

CEPS-Intereconomics-ZBW conference
Inequality in Europe: What Can Be Done?
What Should Be Done?
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Trends and episodes of income distribution change in Hungary

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Outline

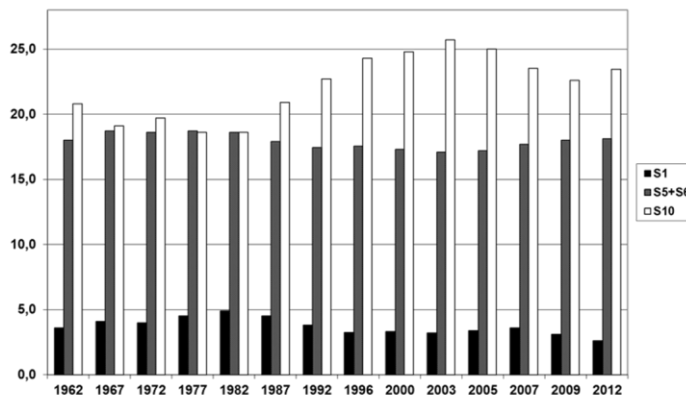
Trends and episodes

Incidence

Context and policies



Trends: share of various per capita deciles out of total incomes on the long run



62-82: levelling down (and up)

82-03: strong growth of upper decile shares, some losses at the bottom

03-07: losses of the top decile, „protected” lower bounds

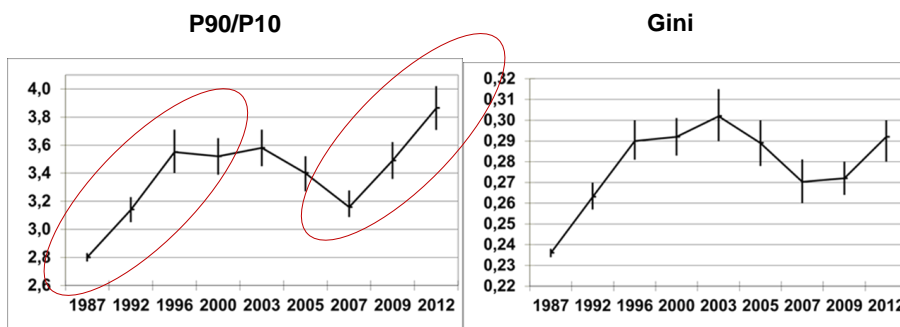
07-09: losses by the top AND the bottom

09-12: gains on top, losses on bottom

Source: 1962–1987: KSH income surveys, Atkinson–Micklewright [1992] Table HI1.; 1992–1996: HHP waves I–VI., 2000–2012: Tárki Household Monitor.



Measures of inequality: between 1987 and 2012



Source: 1987: KSH Income survey;
1992–1996: Hungarian Household Panel waves I–VI., 2000–2009: Tárki Household Monitor

Note: conf int, p= 95%, personal distribution of person equivalent incomes



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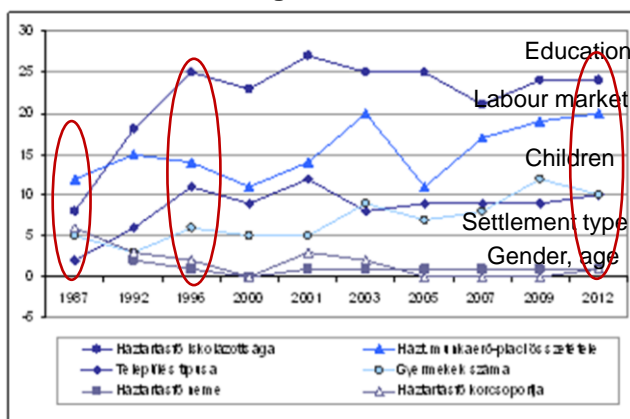
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Evolution of between-group inequality as a % of total inequality according to different household attributes



Source: data from Tóth (2013)
 Note: % of between-group inequalities were calculated by univariate decompositions of the MLD index, so between-group %s should not be added up.

Characteristics:

- Drastic restructuring: 1987-1996
- First employment shocks (1987/1992), large increase in returns to education > 1987
- Effect of settlement type is mostly compositional
- Increasing role for fam size (number of children)



Episodes (defined by drivers) of the first two and a half decades of the systemic change

1987-1992: structural change, employment losses, polarization



1992-2001: education expansion, technological change, sclerosis in the labour market



2001-2009: (social)politics and crisis management

(2002-2006: „system change in welfare” i.e. large welfare expansion) winners: lower middle classes (and public employees)



(2006-2008: consolidation/austerity packages) losers: upper middle classes (and public employees)

(2008-2009: the crisis and its management) losers: lower strata and (to smaller extent) the top decile

2010 - : sharp turn to workfare and social policy restrictions



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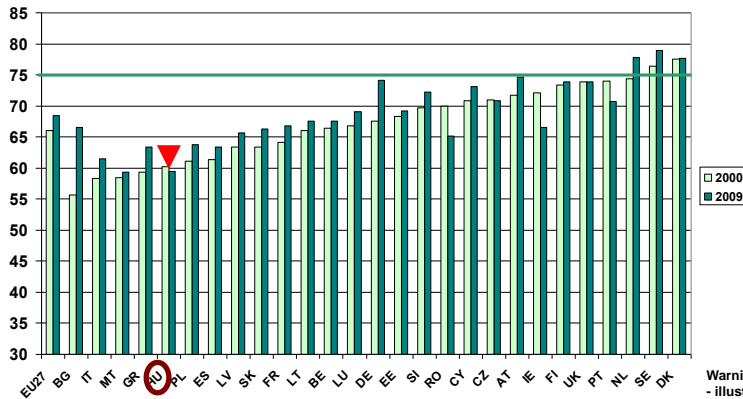
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A general problem: very low employment rates, compared to EU27 countries, 20-64 age group, 2000 and 2009



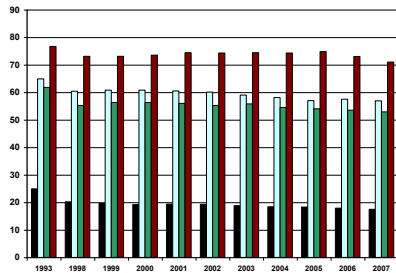
Warnings:
 - illustrative estimates
 - 2009: crisis effect
 - age groups alter from those of Lisbon

Source: Eurostat
 Notes: population data for Jan 2009, except for BE and UK: Jan 2008, estimated France2020 data assumed to be EU proportional for both cohorts Employment data for DE, CY, LV, LT, LU, MT, SE: 2000Q2, FR: 200Q1

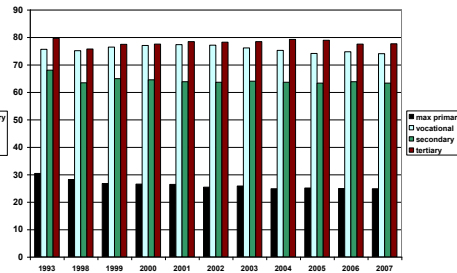


Employment rates by level of education in Hungary 1993-2007

women

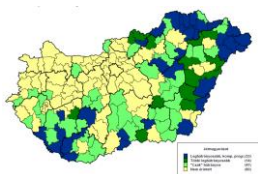


men



Proxies of severe poverty combine and cluster in some specific regions

Territorial distribution of disadvantaged Regions



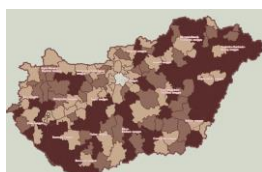
Source: CSO 2008
(Tájékoztató a kiemelten támogatott kistérségekről, Központi Statisztikai Hivatal, Budapest, 2008.)

Distribution of the long term unemployed (registered for more than 180 days in 2009)



Source: CSO
(KSH T-STAR adatok – VÁTI-TEIR)

Distribution of having at least a secondary education degree, in % of 18+ population, Hungary, 2011



*Without Budapest Source: CSO census data VÁTI-TEIR

Share of Roma population in total population in the various counties (2003)



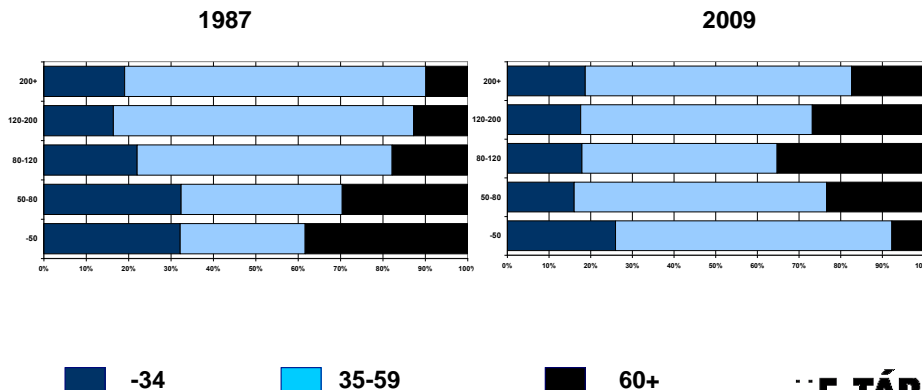
Forrás Kemény, Janky és Lengyel (2004) 14. oldal, készült: SzMI 2010



Relative shifts of positions of various socio-demographic groups in the income distribution:

Polarization of the active age group, older cluster to the middle

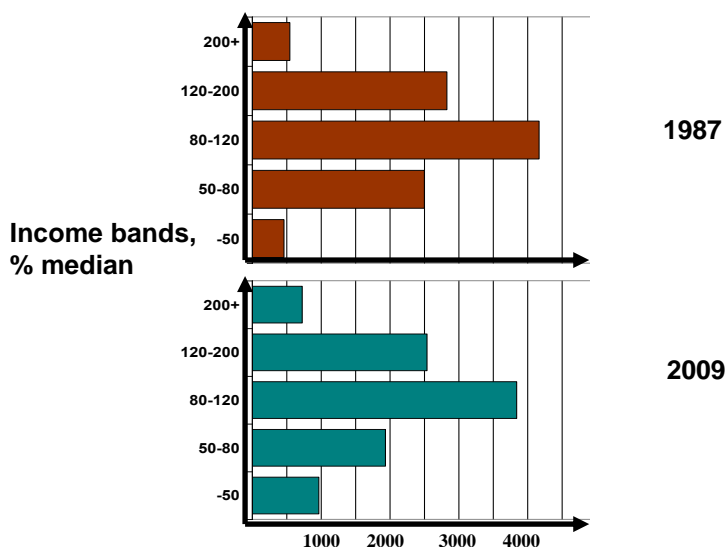
Distribution of persons in various income categories by age of household head, 1987 and 2009



-34 35-59 60+



Distribution of persons in various income brackets (defined in % of median) 1987-2009



Estimates for % of people falling within the various median% brackets* 1987–2012 (%)

	1987	1992	1996	2000	2003	2005	2007	2009	2012
Well off (median 200+)	6	7	9	9	9	9	7	8	8
Upper middle (median 120%-200%)	27	25	23	25	25	25	25	27	27
Middle (median 80–120%-a)	39	42	35	34	34	33	36	31	30
Lower middle (median 50-80%)	24	20	21	23	22	24	22	22	21
Poor (below median 50%)	4	6	12	9	11	10	10	12	14
Total	100	100	100	100	100	100	100	100	100

Source: 1987: KSH income surveys, 1992–1996: HHP waves I–VI., 2000–2012: Tárki Household Monitor.

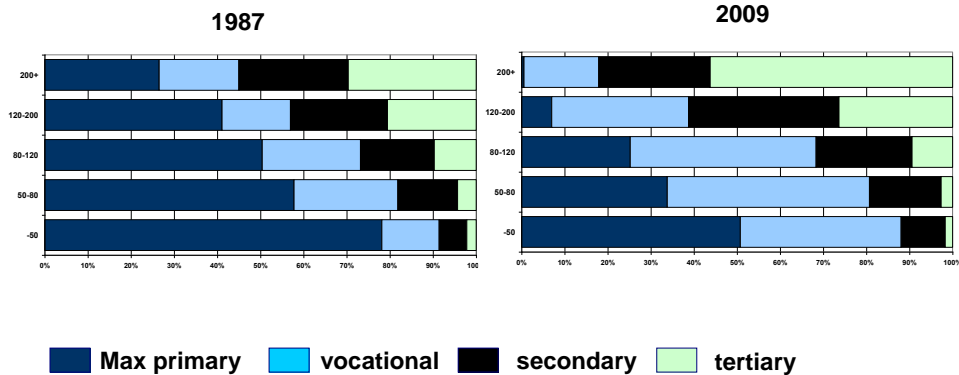
Note: median of **percap** net disp incomes



Relative shifts of positions of various socio-demographic groups in the income distribution:

Increase in level of education and differentiation by education

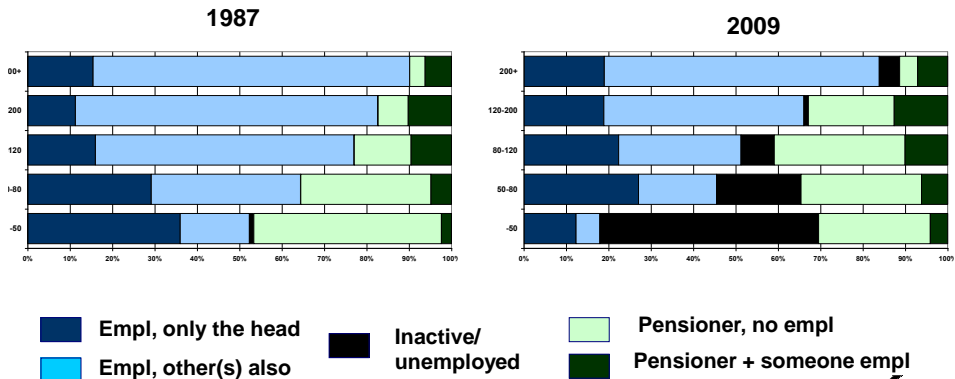
Distribution of persons in various income categories by education of the household head 1987 and 2009



Relative shifts of positions of various socio-demographic groups in the income distribution:

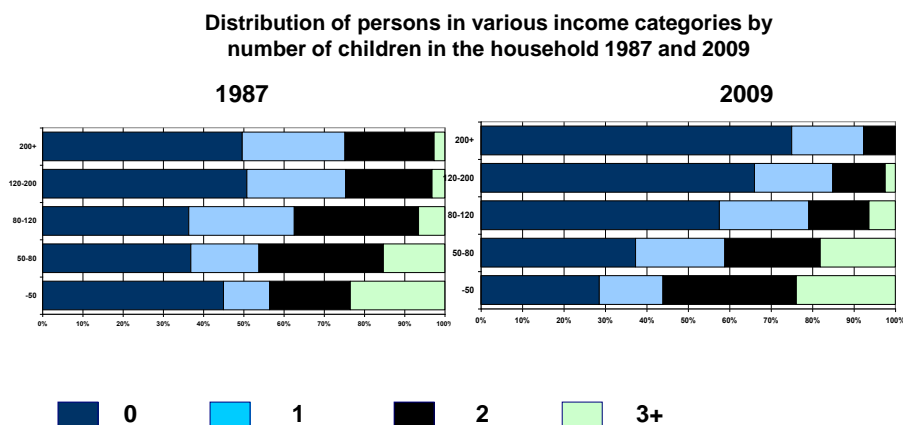
Strong employment polarization

Distribution of persons in various income categories by employment status of the household head, 1987 and 2009



Relative shifts of positions of various socio-demographic groups in the income distribution:

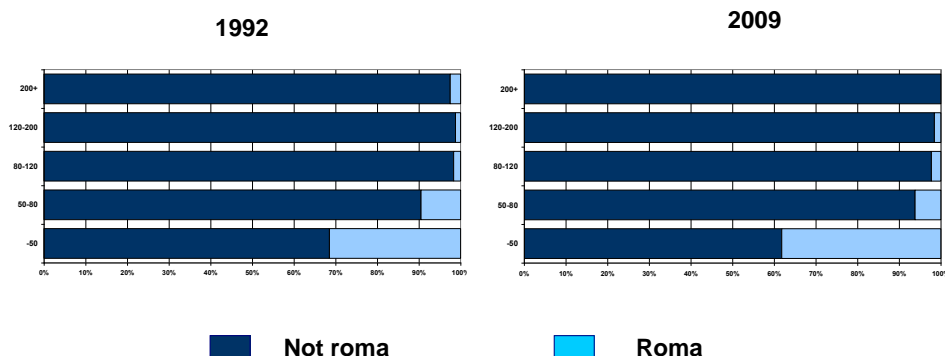
Lower number of children in general, worsening position of large families



Relative shifts of positions of various socio-demographic groups in the income distribution:

roma falling out

Distribution of persons in various income categories by ethnicity 1992 and 2009



A summary of poverty analysis (1): socio-demographic profile

•Significant increase: between 1992-1996 and 2007-2009

Consistent high risk group

village
3+ children
inactive hh head
max. primary educ. head
Roma

consistent low risk group

Budapest
0 child
second earner in the hh
at least secondary educ.
not roma

•high risk, increased: households with at least 1 child
and for the primary educated

•low risk, decreased: head 60+,
pensioner headed hh



Summary of poverty analysis (2): multivariate results

- Settlement type: composition driven, no significant separate effect
- Poverty risk for those in 60+ headed hholds significantly lower than for those in 35-59 headed hholds
- Poverty risk increases with number of children
- Employment position matters: an additional employed decreases poverty risk
- Female headed and roma households are consistently high risk groups
- Education is the key factor (in itself and behind some other dimensions)



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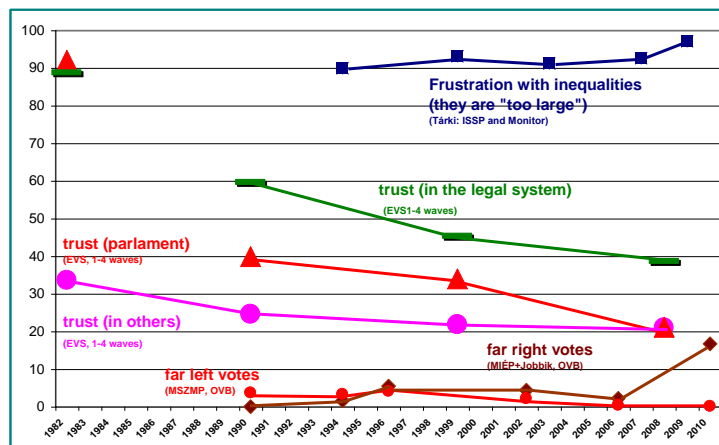
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The social climate: Indicators of social cohesion, 1982-2010



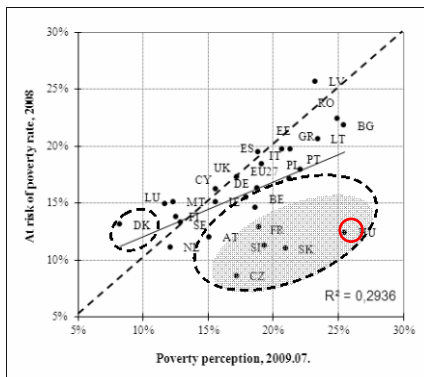
Source: Tárki, Gini-project



The social climate: Perceptions of poverty in 2009

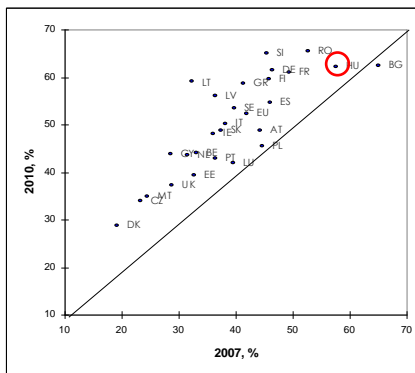
Perception is higher than actual poverty rates

The relationship between relative poverty rates and the perceived poverty rate in EU Member States



Perceptions on „what makes people poor?

The share of those perceiving poverty as a consequence of social injustice (% of total population, 2007-2010)



Notes: The relative poverty rate relates to those with income below 60% of the median in the 2008 income year – from Eurostat, EU-SILC, 2009.

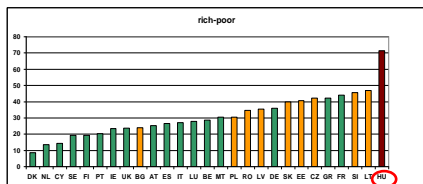
Source of the perceived poverty rate: Flash Eurobarometer 276, July, 2009.

Chart from Keller, 2011

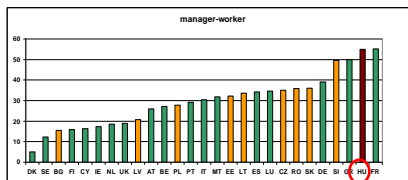


Anger and frustration: Share of those saying there is „too much” tension in the country...

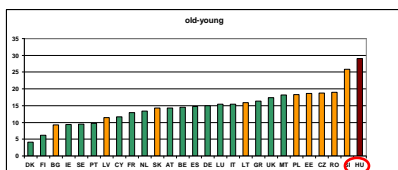
.. the rich and the poor ...



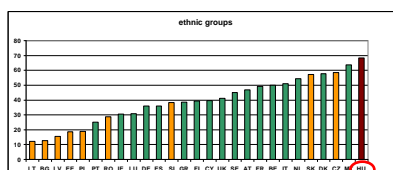
.. managers and workers ...



.. old and young ...



.. various ethnic groups ...



Source: 72.1. Special EuroBarometer, 2009



Target group priorities by the public opinion:

How many of 100 persons belonging to the relevant group get social assistance and how many should get?

	„Gets”	„Should get”	Difference
Low pensioners	27	60	-33
Disabled	41	67	-26
Large families	43	58	-15
Unemployed	47	53	-5
Roma	76	31	45

Source: Bernát, 2010, based on Tarki omnibusz 2010 february



Recent social policy measures (2010-2013)

Implemented changes:

- Reduced ceiling, shortened eligibility period for unemployment benefit
- Constrained rights to social assistance (one benefit per household principle)
- Increased role of public work
- Flat rate income tax (with large tax breaks for 3+ families)
- Expansion of the conditionality principle (child allowance tied to school visits, premium to get kids into kindergarten)
- Lower compulsory education age
- Increase in minimum wage



Lessons: what would be the key steps to reduce poverty?

- A shift in emphasis from ex post treatment to ex ante, preventive measures
- Employment growth: where it is the most difficult (among the lowest educated and the inactives)
- A fundamental improvement needed in education and a decrease of the selectivity of the school system
- Invest in children!!
- Operation of life cycle consumption/income smoothing mechanisms
- Local complex development programs to reduce accumulation of regional multiple deprivations
- (Balanced budget: the political budget cycle made a lot of harm to the country during the last decade)
- Open, experimental social policy, cost benefit analyses
- The public administration needs evidence based feedback while planning and when acting as well



Thanks.

www.tarki.hu

