

# Poverty in Europe

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Poverty and Equity Global Practice

## Pinpointing Poverty in Hungary

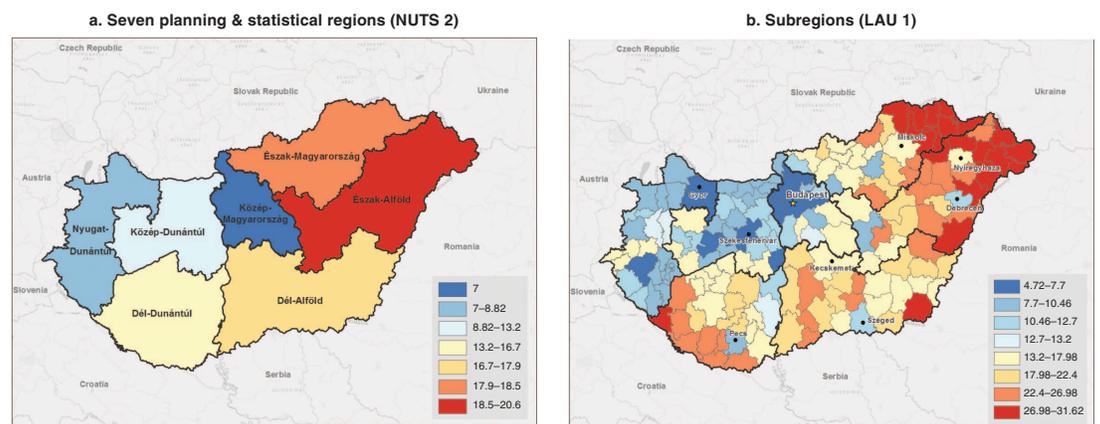
Rates of poverty and social exclusion vary widely across European Union (EU) member states, and there is also a high degree of variability in living standards within member states. In its 2014–20 multiannual financial framework, the EU budgeted €1 trillion to support growth and jobs and to reduce the number of people living at risk of poverty or social exclusion by 20 million by the year 2020. To this end, the Government of Hungary has set a national goal of reducing the number of the poor and socially excluded by 450,000 people by 2020.<sup>1</sup>

Success depends on developing the appropriate policies and programs and targeting them effectively. However, the European Commission has previously had to rely on sub-national data at a relatively high level of aggregation for program planning and the allocation of EU funds. The EC and the World Bank, in cooperation with individual EU member

states, have developed a set of high-resolution poverty maps.<sup>2</sup> The greater geographical disaggregation of the new poverty maps reveals which parts of these larger regions have particularly high rates of poverty and require greater attention in poverty reduction programs.

The poverty maps for Hungary confirm existing knowledge about poverty in Hungary, but also reveal new insights. For example, previous surveys have shown that the highest rates of poverty occur in northeastern Hungary (map 1, panel a). The statistical subregion-level (LAU 1)<sup>3</sup> poverty map (map 1, panel b) shows that many of the subregions in the northeastern corner have elevated risk of poverty rates, although Eger, Miskolc, and Nyíregyháza stand out as areas with only moderate poverty incidence. In contrast, Southern Transdanubia is heterogeneous, comprising low poverty incidence in subregions such as Pécs, with relatively high

**Map 1 At-Risk-of-Poverty Rates, Hungary**



Source: Estimates using data from the 2005 EU-SILC and 2005 Microcensus collected by the Hungarian Central Statistical Office.

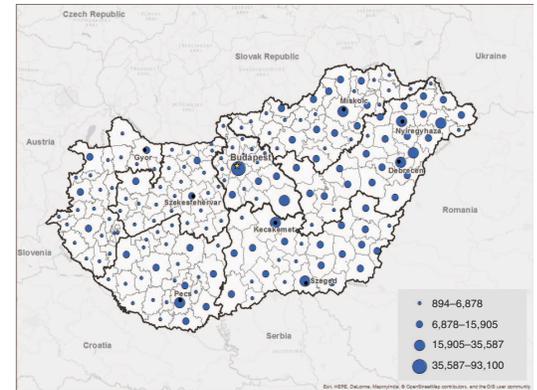
Note: The risk of poverty rates are defined using the EU standard of 60 percent of median national equivalized income after social transfers.

poverty incidence in nearby Siklós, Sellye, Szigetvár, or Szentlőrinc. More generally, there is a much higher degree of heterogeneity in poverty incidence at the statistical subregion level vis-à-vis the estimates available directly from the EU-SILC survey for the seven planning and statistical regions. Knowing which subregions have higher poverty rates can help in more efficiently targeting resources for development and poverty reduction.

Targeting poor areas alone can have limitations. Policy makers have an interest both in areas where poverty is high and in areas that have the most poor people. These two are not the same: areas that are poor may also be sparsely populated, whereas large cities tend to have low poverty rates, but large numbers of poor people because of the large populations. In Hungary, the density of the population below the poverty threshold is, on average, also higher in subregions with higher poverty incidence (map 2). Nonetheless, the rankings of subregions by poverty incidence and by poverty density are quite divergent; sub-regions such as Budapest, Pécs, Győr, and Székesfehérvári have a low poverty incidence, but, given their large populations, they account for a large share of the total population below the risk of poverty threshold.

Poverty maps do not provide all the answers. They must be combined with other information, including local expertise, to inform decision making. After identifying the areas or populations in greatest need, one must understand why these places are poor. The reasons are likely to vary from place to place and may include inadequate infrastructure, lack of economic activity, an insufficiently skilled workforce, or other reasons. Poverty maps provide more finely grained information on sub-national variations in poverty than was previously available and can potentially improve resource allocation. The maps also force more thinking on how best to allocate resources aimed at improving standards of living, balancing the targeting of poor areas

**Map 2 Population Living below the Poverty Threshold, Hungary**



**Source:** Estimates using data from the 2005 EU-SILC and 2005 Microcensus collected by the Hungarian Central Statistical Office.

and poor people. While the appropriate combination of approaches will vary by country, the maps provide important information to help improve policies and programs to combat poverty and social exclusion.

### Notes

1. Hungary, Ministry for National Economy. 2015. "National Reform Programme 2015 of Hungary." Ministry for National Economy, Budapest.
2. At the time of preparing these poverty maps of Hungary, the 2011 Population Census data were still being processed. Therefore these maps are based on the 2005 EU-SILC and the 2005 Microcensus carried out by the Hungarian Central Statistical Office, which covered two percent of the population. The poverty maps will be updated under Phase 2 of the EC-World Bank project, using the 2011 Population Census and 2011 EU-SILC.
3. The NUTS (Nomenclature des Unités Territoriales Statistiques) classification is a hierarchical system of dividing up the economic territory of the European Union for the development of regional statistics, regional socioeconomic analysis, and the framing of EU regional policies. To date the NUTS 2 classification has been used for determining eligibility for aid from European Structural Funds. Below the NUTS 3 classification areas are defined according to Local Administrative Units (LAU). Most EU member states have LAU 1 and LAU 2 divisions, but some only have LAU 2.