

The first decade of building a family friendly Hungary

Report

In 1989, Central and Eastern European countries managed to break free from communism, as Saint John Paul II said, Europe started to breathe with two lungs again. Nevertheless, the devastating negative effects of oppression of families can still be felt decades after. 21 years later, a conservative Christian democratic FIDESZ government took office in 2010. At that time, Hungary was in severe financial and moral distress. The new government committed itself to building a spirited, competitive country, with workfare society that addresses the country's demographic challenges by supporting families, and that is proud of her history and Christian cultural heritage. The focus of public policy has been reverted from the individual towards the community and family has been anchored in the newly drafted Fundamental Law of the country as the basic building block of society and marriage as a union of a man and a woman. The Cardinal Law on Families defined the protection of families and the improvement of the wellbeing of families as a shared duty of the state, churches, local governments, civil organizations, media, and economic actors.

In times of demographic winter, when there is not a single European country that would be able to recreate its population, Hungary committed herself to building a country based on a comprehensive family policy, by mainstreaming and prioritising family issues. The Hungarian Government regards family policy as an investment into the wellbeing of our families, as an investment into the sustainability of our social security schemes and on the long term, as an investment into the preservation of our nation. We believe in the mobilising effect of family policy; that it is important not to give families the fish, but the net, therefore, the eligibility of receiving most of the family support measures is linked to legitimate employment. By that, family policy may also contribute to the fundamentals of our social policy, namely activation, and employment.

To further the governmental efforts of the period of 2010–2014, family affairs were separated from social affairs during FIDESZ's second term in office, since the linkage of these two areas used to convey the message that having

children equals poverty. We are convinced that the main task of family policy is not combating poverty, but helping individuals to have as many children as they wish for. Nevertheless, family policy must also focus on underprivileged and disadvantaged families.

The family support system has been gradually expanded always taking into account the financial capabilities of the more and more sound Hungarian economy. Between 2010 and 2020, the government more than doubled the financial resources spent on family policy, which is currently 4.7% of our GDP, roughly twice the OECD average. The decisive factor is stability, as parents have to be certain that they can rely on the support for raising children at least throughout the upcoming two decades. Our national family policy system, thanks to its complexity, assists families in various ways with an emphasis on offering each family an opportunity that is most suitable for them in terms of raising their children. The Hungarian system is unique, as a number of policy measures directed towards children are shaped in a way that the eligibility is granted from the foetal age: this is the case for family taxation, housing support, mortgage exemption, for example.

Similarly to the previous decades, Hungarians continue to remain pro family and pro marriage. According to the research of our Institute from 2020, those in childbearing ages would like to have 2.37 children in average. In line with this outcome, in the past 10 years, the Hungarian family policy reached encouraging results: The fertility rate increased from 1.25 in 2010 to 1.49 in 2019, which is the highest value since 1996. The data concerning the first half of 2020 is even more favourable, the corresponding fertility rate is 1.56. Since 2010, a favourable trend can be detected in terms of marriages and divorces. Marriages are at a historical high (more than 65,000 in 2019), the highest number since the eighties, divorces have decreased by 30% to 17,600 in 2019, the lowest number since the sixties and abortions are also at a historic low (25,000 in 2019, the lowest number since the fifties). Hungarian families could welcome 100,000 more new-borns due to the increase in fertility during the last 10 years. This number roughly matches the amount of babies born in one year. The favourable demographic data of the first 6 months of 2020 give us further hope, as despite the coronavirus, we may register further improving figures. Putting these data in the European context, no other country could experience such a positive development, not even those with a very high migration surplus.

In parallel, and contrary to the attacks from the left-liberal opposition that the government would like to “chain women to the stove”, we may report on a significant increase of 13% in female employment as compared to 2010, only Malta could do better in the European Union. Total employment rate is at 75%,

unemployment rate, similarly to the Polish figure is among the lowest in the EU. We can state proudly that 850,000 more people are working and paying taxes in Hungary today than in 2010.

One of the largest achievements is that Hungary provides a real option for young parents, mothers in particular, so that they can stay at home with their babies even for 3 years if they wish so and receive maternity support, or return to the labour market part time or full time and place their children in publicly financed, available and high quality nurseries. By these, Hungary sends the key message that motherhood is a value for the entire society, nation per se. In addition, in 2014, the child care fee extra programme was introduced. Due to the programme, parents may take up employment full time or part time when their child becomes 6 months old without losing their eligibility for the child care fee. The Hungarian Government's aim was to ensure that having children does not exclude individuals from the labour market. The second aim was to make part time work pay as well, given that atypical working conditions, even part time employment are not yet very widely spread in our country. The COVID19 crisis certainly has significant effects on atypical working conditions, that will most probably fuel the employability of mothers with young children in particular.

In accordance with the newly drafted fundamental law of Hungary a constantly growing number of measures aid families in their everyday life. The flagship of Hungary's family support system is the family tax benefit, which was introduced in 2011. It provides working parents with the opportunity to reduce their personal income tax. The amount of the reduction depends on the number of children. Due to this measure, the majority of families with 3 or more children do not have to pay any personal income tax in Hungary. In order to allow the full use of the tax relief for the lower income groups, the tax relief may be deducted from their social security contribution payments as well. In the period of 2016–2019, the family tax benefit for families with two children has doubled. As of 2020, mothers with four or more children are exempted from paying any personal income tax throughout their career. A kind of tax benefit for first-wed new couples was also introduced in 2015; the number of marriages has increased by more than 30% since that time. The family tax relief left altogether thousands of billions HUF at the disposal of the families, money that has been spent locally, increasing internal consumption, which then again contributed significantly to the record high GDP growth of nearly 5%, the second best in the EU in 2019.

All mothers are eligible for a benefit called “maternity support”, which is a one-off payment of approximately twice the pension minimum offered when

the child is born. If the mother has had social security coverage before the child was born, infant care fee is offered for half a year, amounting to 70% of the salary earned prior to the child was born, no cap applies. The rate of this measure will be increased to 100% as of July 2021. By this increase, mothers giving birth to a new-born will be in a more favourable situation compared to those earning the same, but not receiving a child, as taxation of the infant care fee is lower. A child care fee is available until the child reaches the age of two. Its amount is 70% of the salary earned prior to the birth of the child, but is capped at 140% of the minimum wage per month. Another element of the family support system is the child care benefit, which is granted to all mothers without eligibility testing from age 2 until the age 3 of the child. The amount of the child care benefit is equal to the pension minimum per month.

One of the leading reasons why couples do not have as many children as they would desire is the significant postponement of childbirths. Hungary tries to address that by helping young families in various ways. One is that university studies are taken into account as social security contributing periods, despite the lack of earnings in these years, meaning that the full amount of family support is granted for young mothers and fathers who decide to have their first child during or right after their studies. Another measure targeted towards the younger generation is in connection with the student loans. The State reduces by 50% the student loans of mothers at the birth of their second child, and takes over the redemption of the entire outstanding amount at the arrival of their third child. By this measure the government would like to reduce the negative financial consequences of motherhood many well educated young women fear.

It is furthermore important to mention the so-called Baby Bond, which enables parents to save money for their children with state support. These bonds also contribute to the favourable tendency, that Hungarians, and Hungarian families finance the national debt.

As a result of the Government's measures, the family allowance includes two benefit types: child-raising benefit and schooling support. The child-raising benefit is granted for non-school-age children while the schooling support is given for school-age children or older children who continue their studies in institutions of public education. Schooling support is tied to school attendance, thereby incentivising families to keep their children in education. Since the introduction of this measure, absenteeism was reduced by 64%.

The timing of taking up employment after the birth of a child is strongly determined by the availability of day-care facilities for young children. The government has introduced some overarching reforms in this area as well.

The conceptual transformation of the public day-care nursery system for children under the age of 3 aims to abolish the regional inequalities. The new system is more demand-driven, and gives families the opportunity to choose among the different new forms of day-care services which are: nurseries, mini-nurseries, workplace nurseries and family nurseries. Local governments are obliged to provide daytime nursery care in each settlement where at least 40 children under the age of 3 reside or if at least 5 families request so. The number of public nursery day-care places has continuously increased by more than 30% in the last decade. The aim of the Government is to reach 70,000 places until 2022, that would address all demands. These public nurseries are available for a very modest contribution from the parents, making them affordable for all. From 2019, those parents who could not find a public nursery place for their children are entitled to a monthly contribution towards the fee of the private nursery.

The program named “Women 40” or “grandmother pension”, an old age pension for women having a 40-year entitlement period without age restriction was introduced in 2011. The aim of this measure is to give an opportunity for grandmothers to provide active support to their children primarily in looking after their grandchildren.

According to our research, following physical and mental health and stable employment, adequate housing is the third most important factor in the decision of families about the number of their children. In 2015, the government introduced the system of Family Housing Subsidy (CSOK) which is available for purchasing or building a new house or apartment and also for purchasing and enlarging used properties. Basically, the amount of the subsidy depends on the number of children. Families that are currently raising three or more children, or that undertake to raise at least three children in the future (including the children they already have) may receive a one-off in-cash support of 10 million HUF for a new house or apartment. In addition, they are eligible to another 15 million HUF residential loan with a state-subsidized interest-rate. This cash support may even cover significant part of the price of the apartment or house in question, making it a very significant incentive.

Last year the Hungarian Government decided to extend the subsidy to families with two children. These families are eligible for 10 million HUF residential loan with a state-subsidized interest-rate. The red tape had been constantly reduced since the start of the programme.

As of 2021, the Government will launch a significant housing programme in order to help families maintaining their living standards throughout the COVID19 epidemic and in parallel boost the investment in the construction

sector. The VAT of newly built houses will be reduced by 22% (from 27% to 5%); the government will reimburse that 5% VAT as well for families purchasing such houses/apartments within the CSOK housing programme. The 4% levy of buying a house/apartment will be abolished for CSOK properties. Families building a two-generation house by creating an individual apartment in the attic will be eligible for the full amount of CSOK. Any family raising a child under 25 years of age will be eligible for 50% of the cost (maximum 3 million HUF) of any renovation work done on the apartment. The corresponding fees charged by the public notaries will be maximised as well.

This overarching housing programme not only helps families with children but in parallel has direct positive impact on the construction sector's growth and contributes to the growth of employment in this crucial segment of the economy as well.

The exposure to the risk of poverty gradually increases with the number of children within a family. Therefore, social policy tools are implemented to make sure that having children does not constitute a risk of poverty. The Hungarian government has extended the opportunity for free or subsidised child catering. As of September 2015, free catering in nurseries and kindergartens is extended to almost 90% of children, by that the measure does not stigmatize any child. In those families, where 3 or more children or disabled children live, or where the average income per capita is low, parents do not have to pay for their children's catering. Free meals are also available during holiday periods. In the framework of the free supply of school textbooks, as of the academic year 2017/2018, primary school pupils receive their textbooks free of charge.

The government introduced the so-called Elizabeth Programme to ensure that those in need also have holiday opportunities. The main target groups include large families, persons with disabilities and children with a disadvantaged background. The Elizabeth Programme offers an opportunity for Hungarian children living in neighbouring countries to participate in summer camps in Hungary.

The Umbilical Cord Programme started in January 2018, targeting those Hungarians whose children are born abroad. In the framework of the scheme, families are eligible for a one-time maternity allowance as well as a "baby bond" and the baby package.

The Hungarian government proclaimed 2018 as the Year of Families. With over 1,500 programmes and several hundred thousand participants, the subject has proven to be a huge success, showcasing that living in a family, even in a large family is fun and actually perfectly normal. We believe that it is very

important that we provide for a positive counter narrative against the negative public image of families broadcast by many media actors.

The Hungarian government initiated a series of measures addressing many different situations of family life. The elements of the so-called Family Protection Action Plan came into effect in July 2019 and January 2020, with the overarching aim to reach the ideal 2.1 fertility rate until 2030.

The Family Protection Action plan consists of the following 7 measures: a **subsidy for young married couples**; any married couple is eligible for an interest-free loan of maximum 10 million HUF that can be turned into a subsidy in case the couple receives three children, or may be reduced by 30% if they have two children. I have already written about the **extension of interest-subsidized housing loan to buyers of second-hand housing**. Here, social security contribution paid abroad is taken into account in order to attract back the young Hungarians working in other countries. **Expanding the debt relief scheme for mortgages at the arrival of children**: at the birth of second children, the government will deduct 1 million HUF from the mortgages of families and 4 million HUF at the birth of the third child (and another 1 million HUF in the case of further live births). **Personal income tax exemption for mothers with four or more children**: from 1 January 2020, all mothers who currently raise at least 4 children or raised 4 or more children during their lifetime are fully exempt from paying personal income tax until their retirement. **Car purchase support for large families**: as of 1 July 2019, families with 3 or more children may apply for a subsidy of 2.5 million HUF (but up to 50% of the purchase price) for the purchase of a new car with at least 7 seats. **Public nursery development program**: as mentioned previously, the Government has decided that the current 50,000 nursery places will be expanded to 70,000 by 2022, so that parents with a child aged under 3 can place their child in a nursery if they wish to. **Introduction of the child care allowance for grandparents**: as of January 1, 2020, non-retired grandparents may become entitled to the child care allowance if they undertake to care for their grandchild at home instead of the parent(s) who work. In such cases, the grandparent would be entitled to the child care allowance instead of the parent to encourage them to participate more actively in caring for their grandchildren, thereby relieving the parents.

So far, an interest beyond any expectation has manifested. Hundred thousands of applications prove that the set of measures corresponds to the everyday needs of Hungarian families. This is entirely in line with the research of our Institute carried out on the reception of the Family Protection Action Plan; as the vast majority of the respondents agreed that the measures can

help Hungarian families in having a predictable and secure future in the long run. Whereby each possibility is highly supported, the most popular among them is the nursery development and the housing programme. Some of the respondents even said that these measures changed their life, that they became more self-confident, and that they would not have had a child without these possibilities. It is favourable that more than half of the respondents said they would like to have a child in the next five years.

Prime Minister Viktor Orbán, who in his speech at the Third Demography Summit in Budapest said, “We will win if we manage to build a family support system that ensures that those who decide to have children are guaranteed better living standards than if they decided not to have children. This will be the turning point: if deciding to have children contributes to an improvement in your standard of living – not because your children will look after you when you’re old, but here and now, immediately, when you’re a parent still raising children. This is the point we are seeking, this is what we want to reach, and this will be the tipping point for the Hungarian family support system. But we are not there yet, and it will need quite a few more years of persevering work”.

In line with the statement of the Prime Minister the building of the family friendly Hungary is ongoing, with more measures being in the pipeline for 2021 and beyond. It is very reassuring indeed, that we are not walking alone on that road, but among others with our historic ally, Poland, hand in hand.

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