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# A Picture of the Social Situation – Institutionalisation in Hungary



## **ABSTRACT**

The main purpose of the current study was to outline and assess a picture of the Hungarian and international welfare systems. The social care system is an essential institutional network for the society, be it a system of specific institutions or legislation. The European Union's approach mainly focuses on social responsibility and solidarity as its primary consideration. The European Union considers that social safety net and social protection systems cannot work without adopting this approach, and only the systems that offer true assistance to the members of the society can actually give assistance to the society. In addition to economic orientation, solidarity-based and socially inclusive attitude has a particularly important role to play, since it is much more than just funding to smooth out individual or social problems.

## **KEYWORDS**

solidarity, social system, social issues, community cooperation

DOI 10.14232/belv.2020.3.6

<https://doi.org/10.14232/belv.2020.3.6>

Cikkre való hivatkozás / How to cite this article:

Laki, Ildikó (2020): A Picture of the Social Situation – Institutionalisation in Hungary. *Belvedere Meridionale* vol. 32. no. 3. 76–85. pp

ISSN 1419-0222 (print)

ISSN 2064-5929 (online, pdf)

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## OUTLOOK FOR THE EUROPEAN UNION

‘Article 151 of the Treaty on the Functioning of the European Union (TFEU) provides that, having in mind fundamental social rights such as those set out in the European Social Charter signed in 1961 and in the 1989 Community Charter of the Fundamental Social Rights of Workers, shall have as their objectives the promotion of employment, improved living and working conditions, and proper social protection.

Social, technological and economic developments, the continuous digitalisation and automation of the economy, and the significant restructuring of the labour market in recent decades have presented new challenges even for the European Union, which regards social rights and solidarity as its basic, shared values.’<sup>1</sup>

‘The EU has 25 million unemployed people and 122 million people at risk of poverty or social exclusion. These figures call for more economic convergence to improve the lives of Europe’s citizens. While inclusive and active labour market policies are crucial to move people into decent jobs, fair and efficient welfare systems are decisive in ensuring social protection for all and the social inclusion of those still excluded from society. Social affairs policy area covers decent jobs, social security, protection and inclusion, poverty reduction, gender equality, the needs of people with disabilities, children and families, young people, older people and minorities such as Roma, access to health, justice, education, culture and sport, volunteering and active citizenship. Its main focus, common to all subareas, is to put people on an equal footing at the centre of social policy and its main political instrument at the EU level is the European Pillar of Social Rights.’<sup>2</sup>

The aim of the European Pillar of Social Rights is to serve as a guide towards efficient employment and social outcomes, which are directly aimed at fulfilling people’s essential needs.

‘Delivering on the European Pillar of Social Rights is a shared commitment and responsibility between the Union, its Member States and the social partners. [...] At Member State level, the Pillar respects the diversity of the cultures and traditions of the peoples of Europe, as well as the national identities of the Member States and the organisation of their public authorities at national, regional and local levels.’<sup>3</sup>

The social pillar expresses twenty principles structured around three main categories and aims to support fair and well-functioning labour markets and welfare systems.

The twenty principles defined in the European Pillar of Social Rights include education, training and life-long learning; gender equality; equal opportunities; active support to employment;

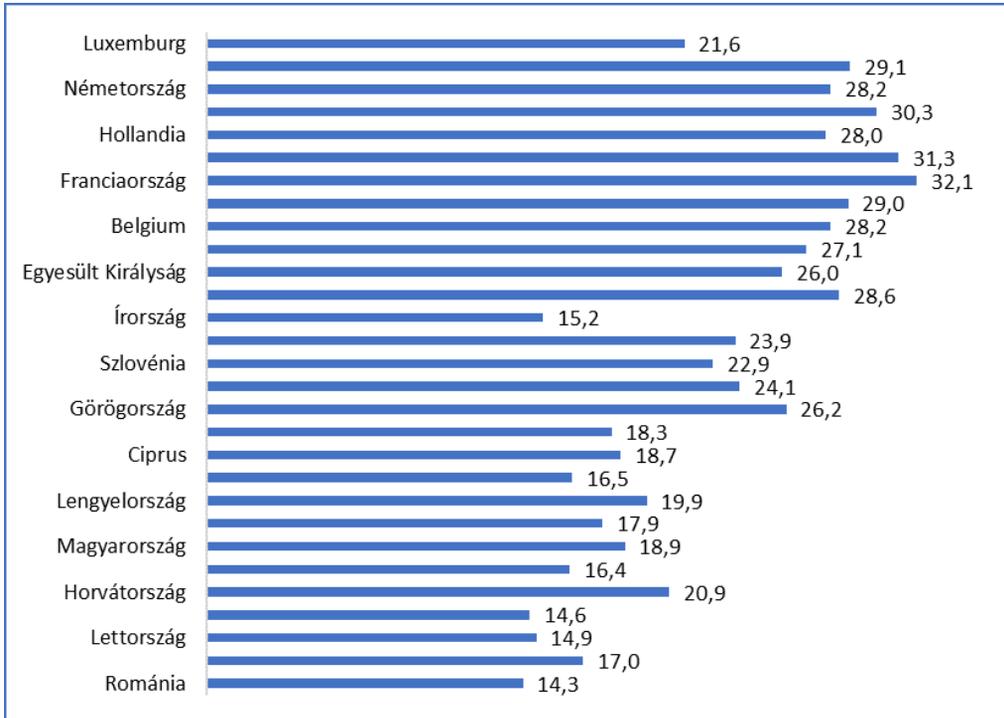
<sup>1</sup> Szociális jogok európai pillére. Infojegyzet (The European Pillar of Social Rights. Background Note)

<sup>2</sup> Social Affairs

<sup>3</sup> Proposal for an Interinstitutional Proclamation on the European Pillar of Social Rights

fair working conditions: secure and adaptable employment; wages; information about employment conditions and protection in case of dismissals; social dialogue and involvement of workers; work-life balance; healthy, safe and well-adapted work environment and data protection; childcare and support to children; social protection; unemployment benefits; minimum income; old-age income and pensions; health care; inclusion of people with disabilities; long-term care; housing and assistance for the homeless; and access to essential services.

‘Western and northern European countries typically spend a larger share of their GDP on social benefits. 12% of benefits are means-tested on average in the European Union, but there are countries where it is much higher: 37% in Denmark, 28% in Ireland and 18% in the United Kingdom. 3.9% of benefits were means-tested in Hungary, which had been decreasing over the years, since it had been 5.1% in 2010. Of the Visegrad countries, this percentage was even lower (2.5%) than that of Hungary but was higher in Poland (4.7%) and Slovakia (4.0%)’ (Magyarország 2018).



**FIGURE 1**  
Social protection benefits in EU member states (2016)  
(As a percentage of GDP)

Source: own edition, based on Magyarország 2018

## SOCIAL INSTITUTIONS OF HUNGARY—INSTITUTIONAL LANDSCAPE

Funding source (state funded, non-governmental, private or market-oriented institutions) and the range of tasks arising from their social role allow a distinction to be drawn between the social institutions of Hungary.

Social services include basic social services and specialised social care. Basic social services are mainly services provided close to home and do not necessarily require access to services far from home.

Specialised social care includes more complex and mainly residential care services that require specific expertise.

These two forms of social services are limited to people and families without resources or with low income and conditional on the beneficiaries' social need or other situation (age or disadvantaged situation). A distinction can also be made between regular and provisional benefits in cash or in kind.

The system, benefits in cash and in kind, and social services providing personal care are covered in two chapters of Act III of 1993 on Social Governance and Social Benefits. The social services providing personal care consist of three sub-services: basic social services, specialised social care and developmental employment. The latter is further regulated in other laws and regulations and thus forms a separate category within social benefits.

Social services aim to provide effective assistance to the members of the society in need because of their living conditions or social status. An increasing number of the members of the Hungarian society have received the services provided by religious institutions in recent years and decades, certainly due to the fact that public institutions cannot provide support or satisfactory support to people in need of assistance. However, the public institutional system operates and supports basic and specialised social services.

If the social care system 'cannot provide basic services to people in need owing to their age, health status or social situation, specialised care appropriate to their condition and situation must be provided to them. Common characteristics of specialised social care services are that they are based on living services and must ensure resources in staff and equipment, as well as professional criteria, required for twenty-four-hour, continuous functioning and caregiving activities.'<sup>4</sup>

'The social and economic situation of the country has affected the population in different regions unequally. Problems related to demographic situation, employment, earning ability and health problems occur in the field of social policy, which fails to meet all social needs. Where social ills accumulate, there are growing needs for the local social care system. Since the disparities between the regions of the country are considerable, social policy developments should be focused as appropriate on the specific problems of the regions in the direst situation, and accordingly specific social development programmes must be established. The primary concern in improving the social care system must be to develop uniform-level, country-level and wide-ranging basic social services, which can tackle the problems of the needy near to where they live or within driving distance.

<sup>4</sup> Szociális szakosított ellátások (Specialised Social Care)

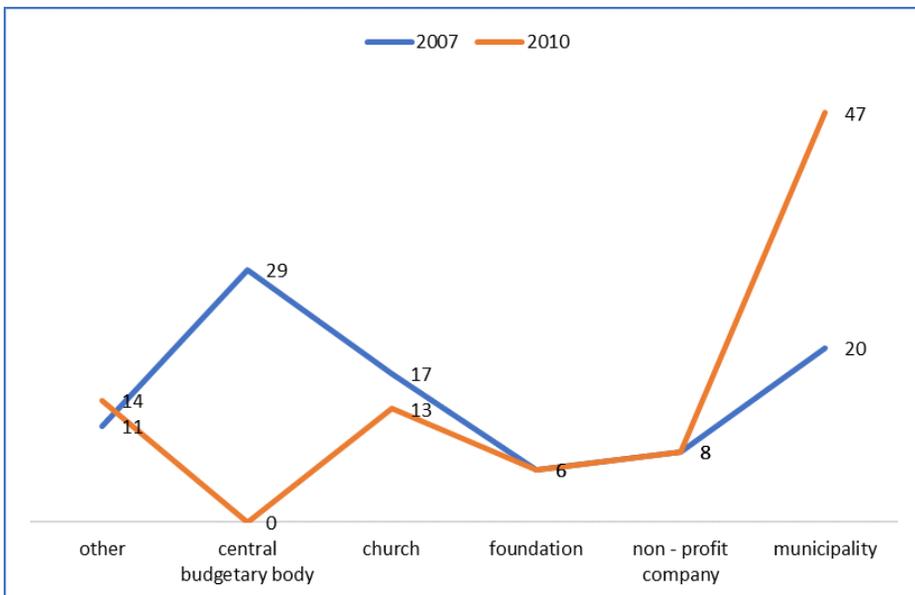
The social care system can be developed in two ways:

- creation of new services or expansion of existing services;
- modernisation and development of existing services.

Priority must be given to the quality assurance of basic social services in accordance with the legislation, and, secondly, social services must be provided in accordance with legal requirements. Emphasis must be placed subsequently on meeting development demands stemming from local needs and on achieving a quality of services equivalent to that of the services provided in more developed regions.<sup>5</sup>

Residential long-term care facilities (see Table) provide non-stop, all-around care and, if necessary, rehabilitation for the elderly, people with disabilities, psychiatric patients, addicts and homeless people. ‘The number of clients/residents has persistently been above 70,000 since the mid-2000s, and the utilisation of social services has exceeded 96%. The number of clients/residents has similarly increased in social institutions providing temporary home: approximately 13,000 people used their services in 2017, and the utilisation of this type of social services was above 90%.

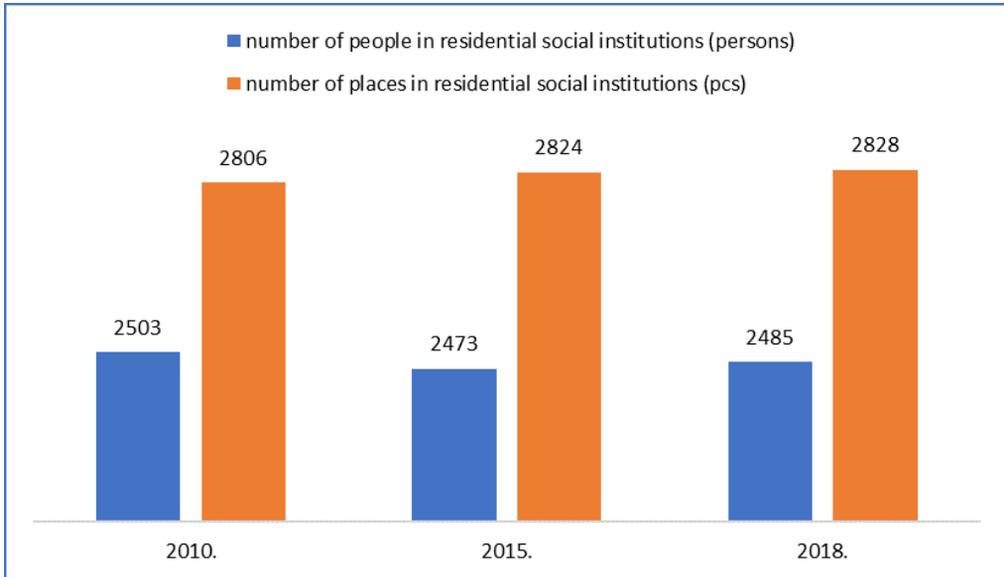
61% of clients/residents of social institutions providing long-term or temporary home were elderly, 17% of them were people with disabilities, 11% were homeless people, 9.4% were psychiatric patients and 2.2% were addicts in 2017. The numbers of addicts (72%), homeless people (61%) and the elderly (37%) increased the most compared to 2000’ (Magyarország 2018).



**FIGURE 2.** Distribution of clients/residents of social institutions providing residential long-term and temporary home by funding source (thousands of persons)

Source: own edition, based on Magyarország 2018

<sup>5</sup> Szociális ellátórendszer (Social Care System)



**FIGURE 4.** Institutional residential long-term care for the elderly (religious institutions) Budapest

Source: own edition, based on <http://statinfo.ksh.hu/Statinfo/haViewer.jsp>

## 1. MAIN ELEMENTS OF THE SOCIAL CARE SYSTEM

For the understanding of the social care system, it is essential to overview the social situation. The following summary<sup>6</sup> outlines the most important elements of the social care system.

### 1) Functioning of the social market economy

‘The liberal market economy leads to large social disparities and inequalities, the state must therefore, to some extent, play a redistributive role. The purpose of the redistributive role is to provide assistance to the poorer and/or more vulnerable strata of the population. An important means for achieving this objective is social policy, and its main elements include progressive taxation (the state imposes a greater percentage of taxation on higher income) and social expenditure. Social expenditure includes the pension scheme, health care (including pharmaceutical subsidies), sickness benefit, unemployment benefit, jobseeker’s benefit, social assistance (child home care allowance, child care benefit and family allowance), educational scholarships and consumer price subsidies (passes for students and pensioners). Social solidarity has a crucial role to play in narrowing social disparities, which is facilitated by the activities of charitable and non-governmental organisations, charity events and charitable contributions.

<sup>6</sup> Source: A szociális ellátórendszer fő elemei (Main Elements of the Social Care System)

## **2) Pillars of the social care system**

The main elements of the social care system are social insurance, employment policy, family allowances, social services and social assistance.

## **3) Social insurance**

National compulsory health insurance and pension insurance schemes were established at the same time. Pensions and health services are classified as social insurance. Health insurance is designed to help maintain the health of insured people, restore their health in case of health detriment and provide income support in case of incapacity for work. This type of income support is sickness benefit. The qualifying condition for health insurance is social insurance coverage, and the entitlement to benefits depends on the payment of health insurance contributions. The state pays health insurance contributions for the unemployed, pensioners and children. The health insurance contributions paid to the health insurance scheme cover healthcare costs (general practitioners, out-patient care centres and hospitals) and pharmaceutical subsidies. Pension insurance is designed to provide payment necessary to ensure the livelihood of people of retirement age (old-age pension) or of people temporarily or permanently incapable of work (disability pension). It is not possible to know the lifespan of people in advance, beneficiaries thus share risks. Workers pay pension insurance contributions as a proportion of their income to the pension insurance scheme. The qualifying condition for public pension is the payment of pension insurance contributions. In Hungary, compulsory pension system was started in 1928. Pension contributions were invested in real estate and shares, and the pensions of retired people were paid from the assets thus accrued. This is called funded pension system. After the Second World War, a significant part of the national assets was destroyed, and the stock was devalued. Since 1947, pensions have been covered by contributions paid to the pension system in a given year, which is called “pay-as-you-go” scheme. The main problem with the pay-as-you-go scheme is that the number of contributors is falling and the number of pensioners is increasing. Owing to the problem of the ageing population, pension reform was implemented in 1997. As a result of the reform, elderly workers stayed in the public pension scheme. Accordingly, young workers only paid 1.5% into the pension fund and 8% into private pension funds operating on a funded basis, to their own pension accounts. The pension assets accumulated in the pension accounts would have been converted into life annuities on retirement, which were intended to supplement their reduced pensions. The pension reform would have reduced the expenditure of the pension fund in the long term, and since pension receipts decreased in the short term, pensions were covered by other public expenditure and loans. The government restored the pay-as-you-go scheme in 2010, while a large part of private pension fund assets was used for the reduction of public debt. Accident insurance is designed to provide sufficient means of subsistence temporarily or permanently for workers injured at work to cover their living expenses.

#### **4) Social services and assistance**

Social services are intended to help disadvantaged people or people in crisis by providing formal care services. Institutions specialising in care for the elderly and addicts, family support services or services for the homeless carry out their activities in a formal way. Social assistance means financial assistance. Social assistance includes housing benefit, care allowance, funeral support, public health care, funeral at public expense, housing allowance and regular social assistance.

#### **5) Employment policy**

Unemployment is a corollary of the market economy. Unemployment is the temporary state of being jobless. Unemployment is either voluntary, temporary (when an unemployed person could find employment but does not take the job for some reason, e.g. for health reasons, due to their educational attainment or the salary offered) or long-term. Long-term unemployment is when workers are jobless for one year or more. Finding a new job is exceedingly difficult, since employers have less confidence in the unemployed and workers are also out of practice. The task of employment policy is to tackle unemployment. Employment policy has active and passive types of means. Passive means and measures ensure and provide unemployment benefits. Passive means include unemployment benefit (for three months) and jobseekers' benefit (maximum entitlement is ninety days). Active means facilitate maintaining existing jobs and provide support to jobseekers in finding jobs. Means on the workers' side, e.g. job search allowance, mobility allowance, housing benefit, public work scheme, assistance for self-employment and retraining for the unemployed are financed in whole or in part by job centres. Retraining is a means for facilitating job search and job retention. Those who are under the age of 25, or under the age of 30 for those holding a university or college degree, did not gain eligibility for unemployment benefits upon graduating from school; are involved in community service work and undertake to participate in retraining, and are disability pensioners can receive retraining. The following expenses can be reimbursed within the limits of the training assistance: training costs and examination fees, repayment of travel expenses between the locale of training and home, the reimbursement of the costs for accommodation and meals. Reimbursement of travel costs: jobseekers participating in training with aid are entitled to an unlimited number of regional transport tickets with, on average, 90% price reduction between home (residence) and the locale of training.

Means on the employers' side: assistance to employers for increasing employment and creating new jobs, state assistance for the employment of unemployed entrants, and assistance for community service work.

#### **6) Family benefits**

Family assistance is designed to encourage childbearing and to provide financial assistance to help raising children. Child-raising income replacement benefits paid to parents who stop

working: infant care allowance, child care benefit, child home care allowance, family allowance (qualifying condition: regular school attendance) and family housing allowance.’

## SUMMARY

However, irrespective of how the standards of public services change, our shared interest is to heighten general awareness of our interdependence, to strengthen the value of responsibility for others, and to promote modern ways and techniques of selfless assistance to members of society. It is no coincidence that community service is already inherent in the culture of citizenship. This means that average middle-class citizens could not imagine life without taking advantage of some of their free time to help others and the community. A great example is the case of a Dutch student who benefited from the Erasmus programme, came to Hungary to study, and the very first thing he did the day after his arrival was to find a place where he could carry out social work for six months he would spend as an Erasmus student in Hungary. Another example could be the story of a young Hungarian employee who worked for a company in the USA, where the corporate culture encouraged him to take active part in the sound system of social solidarity, solely because all of his co-workers carried out unpaid work in their areas of expertise for the community.

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## **SOURCE OF DATA**

<http://statinfo.ksh.hu/Statinfo/haViewer.jsp>