



Hungary

Assessment of the 2008-2010 National Reform Programmes for Growth and Jobs from a social inclusion perspective: The extent of synergies between growth and jobs and social inclusion policies

Fruzsina Albert

Sociological Research Institute of the Hungarian Academy of Sciences, King Sigismund College

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Summary

The government's major priority has been, and is going to be fulfilling the eurozone convergence programme, which has been done quite successfully. Despite austerity measures, employment figures remained quite the same, which indicates the inefficiency of a number of measures and significant funds (mostly from ESF) which tried to boost employment levels (as the most effective way to fight social exclusion). Impact assessment studies or the feedback of the results should be used. There is certain evidence that denotes that impact assessment of policies and programmes are delivered or at least planned, but in fields relating any ways to social inclusion these are not mentioned, with the sole exception of the pension system.

There is no significant evidence of the strengthening of feeding in and feeding out since the last implementation report. Feeding out appears mostly in relation to employment, and mostly relating to the disadvantaged in the most disadvantaged region, which is a very important, but not satisfactorily comprehensive approach.

In the present global situation, the decrease of employment levels and real income, the increase of poverty levels can be expected, and the document does not deal with this latter problem at all. Strengthening the social dimension does not seem to be a priority. The only measure quoted explicitly in the document to counterbalance the decrease of employment opportunities is the National Employment Program, which is debated in some details by professionals.

There is no explicit linkage between the NRP on growth and jobs and SPSI policies. The NAP/incl is mentioned only once, relating to its concept of flexicurity. As to the content, a bulk of policy measures described in the NSRSPSI appears in the NRP as well, but very relevant ones are missing.

The 2008-2010 NRP takes into account the impact of measures to promote economic growth and financial sustainability on promoting greater social protection, social cohesion and social inclusion in a limited extent. The impacts changes in fiscal policies have on social inclusion are indicated as minor ones, with no special impact indicated regarding the disadvantaged population groups. The modernisation of segments of the social protection system (pension reforms, the transformation of the disability pension scheme, promotion of employment) all aim to contribute to the long-term sustainability of the system but may not be able to contribute to increased social cohesion.

Most measures regarding employment and employability and some of the measures regarding territorial disadvantages developed in the context of the SPSI process have been taken into account in the revised NRP and are seen as contributing to the growth and jobs agenda. As the 2008-2010 NSRSPSI cannot be called a separate strategic document, rather a collection of existing measures, the same can be stated in relation to the NRP. This document also follows the required structure, and cites measures that support the given country-specific recommendations, but do not form a coherent, mutually reinforcing strategy, rather just overlap with the NSRSPSI and is a collection of smaller measures relating to the various directives.

A. Overall assessment of implementation of the 2005-2008 NRPs during the past year from a social inclusion perspective

As stated in the 2007 expert report¹, the government's major priority has been, and is going to be fulfilling the eurozone convergence programme: *"the primary goal of the Government is to restore market stability and confidence, as well as to correct the excessive deficit."*(NRP p. 5) The document highlights, that although reforms introduced had a negative impact on employment, labour market indicators did not deteriorate over the past three years. We have to note, that during this period a number of measures and significant funds (mostly from ESF) tried to boost employment levels (as the most effective way to fight social exclusion), which was not effective, esp. regarding the employment of the younger generation and women. This latter indicates the inefficiency of policies supporting enhanced work-life balance. It should be analysed why programs and policies aiming to reduce regional inequalities have not been effective so far, or why the availability of atypical working forms is still so limited? In my opinion there is no significant evidence of the strengthening of feeding in and feeding out since the last implementation report.

Although creating incentives to work and job creation, a more responsive education system are present in the document, their importance seems secondary. Also, realistically, in the present global situation, the decrease of employment levels and real income, the increase of poverty levels can be expected, and the document does not deal with this latter problem at all.

There is certain evidence that denotes that impact assessment of policies and programmes are delivered or at least planned (e-administration, government post strategy), but in fields relating any ways to social inclusion these are not mentioned, with the sole exception of the pension system: *"The (Old Age) Round Table has initiated impact assessments on the reform of the pension system. This includes, on the one hand, the long term projection of the effects of the current system (parametric reforms) as well as the thorough examination of scenarios relying on assumptions based on the various paradigms. Furthermore, the impact assessments cover the expedient methods of managing the transition and the examination of the effects of external factors relevant for the pension system (taxation, flexible retirement age, improved willingness to pay contributions, etc.). When completed, the impact assessments may provide orientation to the preparation of government decisions. The Round Table is expected to complete the impact assessments by end-2008."* (p. 36.)

Resulting from the above I could highlight no good examples from the NRP that is supported by impact assessment.

¹ http://www.peer-review-social-inclusion.net/policy-assessment-activities/reports/second-semester-2007/second-semester-reports-2007/Hungary_2_07.pdf

B. Assessment of the 2008-2010 NRPs from the perspective of social inclusion

B.1 Overall assessment

B.1.1 The austerity measures introduced in 2007 were quite effective, but the global crisis that hit Hungary makes it impossible to put sufficient emphasis on social inclusion objectives. The modest (and realistic) goal can only be, that the situation should not get too much worse. Although Hungary submitted the NRP well beyond the deadline as the document was refined in the light of the crisis, the fact that the crisis is most probably going to have a serious impact on social inclusion issues is not reflected in the refined document. The terms poverty and social inclusion appear only once in the whole document, which indicates that social inclusion is only a very peripheral issue. Strengthening the social dimension does not seem to be a priority.

An explicit example for feeding out can be that the government plans to address the employment decline by using budgetary means: the objective of the Pathway to Work Programme is to quadruple the number of persons who participate in public purpose jobs instead of living on regular social assistance.(pp. 17-18). The adequacy of this measure is highly debated and not supported by the majority of social policy professionals.²

An example for implicit feeding in is the infrastructure development of kindergartens and crèches, together with primary schools, especially in the most disadvantaged 47 micro-regions, which may contribute to the employability of (disadvantaged) women especially in those regions.

Another example of implicit feeding in is the government program „*New Knowledge – Education for Everyone*” (p. 29) which may facilitate better school achievement, thus enhanced labour market success of disadvantaged children.

B.1.2 The NRP forecasts the decrease of employment levels and the significant cutback in the real value of public sector wages (the wages will not change, 13th month salaries will be suspended), and wages in general. Social benefits and pensions will rise only from September 2009, 13th month pensions will be paid with certain conditions only. It also means that the real value of the minimum pension decreases, which is the basis of all social benefits, thus the real value of them will decrease with no compensation. The only measure quoted explicitly in the document to counterbalance the decrease of employment opportunities is the above mentioned and debated “Pathway to Work” Programme.

² See the opinion of the Alliance of Social Professionals (in Hungarian) at http://www.3sz.hu/recent/NEW_Article

B.1.3 There is no explicit linkage between the NRP on growth and jobs and SPSI policies. The NAP/incl is mentioned only once, relating to its concept of flexicurity. As to the content, a bulk of policy measures described in the NSRSPSI appears in the NRP as well, but very relevant ones are missing.

B.2 Feeding out

B.2.1 Employment and feeding out

The most important measure quoted to counterbalance the decrease in employment opportunities due to the crisis was originally intended explicitly to promote greater social inclusion, by modifying the current system of social benefits, administratively separating those unable to work from those who could work, and this latter group would be involved in either training or public utility work. (or both). The declared aim of this ("Pathway to Work") is to strengthen the promotion of employment in the social protection system, to reintegrate the most disadvantaged to the open labour market - although studies indicate that public utility work seldom leads people back to the labour market. It seems that this measure is more useful to locally decrease tensions among those working hard for minimum wages and those "doing nothing for social benefits".

Employment policies focus quite limitedly only on disadvantaged regions and population groups.

Flexicurity is described in line with the four pillars, and as presented in the National Action Plan. Some measures quoted in connection with flexicurity target the most excluded groups (the Roma, people with disabilities, disadvantaged people from the most disadvantaged regions.)

Job creation is targeted a lot at vulnerable groups: e.g. supporting the rehabilitation and employment of persons with disabilities, improving the labour market situation in the most disadvantaged microregions, employment of disadvantaged persons at infrastructure investments funded by the EU.

In-work poverty is not considered in the document at all, but the importance of the transformation of casual work into more permanent employment forms, and the transformation of undeclared work into legal employment forms are highlighted.

The reconciliation of work and family life appears to be crucial regarding female employment rates. The programs providing reductions of contributions for employers and ensuring the opportunity of full-time employment while receiving childcare allowances, after the child having reached the age of 1 are in place.

The availability of child care services are to be improved, but significant changes cannot be achieved in the short run. Atypical work forms should be much more widespread and politically supported, which is missing from the current framework.

The improving employment figures in case of older workers are mentioned as a positive result of the modifications of the pension system, and also START EXTRA program grant contribution allowances for employers employing older workers.

SMEs are encouraged to create employment for those distant from the labour market by certain measures, e.g. in case investments are implemented in disadvantaged/most disadvantaged micro-regions, they may be granted a higher rate of funding, or contractors of EU-funded investments must, as a requirement, employ a minimum 10% of work force registered as job seekers at regional employment centres. Also in the most disadvantaged micro-regions „An additional contribution allowance will be introduced to complement currently available contribution allowances in order to increase labour demand, which – in the case of increasing the number of employees – grants full tax exemption for a period of 3 years for employers employing persons living in the most disadvantaged micro-regions and receiving regular social benefits, being long-term unemployed, or having only low-level school qualifications.” (p. 116).

B.2.2 Economic growth, financial sustainability and feeding out

The 2008-2010 NRP takes into account the impact of measures to promote economic growth and financial sustainability on promoting greater social protection, social cohesion and social inclusion in a limited extent. The impacts changes in fiscal policies have on social inclusion are indicated as minor ones, with no special impact indicated regarding the disadvantaged population groups. The modernisation of segments of the social protection system (pension reforms, the transformation of the disability pension scheme, promotion of employment) all aim to contribute to the long-term sustainability of the system but may not be able to contribute to increased social cohesion.

The efforts addressing territorial differences, which are among the greatest in the EU, systematically mention the increased targeting of the disadvantaged population segments in those regions (see the end of last section), but primarily from an employment perspective.

The social impact of the liberalisation of services are not mentioned in the document, however, in November the so called Robin Hood tax was voted for in Parliament, making the big energy companies pay an extra 8% tax – the proceeds are going to be used to subsidise district heating payments for low-income families.

The e-Hungary program to increase internet access „*primarily focuses on small settlements, disadvantaged and economically underdeveloped micro-regions, as well as socially disadvantaged social groups*” (p. 62.).

The topics of access to housing, financial inclusion, over indebtedness are not at all included in the Hungarian NRP, although at least the first and last of these significant problems are mentioned in the NAP/incl.

B.3 Feeding in

Most measures regarding employment and employability and some of the measures regarding territorial disadvantages developed in the context of the SPSI process have been taken into account in the revised NRP and are seen as contributing to the growth and jobs agenda.

As stated before, in case of Hungary the 2008-2010 NSRSPSI cannot be called a separate strategic document, rather a collection of existing measures, and the same can be stated in

relation to the NRP. This document also follows the required structure, and cites measures that support the given country specific recommendations, but do not form a coherent, mutually reinforcing strategy, rather just overlap with the NSRSPSI and is a collection of smaller measures relating to the various directives.

The active inclusion agenda clearly appears in the policies “Setting up an integrated employment and social services system” and „Strengthening the promotion of employment in the social protection system”, and uniting the Ministry of Social Affairs and the Ministry of Labour 2 years ago clearly helps to promote at least gradually feeding in and feeding out processes.

Regarding education and training, the aims are quite clear, but the efficiency of the measures so far introduced are not convincingly supported by data yet.

Gender equality does not even appear to be an issue in the NRP, it is not mentioned even once, and it seems quite natural that childbearing should have a negative impact only on the employability of women.

Discrimination is mentioned in the NRP from two aspects: the labour market discrimination of the Roma and the disabled, and the discrimination of esp. Roma children in the educational system. These are mentioned as an issue of the growth and jobs agenda, inhibiting the employability of these groups. It should be highlighted however, that discrimination on the labour market against women who have small children or who are over 45 should also be dealt with.

Child and family poverty as topics do not emerge in the NRP at all, but are important segments in the NSRSPSI, both from a feeding in and feeding out perspective. The improved labour market situation of parents (receiving training and services plus childcare so as to be employed) will contribute to the inclusion of these people, and their employment will solve the problem of their families being very poor. Also the efficient measures to provide disadvantaged kids with quality education will contribute to the competitiveness of the economy.

Social economy is not mentioned in the NRP at all, and only briefly and generally mentioned in the NSRSPSI, although it has an employment potential even in this new crisis situation.

B.4 Governance

The document indicates, that an inter-ministerial working group (Lisbon Coordination Working Group) was formed, and that “the Ministry of Social Affairs and Labour will coordinate the employment chapter”. There is no information regarding how the 2008-2010 NRP and NSRSPSI have been coordinated.

The NSRSPSI should be more systematically taken into account, and among those consulted as professional and social bodies, more representatives of social service providers and social policy makers could be included.

B.4.1 Monitoring and assessment

Based on the NRP there are no appropriate arrangements described to monitor the impact of policies, either regarding the employment impact or educational demands of the logistic, infrastructural, IT development etc. programs described, or how we could learn about the magnitude of employment potential.

B.4.2 Involvement of stakeholders

Relevant stakeholders, e.g. representatives of people experiencing poverty, the representative of the Hungarian Anti-Poverty Network, or representatives of the Alliance of Social Professionals have not been involved either in the design or the implementation or monitoring of the NAP.

B.4.3 Coordination

The arrangements for coordination should be significantly improved especially with regards to social policies. At present almost only one dominant topic, the employability of disadvantaged people in the most disadvantaged region (which is a very important, but quite one dimensional