







## **Weekly Briefing**

**Hungary Social briefing:**  
**Hungarian Social Outlook in 2018**  
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In recent years, the Hungarian government's actions have focused on three primary areas: demography, health care and education. Demography trends, in particular the size of the workforce and its changes are long-term determinants of economic growth, however, special Hungarian feature, which must be added to understand the policy of the Hungarian government, is the fear of the nation's death: an aspect rarely being emphasized in Western European and Asian contexts. In the government's approach, the best way to curb the decrease in population is to boost births by improving families' financial situation. Other fields of government measures target the improvement of health care services and the reform of Hungarian education system. Clearly, the two last fields are the most vehemently criticized policies by opposition, and where opposing and dissenting public opinions are easily to be found. **There is no coincidence that the government shapes its 2018 agenda along with these three areas.**

### **1. Population trends and migration in 2018.**

As we pointed out in our earlier analysis of Hungarian social trends in 2017, one of the biggest long-term challenges the Hungarian society must face is depopulation and deteriorating economic competitiveness caused by aging population and migration. (It must be underlined that population and migration only partly contribute to worsening competitiveness, since there are many other elements as well – quality of education, infrastructure, taxation system, and other policies.)

Thus, main social measures in 2018 attempt to address the problems of depopulation, as the Prime Minister, Mr. Orbán underlined **“2018 is going to be the year of families”**. It is stressed often that family-friendly social measures are the appropriate policy responses to depopulation, and not the cultivated migration, often advised by economists as a short-medium term solution for labor force shortages.

Ms. Selmeczi, the President of Fidesz' parliamentary group for social issues, said last December, the Hungarian fertility rate could be raised from 1.23

to 1.49 over the last 6 years. At the same time, she added the results are not sufficient and the progress is slow. She delineated the three policy principles of the field which would improve these trends.

1. Living costs of families must be reduced;
2. Parenting must not be equal to poverty;
3. Parenting must be valued in the public discourse as well.

**The enforcement of these principles is supported by the following measures entering into force 1<sup>st</sup> of January 2018.**

1. Mortgage loans of families with more than 2 children or families who intend to have more than two children, will be forgiven. The amount of loan forgiveness is linked to the number of children. (1 million HUF in the case of the third child, 2 million HUF in the case of a third and fourth child etc.)

2. Student loans can also be forgiven, by the first child, the student loan is cancelled, by the second child, half of the amount is forgiven, by the third child the total amount is discharged.

3. One type of family allowances doesn't rule out the utilization of other family allowances. (property grants, favorable credits, marriage tax allowances etc.)

4. Allowances for families with two children will be raised to 35 thousand HUF in 2018, and to 40 thousand HUF in 2019.

5. Support for mothers who give birth to child within 10 months after graduating at university and college level, is to be extended from 1 year to 2 years.

6. Childcare fees (GYED) will be raised to a max. gross 193.200 HUF. The amount of support will be also raised for undergraduate students (96.000 HUF) and graduate students with children (126.350 HUF).

The abovementioned measures demonstrate the commitment of the Hungarian to stop the depopulation process and help parenting by all means. In the field of family protection, public opinions are mainly supportive of the

government's approach, however, health care and education systems are more contended areas.

## **2. Reforms in health care**

**The other focus point is healthcare.** One of the critical points is the income level in the health care sector. As agreed before between the Hungarian government and trade unions, salaries and wages in the health care will rise by 65 percent between 2016 and 2019. **This year, salaries and wages will be raised by 8 percent in November 2018, and they will already increase by 10 percent in pre-hospital and emergency health care in January 2018.** Closely related sectors are child protection, child care and services for homeless, older or disabled people. Even in these sectors, a significant rise in salaries is expected to take place in 2018, since the average gross wages will increase to 233 thousand HUF, which means 60-62 percent rise compared to 2013.

Medical learners can also benefit from government subsidies. **The stipendium program for medical learners starts in 2018;** the programme will involve 3.200 medical learners until 2021. The stipendium is to reach max. 40 thousand HUF a month. After enrolling and completing the training programme, medical learners are obliged to work as medical workers at least for the length of time they drew on the study grant. It must be stressed that despite the migration to other EU-countries, which heavily hits this sector; the number of medical workers dropped from around 900 a few years ago to 400 last year.

At the same time, substantial funds will be spent on health care infrastructure in 2018. Mr. Ónodi-Szűcs, the state secretary responsible for health care, underlined the government developed and implemented the biggest health care program after 1990. **The program that started after 2010, totaled to 500 billion HUF.** He pointed out the largest infrastructure programmes were launched in the country side, while reconstruction works of health care infrastructures (hospitals, ambulances etc.) were neglected in the capital city and its surrounding region. In the near future, new programmes attempt to breach the gap between modern infrastructure in the country side and obsolete

infrastructure in Budapest. **The program focusing on Budapest and the county Pest, already started in 2017, and it is expected to total to around 700 Billion HUF over the next 7-8 years. From this amount, 30 Billion HUF will be spent in 2018.**

### **3. Education system**

The Hungarian government has made significant efforts to reform and modernize the education system of Hungary (primary, secondary and tertiary education). As we could see in our earlier analyses, the underlying idea of these reforms is to bring education system closer to the needs of the labor market, this improving competitiveness of the Hungarian economy. The basic idea is not being questioned, however, the means to achieve this goal are often criticized in the media. Main criticisms are that the Hungarian education system is underfunded, and the reforms implemented by the government don't encourage critical thinking of young people, thus strengthening authoritarian tendencies in the Hungarian society. Underfunding is an obvious problem; therefore, **education measures in 2018 clearly attempt to alleviate financial tensions within the education system.** The second element of criticism rather originates from the a top-down approach of this government, in contrast to a bottom-up approach of former governments between 1990 and 2010 than from the will to control society. The reason for the top-down approach can be found in the need to control expenditures in this field.

**In 2018, expenditures on the education systems will be more than 130 Billion HUF larger than last year,** and the total sum spent on the Hungarian education system is going to reach 2.000 Billion HUF. The significantly raised funds focus on three main fields: (1) infrastructure programmes and (2) wages and salaries in the primary and secondary schools and (3) salaries in the tertiary education.

(1) Infrastructural developments are to continue in 2018. **Around 126 Billion HUF is going to be spent on purchases of school equipment, reconstruction and infrastructural programmes in 514 school in 2018.**

(2) Mr. Palkovics, the state secretary for education emphasized wages in the primary and secondary schools rose by 50 percent between 2013 and 2018 on average. As a result of this, **now teachers after 20 years practice can make around gross 335 thousand HUF a month on average**, whereas their salary was 172 thousand HUF before 2013. (The latest rise in the salaries was in October 2017.)

(3) **Salaries of lecturers in the tertiary education are raised by 5 percent from the 1<sup>st</sup> January of 2018.** This rise is part of the three stages reform, which started in 2016. Due to the program, salaries were raised by 27 percent on average between 2016 and 2018. The outcome is an average gross salary of 554 thousand HUF in professor rank.

Another crucial factor are EU-funds that could be applied by Hungarian universities and colleges last year for, and can be used in the years to come. **The total amount of funds was 130 Billion HU, which were granted to the tertiary education institutions.** Mr. Palkovics underlined, tenders fitted into the tertiary education strategy and the industrial development goals of the country. **He added around 25 percent of student are enrolled in engineering and polytechnic programmes, a number to be raised to 40 percent in the next years.**

As it could be seen, family-related policies and measures are still in the focus of the government, it is highly unlikely to alter the course of this policy – in particular ahead the parliamentary elections – and not only because they are in in line with governments long-term social and economic strategy, but also because of its popularity among citizens. On the other hand, health care and education system reforms are still hot topics, not only because results are not impressive, and they lack funding, but intentions of the government don't seem to be clearly articulated in this field.