

Child poverty and child-well being in the European Union

Policy overview and policy impact analysis

A case study: Hungary

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1 The nature of child poverty and the underlying factors

1.1 The children affected and the underlying factors

Comparative tables based on EU-SILC 2007 data suggest that the level of child poverty in Hungary (18.9%) is very close to the EU average (19.1%), while the overall poverty rate (12.3%) is lower than the EU25 average (16.3%). These figures are similar to findings from national surveys, although the at-risk-of-poverty rate among children (based on the same modified OECD equivalence scale) was found to be somewhat lower in the TÁRKI's Hungarian Household Monitor Survey in 2007 (15.9%).

At the same time both the TÁRKI and the National Statistical Office estimated that the at-risk-of-poverty rate was 12% in the entire population that year (Gábos and Szivós 2006) – which is similar to the figure derived from EU-SILC¹.

From this, it follows that relative risk of poverty among children in Hungary exceeds the European average according to any data-sources. The difference between the Hungarian and the European figures is more modest if we consider the Household Monitor Survey (1.32) than if we look at the EU-SILC (1.54).

The key determinants of child poverty on the other hand are similar according to both sources.

Main factors identified often overlap with those in other countries – although their relative importance is different. While demographic factors (such as child's age, age of parents and also type of household) seem to be similarly important or sometimes less important here than in other countries, labour market situation as well as parents' education play a more decisive role in Hungary.

In fact, multivariate analyses show that parents' education and especially employment status significantly reduce or even nullifies the impact of other factors in determining risk of child poverty in Hungary (e.g. Gábos-Szivós 2006.). Country-specific factors not considered in international comparisons include ethnicity and region of residence.

By far the most important among the determinants of poverty in Hungarian households is (the lack of) labour market activity. This has been shown by several national studies (e.g. Gábos-Szivós 2006, Havas 2005), and it is also reflected by the calculations carried out on the EU-SILC 2006 data. However, the indicators applied in the EU-SILC hide some crucial characteristics of the employment situation that are very relevant in Hungary. Although work intensity in itself is important in Hungary, and joblessness does indeed imply a serious risk of poverty, the reason for not working makes a major difference in the possible consequences. In particular, being on maternal or parental leave (the status of a large number of mothers in Hungary) does not imply a great risk of poverty, while other forms of inactivity and also unemployment do.

Level of employment in Hungary is below the European average among both sexes. In 2007, the employment ratio for men was 73 in the EU25 and only 64 in Hungary while it was 58.6 for women in the EU25 and only 50.9 in Hungary². The differences remain, although they get smaller if we consider the 25-49 year old. According to the EU-LFS 2007, the proportion of employed men in (two-parent) households with children exceeds that in childless households, although the difference is not particularly big (86.5 vs. 81.5% - the corresponding EU27 averages being 91.7% and 84%).

¹ Despite some differences highlighted, figures from the EU-SILC 2007 fit relatively well into the overall picture of child-poverty in Hungary derived from other sources of information. This is not the case with EU-SILC 2006 however. EU-SILC 2006 provides some measures which are seriously contradicting findings from national surveys and which are also outliers in the trends produced by other EU-SILC surveys in Hungary. In particular, overall risk of poverty as well as poverty rates of children was found to be much higher in EU-SILC 2006 than in the Hungarian Household Monitor Survey of TÁRKI in the same year. Since results from the Monitor survey are more consistent with earlier and also later national data as well as with data from EU-SILC 2007, we decided to ignore findings from EU-SILC 2006 in this study. In the lack of any convincing information about the possible sources of the differences between EU-SILC 2006 and findings from other surveys, we interpret them as a result of unknown, perhaps sampling, imputation or other methodological differences in the data sources.

² Source: Eurostat.

The direction of the difference is opposite and the gap is much bigger in the case of women. In Hungary, 80.3% of women in childless households, but only 55.2% of women in 2 parent households are working. This latter figure is among the lowest in Europe and can to a large extent be attributed to the current generous parental leave system in Hungary. This allows parents (mothers in particular) to stay at home until the 3rd birthday of their child.

Research suggests that the majority of women take advantage of this opportunity and – because of multiple births – the average amount of time women stay away from the labour market with their children reaches 4.7 years on average (Bálint and Köllő 2007).

In 2008, 9.3% of women aged 15-54 years were on some form of parental leave³. Indeed, OECD data shows that only mothers with very young children (0-2 year) lag behind the European average in terms of labour market activity in Hungary⁴. The employment ratio of mothers with older children⁵ as well as of childless women in the 25-49 age group is very close to the European average⁶.

The unemployment rate in Hungary in 2007 was 7.2% for men and 7.7% for women, reaching 7.7% and 8.1% in 2008⁷. Estimates on EU-LFS suggest that households with and without children are affected by unemployment to a more or less similar extent. The main problem is therefore a low level of economic activity.

Parents' activity in the labour market has major impact on the risk of poverty in Hungary. Together with the level of (father's) education, this has been found to be the most important factor in various poverty-studies for the general population (e.g. Havas 2005) and also for children (eg. Gábos-Szivós 2006). This is well-reflected by the EU-SILC analysis that shows that 73% of children living in a jobless household fall below the poverty line. Although to a lesser extent but households with work intensity measure falling between 0.01 and 0.49 are at an increased risk as well. These are households with a very low attachment to the labour market in general and very often with no attachment to the legal labour market at all. In this group at risk of poverty rate of children is as high as 41%. At the same time the corresponding figure is only 14% for one-earner households (WI=0.5) – a very heterogeneous category including unemployed parent-households as well as families where mothers are on parental leave. The markedly different consequences of these situations can be better seen from an analysis carried out on the 2005 Household Monitor data (Gábos and Szivós 2006). This shows that as many as 61.7% of the children whose father is unemployed and 50% whose father is inactive can be considered as poor. At the same time however only 17.5% of the children whose mother is on parental leave fall below the poverty-line. If the mother is retired, the corresponding figure is 37.5%. The same tendencies remain when the impact of other factors are controlled for. Applying logistic regression Gábos and Szivós find that (beside father's education) the highest risk of poverty were associated with parents' employment status⁸ – but mothers on parental leave imposed no additional risk of poverty on the children.

Because of its infrequency, the impact of part-time work is rarely considered in Hungarian analyses. Incidence of part-time employment in Hungary is indeed among the lowest in Europe. According to LFS data, the ratio of part-time employed in 2008 was 5.6% among women and only 3.3% among men⁹.

Material deprivation in 2007 is 37.4% in the overall population and 42.4% among children – both figures are far above the EU average. Moreover, a national poverty study (Bass et. al. 2007) taking the aspect of consumption into account finds that 73% of low income families report not having enough money for buying clothes for adult family members, and that 48% is trying to save money on food.

³ Source: EU-LFS. The high prevalence of mothers on parental leave however does not seem to be directly linked to an increased risk of poverty among children.

⁴ <http://www.oecd.org/dataoecd/29/61/38752721.pdf>

⁵ http://www.oecd.org/document/4/0,3343,en_2649_34819_37836996_1_1_1_1,00.html

⁶ Further, but less relevant reasons for inactivity from a child poverty perspective include retirement. The widespread availability of early retirement and disability pension affects both men and women in Hungary: 8.5% of men between 15-59 years and 5.6% of women between 15-54 years were retired in 2007. Source: EU-LFS.

⁷ http://portal.ksh.hu/pls/ksh/docs/hun/xstadat/xstadat_eves/tab2_01_02i.html (age group 15-64; source: Central Statistical Office).

⁸ The OECD poverty indicator was regressed on: age of child (3 categories); a combined measure of number of children and number of parents living together; sex of head of household; mother's age (5 categories); type of settlement; ethnicity (Roma vs. not Roma); father's education (3 categories); fathers labour market activity (3 categories); mother's labour market activity (3 categories); proportion of family transfers within the family income.

⁹ http://portal.ksh.hu/pls/ksh/docs/hun/xstadat/xstadat_eves/tab2_01_07i.html (own calculations based on EU-LFS data; age group 15-64).

According to the estimates based on EU-SILC 2007, parents' (both mothers' and fathers') education is a more important factor of childhood poverty in Hungary than it is in the EU25 on average. Low education implies a severely increased risk in Hungary: the relative risk of poverty is 3.17 in households where parents have a low level of education – as opposed to 2.2 in the EU25. National surveys also show that parents' education plays a key role in determining poverty (e.g. Tóth 2005, Gábos-Szivós 2006.). Almost one third (30%) of the population (aged 15-74) has low education (less than primary, primary or lower secondary)¹⁰ and they typically suffer from additional disadvantages too. Most importantly, labour market activity of those with below-secondary education is particularly low: in 2008, employment rate of the low educated in the 25-64 age group was 48.1% in the EU27 against only 27.2% in Hungary¹¹. Therefore the high risk of poverty of the low educated also reflects the significant risk associated with the lack of labour market activity. This is however not the only reason why low education is linked to an increased risk of poverty. Multivariate analyses consistently show that lack of appropriate education imposes an additional risk, even when employment status is controlled for (e.g. Gábos and Szivós 2008a).

The family type is a crucial factor in determining poverty in most countries – although somewhat less so in Hungary, than elsewhere in Europe. In Hungary, 30% of children in single-parent families fall below the poverty line – this means a group relative poverty risk of 1.5812 which is below the European average of 1.94. Nevertheless, the impact of living in a one-parent family remains significant on the risk of poverty, even when other factors are controlled for (Gábos and Szivós 2006). In 2005, 16% of children aged 0-17 were living in single-parent household¹³.

The impact of the number of children in the household shows that the risk of poverty is more or less constant with one or two children, but it increases considerably with 3 and even further with 4 children. EU-SILC 2007 data suggest that 30% of children in families with 3+ children are at risk of poverty. Gábos and Szivós (2006) differentiate between families with 3 and families with 4+ children and find that the situation of families with 3 children is markedly different from families with 4+ children. Based on their estimates, the ratio of poor children is 16.4% in "couple with 3 children" families and 45.6% in "couple with 4+ children" families. Their multivariate analysis also shows that only 4+ children have a net negative impact on poverty when other factors are controlled for.

The child's age has essentially no impact on risk of poverty according to the EU-SILC 2007. National resources provide no consistent patterns in this respect. Analysis on the 2005 Household Monitor data shows that older children (aged 15-18) are at an increased risk when compared to younger groups. This however was a novel finding in 2005. Earlier results had shown that poverty is more frequent in families with younger children (Gábos-Szivós 2006). All in all, it seems that the age of the child has no consistent affect and in the most recent years it might not be a crucial factor in determining risk of poverty in Hungary. The same seems to hold for parents' age. EU-SILC data suggest that children with younger (<30) parents are at greater risk of poverty than others. But other findings however show opposite (although moderate) effects (Gábos-Szivós 2006).

Geographical factors are again strongly associated with the risk of poverty in Hungary: both the type of settlement and also the region are important. The strong effect of urbanisation is well reflected in EU-SILC 2007 which shows that one in every four children in sparsely populated areas falls below the poverty line and the group relative risk is 1.3. This means that 66% of all poor children live in rural areas. Gábos and Szivós find very similar tendencies (2006). They also show that 25% of the children in villages live below the poverty line. The ratio of poor children in smaller and bigger towns, and in Budapest is 10%, 13% and 8% respectively according to the TÁRKI data. The problem with rural poverty is that it is multi-dimensional almost by definition. In the case of Hungary, rural income-poverty is usually associated with poor labour-market opportunities, low quality infrastructure, limited access to transport facilities and to a range of services (most importantly childcare and schooling) (e.g. Darvas-Tausz 2007; Bass et al. 2008b). Available information suggests that agricultural production is not very significant in most poor households in Hungary. In the case of the Roma population (a considerable subgroup of the income-poor in rural areas), the lack of agricultural tradition as well as the lack of a suitable land for agricultural production are important factors of low activity of this kind. Molnár and Galla show that consumption from own production was decreasing in the late 1990's in Hungary. In particular its share within the total household income fell from 8 to 6% between 1997 and 2002 – a change that affected the poorest households in the first place (Molnár and Galla 2009).

¹⁰ Source: LFS 2008, http://portal.ksh.hu/pls/ksh/docs/hun/xstadat/xstadat_eves/ta12_01_14i.html

¹¹ Source: EUROSTAT.

¹² Gábos and Szivós (2006) find similar relative risk.

¹³ Source: Central Statistical Office. Mikrocensus 2005.

Although not routinely included in poverty analyses, the geographical region is also an important factor of poverty in Hungary. Worst affected are the former industrial regions (Northern Hungary in particular) and also some densely populated areas in Southern Transdanubia. Regional differences also imply inequalities in childcare availability as well as quality. Only 6% of all the nursery places available in Hungary serve for example the North-Eastern region where 13% of the children aged 0-2 live. On the other hand, 41% of the places are offered in Central Hungary, where only 29% of this age group lives. It is also suggested that regions with a high poverty rate are also receiving lower quality childcare – as measured by overpopulation and lack of highly trained care-takers (Bass et al. 2008b).

Roma children

Regional inequalities are strongly interrelated with the ratio of the Roma population.

Gábos and Szivós (2006) find that in 2005, 35.2% of the children (aged 0-18) living in a Roma-household lived below the poverty line. This is over twice the ratio they found among the children in non-Roma households (14.5%) and 15.3% of the poor children were Roma at that time.

Other studies also show that the Roma below the poverty line are concentrated in the lowest strata – that is, they are more badly affected by extreme poverty than others (Bass et al. 2007, Ladányi 2007). Living in a Roma family increases the risk of poverty considerably even when additional factors are controlled for (Gábos and Szivós 2008).

According to 2001 study, the size of the Roma population in Hungary was 570,000 – i.e. around 6% of the total population (Kemény-Janky-Lengyel 2004). Total fertility rate of the Roma (although reduced somewhat since the mid nineties) was still 3.0 in 2003 when it was only 1.4 among the non-Roma (Janky 2005). In 2001, the proportion of the 0-19 year old was 45.2% among the Roma (Habicsek 2005) while only 23.2% in the entire population¹⁴.

Poverty-risk factors are seriously concentrated in the Roma population. These include severe under-employment, low education, large families and also place of residence. The Roma were severely hit by the economic transformation when a massive lay-off of the unskilled workforce took place and have not had the chance to catch up ever since. Their employment rate has stabilised at an extremely low level. The employment rate of men (aged 15-59) has been around 29%, while the corresponding ratio of women was as low as 13% in 2003 (Kemény-Janky-Lengyel 2004). Roma employment is not only low, but is also of an unfortunate nature as it is often characterised by short-term and infrequent jobs (e.g. Kertesi 2005).

Disadvantages of the Roma continue to be transferred from generation to generation. While by the 1990's the proportion of the Roma who completed primary education was close to the national average, their disadvantages at the higher levels of education remained significant. Their rates of entry into the secondary level increased but they remained concentrated in vocational education (providing much more limited employment opportunities). At the same time, their drop-out rates at the secondary level continue to be above the average (Kertesi-Kézdi 2008). The proportion of Roma students in higher education is still negligible (Janky 2004).

Kertesi and Kézdi also show that impoverishment due to the collapse of Roma employment¹⁵ is one of the key factors behind the widening education gap between the Roma and the rest of the society (2005). Further factors include educational segregation that affects Roma children particularly badly and which was found to strengthen after the political transformation – both for administrative reasons and as a result of spontaneous processes (Kertesi-Kézdi 2005); and low coverage of the Roma children in early childcare institutions.

The ratio of the 3-5 year old attending kindergarten was 88% on average in Hungary in 2000, while the corresponding figure was only 42% among Roma children (Janky 2004). This difference can not only be attributed to the poverty of this group. Although kindergarten attendance of children below the poverty line is also below the average (in 2006 it was around 75% according to Bass et al.2008b), the arrears is much less dramatic than in the case of the Roma. Some of the disadvantage of the Roma as well as the non-Roma poor children is likely to be due to their high prevalence in small settlements where no pre-school childcare is offered. Nevertheless, there are surely also other factors contributing to this situation (such as an inactive mother, lack of cooperation between parents and institutes etc.).

¹⁴ Source: Central Statistical Office.

¹⁵ Ratio of employment fell from 95% in 1984 to 39% by 1993 among Roma men aged 15-49 and from 61% to 23% among the Roma women (Kertesi 2005).

There is little research evidence specifically on Roma children's access to health care in Hungary. Like all children, the Roma are also entitled to free health care services including primary care as well hospital treatment. Access to healthcare however is however limited by geographical inequalities that typically disadvantage the poor, including the Roma. For example only 72% of the 0-14 year old is looked after by a paediatrician – the rest receives general health care from a general practitioner. The lowest child/paediatrician ratio is measured in the most disadvantaged counties where concentration of the Roma is high (Egészségügyi Minisztérium 2005). Still, access to some form of health care is not a problem even for the poor. Difficulties however arise when medicines are needed: 42% of poor families cannot afford the necessary medications either for the children or for the parents themselves (Bass et al.2007).

Inheritance of poverty

Research suggests that the inheritance of social (dis)advantages did not only remain considerable after the political transformation in 1990, but – at least in the case of men – it has even strengthened (e.g. Bukodi 2002; Róbert-Bukodi 2004, Németh 2006).

Looking at occupational mobility in Hungary between 1992 and 2000, Bukodi estimates that the total mobility ratio¹⁶ of men aged 20-69 fell from 72.2% to 65.8% during this period. The similar measure for women also decreased, although to a more moderate extent from 76.1% to 73.9%.

The ratio of inheritance increased in each occupational category but the skilled manuals. For example, 17.3% of men with an unskilled agricultural worker father were in the same category themselves in 2000 (15.6% in 1992) and 40.8% (as opposed to 34.7% in 1992) of men whose father was an unskilled worker in other sectors had a similar occupation in 2000.

Social mobility is seriously hindered by educational segregation and the general failure of the educational system to compensate for disadvantages in the family background. Analyses carried out on the PISA scores suggest that social background of pupils has a much stronger impact on the various competencies in Hungary than in most OECD countries (Róbert 2004, Lannert 2008).

The effect of family background is mostly mediated via the characteristics of the school. The impact of differences between schools is much stronger on pupils' achievement in Hungary than the OECD average, whereas the impact of within-school differences is below that (Balázs-Ostorics-Szalay 2007 cited by Lannert 2008). As a consequence of this and also other factors, parental status has a major influence on educational attainment. Gábos and Szivós (2008b) found that as much as 56% of young people whose mother had below upper secondary education remained in the same category themselves by the age of 19-30. At the same time, only 15% of those with a mother of upper secondary education and 8% of those with a mother of tertiary education completed less than upper secondary education.

Among the various social and demographic factors, parental education remains the most important determinant of educational achievement – but the effect of parental income is also significant. In particular, taking 80% of per capita median income as poverty threshold, 56% of the children with parents below this line remain low educated by the age of 19 to 30; 27% complete upper secondary education and 17% get a higher diploma. Corresponding ratios in the total population are 38, 32 and 30%.

1.2 Trends

In the early 1990s, relative poverty was increasing in Hungary, but the slope of the trend was steeper among children. The latter showed a sharp increase in the first half of the 1990s. This increase was coupled with an opposite trend among the elderly who were seriously threatened by poverty after the political transition. From the second half of the 1990s however, the relative position of the elderly developed considerably and the new tendency of an increased risk of poverty among children appeared (Gábos-Szivós 2008a).

¹⁶ Calculation based on a 7*7 occupational mobility table between fathers and sons/daughters. The analyses were carried out on various national surveys of the Central Statistical Office. To establish parental occupation, retrospective data was used and occupational categories were derived from the Erikson-Goldthorpe-Portocarrero scheme.

In the second half of the 1990s, the poverty rate of the 0-15 year old remained more or less stable. Between 2003 and 2005, a small but significant decrease was observed. After that, no more change was detected in 2007. Since data for each year considered are derived from studies of similar sample and methodology, we believe that the small improvement between 2003 and 2005 was a genuine one. In the lack of any substantial changes in poverty policy during these years, we attribute the change to the spontaneous effect of the slowly but steadily increasing level of real income per capita during this period in Hungary¹⁷.

The decrease of poverty rate was most apparent among the youngest children. The rate of poverty fell from 19% to 15% among the 0-3 year old, and from 19% to 12% among children aged 4 to 9 between 2000 and 2007 according (Gábos, 2008). As a consequence, by 2007, higher risk was measured among teenagers than among young children. Concerning the number of children in the family, improvement could only be detected in families with 3+ children – the risk of poverty falling from 31.4 to 20.4%. This way, the relative disadvantage of children in large families was reduced, although it did not diminish.

All along this time, the risk of poverty among the 0-15 year old exceeded the average rate of poverty and (in 2005) it was even higher in the 0-17 age group. The gap between the 0-15 and the entire population rates was the smallest in 1991 (5%) and it reached its peak by 39% in 2003.

Meanwhile, the at risk poverty gap has been at a slow but steady increase, suggesting that it is becoming increasingly difficult to escape poverty. Unfortunately, no similar measure is published for children (table 1).

Table 1. Trends of income poverty in Hungary 1992-2007

Poverty threshold calculated as the 60% of the national equivalised median income

	1991	1996	2000	2003	2005	2007
Poverty rate 0-15	12.5	19.5	16.5	18.7	14.6	15.3
Poverty rate 0-17	n.a.	n.a.	n.a.	n.a.	15.9	n.a.
Poverty rate – All	11.9	14.2	12.9	13.5	12.0	12.6
Relative risk of poverty of children 0-15 to overall population	1.05	1.37	1.28	1.39	1.22	1.21
At risk poverty gap – All	15.0	16.8	19.1	18.9	22.0	n.a.

Source: Gábos-Szivós 2008a.

Data sources: for 1991 and 1996: TÁRKI Hungarian Household Panel; for 2000, 2003, 2005 and 2007 TÁRKI Household Monitor.

Unfortunately, there is no data available on child poverty for 2008 or 2009 and therefore we cannot tell how badly the economic crisis is affecting families in Hungary. Nevertheless, the situation is not good and experts and politicians alike are expecting serious consequences. Unemployment rate has reached 9.7% by the first quartile of 2009 – showing an increase of 1.7 percentage points compared to the same period of the previous year¹⁸ and further increase is expected.

Beside unemployment, many families were also hit badly by radical and unfavourable changes in the exchange rates of the Hungarian Forint. Because of the popularity of loans (mainly housing loans) denominated in foreign exchange, the devaluation of the Hungarian Forint leads to a significant increase of the monthly instalments for many – threatening even by a loss of their properties.

Together with raising credit from the IMF and the EU, the (new) Hungarian Government reacted to the crisis by a series of restrictions to reduce government's expenditure. However, efforts have been made to concentrate negative consequences on the middle-classes and to protect members – especially children – of the lower strata as much as possible. Nevertheless, several recommendations and interventions with a possible impact also on the poor have been made. These include an increase of the Value Added Tax on most products from 20 to 25% from July 2009. But to ease burdens on the poor, goods considered as “necessary for survival” (milk and milk-based products, bread and bakery-

¹⁷ Source: Central Statistical Office, http://portal.ksh.hu/pls/ksh/docs/hun/xstadat/xstadat_eves/tabl3_01_11i.html

¹⁸ Source: Central Statistical Office, http://portal.ksh.hu/pls/ksh/docs/hun/xstadat/xstadat_evkozi/tabl2_01_02h.html

products and also district heating) will have a reduced VAT of 18%. At the same time it was decided that – contrary to previous years – the nominal value of family allowance will not be increased in 2009 and 2010.

To counteract the negative effects of the crisis, other interventions have been designed to help families severely hit. A crisis-relief fund (currently with HUF 4 Billion – 14,023,770 Euros¹⁹) was set up to provide one-time, non-refundable financial help for families that have lost at least 30% of their previous income or who have suffered an increase of their mortgages of 30% or more. As a further criterion, monthly income per person must not exceed the net minimum wage (HUF 57,817 – 203 Euros). The Parliament also accepted the institute of state-backed guarantee to those paying mortgage instalments. These persons can apply for a so called “bridging loan” to their bank to cover part of their instalment for at most 2 years. A state-guarantee is provided for at most 80% of this additional loan – meaning that in case the person would be unable to pay, the state takes over the responsibility. Another not yet well-developed proposal is to prevent extreme poverty in case of insolvency by allowing for personal bankruptcy.

1.3 Absolute and extreme poverty

Summarising findings from various poverty studies, experts estimate that around 5 to 8% of the Hungarian population live in permanent and deep poverty. Although definitions vary, the situation described as such is typically characterised by multiplicity of deprivations, in some cases also including subjective poverty. On this basis, it is estimated that the number of children affected is around 150-200 thousands (Bass et. al. 2007). Although applying less strict criteria than it is common in the Hungarian studies, and therefore concluding at a higher ratio, calculations on the EU-SILC 2007 data suggest that multiple deprivations are more frequent in Hungary than in most European countries – especially among children. In particular, a combined form of material deprivation and income poverty among children was found to be almost twice as frequent in Hungary (14.46%) than the EU25 average (8.04%).

Working on the TÁRKI Household Monitor databases, Havasi (2006; 2008) also examines multiple forms of deprivation. She finds that both in 2005 and 2007, 8% of the population was suffering from all of the following five circumstances:

- ✓ - income poverty (living below the OECD poverty line);
- ✓ - unable to meet at least one of three basic needs (sufficient food, heating, utilities);
- ✓ - lacking all of the following basic equipments: automatic washing machine, microwave, freezer
- ✓ - poor living conditions according to at least one of the following three criteria: no WC in the property; serious problems (damp, wet, big noise) with the property according to the interviewee; serious problems with the property according to the interviewer;
- ✓ - subjective poverty: “live in needs” or “financial difficulties every month”.

In both years, regional, educational, ethnic and urbanisation factors, as well as the number of children were identified as the most important determinants of multiple poverty.

In 2005, 25% of those affected were living in Northern-Hungary, 23% in the Northern Great Plain region. One third lived in a small settlement (below 2,000 inhabitants) and 53% in a household where the head of the household is low educated. The increased risk of the Roma population was also established: in 2007, three out of ten Roma households belonged to the extremely poor. Based on other studies, Ladányi suggests that over one fourth of those suffering from extreme poverty belong to the Roma community (Ladányi 2007).

How children are affected by multiple deprivations was not the focus of Havasi’s study. Nevertheless, it has been shown that in 2005, 28% of this group lived in a household with 3+ children – compared to

¹⁹ All along this study, the average annual exchange rate from the Eurostat online database was used: (http://epp.eurostat.ec.europa.eu/portal/page/portal/exchange_rates/data/database). In the case of data relating to 2009, exchange rates are estimates, taken from the same source.

a share of 10% in the entire population. Their increased risk however was due to their vulnerability to income poverty rather than to material poverty: they are not overrepresented among those suffering from the various sources of material deprivation. Also, the effect of living in a large family diminishes if a range of other factors are also taken into account. In their poverty-study, Bass and colleagues were unable to find any clear evidence of children being overrepresented among the extremely poor (2007). On the other hand, Ladányi (2007) suggests that extreme poverty follows different patterns in the Roma and the non-Roma population. He finds that among the Roma, families with children are the most severely affected, whereas extreme poverty is more prevalent among the elderly and the childless in the rest of the society.

Extreme poverty is long-term and very hard to leave in Hungary. Experts speak of permanent exclusion; permanent poverty, deep and permanent poverty (Ladányi 2007; Bass et al. 2007). Multiple deprivation is typically associated with long-term unemployment that is now being transmitted between generations. The increased risk of intergenerational transmission of deprivation in these groups is one of the major concerns today. As was described by Kertesi and Kézdi (2005), deep and long-term poverty of the Roma parents is more important than actual employment status or commuting costs in reducing their capacity to support their children's schooling over primary education.

Extreme poverty in Hungary has distinct geographical patterns. Unfortunately every piece of evidence points towards serious segregation and even ghettoisation – especially among the Roma. As it was said before, the socially deprived are strongly concentrated in the Northern regions of the country – that is, areas where heavy industry used to be a major source of employment during the state-socialism and therefore the lay-offs were the most severe at the time of the structural changes. Besides, regions with small villages close to the Southern and Eastern borders are also badly affected. All in all, extreme poverty (as well as poverty as it was shown before) is more a rural than an urban phenomenon in Hungary – although ghettos are not unknown in big cities and smaller towns either. According to Ladányi, impoverished settlements follow one of the two different routes today: one is ageing and depopulation, the other is becoming an ethnic ghetto, with a rapidly growing population. Since these types of settlements are often in close proximity, a new tendency of entire (small-)regions turning into Roma ghettos seems now to have started (Ladányi 2007).

2 Impact and effectiveness of policies in place

2.1 Overall approach

There are four major policy areas in Hungary that can be considered as measures combating child poverty. With a large share of universal benefits directed specifically towards children and some more targeted allowances, income support is the most pronounced way of reducing the risk of poverty among children. Labour market policies – although rarely directed explicitly towards parents – also play an important role in reducing child poverty in the short-term as well as in combating poverty in the long run by improving employability of the poor. In-kind services form the third pillar of the system. Beside a wide range of free and universal services (health care, education...), some targeted in-kind benefits (school books, meals in school...) belong to this group. Finally, additional programmes, often initiated by the government and financed either from the central budget or from EU resources try to fill the gaps the first three pillars leave in the most critical areas such as education of the Roma, geographical segregation etc.

The four elements are sometimes difficult to separate. Eligibility for certain in-kind benefits is for example formally linked to the eligibility of a specific income-support (passport benefit). As a result of a recent change, regular social assistance on the other hand is only paid for those who are willing to participate in certain labour market programmes. Also, additional programmes might provide income support in one case and in-kind benefits in the other.

To improve coherence as well as effectiveness of social interventions against child-poverty, in 2005 the *Office for the Programme to Combat Child Poverty* (“Gyermekszegénység Elleni Nemzeti Programiroda”) was set up by the Prime Minister. By 2007, the National Strategy for 2007-2032 called “Making Things Better for our Children” was prepared and accepted by the government. The Programme defines combating child poverty as a main priority that has to be in focus in any political decision with a potential effect on families and children. It also provides an ambitious vision of a

desirable path to follow and points towards some of the necessary steps to be taken. It identifies five main priorities such as increasing the employment rate; improving the system of financial benefits for families; better housing conditions for those in need; mitigation of educational segregation and provision of equal and high-quality childcare, early-development and education for all; improvement of personal social services and assist families with children together with improving child health.

According to the Programme, on each of these areas, priority should be given to the Roma, to disabled children as well as to the decrease of regional inequalities and also improvement of the major public services (e.g. education, health care etc.).

Targets set in this document are rather general (such as “poverty rate of families and children must decrease significantly – to a proportion of its current level”). Nevertheless, recommendations are made for defining more specific targets and also indicators for their measurement. This work is currently being carried out by members of the *Assessment Committee of the Programme* that was set up in 2008. Another agent, the *Office for the Opportunity of Children* (“Gyerekesély Iroda”), which was formed as part of the Hungarian Prime Minister’s Office is responsible for the coordination of the planning as well as of the realisation of measures and interventions initiated by any governmental Department that aims at reducing child-poverty.

Of course merely two years after the Programme was accepted no break-through in the field of child poverty can be detected. Although – as discussed later – several measures affecting child poverty have been launched, they do not necessarily correspond to the objectives set out in the National Programme. This can partly be attributed to the severe negative consequences of the economic crisis, which made some restrictions inevitable and also reduced the resources available. Nevertheless, staff of the Programme Office has been busy keeping the issue on the agenda by commenting on the government’s work, making recommendations and also criticising some of the decisions made²⁰.

At the moment it is impossible to assess whether any improvements towards the targets set in the National Programme has been made so far. This is not only because the targets and aims defined there are not yet made specific enough or because too little time has passed to achieve much improvement. Equally important is that in the majority of cases, there is no data available to accurately assess the effectiveness of the interventions.

2.2 Income support

Income support plays an important role in reducing child poverty in Hungary. Universal family benefits remain at the core of the system and they are also the most permanent elements. Universal supports are supplemented by several additional benefits (financial and also in-kind), that are specifically aimed at children in need. These have gone through some genuine reforms in the recent years. Although not directly intended for families with children, other social transfers (such as unemployment benefits and various forms of allowances) are also present in the household budget of the poor.

Family benefits

Family allowance (családi pótlék) is the most significant social transfer in most family budgets. On average, 9.1% of the total income of families with children came from family allowance in 2007 – and it reached 19.8% for households with 3+ children (Gábos 2008). Family allowance also takes a significant part of the central government budget: it accounted for 1.35% in 2007 (HUF 338.4 Billion – 1.346 Billion Euros). Generally, parents of children aged 18 and under (or up to 23 if they continue to study), receive a fixed monthly allowance to help them cover the expenses associated with childrearing. Typically, the sum paid is increased every year to follow the level of inflation. In 2006, the family allowance was merged with the former regular child protection benefit and this way, the amount of family allowance paid by child was almost doubled. Usually, an increased per-child sum was paid to families with more than one child, to single parents as well as to parents with disabled or permanently ill child. The differentiation however is not very marked. In 2009, HUF 12,200 (43 Euros) per month is paid per child in a two-parent family, HUF 13,700 (48 Euros) per child in a one-parent family, 16,000 HUF (56 Euros) per child in a family with three or more children if both parents are present and 17,000 HUF (60 Euros) per child if one parent is missing.

²⁰ See their website www.gyerekesely.hu for comments on the “Pathway to work” programme and other government initiatives.

Following the economic crisis, it was decided this year that the amount of the family allowance will not be increased before 2011 and the maximum age for eligibility decreased to age 20. At the same time as from this year it was also made part of the tax base, which is expected to improve targeting efficiency to a significant extent.

The system of parental allowances is complex and rather generous. All parents are eligible for some of the various allowances until the 3rd birthday of their child – or even longer if they have more than two children or they are raising twins. In 2007, 13.7% of the total income of families with children aged 0-3 came from parental allowances (Gábos 2008). In 2007, 0.75% of the central budget was paid for parental leave.

Payments available for all irrespective of employment record include maternity allowance, childcare allowance (GYES) and childrearing support (GYET). Typically, because the short and often fragmented employment history of women in low-income families do not make them eligible for other parental benefits and because they often give birth to their first child at an early age, these are the forms of support poorer women tend to receive.

Bálint and Köllő (2007) calculate that around two third of the mothers with low education (at most primary school or vocational secondary) are paid the flat rate child care allowance rather than the insurance based one (Bálint and Köllő 2007).²¹

Maternity allowance (anyasági segély) is a universal one-off support²² paid within 180 days of birth. It amounts to 225% of the minimum old-age pension – in 2009 HUF 64,125 (225 Euros). Child care allowance (gyermekgondozási segély - GYES) is a flat-rate sum paid monthly to non-insured parents (either the mother or the father with the same conditions) until the 3rd birthday of the child. GYES is also paid to insured parents who are on parental leave after the 2nd birthday of their child.²³ It is equal to the minimum pension – that is HUF 28,500 (100 Euros) in 2009. The monthly sum of childrearing support (gyermeknevelési támogatás - GYET) equals that of GYES, but is paid for parents with at least 3 children until the youngest one reaches 8 years of age. Parents on child care allowance are allowed to work without restriction after the child turns one year of age.

Mothers who paid social insurance for at least 180 days within the two years preceding the birth of their child are eligible to pregnancy and confinement benefit (terhességi és gyermekágyi segély - TGYÁS) for 168 days. During this period 70% of the previous income is paid. After recipients exhaust TGYÁS, insured mothers or fathers are also eligible for child care fee (gyermekgondozási díj - GYED) until the 2nd birthday of their child. GYED also equals to 70% of the previous income but it can not exceed 70% of twice the minimum wage – HUF 100,100 (351 Euros) in 2009.

Supposedly a first step towards a gender-neutral labour-market policy, child care allowance (GYES) is now being reduced to a 2-year instead of a 3-year period²⁴. How this will influence child poverty, will depend on the effect these changes will impose on the employment situation of women affected. By reducing the amount of time young mothers spend away from the labour market, their employability might improve because the loss of human capital will be smaller. On the other hand for many – especially those without any substantial work-experience – it will be necessary to provide efficient support towards their (re)integration to the labour market.

Social transfers related to unemployment and regular social benefit

Unemployment benefit (álláskeresői járadék) is paid to the previously employed for 73 to 270 days (depending on the number of insured days in the previous years). In the first half of this period the amount of the benefit is defined as the 60% of the average wage earned in the proceeding year, but it has to be between 60% and 120% of the minimum wage. In the second half of the period, 60% of the minimum wage is paid for all. A flat rate (40% of the minimum wage) unemployment aid (álláskeresői

²¹ The proportion is around 40% among the more educated.

²² It is effectively a lump sum birth grant but translated to “maternity allowance” in the official (Central Statistical Office) resources.

²³ When child care fee – GYED is exhausted.

²⁴ At the same time, preconditions of receiving pregnancy and confinement benefit (TGYÁS) or child care fee (GYED) are to become stricter. The current 180 days of paid work before birth that ensures eligibility for TGYÁS and GYED is to be changed to 360 days to minimise the currently available abuse of the system. New regulations will only be affective for children born after 30 April 2010.

segély) is paid for 3 months for those who are not eligible for unemployment benefit or who have exhausted that. In 2008, 105,843 persons were receiving either form of the benefit²⁵.

After exhausting unemployment benefit as well as unemployment aid, unemployed persons are eligible to regular social assistance (rendszeres szociális segély). It is also paid to the sick and the disabled and others, whose eligibility criteria for other benefits (such as childcare allowance or childcare fee, disability pension etc.) have diminished. Regular social assistance is means-tested: the equivalent income in the household must not exceed a certain level²⁶.

A significant change from January 2009, following the introduction of the new "Pathway to work" programme is that recipients of regular social assistance (excluding the old and the sick) are required to take part in public employment programmes or if they previously did not complete primary education and are under age 35, they have to complete it within a limited period of time. Monthly amount of the aid is calculated as the difference between the family income-ceiling and the actual income in the household of the person supported but it must not exceed the net monthly minimum wage (HUF 57,815 – 203 Euros in 2009). At one time only one person per household can receive this benefit. In 2008, 152,058 persons received regular social assistance.

Other forms of income support

Family-related transfers and benefits paid to the unemployed are complemented by other regular and irregular benefits, which are aimed at more serious or more specific difficulties – paid either by the local government or from the central budget. Those directed towards children are regular child protection allowance, extraordinary child benefit and complementary child protection benefit²⁷.

Regular child protection allowance (rendszeres gyermekvédelmi kedvezmény) is paid to children in low-income families (income per capita does not exceed 135% of the minimum pension – HUF 35,625 or 125 Euros in 2009) provided that the family's possessions are also below a certain threshold. The regular child protection allowance involves only limited financial support (HUF 5,800 or 20 Euros per child twice a year), but it is a passport-type benefit that establishes the entitlement for a series of in-kind benefits, such as supported meals, free school-books and others. Recipients of the allowance were 489,966 children in 2007.

Extraordinary child protection benefit (rendkívüli gyermekvédelmi támogatás) can be provided in case of serious temporary difficulties – eligibility and other details are regulated by local government and provision is based on individual assessment. In 2007, 176,605 children received cash-support this way and in 54,473 cases, in-kind support was provided. Amount paid per capita was HUF 10,350 or 41 Euros on average. Complementary child protection benefit (kiegészítő gyermekvédelmi támogatás) is paid to the retired guardian of the child who is eligible for regular child protection allowance.

Among other social transfers not directly aimed at children, the most important ones include temporary assistance, home maintenance support and support towards heating costs. Local government can decide about providing temporary assistance (átmeneti segély) for families or individuals in extraordinary situations when basic needs are threatened. In 2007, temporary assistance was provided to 449,252 persons. On average, HUF 11,214 (45 Euros) per capita was paid in cash and the average value of in-kind support provided was HUF 6,078 (24 Euros). There are two types of home maintenance support available for families who have difficulties paying their housing costs. Normative housing support is paid if the income per capita does not exceed 150% of the minimum old age pensions (HUF 42,750 or 150 Euros) and the costs of housing exceed 20% of household income. Criteria for local home maintenance support are defined by the local government. For support towards heating-costs (gas or district-heating - gázártámogatás) eligibility-criteria is income-based: equivalent income in the household must not exceed 350% of the minimum old-age pension (HUF 99,750 or 350 Euros in 2009). The amount of support depends both on the income level and the costs of heating²⁸.

²⁵ Source: Central Statistical Office.

²⁶ Equivalent income calculated according to a specific equivalence scale (first adult in the household: 1.0; second adult: 0.9; any other adult: 0.8; first and second child: 0.8; any other child: 0.7) must not exceed 90% of the minimum old-age pension (HUF 25,650 or 102.4 Euros in 2008). Taking the composition of the household into account was a new improvement in 2006. This way regular social aid was transformed into a form of family-support. Experts of the Child-Poverty Office claim that this change from a regime that did not take number of dependants into account has led to significant positive effects on child-poverty (Bass et al. 2008).

²⁷ Further social transfers aimed at families with children that are not listed here include benefits and allowances paid after permanently ill or disabled children.

²⁸ Other social transfers not related to children are funeral support and nursing allowance.

Table 2. Summary table for the main forms of income support in Hungary, 2009

Family benefits	Other social transfers²⁹
Family allowance	Unemployment benefits:
Parental allowances	- unemployment benefit
- Maternity allowance	- unemployment aid
- Child care allowance (GYES)	Regular social assistance
- Childrearing support (GYET)	Temporary assistance
- Pregnancy and confinement benefit (TGYÁS)	Housing support:
- Child care fee (GYED)	- normative housing support
Regular child protection allowance	- local home maintenance support
Extraordinary child protection benefit	- support towards heating costs
Complementary child protection benefit	Funeral support
	Nursing allowance

The impact of social benefits on child poverty

Although elementary EU-SILC 2007 data on child-poverty look consistent with national sources, some specific measures concerning policy impact do not. In particular, the role of transfers within household income is much higher according to EU-SILC 2007 than it is suggested by national surveys. In the EU-SILC, 22.8% of total household income in families with children seems to come from family benefits, whereas the corresponding figure in the Household Monitor is as low as 13.8% (Gábos 2008).

Different methodology applied for enquiring about incomes³⁰ might partly explain the differences but it is surely not responsible for all of them. Although there is no comparable Monitor data provided on the share of total social transfers on the basis of the former finding we can expect that the 31.2% shown by EU-SILC 2007 is again above what we would find in national data sources.

With such a big unexplained discrepancy between the resources available we are unfortunately not in the position to give an account of the “real” extent of neither the role of transfers nor of their impact on poverty. It is only some general tendencies that we comment on the basis of these resources. First of all, it seems clear that social transfers but especially family-related transfers account for a larger share of household incomes in Hungary than they do in the EU25 on average. Poverty reduction impact of social transfers is again likely to exceed the EU average – although maybe not to the extent that is suggested by EU-SILC. According to these measures, the impact of family-related benefits is 40% whereas that of all social transfers is 58% - both figures exceed the average.

The relative importance of family-related transfers in the household budgets in Hungary can largely be attributed to the increase in the family allowance since January 2006. The exceptionally high share of family benefits in 3+ children households (41.4% according to EU-SILC and 28.2% according to Gábos 2008) and also the transfer distribution index in this group (1.81 by EU-SILC) is reflecting this and also the role of child raising support available for families with 3 or more children. On the other hand, data show that little preference is given to one-parent families in the Hungarian system: the transfer distribution index is as little as 0.73 in this category and the poverty reduction impact remains below the average, too.

Although Hungary fares relatively well in international comparison, national studies point out specific weaknesses of the system. Experts generally agree that family allowance (despite being a universal benefit) is comparatively efficient in reducing poverty. In their analysis, based on micro simulation, Benedek and Scharle for example show that in 2006, around 45% of the total average household income in the lowest decile and 25% in the second decile came from family allowance (2006). Gábos calculated the corresponding ratio according to the number of children in the family and found that 19.8% of the total income in families with 3+ children came from this source in 2007 (Gábos 2008). He also found that in 2007 25.1% of the amount paid towards family allowances was paid to the poorest one fifth of the society and only 14% to the richest one. Havasi shows that family allowance is the single most important social transfer among the most deprived 8% (2008). Despite these positive findings, universal family allowance remains a very expensive way of helping the poor. Making it part

²⁹ Retirement-type benefits and old-age allowance are not included.

³⁰ In EU-SILC, respondents are asked to report about their gross income and the amount of tax they are paying, whereas in national surveys net income is measured directly.

of the tax base is certainly an important step in improving the accuracy of its targeting. Further improvements could however be achieved by making the differentiation more pronounced for the advantage of large families (especially 4+ children families) as well as one-parent families even at the expenses of other family-types, such as two-parent families with one child.

Taking family allowance together with the tax-allowance of the families and also the support towards heating costs, Benedek and Scharle (2006) find that only 40% of all these benefits are paid to the poorest 30% of the households. At the same time, almost 25% of all the supports end up in families at the upper third of the income distribution. The authors argue that the lack of (substantial) means-tested benefits is responsible for this together with the regulations of heating-cost support and family tax-allowance which are both inaccurately targeted. Supports paid towards the heating costs are concentrated in the upper deciles – partly because in larger properties more gas is consumed and partly because in many poor households other means than gas and district-heating (e.g. wood or coal) are used for heating. Also, families in poverty cannot benefit from the family tax-allowance since their income is too low to pay tax.

As discussed above, low-income families are likely to be eligible for the more restricted, flat-rate parental allowances only. For this reason, not a high proportion of the overall sum paid towards parental allowances is concentrated in low-income families. In 2007, 20% of parental allowances were paid to the poorest 20% of the households. Nevertheless, even the flat-rate parental allowances are efficient in reducing poverty. In line with EU-SILC results, Gábos also finds that the poverty reduction effect of these benefits is the greatest among the 0-3 year old, where parental allowances add to the family allowance (Gábos 2008). This finding also points towards the need for carefully assessing the possible effects of shortening the period of childrearing benefit.

Considering the major effect unemployment and other forms of inactivity have on the risk of child poverty in Hungary, it is essential also from a child poverty perspective that benefits related to unemployment and other labour market measures efficiently promote employability of the targeted groups – this way contributing to the mitigation of poverty. The efficiency of the various unemployment benefits in promoting exit of unemployment however is not very good: job-search activity of the beneficiaries is low, exit towards employment is rare and long-term unemployment remains widespread in Hungary. Shortages of the system include weak incentives to job-search, low level of cooperation between the offices of public employment services and the beneficiaries and a too short period of provision. Also, services provided at the offices often remain very formal, restricted to the administrative duties without any personal support (e.g. Scharle 2008).

Linking the provision of regular social assistance to obligatory participation in public employment in January 2009 was also intended to promote (re-)integration into the labour market. The programme however raises serious concerns. One strong counter-argument is that despite strong research evidence (mostly international ones) to the contrary, the programme assumes that public work increases the employability of participants. Although there are some opportunities opening up for local governments to apply for funds towards non-labour costs of public employment programmes, it is still not clear whether they will have resources to initiate programmes that offer jobs beyond the simplest manual work. The problem with this type of work is not only that they maximise the effect of stigma but they also minimise the skills acquired during public employment. Even worse is if local governments find themselves incapable to develop any programme. According to the law, in such a case it is not governments, but individuals that are to be punished. If they do not take on public employment, their benefit will be denied. Such a punishment is especially controversial, considering that as from 2006 regular social benefit is paid according to the needs of the household – which made the benefit a form of family-support. Therefore if the benefit is denied either for the recipient's or for the local government's fault, not only the beneficiary himself (herself) but also his/her family and children will suffer.

2.3 Access to the labour market and income from employment

Low level of employment is a serious problem in Hungary, and efforts to tackle it are increasing. As young mothers' inactivity is a major source of low employment, growing attention is being paid towards this particular issue. Although mothers' inactivity is not a significant source of child poverty as long as she is on childcare leave, their difficulties to reintegrate the labour market later are problematic also from this respect – especially as the number of mothers with no previous employment record is increasing (Bálint-Köllő 2007).

Among active labour market policies, the “Pathway towards work” programme has been covered in the previous section. Another important new initiative is the Start Plus Programme launched in July 2007. A “Start Plus Card” can be requested by persons who wish to return to work within one year of obtaining child care benefits or carer’s allowance; persons receiving child care allowance and taking up work after the first birthday of the child (provided they are not employed) and also by long-term jobseekers who have been registered for 12 of the previous 16 months. Employers hiring workers with such a card are entitled to discounts from the employers’ social security contribution for two years³¹. Between July 2007 and March 2009 altogether 23,080 Start Plus card were provided. There is however no information available about the effectiveness of their application.

Flexible working arrangements that would contribute to a better balance between work and family life are rare in Hungary and only sporadic efforts are being made to improve the situation³². Unfortunately, flexibility – in terms of shorter working hours or temporary employment – is often associated with illegal work, which accounts for 13-22% of total employment (depending on the estimation technique) (Sik 2008). In the formal labour market, only 5.6% of women and 3.3% of men worked part-time in 2008³³. Following the economic crisis, the Hungarian Government decided to use part of the Labour-Market Crisis Fund for supporting employers who avoid layoffs by offering part-time work for their full-time working employees. This however cannot be considered as a step towards improving flexibility for employees. According to another and more promising proposal following the shortening of the period of childcare leave to 2 years, public employers should be obliged to offer part-time job to mothers returning to work.

The issue of childcare arrangements is constantly on the agenda in Hungary today. Together with deciding to shorten the parental leave from three to two years the Government has announced to increase the number of places in childcare institutions for the 0-3 year olds by 16,000 before 2012. This is planned to be achieved by using EU support to build new nurseries as well as to expand existing ones; by allowing for larger groups (12 children instead of 10) and also by allowing 2 year olds to attend kindergartens instead of nurseries. Furthermore, efforts have been taken to support alternative day-cares by making their regulations easier to meet. Indeed, such a large-scale increase of available places is necessary, given that mothers of children born after May 2010 will only receive child care benefit until their 2nd birthday. Currently the ratio of children in the 2-3 age group who attend nursery is around 16% and the vast majority of mothers stay at home with their child until their 3rd birthday (Bálint and Köllő 2007). As the aim is to ensure child care for all children between 2 and 3 who need it, equal availability for all is not considered as a separate issue. Kindergartens in Hungary provide full-time day-care service from age 3 to school-age (year 6-7) and produce a good institutional coverage for this age group. However problems of unequal access are present. The majority of kindergartens is maintained by local governments and provides free services. Parents have to contribute towards food costs only, while children eligible for regular child protection allowance are exempt from this. As from 2009 on, kindergarten support is paid to children eligible for regular childcare benefit if they enter kindergarten before the age of 4 and whose parents completed primary education only. The sum of kindergarten support is HUF 20,000 (77 Euros) a year.

Ensuring adequate income from work

There are no particular measures concerning income that would differentiate between parents and others at the workplace, nor is there a tendency to strengthen policy in this area. The only exception is that families with three or more children can take advantage of the family tax-allowance which is HUF 4,000 (14 Euros) per child per year – provided that the yearly income of the parent does not exceed HUF 6M (21,036 Euros). Benedek and Scharle (2006) however show that the major beneficiaries of the family-tax-allowance system are families in the 3rd income-decile and also families at the top of the income-distribution.

In Hungary there is a system of minimum wage. In 2009, its gross monthly value is HUF 71,500 (251 Euros). Whether this amount is high or low is hard to judge since different considerations lead to markedly different conclusions. In 2008, the ratio of minimum wage to average earnings was 0.35 (= HUF 69,000/HUF 198,942) which is not too high in a European standard. Labour economists however

³¹ In particular they are exempt from the fixed-sum health care contribution (1,950 Forints/month), and the rate of their contribution on the gross wage they have to pay is 15% in the first year and 25% in the second year instead of the statutory 32% payable by employers.

³² One example is the “Family-friendly workplace” award.

³³ Own calculations based on LFS data; age group 15-64.

http://portal.ksh.hu/pls/ksh/docs/hun/xstadat/xstadat_eves/tabl2_01_07i.html

agree that the current level of minimum wage increases the cost of the unskilled workforce far above productivity (which is very low), and therefore substantially decreases the demand for low-skilled employers. This in turn contributes to unemployment and inactivity as well as the sustainment of the illegal labour market (e.g. Scharle 2008; Köllő 2009) – all of which are significant factors of reproducing poverty. On the other hand, if we consider minimum wage in comparison to the existing social transfers, we find that their current relation might serve as a disincentive to work. According to the calculations of Kátay and colleagues (2009), in a two-parent family with three or more children and one inactive parent a very similar per capita income can be achieved if the other parent is working and paid a minimum wage or if he or she is receiving regular social benefit instead. The difference is also very small when there are two children in the family.

2.4 Access to enabling services

Two policy areas, housing and education in relation to child poverty are discussed here. They were chosen because of the severe problems in both areas and the comparatively big efforts made in the recent years to tackle the situation.

Housing and environment

Housing market in Hungary is dominated by privately owned dwellings: in 2005 they accounted for 96% of all properties and 85% were also owner-occupied³⁴. These measures are well above the European average and provide (at least partial) explanation to the high prevalence of low-quality or even sub-standard properties.

In 2009, 13.5% of the homes had no toilet inside the property and there was no plumbing in 8.6%³⁵. Considering the lack of a toilet inside the dwelling together with serious problems with the property mentioned by the interviewer and serious problems with the property mentioned by the interviewee (either of the three), Havasi (2008) finds that 15% of the overall population and 29% of the income-poor is living in poor housing conditions.

Sub-standard properties are usually concentrated in poor and segregated neighbourhoods both in urban and in rural areas. As was said before, geographical segregation is most often also combined with ethnic segregation of the Roma. Research however suggests that housing conditions of poor households with children are no worse and no better than housing conditions of poor childless households (Darvas-Tausz 2007).

To improve the overall situation, loans with subsidized interest rate have been made available for modernizing the properties (e.g. introducing plumbing, electricity, gas or building a bathroom but also insulation of the property or applying renewable energies). The extent of subsidy accounts to 40% of the yield of government bonds but of course to benefit from the opportunity it is necessary to have the financial stability to cover down payment and pay for the mortgages. This element of the current housing policy is to be left mostly untouched even by the massive changes in the system introduced in 2009³⁶. In 2008, HUF 41,213 thousand (163.9 thousand Euros) was paid towards this aim. Little is however known about the contribution this measure has made towards reducing the share of substandard dwellings.

Other programmes are focusing on substandard housing concentrated in Roma-ghettoes. Between 2005 and 2007, HUF 3 Billion (11,935,500 Euros) was spent on so-called "slum-elimination programmes" and another HUF 880 Million (3.5 Million Euros) was awarded to the applying municipalities last year. (HUF 1 Billion – 3,505,500 Euros – targeted for 2009 has been detained as a reaction to the economic crisis.) These programmes are intended to help the integration of the Roma together with improving their housing conditions. This latter aim is to be achieved either by reconstructing their current homes or by offering them alternative properties. The programme is of varying success. Although housing conditions do indeed improve in most cases, little is done to change the segregation of the families involved.

As we have seen in the previous sections, there are various measures in place that intend to provide financial assistance for people to keep their homes. These include normative and also local home

³⁴ Source: Central Statistical Office. http://www.mikrocensus.hu/mc2005_hun/kotetek/01/tables/load1_4_1.html

³⁵ Source: Central Statistical Office.

³⁶ Except that the extent of the subsidy will now uniformly be linked to the yield of the government bonds rather than to either the yield of the government bonds or a "reference" yield defined on a different way.

maintenance support as well as price-subsidies towards the heating costs. However, the effectiveness of these measures is limited. Experts had claimed that around 10% of the families in Hungary had had serious difficulties covering their housing costs and had therefore been at risk of losing their homes already before the crisis started (Hegedűs et al. 2008).

Following the economic crisis when severely increased mortgages added to the burden of many families, estimates in the media concerning the number of those threatened reached 1.5M people. Although hard evidence on the real scale of the problem is difficult to find, eviction of people and even families with children for indebtedness is not unknown in Hungary. Among the measures to mitigate the negative consequences of the crisis, the crisis-relief fund as well as the institute of state-backed guarantee to those paying mortgage instalments are designed to provide help to those who are facing serious difficulties to pay for their (increased) mortgages. Also, as from October 2009 local governments will have the right of pre-emption when properties are sold because of the owner's indebtedness. Properties purchased by the local government this way will then have to be hired out to the former owner.

Although there are significant variations between the recommendations made by the various expert groups regarding a long-term housing policy, they all include the substantial increase of the number of subsidized rental housing. This sector accounts only for 3-4% of the overall number of dwellings at the moment – a ratio that should reach 8-10% within the next 10-15 years according to a detailed proposal on housing policy in order to help low-income groups that cannot afford properties on their own.

The same report also recommends the integration of the fragmented system of housing supports into one efficient form of housing allowance. This should cover about 20-25% of the housing costs in the low-income households in order to efficiently prevent serious indebtedness. The third recommendation is to ensure a new, flexible form of housing that would serve as a transitional form between institutional solutions and subsidized rental housing. Finally, it is suggested that the current system of supports provided towards purchasing, building or renovating privately owned properties should radically be changed. Instead, low-income households should be supported in a more targeted way, and also the elimination of segregated slums should be hastened (Hegedűs et al. 2008).

Education and training

The Hungarian education system suffers from severe problems. Results of international assessment of skills and competencies in the adult population (IALS) as well as among school-children (PISA) are disappointing. The extremely low employability of those with primary or even vocational secondary education is also a warning sign. Reflecting these problems in 2007 a *National Round Table of Education and the Opportunity for Children* was launched by the Prime Minister. By the end of 2008, experts of the Round Table produced a "*Green Book for the Renewal of Public Education in Hungary*"³⁷ – a throughout diagnosis of the present situation together with a detailed and comprehensive programme for its improvement. Incapability of the educational system to mitigate social inequalities was identified as one of the major factors leading to the poor achievement of the sector. The individual areas covered in the programme range from the improvement of teacher-training and reimbursement of the pedagogues to the amendment of the curricula as well as the expansion of evaluation and assessment of the pupils. The authors emphasize that results can only be achieved if recommendations are considered and also introduced simultaneously³⁸.

Only partially following the pathway set out in the Green Book in 2008 the Government announced the "*New Knowledge*" programme. Increasing the share of education within the central budget "*New Knowledge*" tries to improve public education through new interventions as well as by integrating existing ones.

³⁷ http://oktatas.magyarorszaghonlap.hu/wiki/Green_Book

³⁸ Recommendations that are directly intended to increase equality and combat segregation are worthwhile to look at, since they adequately reflect the problems and dilemmas as well as the main topics of dispute in the field: "Improve identification procedure of children of poor and uneducated parents; give kindergarten access for children of poor and uneducated parents from the age of three; decrease segregation at school entry; decrease all forms of segregation in multi-school settlements and in schools with more than one class in each grade; restrict the practice of subsidising enrolment from outside school district from public funds; reform teacher pay schemes, introduce performance related pay, introduce salary supplements to reward special achievements and extra challenges; define clear regulations concerning the conditions of closing small schools and primary schools with only four grades; prepare trainee teachers for teaching children of poor and uneducated parents; implement complex programmes in underdeveloped and segregated areas; set the rules of subsidising with regard to equality" (Green Book).

Concerning measures relating to equal opportunities, in the field of early education two new initiatives have already been mentioned in this report. One is Kindergarten-support – introduced this year – that is paid to disadvantaged children who enter kindergarten before the age of four. The massive increase of the number of day-care places for the 0 to 3 year old, which is planned to be taking place by 2012 can also be considered as a step towards equal access to early education – provided that the full coverage for the 2-3 year old group will be achieved and that places will be equally available for all.

A new regulation that makes the integration of kindergartens and nurseries possible is pointing towards this direction – this might improve the availability of day-care for the youngest ones in small settlements that could not efficiently maintain a separate nursery. Although not part of the “New Knowledge Programme” the Hungarian Sure Start programme that is similar to the British model (started in 2007) is inevitably one of the most important initiatives in the field of early education. Following the current phase of tendering, this year around 40 local Sure Start Centres are planned to be opened in the most disadvantaged regions in Hungary followed by another 110 by 2013. These centres will provide free services for parents of young children (aged 0-5) offering professional support for the parents as well as their children in order to promote child-development.

Recent anti-segregation policies in education include the reform of the school-district system as well as the continuing improvement of the integration-support system in schools. By the end of 2008, administrative (primary) school districts had to be modified by local governments to ensure that in neither of the districts within one settlement does the proportion of children with multiple disadvantages exceed their average ratio in the settlement by more than 15%. Schools are now forced to take in any children who live in their school-district. If places remain, other applicants with multiple disadvantages who live in the settlement should be given priority. Should the number of applicants exceed the number of places remaining, decision has to be made by a lottery. Systematic evidence is missing, but information available suggests that both middle-class parents and prestigious institutions have been able to find efficient strategies to avoid unfavourable consequences of this reform (Bass et al. 2008).

Another important anti-segregation measure in the educational system is the integration support system – first introduced in 2003. Regulations have changed several times since then, although the basic principle remained untouched: subsidy is provided to maintainers of schools (and later also kindergartens) that develop a balanced share of disadvantaged (often Roma) children³⁹ and other children within the classes. Participating (“integrated”) schools are also required to provide additional pedagogic help to disadvantaged pupils – following a general frame provided. The amount paid for the successful applicants in 2009 is HUF 61,500 (216 Euros) per disadvantaged student per year. Beside other costs, institutions can also apply for wage-subsidies for their employees who work with such children. In 2008, around 45,000 students and 10,000 children in kindergartens participated in the programme.

There are several scholarship-programmes aiming at talented but disadvantaged pupils at the various levels of the education system. The equal opportunity pillar of the “útravaló” (“something for the path”) scholarship and mentor programme intends to increase multiple disadvantaged pupils’ participation as well as their successful graduation in secondary education (vocational as well as non-vocational). The number of participating students was 19,695 in 2008. The Arany János Programme is aiming at preparing disadvantaged students for higher education. Throughout a five year period, participating students are provided additional classes and trainings as well as other programmes aimed at improving their skills and competencies. The number of places available in this programme was 615 in 2009. Mostly Roma students are involved in the local “Tanoda” (“a place to study”) initiatives that can apply for governmental and EU funds to provide complementary educational services for their clients. As part of the “New Knowledge Programme” the National Talent Programme was launched in 2008. Within this frame, existing programmes are planned to be integrated and also new ones introduced. Between 2008 and 2011, HUF 3.7 Billion (1,471,100 Euros) is intended at this initiative. Finally – although not specifically aimed at disadvantaged students – state-supported students loans have been made available for higher-education students.

Despite the high number of programmes, the relatively long history of some of them as well as the significant public investments made, little is known about the actual impact they are having on helping disadvantaged children succeed. In most cases, there are only basic information (such as the number

³⁹ Disadvantaged children: children eligible for regular child protection benefit.

Children with multiple disadvantages: children eligible for regular child protection benefit provided that their parents have no more than primary education.

of participants, costs etc.) available, that are too elementary to judge the effectiveness of the programmes. Even when some form of research has been carried out (e.g. in the case of the Arany János programme), no effort has been made to produce data necessary to an up-to-date impact-study. An important exception is the impact study of an early form of the integration support programme (Kézdi-Surányi 2008) that found several positive child-outcomes associated with the integration of the disadvantaged students – but only if it was coupled with high quality pedagogy. Other experts on the other hand claim that the additional subsidies provided for the participation in the integration programme are insufficient to compensate for the inequalities linked to the unequal income of the municipalities and could hardly cover the institutions' additional costs associated with their participation in the programme (Varga 2008). Among the more recent initiatives, the Sure Start Programme is planned to include a carefully designed impact study. Concerning however the proceedings so far in this Programme, concerns have already been raised about the clarity of the objectives as well as the lack of necessary consensus among the partners involved (Bass et.al.2008)

Conclusions

Taking a big and important step forward, the National Programme to Combat Child Poverty accepted by the government in 2007 duly points out that *“reducing child poverty must receive special emphasis. The sufferings and disadvantages of children must be alleviated as quickly as possible, for children are the most vulnerable members of society”*.

Based on this basic principle, the programme provides an excellent starting point to an integrated policy in the field. Similarly, the Green Book of education offers a comprehensive programme for the fight against a major vehicle of inheritance of poverty: educational inequality. Also when looking at the range of initiatives of the recent years in the related areas one might have the impression that considerable steps have been taken to meet the numerous challenges. It also seems reassuring that poverty rate of children has been relatively stable (and even decreasing a bit) since the beginning of this decade in Hungary and the proportion of the multiply disadvantaged has remained unchanged. It is very likely that – despite its weaknesses – anti-poverty policy has made some contribution to prevent further worsening of the situation.

At the same time, however, the poverty gap has been increasing and the prevalence of social exclusion among children remains high. Geographical segregation coupled with long-term exclusion from the labour market continues to reproduce hopelessness in many households. Institutions of social mobility are unable to save children from the long-term consequences of their parents' poverty. Furthermore (although we cannot fully assess its consequences), the current economic crisis is bound to impose even more difficulties on families and children within them. At the same time, it also restricts the resources available for improving the situation. All in all, the combat against child poverty is likely to become even more challenging in the coming years.

Among such circumstances, it seems inevitable to improve the accuracy of targeting social benefits. Making family allowance part of the tax base this year is already an important step on this path. Further desirable changes would be to increase the extent of differentiation of the amount paid by type of household. In particular, preference given to families with 4+ children and to one-parent families should be strengthened significantly – possibly even at the cost of families with one or two children. Although driven by different intentions, the shortening of the universal parental leave might also be considered as an intervention serving better targeting of the allowances. In this case however the other side of the coin is missing: low-income families need to be compensated if mothers find themselves unable to (re)integrate to the labour market after their child turns two years of age. Beside these positive examples however other programmes planned by the government either seem to completely neglect the criteria of targeting the low-income households (such as price support through a decreased VAT) or only partially take this into account (new system of supports paid towards purchasing properties).

The National Programme *“Making Things Better for our Children”* also emphasized the importance of the cooperation between the various decision making bodies and of working towards a coherent set of interventions in the field. Despite these intentions, a serious lack of coherence of the programmes in the interrelated areas remains. In fact conflicting interventions in some cases are suggesting the lack of a clear and focused vision of a desirable direction to follow. An important example is the series of contradictions between labour market policies and anti-poverty measures. As we have pointed out

earlier the “Pathway to work” programme has been designed without taking the potential effects of benefit-withdrawal on household-income into account. Similarly, the minimum wage plays a contradictory role by increasing labour costs associated with the low educated work force on the one hand and serving as a disincentive to work on the other. Incoherent measures like these should be reconsidered.

Although the lack of coherence between the interrelated policy areas is present also in other dimensions, employment – together with education – is an area of key importance in combating child poverty in the longer term. Low level of employment (of the parents) is a major determinant of persisting child-poverty and is in fact the source also of a series of other social and economic problems in Hungary.

Primary education and even vocational education leaves people with poor or even missing skills and competencies which lead to very low level of employability. Many of the low educated never enter the labour market while others find no way back to it once they left. Exclusion from the labour market together with very low cognitive skills of the parents is a key factor of the intergenerational transmission of social disadvantages – a process that schools are not capable to overcome. Problems are complex and even when the necessary measures are identified and a political consensus achieved, they are not possible to overcome in the short- but possibly not even in the medium-term.

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