

FAMILY SUPPORT SYSTEM - CHILDRISING - EMPLOYMENT

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MAIN FINDINGS

- » The Hungarian family benefit system can be considered relatively generous in European comparison: approximately 1.9 per cent of the GDP is spent on family benefits - and if non-financial support is considered as well, Government spending on families is even higher.
- » This also has an effect on employment figures. Among 30–34-year-olds who are most affected by child care, the employment rate of women is more than 20 percentage points lower than that of men and it is also well below that of women without childcare responsibilities.
- » Sixty-two per cent of this is spent on family allowance and 35% on the three main child-raising allowances supporting families with children under the age of three years: baby-care allowance (CSED), childcare allowance (GYES) or childcare benefit (GYED)¹.
- » Children typically start infants' nursery or less commonly a family day-care centre when they are between two and three years old at the earliest, when parents are no longer eligible for GYED or GYES. However, the majority of children are looked after at home until they can start kindergarten at the age of three years.
- » Having three different benefit schemes to support families to care for children at home is unique in Europe. Most countries do not provide financial support for long parental leaves from the labour market.
- » Since 2011 financial support of families through taxation has increased. Although many benefits had been exempt from income tax before, parents are now entitled to an income tax break from the birth of their first child. The “family tax break” was also extended to include social insurance contributions in 2014.
- » Nearly 10% of working age women – those aged between 15–54 years – are inactive earners receiving some form of child-raising allowance (GYES, GYED, and GYET).

¹ See Glossary for the full name and brief description of benefits.

» The main changes in family benefits that entered into force on January 1, 2014 (GYED extra) are the following:

After the first birthday of the child parents can take up/return to work without any limitation on the number of hours worked while continuing to receive GYES or GYED.

If a family has another child while still receiving one of the child-raising allowances for their previous child/children, they can now receive both benefits, including the benefit for the new baby. Previously they could only receive one of the benefits and stop claiming the other.

Students in higher education are eligible for a fixed-sum GYED (the “graduate” GYED).

For twins GYED can be paid for three rather than two years.

» On January 1, 2015 the “tax break for first married couples” entered into force. This is available for newly married couples where at least one of the spouses is married for the first time. It can be claimed for no more than 24 months and it is a net discount of HUF 5,000 per month.

INTRODUCTION

The Hungarian family benefit system comprises approximately 20 different types of benefits². One of the aims is to reduce the financial burden of bringing up children by providing financial or in-kind assistance directly to families with children. They include for example the *family allowance*, *baby-care allowance* (CSED)³, *childcare benefit* (GYED), *childcare allowance* (GYES), *childrearing support* (GYET), and a number of other means-tested benefits (such as the regular child protection discount). The other aim of the benefit system is to support families in certain life situations: such as additional annual leave entitlement and paid sick leave to look after children for working parents, child maintenance advance payments for parents that are getting divorced etc.

There have been a number of changes in the benefit system in recent years. The majority of these amendments affected families with children under three years (although not exclusively) and sought to encourage the employment of parents with young children. Previously the main focus of the benefit system for this group was supporting the care of children at home. This was the reason behind the introduction of the *childcare allowance* (GYES) in 1967 and the *childcare benefit* (GYED) in 1985 that have been the defining features of Hungarian family policy since then. (See boxed text on the introduction of GYES).

SOME OF THE BENEFITS SUPPORT FAMILIES WITH YOUNG CHILDREN...

One of the characteristics of the Hungarian system is that all families, regardless of their financial or employment situation, are entitled to receive some form of financial assistance for three years if they wish to look after their children at home. (Although it must be noted that the system is promoting “stay-at-home parenting” less and less. This will be discussed in more details later.) This is unlike in most European countries where eligibility for child-raising allowances is based on previous employment status: they are only paid to parents who have been working before the birth of the child and are taking unpaid leave. Moreover, they are paid for a much shorter time period: in some countries only for a few months (for example in Belgium for three months, in France for six months after the birth of the first child), elsewhere for up to 12 months (typically in the Scandinavian countries).

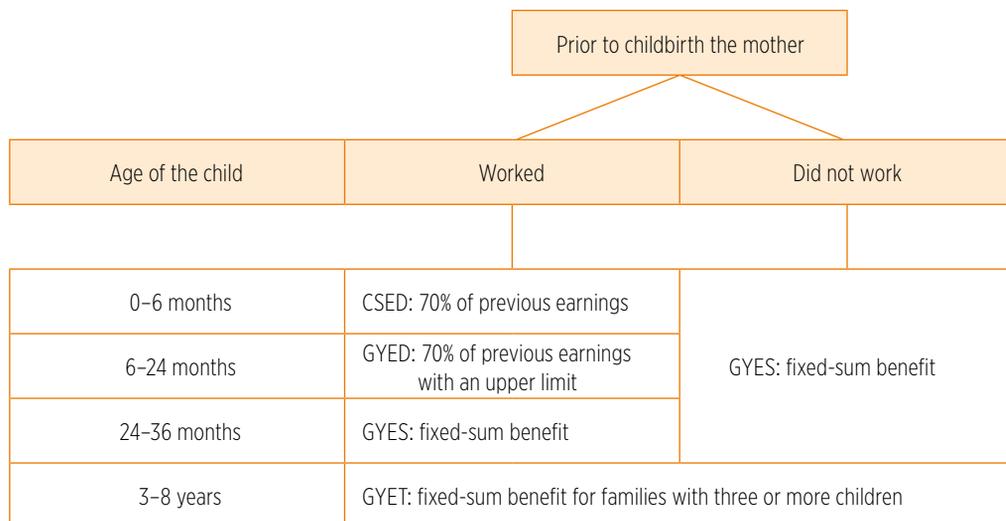
On the contrary, in Hungary all parents are entitled to financial support to look after their children at home up to the age of three years. For working parents these benefits (CSED and GYED) aim to compensate for the loss of earnings, while for mothers⁴ who have not been employed prior to childbirth the childcare allowance (GYES) provides a fixed-sum, albeit rather low, income as well as a socially acceptable status (*Figure 1*).

² These benefits include a broad range of financial assistance and discounts that are exclusively available to families with children.

³ See Glossary for the full name and brief description of benefits.

⁴ Although fathers are also eligible to claim *childcare benefit*, *childcare allowance* and *childrearing support assistance*, it is mostly mothers who are receiving these; therefore this discussion is mainly about women. In 2013 there were only 4,000 men receiving childcare-related benefits as opposed to 250,000 women. (The number of men is expected to go up as a result of the introduction of “GYED extra” because many families will be better off claiming the benefit on the income of the father rather than the mother, especially considering that they will not be required to stay at home with the children, but they can continue working).

Figure 1: Types of financial assistance available exclusively for families with young children in the Hungarian family benefit system



Working mothers are entitled to a 24-week maternity leave during which they can receive the *baby-care allowance* (CSED, previously TGYÁS) that is paid to mothers who have been insured for at least 365 days within the two years prior to childbirth. Moreover, they must give birth while they are insured or within 42 days from the end of their insurance or after 42 days but while receiving occupational accident pay or within 28 days from the end of their occupational accident pay. The rate of baby-care allowance is 70% of previous daily earnings and there is no upper limit on the amount paid by the national insurance directorate. It is not required to pay social security contributions on baby-care allowance but it is subject to personal income tax. In summary, this allowance provides a relatively high level of income replacement for working women for six months after the birth of their child. In 2013 the gross monthly amount of TGYÁS was HUF 131,611 per claimant and the average

number of recipients was 24,230 people per month (OEP Statisztikai évkönyv, 2013). Until 2009 this number was around 30,000 per year; however since 2011 it has been fluctuating between 24,000 and 25,000 people. The main reason behind this drop is most likely the new rule that entered into force on May 1, 2010⁵, which increased the number of insured days required to qualify for the allowance from 180 to 365 days.

After the end of the six-month maternity leave and when payment of the baby-care allowance (or previously TGYÁS) stops, parents can claim *childcare benefit* (GYED) until the second birthday of the child if they take unpaid leave from work. As the discussion of current regulations that entered into force in 2014 will show, being on unpaid leave is required for claiming GYED up to the first birthday of the child, however not in the second year.

The amount of the childcare benefit, similarly to the baby-care allowance, is 70% of previous daily average earnings but

⁵ Act LXXIX of 2009 on the amendment of the Act XXXI of 1997 on the protection of children and guardianship administration, and on the amendment of certain legal acts relating to social issues.

unlike for the latter, childcare benefit has an upper limit at 70% of twice the amount of the minimum wage. The maximum pre-tax amount payable was HUF 137,200 in 2013, HUF 142,100 in 2014 and HUF 147,000 in 2015. Ten per cent pension contribution, as well as personal income tax is deducted from this sum. On average around 80,000 parents per month (predominantly mothers) are receiving childcare benefit and approximately 22% of all claimants are getting the maximum amount. The average gross GYED paid in 2013 was HUF 99,320 (OEP Statisztikai évkönyv, 2013).

Parents who did not have sufficient insurance contribution or eligible income before the birth of their child to claim CSED or GYED are entitled to *childcare allowance* (GYES) from birth until the age of three. Parents, who were receiving GYED up to the second birthday of their child, can also claim childcare allowance until the child turns three. GYES is paid at a fixed rate equal to the statutory minimum amount of old age pension (HUF 28,500 gross since 2008), of which a 10% pension contribution is deducted. For twins the amount of GYES equals to 200% of the minimum pension. The average monthly count of GYES claimants was 161,274 in 2013, almost twice as many as GYED recipients. On the one hand this is due to the fact that GYES is a universal benefit, on the other hand it can be paid for much longer: up to three years as opposed to GYED that is only paid for a maximum of 18 months (before that the CSED is paid for six months).

Below two other benefits are presented briefly. First, the *maternity grant* that, unlike the benefits discussed earlier, is a one-off payment after childbirth for women who have attended antenatal check-ups at least four times during their pregnancy (at least once for premature births). It is 225% of the statutory minimum old age pension, for twins 300%, so for one child it is HUF 64,125 and for twins HUF 85,500.

The second benefit is the *childrearing support* (GYET) that aims to support families with three or more children rather than younger children aged under three years. It can be claimed by either the mother or the father. It is paid at the rate of the minimum old age pension (HUF 28,500 per month before tax, of which 10% pension contribution is deducted) for families where the youngest child is aged between three and eight years, thus it provides additional financial support for larger families. In 2013 37,000 people were claiming this. Childrearing support claimants are allowed to work up to 30 hours per week or in case they work from home, there is no limitation on the number of hours.

... WHILE OTHERS ARE PAID UNTIL THE END OF CHILDHOOD

The benefits discussed above have in common that they are aimed at families with young children, typically under the age of three years. When children get older parents stop being eligible for these benefits with the exception of childrearing support.

Family allowance however, is paid monthly to families from birth until adulthood. It is split into two benefits: the *childrearing allowance* and the *schooling support*. The childrearing allowance is a universal benefit paid monthly to families with children who are not yet of schooling age, up to the age of six. This benefit stops when children start school and they become eligible for *schooling support*. This can be paid to families with children who are enrolled in education and attend school, up to the age of 16 or 20 if they stay in education (for students with special needs up to the age of 23 years). Its rate has been unchanged since January 2008 and it is a net sum of HUF 12,000 per month for families with two parents and one child. The amount increases with the number of children and it is also higher for single parents. The coverage of

THE INTRODUCTION OF GYES IN 1967: A TOOL OF FAMILY AND EMPLOYMENT POLICY

From the mid-1950s – not unrelated to the liberalisation of abortion in 1956 – the birth rate fell drastically in Hungary: the total fertility rate was 3.0 in 1954 and this dropped to just under 2.1 by the end of the decade, which concerned greatly the political leadership of the country. At the same time – in line with official expectations – the labour market participation of women was growing rapidly: 35% of women aged 15 to 54 years were in employment in 1949 that increased to 50% by 1960. The majority were employed in the industrial sector because most of the new jobs were created there as a result of intense industrialisation. Most women did two “shifts” every day. In addition to the physically demanding industrial work, they also had to do most of the housework and duties related to children, which was particularly demanding because household appliances were practically non-existent at that time. Also, due to the high number of births in the early 1950s a large number of new entrants was expected on the labour market that would have led to an oversupply of labour. However, unemployment was impossible due to ideological reasons; therefore another solution was needed to reduce labour supply and participation.

These factors – encouraging fertility; easing the burden on women; and reducing labour supply – led to the decision of the central leadership to introduce childcare allowance (GYES) for women in 1967. Mothers could claim the allowance after the 20-week paid maternity leave if they stayed at home with the child instead

of taking up work. Initially it was paid until the child reached 2.5 years of age; however, when the first wave of children reached 2.5 years in 1969 it turned out that there was a lack of nursery places and therefore it was extended up to the age of three. The allowance was fixed-sum and it was around 40% of the average wage for women. This provided a fairly generous replacement income in European comparison for women leaving the labour market. Therefore, it is not surprising that the allowance proved to be very popular: already in the first years 67% of eligible women were receiving it and by 1977 13% of all active age women were claiming GYES, the majority of them for the maximum period of three years.

After the regime change in 1989 GYES remained unchanged but the labour market transformed: full employment – which guaranteed that women could return to their job after their GYES – ended. At the same time there were more career opportunities and individual progress became more important that affected negatively people who were absent from the labour market for years. Therefore the conditions that led to the introduction of GYES no longer existed, and it is arguable whether it has any effect on fertility in the current context. Even after its introduction, this “result” was not clear-cut. Although annual fertility rates increased somewhat after the introduction of GYES, it started falling again shortly after. Thus, even if it had a positive effect on the number of births, this effect was temporary and short-term. However, its effect on the labour market can still be felt because around 10% of working age women (around 250 thousand people) are inactive and claiming child-raising allowances each year.

family allowance has been consistently high; over 99% of families are receiving it.

Another form of financial assistance to families that continues until children reach adulthood is the *family tax break*. The earlier tax break scheme that was available only for families with three or more children was significantly extended in 2011⁶. It reduces the tax base of individuals before the deduction of income tax. The amount of income tax can be reduced by HUF 10,000 per month for one child, HUF 20,000 for two children and HUF 33,000/child for three or more children. The tax break can also be claimed by expectant parents from the 91st day of the pregnancy. If a family cannot exploit the family tax break in full for income tax, as of 2014 they have been able to use it to reduce the amount of their pension and health care contributions.

Information about uptake is only available from the Ministry for National Economy for the time being. According to this approximately 900,000 parents were claiming family tax break in 2014 amounting to a total of HUF 197 billion.

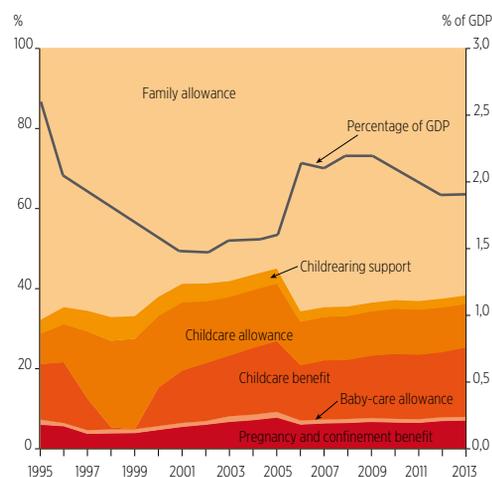
SPENDING ON FAMILIES IS RELATIVELY HIGH IN HUNGARY IN EUROPEAN COMPARISON

The scope of support to families can be broader or narrower depending on the benefits and measures included. Narrowly it covers cash benefits paid directly to families, while more broadly it can include public spending on day care services for children, education and other public spending on services used not only by families but also by other groups (e.g. health care, housing support etc.).

Using the narrow definition and considering public spending on family benefits

(namely TGYÁS, maternity grant, GYED, GYES, GYET and family allowance), the Hungarian Government spent 1.9% of GDP (545 billion and 531 million HUF) on supporting families in 2013 (Szociális statisztikai évkönyv 2013). This figure has consistently been around two per cent of the GDP since 2006 (*Figure 2*). The largest proportion, 62% was spent on family allowance because this is paid to most families: on average it was paid to 1.15 million families with a total of 1.841 million children each month in 2013. Seventeen per cent was spent on GYED in the same year. As it has been shown above, this was paid to approximately 80 thousand claimants which indicates the generosity of this scheme. GYES made up 11%, TGYÁS 7% and GYET 2% of total spending. The latter reflects the low amount of the benefit and the relatively small number of claimants.

Figure 2: Public spending on family benefits by type of assistance and share as a percentage of GDP, 1995–2013



Source: HCSO, 2014.

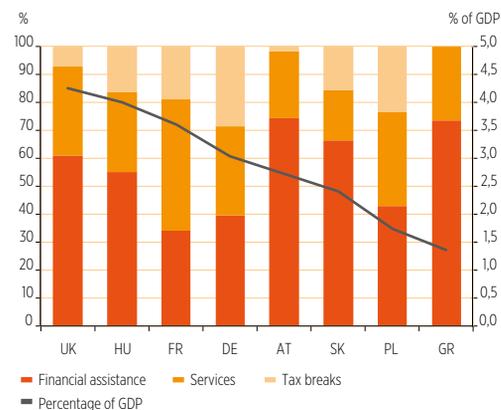
Note: Childcare benefit (GYED) was abolished in 1995; this is why it does not appear among the expenditures in 1998 and 1999; however it was reintroduced in 2000.

⁶ Before 2011 only families with three or more children could claim tax break that was HUF 4,000/child/month.

In international analyses, the *Organisation for Economic Co-operation and Development* (OECD) uses a more inclusive approach concerning family policy benefits. Alongside financial assistance it also includes “services” (primarily spending on day care services for children), and assistance to families through taxation that do not only include personal income tax breaks and discounts but also for example the exemption of some family benefits from taxation. Using this approach, spending on family policy as a percentage of GDP varies greatly within Europe. The United Kingdom is the highest spender with 4.6% of its GDP spent on family policies, while Greece spends the least: 1.4% of its GDP. This percentage is also very high in Hungary, nearly 4% using the OECD definition. This is not only higher than in Southern countries but also exceeds that of other Western and Eastern European countries such as Austria, Germany, France, Slovakia or Poland (*Figure 3*).

In the majority of the countries most of the spending goes towards financial support: this is the highest in the United Kingdom at 61%, while it is 55% in Hungary. The only exception among the countries presented here is France that spends 47% of the total expenditure on services and 34% on cash benefits. Typically tax breaks make up the smallest part of expenditure and there are some countries that do not provide any tax breaks at all. Until 2011 this was negligible in Hungary as well; however in 2011 it was already 15% (0.7% of GDP) of total spending. The level of spending on services varies across countries, at present it is 29% in Hungary.

Figure 3: Public spending on family benefits as a percentage of GDP in some European countries and their distribution by type of expenditure, 2011



Source: OECD Family Database.

RECENT FAMILY POLICY REFORMS HAVE HAD A DUAL OBJECTIVE

As of January 1, 2014 a major overhaul of the family policy system has been underway⁷. This had two main objectives. On the one hand to encourage women to have children at a younger age because the average age of women at childbirth rose considerably in the last decade (see Chapter 3), which runs the risk of having fewer children than originally planned. On the other hand, it aimed to promote the employment of mothers with young children because the employment of women with children aged under three years was very low in Hungary (as it will be shown later).

The earlier system had two elements that were financially disadvantageous for

⁷ Act CCXXIV of 2013 on the amendment of certain legal acts relating to the restructuring of childcare benefits, and to the enlargement of the benefit of exemption from the payment of social contribution tax.

students who had children on the one hand and for women who had children with a narrow age gap on the other hand. Higher education students who were not in employment did not have eligible earnings for claiming GYED. They could only claim GYED if they had a job and enough qualifying days. This potentially delayed starting a family by years because finding a job and starting a career could all take a long time. The new legislation changed this: full-time higher education students are entitled to GYED for 12 months if they have completed two full semesters. The amount of GYED depends on the type of higher education and it is paid either at the rate of the full-time minimum wage (HUF 105,000 gross in 2015) or 70% of the guaranteed wage minimum (HUF 85,400 gross in 2015) applicable on the first day of the claim. According to data from the National Health Insurance Fund of Hungary (OEP) 394 people were receiving 'graduate' GYED in 2014.

In addition to higher education students planning to start a family, the previous system was also disadvantageous for families that had children with a narrow age gap. If the new baby was born before entitlement to some allowances (GYED, GYES) ended then either the existing benefit had to be stopped or they could not claim the new one (TGYÁS, GYED or GYES) for the new baby. Indeed, families could get only one type of child-raising allowance (whichever was higher) regardless of the number of children in the household. The new law of December 2013 ended this restriction so families who have another child while still receiving GYED or GYES after a previous child can keep their existing payment as well as get the new allowance. The only restriction is that GYES can be claimed for no more than two children (except in the case of twins). In 2014 17,852 people were receiving more than one type of child-raising allowance; in most cases this meant the dual payment of GYES.

The employment of mothers is promoted by the new law by ending the restriction on paid work after the first birthday of the child; previously, payment stopped for parents who returned to or started work. No paid work was allowed while claiming GYED (up to the second birthday of the child). This included all forms of paid work. Given the high replacement rate of GYED (70% of average daily earnings) this rule clearly encouraged the majority of women not to return to the labour market before the second birthday of their child. This was particularly problematic for those who could have worked part-time or on a casual basis while looking after their children at home. Even though this would have a number of benefits: mothers stayed in contact with the labour market or their employer; it meant additional income to the family; mothers could be active in other areas of life besides looking after their children. This was not possible in the past and the fact that the rules of GYED did not even allow part-time work made the whole system inflexible. This – considering the key feature of GYED (i.e. it is paid to those with a stable labour market status) – had a negative impact on the work prospects of women with the closest ties to the labour market.

The payment of GYES was somewhat more flexible in that it allowed part-time work (up to 30 hours per week) or full-time if working from home after the first birthday of the child. For these mothers, who typically were in a more precarious labour market position (otherwise they would have been claiming the higher-rate GYED) the main problem was the lack of part-time jobs. If the mother wanted to start working before the third birthday of the child but they could only find a full-time job then they had to give up GYES. Furthermore, before 2012 employers were not legally required to allow part-time work for parents of children under three years, therefore part-time employment was

not guaranteed. The 2013 Act lifted these limitations after the first birthday of the child and it is now possible to work without any restrictions while receiving GYED or GYES. Moreover, children whose mother (or father) is receiving GYED can be enrolled in a publicly-funded nursery (previously this was not possible). These reforms have fundamentally changed the role of these benefits. They are no longer simply an income replacement for mothers who look after their children at home (although they still provide this) but they can also get these while at work, and especially in the case of GYED this is quite a generous top-up for 12 months. For people who are receiving the top rate of GYED, this is an additional income of approximately HUF 100,000 net per month. While receiving GYED or GYES more than 29,000 people worked more than 30 hours per week in 2014.

In addition to these amendments, the new Labour Code that entered into force in July 2012 requires employers to provide part-time employment for parents of children under three years if requested (this rule has applied to the public sector since 2010). By default this means a working time of four hours per day but other arrangements are also possible upon the agreement of the employer and the employee. For parents with three or more children the possibility is available until the youngest child turns five years old. Moreover, this is complemented by a variety of contribution discounts that can be claimed by the employers of mothers who return to work after parental leave.

However, the new Labour Code no longer protects parents from redundancy that previously was the case until their child turned three years old regardless of whether they had returned to work or were on unpaid parental leave. According to the new rules protection is only provided in

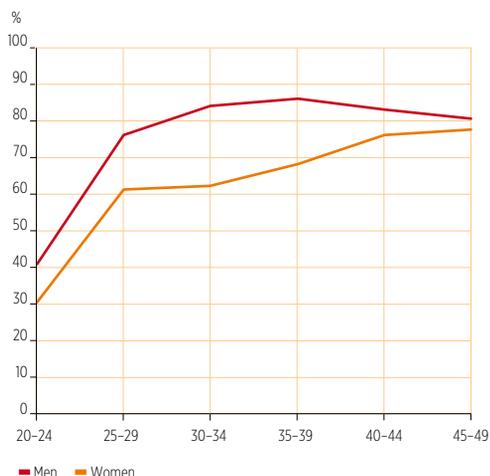
the second case. If parents return to work they can be made redundant (with some restrictions, e.g. single parents cannot be made redundant like this).

The effect of these measures on women's employment will only be visible over the long run and it remains to be seen whether the incentives will help women to return to the labour market. However, not only societal attitudes towards women with young children must change for this – and accept that mothers return to work earlier – but it is also important that enough day care places are made available for young children.

THE IMPORTANCE OF MEASURES PROMOTING THE EMPLOYMENT OF WOMEN WITH YOUNG CHILDREN

Hungary is by-and-large characterised by a dual-earner model: the labour market participation of women is as evident as that of men. However, women with young children tend to leave the labour market for years to look after their children at home. Since the introduction of GYES this has become the social norm and it is accepted by most mothers – and fathers who become the main breadwinner during these years – that if they have two or more children the absence from the labour market might extend to six or eight years. This explains the large gap between the employment rate of men and women, particularly in prime childbearing age groups. The employment rate of women aged 25 to 29 years is nearly 15 percentage points, and that of women aged 30 to 34 years more than 20 percentage points lower than men's (*Figure 4*). While male employment is rising in these age groups, that of women is stagnating and only starts to rise after the age of 35.

Figure 4: Employment rate of women and men aged 20–49 by age groups, 2013



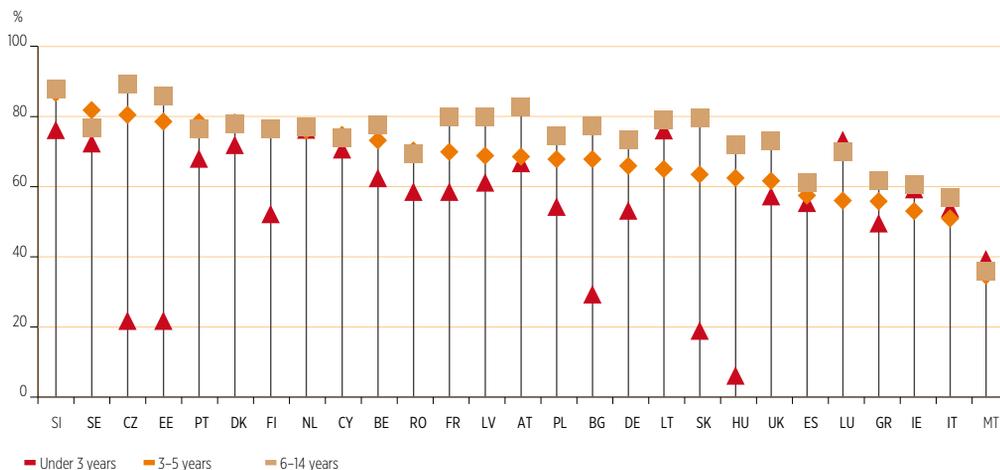
Source: STADAT database, HCSO.

The low employment rate of women is primarily due to the low labour market participation of mothers. There is a large, nearly 15-percentage-point gap between the employment rate of women aged 15–54 years and women in the same age group but with children under 15: these are 67% and

52% respectively (OECD Family Database, data from 2011). The “lag” of mothers in Hungary is mainly due to the low employment rate of women with children under three years that is the lowest within the European Union; it is only six per cent (Figure 5). Slovakia has the second lowest employment rate at 18% and in some countries it even exceeds 70%. In these countries mothers tend to stay at home with their children for six to 12 months and then return to work (often part time). In Hungary, once their children turn three years old, the employment rate of women rises drastically to 62%. When children turn six years old the employment rate of women reaches the European average with 71% of mothers working.

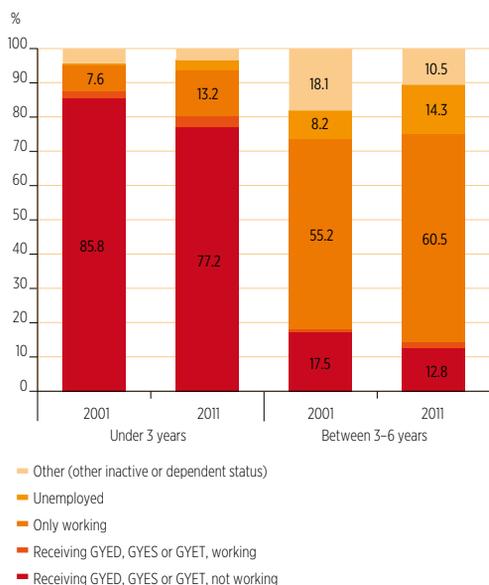
The comparison of data from the last two population censuses (2001 and 2011) shows an increase in the labour market participation of mothers with young children (Figure 6). In 2001 86% of mothers with children less than three years were not working but receiving some form of child-raising allowance, and this share was only 77% ten years later. Meanwhile the percentage of those working without claiming any child-raising allowance increased from eight to

Figure 5: Employment rate of mothers by the age of their youngest child in the European Union, 2011



Source: OECD Family Database.

Figure 6: Distribution of mothers with young children by the age of the youngest child and employment status in population census years



Source: Population census, HCSO, author's calculation.

13 per cent. Combining the two – namely working and claiming allowance – was marginal in both years, although it increased slightly from two to three per cent. Fifty-five per cent of women whose youngest child was aged between three and six years were employed in 2001, and this increased to 61% by 2011. At the same time there was a considerable increase in the share of the unemployed: they represented 14% of these mothers at the last population census.

NURSERIES, FAMILY DAY-CARE CENTRES AND KINDERGARTENS

The availability of day care services is crucial to ensure that women with young children can work. In Hungary there are two main types of day care services for children

under three years: *nursery* and *family day-care centres*. There is also a third type of provision: *childminders*, where a paid person looks after the child (or children in the case of siblings) in the family's home, however in 2013 only 117 children were using this service across the country, therefore it is not included in this analysis.

Nurseries provide day care for children of working parents aged from 20 weeks to three years. Around the time of the regime change in the late 1980s there was an extensive network of 1,003 nurseries in the country (data from 1990), however this was dismantled in the years that followed. The number of nurseries has been growing since 2004 when there were 527 settings in the country; their number reached 724 by 2013.

In parallel, the number of children enrolled in nurseries is rising steadily: in 2013 this was 36,819, which represented 13.7% of all children under the age of three years. This share started to rise visibly only in the recent years, until 2008 it was consistently around 10 per cent. The rise is due both to the increase of the number of nurseries and the decline of the number of births.

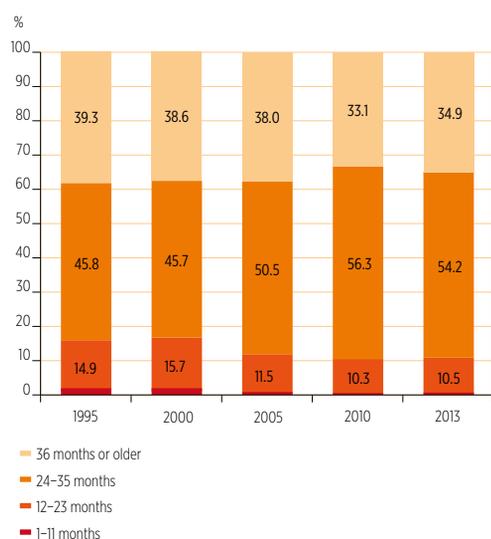
The majority of nurseries are operated and funded by local authorities (n=655 in 2013), while the rest are operated by non-profit organisations (n=48), churches, private providers or the central government (n=21). The number of children enrolled is closely related to the payment of child-raising allowances: 90% of children are aged over two years, most of them are between two and three years of age (Figure 7). Meanwhile one third of the children in nurseries are aged over three years.⁸

The funding of nurseries has changed in recent years. Until 2011 they could only charge parents for the cost of meals, and later overhead costs up to 50% of the catering costs could also be incorporated into their fees. Since 2012 nurseries have

⁸ It must be noted that the age of children means their age on May 31, so those who turn three start kindergarten in the autumn.

been allowed to charge for day care services as well, fees are set by the organisation that operates the nursery. In 2013 42% of nurseries (n=309) charged a fee, which affected approximately 10,000 children, so nearly one third of children attending nurseries (Szociális statisztikai évkönyv, 2013). According to current legislation parents or guardians are exempt from nursery fees if: they are entitled to regular child protection discount, the child has a disability or a long-term illness, the family has three or more children, or the child is looked after by the child protection system. In 2013, a total of 11,133 children were exempt from nursery fees.

Figure 7: Distribution of children enrolled in nurseries by age group, 1995–2013



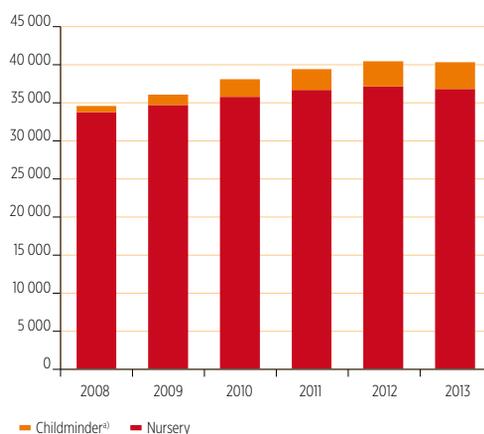
Source: HCSO, 2014.

Note: Due to the low number of children aged 1-11 month total frequencies do not add up exactly to 100%.

The other main type of day provision for young children in Hungary is the *family day-care centre* that provides day care for children aged from 20 weeks to 14 years – for older children outside school

or kindergarten hours. To run such a centre, individuals must complete a 40-hour course and obtain the relevant licenses from the authorities. The state subsidy of family day-care centres is 54% of that of nurseries'; therefore they are more likely to charge a fee. Ninety-six per cent of families using a family day-care centre pay as opposed to 67% of families that use a nursery. Although no data is available on nursery or family day-care centre fees, it is widely known that the latter charges higher fees. However, they provide a more flexible service: children can attend them for a few days a week or even half days or on an ad-hoc basis. Group sizes are also smaller; so many parents prefer them to nurseries. The number of family day-care centres started to rise in the early 2000s and their number grew in the second half of the decade. In 2006 there were only 60 centres in Hungary, which number increased to 694 in 2010, and was more than 1,100 in 2013. The number of children enrolled was 6,899 in 2013, more than half of them, 3,522 children were aged over three (Figure 8).

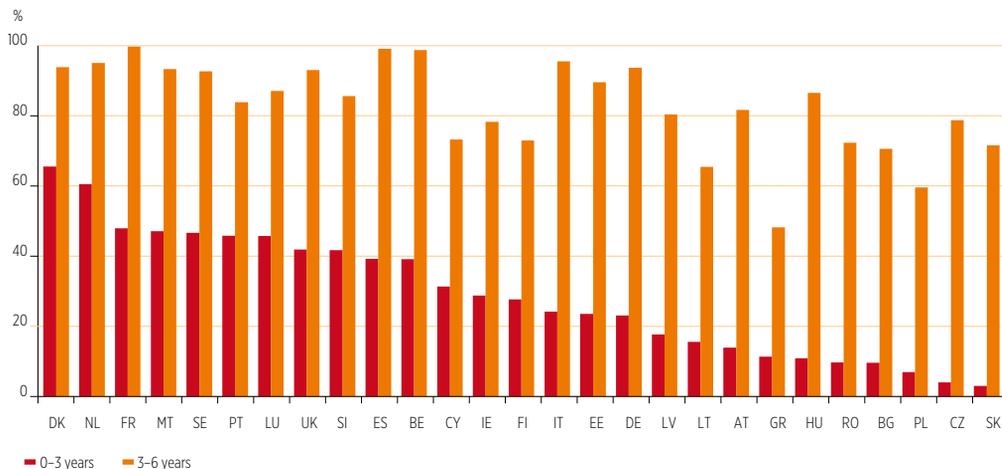
Figure 8: Number of children attending nurseries or family day-care centres, 2008–2013



Source: HCSO, 2014.

a) Number of children aged less than three years.

Figure 9: Percentage of children using day care services in the European Union, 2010



Source: OECD Family Database.

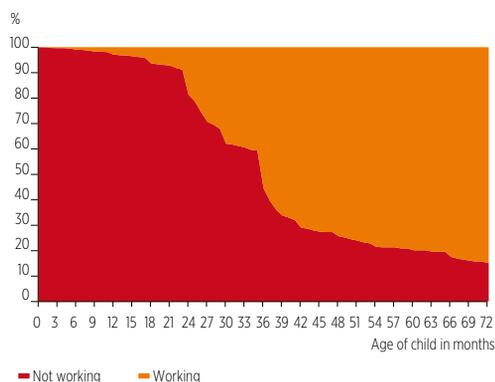
Overall, the vast majority of children under three years (nearly 88%) are looked after at home by their parents (in most cases by the mother) and only 10–12% attends some form of day care setting, mainly nursery. This proportion is much higher in a number of European countries: for example in Denmark 66% of children under three years are in day care, whereas in the Netherlands 61% (Figure 9). On average 29% of children under three in Europe are in day-care provision. Generally early-years institutional day-care is more widespread in Western and Northern European countries and Portugal, while in the former socialist countries as well as in Austria and Malta it is less common. From the age of three to school age, about 81% of children attend some form of kindergarten in Europe. In Hungary this is 87%, although there are variations according to the age of the children: 72% of three-year-olds, 92% of four-year-olds and 96% of five-year-olds attend kindergarten. Compulsory kindergarten from the age of three – that enters into force in September 2015 – will have the biggest impact on the youngest children where the share of those who are still looked after at home is the highest.

LABOUR MARKET ATTITUDE, EMPLOYMENT AND DAY CARE FROM THE PERSPECTIVE OF PARENTS

Prior to recent reforms, Hungarian family policy incentivised the home care of young children for decades, and mothers typically stayed at home for several years after childbirth. The analysis of the employment of mothers with children born between 2006 and 2012 shows that only nine per cent started working before the second birthday of their child (Figure 10). However, when the payment of GYED stopped, women were more likely to return to work: the number of working mothers nearly tripled within a few months after the second birthday of the child, and 29% of mothers were working when the child turned 27 months old. Although more than two thirds were still at home looking after the children. This shifted once the payment of GYES ended after the third birthday of the children: 64% of mothers were working when the children were 38 months old. Their employment rate continued to rise (at age four of the children 75% of mothers were working), however a

sizeable group of mothers, approximately 20%, were still not working at age five of their children. The only child-raising allowance that families with children aged over three can claim is the child-rearing support (GYET) that can be paid to families with three or more children where the youngest child is aged between three and eight years. Thus the main responsibility to earn a living is placed on fathers who are faced with the dual expectation of being family-centred and the sole breadwinner (*Chapter 3*).

Figure 10: Distribution of mothers by employment status according to the age of the youngest child



Source: HDRI GGS: Turning Points of Life Course 2012; author's calculation.

Sample: Parents with a child born between 2006 and 2012.

For women, the primary reason for starting work before the third birthday of the child is financial. More than two thirds of mothers in the sample said that they started working because of financial reasons (*Table 1*). Once the payment of GYED ends families are faced with a larger decline in income which might justify this. Approximately 10% claimed that they started working because they also wanted to do other things than child care, while 12% considered this necessary for their future career. Women mentioned this more often in 2009 than in 2012.

Table 1: "What was the main reason for the mother to take up work before the third birthday of the child?" Distribution of answers in 2009 and 2012

	2009		2012	
	(%)			
Financial reasons	65.6	67.6		
Would also like to do other things than child care	9.8	10.2		
Necessary for future career	18.8	12.3		
Other reasons	5.8	9.9		
Total	100.0	100.0		

Source: HDRI GGS: Turning Points of Life Course 2009 and 2012; author's calculation.

Sample: Parents with a child born between 2006 and 2012.

Among those who stayed at home beyond the third birthday of their child the most common reason was the lack of job opportunities (*Table 2*). The proportion of those who indicated this as the primary reason had increased considerably by 2012. More than two thirds of these mothers said that they would have liked to start working but they could not find a job immediately, as compared to 45% three years earlier. Thus, it appears to have become more difficult to return to an existing job or find a new job after a period spent at home looking after children. Another notable – and this time positive – change between 2009 and 2012 was that the share of those who said they could not work because of lack of child care declined. While earlier this was mentioned by 13% of respondents, it dropped to 4% by 2012. Although recently the lack of suitable child care has become less of a barrier to work than before, it still remains crucial to help mothers to access job opportunities. Moreover the share of those who said they stayed at home because this was the best interest of the child also fell between 2009 and 2012, as well as those who stayed at home for other reasons.

Table 2: "What was the main reason for the mother to stay at home after the third birthday of the child?" Distribution of answers in 2009 and 2012

	(%)	
	2009	2012
Wanted to work but could not find a job immediately	45.1	68.7
Wanted to work but had no child care	13.3	4.0
Did not want to work yet, this is the best interest of the child	15.9	9.1
Did not want to work yet, other reasons	8.0	2.0
Other reasons	17.7	16.2
Total	100.0	100.0

Source: HDRI GGS: Turning Points of Life Course 2009 and 2012; author's calculation.

Sample: Parents with a child born between 2006 and 2012.

The main types of day care services for children, primarily nurseries and family day-care centres have been presented above. However, a large number of families rely on other, informal sources of help. Parents often get help from grandparents or other sources when the mother returns to work before the third birthday of the child (*Table 3*). This also means that children are looked after by different people depending on when their mother starts working.

In 2012 15% of children under the age of one were looked after by their father, and more than one third by their grandparents. The share of children attending nursery was smaller, 30% even though nurseries also accept babies. The use of family day-care centres was highest in this age group at 7.5%. In 13% of the cases families had other child care arrangements. Potentially some mothers could look after the child while working. Thus it might be argued that families where the mother starts working when the child is still very young try to avoid institutional child care arrangements and are more likely to organise it within

the family, often with the involvement of grandparents.

The situation was different for children aged between one and two years. Their parents were more likely to send them to nursery, 75% of parents did this. This was the most common child care arrangement for parents who started working when the child was aged between one and two years, whereas for younger children this was being looked after by grandparents. In this age group the role of grandparents and fathers in providing child care diminished (although they remain important) and family day-care centres were not as popular as among younger children either.

More than one third (36%) of the children between two and three years started kindergarten straight away and therefore the share of nurseries declined, although it still represented the main form of child care with 43%. The involvement of grandparents remained around 14% in this age group as well.

For more than three quarters of children aged between three and four years kindergarten was the primary child care arrangement. Five per cent of children were enrolled in nurseries and just under four per cent of children were looked after by grandparents.

For women who started working after the fourth birthday of their child kindergarten was the main child care arrangement. There were other arrangements as well, although it is difficult to imagine what these might be because attending kindergarten for at least four hours per day has been mandatory for children aged five years and over since 1993.

Thus, child care arrangements are largely dependent on when the mother starts working. And this is not only because different arrangements might be more suitable for children of different ages. A number of studies have shown that Hungarian parents consider caring for children at home for the

Table 3: „What child care arrangement did you use when the [mother] returned to work?” Distribution of answers in 2012

Age of child when mother started work	Nursery	Kindergarten	Family day-care centre	Looked after by father	Looked after by grandparents	Other arrangement	Total	Distribution (%)
Under 1 year	30.0	0.0	7.5	15.0	35.0	12.5	100.0	5.6
Between 1–2 years	75.4	1.2	1.2	5.9	14.6	1.8	100.0	23.9
Between 2–3 years	42.9	36.1	1.5	2.5	14.2	2.8	100.0	45.3
Between 3–4 years	5.1	86.1	1.5	2.2	3.7	1.5	100.0	19.1
Over 4 years	0.0	86.4	0.0	4.6	2.3	6.8	100.0	6.2
Distribution	40.1	38.4	1.7	4.1	12.7	3.1	100.0	100.0

Source: HDRI GGS: Turning Points of Life Course 2009 and 2012; author's calculation.

Sample: Parents (mothers) with a child born between 2006 and 2012.

first few years very important. This seems no different for parents who return to the labourforce relatively quickly: they try to postpone sending children to nurseries by using help from fathers and grandparents. Obviously this is only possible if such help is available. For fathers this means that they are either not working or can take leave from work. For grandparents, the key issues are distance and whether they still work. In the latter case it is unlikely that they can provide child care for hours each day.

When selecting child care services, parents do not have completely free choice because where they live limits what services are available locally or within reach. Although settlements with more than 10 thousand inhabitants are required by the law to operate a nursery, this is often just a small group run as part of a kindergarten. Elsewhere family day-care centres are not available because there are enough places in nurseries and kindergartens. Therefore, the choice for parents is often limited.

GLOSSARY

Baby-care allowance: csecsemő-gondozási díj (CSED); previously known as *pregnancy and confinement benefit:* terhességi-gyermekágyi segély (TGYÁS) – financial support for working mothers. Its aim is to compensate for the loss of earnings during the 168 days-long maternity leave. The mother gets 70% of her previous earnings during the whole leave.

Childcare allowance: gyermekgondozási segély (GYES) – financial support to parents who have not been employed prior to childbirth. It provides a fixed-sum, albeit rather low income as well as a socially acceptable status for mothers (or fathers) from the birth of their child up to the age of three.

Childcare benefit: gyermekgondozási díj (GYED) – financial support for working parents. Its aim is to compensate for the

loss of earnings during parental leave. After the end of maternity leave, the mother or the father taking parental leave gets 70% of previous earnings with an upper limit up to the 2nd birthday of the child. Since 2014 being on unpaid leave is required for claiming GYED up to the first birthday of the child, however not in the second year.

Childrearing support: gyermeknevelési támogatás (GYET) – fixed-sum benefit which aims to support families with three or more children where the youngest child is aged between three and eight years.

Family allowance: családi pótlék – paid monthly to families from birth until adulthood; split into two benefits:

the *childrearing allowance* and the *schooling support*.

Family tax break: családi adókedvezmény – financial assistance that reduces the tax base of individuals before the deduction of income tax.

Graduate' GYED: diplomás GYED – students in higher education are eligible for a fixed-sum childcare benefit.

GYED extra: the commonly used name of the main family benefit reforms that entered into force on January 1, 2014.

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