

## **Hungarian Family Policy – The Hungarian Model**

The Hungarian Fundamental Law attaches special importance to the family. It protects the institution of marriage, and states that the foundation of family lies within marriage and parent-child relationship. It declares that Hungary shall encourage the citizens' commitment to have children. A Cardinal Act provides the protection of families, which symbolizes the fact that the objectives of family policy shall be respected by all governments.

A precondition of the medium and long-term social development and the sustainability of Hungary is a lasting turn in demographic trends. The objective can be achieved with a stable, complex, targeted and flexible family policy that is capable of adapting to changing needs and conditions. Parents and parents-to-be need to have long-term stability and reliable financial situation. In this respect, employment and the easy reconciliation of work and family obligations are of key importance. Therefore, we make attempts to help parents harmonize their career and child raising, as much as they can.

In Hungary, families are offered outstanding support: Hungary spent 3.6% of its GDP for such purposes comparing to the OECD average of 2.43% in 2013. In 2019, 4.7% of the GDP is being transferred to families raising children.

### **The Family Protection Action Plan**

**Baby expecting subsidy:** Every **married couple** where **the wife's age is between 18 and 40** is **eligible for an interest-free, general purpose loan of EUR 31 250**, which can be requested at commercial banks. The amount of the monthly instalment of the loan may not exceed EUR 156, and it is to be repaid within 20 years. If at least one child is born during the first five years, the installment scheme will remain interest-free and repayment will be suspended for three years. After the birth of the second child, the repayment will be suspended for another 3 years, and 30% of the outstanding principal will be written off. Following the birth of the third child, the remaining debt will be entirely cancelled. (Only those children will be considered who are born or adopted after the actual application.) The loan will be guaranteed by the state.

Introduction: July 1, 2019

Availability: December 31, 2022

**Scope extension of the housing loan with state subsidized interest rate to second hand properties:** At present, granted in addition to the family housing benefit, the so-called 'CSOK', subsidized loans with a maximum interest rate of 3% may be granted for families for the building or purchase of new housing. The amount of the loan will be EUR 31.250 in the case of families with 2 children, and EUR 46 875 for families with 3 or more children. From July 1, 2019, the loan can be used to buy second hand properties as well. In addition, the EUR 109 375 threshold for prices of used properties on which the subsidized loan or the 'CSOK' can be obtained will be abolished. For Hungarian citizens, social insurance status acquired in countries outside the European Economic Area will also be taken into account. Additionally, the foundation of old

houses will not need to be demolished, if it meets static requirements. As of July 2019, the loan can also be requested for new houses built on old foundations.

Introduction: July 1, 2019

Availability: unlimited

**Expanding the scope of the mortgage repayment relief:** The mortgage repayment relief of EUR 3.125, currently granted for families planning to have 3 or more children, **will be extended to include families having their second child (with an amount of EUR 3 125)**. A further EUR 12 500 **will be granted** for those having their third child (families will be granted EUR 3 125 after the birth of every subsequent child). The mortgage repayment relief will be requested after 12 weeks of pregnancy.

Introduction: July 1, 2019

Availability: unlimited

**Car purchase programme for large families:** Families **with at least three children** will be able to apply for a **subsidy of EUR 7 812** (but no more than 50% of the purchase price) to purchase a **new passenger car with at least seven seats. The support will be requested at the Hungarian State Treasury.**

Introduction: July 1, 2019

Availability: December 31, 2022

**Complete exemption from personal income tax for women with four or more children:** From January 1, 2020, all women with at least four children will be completely **exempt from personal income tax (15% currently)** until retirement. This exemption concerns income derived from labour income.

Introduction: January 1, 2020

Availability: unlimited

**Introduction of childcare fee for grandparents:** From January 1, 2020 non-retired grandparents will also be **eligible for childcare fee (GYED)**, if both parents are (or the single parent is) employed. The childcare fee will be provided for the grandparent, not the parents. The purpose of the programme is to encourage grandparents to become more involved in the raising of grandchildren. Only one of the grandparents will be allowed to apply, but the fee can be requested after more grandchildren too.

Introduction: January 1, 2020

Availability: unlimited

**Nursery development programme:** The current number of 50 thousand nursery places **will be increased to 70 000 by 2022 by the Government**, in order to provide day-care facilities for the nursery aged children of all the parents wishing to return to the labour market. Private service providers should be involved to a greater extent in the project. A ministerial commissioner in the Ministry for Human Resources will be responsible for the completion of the programme.

The development programme starts from 2019 and will be accomplished until 2022.

## Other measures

### **Family tax benefit**

Recently, the family tax benefit system has undergone major changes. Before 2011, only families with three or more children were entitled to the benefit whose amount was a monthly EUR 13 per child. However, as of 1st January 2011, parents expecting their first child are eligible for the benefit from the date onwards when the foetus is 91 days old. Before the calculation of the tax advance payment, the amount of the benefit is deducted from the person's combined tax base. Family tax allowance can be shared between parents. The amount of the personal income tax can be reduced with EUR 32 per month for one child, EUR 63 per month per child for two children and with EUR 106 per month per child in case of 3 or more children.

From 2014 the family tax benefit may be deducted from the pension and health care contributions besides personal income tax, which means that a greater number of individuals may benefit and that citizens with a relatively low income are now in a more favorable position. As a result, in 2015 families with children enjoyed a total EUR 778 million benefit, that is, an average of EUR 706 per family. (The average net income in 2016 was EUR 551 per person and usually there are two breadwinners in a family). The allocation for 2016 was EUR 832. In 2017 this number increased to EUR 875 million.

(From 2016 until 2019, the allowance for families with two children was/had been doubled gradually, in four phases. The final maximum amount per child is EUR 65. Thus in 2019 the scheme gives approximately more than EUR 1 billion to the families with children.)

Tax allowance for first-wed new couples, a new tool to decrease the tax base, was introduced in 2015. This measure is intended to encourage young couples to marry: a newly-wed couple is eligible for a tax allowance of EUR 16 per month provided that it is the first marriage of at least one of them. As of 2017, 79.7 thousand couples could decrease their tax base by a total of EUR 10.3 million. A new benefit of the allowance introduced in 2017 is that couples continue to be eligible for this allowance for a maximum period of two years.

### **Women 40**

From 1st January 2011 old age pension for women having a 40-year entitlement period – without age restriction – was introduced. The aim of this measure is to acknowledge multiple load on women as well as their engagement and give an opportunity for grandmothers to provide active help to their children primarily in looking after their grandchildren. The number of beneficiaries of this “grandmother pension” has already exceeded 243 thousand by end of 2018. We spent EUR 815,4 million for the Women 40 program in 2018 from the Budgetary, which is a 15% more than in the previous year. According to the Women 40 Program, the average amount per capita of January-September 2017 was EUR 390.

## **Family Housing Subsidy**

As of 1st January 2016 families who are currently raising three or more children or who undertake to raise at least three children in the future (including the children they already have) may uniformly receive a one-off in-cash support of EUR 32,200 when building or buying a new estate. In addition, these families are eligible to a EUR 46,600 reduced residential loan with a State interest-rate subsidy, while families with two children can be eligible to 32,200 EUR.

The Government has set minimum space requirements for the homes purchased, which is 40 m<sup>2</sup> if the family has one child, 50 m<sup>2</sup> for two, 60 m<sup>2</sup> for three and 70 m<sup>2</sup> for families with four children. The subsidy does not depend on the size of the home purchased. The subsidy for buying a used flat/house is (according to the size of the flat) maximum EUR 1,930 for one-child families, maximum EUR 4,610 for two children, EUR 7,100 for three children and EUR 8,870 for families with four or more children. The subsidy for buying new homes is EUR 1,930 for one-child families, EUR 8,390 for two children, EUR 32,200 for three or more children.

Overall, since its introduction (July 2015) to September 2019, 117 thousand families have been recipients of the family home-start subsidy and the amount allocated to them is EUR 1.1 billion. As a further benefit, a VAT refund up to EUR 15.4 thousand is available in case of building a new estate there is a 5% beneficial VAT rate available when buying a new estate.

## **Free supply of textbooks**

Free textbook delivery was introduced in 2013/2014 school year in Hungary. Since this school year, the students were enrolled for the first grade, and then, for each additional year, the school supply of textbooks became more common than the normative discounts. From the school year of 2017/2018 on, students were entitled to a free textbook for all grades of primary school (grades 1-8) and pupils of the first grade of secondary school (grade 9). In addition, in all other grades, textbooks are available free of charge if the child is:

- chronically ill;
- is classified as disability (disability. disability. mentally ill. sensory or speech impairment. autism spectrum disorder. or other psychological developmental disorder). or is severely disabled;
- lives in a family of three or more minor or dependent children;
- is entitled to education allowance at his or her own age;
- receive a regular child protection benefit or
- receive childcare or care after care.

Therefore 85% of the students are affected of beneficiaries of free textbooks, which results in 1,018,000 students.

## **Child catering**

The Government has extended the opportunity for free or subsidised child catering. In the period from 2010 to 2018 the budgetary resources allocated to child catering were more than doubled (from EUR 113 million to EUR 245 million). As of September 2015, free catering in nurseries and kindergartens is extended to almost 90% of children, involving 230,000 more children in the scheme. As of 1<sup>st</sup> September 2015, free catering is available for children living in large families and severely sick/disabled children who are formerly entitled to half-price catering, provided that the family's per capita net income does not exceed 130% of the minimum net salary that is EUR 288. The extension of the obligation to attend kindergarten has yet another favourable consequence, namely, more children will benefit of nursery education and, thus, the opportunity for free catering.

According to the current regulation, the system of discounts for catering in institutional care – provided in kindergartens, kindergartens, primary and secondary schools, dormitories and disabled persons' daytime care – is provided in the following way:

Institutional child catering is provided free of charge:

- for a child receiving nursery care or kindergarten education if:
- for a child in 1-8. years in full-time school education, if
- a child benefiting from regular child protection allowance for the age of above, who is cared in a daytime facility for disabled persons;
- for a student in 9-12 years in full-time school education, if cared in child protection or after-care care is provided as a young adult.

50% discount fee is provided:

- for a child in 1-8<sup>th</sup> years in full-time school education, if
  - lives in a family where three or more children are raised or
  - permanently ill or disabled;
- for a student in 9-12<sup>th</sup> years in full-time school education, if
  - receives a regular child protection benefit;
  - lives in a family where three or more children are raised or
  - permanently ill or disabled.

As of 1<sup>st</sup> January 2016, the Government mandated the local governments to organize the holiday catering for the disadvantaged and severely disadvantaged children (with a total of about 208 thousand persons), at the request of their legal representative, during the summer holidays for at least 43 business days, up to every working day of the summer holiday, and during the autumn, winter and spring breaks according to the school year schedule per pause for the duration of the given teaching break and every working day of the kindergarten and nursery correspondingly closed. Children who do not have an institutional status – typically from the age of 5 months to 2.5 years old – are given the same way as the schoolchildren, during the summer holidays at least 43

working days, at most during the summer holidays and in each day of work of the autumn, winter and spring holidays according to the regulation on the school year.

In 2018 during the

- spring break 88,729 children;
- summer holiday 123,043 children;
- autumn break 96,006 children;
- winter break 102,807 children received the allowance for holiday catering.

### **Diminution of mortgage loans**

Hungary was severely hit by the global economic crisis of 2008, since low-interest foreign currency loans were highly popular from 2004 on. Measures have been taken to help individuals with foreign-currency loans. Retail foreign currency lending was set to strict conditions in order to avoid debt trap. a maximum amount of credit proportional to the value of the property and a maximum amount of monthly instalment proportional to the monthly income of the borrower were determined. A moratorium on eviction was introduced in 2010, and early loan repayment was made possible in case of foreign currency mortgages in 2011. 97% of the foreign currency loans were converted to Hungarian Forints at market rates in 2015.

From 2018, when having a third or a further child, families with mortgage loans can reduce their mortgage loans (from the total amount of both their principal and interest debts) by EUR 3,100 per child, from the 3rd month of the pregnancy.

### **Diminution of student loans**

From 1st January 2018 for female students having a student loan the repayment is suspended when being pregnant with the first child, from the third month of the pregnancy. This suspension is for 3 years.

Being pregnant with the second child, the repayment is also be suspended for 3 years from the 3rd month of pregnancy, and after the birth of the child 50% of the remaining debt is cancelled. After the birth of the third child, 100% of the remaining debt is cancelled.

### **The Nursery System of Hungary**

One of the cornerstones of the Hungarian family policy is the reconciliation of work and family life, therefore the aim of the Government is to build a work- and family-based society. In order to reach this goal, it is a crucial step to strengthen the nursery system, so that the day-care system for children under the age of 3 can become more effective, for which the Government has taken several steps.

The easy **reconciliation of work and family obligations** is of key importance for women, the availability of adequate accommodation and **day-care of children** in all settlements is a justifiable request. From 1<sup>st</sup> January 2017, the day-care system for children has been transformed. The purpose of the transformation is to create a flexible system that in addition to institutional frameworks can provide day-care and day-to-day supervision in family-like forms of child-care in private homes or at workplaces, in response to local needs, in line with parents' work schedules. All forms of education and care for children under the age of 3 are considered nurseries. From 1<sup>st</sup> January 2017, day-care for children is provided in 2 institutional forms (nursery, mini nursery) and 2 service forms (family nursery, in-office nursery).

**Nursery:** Complex institutional care is provided for 12-14 children by 2 early childhood educators and 1 childcare worker assistant in a nursery group. From 2018 the central budget provides funding in order to operate nurseries. The normative funding of nurseries and mini nurseries has been replaced by task-based financing (wages and operation).

**Mini nursery:** It is an institutional service similar to the nurseries but with simpler establishment and operating conditions. In the mini nursery, day-care for up to 7 children is provided by 1 early childhood educator and 1 childcare worker assistant. The mini nursery can be linked to a kindergarten. Similarly to the nursery, the central budget provides task-based financing (wages and operation) for the operation of mini nurseries.

**In-office nursery:** In-office nursery can be created by the employer for the children of persons engaged in employment in the property owned or rented by the employer for this purpose. The maximum number of children in an in-office nursery group is 7, the person providing the services is 1 service provider or early childhood educator (2 separate jobs) and 1 assistant. There can be several groups in in-office nurseries. The central budget provides the source for this service as well.

**Family nursery:** Due to the nature of the service, the family nursery can be formed much simpler and faster than the institutional services – either in the service provider's own home or in other rooms designed for this purpose. In the family nursery day-care for up to 5 children is provided by 1 service provider or early childhood educator (2 separate jobs). If 1 assistant is employed, the maximum number of children can be 7. The central budget provides the source for the operation of the family nursery.

From 1<sup>st</sup> January 2017, the organisation of children's day-care is mandatory if the number of children below the age of 3 in the settlement exceeds 40 or in case at least 5 families indicate the need for children's day-care. Municipalities can decide on the form of children's day-care services in the settlement taking into account the needs of parents. In January 2018, the funding system for nurseries and mini nurseries changed: normative funding was replaced by task-based financing, which, by providing wage subsidy and operational support allows municipal governments to provide long-term, profitable operation of crèches. In 2018 a nursery development was going on from a financial source of EUR 62 million (EUR 31 million from the central budget and

EUR 31 million from reallocation of funds) with a result of creating 3-4 thousand nursery places. The Government has allocated EUR 4.7 million for nursery development in the central budget of 2019. In the development phase of 2014-2020 there is an amount of EUR 343.8 million from EU funds set for operative programmes (for nursery and kindergarten development. In 2019, a total of about EUR 310 million will be available for nursery development (total EU funds and central budget). In 2017, 1,752 institutions provided nursery service that contained 754 nurseries, 50 mini-nurseries, 7 in-office nurseries and 941 family nurseries. In 2018 1,958 institutions provided nursery service containing 786 nurseries, 176 mini nurseries, 10 in-office nurseries and 989 family nurseries. In 2019 2,048 institutions provided nursery service containing 818 nurseries, 225 mini nurseries, 10 in-office nurseries, and 995 family nurseries. The number of nursery workers increased by 17% since 2010 (1,073 people).

### **Summary**

There has been a significant development in the nursery system of Hungary in the last 8 years both legally, financially and in the form of operational support. In 2018, day-care places were available for 17.5% of children under the age of 3, while in 2010 this rate was only 12%. Compared to 2010, the number of day-care places in nurseries increased by 16,000. It was 32,516 in 2010 and it is 48,782 in 2018, which is a 1.5 times increase in the number of nursery places. In 2018 the Government provided EUR 31 million from the central budget for nursery development. The financing of nurseries, mini-nurseries was changed in 2018, it is task-based, the wages of professionals and operational support is provided from an amount of EUR 115.5 million from the central budget. In 2010, the amount of support was EUR 34.4 million for the development of nurseries. Free catering is provided for 67% of children in nurseries in Hungary.