

The evaluation of social programmes in Hungary

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Abstract

Any change in economic and social roles has an effect on the behaviour of individuals. The bulk of society is able to meet the requirements related to the changing roles. However, there are some people who are not able to adapt themselves to these roles either because of their living conditions or because of their inherited cultural norms. These people are most endangered by social exclusion. If the ratio of these people in the population is too high, this endangers the proper functioning of the society and the economy.

Poverty is a multidimensional concept, it can be caused not only by low income level, but also other factors such as housing problems, a low level of qualification, illness or social integration problems. The state aims at helping the poor with different social programmes. Each person is entitled to some of these programmes in his / her own right. The other group of social programmes are provided according to need.

In my paper I examine the advantages and disadvantages of these programmes and I try to give some pieces of advice to the improvement of the social system.

Key words: social exclusion; need; poverty; social programmes

1. Introduction

The function of the redistributive budget is to execute the socially fair and politically determined redistribution of the income. The scheme of the redistributive budget can be seen on Table 1.

Table 1
The scheme of the redistributive budget

<i>Incomes</i>	<i>Expenditures</i>
Direct taxes depending on income level (partnership tax, personal income tax, social security contribution, capital return tax, etc.)	Government transfers (social support, unemployment provision, pension, supports to equalize territorial inequalities)

Source: András, Vigvári: Pénzügy(rendszer)tan, KJK-Kerszöv, 2004

The state has other reason as well to try to decrease the rate of poverty. That is if the state does not do anything to improve the conditions of the poor, several costs of efficiency can

incur. Social unrest and crime of living can appear among the inhabitants that are forced to starve. [2]

In Hungary the economic changes and economic and social processes of the 1990s have had an important effect on the living conditions of the population. The changes have not hit the different parts of the society in the same way. Incomes have strongly differentiated, more and more people need the support of the society. The old, the permanently unemployed and large families are in the most unfavourable conditions.

The realization of social security, which is the constitutional right of citizens, is the duty of the state regularized according to law. The grant of family supports and pension like social provisions is the duty of the social security, while the specification and the payment of the different supports depending on need are part of the municipalities' duties. [3]

2. Criteria for entitlement

In the process of the distribution of social supports the determination of criteria for entitlement is of significant importance. The two fundamental forms of popular supports are supports depending on need and on civic right. In case of supports on civic right, those who are entitled to support are defined as stated by law or by order and criteria can be controlled easily. Supports depending on need, however, are directly related to income criteria, and entitlement has to be justified in individual request. [3]

- **Supports on civic right**

A part of supports on civic right is related to the level of consumption. In fact, these compensations are not independent on the level of income. They are in fact mixed type. They are based on the hypothesis that those who consume less live in worse living conditions.

Support on the price of gas between 2003 and 2006 and the system of public electricity consumption used to be considered as such a support. In this latter case rise in prices was lower than the average in case of the households that consume less than 100 kWh in a month or 1320 kWh per year. Costs are charged on great consumers. In their case rise in prices is higher than the average. [4]

- **Supports depending on need**

In case of supports depending on need different ways of allocations can be distinguished. It can be done through income examination. According to this method the ones who have low income level are entitled to support. The advantage of this method is that only a small part of the society gets support. It has, however, disadvantages as well like the poverty and unemployment trap. It means that if the individual makes efforts to improve his / her situation, with the increase of his / her own income he / she will lose the entitlement to supports. This means an important brake on the labour market for tax-payers. If there are many people who are entitled to supports or the amount of supports is high, the sources for them can be guaranteed only with high tax rates. The implicit tax rate shows how many forints of support you will lose by earning one forint of income. A further problem of income examination is that it can be specifically expensive as income and property status have to be examined. The third problem of income examination is that it can be humiliating and degrading, especially when every member of the family has to reveal his / her income status to get any support. [2]

Allocation can also be made by using indicators. The ideal indicator:

- has a strong correlation with poverty;
- is out of the control of the individual so it minimizes the effects of the brakes;
- can be observed easily.

Allocation made by using indicators has the advantage of having milder brake. If the indicator is easily observable, it significantly decreases the cost of administration as well. At the same time it also has disadvantages. It is not efficient either vertically or horizontally. On the one hand there can be some people in need who do not get any support, and there can also be individuals who get support even if they are not entitled to it on the other.

The third way of allocation is carried out by self-allocation. It can be done by applying price support. In order to make the application of this allocation possible certain products should exist that have a negative income elasticity in demand and that play an important role in the consumption of the poor. The other possibility is the conditioned grants. In this case the condition of authority depends on some kind of activity. For example the unemployed is entitled to support only if he / she takes part in some work or training. The advantage of this system is that only those get support who sign up such programmes. There can, however, be gaps, i.e. individuals who are physically unable to work and there can also be trickles, i.e. communal works can oust paid work.

The way of allocation can be mixed as well. It combines the above mentioned ways. [2]

Providing for people with supports depending on need is the duty of municipalities. Supports provided by municipalities can be grouped in three categories:

- income supplementary supports operating according to the principle of entitlement set by rules of law (job search allowance, regular social grant, child rearing grant)
- supports related to need (bereavement grant, housing grant)
- provisional (temporary) and crisis support (extraordinary child-protection grant, home establishment grant)

Job search allowance replaced the unemployment benefit as of 1 November, 2005. Regular social grants are a form of financial support depending on need, provided by local municipalities for those who meet the conditions. Local municipalities give regular social grants to persons with an unfavourable position on the job market (and their families) if they are over 18, are in their active years and are in bad health or unemployed. A further condition is that the subsistence of the petitioner and his family are not supported in any other way and in case of an unemployed petitioner a further condition is that he should be ready to take part in some programme to help his reintegration. Parents, foster parents and guardians bringing up three or more children, are entitled to a child rearing grant. Local municipalities can also provide bereavement grants for those in need. Local municipalities can also provide housing grants for the person or family that is not able to cover or have difficulties in covering housing costs and meets the conditions set in the regulations. Local municipalities can also provide an extraordinary child-protection grant for families looking after children who have temporary sustenance problems or are in an extraordinary situation which endangers their sustenance. Home establishment grants provide help for adults who have permanently or temporarily been in state care and are under 24 to get their own flat and to solve their housing problems. [5]

• **Family allowance**

The aim of family supporting grants is to decrease the financial burden of families related to child rearing, to improve the social security of families and to contribute to the healthy and balanced physical, intellectual and moral development of children.

Family allowance is a kind of monetary grant that is provided by the state monthly to help to cover the costs of the rearing and education of children. Every parent who brings up a child is entitled to family allowance in his / her own right. [5] Family allowance therefore is not a kind of support depending on need which would mean that it is not enough efficient, i.e. not only those are entitled to it who are indeed in need.

My hypothesis is that family allowance is, in fact, a kind of support depending on need allocated by using an indicator. In this case the indicator would be the number of children. Let us examine if the number of children as an indicator meets the requirements of an ideal indicator. The first criterion was the strength of correlation. To find it I use the data of the 2001 census, broken down to subregions. The two variables are the ratio of the families bringing up three or more children and the monthly net income. The value of the coefficient of correlation is $r = -0,458$; which shows a significant correlation at the 0.05 level. So there is a strong relationship between poverty and the number of children as the financial status of families worsens significantly with the decrease of the number of children. The number of children as an indicator meets the third requirement of an ideal indicator as well as the number of children in a family can be observed easily. It is enough to produce the birth certificate to make allowance payable. Consequently family allowance can be considered to be favourable also from the standpoint of administrative expenses. The number of children, however, does not meet the second criterion of an ideal indicator as the number of children is not out of the control of the individual. It can occur that somebody brings up a child, or several children only to make ends meet with the help of family allowance that he / she gets. The number of children, thus, is not an ideal indicator, but as it meets two criteria out of three family allowance can be considered as a kind of support depending on need. Family allowance contributes to the reduction of poverty on the one hand, and makes redistribution possible among the different life-cycles by helping the age-group that needs it most of all on the other. Moreover, family allowance also expresses the commitment of the government to try to stop the decrease in the number of the population. So the advantage of family allowance is that it helps to realize social aims and usually those who are entitled to it are indeed in need. Its further advantage is that the number of children is easily observable, so its adjudication does not require high administrative expenses. As the adjudication of family allowance does not depend on the income status, it does not mean a brake on the labour market.

3. Evaluation of the supports

In case of supports depending on need old-age pension or the minimum value of it set in the regulations is the base of comparison. Among others this is the base of the distribution of regular social grant and housing grant. As the lifestyle and consumption habits of the old are significantly different from that of the active age-group using the minimum level of salaries instead of the minimum level of pensions can be brought up. This would, however, broaden too much the number of persons entitled to supports as there are many people who officially get the minimum salary, but they obtain significant salary through other channels.

The weak point of calculations based on the salary per capita is that it does not take into consideration the effects of the structure of families and the type of the household on the consumption. A part of the expenses is not in direct relationship with family size (p.e. maintenance of a car) on the one hand and the way of spending the income can also be different according to the different household types on the other. That is why it is advisable to take into consideration the characteristics of the household besides the income per head.

Statistics use the scale of equivalence to compare families with different size and compound. To find these values the members of a family get an index number depending on their age and on the number of the family. With these numbers the consumer unit can be calculated which is the proportion of the family member expressing the structure of consumption within the family. The amount of income then is calculated per a consumer unit. [4] An example for the weighting process can be seen on Table 2. [9]

The advantage of supports depending on need is that they aim at social justice and the moderation of inequalities since only those get support who are in need. Their disadvantage,

however, is that the meaning of the different concepts is debatable and the aim are difficult to enforce in practice. The weak point of distributions based on different income criterions is the determination and the validation of the base. The different bases of comparison (the minimum value of the old-age pension set in regulations, minimum wage) define different groups of those is need. Besides, it is often difficult to determine the exact value of a family's income because of the extensive black and grey incomes and because of the fact that sometimes even the size of a family is not easy to find. Data are less reliable among the lowest and the highest classes which makes the justice of support doubtful. Moreover, the income does not take into account every element of welfare. It takes no notice of self-production, credit withdrawal, aid of relatives or inherited fortune.

Table 2

The scale of equivalence used to calculate the existence minimum

<u>Households of active age-groups</u>	<u>Households of pensioners</u>
1 st adult 1.00	1 st adult 0.90
Other adults 0.75	Other adults 0.65
1 st child 0-14 0.65	
2 nd child 0-14 0.50	
Other children 0,14 0.40	

When the support depends on the acquisition of certain products or services or on different situations in life, those who are not consumers left out of supports even if they are in as bad conditions as the recipients or in even worse conditions.

The advantage of supports on civic right is that every citizen can obtain them on clear criterions. With these supports many social aims can be set. The disadvantage of these supports are, however, that people can be entitled to them even if they do not need help. It is possible because in case of these support the level of income is not examined. As classes with higher income often buy more supported products and services they often get more support than classes with lower income. Besides, supports on civic right often distort the decisions of consumers. P.e. the support of the price of gas between 2003 and 2006 made the consumers use gas instead of other fuels because of the low price of gas. Its further disadvantage is that even if administrative expenses are low, many people get support because of the simple criterions, so supports are expensive. [4]

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