

4.

CHILDCARE AND EMPLOYMENT

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MAJOR FINDINGS

- Direct financial benefits play a great part in the family support system of Hungary. All families with small children (children younger than three) get some kind of financial aid or subsidy related to the birth and the raising of children, i.e., the TGYÁS (pregnancy and confinement benefit), the GYES (childcare allowance), and the GYED (childcare fee).¹ The family allowance is due until the child turns eighteen and constitutes a considerable portion of the families' income, especially in the case of less well-to-do parents.
- Hungary belongs to those countries that motivate parents to take care of their

small children at home by granting a long maternity leave and childcare allowances like GYES and GYED, making it possible for mothers to stay at home with their children for three years. At the same time, the capacity of the infants' nurseries is very low. Although they are free to do so, few women take up paid work before their child gets three.

- The system basically unchanged for several decades was considerably modified by an amendment of law in the summer of 2009, according to which mothers having children after April, 2010 would only be allowed to stay at home for two years.
- When the youngest child gets three and the mother (re)enters the labour market, she is certain to find it very difficult to reconcile work and her duties in the family. She might even have difficulties with going back to work again. Part-time employment is very rare in Hungary and employees usually do not have a say in their working hours.
- Although fathers are similarly entitled to receive most of the benefits, only few of them make use of the possibility, consequently children are mostly taken care of by their mothers.

¹ Hungarian acronyms.

CHILDCARE BENEFITS AND PARENTAL LEAVE

The system of allowances attached to the birth of a child is fairly complex in Hungary (Fig. 1).

It contains both single payments like the maternity grant and regular benefits like TGYÁS, GYES, GYED, and GYET. Among the regular allowances there are some that are due by civic right and some that are linked with insurance. These are not merely financial benefits, they also create insurance relations, making it possible for mothers to stay at home and remain insured. The longest additional income for the families is the family allowance which is due automatically after children.

created each year to follow inflation. Since then it has been 28,500 forints per month. After the child's second year of age GYES can be granted also to the father or even to the grandparents but only few of them choose to stay at home with the child.

In the first year the person receiving GYES is not allowed to do paid work but after that he/she can be gainfully employed without limitation. This is a considerable step forward encouraging parents to work. Prior to 2004 parents receiving GYES were, namely, not allowed to work until the child became one and a half years old and between 2004 and 2006 they were allowed to work four hours a day at a workplace or unlimited hours at home. Working parallel with GYES still remained a rare phenom-

Fig 1. Major elements of the family support system in Hungary today

		Age of child (years)										
		0	24 weeks	1	2	3	4	5	6	7	8	18
Maternity grant		GYES (childcare allowance)			GYET (childrearing support)							
	TGYÁS*		GYED	GYES								
		Family allowance										

* TGYÁS (maternity and confinement benefit), GYED (childcare fee), GYES (childcare allowance)

Maternity grant is a sum paid on the occasion of the birth of a child and is due by civic right. Its primary aim is to compensate for the expenses of the family in that period and amounts to 225 per cent of the lowest sum of the old-age pension at the time when the child is born. In 2009 it was 64,125 forints.

If the mother did not work prior to the birth of the child, she is entitled to *childcare allowance* (GYES) until the child turns three. It generates insurance relations as well. Prior to January 1, 2008 the sum in-

creased until 2005.²

Ever since its introduction in 1967, GYES – in addition to a certain sum of money – has granted mothers three years to spend with their children at home, qualifying as an employment, which was at that time exceptional worldwide. The conditions of the allowance have changed several times since then but its duration is still one of the long-

² A survey in the first half of the 2000s revealed that it amounted to a mere 5 per cent (see Bálint – Köllő, 2007).

est in Europe. This changed in the wake of the amendment passed in July, 2009 that reduced the period of GYES to two years beginning with children born after April 30, 2010.

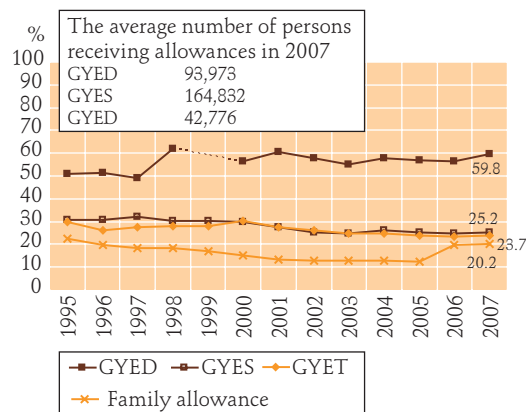
Mothers who had social insurance prior to giving birth can take a maternity leave of 24 weeks in the course of which they receive TGYÁS (*pregnancy and confinement benefit*) amounting to 70 per cent of their pro rata average income of the previous year. When this period is over, either parent ensured prior to the birth of the child can receive GYED (childcare fee) until the child gets two. The fee amounts to 70 per cent of the average income of the parent in the previous calendar year but cannot exceed than 70 per cent of double the minimum wage. During the period of TGYÁS and GYED the parent concerned is considered to be on leave, and not allowed to work. When the child turns two the parent taking care of it is entitled to receive GYES for the remaining third year just as those unemployed before the birth of their child. During that period the parent concerned is protected against dismissal.

Parents having at least three children have been entitled to GYET (*childrearing support*) since 1993. This allowance is received automatically from the third year of the youngest child to its eighth. It amounts to the smallest sum of old-age pension, which is at present (in the case of entitlements beginning with January 1, 2008) 28,500 forints per month. Parents receiving GYET can work only four hours a day except when working at home.

Family allowance is the benefit affecting the life of most families, more than any other form of monetary family support. It is due to families by civic right after every child. The sum depends on the

number of children, on the type of the family (single-parent or two-parent), and the children's state of health. It increases every year. Usually, it lasts to the end of compulsory school attendance, i.e., the completed 18th year of age. Due to the accelerating inflation after the change of regimes it lost much of its real value, which was in part counterbalanced in January, 2006 when the earlier regular childprotection benefit and a certain tax relief became incorporated into the family allowance. The allowance nearly doubled. In 2009 two-parent families with one child received 12,200 forints, while families with three or more children received 16,000 forints per child per month. A single parent with one child got 13,700 forints and a single parent with three or more children got 17,000 per child (*Fig. 2*). shows the size of the various forms of di-

Fig. 2. Childcare allowances as compared to net average incomes (per cent), 1995–2007*



* GYED was repealed in 1995 with the introduction of the economic restrictions called 'Bokros package' after the current minister of finance but was reintroduced in 2000.

rect financial family support as compared to the average incomes.

In January, 2009 family allowance remained unchanged, similarly to GYES, and is not planned to increase in 2010, either. Its role in the families' income is reflected by the fact that in 2007 it amounted to an average 9 per cent of the total income of families with children (see Gábos, 2008), which is a high rate in international comparison.

The family tax relief has been changed several times since the introduction of the personal income tax in 1988. At present it is due only to families with three or more children below a certain level of income and amounts to 4,000 forints per month per child.

Up to recently the subsidized housing loan and the home-building grant (the so-called SZOCPOL, a sum not to be refunded) was a still larger financial contribution to the housing conditions of families having children. The grant depended on the number of children and it was higher for second and third children. In July 2009 the Bajnai government suspended the system of housing support functioning basically unchanged since 2000. The system of interest subsidy was restarted in October based on new conditions.

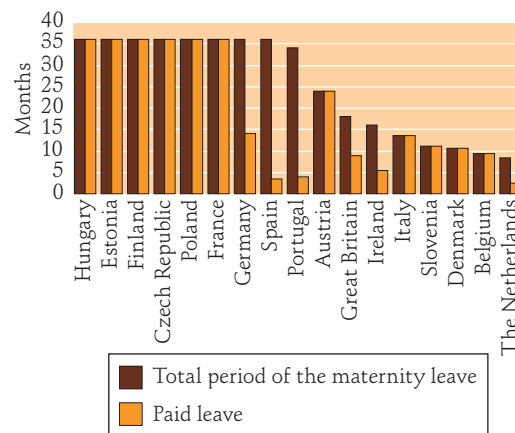
Further forms of financial support not dealt with here in detail are the support paid for new-born babies, the regular child protection allowance and the extraordinary child protection benefit.

The international comparison of benefits and leaves granted in connection with the birth of a child is extremely difficult, if not impossible, due to the great variety of the systems applied. It is still a fact estab-

lished by every attempt at comparison that the present Hungarian system is among the generous ones as regards the length of the time spent at home, its ability to compensate paid work (in the case of GYED), and the universality of the provision (in the case of GYES).

Fig. 3 shows the period granted for mothers (or fathers) as a leave from work following the birth of their children and the period of the individual forms of supplementary income. It can be seen here that Hungary belongs to the countries (Estonia, Finland, the Czech Republic, and Poland) that maintain a system of family support encouraging parents to stay at home for a long time, i.e., three years. France has a special arrangement as parents get there a long leave with financial subsidies only from the second child. Germany, Spain, and Portugal grant long leaves but only limited subsidies for a short period. In several other countries of the EU the leave is much shorter. For those at the end of the list it is less than a year.

Fig. 3. Maternity leave in some countries of the European Union, 2008

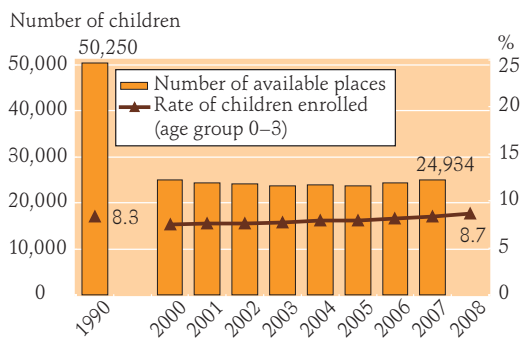


CHILDCARE INSTITUTIONS

The availability of institutionalized child care greatly determines the timing of the parent's return to the labour market after the birth of a child. In Hungary the primary form of institutions for children under three years of age are the infants' nurseries. Children can be admitted when they are twenty weeks old but (partly due to the timing of the termination of GYED) they are enrolled mostly when they turn two. Several of them remain even after their third year of age.

The number of infants' nurseries, consequently the number of children they can admit decreased radically after the change of regimes. By 2004 their capacity fell to half of that in 1990 (Fig. 4).

Fig. 4. Capacity of infants' nurseries and the rate of children enrolled from the age group 0–3, 1990–2008.



Source: Unpublished data, Central Statistical Office

After that the infants' nurseries maintained by workplaces were closed together with several municipal ones. The number of children in the age group fell to a much smaller degree, which led to overcrowding at the still existing institutions. As a consequence the rate of children going to infants' nurseries has remained relatively unchanged since the change of regimes,

around 8 per cent. The measure of overcrowding and the rate of those provided for shows territorial discrepancies in the country. Conditions are the most favourable in the region of Central Hungary and much worse in the northern part of the country.

The average of 8 per cent is much below the respective rate in most European countries. In Denmark it is 70 per cent, in the Netherlands 50 per cent, in France, Sweden, and Belgium above 40 per cent (OECD data, see Fig. 5).

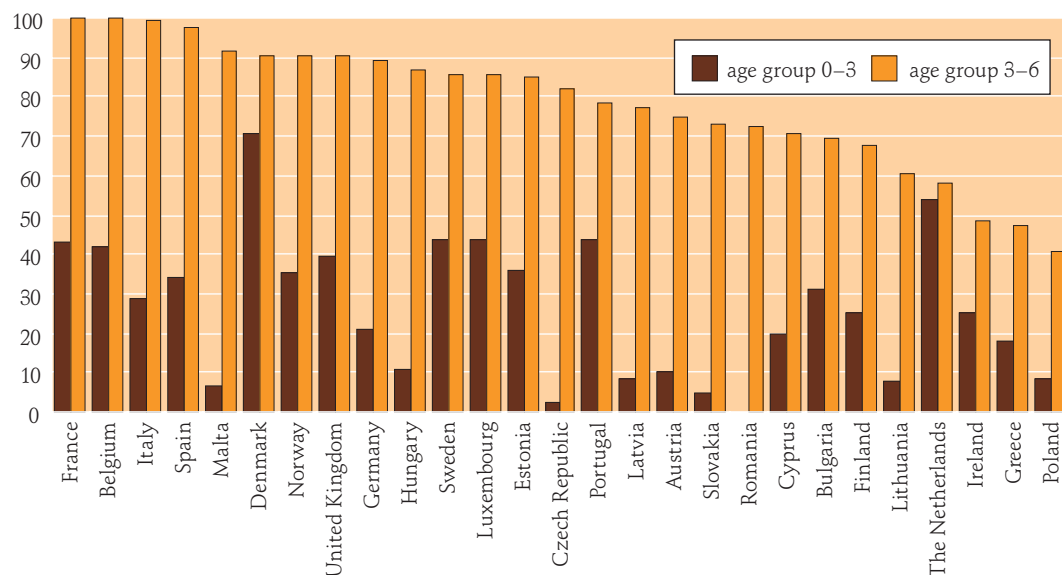
The rate of children cared for at infants' nurseries is similarly low or even lower in the Czech Republic, Lithuania, Austria, Slovakia, Poland, and Latvia.

Comparing the data of Figs. 5 and 2 we can conclude that the countries of Europe follow two basic models with several varieties. The Scandinavian model lets mothers stay away from the labour market only for a relatively short time but there are enough institutions that can take care of most children in the age group 0–3. As a contrast, the majority of the East European countries, Hungary included, offers a longer leave and smaller institutional capacity, encouraging mothers to stay at home with their children.

The period of the leave and the institutional background being interdependent, it follows from the planned shortening of GYES from 2010 that a considerable expansion of the institutional basis of child care will be needed. Realising this need, the amendment containing the changes as regards the future of GYES invites the government to introduce a bill to remedy this problem before October 15, 2009.

Although non-parental childcare for children under the age of 3 is mostly provided by infants' nurseries, recently there is a growing number of alternative solutions as well.

Fig. 5. The rate of children attending childcare institutions in the countries of the European Union, 2006



Source: OECD Family Database, <http://www.oecd.org>

Whereas in 2005 there were still no more than 78 family nurseries (private day-care centres in family dimensions), in 2009 there were already 260. These institutions take care of 5 to 7 children in a family atmosphere either in the home of the nurse or elsewhere.

Most family nurseries operate in the capital and in the Central Hungarian region. This is presumably because parents in these institutions have to pay a fee unlike at the theoretically free public nurseries. This is because family nurseries receive less per capita entitlement (state support) than the municipal institutions and the contribution of the local authorities is not regular, either, but depends on individual arrangements. Consequently, family nurseries can exist only where parents can afford paying for them. In 2007 as few as 1448 children attended family nurseries.³

³ Recently there are groups for children under 3 also at kindergartens, too, but no national data are available for the number of children there.

In contrast with children under three, those in the age group 3 to school age have a fairly wide-spread network of childcare institutions in Hungary. According to OECD data 86.9 per cent of the age group 3-6 attended kindergartens or nursery schools in 2006. This is still less than in France, Italy, and Spain, but is basically identical with the degree of attendance in the Scandinavian countries, Germany or Great Britain. From among the former socialist countries similarly favourable conditions can be found only in Estonia, the Czech Republic, and Lithuania (see Fig. 5).

Although the national average shows a positive picture, there are territorial and social disparities in this respect, too. Children are obliged to attend pre-school only after the age of five, so those below five can be turned down with reference to a lack of capacity, while the inflexible opening hours and the long summer holidays cause difficulties to the parents of those admitted.

FAMILY POLICY AND FERTILITY, LABOUR MARKET AND FERTILITY

Researchers have found both in Hungary and abroad that family policy including the system of childcare leave can have a great impact on fertility. The various surveys unanimously concluded that direct financial benefits encourage people to have children, whereas their reduction leads to a decrease in the number of children. This statement equally refers to family allowances, maternity allowances, and to tax reliefs depending on the number of children, though it has to be admitted that not every system is equally effective. France is a positive example with its system of supporting only second and further children by a long and heavily subsidized maternity leave.

It has also been shown that sometimes not even a considerable increase of benefit leads to a really notable increase of fertility. The long-time effects of certain types of benefits are similarly unclear. Researchers point out that they may not lead to an actual rise

of fertility, only to the earlier birth of the planned children. It is similarly not clear how long the maternity leave and how high the amount of the financial support needs to be in order to maximize demographic benefits. The fact that countries with the highest female employment, such as Sweden, can often boast of the most favourable level of fertility turns the attention of researchers to the impact of measures intended to harmonize family life and employment. Surveys in this field show that individual measures cannot bring about positive changes in the number of children. A complex transformation of the social and economic environment encouraging mothers to go back to work is needed for that. Its elements could be a not too long but well-paid maternity leave; affordable, available, and high-quality infants' nurseries; increased participation of men in household and childcare activities; and labour conditions like flextime, teleworking, part time, etc., that can help harmonizing family and employment.

CONDITIONS OF THE LABOUR MARKET

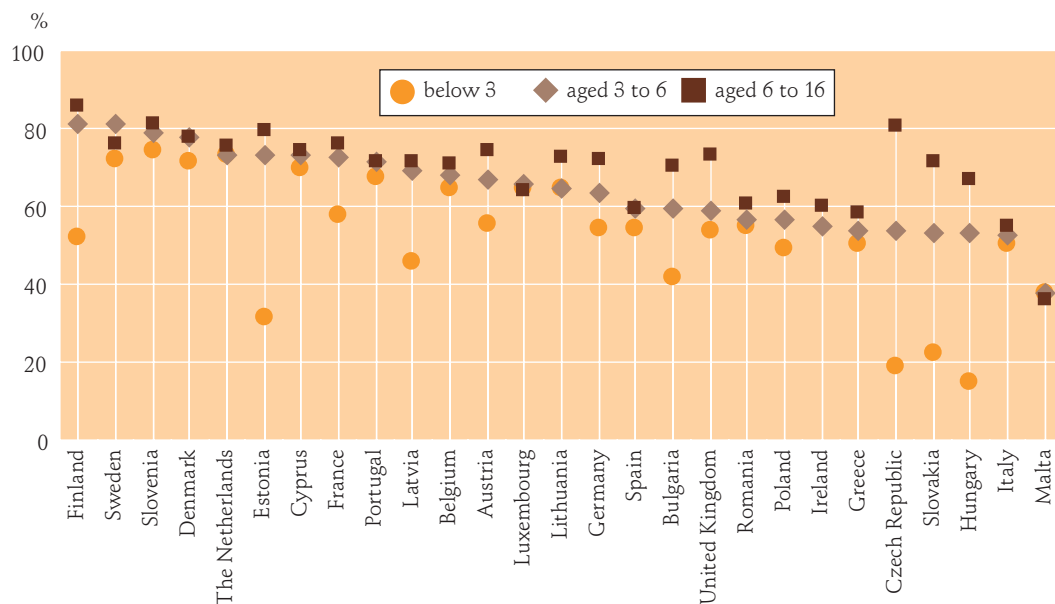
Whereas in 27 EU-countries 72.8 per cent of men between 15 and 64 and 59.1 per cent of women in the same age group were employed in 2008 on average, the respective rate in Hungary was merely 63.0 per cent for men and 50.6 per cent for women.⁴ In the case of men the difference was due to causes resulting from conditions on the labour market, i.e., the high rate of persons receiving pension-type provisions and inactive due to other causes (see Chapter 8 of the present volume), while in the case of women the low level of employment could be explained to a high degree by the great

number of mothers raising their children at home.

Since the mid-20th century, the dominant type of family in Hungary has been the one with two wage-earners, consequently women leave the labour market only for a certain period after the birth of their children. The predominance of this model was, however, shaken by the changes of the labour market after the change of regimes. The appearance of large-scale unemployment and the spread of alternative forms of inactivity in the early 1990s was really dramatic. The level of employment has, however, been fairly stable since the second half of the 1990s. In 2007 in 44 per cent of two-parent families with children aged 0 to 14 both parents were employed. The rate of those with only one working

⁴ See EUROSTAT. <http://epp.eurostat.ec.europa.eu>

Fig. 6. The rate of employed mothers by the age of their youngest child in the countries of the European Union, 2007



Source: OECD Family Database, <http://www.oecd.org>

parent was the same, but in every tenth family with children both parents were unemployed. Sixty-one per cent of single mothers had paid work in 2007.⁵

In the case of women the most frequent cause of the suspension of work is the birth of a child when they resort to the various forms of maternity leave. In most cases they make full use of the three years granted for them. According to Bálint and Köllő (2007) mothers with more than one child kept away from the labour market for 4.7 years in average between 1997 and 2005. *Fig. 6* compares the situation in Hungary to that in the other countries of the European Union and shows that Hungary is the last in Europe (lagging even behind Slovakia and the Czech Republic) with its 15 per cent as regards the rate of employment among women with children below 3 years of age. At the same time the rate of working

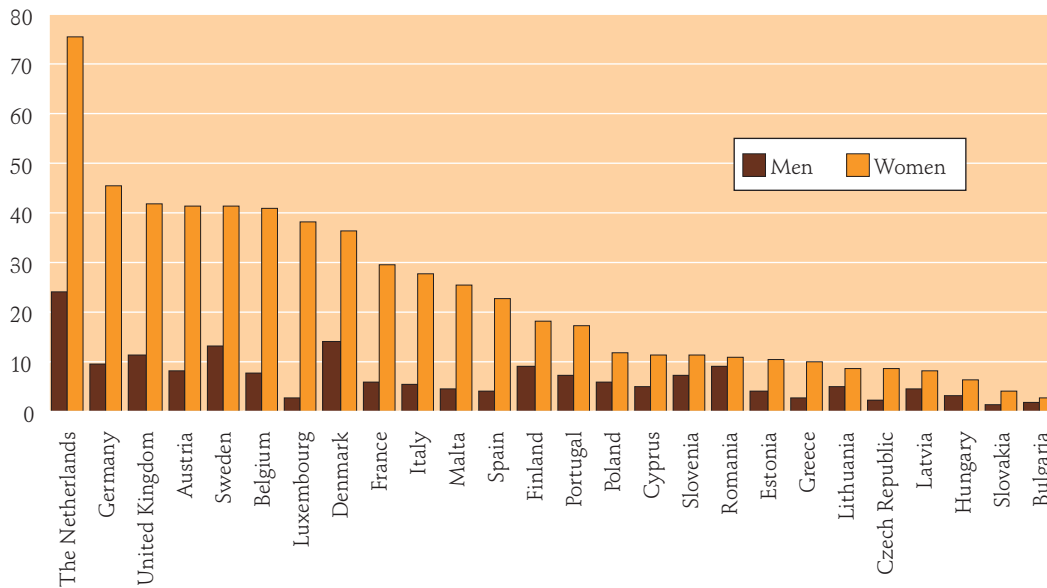
women having children aged 3 to 5 or older is not below the European average. The low rate of mothers with children aged 3 to 5 is partly due to the fact that several mothers no longer receiving GYES have difficulties with returning to the labour market. The so-called START-PLUSZ programme introduced in 2007 aims to remedy this problem by granting allowances to employers of such mothers.

Another peculiarity of the employment of parents in Hungary is the low rate of those working part time. In Western Europe, especially in the northern countries this is the classic way of reconciling family and work, mostly for women. Whereas in 2008 an average of 31.1 per cent of the working women worked part time in the 27 EU countries, in Hungary this rate was merely 6.2 per cent.⁶ It is not known, however, what percentage of all women working part time are

⁵ EULFS <http://www.oecd.org>

⁶ EUROSTAT. <http://epp.eurostat.ec.europa.eu>

Fig. 7. Rate of part-time workers in percentage of all employees in the countries of the European Union, 2008



Source: EUROSTAT <http://epp.eurostat.ec.europa.eu>

mothers with small children. In Hungary most women (and men) work 40-45 hours a week, a mere 5 per cent of the employed work less, and 5 per cent works more than that (EULFS). The low rate of part-time employment in Hungary goes back to various interdependent reasons such as high fixed expenditure burdening the employed (e.g., commuting) and high wage costs burdening the employers (Fig. 7).

Working parents are entitled to certain reductions of working hours. However, in Hungary they do not make everyday life easier but offer help mainly in extraordinary situations. Additional holidays and sick leaves for the duration of the child's illness belong to this category. Families are free to decide which parent should make use of the possibility. Fathers are granted an extra five days' leave in the first two months after their baby is born.

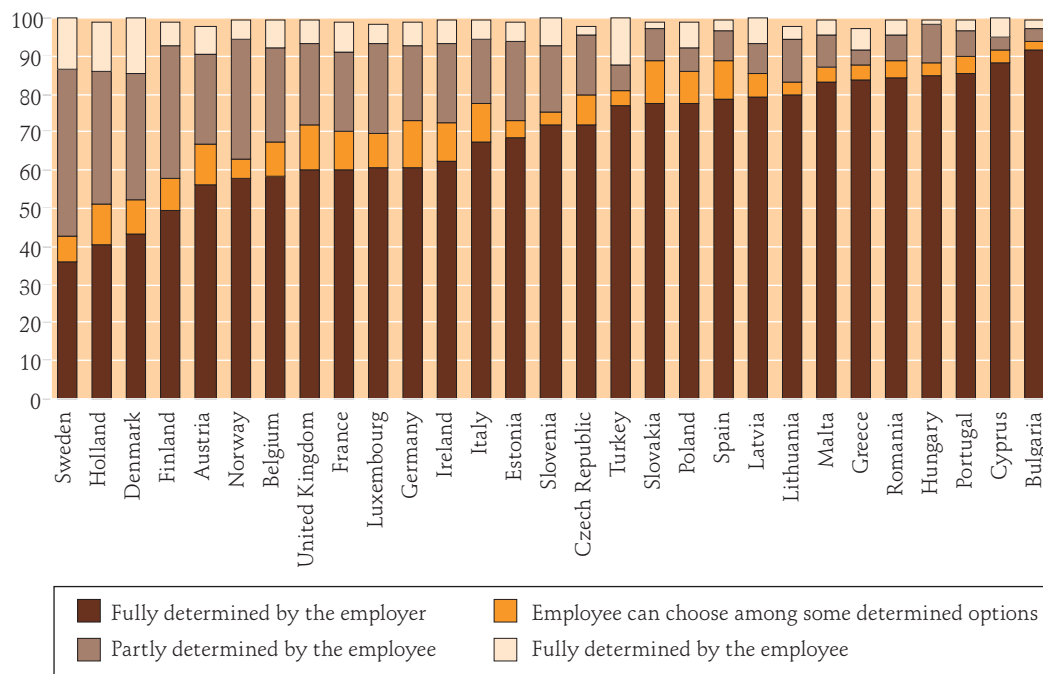
Besides the reduction of worktime granted by law employers can help their em-

ployees in harmonizing their family duties and their gainful activities in many ways. Comparable international data are available as to flextime showing that out of 21 EU member states Hungary has the highest rate (85 per cent) of employed people whose worktime is determined fully by the employers, i.e., who have no say in the timing of their work at all. In Scandinavia the respective rate is 40 to 60 per cent, in Austria about 56 per cent. Several former socialist countries feature more favourable conditions than Hungary in this respect. In the Czech Republic this rate is 72 per cent, in Slovakia 77 per cent, and is similarly low in Latvia and Lithuania, too (Fig. 8).

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Fig. 8. Possibility for employees to determine their worktime in the countries of the European Union and Turkey



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