1. Introduction

Poverty has various definitions and, accordingly, several indicators that serve to operationalize those definitions (see e.g. Boarini and d’Ercole, 2006).¹ For example, as defined by the European Union, the poor are ‘individuals whose resources are so limited as to exclude them from the minimal acceptable way of life of the Member State in which they live’ (European Council, 1975: 36). The EU’s poverty definition thus contains both outcome (exclusion from the minimal acceptable way of life) and resource (lack of resources) elements (Fusco et al., 2010). In order to monitor the poverty reduction target, the EU2020 Strategy identified a composite indicator. Based on that, people living in poverty or social exclusion are defined as those who are poor in terms of relative income, are materially deprived, or who live in households with low work intensity. In the poverty and social exclusion indicator of the EU2020 Strategy, income poverty is related to the ‘resource’ element and material deprivation to the ‘outcome’ element of the definition.²

TÁRKI Social Research Institute has been regularly publishing reports on the trends in poverty in Hungary for more than 25 years, using a set of indica-

¹ The study is based on the report ‘Social exclusion, poverty and social cohesion’ (TÁRKI, 2017), commissioned by the National Council for Sustainable Development to monitor processes falling within the scope of the National Framework Strategy on Sustainable Development (NFFT, 2013).
² It is less obvious what low intensity stands for in the poverty and social exclusion target. Nolan and Whelan (2011) suggest that the arguments for work intensity are not very strong. They claim that a high proportion of those who live in a low work-intensity household but are not income poor and not materially deprived are ‘from the professional and managerial class and a relatively low proportion from the working class and that being in this group is not associated with high levels of economic stress’ (Nolan and Whelan, 2011: 234).
tors that has been widely accepted and used in international comparative analyses. Initially, this data source was the Hungarian Household Panel (e.g. Spéder, 1998); since 2001, it has been the TÁRKI Household Monitor Survey (Gábon and Szivós, 2010; Gábon et al., 2013; 2015). In the second half of the 2000s, due to the monitoring processes arising from Hungary’s EU membership, the publications came to include indicators of other poverty approaches (e.g. material deprivation, low work intensity), as well as relative income poverty measures. Also, in order to provide an international context, the publication was supplemented with data from the EU-SILC (European Statistics on Income and Living Conditions) survey coordinated by Eurostat. The present study aims at continuing this tradition, this time relying entirely on calculations based on the EU-SILC database. It includes annual cross-sectional indicators of poverty and social exclusion; these snapshots are supplemented by another chapter in the volume (Branyiczki and Gábon) that studies the dynamics of poverty.

First, we assess the composite indicator created by the EU to monitor the achievement of the poverty target of the EU2020 Strategy, the share of the population living in poverty or social exclusion in temporal (2005–17) and spatial (EU-28) comparison (section 2). The study follows the Eurostat protocol: that is, the text, figures and tables include the year of the survey.3 For the last year available, 2017, not all the countries have yet supplied data for the database. For this reason, the indicators in the comparative figures of EU Member States are for 2016 (apart from the employment and unemployment rates, which are always for 2017); the Hungarian data series and the data series of other countries are provided until 2017, wherever available. Then we assess each element of the composite indicator of poverty and social exclusion: relative income poverty (section 3), material deprivation (section 4) and low work intensity (section 5). To better understand this last element, we also examine individual labour market processes (employment, unemployment). The study ends with a conclusion (section 6).

2. The share of persons living in poverty or social inclusion

The share of persons living in poverty or social exclusion, as a statistical indicator, is a central element of the EU2020 Strategy. The strategy has set the

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3 By contrast, the reference year of the publications of the Hungarian Central Statistical Office (HCSO) always coincides with the year of the data collection. Consequently, data referenced to 2017 by Eurostat (and our study), is indicated as data from 2016 in HCSO publications.
target of lifting at least 20 million people out of the risk of poverty or social exclusion by 2020 (the benchmark being 2008). In this context, Hungary adopted the National Social Inclusion Strategy in 2011, and set the target of reducing the number of people at risk by 450,000 persons relative to the base year 2008 (2.83 million were at risk). The effectiveness of the EU2020 Strategy in tackling poverty and social exclusion is measured by three basic indicators. In this respect, someone lives in poverty or social exclusion if he or she:

- is poor in relative income terms – that is, annual equivalized disposable income is below the poverty line, OR
- suffers from severe material deprivation, implying that the household is unable to afford certain material goods or services defined by nine items, OR
- lives in a household with very low work intensity, where active-age members of the household worked less than 20 per cent of their total potential during the year preceding the survey.

The indicators reflect both professional aspects and the political compromises of the member states. There are significant differences among member states in terms of which of the three elements contributes most to the size of the population affected by poverty or social exclusion. For example, in Hungary (as in other new EU Member States), the share of those severely materially deprived is highest (17.9 per cent in 2008, 23.9 per cent in 2014 and 14.5 per cent in 2016). The size of the other two groups was nearly identical in 2008, but since 2013 the share of those living in low work-intensity households has been steadily decreasing. The share of those in relative income poverty was 12.4 per cent in 2008, 15 per cent in 2013 and 13.4 per cent in 2016, while the share of those living in low work-intensity households was 12 per cent in 2008, 13.6 per cent in 2013 and only 4.9 per cent in 2016; here the expansion of public works played a significant role.

The main indicator of the EU strategy – the share of individuals living in poverty or social exclusion – was 28.2 per cent in Hungary in 2008. It then...
increased steadily and substantially until 2013 (to 33.5 per cent). There then followed a decline to 31.1 per cent in 2014 and a further fall to 25.6 per cent in 2017. In the period of the financial and economic crisis, Hungary was not the only country where this trend was observed: according to Eurostat data, the indicator in the EU-27 increased from 23.7 per cent in 2008 to 24.5 per cent in 2013 and went no lower than 23.5 per cent in 2016; this shows that the EU-27 has come no nearer to the EU2020 objective.

The composition of the Hungarian population living in poverty or social exclusion is presented in a Venn diagram below (Figure 1). It shows that 1.2 per cent (or 114,000 individuals) live in a household characterized by low work intensity, income poverty and severe material deprivation.

**Figure 1** *The share of those at risk of poverty or social exclusion separately and taking the aspects into account jointly, Hungary, 2016*

![Venn diagram](image)

*Source: Hungarian Central Statistical Office (HCSO) (2017: 17).*

### 3. Relative income poverty

Relative income poverty is defined on the basis of the national at-risk-of-poverty threshold. The threshold is set at 60 per cent of national median equivalized disposable income, after social transfers. The equivalence scales account for the varying consumption needs of household members of different ages. The present indicator is calculated using the OECD-modified scale, which assigns a value of 1 to the household head, 0.5 to each additional adult and 0.3 to each child.

The income poverty rate increased steadily between 2007 and 2014 in Hungary, according to data from the Hungarian Central Statistical Office (HCSO) and Eurostat. In 2007, 12.3 per cent of the total population was considered poor. In 2014, the figure was 15 per cent (around 1.4 million people), but this
dropped to 13.4 per cent in 2017. This figure is substantially lower than the EU-28 average for 2013 and 2016 (17.3 per cent); in terms of income poverty, Hungary ranked eighth in 2013 and ninth in 2016 in the EU. In 2016, the poverty rate was lowest in the Czech Republic (9.7 per cent) and highest in Romania (25.3 per cent) (Figure 3).

4. Material deprivation

The indicator of material deprivation is more suitable than relative income poverty for assessing differences in the living standards of countries. Material deprivation is defined as being unable to afford three items out of a list of nine, while severe material deprivation means being unable to afford four items. The nine items are as follows: i) To pay their mortgage or home-related costs; ii) To face unexpected expenses; iii) To have a phone; iv) To have a colour TV; v) To have a washing machine; vi) To have a car; vii) To take a week’s holiday once a year away from home; viii) To eat meat (or protein equivalent) every second day; ix) To keep the home adequately warm.

Hungarian society is outstandingly deprived in European terms: in 2013, it was in the third-worst place in the EU and in 2015 in the fourth-worst place in terms of severe material deprivation. It is a positive trend that the share of the severely deprived has been decreasing since the peak of 2013: by nearly 3 percentage points to 24 per cent in 2014, followed by a similar (somewhat faster) improvement in subsequent years. The indicator stood at 14.5 per cent in 2017 – lower than the figure in 2008 (17.9 per cent) (Figure 5). The initial decline was sparked by a significant reduction in the numbers who could not afford a week’s holiday, to eat meat regularly or to heat their homes. But between 2013 and 2016 there was an improvement across all the individual items of deprivation; from 2016 to 2017, the improvement was biggest in the share of people unable to face unexpected expenses (Table 1).

Based on data from the TÁRKI Household Monitor Survey, which reports a similar trend, Gábos et al. (2016) concluded that the three most important factors associated with the risk of material deprivation are the labour market integration of the household, the educational attainment of the household head and the household head’s ethnic background. The higher the work intensity of the household or the higher the educational attainment of the household head, the lower the risk of deprivation. The TÁRKI surveys showed that the decline in material deprivation between 2012 and 2014 mainly concerned the lower middle class and the middle class (who are in general not very vulnerable, but did face considerable financial problems during the economic crisis), while an
improvement among those at a lower income level was only observed later, between 2014 and 2015 (Gábos et al., 2016). Certain government measures may have played a role in the improvement in the living standards of the population. These include measures contributing to an increase in real wages\(^7\) (e.g. the amendment of some elements of the income tax regime and a rise in the minimum wage), regulating household energy prices, the settlement of foreign currency loans and reform of the employee fringe-benefit scheme, as well as an extension of the holiday opportunities offered under the ‘Erzsébet Card’ subsidized social-tourism programme to include additional target groups, such as old-age pensioners and large families.

Because of the threshold applied (lack of at least three items, rather than at least four), material deprivation is a broader category than severe material deprivation. While the latter affected 16.2 per cent of people in 2016, the figure for material deprivation was 29.6 per cent (significantly lower than the 2013 peak of 45.4 per cent). Overall, in spite of improvements, Hungarian society is still one of the most deprived societies in the European Union: in only five countries was the material deprivation rate higher in 2016 (Figure 4).

Table 1 *Items of severe material deprivation in Hungary 2013–17 (percentage)*

<table>
<thead>
<tr>
<th>Item</th>
<th>2013</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cannot afford to pay mortgage or home-related costs</td>
<td>26.7</td>
<td>19</td>
<td>15.7</td>
</tr>
<tr>
<td>Cannot face unexpected expenses</td>
<td>74.9</td>
<td>50.7</td>
<td>31.4</td>
</tr>
<tr>
<td>Cannot afford a telephone</td>
<td>2.3</td>
<td>1.3</td>
<td>1</td>
</tr>
<tr>
<td>Cannot afford a colour TV</td>
<td>0.4</td>
<td>0.6</td>
<td>0.6</td>
</tr>
<tr>
<td>Cannot afford a washing machine</td>
<td>1.2</td>
<td>1</td>
<td>0.7</td>
</tr>
<tr>
<td>Cannot afford a car</td>
<td>25.8</td>
<td>20.6</td>
<td>20</td>
</tr>
<tr>
<td>Cannot afford a week’s holiday per year</td>
<td>67.2</td>
<td>50.6</td>
<td>48.1</td>
</tr>
<tr>
<td>Cannot afford to eat meat every second day</td>
<td>34</td>
<td>19.1</td>
<td>16.4</td>
</tr>
<tr>
<td>Cannot keep the home adequately warm</td>
<td>12.2</td>
<td>9.1</td>
<td>6.8</td>
</tr>
<tr>
<td>Severe material deprivation (cannot afford at least 4 items)</td>
<td>27.8</td>
<td>16.2</td>
<td>14.5</td>
</tr>
</tbody>
</table>

*Note:* Please see footnote 3 on the reference years. This table presents dates according to the methods applied by the present study and therefore they are one year later than those in the HCSO publication.


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\(^7\) Per capita annual net income has been increasing since 2012: at 2000 prices it was HUF 526,000 in 2012 and HUF 685,000 in 2015 (HCSO, 2016: 6). At current prices, per capita annual average net income was HUF 1,150,000 in 2015, which was 4.6 per cent higher than in the previous year. Real wages increased by 4.7 per cent in 2015, due to a 0.1 per cent drop in consumer prices (HCSO, 2016: 4).
Figure 2 The share of individuals living in poverty or social exclusion in Hungary and the other EU Member States as a percentage of the total population

Hungary 2005–17

EU-28 Member States, 2016

Note: The time series figures (bottom panel) include all EU-28 countries, but the EU-27 average is shown. The reason for this is that we had to choose between the EU-27 average for the whole period and a shorter times series for the EU-28 (due to the later access of HR).


Source: Eurostat online database (Table t202050, retrieved 20/9/2018). The share of individuals living in income poverty, severe material deprivation or low work-intensity households.
Figure 3 Relative income poverty rate in Hungary and the other EU Member States as a percentage of the total population

Hungary 2005–17

EU-28 Member States, 2016

Note: For country codes and the use of EU averages see the note under Figure 2.

Source: Eurostat online database (Table tessi010, retrieved 20/9/2018). Individuals living on incomes less than 60 per cent of the median of equivalized household income.
Figure 4 Percentage of the population that is materially deprived in Hungary and the EU

Hungary 2006–17

EU-28 Member States, 2016

Note: For country codes and the use of EU averages see the note under Figure 2.
Source: Eurostat online database (Table tessi080, retrieved 20/9/2018). The share of those who cannot afford to own or buy at least three consumer durables or services out of the nine items considered.
Figure 5 Percentage of the population that is severely materially deprived in Hungary and the EU

Hungary 2005–17

EU-28 Member States, 2016

Note: For country codes and the use of EU averages see the note under Figure 2.
Source: Eurostat online database (Table tsdsc270, retrieved at 20/9/2018). The share of those who cannot afford to own or buy at least four consumer durables or services out of the nine items considered.
5. The labour market situation of households

5.1 Persons living in very low work-intensity households

The share of individuals living in very low work-intensity households is calculated on the basis of the population aged 0–59. Households are identified as very low work-intensity households when active-age members of the household worked for less than 20 per cent of their total work potential over the year preceding the survey. In Hungary, the proportion of this group in the population (13.6 per cent) was above the EU-28 average (11 per cent) in 2013, when the country was twentieth in the rankings. Since then, the indicator has improved steadily: in 2016, at 8.2 per cent it was below the EU-28 average, and the country ranked tenth in the EU. The figures are highest in Ireland and Greece (18.2 per cent and 17.2 per cent, respectively, in 2016), indicating that economic inactivity is the most challenging problem in those countries. The indicators rose sharply after the economic crisis of 2008 in both countries. Nevertheless, the financial and economic crisis did not necessarily lead to an increase in the low work-intensity population: in Poland, for example, the indicator decreased significantly during the crisis. In Hungary, there has been a declining trend since 2013; based on the most recent figures from 2017, 6.6 per cent of the population aged under 60 live in a very low work-intensity household (Figure 7).

5.2 The employment rate

The employment rate decreased slightly between 2006 and 2010 in Hungary. However, it has grown significantly since then – from 59.9 per cent in 2010 to 73.3 per cent in 2017, exceeding the EU-28 average (72.2 per cent). In relation to the EU2020 Strategy, Hungary aims to increase the employment rate of the population aged 20–64 to 75 per cent by 2020, by (among other things) improving the employment of the young, the elderly and the low-qualified, and through the enhanced integration of legal migrants. In Europe, the crisis resulted in the most dramatic decline in employment in Greece and Spain, while the highest level of labour market activity was observed in Sweden and Germany (Figure 8).

The extensive public works scheme launched by the Hungarian government has probably played a role in the expansion of employment. In 2013, about 130,000 people participated in the public works scheme (Cseres-Gergely and Molnár, 2014). TÁRKI examined the extent of public works in its 2014
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Household Monitor Survey and ascribed an important role to public works in the income structure. The share of public works participants within the active-age population was 5.7 per cent in the 12 months preceding the interviews, and at the time of the survey 9.1 per cent of the total population lived in a household involved in public works. As for income structure, the survey found that between 2012 and 2014 ‘the share of income from work increased in the households of employees, and the share of social transfers increased in the households of those not in employment. The significant absolute increase in net income in the lowest income decile was not primarily due to greater social transfers, but rather to the increasing share of market income (including income from public works) associated with expanding employment’ (Szivós and Tóth, 2014: 7).

Scharle (2016) calls attention to the fact that, in addition to the expansion of public works, public work participants in training are also included in the employment statistics, which contributes to the striking increase in employment since 2013. The number of people working abroad has also grown. It was mainly policy and economic trends that contributed to the improvement in the Hungarian employment rate between 2008 and 2015 (especially the raising of the retirement age in 1997 and 2009, and the placing of restrictions on claiming early retirement and disability pensions in 2011); the impact of demographic trends was negligible in this short timeframe (Scharle, 2016).

Employment is strongly associated with educational attainment: the better qualified find employment and acquire new competences more easily, which helps them adapt to changing labour market demand. In this respect, within the EU2020 Strategy, the Hungarian government is aiming to increase the share of the population aged 30–34 with a higher-education (or equivalent) qualification to 30.3 per cent by 2020. Hungary also aims to reduce the share of the population aged 18–24 not in education or training, or with lower-secondary education to 10 per cent by 2020. The strong association between employment and educational attainment is presented in Figure 6. The employment rate of those with lower-secondary education did not exceed 40 per cent until 2013. Since then, the figure has improved; but the difference is still huge (about 30 percentage points) between those with a lower-secondary qualification at most and those with a higher-education qualification (53.9 per cent and 84.3 per cent, respectively), according to data from 2017. The difference is visible in the work intensity of households: there was a difference of 0.2 (on a scale of 0–10) between the average work intensity of households where the household head has no high-school diploma and that of households where the
head has a higher education, according to data from the TÁRKI 2015 Household Monitor Survey (Branyiczki, 2016: 224). Consequently, the wage advantage of having higher education is extremely high, compared to having upper-secondary qualifications. Within the population of employees aged 25–64, of all the European OECD countries this difference is highest in Hungary (OECD, 2016: 124).

Figure 6 The employment rate of those with a lower-secondary qualification at most and those with a higher-education qualification in the 20–64 age group in Hungary, 1997–2017

Note: the triangles indicate the employment rate of higher-education graduates; the dots indicate the employment rate of those with a lower-secondary qualification at most (per cent).
Source: Eurostat online database (Table tsdec430, retrieved 20/9/2018). The lower-secondary qualification corresponds to the ISCED 0-2 categories; higher-education qualification corresponds to the ISCED 5-8 categories.
5.3 The unemployment rate

In parallel with the expansion of employment, unemployment has been decreasing in Hungary since 2010. The indicator, based on the International Labour Organization (ILO) definition, was considerably lower in 2017 in Hungary (3.6 per cent) than the EU-28 average (6.7 per cent) in the age group 25–74 (Figure 9). It is worth noting that unemployment in the EU grew steadily between 2008 and 2013, from 5.9 per cent to 9.5 per cent; only in 2014 did it start to decline. The pace of decrease has picked up significantly since 2013 in Hungary; by 2017 the unemployment rate had dropped to less than half of the value observed in 2013.

When exploring the unemployment of the younger, 15–24 age group, a more dramatic trend can be seen. Youth unemployment increased greatly because of the economic crisis in the Southern European countries, where figures continue to be exceptionally high. The highest figures in 2017 are found in Greece (44 per cent), Spain (39 per cent) and Italy (35 per cent). The Hungarian youth unemployment rate (10.7 per cent) is much lower than the EU-28 average (16.8 per cent), but it is nearly three times the rate for Hungarian adults (Figure 10).
Figure 7 The share of individuals aged 0–59 living in very low work-intensity households in Hungary and in the European Union

**Hungary 2005–17**

**EU-28 Member States, 2016**

**EU-28 Member States, 2005–17**

*Note:* For country codes and the use of EU averages see the note under Figure 2.

*Source:* Eurostat online database (Table t2020_51, retrieved 20/9/2018). The share of individuals aged 0–59 living in households where active-age members of the household worked for less than 20 per cent of their total work potential over the year preceding the survey.
Figure 8 Employment rate in Hungary and the EU as a percentage of the population aged 20–64

**Hungary 1997–2017**

**EU-28 Member States, 2017**

**EU-28 Member States, 1997–2017**

*Note:* For country codes and the use of EU averages see the note under Figure 2.

*Source:* Eurostat online database (Table tsdec420, retrieved 20/9/2018). The percentage of persons in employment, aged 20–64 relative to the total age group. A person is defined as in employment if he/she undertook at least one hour of paid work during the reference week or, if he/she did not work, had a job from which he/she was only temporarily absent.
Figure 9 Unemployment rate in the population aged 25–74 in Hungary and the EU Member States

**Hungary 1996–2017**

**EU-28 Member States, 2017**

Note: For country codes and the use of EU averages see the note under Figure 2.

Source: Eurostat online database (Table tsdec460, retrieved 20/9/2018). The unemployment rate is defined as the share of the unemployed as a percentage of the total workforce; that is, as a percentage of the economically active (employed and unemployed) population. A person aged 15–74 and interviewed in the Labour Force Survey is unemployed if he/she did not work during the week of the survey and had no job from which they were absent temporarily; is seeking a job actively; is available (that is, would be able to start work); or has already found a job that will commence within 30 days (ILO definition). The figure above indicates the rate in relation to the population aged 25–74.
Figure 10 Unemployment rate in the population aged 15–24 in Hungary and the EU Member States

Hungary 1996–2017

EU-28 Member States, 2017

**EU-28 Member States, 1996–2017**

Note: For country codes and the use of EU averages see the note under Figure 2.

Source: Eurostat online database (Table tsdec460, retrieved 20/9/2018). The unemployment rate is defined as the share of the unemployed as a percentage of the total workforce; that is, as a percentage of the economically active (employed and unemployed) population. A person aged 15–74 and interviewed in the Labour Force Survey is unemployed if he/she did not work during the week of the survey and had no job from which they were absent temporarily; is seeking a job actively; is are available (that is, would be able to start work); or has already found a job that will commence within 30 days (ILO definition). The figure above indicates the rate in relation to the population aged 15–24.
6. Conclusion

There have been contradictory processes going on in Hungary over the past 10–15 years in terms of the major indicators of social exclusion and poverty. A look at any of the indicators suggests that the situation in Hungary deteriorated between 2007 and 2013 (to varying extents) but has since improved. For example, the share of people living in poverty or social exclusion grew steadily between 2008 and 2013, but has been decreasing from the 2013 peak. This is attributable to the fact that although income poverty has hardly changed, the share of those severely materially deprived or living in low work-intensity households has declined sharply. Nonetheless, Hungary still belongs among the most deprived European countries and the improvements witnessed do not primarily concern the most vulnerable groups.

The general increase in household work intensity may be illustrated by other indicators of the labour market: the employment rate has been steadily increasing since 2010; it was just below the EU-28 average of 70 per cent in 2015, and exceeded it in 2017. The gap between the employment rate of higher-education graduates and those with lower-secondary qualification at most has narrowed since 2013 (partly due to the extensive public works scheme), but is still extremely wide.

REFERENCES


