



**European Expert Group Meeting
“Confronting family poverty and social exclusion;
ensuring work-family balance;
advancing social integration and intergenerational solidarity
in Europe”**

Convened as part of preparations for the
Twentieth Anniversary of the International Year of the Family, 2014
(Cfr. Report of the Secretary-General ,
Preparations for and observance of the twentieth anniversary of the
International Year of the Family in 2014,
A/67/61-E/2012/3)

6-8 June 2011

4. Cash Transfers

Official name of the Organization

Nagycsaládosok Országos Egyesülete (Hungarian Association of Large Families).

Website of the Organization

<http://www.noe.hu>.

Name of the practice

Family support in taxation (and by financial contributions).

Aim of the practice

Combating poverty of large families.

Target group of the practice

Large families in Hungary.

Name of the person who will make the presentation

Aniko Varga.

Position in the Organization

Expert and Member of the Board.

Family Support in Hungary

Pros and Cons

Aniko Varga

07. 06. 2012 Brussels



Traditional roles of families in society

- Raising children, providing natural surroundings for socialization and education,
- Reproduction of culture (mother tongue, faith, customs, norms)
- Creating and maintaining an affectionate home for several generations
- Basic provision of social care and welfare

Principles of family support

- It is the right and duty of parents to nurture, to care for and to sustain children - but when they are unable to do so for any reason, the state is liable to stand in the gap in the name of the society and from taxpayers' money for the common good
- The state may delegate this liability to lower levels (local authorities, institutions, civil organizations) contributing with the necessary funds and legal framework
- Financial support to families is not a gift but a social credit
- Raising children should not necessary provoke poverty (not followed...)
- Coherence and stability of any policy can encourage families to have more children – it is more important than actual sums or rates (this principle was enclosed in the Family Protection Act 2011)

- For large families (= raising 3 or more children), it is very important that mothers can afford to stay at home with the children for several years without getting into poverty
- Institutional childcare is far more expensive for the society than financial support esp. in the early years of the child

Two basic strategies of government family policies

Supporting families in general

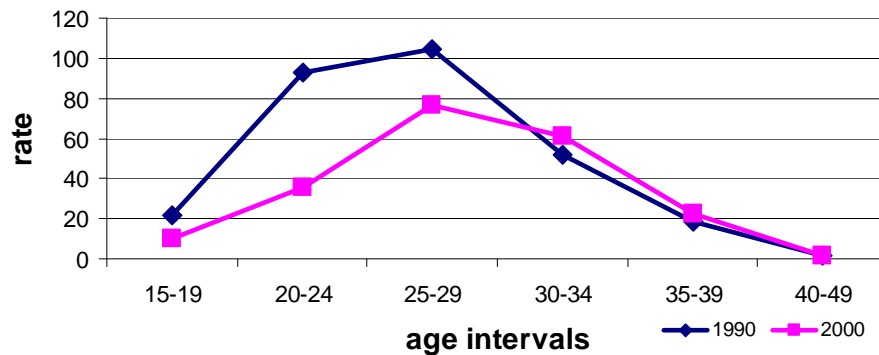
- Creating and maintaining institutions of social services such as healthcare, education, transportation, etc.
- Housing support
- Support families at child birth and in child care
- Creating and maintaining appropriate infrastructure and services for handicapped, ill and elderly members in the family

Assistance to various social groups

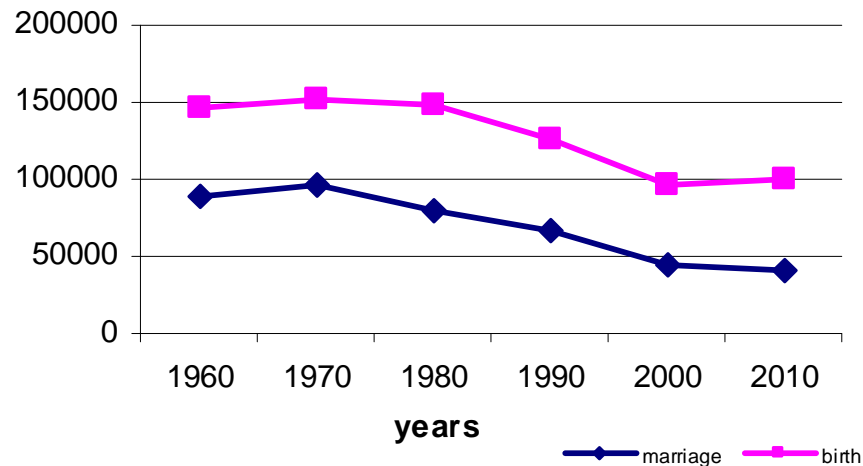
- (e.g. poor families, women, immigrants, etc)
- To get to subsistence level
 - Special support for people in need at childbirth and in child care
 - Creating and maintaining institutions of social services such as healthcare, education, transportation, etc.
 - Creating and maintaining appropriate infrastructure and services for handicapped, ill and elderly members in the family

Statistics

Age of mothers at the time of the first childbirth
(Budapest)



Main data of vital events in Hungary



- More than 40% of young people study until the age of 22
- Changing lifestyles
- High rate of abortions
- The last year showing a positive natural birth-death balance was 1981 in Hungary (last decade: 30.000 (0,3%) more deaths than births)

Support to families is well beyond cash transfers

- Direct financial support – to all subjects and based on income
- Income tax decrease, exemptions
- Social and cultural services (education, healthcare, reduced rate transportation, childcare, nursing of ill and elderly people, etc)
- Supports, aids and subsidies from local authorities in cash and in kind
- Compulsory and optional fringe benefits from employers (extra vacation days, resp. schooling aid, etc)
- Rural policies (farmland to families)
- etc.

Financial supports on a universal basis

- Lump sum at childbirth (210EUR, 285EUR in case of twins/multiplets)
- Flat rate parental leave allowance (GYES) to one parent/grandparent (!) without full time employment until the child's 3rd birthday – cca. 100 EUR
- Child benefit (bounty) on a universal basis – cca. 40-44 EUR/child depending on the number of children and their health status

Financial supports on condition

- Flat rate child raising benefit to one parent raising 3+ children between the age of 3 and 8 yrs of the last child) – cca. 100 EUR
- Parental leave allowance (GYED) to one parent to stay out of working life and nurture the toddler – supposing social security payments before childbirth - between 6 and 24 months of the child – 60% of previous salary up to cca. 400 EUR

Welfare services

- Health care: free of charge; compulsory controls, vaccinations; paid days in case of child's illness.
- Net of district nurses: nurses check pregnant mothers and families with newborn and young children – visit in their home.
- Child protection framework – authorities, nurses, doctors, schools.
- Nurseries for children between 6mths and 3yrs – minimum to medium fees
- Privately run home nurseries for small groups of children – high fees
- Kindergarden 3-6(7)
- Compulsory schooling: 6-16 (poss. to 20)
- Parenting support and assistance: limited availability

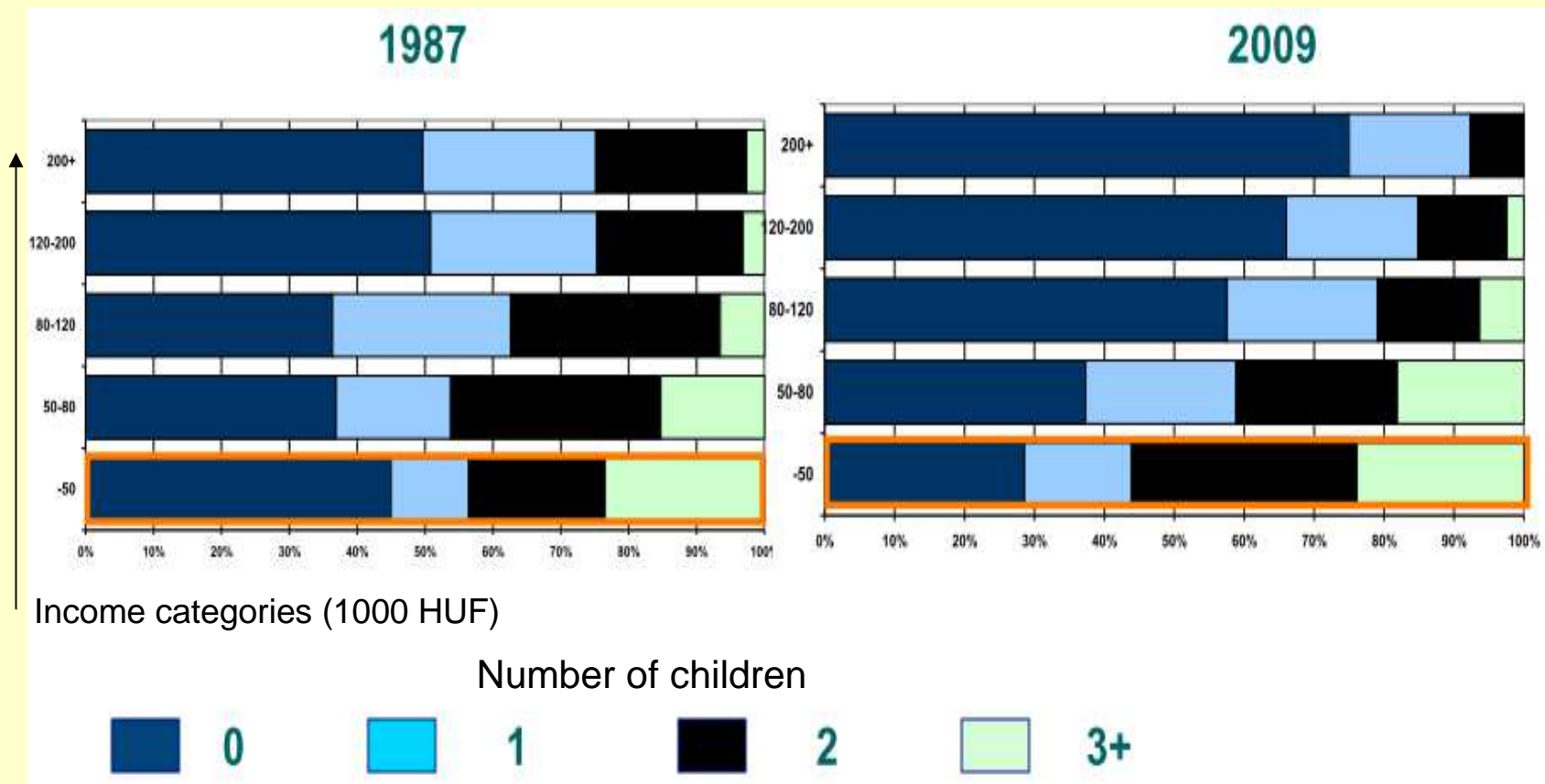
Example 1: Tax exemption from the parents' income up to the subsistence level of children

- From 2011, tax exemption system instead of previous tax deduction system
- Principle: the child's minimum subsistence amount shall not be taxed
- Auxiliary principle: more support to 3+ families
- How it works: yearly income decreased by 200 EUR/child/MONTH (having 1 or 2 children)
- cca. 650 EUR/child/MONTH (having 3+ children)

Debates over tax exemption

- Is it necessary at all? (Previously, system based on tax deduction was applicable to only large families (3+) – singles opposed)
- It does not help poverty – upper classes are far more supported by this tool
- Why is there a high amount for 3+ children? - minimum subsistence level is cca. 250 EUR/pers/month (official statistical data)
- Large families rarely have such an income that could utilize the full amount of exemption – average income 250-260 EUR/month
- No possibility to „negative taxation” (supplement)

Declining positions of large families



Income categories (1000 HUF)

Number of children



50 000 HUF ~ 167 EUR

Example 2: Premium for pensioners having raised children (plan)

- Background: Hungarian pension system is „pay-as-you-go” – current pensions are paid from current social security payments – not a classical insurance system
- Description: those who have raised children have contributed to the sustainability of the pension system –
- Rates or amounts not decided yet, but any surplus would be payable only on condition that the child has taxable income
- Objective: recognition of the contribution (short term); encouragement of child rearing (long term)
- Benefits: may enhance intergenerational solidarity and increase legal employment

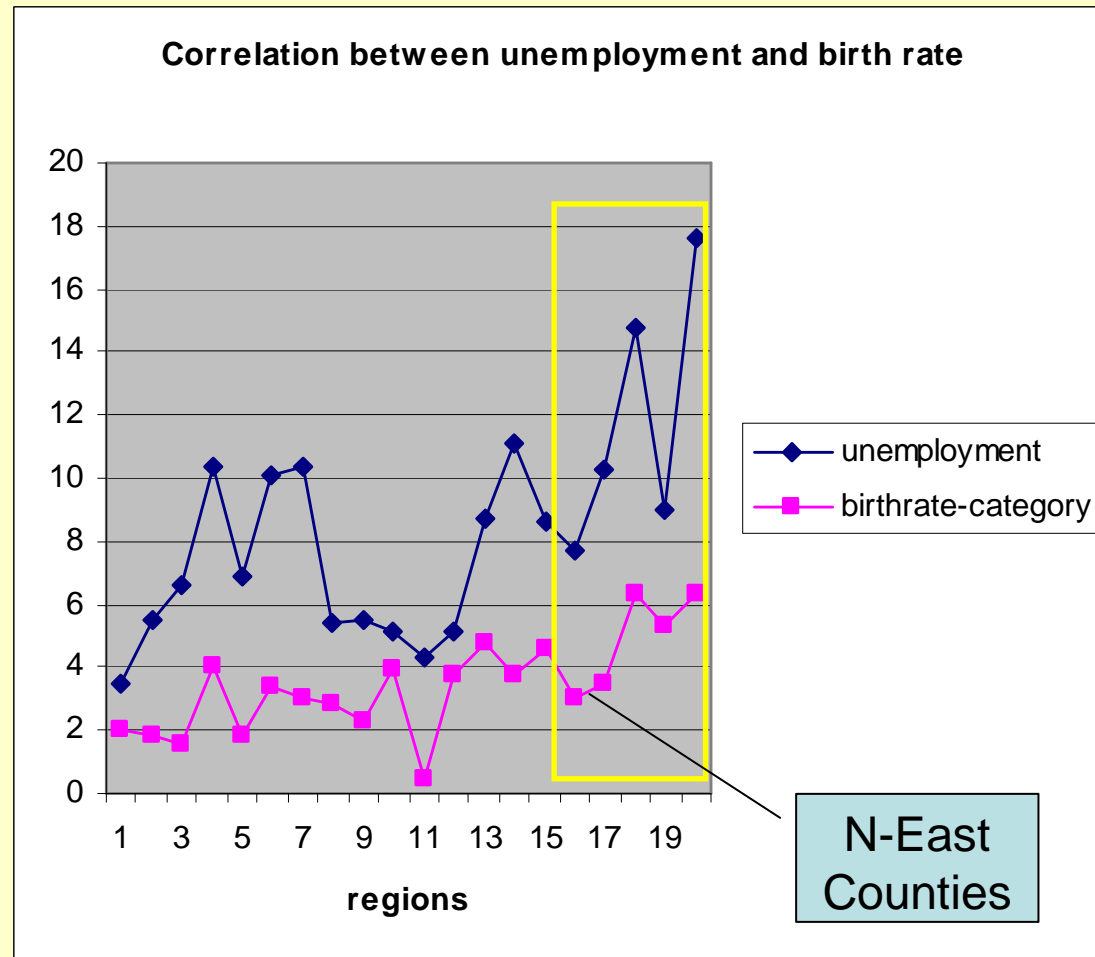
Criticism on pension premiums

- Intrusion to privacy
- Helps only upper class families and pensioners
- Parents may or may not share – in early drafts only mothers were mentioned
- Increasing numbers of divorces, single-parent and mosaic families would complicate the system
- Parent must nurture child for a certain time not only „bring to the world” (this requirement comes not only from „common sense” but also from prejudice against certain social groups)
- No evidence that child birth rates have any statistical correlation with pension systems
- Needs long term stability – not sustainable in 4-yr long parliamentary cycle
- In a society with low mobility, lower class pensioners usually have low paid children...

Other options

- Lower pension security rates applied to those taxpayers who raise children (present time support);
- Certain proportion of income tax (1-5%) redirected to parents \leftrightarrow those who raise children, possibly pay no income tax as explained before

Employment and birth rate



High unemployment vs. child births

- Paradoxically, high unemployment rates correlate with high birth rates in poverty-stricken NE areas
- Not only women but men have low possibilities in these places
- Child benefits and cash transfers replace income from regular working

Family-work balance

- Very low rate of non-typical jobs (3-4%) in Hungary
- Main reason: a half-time employee cannot earn parent-and-child's subsistence – low average salaries for full time jobs (700 EUR)
- In the case of mothers in above-average paid jobs, employers are still reluctant to offer non-typical employment options - high unemployment rates due to the economic crisis did not help
- Mothers of large families would be even more satisfied with non-typical jobs because of high workload in the household
- It is even more important to provide childcare services because non-typical jobs do not solve the family-work balance without it

Demographic-economic paradox

- Highest birth rates can be seen in countries with no social security (esp. Africa)
- Lowest BR in developed countries (Europe, Japan, etc).
- Child is a „cost center” - very long time before becoming economically productive
- Hungary should rethink its family support system inherited from the communist era

Suggestions

- Slicing problems: (1) increasing birth rate
(2) supporting already existing families
- Slicing problems of poverty-stricken families and slipping down of middle class families raising children – different policies required
- General inventory of family support systems – what works and what does not

Family support inventory scheme

	Income (tax exemp- tions	Direct financial support	Social service (educa- tion, health- care, etc)	Employ- ment	Housing support	Cultural support	Contribu- -tions from local autho- rities	Rural policy	Etc
No children									
1 child									
2 children									
3+ children									

Adding layers to the matrix

- Objective of each measure
- Tools/method of the measure
- Demands raised by the stakeholders, esp. the target groups
- Usage of the support (not used – why? Lack of information or: not needed or: other obstacles)
- Direct costs and social expenditures
- How it affects economy
- Segmentations: situation of single-parent families; effects on lower class/middle class families; immigrant groups; ethnic groups, etc.
- Could be used as an analytic, comparison, appraisal and planning tool

Thank you for your kind interest.