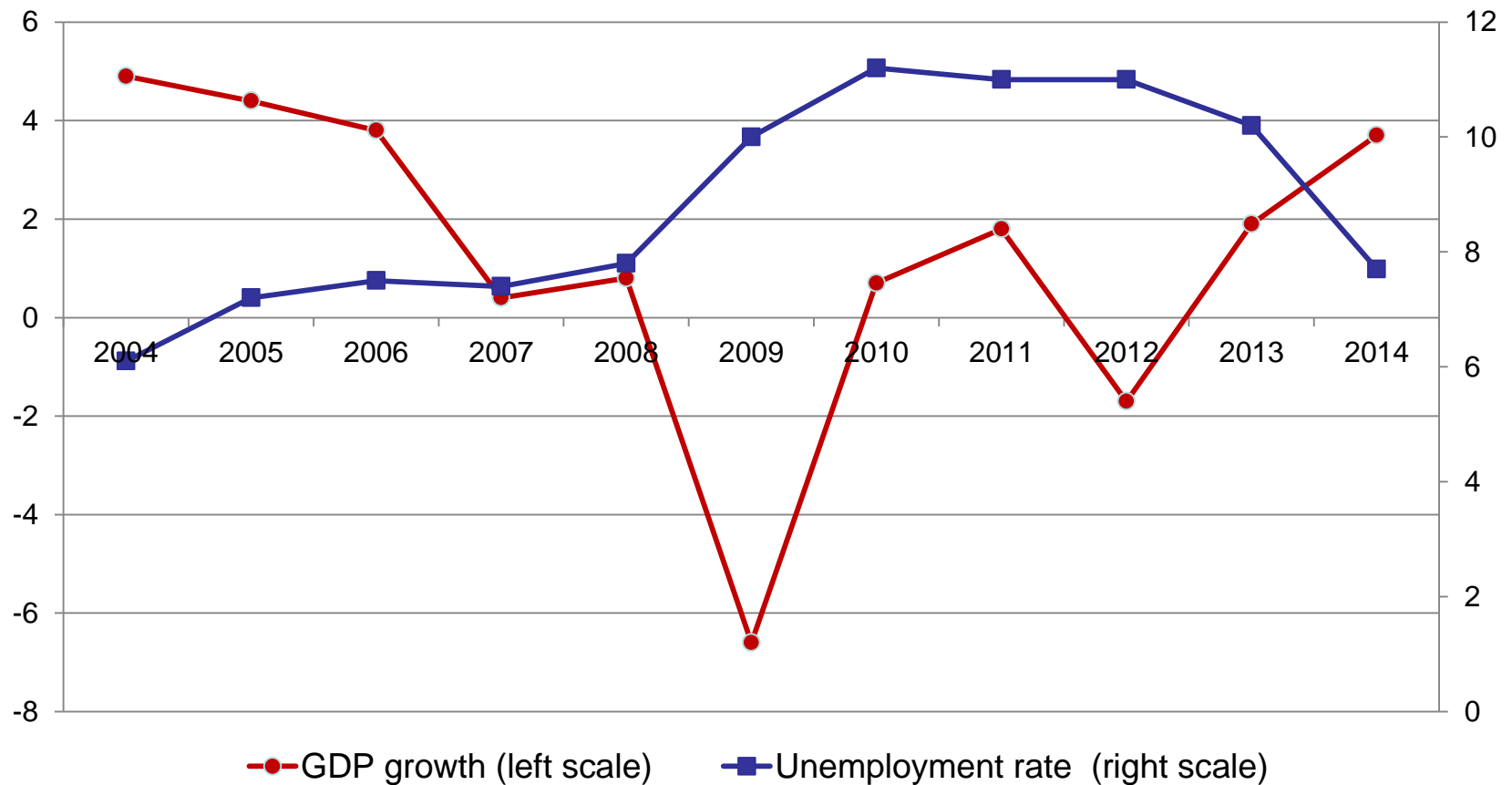


# Recent trends of income inequality Hungary, 2007-2014



## Context: macroeconomic indicators





## The crisis years, 2007-2010

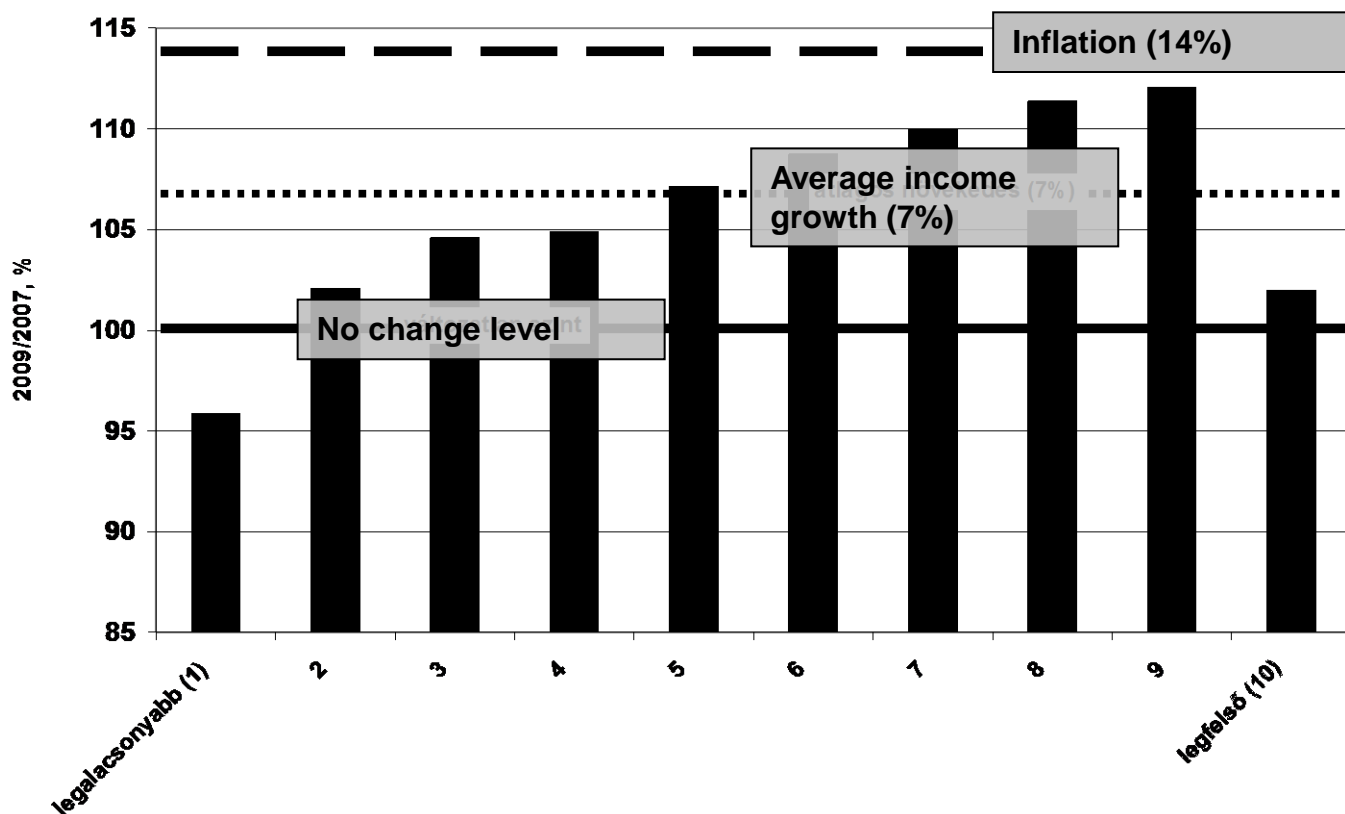
### Economic development:

- Rise in unemployment (from around 8% to around 10%), incidence falling mostly on youth (rise from 20% to 27%)
- Drastic fall of real incomes (-5%)
- Ceased credits/loans – no consumption smoothing

### Social policy measures: austerity package

- Public sector wage bill frozen
- Pensions: 13th month pension abolished, retirement age increased accelerated
- Maternity leave benefits for 2 years (instead of 3), maximum age for child benefit reduced (23 to 20 years)
- Increase of VAT from 20 to 25%

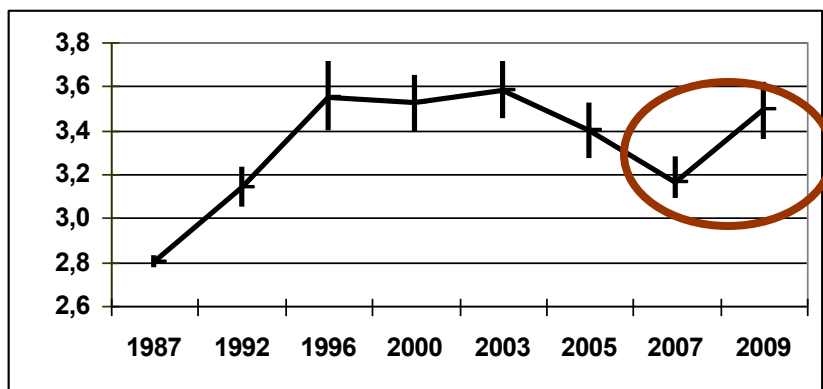
## Change in average incomes of various income deciles (person equivalent\* income) between 2007 and 2009



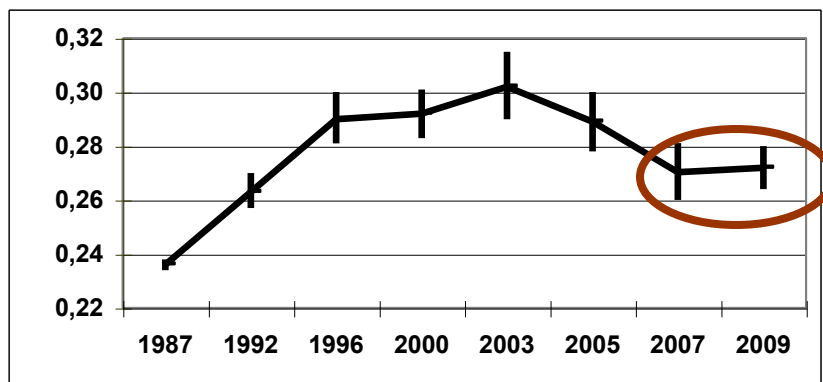
\* e=0.73



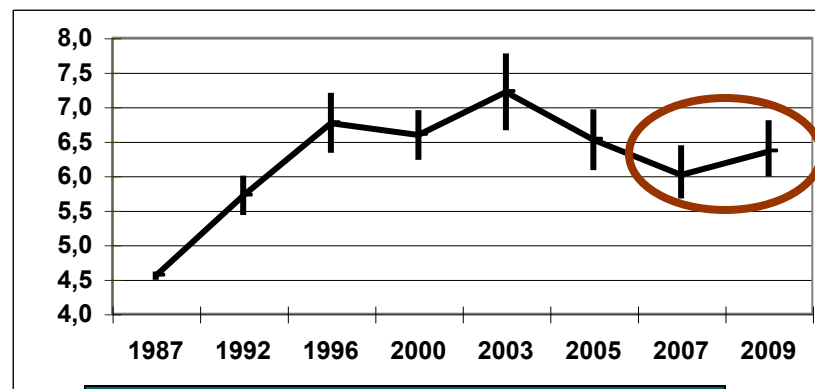
Ratio of lower cutpoint of top decile and upper cutpoint of lowest decile (P90/P10)



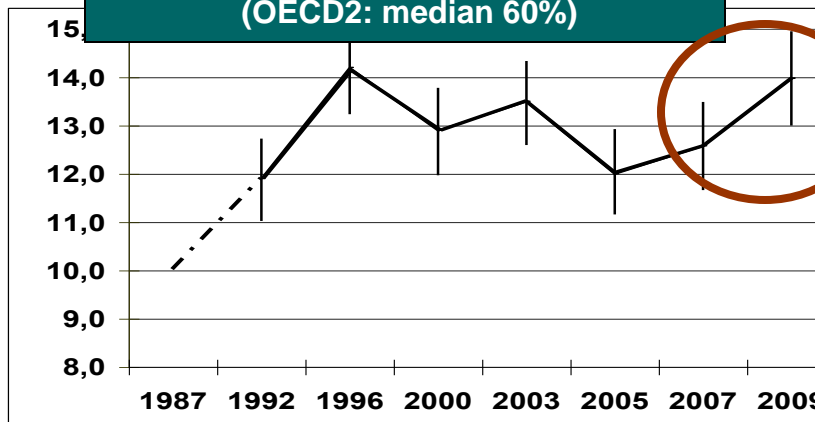
Gini coefficient



Ratio of top/bottom decile shares (S10/S1)



Relative poverty rate (OECD2: median 60%)



Forrás: 1987: KSH jövedelemfelvétel;  
1992–1996: Magyar Háztartás Panel I–VI.  
hullámai, 2000–2009: Tárki Háztartás Monitor.

Megj: 95% konf. int. mellett,  
személyi ekvivalens jövedelmek személyi eloszlása alapján.  
Szeg. Ráta 1987:  $e=0,73$  alapján



## 2010-2012

### Economic development:

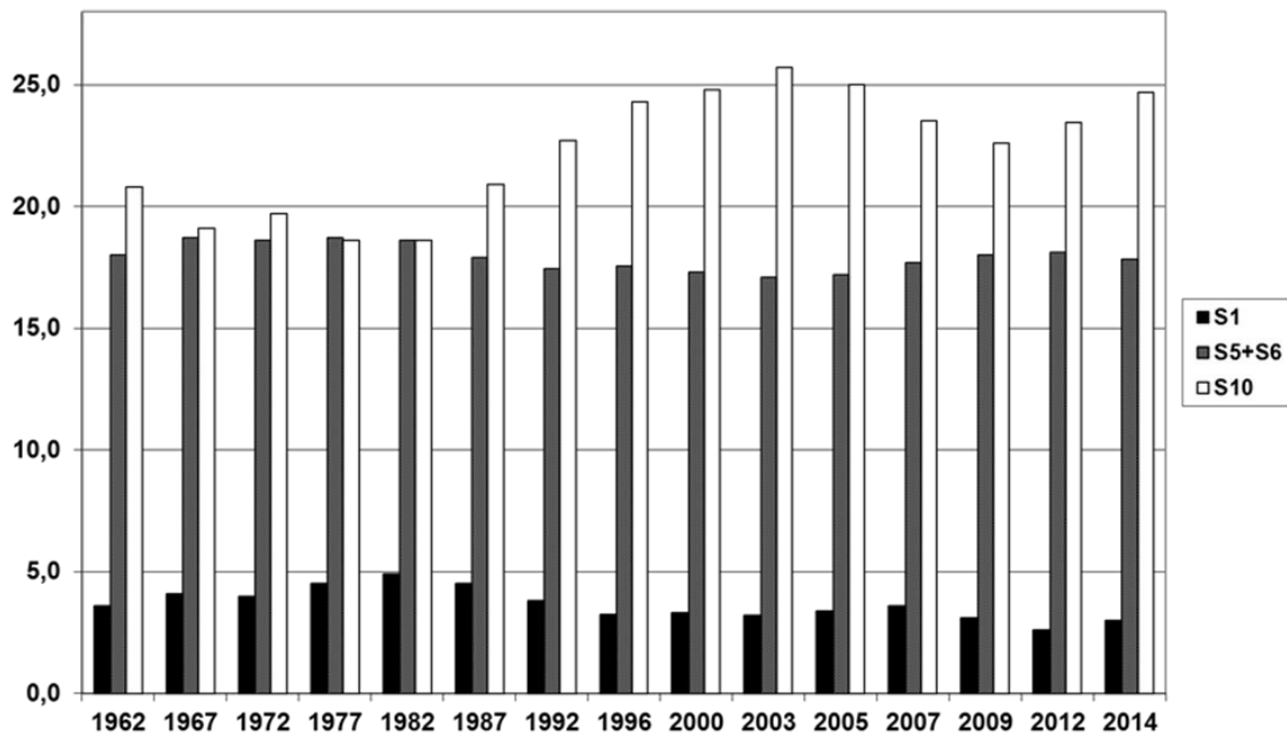
- Rise in unemployment (from around 10% to around 11%)
- Real income of households falls in 2010 (-2,9%) but increases in 2011 (+2,6%)
- Accelerated outward migration

### Social policy measures:

- Cutback of unemployment benefit (90 days max )
- Constrained rights to social assistance (one benefit per household principle), lowered ceiling max. 80% of min. pension, public work (for lower than MW)
- Flat rate income tax, two brackets in 2011-2012, withdrawal of tax credit for low wage earners
- Increase in minimum wage (73.5K to 93K)
- Family policy: tax deduction for families with children, maternity leave again for 3 years



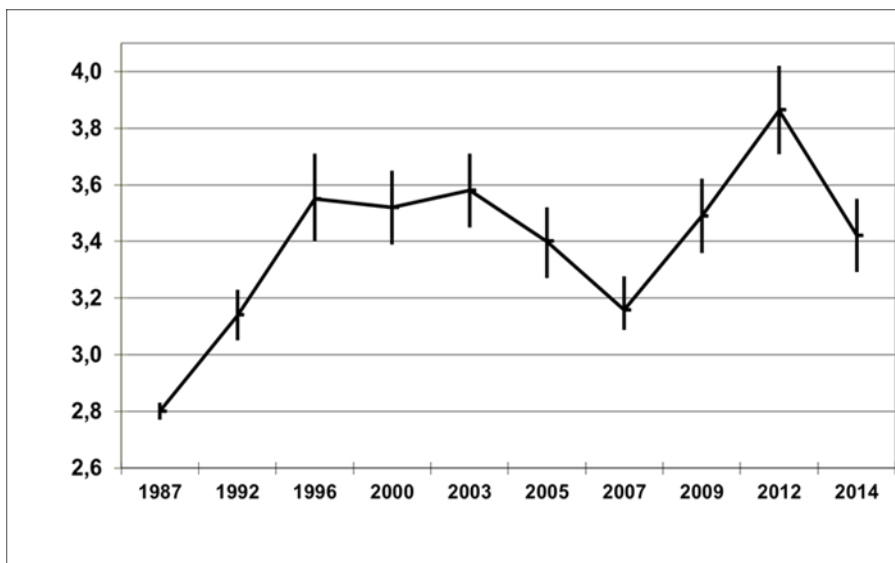
## Inequality trends based on the share of deciles approach



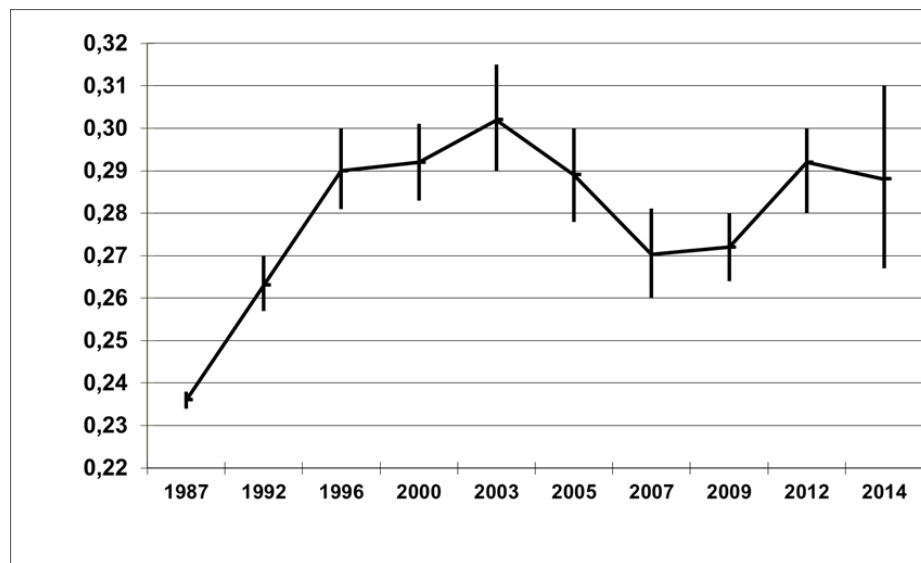


## Overall change in measures of inequality:

### P90/P10



### Gini



Source: 1987: KSH Income survey;  
1992–1996: Hungarian Household Panel waves I–VI., 2000–2009: Táarki Household Monitor

Note: conf int,  $p=95\%$ , personal distribution of person equivalent incomes



## 2012-2014

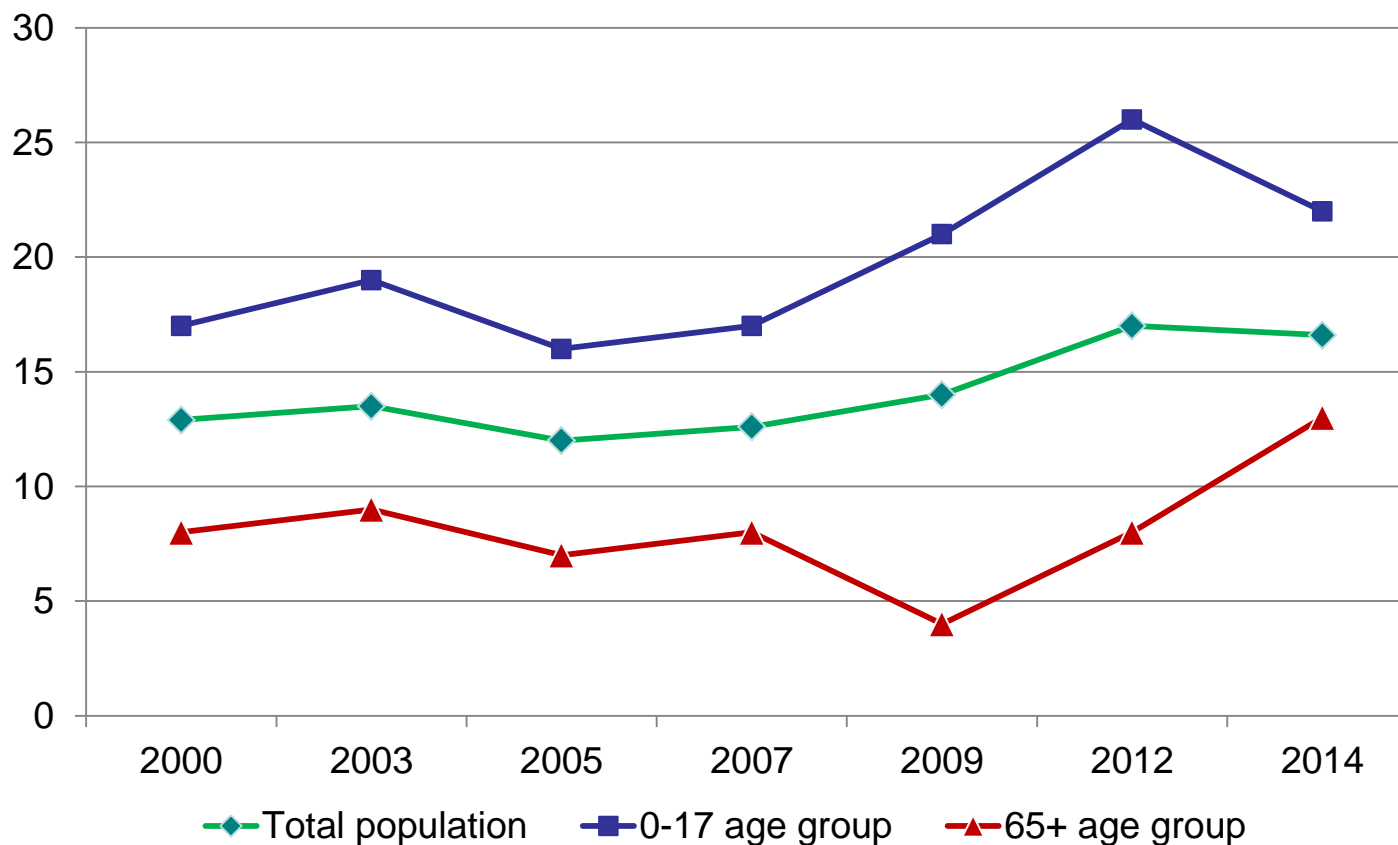
### Economic development:

- Favourable macroeconomic context: GDP growth, inflation practically zero
- Increasing employment, although public works and work abroad!
- Real income of households increasing

### Social policy:

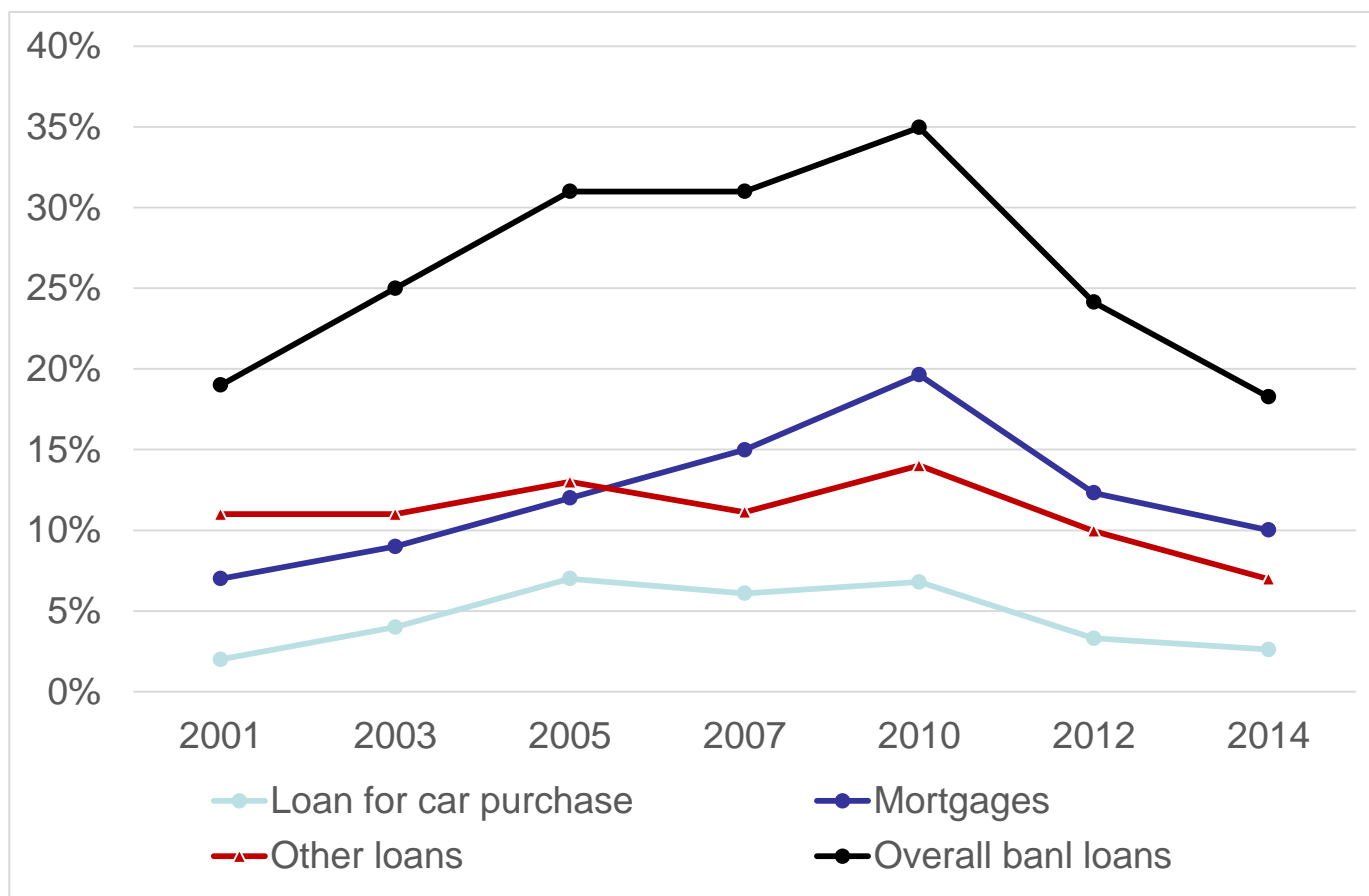
- Public works programme expanding
- Child tax credit also deductible from SIC
- Family policy: GYED Extra
- Price regulation for utilities („rezsicsökkentés”)

## Evolution of relative poverty rate (60% of median)



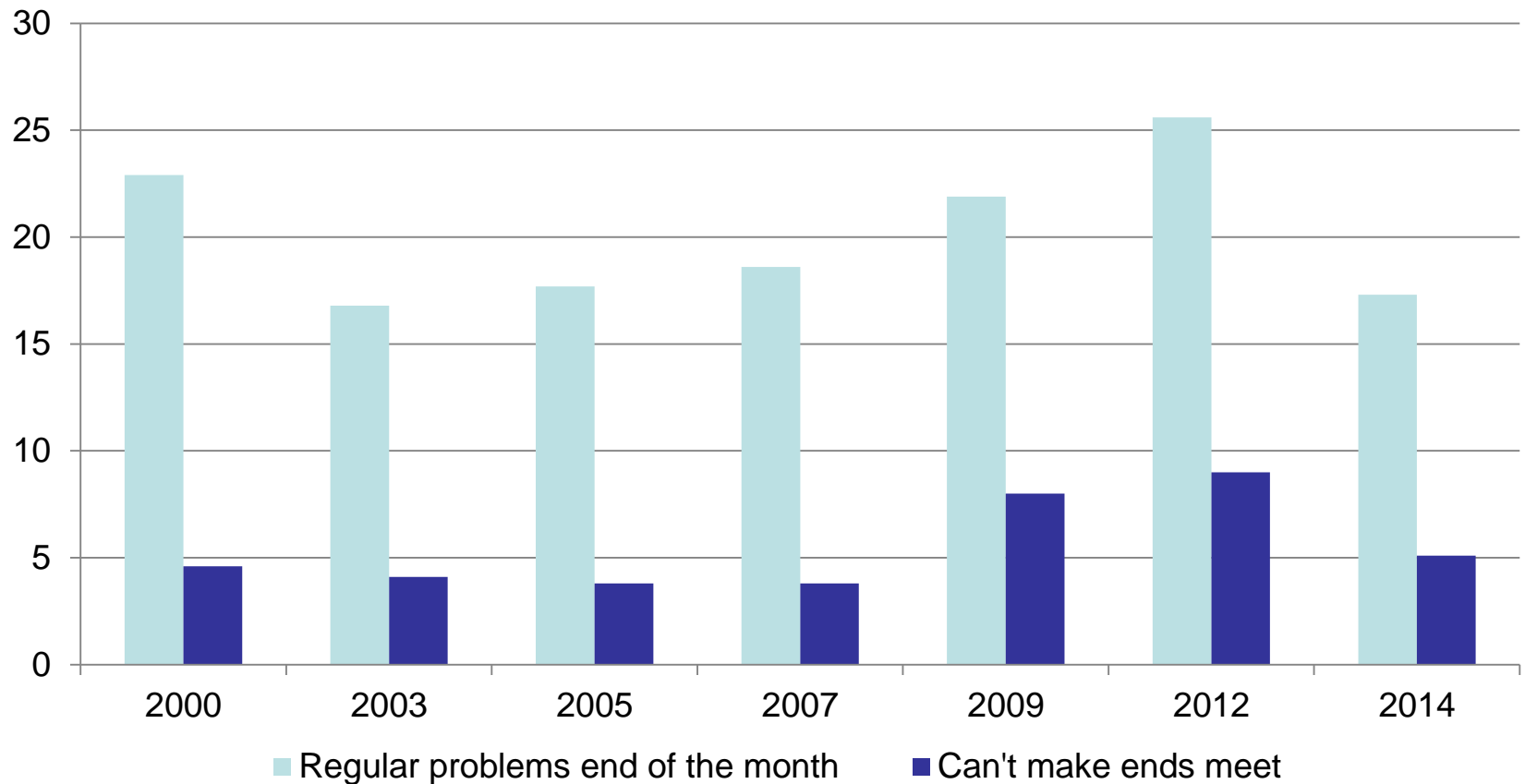


## % of households repaying bank loans





## % of households experiencing living difficulties



Source: Tárki Household Monitor