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ENVIRONMENTALLY SUSTAINABLE DEVELOPMENT
THE WORLD BANK**

**Hungary in the 1980s: A Historical Review
of Social Policy and Urban Level Interventions**

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WORKING PAPER

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INTRODUCTION

This social policy paper was written collaboratively by World Bank and local consultants during January through April 1992. It is one of a number of economic and social policy background papers written as part of the research project on "Urban Poverty and Social Policy in the Context of Adjustment". The Urban Development Division of the World Bank is undertaking this research project, with case studies in Budapest, Guayaquil, Lusaka, and Metro Manila. This research project is concerned with the coping strategies of urban low-income households in the past decade. Its purpose is to identify the capacity of households to respond to the conditions created by macro-economic change and policy reform. Understanding household coping strategies has important implications not only for the design of specific poverty alleviation strategies but also for the formulation of coherent social policy consistent with economic reform.

In this research project social policy is defined holistically and inclusively. Its broad objective is the development of a just, equal and prosperous society. Its concern is more equitable wealth distribution and poverty reduction through the active participation of different social groups in the satisfaction of both their economic and social rights. This definition means that not only is it concerned with sectors usually defined as 'social', such as Education, Health, Social Welfare and Social Security, but also includes sectors more commonly identified as 'economic', such as Employment, or 'infrastructure' such as Housing, Water, Transportation Infrastructure and Services, and Electricity.

This social policy review paper, which uses both Bank and other sources, has two purposes. First, to better understand recent developments in the area of social policy, it presents an overview of the major socio-political and economic changes that have taken place in Hungary during the past 10-15 years with emphasis on the causes and manifestations of poverty. Second, it examines the factors that have led to significant changes in the social policy framework within the country and assesses the extent to which sectoral initiatives affect the urban poor. This includes an examination of relevant initiatives that have been identified as directly or indirectly targeted to assist in 'poverty alleviation' and consequently are intended to contribute to urban poverty reduction.

The paper is divided into two parts. Part One provides an overview of recent socio-political and economic factors that have led to changes in the institutional framework within which social policy is implemented. Part Two is concerned with sectoral initiatives currently being designed or undertaken by the Central Constituency in Budapest. Where data is available, an assessment is made of the extent to which these initiatives assist urban poor communities, households and individuals to meet their needs.

I. RECENT DEVELOPMENTS IN SOCIAL POLICY AND THE URBAN POOR

Trends in Poverty in Hungary

1.1 This section examines the causes and manifestations of poverty during the past two decades in Hungary. It presents a brief analysis of the trends in poverty and the causes for the increase in social inequalities during the 1980s.¹

1.2 Present knowledge about the extent of and trends in poverty in Hungary is limited. Until recently, acknowledging the existence of poverty was considered a "taboo" of the socialist ideology and politics and even mention of its existence was regarded as a "dissident action". As a consequence, until recently, collection of data on the number of people living below the subsistence minimum was not undertaken and even the minima levels were not calculated for decades. The first "official" minima levels were computed by the Central Statistical Office (CSO) in 1984, with published data only available since 1988. Therefore, the description presented below will inevitably be sketchy, especially with regard to the changes of the *extent* of poverty over time.

1.3 The total number of the poor in 1987 was estimated to be between 1.1 and 1.8 million or between 10-17 percent of the total population. Table 1 presents data on the number of persons living below the subsistence minima level for specific years. The calculations presented are made from data obtained from two sources, namely annual income and biannual household surveys. The results from the income surveys show that between 1977 and 1987, the number of persons living below the minimum increased by 100,000 representing a 1 percent increase in the ratio of the poor as a percentage of the total population. The trend in poverty is less clear from the biannual household survey data for the 1978-87 period, though a tendency of an increase can be evidenced. This data suggests that the ratio of the poor was highest around the middle of the 1980s and decreased to 1980 levels by 1987.

1.4 In terms of the characteristics of the poor, the data reveal that the percentage of the total population living below the subsistence minimum has not changed substantially over the decade. However, the incidence of poverty in households with active earners has marginally increased while in inactive households it has decreased. The risk of poverty was markedly higher in inactive households in the first half of the 1980s, but during the latter part of the period this trend was reversed. There was a 3 percent increase in the ratio of the poor among active households, while the risk of poverty dropped by about 10 percent in pensioners' households. One of the factors contributing to this reversal is the significant increase in the number of pensioners obtaining significantly higher pensions during this period. The real poor, therefore, were those who retired some 10-15 years ago with very low pensions and who have lost their purchasing power during the recent years of high inflation.

1. Parts of this section are based on a paper written by one of the authors. See: Julia Szalai, "Poverty in Hungary During the Period of Economic Crisis." Manuscript, 1990.

1.5 Tables 2 and 3 present data on the *internal composition* of the social strata of the poor from various aspects and relate the structure of poverty to the general one of the society. As several analyses have indicated,² income differences according to the occupation of the head and/or the other members of the household seem to diminish gradually in the Hungarian society. They are substituted, however, by other dividing factors such as the life cycle of the family, the household's participation in secondary economy activities and the functioning of intra-family resource redistribution networks.

1.6 The most marked inequalities appear in the ratio of earners to dependents in the household. This fundamental tendency has been an important characteristic of the income distribution of the state-dominated society of the last decades. However, what is new about it is its shift *from a relatively high proportion of elderly adult dependents toward children*.

1.7 Table 2 shows, that while there has been a modest decrease in the proportion of active earners in the population between 1977 and 1987, there is a marked increase in their proportion among the poor. The opposite is true for the changes in the proportion of pensioners, and a parallel decrease characterizes the share of adult dependents (mainly un-employed, aged housewives). Further, one of the most significant changes over the last ten years is the increased proportion of families of urban active earners among those living in poverty. While the typical poor of the 1970s came from a rural setting, was relatively old, lived alone or with a spouse on pension or welfare, the typical poor of the 1980s lives in urban active families, is relatively young, and raises several children.

1.8 The most shocking development during this period is the rapid increase in the proportion of children among the poor, while their ratio in the total population has been practically unchanged. It is an important indicator that approximately two out of every five individuals living in poverty in the late eighties are children; roughly one-third of them are under the age of 6. Further, the risk of dropping below the poverty line is relatively higher for urban children as compared to the total population at 28 percent in the case of urban children as opposed to the average risk which is around 15-16 percent (see Table 3). Rural children are also at risk though their indices are somewhat lower than those of their urban counterparts. As indicated in Table 3, another group which faces serious risks of dropping below the subsistence level are urban households receiving child care benefits. In 1987, 40 percent of all urban households receiving these types of benefits lived below the subsistence level.

1.9 Another change during this period, is that in addition to the "traditional" poverty of families with several children, the incidence of poverty has increased among families raising one child. While the ratio of children in active households with one child has decreased on the average, the opposite has happened in the case of poor families. The ratio of children of small families, mostly with two active earners, has slightly increased among the poor, from 24 to 25

2. See, for example, the introductory summaries to the reports of the annual Income Surveys.

percent between 1977 and 1987, while it has decreased significantly, from 34 to 17 percent in the population of all active families. In short, findings on the composition of poverty show a marked shift toward the over-representation of young urban families with children.³

1.10 The risk of dropping below the subsistence minimum for these families has increased for several reasons. The first factor is the rise in *unemployment*. Though the increase in unemployment was only recognized around the turn of 1990 in Hungary, the 1990 Census data indicate that unemployment was already quite substantial during 1989. While the number of *registered* unemployed was around 30,000 at that time, *self-reported* unemployment had reached 110,000.⁴ Men and women have had to face the new status of being unemployed at different rates. The highest ratio is indicated in the case of men aged 20-25 who are possibly in the life-cycle of their marriage and raising their first children. Since their spouses are usually at home receiving childcare grants or fees, they cannot compensate the loss of employment and income. These very young families appear to lose their main income-earning activity at a higher-than-average rate facing serious (and until now, statutorily uncompensated) *absolute* poverty.

1.11 Secondly, recent price increases have disproportionately hit young families with children. Regular reports of the Central Statistics Office (CSO) indicate that for the last period between 1987 and 1990, while the increase of prices was 211 percent in case of families with only adult members, the respective ratio was 225 percent for families with three or more children.

Recent Developments in Hungarian Society and the Impact on Social Policy

1.12 This section will present an account of the most important socio-political and economic changes that have reshaped the Hungarian society during the last 10-15 years, with special emphasis on the significant changes in the causes and manifestations of poverty discussed earlier. The section will also present an analysis of the economic, political and social factors that have led to marked shifts in the institutional structure within which social programs and services are administered, and the conflicts that have emerged between the partially divergent processes of "unintended" social and "intended" institutional restructuring. These conflicts have resulted in the reinterpretation of the functions of major areas of social policy, i.e., the redefinition of social security, new initiatives in education, reforms in housing policy and health care and have also produced an increasing number of those left without any social protection. The major purpose is to come to a better understanding of both the causes of the recent development in Hungarian social policy and the impact of the recent institutional changes on the urban poor. This picture is rather unclear and controversial.

3. The higher-than-average rate of women on child care grant is an indirect sign of the "age" (i.e. the early life cycle) of the family.

4. See: Preliminary Findings of the Census, 1990; CSO, Budapest, 1991.

1.13 The increase of poverty and its shift toward the urban segments of the society as discussed earlier, cannot be explained exclusively by the necessary and unavoidable adjustments made by Hungary in its move towards a market-oriented economy. The origins of these processes can be found in the country's socialist history in which massive pre-war time poverty was never really abolished but rather significantly transformed. In fact, the socialist way of production incorporated the permanent maintenance of poverty by keeping large social groups in deprived positions in the labor market through compulsory full employment which was based neither on economic necessities, nor on individual choices and rights, but on the political principles of totalitarian control. This way the true character of poverty was "hidden" for a long time, and its recent blatant manifestation is due more to the weakening of totalitarian control over the society rather than to new processes related to market-oriented reforms.

1.14 The recent discovery of poverty has created a kind of socio-political "shock" during the time of the abolishment of the authoritarian party-state. Poverty at present is to be regarded as a political rather than a mere economic issue in Hungary. One can state in an historical retrospect, which is convincingly demonstrated by a great number of surveys in housing, income, living conditions etc., that the slowly emerging market forces from the late 1960s onward have, in fact, worked toward the mitigation, though obviously not a full elimination, of all the conflicts and tensions around poverty. Therefore, the "free" market cannot be blamed for the sudden appearance of the phenomenon of poverty. This can also explain why the dilemma of "market" versus the "state" seems to be misunderstood, artificial and false in the contemporary transformation of the institutions of Hungarian social policy.

1.15 For the sake of better understanding the relevant alternatives available to Hungarians during the period of transition, the processes that helped the more fortunate groups of the society to expand and intensify their informal networks of social protection in opposition to the state must also be taken into account. At present, the major dividing lines can be found between those who have gradually developed efficient ways of self-protection against full subordination to the state and those who have remained dependent on it. The former group seems to have access to alternative strategies for defending itself against impoverishment amid the difficult circumstances of chronic economic crisis, whereas the latter often finds itself in hopeless situations. The latter's defenselessness is mainly due to the fact that it has traditionally been excluded or, at best, vaguely linked to the non-institutionalized services, benefits and supportive networks of the informal society. At the same time the informal ways of social self-protection of the "fortunate" majority have not yet been extended and transformed to the universally accessible public institutions. Thus, ironically, the collapse of the all-embracing party-state has left behind an institutional vacuum after the disappearance of its coercion-based "protection".

1.16 It is also worth noting that the formal services of state social policy have not yet proceeded to rid themselves of their authoritarian character as they are still regarded as the representatives of control instead of rights, authority instead of choice, defenselessness instead of protection. Their genuine social and political restructuring has not yet begun as fundamental laws on guaranteed social rights, on the social responsibilities of the central and of the local

states. Basic legal regulations of social security, of education and health have not yet even been addressed by the newly elected parliament, while the old rules do not and cannot work. Therefore the social policy of recent years during the transition period can be characterized by confusion, uncertainties and growing social tensions on the part of those who do not have access to any alternative forms of self-protection. This situation cannot be explained by mere economic factors as it is mainly a matter of the present state of political struggle. The withdrawal of the totalitarian state has not yet been replaced by the democratic institutions of a well-developed civil society. Instead, one can observe the symptoms of social disintegration, leading to the creation of a "second society".

1.17 The analysis starts with a brief presentation on the causes for the erosion of the state-socialist order and some of its consequences in the main areas of social policy. The discussion analyzes how the disintegration of the socialist system has been interrelated with the creation, reproduction and hiding of poverty, and how the collapse of the weakened "socialist" institutions of power was followed by the sudden "discovery" of poverty as a by-product (but definitely not as a product) of the recent political changes. The current efforts of the state and other institutions within the society in coping with this problem will be presented in the context of the complexity of social, political and economic transformation which are accompanied by serious struggles of diverging interests amid the circumstances of the present chronic economic crisis of the country.

1.18 One of the classical approaches to the evaluation of the effectiveness of social policy is to question how effective initiatives have been in mitigating social inequalities and in reducing poverty. However, this classical approach seems to have limited relevance in contemporary Hungary. The challenge which policy-makers faces today are related not only to the questions of efficiency and better targeting, but are deeply rooted in the structural reorganization of the institutions of the previous regime. These institutions are in the process of redefinition as they have to be transformed from following the dictates of totalitarian rule over the society to those which express a degree of legally guaranteed social rights in a democracy. Their everyday function also has to be reshaped as they attempt to meet the diverging needs of members of the society instead of representing the primacy of the political dictates of a ruling authority. Obviously, these broader changes do not imply merely a better allocation of the resources and a redefinition of those in charge of the daily decision-making process. Much broader and more significant issues relating to the necessary changes in ownership and decision-making and thus struggles with respect to power and control are implied.

1.19 Therefore, any attempt to describe and analyze the contemporary changes in Hungarian social policy has to simultaneously apply two distinct perspectives. One axis of analysis would be the degree of "*denationalization*" of its institutions, which has important implications relating to issues of access and control. The other axis of evaluation can be that of a more classical character, i.e. identifying the *beneficiaries and the losers* of these ongoing changes. The present state of poverty can be interpreted and understood in the context of

significant social restructuring, which also embraces important processes beyond the changes of the classical fields and capacities of social policy.

1.20 It is a peculiarity of the recent Hungarian history that it is quite difficult to tell precisely *when* the Hungarian society begun its move from classical “socialism” toward a market-regulated socio-economic order. The so-called “systemic changes” of 1988-90 were in fact the completion of a long-term gradual erosion of the “old rule”, rather than the revolutionary outset of radical social and economic changes of recent years. In other words, while in most of the other former “socialist” societies of Eastern and Central Europe the political turmoil of 1989 began the process of transformation of the previously “untouched”, rigid social and economic institutions, the collapse of state-socialism went the other way round in Hungary. Due basically to the peculiarities of the post-1956 phase of socialism in the country, which was determined by the delicate political compromise between the rulers and the ruled after the defeat of the 1956 revolution, quite significant moves towards a market-economy and new relationships of private ownership had gradually developed *beneath* the seemingly “socialist” political surface and *within* the classical institutional frames of the economic and social organizations. The ultimate disintegration of the weakened political structure was a *natural* outcome in this sense though no one could foresee when it would occur and what would follow. It was well prepared by a general social, economic and ideological crises which has since opened, more and more, the framework for democracy throughout the 1980s.

1.21 These changes were strengthened simultaneously by *external* and *internal* forces. The external factors were mainly of an economic nature. After the late 1970s, the regime had to face up to the undeniable symptoms of an overall crisis of the economy, that could no longer be covered nor handled by the old “firefighting” methods of “productions-campaigns”. The traditional sources of growth based on the ever-lasting quantitative increase of labor, cheap raw material and capital-saving investments became drastically exhausted. Even the additional external resources obtained through increased indebtedness of the country became inadequate to finance the economy in its given form. The new economic policy declared by the Communist Party (HSWP) in 1978 attempted to countervail these unfavorable processes by placing restrictions on imports and by attempting to curtail domestic consumption. The shift towards liberalizing the economy required a more pronounced orientation to market-supportive reforms of the economy “at home”. The gradual liberalization of prices and imports, reforms aimed at facilitating labor mobility and ultimately the privatization efforts pursued by the Government (from 1982 on), were logical and indispensable elements of measures dictated by pressing necessities. These led to a gradual erosion of the old rule and to a simultaneous gradual adjustment of the society to new challenges long before the collapse of the Communist regime.

1.22 These external macro—economic determinants of a slow transition towards a market economy were coupled with and strengthened by the slowly evolving “internal” forces within the society that played an equally important role in the dissolution of the “socialist” order and in the evolution of informal market-oriented ways of social adaptation. Though a detailed socio-historical analysis of these factors is beyond the scope of this paper, it has to be emphasized that

perhaps the most important vehicle of this erosion was the social participation of a significant proportion of the society in the *informal economy*. As will be demonstrated below, this massive participation has also become the main strategy for preserving previous standards of living amid the devaluation of incomes which were primarily derived from the formal segments of the economy, i.e. both earnings from the activities at the “official” workplaces as well as in-cash benefits from social security. During the 1980s, real wages in the socialist sector declined sharply. Households maintained the growth in real per capita labor income through increased reliance on two full—time earners, which was partly facilitated by an increase in female labor participation and through increased secondary employment.

1.23 The peculiarity of the development of this phenomenon in Hungary can be found in the fact that the daily participation in one or another form of informal productive activity *in addition* to regular work in the state-controlled socialist firms had gradually become an unwritten norm during the last two decades. By the mid-1980s, three-quarters of all households obtained additional income from informal sector activity and an ever-increasing daily participation of nearly all family-members in its various “sectors” has been evidenced.⁵ Between 1978 and 1987, earnings from primary employment in the socialist sector declined from 50 percent of total household income to 41 percent while earnings from secondary employment rose from 7 to 11 percent during this period (World Bank, 1992). In addition, these spheres of informal social life became the major forms of alternative services amid the shrinking state-delivered care for children, the sick, disabled and elderly.

1.24 This vast informal sphere of production, distribution and consumption involved the cooperation and active contribution of all members of the family. It demanded a deliberate and permanent search for the optimal combinations of the participation of the family-members in the formal sector (dictated by the legal, administrative and financial regulations of the state-socialist order) and in the informal economy (dictated by the aspirations and needs of the family which could best be met by self-production).

1.25 The indispensable role of the informal sector has to be considered when analyzing the recent trends of economic and social transformation. One cannot find adequate explanations to the recent substantial increase of the number of small private enterprises,⁶ or to the relatively slow and gradual increase in the rate of unemployment, and especially, to its peculiar

5. For detailed data and analysis see: Changes in the Way of Life of the Hungarian society, CSO, Budapest, 1990.

6. The number of registered limited companies (Ltd.) increased from 19 in December, 1982 to 12,559 by July, 1990. The ratio of those employed in the private sector was 3.4 percent of all employees in 1980, growing to 8 per cent by 1988. (See: The Book of Facts '91; Ráció Publishing House, Budapest, 1991, and Tibor Kuczsi-Ágnes Vajda: The Social Composition of Small Entrepreneurs, Institute of Labor Studies, Budapest, 1990.)

composition,⁷ or even to the marked restructuring of poverty,⁸ without taking into account the material, but also the cultural aspects of the lasting experience of the Hungarian society in it. Those experiences of organizing lives according to the requirements of the *co-existence* of the formal and informal spheres of activities has induced remarkable changes in the habits, motivations, aspirations, values and priorities of the society, and helped the widespread evolution of market-oriented behavior long before the opening of channels for its full realization.

1.26 Therefore, it is justifiable to expand the notion of the “transition” period in Hungary to include the 10 to 12 year period in which these concurring external and internal factors occurred. The more recent reforms that have taken place in the last 2-3 years are in fact “organic” continuations of the processes, modifications and developments discussed above and emerged much before the *political* acknowledgement of the complete erosion and crisis of the “old system”.

1.27 The consequences of the adaptation of the Hungarian society to the challenges of the transformation can be demonstrated in nearly all aspects of life. However, the analysis is restricted to a limited number of areas that are more closely related to the classical “competence” of social policy, i.e. namely to the developments in the maintenance of income and standards of living.

1.28 A surprising aspect of the economic crisis of the 1980s was the fact that the steady decline in the productivity of the socialist firms was *not* accompanied by a parallel decrease in the *aggregate* indicators of income and consumption. As indicated in Table 4, while in the second half of the decade the level of real earnings derived from the “official” workplaces never reached the standard of 1980, indices of per capita real incomes and those of the aggregate real value of consumption showed a modest (though somewhat oscillating) increase.

1.29 The diverging trends of earnings and incomes were due to several concurring processes. On the one hand, as it has already been mentioned, the government tried to control domestic consumption by introducing a set of measures to restrict both investments and

7. The number of registered unemployed in 1991 was approximately 320,000, roughly 7 percent of the labor force. This was *below* the expected level officially announced at the beginning of the year (most of the economic forecasts calculated a rate around ten percent of the labor force by the end of the current year). The peculiar composition of unemployment was even more remarkable: roughly two-third of both the self-reported and the registered unemployed were men, while women were obviously over-represented in the bulk of (mostly unskilled or semiskilled) jobs that are being liquidated. The key to the paradox seems to lie also in the above described relative strength of the (former) informal economy. Women seem to take up work in an increasing number on the edges of the two economies, i.e. in various forms of (yet undeclared and mostly unregistered) part-time work in local services, small-scale production, casual employment etc. This temporary way out of unemployment seems largely to be closed for men whose household status does not permit them to give up seeking “ordinary” forms of gainful employment.

8. See earlier section for more detail.

consumer demand. That policy led to a gradual shrinking of the first economy, a steady and previously unforeseen rise in consumer prices,⁹ and the introduction of taxation on personal incomes. On the other hand, the society responded with a remarkable expansion of and intensification in its participation in the informal economy.

1.30 Some comprehensive data may present a better understanding of the overall importance of the informal economy. Table 5 provides estimated data on time spent in work activities in both the formal and informal economies. The detailed breakdown of the data also shows the changes in the division of labor *within* households. As indicated, the expansion in informal sector activity was mainly due to the dramatic increase of the performance of the *inactive* population which is comprised basically of pensioners.¹⁰

1.31 Table 6 presents the rates of participation and the time allocated to various activities by the population aged 15–69 years. As indicated, both men and women increased their participation in all activities outside state-control, though the rates of increase were more remarkable in “urbanized” types of work rather than in agricultural.

1.32 These data also highlight how households have started to “build” into their long—term strategies the stable existence and wide acceptance of the informal economy and how they have attempted to find ways of self-protection by combining several types of coping strategies. In this way, many were able to avoid the deterioration in their standard of living and in fact a significant proportion have been able to improve it. Frequently, this occurred by merely utilizing previously accumulated “unregistered” knowledge and skills that people had acquired during their continuous participation in the informal economy. The most widespread response has been a skillful and adaptive strategy of increasing time allotted to activities outside the registered spheres of production. This turned out to be useful for raising the income at the

9. For detailed data see the series “Minutes on the Indices of Consumer Prices” edited by the Central Statistical Office. The overall increase of consumer prices between 1980 and 1990 (1980=100.0) was 277.1 percent, that was significantly exceeded by the 307.0 p.c. - index of clothing, by the 327.1 p.c. rate of increase of service-prices, and by the 294.7 p.c. rate of increase with regard to goods outside the consumption-basket of everyday consumption for subsistence.

10. The scope of the paper does not permit an analysis of the gearing of the “formal” institutions of social policy (especially, the routes to social security) into the functioning of the informal economy and vice versa. It has to be noted, however, that the use of sick-pays, disability pensions and of some of the child-benefits for a (mostly temporary) withdrawal from the first economy, accompanied by a simultaneous intensification of participation and work in the informal one was a natural outcome of the functioning of the old system which served the interests not only of the individuals and their families, but, first and foremost, the smooth functioning of the “official” economy itself. This characteristic feature of multiple functions of social policy in “socialism” (and much of it even in the process of transition) is often forgotten, when the rates of expenditures on social security are regarded to be “too high”. (A detailed analysis of the complexity of functions and of the multiple use of the social security system can be found in: Julia Szalai: Exit from State Economy; in: Time for Retirement (eds.) Martin Kohli et al; Cambridge University Press, New York, 1991.)

disposal of the household, substituting in-cash expenditures or alleviating the constraints in everyday consumption by “home-made” goods and services.

1.33 The shift from the formal toward the informal economy has further implications on changes in the composition of income and consumption, as well as on other aspects of the way of life in Hungarian society. First, the expansion of work in the second economy enabled households to earn income derived from sources outside the direct intervention of the state. Earnings and spending have come more under the control of the individuals, and can be adjusted to the emerging and changing needs of families. Data from subsequent income surveys reveal, that the importance of earnings from selling goods and services produced by unregistered small family-enterprises has been increasing significantly during the 1980s — while their share was 14.9 percent in the total cash-income at the disposal of an “average” household in 1982, it grew to 20.4 percent by 1987.¹¹

1.34 Second, the growth of the informal economy and its prevalence in the everyday life of the society has led to a remarkable surge in the participation of individuals in efforts to improve their lives. Perhaps this can best be demonstrated in the sphere of housing. As data in Table 7 show, the quality of the national stock of dwellings has remarkably improved during the last decade. Three—quarters of the flats in Budapest have a bathroom (as opposed to 56 percent in 1980), four out of five flats are connected to the communal sewage system; one-third of the stock consists of large flats with three or more rooms (it has to be noted, that the rate among the newly built flats is even higher: in 1989, they represented 61 percent). Detailed analyses of yearly statistical reports on construction indicate that these developments have been almost exclusively produced through private resources and by private activities of families.¹²

1.35 The main transformation in the traditional functions of social policy, i.e. the protection against the fall of incomes and against the decline of a previously attained general standard of living, has been its “privatization” during the last decade. The reaction of a large proportion of Hungarian society to the challenges of the crisis of the state-economy has been the reduction of their dependence on its institutions and “substitution” by increased individual efforts and productivity. The state assisted this process in a rather peculiar way – state-controlled resources for housing and for income maintenance through social security have increasingly gone to those, who “converted” these resources into self-controlled production. In other words, social policy helped those who helped themselves. This may be demonstrated by data on the gradual

11. See: The Level and Distribution of Family Incomes in 1982; CSO, Budapest, 1985, and Income Distribution in Hungary; CSO, Budapest, 1990.

12. The withdrawal of the state in the field of housing was very remarkable in the last decade. While the ratio of dwellings built (partly or exclusively) by “official” agents (state-run constructing firms, building companies, cooperatives, enterprises etc.) was 30 percent in 1981, it declined to 18 percent in 1985, and dropped below 10 percent in 1989. For a detailed analysis of the background forces and some consequences, see: János Farkas-Ágnes Vajda: Situation in Housing, Social Report, 1990; TÁRKI, Budapest, 1990.

shifts of the central resources on housing from state-financed construction to state-subsidized loans on individual building-activities or by the speedy increase of central expenditure on disability or old age pensions, which was accompanied by the above-mentioned increase in work by pensioners *outside* the formal sphere of production. It is important to add, though, that the significant increase of state spending on pensions was *not* accompanied by a rise of the relative value of these benefits. In fact, the average per capita real value of pensions significantly *decreased* during the early to mid-1980s. For example, those who retired in 1980, had to suffer a 25–30 percent loss in the purchasing power of their pension by 1987. Another aspect of this phenomenon can be demonstrated by the fact that some 60 percent of the pensioners received benefits *below* the officially declared pension minimum in 1989.¹³ This way the great majority have really been successful in countervailing the negative impacts of the withdrawal of the state and have attempted to explore and exploit the positive aspects of the transition and of the gradual erosion of the “classical” socialist relations.

1.36 However, the macro-economic aggregates and national averages of the trends presented above, hide one crucial aspect of the processes, namely, the parallel significant increase of social inequalities of all kinds. While it is evident that those who had access to private resources and/or the protective family network could cope and even in some cases improve their living standards, as was discussed earlier, those who for one reason or another have remained outside the informal safety-net have been excluded. They are the “forgotten” part of the society, the “old” and “new” poor, who are also the most defenseless victims of the rapid withdrawal of the state from the provision of social services.

1.37 The impact of the crisis situation with regards to social policy and services is unjustly and unevenly put on the shoulders of its most needy users: the sick, the old, children and their families. The high inflation rate of the last few years has created insurmountable difficulties for the poor as increases in prices of goods and fees for services has resulted in many of them being effectively *priced out*.¹⁴

1.38 Data of the last two years show a *decrease* in the number of children attending kindergartens or taking up school-meals, and an increase in the number of those applying for arbitrarily distributed means-tested welfare assistance at the local councils or in family-help centers. However, these institutions are unable to cope with the growing need as they face severe resource constraints due to cuts in state funding. In addition, if adequate resources were available, most lack the skilled personnel and adequate facilities to effectively administer social programs.

13. See: Book of Facts, 1990; Ráció Publishing House, Budapest, 1990.

14. The following data are self-expressive: the number of children on regular monthly welfare increased from 30,656 in 1986 to 79,728 by 1989. The average monthly value of assistance has grown only by 14 percent, while the rate of increase of consumer prices was 46 percent throughout the three-years period in question. (See: Statistical Yearbook, 1989; CSO, Budapest, 1990.)

1.39 Similar tendencies can be reported with regard to the situation in the social security-schemes. The cuts and restrictions on the spending of the state budget were partly shifted on.¹⁵ Therefore, pensions, most child-related benefits, sick-pay etc. have not been validated in accordance with inflation. The loss of their value has become an important factor leading to the rapid impoverishment of those living mainly from in-cash benefits: pensioners, families with dependant children, people who are chronically ill, etc.

1.40 All these drastic changes are accompanied by efforts to target services to selected beneficiaries. This argument is well-known from the history of social policy — since universal benefits do not *diminish* inequalities of take-up and access, it is preferable to concentrate scarce resources on those really in need. Thus, there have been significant cuts in public spending in the name of “more just” social intervention. The outcome has been an *increase* of social inequalities of take-up and of per-capita income from benefits, while many of the poor have been bypassed or have dropped out.

1.41 These unfavorable developments are not the “inseparable” and “automatic” by-products of a “free market”. Rather, it can be argued that the trends of poverty presented above are not the consequences of the market as such, but are due to the lack of deliberate, protective and well—targeted social policy.

1.42 As was demonstrated earlier in this paper, the efforts undertaken to move Hungary towards a market economy have helped a majority of the society to obtain some level of self-protection against the actual crisis within the formal economy. Most have been successful in building their lives (at least partly) on alternative pillars and have worked to develop coping strategies which have allowed them to not only weather the crisis, but even to build alternative ways of life and work which open future opportunities for them.

1.43 However, many of the interventions which have been undertaken in the name of the “free” market and “social justice” have also led to the creation of a “secondary part” of the society. In addition to the various groups mentioned earlier, such as young urban households and pensioners, another group has been adversely affected by these interventions. This group comprises mainly those individuals who have based their lives and aspirations on the incentives, orientations and regulations of the past forty years of socialism. They have responded to the challenge of industrialization by moving to urban settlements to provide educational opportunities to their children (which they believed appropriate in a “socialist” economy) and by giving up their peasant roots and traditions even their way of life to occupy the large closed housing estates built “for them”. Today, they are the very ones which face a high risk of unemployment and poverty.

15. For a more detailed discussion on social sector expenditure in Hungary during the period 1975-1990 see: *Hungary: Reform of Social Policy Expenditure. A World Bank Country Study, Washington, D.C., 1992* and *Hungary in the 1980s: A Review of National and Urban Level Economic Reforms, Transportation, Water and Urban Development Department, Working Paper No. 2, February 1993, Washington, D.C.*

1.44 Many have tried to mobilize the “general” self-protective methods of the majority, they have also intensified their work in the informal economy (though they probably have access only to the worst jobs in it) and tied up the network of the (extended) family by more regulated and “targeted” internal redistribution. However, without a parallel strengthening of the macro—social “safety—net,” the Hungarian society may face serious problems of social disintegration.

II. SECTORAL INITIATIVES CURRENTLY BEING DESIGNED OR UNDERTAKEN IN THE CITY OF BUDAPEST

2.1 This section presents an overview of the most important recent developments in Hungarian social policy, particularly as it affects the situation of the urban poor. It begins by discussing recent changes in the institutional structure within which social policy initiatives are being administered. It then presents detailed descriptions of current social policies and programs being designed or undertaken in the city of Budapest, with particular focus on the policy initiatives of the City's self-governing bodies. The sectors examined include housing, education, health, social security and social assistance.

Institutional Structure

2.2 To put the recent institutional changes into perspective, one has to recall that the greater part of the changes with respect to regulating, administering and financing of social policy initiatives relates to the ongoing significant restructuring of public and social administration within Hungary. The formal institutional framework for a devolution of responsibility between the central and local organs of the state was laid down in the Act on Local Self—Governments, enacted by Parliament as part of the first laws of the systemic changes in July 1990. Through this Act the legal basis for a wide range of further steps toward the decentralization of the formerly centralized administration of social policy has been constructed.

2.3 The Act established the rules of local elections that took place in October, 1990 and defines the fundamental rights and responsibilities of the new constituencies and the various committees/bodies under their rule and control. Further, it identified the sources of revenue for the local district governments and designated their share of the formerly central state-owned properties. Thus, the newly elected local governments "inherited" all the public services previously run by the centrally administered local councils, including public schools, local health services, public child care facilities, public centers for the care of the elderly, state—run family—help centers, etc. and became the owners of all previously state—owned dwellings within their administrative boundaries.

2.4 The Act specifically delegates to the local district governments the responsibility of maintaining and administering basic services in the following areas: 1) child care for children between the ages of three to six; 2) primary schools; 3) intramural and/or extramural care for the elderly; 4) basic health care; 5) welfare assistance for the poor; and 6) housing. Other services also delegated to district governments on a mandatory base include family help centers, educational advisory centers, day care for schoolchildren, community care for the disabled, and the mentally ill.

2.5 Sources of revenue are also clearly defined in this legislation. The major sources include: 1) reimbursement of a specified rate of the personal income taxes paid into the state revenue by local inhabitants; 2) transfers from the state revenue calculated on per capita norms with regard to the above mentioned obligatory services; 3) local taxes; 4) additional transfers from the central budget following successful application to run services and programs as part

of the targeted projects of the central state; 5) transfers from social security to administer local medical services; 6) economic activities/investments and sales of local government assets, including the sale of previously state—owned flats to private owners; and 7) donations from foundations in and outside the country and transfers from charity organizations.

2.6 These general rules also apply to the capital city, Budapest. However, the size of the city and its traditions with regard to the division of tasks and duties between its central organs and those of the districts has led to some additional and exceptional regulations which were laid down in the Act on the Capital, passed in the Spring of 1991. As a result, Budapest was divided into 23 new constituencies – those of the 22 independent districts and the Central body of the capital. All 23 constituencies were dominated by the two major liberal parties, the Association of Free Democrats and the Association of Young Democrats. The parties dominating the Parliament and the coalition of the Central Government were in a minority among the Members of Parliament of the City and also of the districts. The legislation delegates to the districts have a high degree of autonomy in defining the social programs implemented within their administrative territory. The Central bodies of the City have a direct say only with regard to programs and services which are administered for the entire population of the capital, but in some instances they also have the mandate for those administered outside the boundaries of Budapest. (Such as the various social homes which are discussed later.)

2.7 The Central Constituencies are mandated to focus their activities on elaborating the more long term priorities, whereas the districts are in full charge of implementing local level policies and programs. The present state of division of rights and duties between the districts and the central decision—making bodies of the capital is a source of permanent uncertainties, since most of the necessary legislation, including the Social Act on Basic Social Rights and on the related compulsory tasks of the local governments, have not yet been passed by the Parliament. Therefore, there are many signs of arbitrariness and haphazardness with a great number of local regulations presently being regarded as only transitory.

2.8 As a consequence, the Central Constituency has concentrated its efforts on negotiating with the Mayors and Committees of the districts to help avoid anarchy and the splitting of the city into 22 independent “villages”. In the recently published *Program of the Lord Mayor of Budapest*, the Advisory Board of the Lord Mayor attempted to lay down the more long term principles of the maintenance and development of the economic and social life within the city, and tried to orient the districts toward more coordination and cooperation.

2.9 The biggest issue presently at stake is the privatization of state housing which affects half of the stock of dwellings in Budapest. While some of the district governments are actively pursuing privatization of the stock within their territorial mandate in an attempt to sell as much of it as possible, others (typically those with a relatively poorer stock and a relatively poorer population) are being more cautious in defining the desirable ratio between privately and publicly owned flats, and are following a more gradual policy of privatization. This experience of diverging privatization programs has led to the establishment of a forum for preparatory

negotiations among the districts in housing as well as other sectors. The impact of the existence of such a forum can already be felt in the more deliberate and coordinated steps taken in the spheres of childcare, homes for the elderly, and primary and secondary education.

Sectoral Policies and Programs

Housing

2.10 By way of background, this section begins with a brief description of the housing sector in Hungary and discusses the condition of the housing stock, housing finance issues and the rental sector. It then outlines the major housing policy initiatives that are presently being undertaken within the City of Budapest.

Housing Conditions

2.11 Forty five percent of the stock of dwellings in Budapest was built before the Second World War. The intensity of housing construction was very low for the first two decades after the war for two main reasons. First, housing was not a high priority in economic and social policy formulation at that time, as investments were concentrated for the purposes of forced industrialization. Second, the population could not afford to rely on private resources in substituting state spending and the complementary arrangements of loans, firm-based contracting outs, etc. were not available. As a consequence, dweller/flat ratios continuously increased and the quality of the housing stock became seriously dilapidated during this period.

2.12 The culmination of unmet needs, both in construction and in the spheres of urban rehabilitation led to chronic shortages and to higher than average yearly inflation rates on the housing market. Because of the intense migration toward the capital, tensions and shortages were more dramatic in Budapest than in most of the other cities. Facing serious social conflicts with regard to housing, the Communist Party began to give priority to the sector in its long term social policy planning around the mid-1960s. As a consequence, new schemes of subsidies and other forms of financial support were introduced from the late 1960s onward, and housing construction was intensified reaching its highest levels in the 1970s when 21 percent of the current stock of dwellings of the capital were built (most of them as large condominiums).

2.13 As mentioned in the previous section, the quality of the housing stock within Budapest has improved during the last two or three decades though at a lower rate than in the countryside. Density ratios have also improved, though the process was accompanied by a steady increase of inequalities within the city — the flats built on the large condominiums are generally small and overcrowded. This is one of the factors that has led to the development of new slum areas, especially in the outskirts of the city.

2.14 Data obtained from a Housing Situation study in Hungary (1990) indicated that Hungary made significant improvements in investment in the housing stock during the 1970-1984

period. For example, the data indicate that the share of the stock with various amenities more than doubled during this period. By 1986, Hungary had increased the average unit size dwelling unit in the country to 74 square meters. One-quarter of the stock of dwellings consists of one room flats and this ratio is identical with that of the large flats (three or more rooms). Forty nine percent of the stock has central heating with 51 percent heated individually (two-thirds of them with traditional materials, i.e. mostly with coal or wood). (Ibid)

Housing Finance

2.15 Subsidies given to households purchasing their homes accounted for about 75 percent of all recognized or official subsidies in 1989. This amount of subsidies is approximately in proportion to the share of homeowners to all households at that time (Ibid: 32). However, when "off budget" subsidies such as grants from employers and local councils and unmeasured rent subsidies are taken into account, the proportion changes. For example in 1989 total subsidies to the housing sector amounted to Ft. 126 billion or 7.5 percent of GDP. Of this, 42 percent was provided to state rental housing and the remaining 58 percent went to homeowners (Ibid: 34).

2.16 Companies provide a major source of assistance to their employees who want to purchase homes. In 1989, employer homeownership subsidies were equivalent to 80 percent of the social allowances for home purchases granted by the state.

2.17 In addition to the subsidies mentioned above, two other types of subsidies are provided to households purchasing homes: 1) *interest rate subsidies* which is calculated as the difference between the 3 percent loan rate and the government's current cost of funds and 2) the "*social allowance*" which is an up-front grant to households to reduce the size of the loan to be taken (Ibid: 46). Neither of these subsidies are income-based but the social allowance provided households increases with the number of children.

2.18 Hungary instituted a housing allowance program at the beginning of 1990 to protect certain households from rent increases which are to be an integral part of the transformation of the state rental sector. Housing allowances are provided directly to households to be used in the renting of a unit and participation in the program is conditional--it is based on the household's level of income. Households have to apply through the local councils to participate in the program. Under this newly instituted program, pensioners and households with at least three children and monthly incomes of under Ft. 4,300 per capita were fully exempt from rent increases that were imposed in January 1990.

2.19 Households participating in the program have the liberty to choose any unit. Household allowances are tenant-based and not project-based subsidies, if a household decides to move to another unit, the payments go with the household. It is assumed that because these allowances are tenant-based, competition will be fostered within the state rental sector. Participants will induce landlords into competing for their patronage and if units are not rented they will remain vacant (Ibid: 38). Although systematic data on participation are not readily

available, it appears that a large number of tenants have applied to participate in the housing allowance program.

The Rental Sector

2.20 The rental sector in Hungary consists of both private and state-owned rental units. In 1990, the state rental sector consisted of approximately 800,000 flats, about half of which are concentrated in Budapest—the only city in which most households rent. The number of units within the private rental sector is unknown but includes the normal rental of private units (which is rented out primarily to foreigners) and sublets of part or all of state-owned rental units. The number of private rentals has been increasing steadily since rental units were made fully legal in 1989.

2.21 Approximately 20 percent of the housing units in Hungary are state-owned. The total market value of the state-owned housing stock, including site value, is estimated at over Ft. 800 billion and provides a flow of implicit and explicit subsidies to tenants of over 3 percent of GDP (Ibid: 52).

2.22 In the state rental sector, tenants obtain an interest in their unit by making a “key money” payment to the government’s management agency at the time of initial occupancy. This “right of occupancy” to the unit can be inherited by the occupant’s children or sold in a gray market and is officially recognized by local councils who pay vacating tenants several times their initial “key money” payment to encourage mobility to other housing units and give the council the right to allocate the unit to new tenants.

2.23 The state rental sector is characterized by fragmentation of control over rental units. For example, while local governments have been delegated the responsibility of maintaining and selling units within their districts, the party responsible for determining rents charged is not clearly defined as this responsibility is shared between the central authorities and local governments. In addition, the autonomy of the local governments is severely constrained by their limited ability to evict tenants and by the monopoly that the state property management companies, the IKV’s, exercise on providing management services (Ibid: 54).

2.24 A majority of rental units are sold in the “gray market”. A study undertaken on the housing sector in Hungary, found that at the national level, only 0.6 percent of units are returned to Councils annually; and only 0.2 percent in Budapest. Overall, it is estimated that 30 percent of tenants of state rental units “purchased” their unit in the gray market (Ibid). One of the consequences of “renters” of state rental units ability to sell their unit (and its accompanying subsidy) to another household is that rapid access to housing requires accumulated savings or other access to cash. This factor has become one of the main reasons for the inability of young households to gain access to housing.

2.25 The state rental sector is characterized by the poor conditions of units. Until the 1980s, the state budget did not provide assistance for maintaining units. The result has been a drastic deterioration in the housing stock. It is estimated that in Budapest alone approximately 105,000 units were in need of rehabilitation amounting to an estimated cost of Ft. 140 to 160 billion. In recent years, revenues from rents and state maintenance subsidies have increased substantially, however, it is not evident that these revenues are being allocated towards maintenance and rehabilitation of stocks as local governments have autonomy in allocating these resources (Ibid: 37).

2.26 Another major characteristic of the state rental housing stock is that there is limited targeting of the highly subsidized housing stock towards lower income families. Data on the distribution of households by occupation categories indicates that those with the highest prestige occupations such as managers, intellectuals and white collar workers are disproportionately renters. Further, this group coupled with shop floor managers and the self-employed occupy the largest rental units.

Current Policy Initiatives

2.27 The Lord Mayor's Program on housing emphasizes the need to develop a urban renewal and housing policy which would improve overall management of the assets of the City. Three fundamental principles of this strategy have been identified. First, the development of an asset investment strategy that would increase returns to the City including reorienting assets which are not profitable or are operating at a loss. Second, formulation of an assets policy based on free enterprise and private investment, including foreign investment, to develop the real estate within the city. Third, the establishment of a transparent and open relationship with district local governments to establish a uniform asset management system with independent forms of transfer for the entire metropolitan area.

2.28 With this regard, the City established the Center for Assets Management as the institution with the mandate to oversee the City's housing policy initiatives including real estate management and development, urban renewal and rehabilitation, sale of residential and non-residential rental property and housing financing issues.

2.29 Three major areas have been identified in the Mayor's program as having particular importance in the housing sector for the city of Budapest. The first relates to the issue of rehabilitation of the housing stock within the city which has been identified as a priority task. It is estimated that over 100,000 residents await rehabilitation within the inner districts of Budapest with entire sections of the city in a dilapidated and increasingly deteriorating condition (Program of Mayor: 73-4).

2.30 The second area of concern identified is housing finance, in particular as it relates to the generation of local revenue for the rehabilitation and renewal initiatives discussed above. Presently, as mentioned, varied rules and regulations concerning the sale of apartments are being

enforced within the various districts of the City. A Residential Law is expected to be enacted by Parliament which will clearly define and categorize the various regulations concerning housing finance. In addition, rent policy issues such as the level of rents to be charged as well as who has the mandate to determine rents are also to be addressed in this legislation.

2.31 The most pressing issue in current political debates is the privatization of dwelling units. According to present regulations, flats can be bought by their dwellers at very favorable conditions with only 5–10 percent of the estimated market value paid in cash the rest being covered by long—term loans financed from budgetary resources. As of 1992, approximately 25 percent of the housing stock of the capital had been privatized, mostly the relatively larger flats with higher standards. The Central Constituency has made continuous attempts to coordinate the policies of the districts, however this has not been effective. The Program of the Advisory Board of the Lord Mayor proposes an alteration to the current practice and a modification according to the “principles of equity and efficiency”. The proposed reforms include: 1) a new system for the determination of eligibility to purchase a unit which make less differentiation according to the status of the buyer (presently preference is given to former or present tenants); 2) regulations to raise the share of in—cash payments of potential buyers; 3) the establishment of tenants’ associations for later rehabilitation programs; and 4) the introduction of new regulations on the rights and duties of both tenants and owners.

Education

2.32 This section begins with a description of the education system in Hungary outlining the major types of educational programs provided within the country. It then presents a more detailed assessment of preschools and primary schools within the city of Budapest. Finally, a presentation of the current policy initiatives of the Central Constituency of the City are discussed.

The Education System in Hungary

2.33 The education system in Hungary embraces preschool, primary, secondary and higher education levels. Preschools are primarily administered by the local governments or by enterprises and are targeted towards children between the ages of 3 to 6. The services provided by these institutions include both education and childcare, including the provision of meals and other special programs.

2.34 Primary education is mandatory up to Grade 8 or the age of 14. The primary school system consists of eight grades with students receiving specialization in the last four years of their education. Primary schools are mainly administered by the local governments of the districts although in recent years, private primary schools have also been established with some ten new private schools established since 1990. In addition, churches have laid claim on primary schools which had been nationalized by the government and there is considerable debate concerning property issues as definite decisions have yet to be made by the Government.

Approximately 25 percent of primary school graduates proceed to secondary (gymnasium) schools (World Bank, 1991b: 22).

2.35 The upper age limit of compulsory education is 16 with parents being legally responsible for ensuring that their children attend primary school until this age, if he/she fails to finish at the regular age of 14. However, in case of a completed primary education, children can seek jobs and can be employed as “adult employees” over the age of 14.

2.36 Secondary education in Hungary consists of three types of educational programs: 1) gymnasiums; 2) vocational schools and 3) apprentice schools. Gymnasium schools are typically four—year academic schools which provide comprehensive educational curriculum and prepare students for university studies. About 40 to 50 percent of students who pass the General Certificate of Secondary Education (GCSE) go on to university studies. Vocational secondary schools provide general vocational training for four years and a Certificate of Vocational Secondary Education, equivalent to a GCSE in addition to a skilled worker’s certificate with which a student may enter college or university or employment. Apprentice schools are geared towards the provision of narrowly skilled specializations, especially for heavy industries for young students between the ages of 14 to 25. The training provided includes two- to three year programs in typing and stenography (63 schools); health care training (29 schools), and apprentice—based training in conjunction with enterprises (299 schools) (Ibid).

2.37 Hungary has a two—tiered undergraduate higher education system which includes a five—year university program and a three or four—year college program. In general, universities and colleges are specialized into sub—sectors such as economics, agriculture, medicine and technology with specialization being mainly at the college level. While some colleges are integrated into the university system, most constitute separate programs.

2.38 Education policy and regulation are the responsibility of the Ministry of Education and Culture (MOE). Public education, including vocational and technical training, is administered through 19 County Councils plus the Capital. Training is financed by a combination of state and local funds with County Councils receiving state budget funds, which they allocate for local services, including education. A Vocational Secondary Training Fund has been established through a payroll tax (1.5 percent of wage expenses and 1 percent in Agriculture), which provides additional state resources. Councils supplement state funding with local funds.

2.39 Vocational training with the exception of state-supported retraining programs are administered by the Ministry of Labor and the specialized forms of company-based training (non—school based training), are under the central management of the Ministry of Education (MOE). The MOE, in collaboration with sector ministries such as Labor, is responsible for the specialized content of school—based training. Sector ministries have the primary responsibility of determining the vocations taught, regulating the content, publishing educational materials, regulating examinations, and controlling supervision of training. The objective is to ensure that

the content of vocational courses is “appropriate” and to promote close liaison with sectoral enterprises. County and city councils directly administer training schools.

2.40 Following is more detailed presentation of the two basic forms of education, preschool and primary education, that have special relevance from the viewpoint of social policy.

Preschools

2.41 Approximately 83 percent of preschools within Budapest (totalling 581) are run by district local governments with the remaining 17 percent belonging to either private owners or firms. The exact number of private preschools is unknown although evidence indicates that they are increasing in number. Primarily, private preschools are of a caring character rather than educational institutions. Preschools have the double role of providing both childcare and educational services. In addition to the core educational curriculum, most implement supplementary feeding programs providing three meals a day and special programs including swimming and foreign language training.

2.42 The greater part of the funding for preschool education is financed by the state with parents paying a fee based on income levels. In cases of poor families with small children, Welfare Committees of the local governments are in charge of determining eligibility for welfare assistance which is provided directly to households or paid directly to the schools themselves. However, these income maintenance programs have not effectively addressed the problem of drop-outs as statistical data show that the ratio of children at preschools has been markedly decreasing in recent years due to rising educational costs.

2.43 Most of the preschools run by the district councils suffer serious problems of overcrowdedness and deterioration of facilities. The average classroom to student ratio for 100 children is 84.3. Preschools owned by firms are usually better equipped and have more space compared to those which are government administered. Hungarian preschools have a high internationally acknowledged standard, with most of the teachers having adequate qualification. However, attrition is low due to the low salaries within this profession.

Primary Schools

2.44 There are 360 primary schools in Budapest with yearly enrollment rates of 180,000 students. Total number of classrooms is approximately 7,120. The primary school system is also characterized by overcrowded schools with children studying in two shifts, and sometimes outside classroom premises such as teacher's rooms, laboratories etc. The average number of children per class is 25 with student-teacher ratios at 13:1.

2.45 Most primary schools provide day-care and after-school care services including breakfast, hot lunch or snacks during the day. Fees for these services are determined on the basis of household income with various types of assistance provided to children coming from

poor households. Take-up ratios vary widely between grade levels with 71.7 percent of children in the first four grades (under the age of 10) participating in feeding programs as opposed to 20.2 percent for children in the upper grades (5–8 grades).

2.46 In general, primary schools are more run-down than preschools within the same neighborhoods primarily due to the lack of resources for rehabilitation and maintenance. Some buildings are at the edge of collapse with increasing rates of accidents involving children being reported. As a consequence, in recent years parents have become more involved in the upkeep of schools through both financial contributions as well as through in-kind contributions in the form of labor and/or materials and equipment. In addition, various foundations set up with the purpose of supporting educational activities have become increasingly involved in the maintenance and rehabilitation of primary schools. However, the deterioration of the facilities has not been reversed with the system characterized by severely dilapidated structures.

2.47 State run primary schools are free of charge although educational costs at the start of the year for text books and other materials create unbearable financial burdens for an increasing number of households. District governments and school authorities are attempting to cope with this situation by lending school books and giving exceptional welfare assistance to children coming from poor families.

Current Policy Initiatives in Education

2.48 At the time of the writing of this paper, reforms of the educational system were at the core of current political debates. The recommendations presented by the newly elected Government for the new Act on Education included a proposal to extend the lower age limit of compulsory schooling, i.e. to start primary education at the age of 5. The Government also proposed greater variety within the system by revitalizing the old models of 6+6 and 4+8 grades schooling, based on various combinations of primary and secondary education. In terms of property—relations, the present government strongly supports the claims of the churches and also attempts to give a greater chance to the private sector and various foundations to open schools. The liberalization of the curricula, accompanied by a greater emphasis on various sets of final examinations is also on the agenda. Financing reforms are also included in the recommendations with the expectation that secondary and further education will not be free of charge in the future (though the forms and channels of grants, loans and stipends for students are planned to be extended in parallel).

2.49 The Educational Program of the Lord Mayor of Budapest emphasizes the importance of protecting the rights of the children and improving educational services provided to them. With respect to curriculum development however, the Mayor's program stresses that a change in the format of schooling, i.e. the 6+6 or 4+8 grade schooling, is not necessary for the educational system within Budapest. Rather, priority is placed on the development of a variety of previously non—existent programs such as training for foreign language teaching, computer technology development, physical education as well as strengthening the core educational courses

provided, particularly in the poorer districts. An important element of the Mayor's education program is its commitment to the development of various special programs targeted towards the mentally ill and delinquents, for example drug users etc. Also, family counselling and social work with the aim to render better and more efficient representations of schoolchildren's needs is also emphasized.

2.50 One of the major goals stated in education policy is the promotion of coordination of the various interest within the education sector and the facilitation of democratic decision-making process with regards to educational activities. In this context, the central Constituency of the Capital has established a forum for negotiations by which the various parties including parents, teachers, employers and government agencies meet to discuss and find consensus among the conflicting interests around educational issues such as property rights and thus attempt to find ways to protect the schools and their users from becoming the victims of direct political struggles.

2.51 Another area that is emphasized is the improvement of the environment for teachers. The policy statement notes that "...the most important element of education in the city is....the educator—the educator's professional training, orientation and love for work" (Program of the Mayor: 135). Various measures have been proposed including providing better remuneration and training for the 50,000 teachers within the city to improve their skill levels and working conditions as well as a means of attracting new talent into the city.

Health

2.52 This section begins by providing general background information on the health sector within Hungary. It presents an overview of the health situation within Hungary and discusses infrastructure and finance issues within the sector. Finally, it presents in detail the current health policy initiatives that are being undertaken within Budapest.

Overall Health Status

2.53 The overall health status in Hungary is one of the lowest in Europe. Mortality rates in Hungary have been increasing since 1965 and Hungary has one of the highest mortality rates among European countries. The age-adjusted mortality rates of adult males has increased significantly in the past years with a decrease in the life expectancy for men aged 30 by 4.2 years over the past two decades (World Bank, 1990).

2.54 The crude birth rate in Hungary has steadily declined while the crude death rate has increased. Consequently population growth rates have been negative since 1980. Also, the ratio of dependents and pensioners to active earners has decreased from 1.07 in 1970 to 1.20 in 1989. Life expectancy rates for males and females in Hungary are one of the lowest among European countries, and in fact, the gap in life expectancy rates between Hungary and the West has been widening since the mid-1960s. Life expectancy at birth declined by 0.4 years between 1964 and

1985. Overall, this deteriorating health situation has been attributed to several factors including low levels of income, associated poor housing conditions, unhealthy lifestyles and poor nutrition (Ibid).

Health Care Infrastructure

2.55 The provision of health care is primarily through public health institutes although private and voluntary health institutions have become increasingly active in this sector. Health care in Hungary is predominantly hospital—centered with primary health care services being very fragmented. Both inpatient and outpatient care is provided through public hospitals. With the introduction of the Progressive Patient Care in the mid-1970s, stand—alone polyclinics have been integrated with the public hospital system and also provide health services. Factory-based health care and about half of general practice (GP) services are also under the integrated hospital-polyclinics system. The remaining GP services are independently deployed in villages and remote settlements and are administered by local councils (Ibid).

2.56 A private and voluntary health service network exists in Hungary but its capacity and extent of involvement is difficult to assess. The private system is financed primarily through small donations of church members and from foreign philanthropic institutions. A network of voluntary health care providers has existed in Hungary during the past decades with most located within a public facility and financed through its budget. This health service network is currently being revived due to new health legislation which has provided legitimate status for private health and social care enterprises regardless of origin or profit/non-profit status. Increased involvement of various religious groups in these institutions has been evidenced.

2.57 The health sector in Hungary is characterized by a high bed population ratio amounting to ten beds per 1,000 population in 1989. Average hospital size in Hungary is very large with a national average size of 677 beds, and a range of 354 to 1,271 beds among the nineteen counties. The average age of hospital buildings, taking into account major rehabilitation undertaken, is 48 years. This compounded by the modest level of technological infrastructure, including the distribution of energy, heating and gas, air conditioning, communications, etc. has increased the degree of obsolescence in a number of hospitals. By 1988, approximately 60 percent of hospitals were believed to be in need of demolition, rehabilitation or reconstruction.

2.58 In terms of the distribution of health professionals, there is a general tendency for an increasing concentration of doctors in those areas which were already best served in the 1970s, i.e. namely the major urban areas. In Budapest, the doctor to population ratio increased from 46 to 60 per 10,000 population during the 1970-88 period while in other towns or villages the ratio increased from 17.1 to 27.7 for this period. This ratio varies tenfold between the capital city and the smallest settlement areas, but in recent years there has been a slight improvement of the provision of services in backward areas — the difference in the ratio of physicians per population between Budapest and other towns decreased from 1.7 in 1970 to 1.2 in 1988.

Health Care Financing

2.59 In terms of financing, health care in Hungary has previously been provided almost exclusively through the public health services delivery network. Until the end of 1989, operating and investment health expenditures were mainly financed from the Central Government's general revenues. Resources were transferred from the central budget to the local councils in charge of operating the health system on the basis of a per capita allocation and a negotiating process between central and local government authorities. The budgets for operating costs and investment expenditures were determined independently.

2.60 Since January 1990, public resources for current health expenditures have been channelled through the Social Insurance Fund with current health expenditures financed through contributions from employers and employees. Estimated health expenditures (excluding sickness benefits) from the national social security fund amounted to 92 billion Ft., which is equivalent to 27 percent of the income from social security contributions or about 15 percent of the total wage bill. Capital expenditures are primarily the responsibility of local councils and are budgeted from the share of the social investment budget that they receive from the central government. The ministries of Health and Social Affairs have responsibility over the investment budgets of the national institutions with recurrent expenditure being funded through the Social Security Fund.

Current Policy Initiatives in Health

2.61 The system of health care is presently under transformation. From 1992 onwards, its administration will gradually be put on new principles. In terms of financing, health expenditure was financed from the state budget and the Social Security Fund administered the transfers. The new regulations would require that financial administration be based on direct contributions to social security. According to the proposed plans, people will have a free choice of their GPs, and their routes within the system will be managed fully by their personal "family doctors". In other words, except in the case of urgent need, they will get to specialists only with the prescription of their chosen GP. Social security will contract with the GPs through the local authorities.

2.62 The introduction of the new system will take several years. At present, some of the "old" rules apply, and a description of the current situation is presented below. (Neither the bases of reimbursement, nor the property relations have yet been clarified.) Currently, GPs work under the control of the district local governments which also administer some of the outpatient clinics while others are run by the central Constituency of the capital. All hospitals belong to the Central Constituency while clinics are controlled and financed directly by the Ministry of Welfare.

2.63 People belong to one or another GP according to their residential area. There are 867 medical districts for persons 14 and over, and 357 for children under 14. The size of an

“adult” district is usually between 1,000–1,800 and that of a “child” district is around 1,000. GPs see patients either in their centers, or visit them at their homes. Although the service is free by law, it is an unwritten norm to pay especially for home visits and for check-ups. People have to pay for the medicines prescribed by doctors. Assistance for the poor is means tested and rendered by the local Welfare Committees. There are 23 outpatient clinics in Budapest which provide several special services and many are not attached to hospitals. In principle, a prescription from a GP is a prerequisite for seeking the consultation of a given specialist. However, some 40–50 percent of the turnover takes place without visits to the GP. The explanation for this is manifold. First, GPs are overburdened and cannot provide the necessary attention to patients, and therefore, welcome the fact that their patients can seek medical assistance elsewhere. Second, due to the previous poor service delivery of the GP system, people do not trust the general practice and are inclined to use their informal network to get “adequate care”. Third, specialists are less controlled by the strict sick pay regulations and, therefore, are easily accessible to those who can afford to pay.

2.64 The public health capacity of the City includes 13 hospitals for adults, four children’s hospitals, four institutions discharging special functions as well as national institutes, university clinics and a set of public health institutions located in the City and belonging to other ministerial branches. The system encompasses a total of 18,300 hospital beds. The network of hospitals is probably the weakest part of the run—down infrastructure of the capital. Hospitals are usually overcrowded and many of them should be closed down for rehabilitation. Ownership of the hospital system primarily lies with the state and is characterized by inefficient management and operational methods. The Central Constituency plans to privatize some of the state hospitals and is attempting to attract foreign investment for this venture.

2.65 One could say in general that the whole system is currently in a deep crisis. Although some new private clinics have opened recently, their existence does not ease the serious constraints of permanent deterioration. The relatively better-off groups find their semi-private routes: they pay to get better treatment or to get a better position in the waiting lists, or, even to buy the “private” visits of a physician employed by the state. The poor, especially the unemployed, seem to be at high risk of being gradually “priced out”.

2.66 The Lord Mayor’s program on public health recognizes that the health policy issues for the City depend on the national level reforms that are to be made in the health sector. This includes major reforms in financing of public health services in which individual liability insurance and payment for medical services by a social insurance card will be main features. Major elements of the public health services identified include: 1) services rendered by family doctors; 2) services rendered by pediatricians; and 3) dental care services (Mayor’s Program: 95-6).

2.67 With regards to physicians, the Mayor’s health program emphasizes the need for physicians to accept patients that possess social insurance cards with patients having the right to chose their physicians with no territorial restrictions applying. These restrictions existed

previously due to factors of time, distance, and expense. Also, the program recommends a privatization of doctors' offices to enable a larger and wider location of treatment.

2.68 In the past, despite improvements in quantitative indices, the health system has performed poorly and inefficiently. The system was plagued with a rigid allocation system of patients, based on a neighborhood principle, which caused an official inequality in the situation of patients in addition to differences in service delivery between different areas. The institutions functioned out of centrally allocated subsidies which were not based on performance. This had resulted in mismanagement of resources causing shortages in essential medical inputs etc.

2.69 The Mayor's Program outlines several key areas of concern for the restructuring of the health service delivery system in the City. First, more effective integration of inpatient and ambulatory specialty care, particularly with physicians. Second, the rehabilitation and maintenance of the physical infrastructure as well as enhancing resource allocation towards the improvement of the quality of services. Third, the promotion of the enhanced involvement of the private sector in health sector activities such as in building or reconstructing hospital buildings is outlined (Program of the Mayor: 98-99).

Social Security

2.70 This section presents a brief discussion of the previous social security system and outlines the various modifications that have been made in recent years with regards to social security.

2.71 The previous social security system was based on the principle of compulsory full employment with all entitlements based on an individual's presence in the "socialist labor force". People got benefits not according to their contributions but rather by the type and length of their employment at one or another state-controlled enterprise. Contributions did not play an important role in financing as social security benefits were regarded as part of one feature of the socialist state's vast redistribution schemes.

2.72 The structural modifications of the system began in 1988 when social security became formally independent from the state budget. The creation of a separate entity with an autonomous budgetary and administrative structure was the first in a series of steps towards the establishment of a contribution-based social insurance fund. The current scheme covers old age and disability pensions, maternity benefits, childcare fees and grants, sick pay, schemes for widows and orphans, medical care and other welfare assistance programs. One of the key issues of the reform is the clarification of the division between the social security fund and state budget relating to a distinct separation between contribution-based and tax-based benefits. The Social Security Fund is now to finance only those benefits where previous contributions have been paid, while the state budget is to provide various allowances financed through taxes. The first step toward this separation was the transfer between budgets for family allowance and that of medical care in 1990. Family allowances are now paid out from the state budget with the Social Security

Fund administering the scheme for a “fee” from the budget. Conversely, the fund for medical care has been shifted from the central budget to the Social Security Fund.

2.73 A further step was taken in 1991 with the Government’s Temporary Act on Social Security in which Parliament decided to set up two main funds within social security — one for pensions and related benefits and the other for medical care. In 1992 contributions of employers and employees were divided between the two funds: 24.5 percent of the total 54 percent of contributions allocated to the pension fund, 19.5 percent to the fund for medical care, and the remaining 10 percent to cover the “transitory” items of child related benefits.

2.74 The two funds are to be controlled by two separate administering agencies which are expected to be in operation by early 1993. A supervising committee is to be established to facilitate coordination between the two funds. During the transitory period, two separate Committees, comprising representatives of employers, employees and government officials have been set up to administer the funds and are in the process of preparing detailed recommendations for the administrative and operational functions of these two agencies.

2.75 At present the transition toward a clear separation of contribution versus tax-based schemes is full of uncertainties. One major problem relates to the financial status of the social security system which, due to the bankruptcy of a large number of firms and the serious deficit of the state budget, faces a deficit of approximately 55 billion Fts. which is threatening the continuous payments of benefits. Due to underfinancing, the medium-term goal of indexing benefits to the annual rate of inflation has failed with consequent losses in the real values of benefits causing the impoverishment of those social groups highly dependent on social security. These include pensioners of which 18 percent did not even receive the official minimum of 5,200 Fts/month in 1991. Families with children, the chronically ill and the disabled also face tremendous difficulties, reflected in their over-representation among those whose per capita monthly income falls below the subsistence minimum.

2.76 Another area of uncertainty relates to unemployment benefits. Although the current regulations state that contributions of the unemployed should be covered by the local labor exchange offices, these regulations fail to work in reality. First, many of the unemployed are not registered and thus are automatically excluded from receiving unemployment benefits. Second, there are serious gaps in current regulations, especially in the case of the school leavers, who become unemployed just after leaving school. This group, presently amounting to approximately 200,000 persons is officially hindered from becoming registered and thus unable to receive any benefits. Also, present regulations do not apply to those who work on a part-time basis such as women, who also are not registered and do not pay contributions and thus are not eligible for entitlements for free medical care and in-cash benefits related to previous contributions.

Social Assistance

2.77 This section presents a brief description of the various social assistance programs that are currently being designed or implemented within Budapest. The institutional framework within which these interventions are administered is discussed and is followed by an assessment of the various programs.

2.78 Local District Governments have taken over the responsibility of administering and financing social assistance programs and determine the type and scope of activities undertaken within each district. However, while they have been delegated administrative responsibility they have not been provided with additional resources and few are able to generate adequate resources through local tax revenues.

2.79 Welfare assistance is one of the most important tasks of the Social Policy Committees of the newly elected local governments. The schemes are highly decentralized and financed by both central and local tax revenues. There are several types of programs provided by the districts. Regular social assistance is a means-tested monthly payment made to those persons whose pensions or other regular social security benefits are below the actual minimum of the old age pension (6,300 Fts. per month for 1992). This payment is intended to provide financial assistance mainly to the elderly and disabled. Regular educational assistance is designed for families with several children. Eligibility requirements for this program are similar to that of the social assistance scheme though the standard of childcare in the family is an equally important element in determining eligibility and level of entitlement. "Irregular" forms of both of the above-mentioned schemes are provided once or twice a year on exceptional basis to cover emergency needs. There are also various forms of in-kind assistance such as direct payment to day-care centers to cover children's meals, assistance for medicines (reimbursed to the local government by social security), and provision cloths of clothes, heating stamps, etc. In addition, targeted in-cash payments covering special needs, such as for rent, clothing, heating, electricity, and meals are provided by local governments.

2.80 The data provided in Table 8 on take-up for the various types of assistance programs indicate a dramatic shift toward irregular forms of aid and assistance. Disaggregated data for Budapest are only available for social assistance. The trends in the capital are similar to those at the national level, although the per capita averages for Budapest are somewhat higher. It has to be taken into account, however, that prices and the cost of living are also higher in Budapest than in the countryside. In other words, Budapest's poor do not live better, especially as they have less access to self-sustaining forms of agriculture, which is an important source of compensation in the countryside.

2.81 The capital runs a number of other services supporting families in need including educational counselling centers in each of the 22 districts which provide advice in matters of

child-parent conflicts, mental disorders of children, and render professional services for children with learning disabilities.

2.82 The capital also runs special schools and health centers which offer a wide range of free or highly subsidized services for disabled persons, though demand far exceeds supply. These institutions are financed and supervised by the Central Constituency. Similar institutions run by churches, foundations, associations and voluntary organizations have somewhat mitigated the pressure on state financed services. The Program of the Advisory Board of the Lord Mayor states the City's intention to establish even closer contacts with these institutions and to orient some of its financial resources toward them.

2.83 Several family help centers have been opened in the last 5-7 years. They are run by the districts, though some of them obtain partial funding through various channels including special foundations, educational authorities, and churches. Each district has at least one center which provides a wide range of services such as shelters for the homeless, organizing local exchange of goods, clothes, and used durables, etc. Family centers are usually more flexible in their policies for providing in-cash and in-kind assistance and attempt to support all families facing crisis situations. They work closely with the social workers of the educational counselling centers as well as with schools within the district. The best centers have gradually developed toward centers of community work with their staff usually recruited from more professional groups of social workers, health assistants, psychologists, teachers, etc., who have obtained modern training in social work during the last decade.

2.84 The Lord Mayor's Program emphasizes that the major role of the Central Constituency is to assist districts in the administration of social assistance programs to ensure that consistent, broad-based and efficient service delivery is achieved throughout Budapest. This effort has involved the organization of forums, conferences and meetings between various actors such as district level government officials, interest and lobby groups as well as private foundations etc. to assist in the coordination of the numerous and varied activities of the 22 districts.

2.85 In addition, the Municipal Government directly administers various programs such as homes for the elderly. One out of every four persons is retired in Budapest with one in every three households having only inactive members. Pensioners as a groups constitute a highly vulnerable group; their financial situation is reflected by the fact that approximately 160,000 to 180,000 retirees need some type of social assistance. In recognition of the rapidly growing elderly population within the city, the Central Constituency operates 26 social homes, 10 of which are in Budapest targeted towards the elderly. The network of social homes includes various locations including castles, palaces, manor houses, stables, granaries, office buildings, high rise building etc. The entire network is not efficiently managed or administered resulting in inadequate service provision to the elderly and handicapped. One of the major objectives of the Mayor's program for social assistance is to revamp the system to make it more efficient and uniformly consistent in terms of service delivery throughout the network.

2.86 The Municipal Government recognizes that homelessness is one of "the manifestations of the present grave crisis of Hungarian society" (Program of the Mayor: 118). The Government began to address the issue of homelessness two years ago but no programmatic measures have been undertaken as of yet to build an integrated system to deal with the problem. The City administers a total of 28 institutions which serve as autonomous agencies providing housing and related services to the homeless.

2.87 With regards to the handicapped, the articulated policy indicates that equal opportunities and rights are to be guaranteed to the physically and mentally handicapped. Services that are presently provided and are in the process of being expanded include pedagogical and social rehabilitation services and employment-oriented skills training aimed at assisting the handicapped to integrate better into the society.

2.88 The Municipal Government, while not directly involved in family assistance centers, recognizes the importance of these institutions in providing services to the poor and attempts to assist through creating linkages and ties with charity organizations and foundations which could provide financial resources to local governments.

Overall Conclusion

2.89 The greatest controversies in contemporary Hungarian social policy emerge around the socio-political "interpretations" of its functions. The past couple of decades have shown a gradual "privatization" of social self-protection with some hidden forms of "privatization" being imbued even within the formal social services of the state. Although the overt change of their ownership has come on the agenda just very recently (with the election of the new self-governing local authorities in 1990), the everyday workings of education, childcare and health institutions, and of the distribution of local resources on housing etc. has followed the above described dualization of the society. They have increasingly helped those, who have helped themselves. Thus the poor have been gradually pushed on the margin.

2.90 The emerging forces of the civil society cannot as yet take over the role of the disappearing state services. Though there is a mushrooming of new associations, religious and local community initiatives for helping the homeless, school-dropouts, the young, the unemployed, the elderly, most of these newly emerging institutions suffer from a chronic lack of capital and skilled personnel, and their temporary assistance cannot substitute for the lack of a cohesive and comprehensive social policy framework which guarantees a minimum level of income and the legally secured minima of social rights. It is recognized that the old principles of social membership based on the compulsory participation in state-controlled employment obviously do not apply anymore. However, the current social policy initiatives have not been effective in filling the gap.

2.91 In conclusion, while the achievements of the government seem to be significant with regard to the "de-nationalization" of social policy, they are weak with regard to the classical task

of the maintenance of income and standards of living. The redefinition and reshaping of social policy is happening at the price of sharpened social inequalities, increased poverty and growing social disintegration. The dangers of the latter aspect cannot be overestimated.

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TABLES

Table 1. Number and ratio of persons living below the subsistence level.

Years	Number of Persons Living Below the Minimum			Ratio of those Living Below the Minimum, as a % of the Total Population Living in		
	In the Households with Active Earner(s)	In the Households without Active Earners	In all Households	Households with Active Earner(s)	Households without Active Earner(s)	All Households
	(Rounded Data)			(Percent)		
A. From the Income Surveys						
1977*	963,700	274,200	1,237,900	10.7	18.0	11.7
1982	906,700	195,700	1,102,400	10.0	11.9	10.3
1987	1,191,200	152,800	1,344,000	13.5	8.5	12.7
B. From the Household Surveys						
1978*	1,314,800	322,800	1,637,600	14.4	21.1	15.4
1980*	1,179,900	247,400	1,427,300	13.2	17.2	13.8
1982	1,360,000	218,700	1,578,700	15.0	13.3	14.8
1983	1,476,800	314,900	1,791,700	16.5	18.0	16.7
1985	1,426,300	247,400	1,673,700	16.0	14.2	15.7
1987	1,279,500	188,800	1,468,300	14.5	10.5	13.8

* Subsistence minima were retrospectively calculated by the CSO only back to 1982. The values for 1977, 1978 and 1980 are estimated ones, with the assumption, that the ratio of the national subsistence minimum to the average monthly per capita income was the same for those years, as for 1982 (the year of the first official calculation). Average monthly per capita income data are drawn from the Household surveys for 1978 and 1980, and from the (more accurate) data of the Income survey for 1977.

Source: Statistical Yearbooks

Table 2. Composition of the total population and of the population living in the lowest decile*, 1977, 1982, 1987.
(Calculations are based on the income survey of the year)

	Composition of the Population of the Lowest Decile (Percent.)	Composition of the Population of all Households (Percent.)
	1977	
Active earners	18.6	47.0
Persons and child care		
Fee or grant	3.3	2.5
Pensioners	25.5	18.6
Children aged under 6	15.0	9.0
Studying children	19.4	15.4
All children	34.4	24.4
All other dependents	18.2	7.5
Together	100.0	100.0
Active earners	23.7	45.7
Persons and child care		
Fee or grant	4.8	2.2
Pensioners	17.3	20.3
Children aged under 6	18.9	9.0
Studying children	21.9	17.2
All children	40.8	26.2
All other dependents	13.4	5.6
Together	100.0	100.0
Active earners	27.0	45.8
Persons and child care		
Fee or grant	4.2	2.0
Pensioners	16.4	22.4
Children aged under 6	15.7	7.2
Studying children	24.8	18.2
All children	40.5	25.4
All other dependents	11.7	4.4
Together	100.0	100.0

* On the basis of decile-distribution of per capita income.

Table 3. Risks of dropping below the minimum 1985, 1987 (on the basis of the household surveys).

Type of Residence and Economic Activity	Ratio of those Living below the Subsistence Level as a Percentage of the Total Population in the Given Group	
	1985	1987
Urban, active earners	13.9	13.4
Rural, active earners	9.6	6.8
Urban, on child care fee/grant	42.1	40.3
Rural, on child care fee/grant	25.3	18.6
Urban, pensioners	8.7	7.5
Rural, pensioners	6.6	4.4
Urban, children	28.2	27.8
Rural, children	21.0	18.2
All other adult dependents (Urban-Rural)	28.0	27.6
Total	15.7	13.8

Table 4. Indices of (net) real earnings, real incomes and consumption, 1980-1989 (1980=100).

Year	Net Real Earnings Per Head		Net Per Capita Real Incomes (Total Population)	Real Value of Yearly Consumption per Head (Total Population)
	Of Workers and Employees	Of Those Working in Agri. Coops.		
1980	100.0	100.0	100.0	100.0
1985	96.1	96.2	108.1	107.8
1986	97.9	98.6	110.6	110.0
1987	97.5	96.8	111.4	114.2
1988	92.7	94.5	110.0	109.1
1989	93.5	90.4	112.8	109.6

Sources: Statistical Yearbook, 1989, CSO, Budapest, 1990, and Book of Facts '91; Ráció Publishing House, Budapest, 1991.

Table 5. Workfund (measured in hours) of the society (on a yearly basis, in million hours*).

	1977	1986	Rate of Increase Between 1977 and 1986 (1977=100)
Working time spent in workplaces of the first economy	9,984.5	9,296.3	-7
Small-scale agricultural production of:			
- active earners	1,737.5	1,896.6	9
- inactive population	632.0	1,137.0	80
- dependents	384.8	375.7	-2
House-building activities (in the informal economy) of:			
- active earners	266.9	374.7	40
- inactive population	33.7	79.6	136
- dependents	21.0	17.2	-18
Total	13,060.4	13,177.1	1

* See: Time-Budget; Changes in the Way of Life of the Hungarian Society according to the Time-budget Surveys of Spring, 1977 and Spring, 1986. CSO, Budapest, 1987.

Table 6. Rates of participation and time devoted to given activities by the 15-69 years old population on an average day of the year, by sex; 1977, 1987*.

	Rate of Participation (Percent.)	Average Time (in minutes) Devoted to the Given Activity by those Actually Doing It		Rate of Increase 1987/77 in Duration of Participation (1977 = 100)		
		1977	1987	1977	1987	1977
MEN						
Work at official (main) workplaces	55.7	47.6	498	480	85	96
“Additional” ^a white collar-type work	0.5	1.3	134	215	260	160
“Additional” ^a non-agricultural manual work	1.1	5.0	234	286	455	122
Small-scale agricultural production	35.9	40.0	174	198	111	114
WOMEN						
Work at official (main) workplace	37.6	33.5	456	445	89	98
“Additional” ^a white collar-type work	0.4	0.8	139	244	200	176
“Additional” ^a non-agricultural manual work	0.4	2.8	190	256	700	135
Small-scale agricultural production	35.2	34.2	147	142	97	103

a “Additional” refers to second economy activities, that are classified according to the “sphere of production”. Namely, a given activity belongs to the first economy, if it is done as a main job, and/or in the institutionalized formal sphere, whereas it is classified as work done in the second economy, if one is engaged in it on top of his/her regular daily job, and/or the activity is done in the non-institutionalized “businesses” of the family.

*Source: Changes of the Way of Life of the Hungarian Society (On the basis of the country-wide representative time-budget surveys of 1976/77 and 1986/87); CSO-Institute of Sociology of the Hungarian Academy of Sciences, Budapest, 1990).

Table 7. Some indicators of the standards of housing; 1980, 1989*

	1980	1989
Percentage ratio of dwellings with:		
- One room only	27.7	18.7
- Three or more rooms	20.1	33.4
- Running water (inside the dwelling)	67.3	78.5
- Bathroom	56.5	74.7
- Toilette (inside the dwelling)	53.3	68.4
- Modern heating	19.1	31.6*
- Sewage	70.0	79.8
Number of rooms per dwelling	1.99	2.20*
Number of persons per room	1.51	1.22*

* Data refer to 1988.

a Sources: Microcensus, 1984; CSO, Budapest, 1985, Statistical Yearbook 1989; CSO, Budapest, 1990; János Farkas-Agnes Vajda: Situation in Housing; in: Social Report 1990; (Eds.: R. Andorka-T. Kolosi-Gy. Vukovich), Társi, Budapest, 1990.

Table 8. Take-up and per capita sum for various forms of assistance.

National Form of Assistance	1987		1990	
	Cases	Number Per Capita Value	Cases	Number Per Capita Value
Regular social	48,070	1,792	46,823	3,209
Irregular social	563,952	1,424	807,836	2,159
Regular education	39,081	661	101,033	879
Irregular education	194,997	897	375,243	2,071
Budapest				
Regular social			3,000	4,394
Irregular social			253,638	2,513