion of women taking-up work according to the age of the youngest child



Proportion of women taking-up work according to the age of youngest last child



Proportion of women taking-up work according to the age of the youngest child



Employment rate of women according to the age and number of their children (25-49 years)

	2017
Youngest child < 3 y	15,20
Youngest child 3-5 y	73,70
Youngest child 6-16 y	85,10
No child	87,30



Employment rate of women according to the age and number of their children (25-49 years)

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	2010	2017
Youngest child < 3 y	12,40	15,20
Youngest child 3-5 y	58,50	73,70
Youngest child 6-16 y	74,10	85,10
No child	77,40	87,30



II. Benefits after child birth for non-working parents (except students)



Childcare allowance (GYES)

From birth until the 3rd birthday of the child

Benefit: fixed rate, about 9% of them mean wage in Hungary



Leaves and benefits in Hungary

	Prior to childbirth the mother	
Age of the child	Worked	Did not work
0-6 months	CSED: 70% of previous earnings	GYES: fixed-sum benefit
6-24 months	GYED: 70% of previous earnings with an upper limit	
24-36 months	GYES: fixed-sum benefit	
3-8 years	GYET: fixed-sum benefit for families with three or more children	



Changes in benefits since 2014

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24-36 months	GYES: fixed-sum benefit	
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No paid work.
Otherwise loss of
benefits.



Family policy reform of 2014

- Several objectives, several measures
- Aim: promote the employment of women with young children
- After the first birthday of the child parent can take up / return to work without any limitation on the number of hours worked while continuing to receive GYES or GYED
- Completed by previous legislation which requires employers in the public and in the private sector to provide part-time employment for parents of children under three years if requested

The system is promoting „stay-at-home” mothers the less and less (but this possibility persists)



Changes in leave policy since 2014

	Prior to childbirth the mother	
	</	

Any type and duration of work without the loss of the benefit



III. The family allowance

- Paid monthly to all families with children from birth until adulthood (universal benefit)
- 99% of families receive it
- A bit higher for more children and lone families, but there is no substantial difference
- The average, monthly perceived amount / family is 23 800 HUF (7.4% of mean wage)
- It's amount didn't change since 2008



IV. The family tax break

- Reduces the tax base of individuals before the deduction of income tax
- Net benefit / month:
 - 1 child family : 10 000 HUF (3% of mean wage)
 - 2 child family : 17 500 HUF / child (5% of mean wage / child)
 - 3 or more children: 33 000 HUF /child (10% of mean wage / child)
- If a family can not exploit the family tax break in full for income tax, they can reduce the amount of their pension and health care contributions
- That's why it is now one of the most important family benefits
- Was introduced in this form in 2011

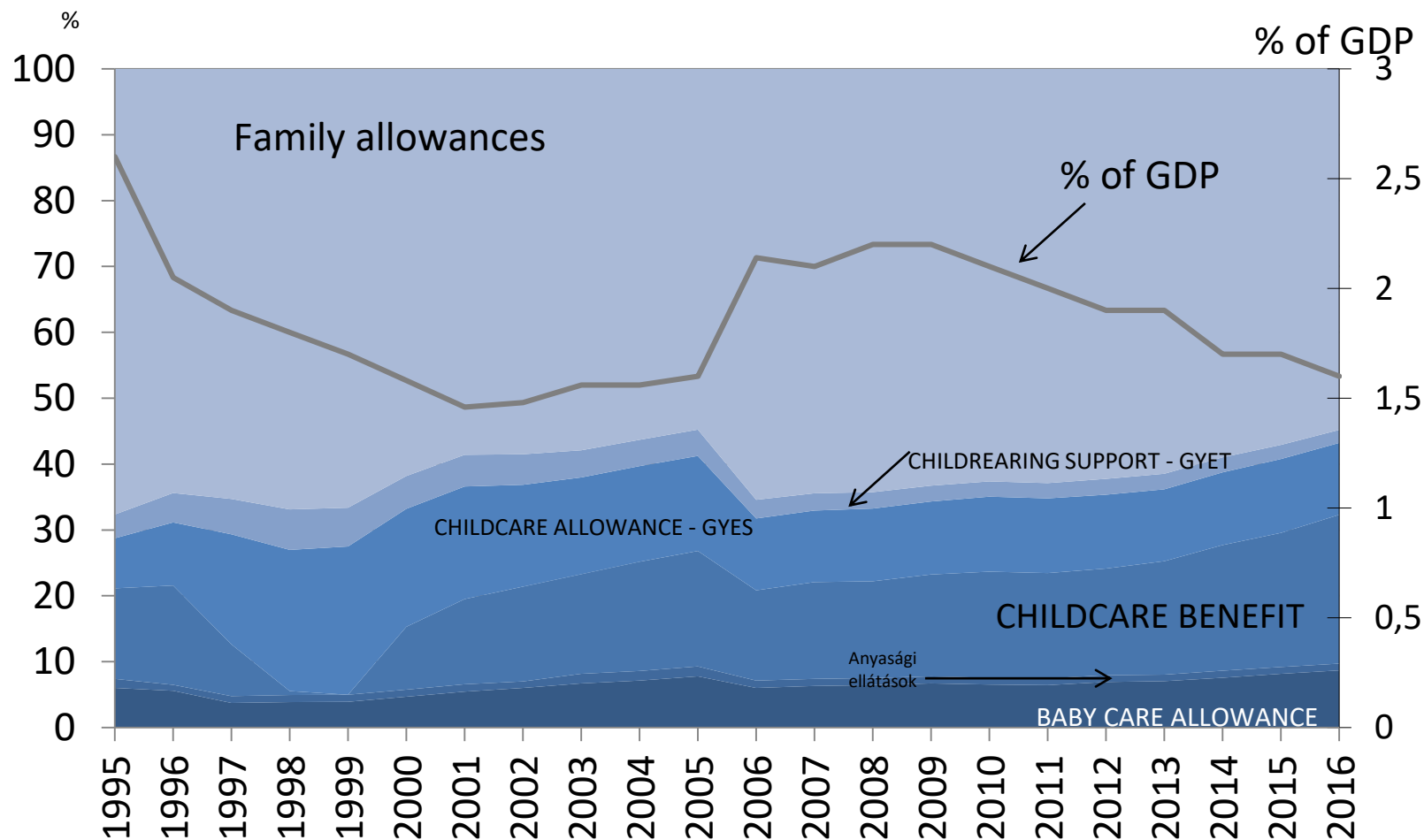


Changes since 2010 in the distribution of money devoted to families

- In recent years the emphasis of support has shifted heavily towards benefits dependent on employment wages, and spending on universally guaranteed family benefits has decreased.
- The proportion of childcare benefit (GYED) that holds its high value has grown within the budget, and the significance of the support offered to families through the tax system has also grown considerably
- The amount spent on the family allowance affecting the most families has decreased from year to year. The reason for this is that due to low fertility the number of families with children has decreased, and that the amount of the family allowance – as opposed to the childcare benefit – has not been increased for ten years. The same can be said for the universally guaranteed childcare allowance (GYES).



Cash spending on families in Hungary as a % of GDP, 1995-2016



The real value index of GYED, GYES and the family allowance, 2010–2016*

Year*	Childcare benefit (GYED)	Childcare allowance (GYES)	Family allowance
2010	100.00	100.00	100.00
2011	99.30	98.00	96.60
2012	101.88	91.92	91.19
2013	106.36	90.55	88.73
2014	115.30	92.17	86.78
2015	122.45	94.39	87.73
2016	130.53	94.01	87.20

Note: *2010=100%.



Development of expenditure on family support allowances dependent, or not dependent on social security contributions, 2010, 2016

	Allowances dependent on insurance contributions			Allowances not dependent on insurance contributions (universal benefits)			
	CSED	GYED	Family tax and social security discounts	Family allowance	GYES	GYET	Maternity grant*
2010	37.5	92.4	31.5	359.0	65.1	13.4	5.7
2016	49.7	128.9	284.9	313.1	62.3	11.4	5.8
Difference 2016–2010	+12.2	+36.5	+253.4	-45.9	-2.8	-2.0	+0.1

(HUF billion)

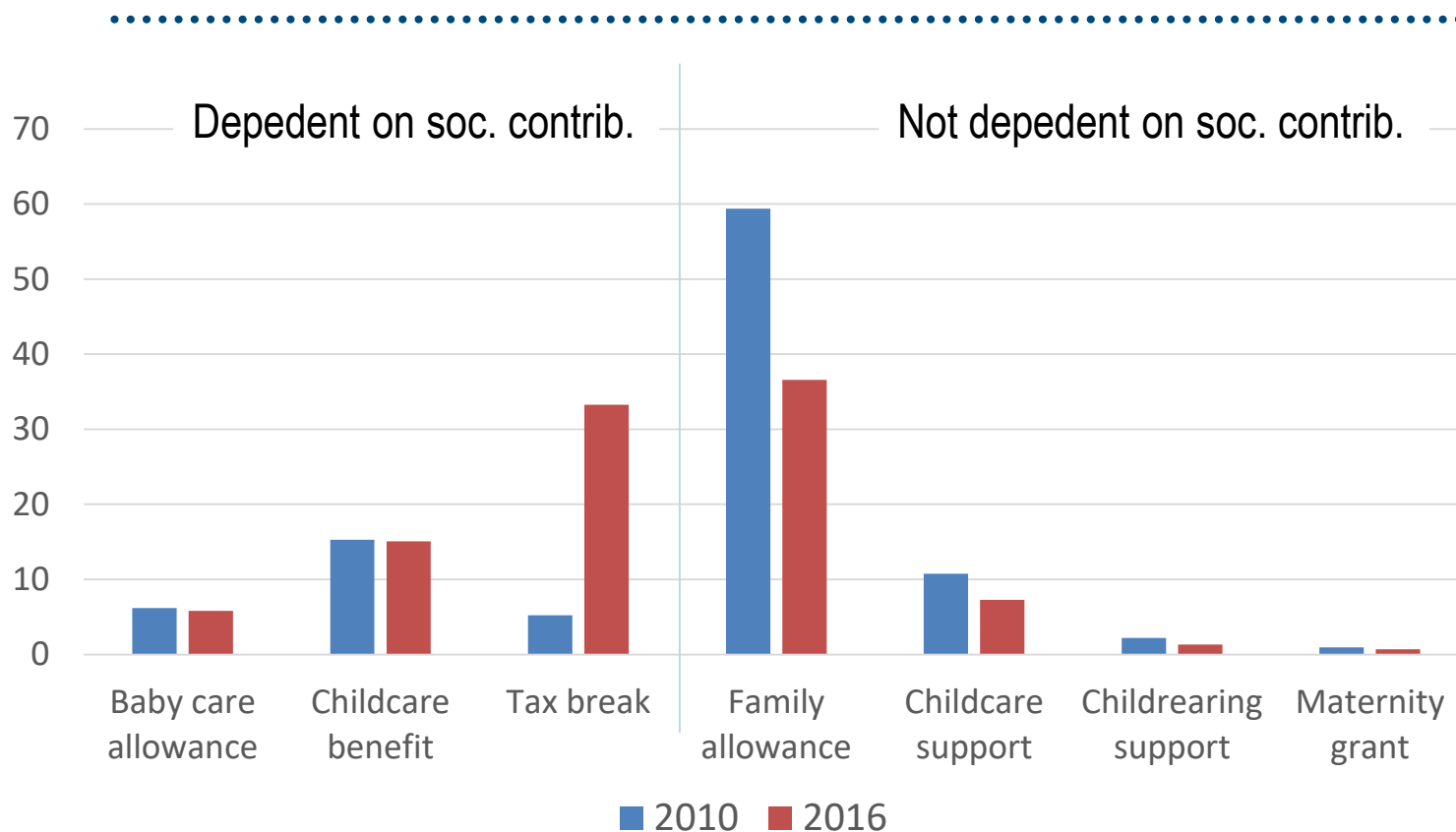
Source: HCSO 2017b; CSBO 2017.

* The maternity grant is a one-off financial grant disbursed on the birth of the child, guaranteed universally. The amount in 2017 (unchanged for years) was HUF 64,125.



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Development of expenditure on family support allowances dependent, or not dependent on social security contributions, 2010, 2016, %



Source: HCSO 2017b; CSBO 2017.



Conclusion

- There is an explicit support towards working families in Hungary
- This is completed with more flexibility in the parental leave system in order to help to conciliate work and family life
- It may contribute to promote legal participation on the labour market
- 28% of the households with children are exposed to a risk of poverty or social exclusion
- Are frequent changes in the system typical for Hungary only?



Thank you for your attention!

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Changes in the family policy since 2010

- Parental leave policy reform in 2014
 - More possibility to combine work & childrearing
 - Raise in the amount of childcare benefit
 - Childcare allowance remains unchanged since 2008
- Family tax break
- Housing subsidies



Main characteristics of Hungarian family policy

- About 20 different types of benefits
- Low fertility is a major concern
- Policy interventions are seen as legitimate
- Generous family benefit system: the government spends much money and energy on the support of families
- Goals:
 - Raise fertility
 - Support families where the parents are in employment
 - Support mothers' return to employment after childbirth
 - Develop the childcare system for children above 2 years
 - Integrate children from low income families and/or disadvantaged families



Spending on families in European comparison (different benefits are included)

