

# 4.

## FAMILY SUPPORT SYSTEM – CHILDRAISING – EMPLOYMENT

*Zsuzsanna Makay – Zsuzsa Blaskó*

### MAJOR FINDINGS

- The Hungarian family support system is very generous and prefers young children being cared for at home by their mothers until their age of 3. While employed parents get means tested childcare fee (GYED, Hungarian abbreviation) for two years after the birth of a child, unemployed and inactive ones get childcare allowance (GYES) for three years which is a fixed sum and usually much less than the former.
- Besides these two major forms of support, family allowance provided for all families, childrearing support (GYET), and the reorganized family tax relief can be considered as the core of the Hungarian family support system. Hungary spends more on these allowances in proportion to its GDP than the European countries in general.
- Children under 3 taking part in institutional care are cared for mainly in day nurseries. In the past two years, the functioning of these institutions came to be regulated by several new decrees, involving the fees, too.
- Mothers usually do not have paid work in parallel with taking care of their children under 3, which is due to the inflexibility of the family policy and the labour market that rarely make part-time jobs possible.
- Public opinion is generally for taking care of children at home before they are three but in certain cases it accepts also working mothers with younger children.

## CHILDCARE BENEFITS AND REDUCTIONS OF WORK TIME

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 make 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.

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

Age of child (years)		0	1	2	3	4	5	6	7	8	...	18(20)
One-time maternity grant		Maternity grant										
Monthly benefits for families		Family allowance – childcare benefit						Family allowance – schooling support				
Grants facilitating childcare at home	Claimant (mother) was not employed prior to birth of child	GYES			GYET							
	Claimant (mother) was employed prior to birth of child	TGYÁS	GYED	GYES								

Maternity grant is an allowance granted to every mother at childbirth on condition that the would-be mother takes part at prenatal care at least four times before giving birth (in the case of preterm births at least once). The sum serves to compensate expenses in connection with the baby's arrival. It amounts to 225 per cent of the smallest old age pension at the time of the birth. In the case of twins, it is 300 per cent, i.e., today (2012) it is 64,125 Forints for one child and 85,500<sup>1</sup> for twins. A pension contribution of 10 per cent is deducted.

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 increased each year to follow inflation. Since then it has

been 28,500 forints per month minus 10 per cent for pension contribution). Childcare allowance (GYES) can be granted to fathers or even grandparents after the first completed year of the child as long as the child is cared for in the parents' household and the parents renounce the GYES on the grandparents' favour. In the overwhelming majority of cases it is, however, the mother who applies for childcare allowance.

In the first year, the person receiving GYES is not allowed to do paid work but after that he/she can work thirty hours a week or can work without limitation as long as he/she works at home.

Prior to 1996, childcare allowance, similarly to GYED, could be granted only if the parent had been previously employed. In 1996 it was made independent of employment and

<sup>1</sup>For a better comprehension of the different amounts it is useful to know that the average net wage was about 142,500 Forints in the first eight months of 2012 (<http://www.ksh.hu/docs/hun/xfjp/gyor/let/let21208.pdf>).

depended on the level of income, but in 1998 it became independent even of that and from that time on it is granted automatically. This allowance is, therefore, unique in Europe as in most countries only working parents are entitled for childcare benefits. Its duration is exceptional as well since only few countries encourage parents to stay away from work for several years in order to raise their children.

An amendment passed in July, 2009 reduced the period of GYES to two years, which would have affected children born after April 30, 2010. However, a new regulation following the change of government provided that one of the parents or grandparents of all children born after that date is entitled to GYES for three years.

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 be more than 70 per cent of double the minimum wage for the given period, i.e., 130,200 forints at best in 2012. Pension contribution (10 per cent) and advance personal income tax are deducted. During the period when someone gets pregnancy and confinement benefit (TGYÁS) and childcare fee (GYED), he/she is considered to be on leave, consequently he/she cannot do paid work. When the children of parents receiving GYED turn two, they are entitled to receive GYES for the remaining third year just like those who had not worked before childbirth. During that period the person 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 by parents from the third year of the youngest child to its eighth. It amounts to the smallest sum of old-age pension which is 28,500 forints in 2012 (minus 10 per cent for pension contribution). Parents receiving GYET can work only for thirty hours per week except when working at home.

About 13 per cent of women in their fertile years stay at home with their children with the help of GYES, GYED or GYET. Most of them receive GYES (7 per cent of all women in their fertile years), 4 per cent receive GYED, and less than 2 per cent apply for GYET.

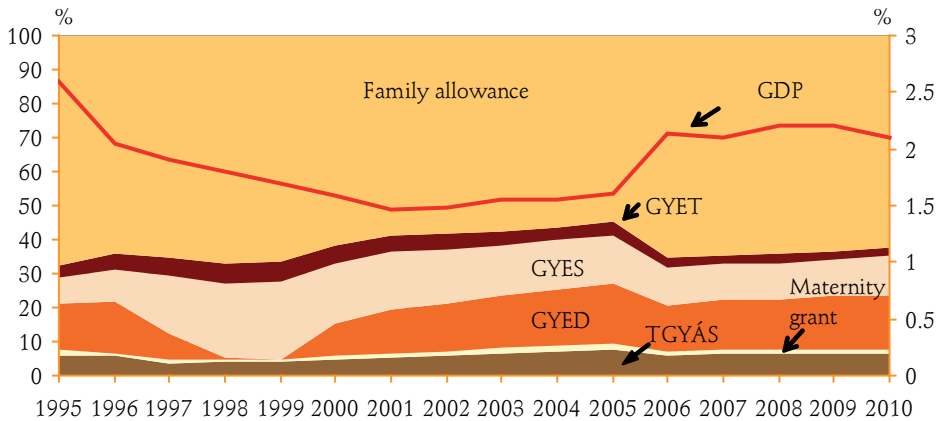
Among all forms of financial benefits family allowance is the one affecting the life of most families. Since August 30, 2010 it has had two forms, namely childcare benefit and schooling support. The former is due to children under school age, while the latter is due to those of school age and those above that but under 20 in case they learn or study in an institution of public education. In 2012 the sum is a net 12,200 forints for families with two parents and one child (unchanged since early 2008). The sum gets higher with the number of children and is naturally higher for single parents, too.

These benefits taken together amount to about 2 per cent of the GDP. In the early 1990s, this rate was above 2.5 per cent, in the early 2000s it fell to 1.5, and in 2006 it rose once again above 2.5 per cent (Fig. 2).

The distribution of the expenses shows that the greatest part of the sum spent by the state on family support, over 60 per cent, goes to family allowance. This rate was decreasing between 1995 and 2006, then it started to rise again due to the reorganization of the system.

The second largest sum is spent on GYED with 16 per cent, while GYES amounts to 11 per cent.

**Fig. 2. State expenses on family allowance by forms of allowance and their rate in GDP, 1995–2010**



Source: KSH (Hungarian Central Statistical Office) 2011.

Note: GYED was repealed in 1995 with the introduction of the so-called 'Bokros package' (called so after the current minister of finance) and disappeared from state expenditures in 1998 and 1999. It was reintroduced in 2000.

The system of family tax relief has recently undergone a considerable change. Prior to 2011 it was due only to families with three or more children and amounted to 4,000 forints per child per month. However, since January 1, 2011 parents expecting their first child are similarly entitled to the reduction from their total taxable income. The personal income tax can be reduced by 10,000 forints per month for one child, by 20,000 forint for two, and by at most 33,000 for three or more. According to an estimate of the Central Statistical Office, based on a model of microsimulation, the impact of family tax relief on the incomes in 2011 was considerable. As compared to 2010, the incomes of large families grew to a greater extent than those of smaller families or of families without dependent children. While the real incomes of families with three or more children grew by 19 per cent, the growth for those with one child was 6 per cent, and for those without children 1 per cent.

There are various other financial means of family support, e.g., the support paid for

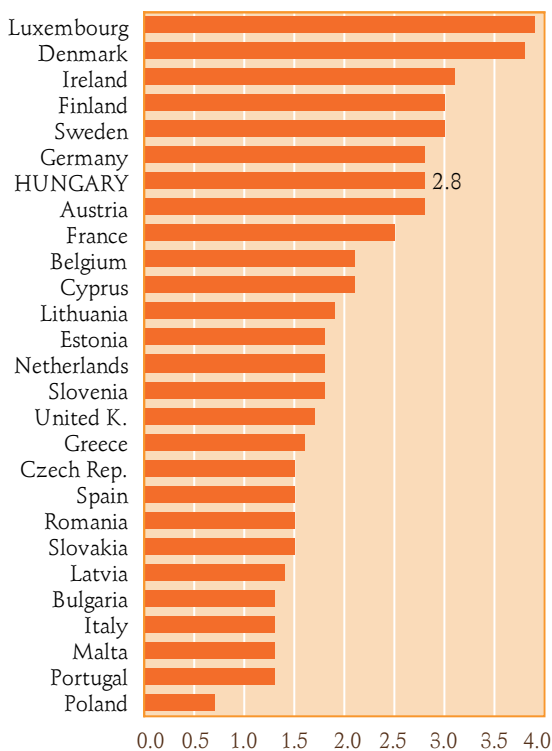
new-born babies, the regular child protection allowance, the extraordinary child protection allowance and the reduced fees in catering.

Making an international comparison among the various systems of family support and parental leave is a very complicated task as these systems are greatly different. It is, however, a fact that the present Hungarian system is considered generous by every attempts at comparison as regards the length of the period parents can spend at home with their children, the level of financial support as compared to wages or salaries (in the case of GYED), and its universality (in the case of GYES). For a more extensive comparison see the text in the frame.

As compared to other European countries, Hungary spends a lot on family support. The definition of Eurostat for such benefits is wider, as a consequence of which the data relating to Hungary are higher in comparison with the GDP than those calculated by the Hungarian Central Statistical Office. In 2009 this figure was 2.8 per cent (Fig. 3) with

which Hungary was the seventh among the European countries and the only one among the former socialist ones where families were supported on such a high level. The average expenditure of the 27 EU member states on family support is 2.1 per cent of the GDP.

**Fig. 3. The rate of expenditures on family support in the EU member states in percentage of the countries' GDP in 2009**



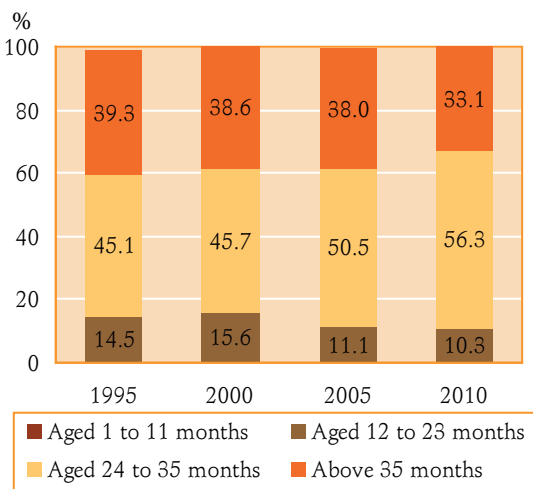
Source: European Commission 2010.

At the same time, Hungary is much criticized internationally for the fact that the greater portion of these benefits is in cash and the rate of benefits in kind (different sorts of services e.g. in childcare and the reductions of fees, e.g., in school catering) is relatively small.

## CHILDCARE INSTITUTIONS

The availability of institutionalized childcare greatly determines the timing of the parent's return to the labour market after the birth of a child. In Hungary the primary 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 there even after their third year of age (Fig. 4).

**Fig. 4. The distribution of children in infants' nurseries by age, 1995–2010**



Note: The rate of children aged 1 to 11 months is less than 1 per cent of all children attending infants' nurseries.

Source: KSH 2011.

The number and capacity of infants' nurseries radically decreased after the change of regimes in Hungary and the situation started to improve only after 2004. In 2004 there were 527 infants' nurseries in the country, which figure rose to 668 by 2010. In 2009 and 2010 the number of available places

## FLEXIBLE FAMILY POLICIES IN EUROPE

In the past few years several EU countries modified their systems of financial family support for parents with small children. One of the major trends is that the forms of financial benefits can be chosen freely by parents. The flexibility of rules can be the key to the mothers' giving birth to the desired number of children and a means of the harmonization of work and family.

Flexibility means that, within certain limits, parents (mothers) can choose the amount and form of work they prefer, as well as the time they want to spend with their children at home. State support is adjusted to these preferences.

Flexible financial family support systems or ones with flexible elements are functioning in several EU member states. The Hungarian one is, however, among the unflexible ones in that it definitely supports long-term home care. The French, the Belgian, and the Czech systems, for example, offer much more alternatives. In France and Belgium only employed parents are entitled to childcare leave which is very short especially in Belgium, where mothers can stay at home full time only for three months. They have two extra options as well, which means

that they can either work half of their working hours for six months or four fifths for fifteen months. The three options can be combined as well, and a mother can, let us say, stay at home for two months, then work four fifths of her workday for another five months. The childcare leave and the part-time employment can be made use of any time before the child gets 12, at once or in installments. For the duration of the leave a supplementary income is paid to the mother, which differs according to the three options.

In France, working mothers can stay at home for at most six months after the birth of the first child and for three years after the birth of further children. During this period they are allowed to work part time, and employers cannot reject their applications for that. Parents working part time are similarly entitled to supplementary income which, taken together with the wage or salary, is much more favourable than in itself.

In the Czech Republic childcare leave of two, three or four years can be granted but the longer the leave, the less the monthly financial support. So although a long period of taking care of children at home is made possible by the state, the financial conditions encourage parents to go back to work as soon as possible.

in the nurseries grew by 5,829 despite the fact that the number of new nurseries was only 43 in that period. The growth can be attributed to an amendment of the law, as a result of which the number of children in a group can be 12 instead of 10, or even 14 if all children in the group are above 2 years of age.

Increasing the capacity of nurseries in this way is not a uniquely Hungarian phenomenon. Other countries similarly increase the number of children in a group when they do not have money to spend

on new buildings and on operating new institutions (Makay, 2012). In the next few years it will turn out how this method will influence the number of children enrolled and whether the rate of those attending infants' nurseries will grow among the total number of the age-group. This rate has been stable in Hungary for years and is around 8 to 9 per cent.

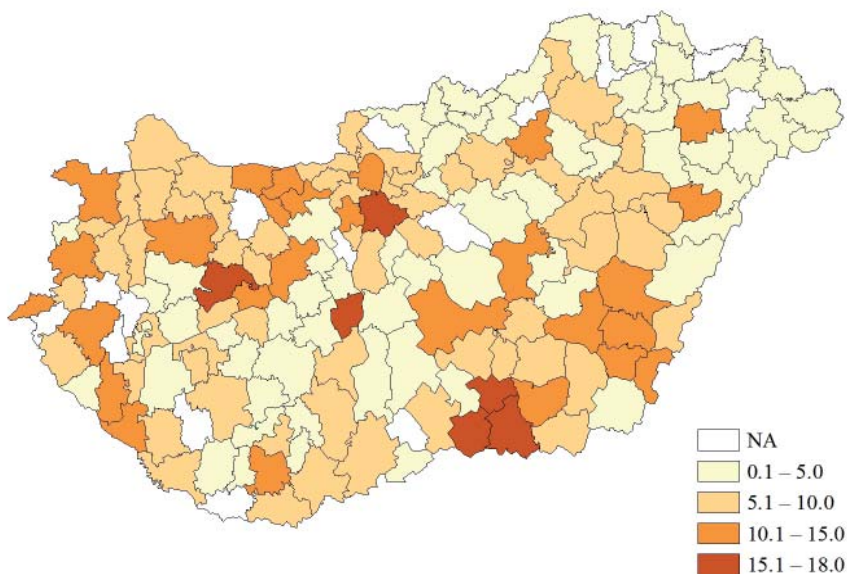
The fees to be paid by parents have changed a lot lately. Whereas prior to 2011 they could include only the raw materials used for meals,

nowadays a daily sum amounting to not more than 50 per cent of catering fees for general expenses per child are also included. The local government can decide whether they wish to charge the parents with this latter sum as it is usually they who are behind these institutions. It is similarly they who have to apply the latest amendment of the rules passed in December, 2011 which provides that nurseries can charge the parents also for catering, care and custody during the day. The sum is „the difference between the net cost of the services and the normative contribution of the state.” This so-called ‘personal’ fee cannot exceed 25

per cent of the regular monthly income per head in the family when catering is provided. Infants’ nurseries are free in certain cases, e.g., for children receiving regular child protection benefit, for disabled children, or for families with three or more children.

So the financial burden on parents is expected to rise, though infants’ nurseries have not been free earlier, either. According to an inquiry by the Demographic Research Institute in 2008, parents paid an average of 6,670 forints monthly that year for catering and in several nurseries the sum was above 10,000 forints.

**Map 1. Capacity of infants’ nurseries and family day-care centres per 100 children under 3 years of age by sub-regions, 2010**



Source: KSH (Hungarian Central Statistical Office).

Another institutional form for non-parental childcare is the family nursery or private day-care centre in family dimensions popular in several European countries, in the

framework of which children between 20 weeks and 14 years are taken care of either by day or, in the case of older children, after kindergarten or schooltime. These family

day-care centres have to be licensed by the authorities and may receive per capita entitlement or state support but this sum is lower than the one granted to municipal institutions. Consequently parents are likely to pay much more in these institutions.

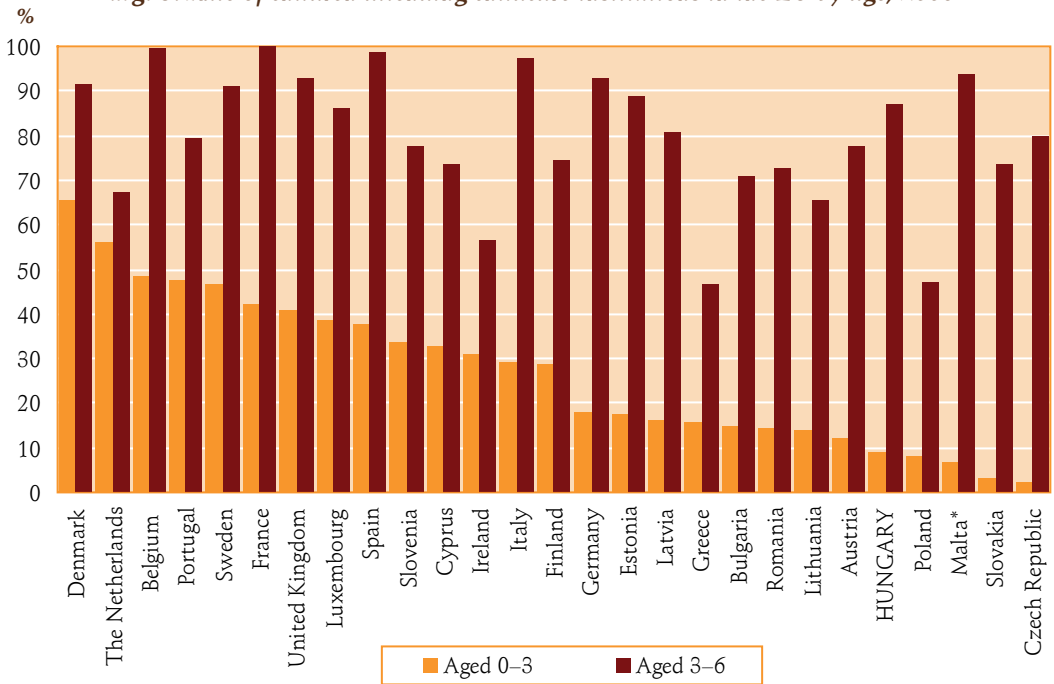
Family nurseries started to spread in Hungary from the 2000s as an alternative of infants' nurseries and their number is steadily growing. In 2006 there were only 60 of them in the whole country but by 2010 their number had risen to 694 and the number of children attending them to 7,200.

The regional distribution of available places both in infants' and family nurseries is highly uneven in the country. The map shows the capacity of the two types of institutions by sub-regions as compared to the number of

children under 3 (Map 1). There are over 10 sub-regions where neither municipal infants' nurseries, nor family day-care centres are in operation, the territorial distribution of which is uneven. In Western Transdanubia and in the region of Budapest families are much better provided for than in the eastern parts of the country. The majority of children attending nurseries or day-care centres live in and around larger cities all around the country, while in certain sub-regions in the peripheries children tend to be taken care of predominantly at home.

Home care means taking care of a child in his/her home by a baby sitter. This form of childcare is expensive and, therefore, not wide-spread. In 2010 there were merely 200 children taken care of in this way.

Fig. 5. Rate of children attending childcare institutions in the EU by age, 2008



\*The data for Malta are from 2005.  
Source: OECD Family Database.



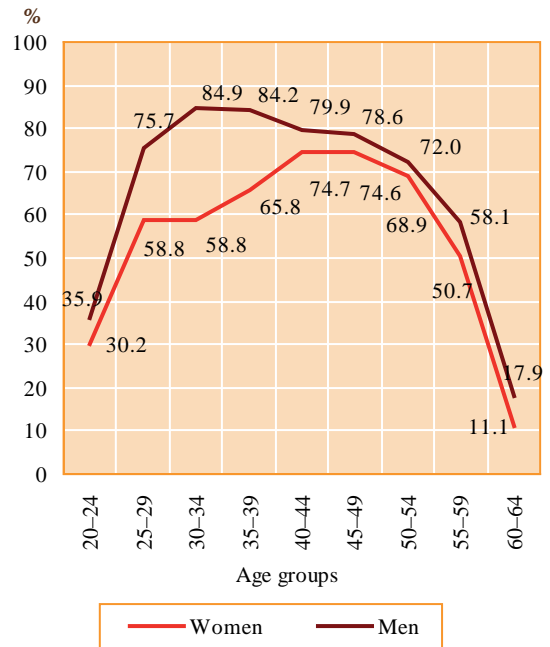
To sum up, in Hungary today the overwhelming majority of children under 3 are taken care of at home, mostly by their mothers. Less than one out of ten children attend child-care institutions. This rate is much higher in several European countries. For example, in Denmark 66 per cent of the children in the age group attend child-care institutions and in the Netherlands this figure is 56 per cent (Fig. 5). In general it can be established that early institutional childcare is more wide-spread in Western and Northern European countries, as well as in Portugal, while it is less popular in most former socialist countries, Austria, and Malta. However, an average of 80 per cent of European children having completed their third year attends some kind of institution up to the beginning of their school years. In Hungary this rate is almost 90 per cent, while in Poland and in Greece only less than half of the children in the age group go to kindergartens.

## CHILDCARE AND EMPLOYMENT

While in the 27 EU countries 70.1 per cent of men between 15 and 64 and 58.5 per cent of women of the same age group were employed in 2011, in Hungary the respective rates were 61.2 and 50.6.<sup>2</sup> The shortfall for men as compared to the European average was mainly due to various conditions on the labour market, to the high ratio of persons receiving all kinds of pensions and of those inactive for various other reason, while the high share of women among the unemployed was mostly due to the low level of activity among women with small children. In the most fertile age group of 25–34, the employment rate of women is, namely, stagnating and lags behind that of women in their forties

by about 16 percentage points. The latter belong to the age group best represented on the labour market (Fig. 6). In the case of men, this phenomenon characterizes mostly those in their thirties, while their share on the labour market is continuously decreasing from their age of 40 onwards.

**Fig. 6. Employment rates for women and men by age groups, 2011**

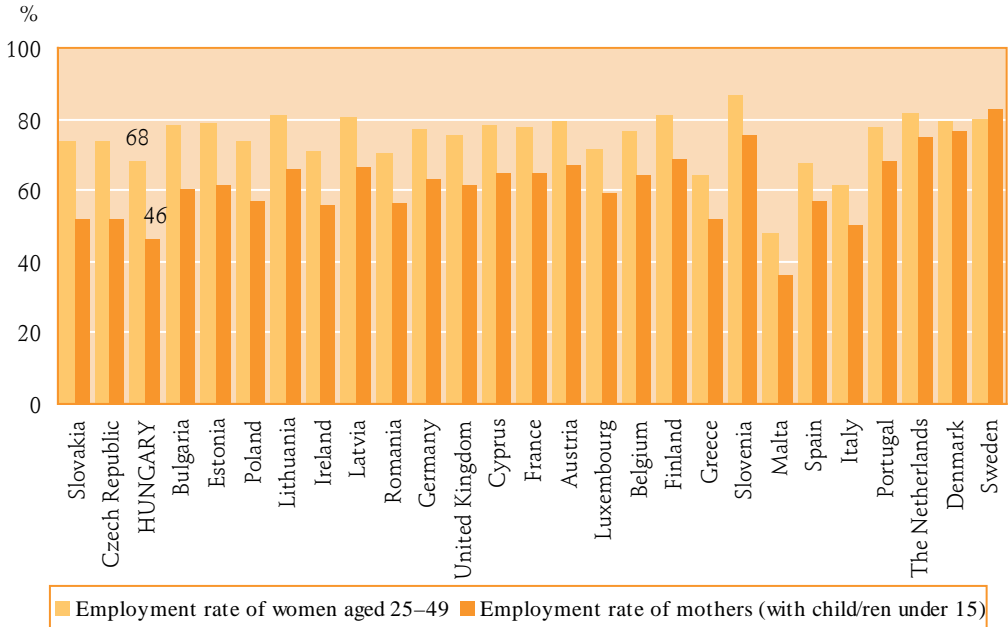


Source: KSH (Hungarian Central Statistical Office)

In Hungary there is a considerable difference between the employment rates of mothers and women in general as compared to other countries, namely about 22 percentage points. The difference reaches a similar level only in a few European countries, namely, in Slovakia and the Czech Republic, while it is negligible in Denmark and Sweden. The average employment rate of mothers in the 27 EU member states is by 13 percentage points lower than that of women in general (Fig. 7).

<sup>2</sup> Source: EUROSTAT. <http://epp.eurostat.ec.europa.eu>

Fig. 7. Employment rates of mothers and women in general in the European Union, 2008



Note: The countries are arranged according to the decreasing difference between the two rates  
 Source: OECD Family Database.

In the case of women, the most frequent cause of the suspension of paid work is the birth of a child when they resort to the various forms of maternity leave. Taking care of children at home for a long time is not usual in most countries of Europe where, in contrast with Hungary, most mothers work part time after the birth of their children. The local labour codes provide that employers cannot deny parents with small children the possibility of part-time work, which applies in Hungary only to those working in the public sphere. The systems of family support are also more flexible in some countries and make part of the sum due to persons on maternity leave available also for those working part time. (For more

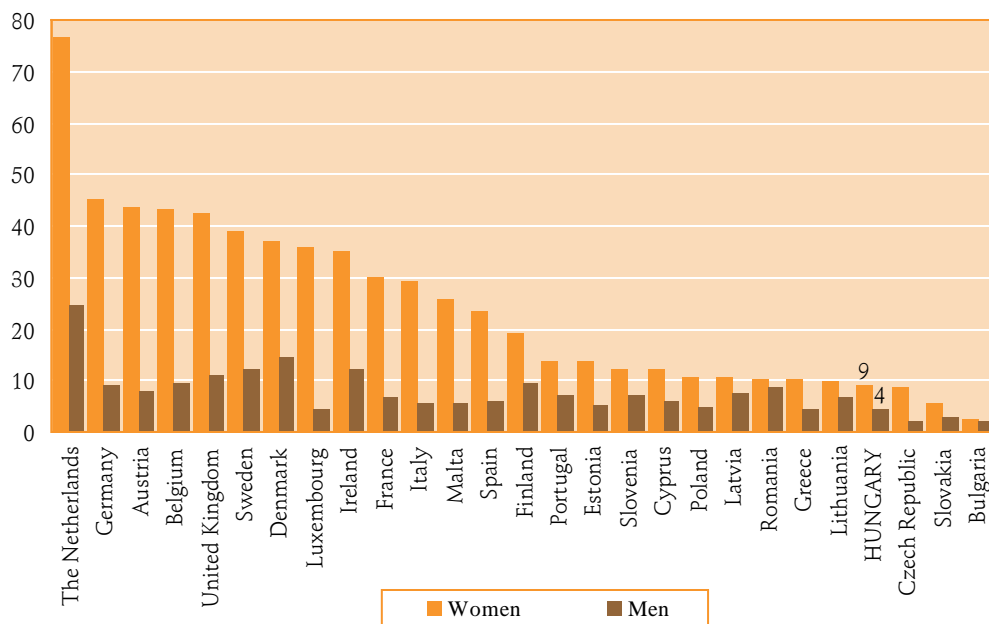
details see the text in frame.) In Hungary this applies only to GYES after the child’s first year, and the working hours are restricted. In contrast, the sum received as GYED is completely lost should the parent do any paid work.

It is probably due to these reasons (especially to the fact that employers are not obliged to employ parents part time even if requested) that similarly to the other former socialist countries, part-time work is not wide-spread in Hungary. Only 9 per cent of the women work in this way, while their rate is nearly one third on average in the other EU member states. In the Netherlands 77 per cent of all employed women and nearly one quarter of all employed men work part time (Fig. 8). This form of employment is predominantly the choice of the persons employed. Only 2 per cent of those working part time do so because it was imposed to them. Although part-time work often has disadvantages, too,

e.g., contracts for a fixed term, lower than proportionate wages, slower progress at the firm, lower unemployment benefit, and, therefore, a higher risk of poverty, this form of employment is considered an acceptable

short-term compromise for families with small children in most countries, since mothers have more time to devote to their families.

**Fig. 8. Rate of women and men working part time as compared to the total number of employed persons in the EU, 2011 (percent)**



Source: Eurostat.

It may be presumed that the greater popularity of part-time work would contribute to a wider employment of mothers with (small) children and to reconciling family and work in Hungary as well. If mothers can work part time, the population under 50 (the mothers in question included) accepts going back to work shortly after the birth of a child much easier. Whereas only less than 1.5 per cent of the population accepts work for mothers before the child gets a year old, 14 per cent thinks it acceptable if the mother works only part time (Fig. 9). An even higher

percentage agrees with the employment of mothers if their families are in a financially difficult situation, and even more persons find work acceptable if it can be done at home. In that case over one third of the population considers work for mothers acceptable when their children are already one year old.

To sum up, the Hungarian population finds taking care of children at home desirable before they turn three but under special conditions they can accept taking up work earlier than that.

**Fig. 9. Distribution of answers to the question "Which is the earliest age for children when mothers should go back to work?"**



Source: Blaskó 2011.

OECD Economics Department Working Papers 566, (<http://ideas.repec.org>)

KSH (2011): Gyermekvállalás és gyermeknevelés (Having and raising children) <http://www.ksh.hu/docs/hun/xftp/idoszaki/pdf/gyermekvallasnevel.pdf>

KSH (2011): Szociális statisztikai évkönyv, 2010 (Social statistical yearbook, 2010), Budapest: KSH

KSH (2010): "Gyermekvállalás után – A munkaerőpiacra való vissztérést segítő tényezők" (After having children. Factors assisting the mothers' return to the labour market), Statisztikai Tükör 2010:6. <http://www.ksh.hu/docs/hun/xftp/gyor/jel/jel309111.pdf>

Korintus, M. (2008), "Early childhood education and care in Hungary: challenges and recent developments", *International Journal of Child Care and Education Policy*, Vol. 2, No. 2, pp. 43–52.

Makay, Zs. (2012), Politiques familiales, activité professionnelle et fécondité en Hongrie et en France. Différences de mentalités et de comportements. Thèse de Doctorat (manuscript), Université Paris Ouest – Nanterre La Défense.

OECD Family Database (<http://www.oecd.org>)

REFERENCES AND FURTHER READINGS

Bálint, M. and Köllő, J. (2008), "The labour supply effects of maternity benefits. In Fazekas, K., Cseres-Gergely, Zs. and Scharle, Á. (eds.), *The Hungarian Labour Market 2008*. pp. 53–71. ([www.econ.core.hu](http://www.econ.core.hu))

Blaskó, Zs. (2011), "Három évig a gyermek mellett – de nem minden áron. A közvélemény a kisgyermekes anyák munkába állásáról" (Three years with your child – but not at all costs. Public opinion about the employment of mothers), *Demográfia*, 54/1, pp. 23–44.

Hemmings, P. (2007), *Family Policy in Hungary: How to improve the Reconciliation between Work and Family?*