

„Who does not work, shall not eat”: The politics of the Hungarian minimum income scheme

András Gábos, Zsófia Tomka

TÁRKI Social Research Institute

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Methodology

Literature review

Reconstructing policy timeline

Overview of party programmes and other relevant documents

- Programmes compiled for the **last 4 elections** (2010, 2014, 2018 and 2022); **15** altogether.
- Coded them according to **year**, **party**, **issue** mentioned, **stance** taken, and included **quotes** as well.
- Note: FIDESZ has not had a programme since 2014, we rely on other documents and statements in media instead.

Interviews

- Number of interviews in total: **6**
- **3** interviews with experts, **2** with high level policy makers involved in the main reforms, **1** in the public administration
- Semi-structured interviews; interview guide based on the one provided by the UoM, but adapted to Hungarian context



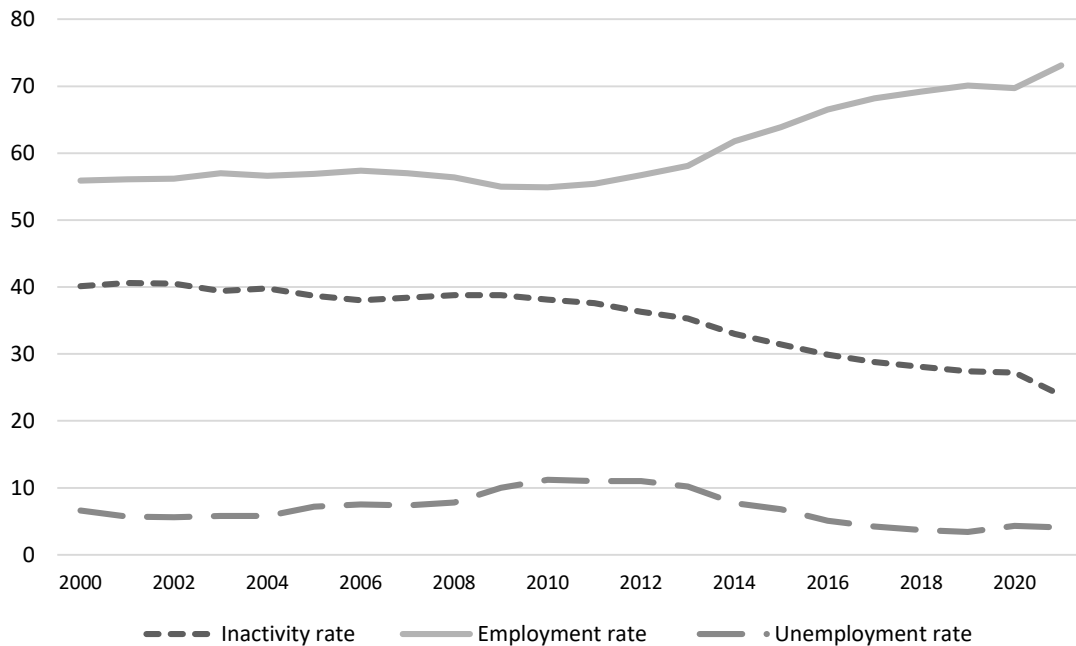
Outline

1. Labour market developments, trends in poverty and social exclusion
2. MIS policy trajectory 2000-2022
3. The politics of Hungarian MIS 2000-2022
4. Conclusions

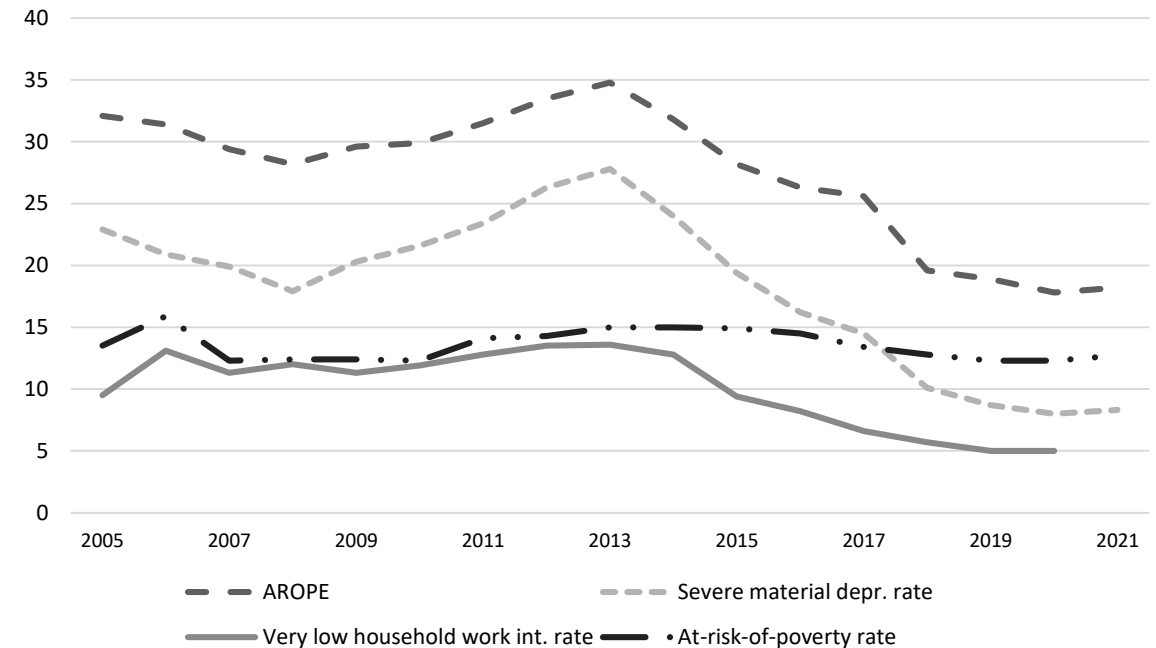


1 Labour market developments, trends in poverty and social exclusion

Labour market trends in Hungary, 2000-2021 (%)



Trends in the AROPE rate and its underlying indicators in Hungary, 2005-2021 (%)



The pressure comes from high inactivity, low employment and low income among specific social groups, as long-lasting outcomes of the systemic change (1989/1990).



2 MIS policy trajectory: status quo ante (2006)

- No universal minimum income scheme which guarantees a minimum living standard for everyone
- Instead, different individual-level benefits for specific life situations (e.g. long-term unemployment, a family member in need of long-term care, old age, or having children), regulated by the Social Act III/1993
- Income replacement benefit for long-term unemployed:
 - aimed at persons who exhausted both the earning-related and the lump-sum unemployment benefit
 - eligibility criteria are defined at country level → administration at the level of local governments (more than 3,100), having limited, but some influence on who receives them
 - financed from the central budget (most of them)
 - long-term benefits, which are paid in cash and on a monthly basis



2 Policy trajectory

De facto introduction of MIS

Benefits shifted from individual to **family level**

Benefit for long-term unemployed not fixed amount anymore, complemented equivalized household income to a threshold, no upper threshold → great **increase** in benefit levels

Employment services were intended to be strengthened

Short-lived: receives upper threshold in 2007

The 2006 reform

• **Restructuring of competences between national, district (LAU-1), and local governmental level** authorities

• **Introduction of benefit provided by local government**, replacing former benefits that aimed to compensate for specific expenditure (housing, public health service, etc.) → eligibility conditions are set locally → increases **discretionality**

The 2015 reform

2006

2009

2015

2002-2010: socialist-liberal coalition governments (MSZP-SZDSZ)

2010-2022: right-wing governments with qualified majority (Fidesz-KDNP)

Pathway to work programme

Increased conditionality, ties benefits more closely to public work

Differentiates between persons **capable** and **incapable of work**: former could be involved in public work or were entitled to one type of benefit, latter receive a different type of benefit

Two beneficiaries in one household only under certain circumstances

From 2010

- **Reduced available amount of social assistance**: reducing maximum amount of **unemployment allowance** and time it is available for; reducing amount of **benefit for long-term unemployed**

- **Increased conditionality**: extension of **public work** programme

- Public work earnings are calibrated between MI ben and minimum wage

2 Policy trajectory

	Change	Generosity, coverage, expansion	Activation, conditionality
2006 reform	Direction	Expansion	Positive activation
	Type	Path-departure	Incremental
2006-2009	Direction	Retrenchment	Negative activation
	Type	Incremental change/Path reversal	Incremental
2010-present	Direction	Retrenchment	Negative activation
	Type	Incremental change/Path reversal	Incremental

3 The politics of MIS 2000-2022: Main lines of conflict

- Poverty is a relevant topic in the public debate, but is not a salient issue in the political arena
- Poverty and poverty alleviation policies pushed forward by the **left** (debated), but MIS was not a mainstream topic even in the 2000s
- Vertical redistribution and minimum income not on right-wing parties' agenda before 2006/2008
 - **Fidesz**: workfare, public work, earning-related benefits, in-kind provisions (mixed with leftish social policy elements from 2006)
 - **Jobbik**: obligations should complement rights, incentives for self-providence should be prioritized over cash benefits as it leads to parasitism, in-kind benefits, social card
- Strong line of conflict between segments of the **lower middle class** and the **poor**, with **ethnic character** (risk of poverty among Roma extremely high), role of work, **deserving-undeserving poor** discourse → drove political decision making across political blocks (ambiguous position of MSZP towards MIS; success of far-right Jobbik; political and policy responses from Fidesz after 2010)



3 The politics of MIS 2000-2010: demand and political offer

The 2006 reform

- Implemented before MSZP's electoral success in the same year
- Gyurcsány (prime minister from 2004 as an outsider to MSZP) embraced some policy proposals based on the **background work by social policy experts and bureaucracy**:
 - restructuring of family benefits system,
 - launch of strategy to eradicate child poverty,
 - reform of social assistance system
- **Socio-political demand**: pressure came from non-political actors: coalition of experts and expert-level bureaucrats
- **Political offer**: success partly due to Gyurcsány's personal commitment
 - MSZP divided on the issue, trade unions opposed it

The 2009 reform

- Supported mainly by the opponents of the 2006 reform. Revolt of the working class (Scheiring 2019), revolt of provinces (Szombati 2018).
- Two alternative explanations for the **failure of 2006 reform** and launch of **Pathway to Work programme**:
 - Wrongly calibrated MIS, revolt of lower middle class and working poor in rural areas, MSZP mayors' signals, divisions within MSZP, pressure on the socialist party from Fidesz and from the rise of Jobbik
 - Weakened position of PM Gyurcsány within the party, already after the 2006 election success

3 The politics of MIS 2010-2022: demand and political offer

- Background: Great Recession, collapse of the post-systemic change party system, emergence of Jobbik, BUT: qualified majority for FIDESZ (establishment party)
- Main strategical policy aim: to **increase economic activity** and **employment**, especially among low skilled and unskilled (PM Orbán's promise of 1 million new jobs)
- Social benefits, including MIS, were seen as **obstacles to increase labour supply: tightening up cash social benefits → Retrenchment**
- Public work schemes both to increase employment among long-term inactive persons, and to **appease both the rural lower middle class and the poor**, including the Roma (Szombati 2018)
- **Actors:** strong political governance, weakened political and institutional checks, trade unions

2015 reform

- Original aim: to switch social assistance to local level (full discretion), and - together with public work provision - to promote paternalism, clientelism with the aim to enlarge electorate base (successful)
- Final outcome: mixed system, with the provision of income replacement benefits at district level, and regulation and fund at national level

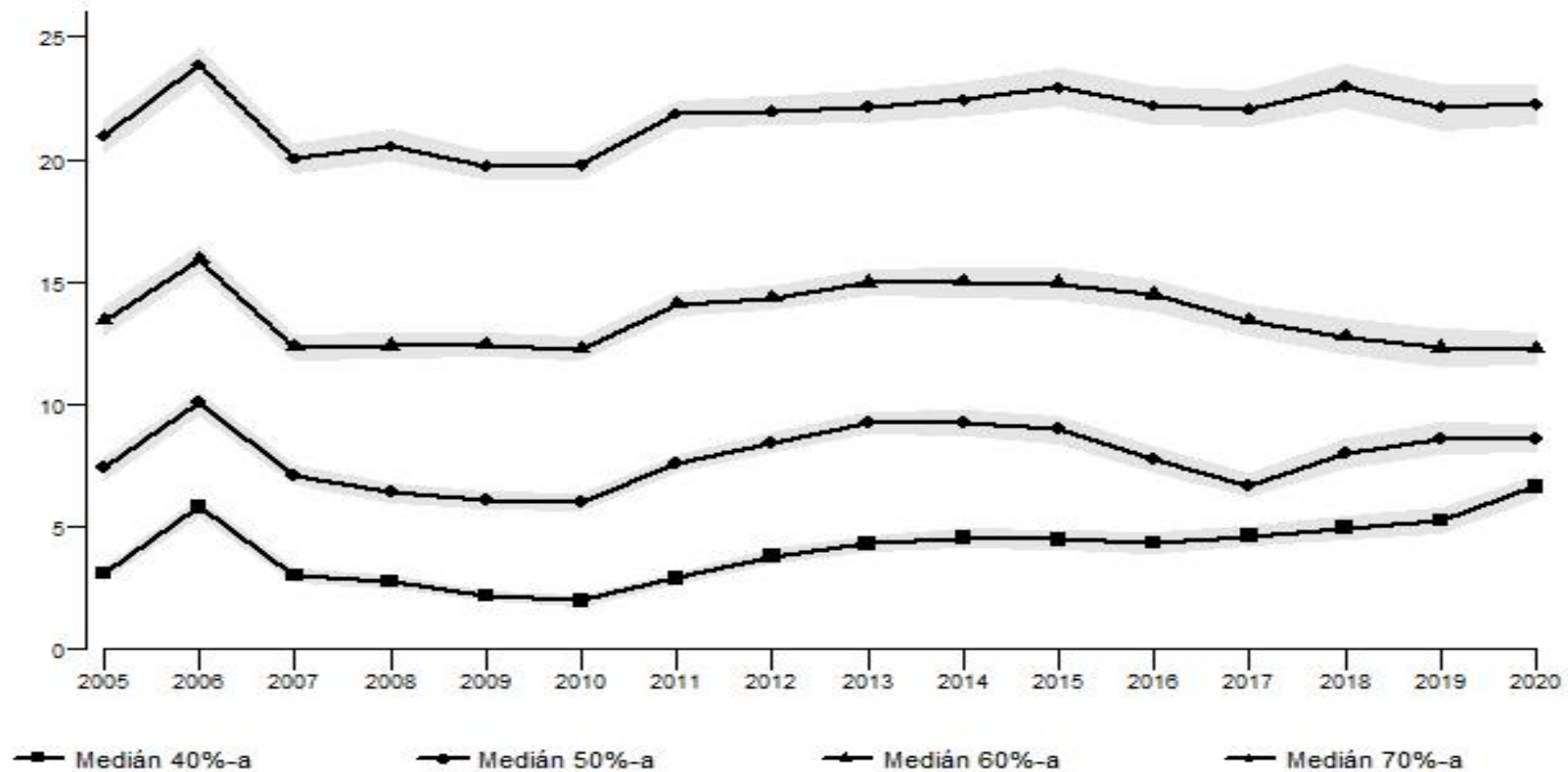
4 Conclusions

- Line of conflict between the overall coming down lower middle class and the poor; dominant attitude within society that views work as a condition for a deserving poor status; weak political representation of would-be beneficiaries
 - **no strong base for a genuine guaranteed MIS in Hungary**
- Following 2010, improved situation in the labour market, strong retrenchment of social benefits, increased discretionary power of local governments and political dynamics **put aside the opportunity for an institutionalized guaranteed MIS in Hungary for a long-time** (but recent crisis may lead to policy changes)



4 Conclusions: social outcomes

At-risk-of-poverty rates at various thresholds, 2005-2020 (%)



Social outcomes:

- declining general poverty trends until the COVID-crisis,
- increasing segment of the population at risk of extreme poverty (<40% of the median)

Source: Gábos and Tátrai (forthcoming).



Thank you for your attention!

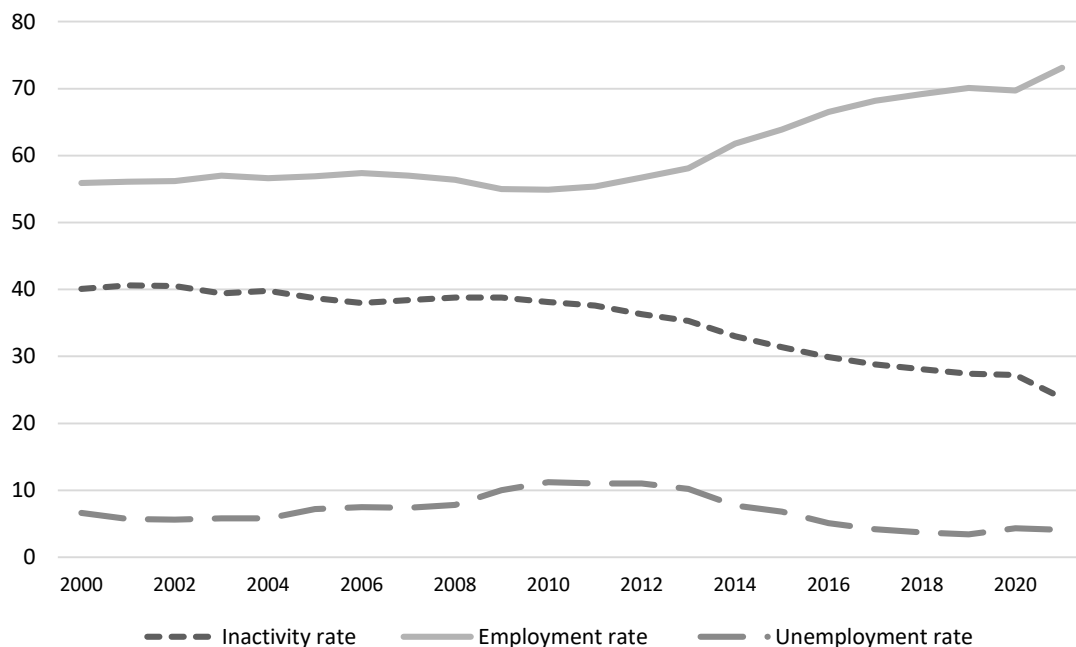
gabos@tarki.hu

tomka@tarki.hu

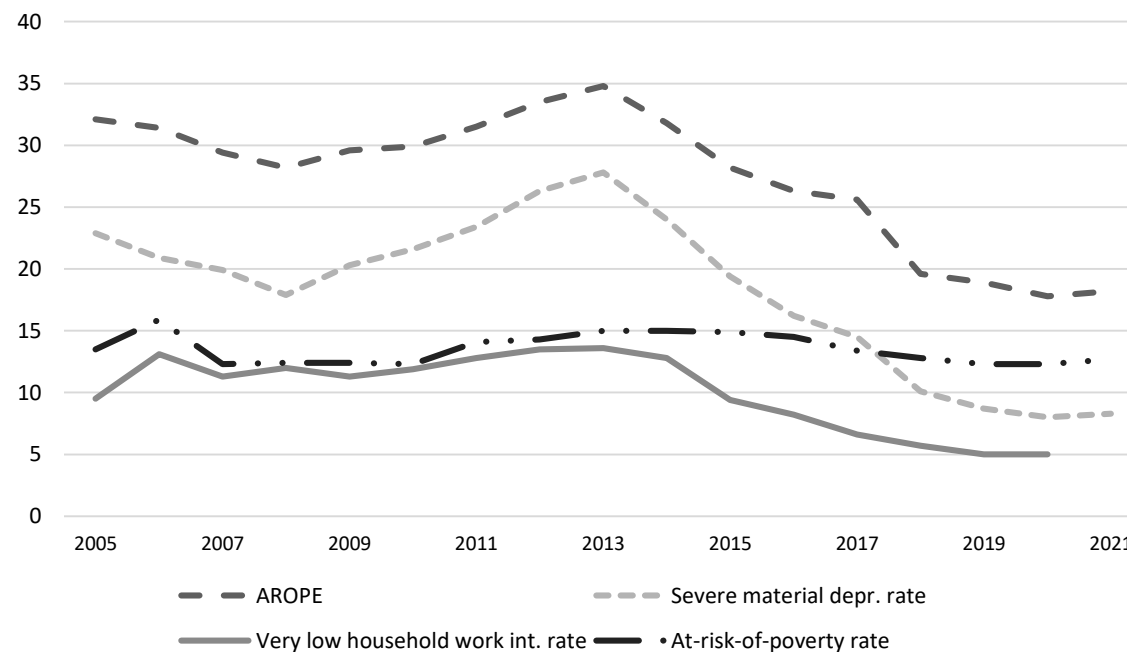


1. Labour market developments, trends in poverty and social exclusion

Labour market trends in Hungary, 2000-2021 (%)



Trends in the AROPE rate and its underlying indicators in Hungary, 2005-2021 (%)



3 Potential explanatory factors: background

	Phases	Supply		Demand
		Party system	Government	
2002-2010	Phase 1 and 2	Moderate pluralism	Left-wing, simple majority (coalition: MSZP-SZDSZ/MSZP) 2002-2004: Medgyesi govt. 2004-2006 first Gyurcsány govt. 2006-2009 second Gyurcsány govt. 2009-2010 Bajnai govt.	(Weak/)latent (social policy experts, expert ministry staff, high level politicians)
2010-2018	Phase 3	Fragmented pluralism	Right-wing, qualified majority (FIDESZ) Second and third Orbán govt.	Weak (further weakened support)
2018-2022		Moderate pluralism	Right-wing, qualified majority (FIDESZ) Fourth Orbán govt.	
2022-		Fragmented pluralism	Right-wing, qualified majority (FIDESZ) Fifth Orbán govt.	