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


Measures of inequality: between 1987 and 2012


Note: conf int, p= 95%, personal distribution of person equivalent incomes
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Evolution of between-group inequality as a % of total inequality according to different household attributes

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) loosers: upper middle classes (and public employees)

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

2010 -: sharp turn to workfare and social policy restrictions

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

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, IE, 2000Q2, FR, 2000Q1

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

Employment rates by level of education in Hungary 1993-2007

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, IE, 2000Q2, FR, 2000Q1

Warnings:
- illustrative estimates
- 2009: crisis effect
- age groups alter from those of Lisbon
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 having at least a secondary education degree, in % of 18+ population, Hungary, 2011

*Without Budapest Source: CSO census data VÁTI-TEIR

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

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

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


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

1987

2009

-34  35-59  60+
Distribution of persons in various income brackets (defined in % of median) 1987-2009

![Diagram showing income distribution from 1987 to 2009.]

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

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</thead>
<tbody>
<tr>
<td>Well off (median 200+)</td>
<td>6</td>
<td>7</td>
<td>9</td>
<td>9</td>
<td>9</td>
<td>9</td>
<td>7</td>
<td>8</td>
<td>8</td>
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<tr>
<td>Upper middle (median 120%-200%)</td>
<td>27</td>
<td>25</td>
<td>23</td>
<td>25</td>
<td>25</td>
<td>25</td>
<td>27</td>
<td>27</td>
<td></td>
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<tr>
<td>Middle (median 80–120%-a)</td>
<td>39</td>
<td>42</td>
<td>35</td>
<td>34</td>
<td>34</td>
<td>33</td>
<td>36</td>
<td>31</td>
<td>30</td>
</tr>
<tr>
<td>Lower middle (median 50-80%)</td>
<td>24</td>
<td>20</td>
<td>21</td>
<td>23</td>
<td>22</td>
<td>24</td>
<td>22</td>
<td>22</td>
<td>21</td>
</tr>
<tr>
<td>Poor (below median 50%)</td>
<td>4</td>
<td>6</td>
<td>12</td>
<td>9</td>
<td>11</td>
<td>10</td>
<td>10</td>
<td>12</td>
<td>14</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
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</tbody>
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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

1987

2009

Max primary vocational secondary tertiary

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

1987

2009

Empl, only the head Inactive/ unemployed Pensioner, no empl

Empl, other(s) also Pensioner + someone empl
Relative shifts of positions of various socio-demographic groups in the income distribution:

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

Distribution of persons in various income categories by number of children in the household 1987 and 2009

<table>
<thead>
<tr>
<th>1987</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-100</td>
<td>0-100</td>
</tr>
<tr>
<td>101-200</td>
<td>101-200</td>
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<tr>
<td>201-300</td>
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<tr>
<td>301-400</td>
<td>301-400</td>
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<tr>
<td>401-500</td>
<td>401-500</td>
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<tr>
<td>501-600</td>
<td>501-600</td>
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<td>601-700</td>
<td>601-700</td>
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<tr>
<td>701-800</td>
<td>701-800</td>
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<tr>
<td>801-900</td>
<td>801-900</td>
</tr>
<tr>
<td>901-1000</td>
<td>901-1000</td>
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</tbody>
</table>

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

<table>
<thead>
<tr>
<th>1992</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not roma</td>
<td>Roma</td>
</tr>
<tr>
<td>0-100</td>
<td>0-100</td>
</tr>
<tr>
<td>101-200</td>
<td>101-200</td>
</tr>
<tr>
<td>201-300</td>
<td>201-300</td>
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<td>301-400</td>
<td>301-400</td>
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<td>401-500</td>
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<td>801-900</td>
<td>801-900</td>
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<tr>
<td>901-1000</td>
<td>901-1000</td>
</tr>
</tbody>
</table>
A summary of poverty analysis (1):
socio-demographic profile

  • **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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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)


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?

<table>
<thead>
<tr>
<th></th>
<th>„Gets”</th>
<th>„Should get”</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low pensioners</td>
<td>27</td>
<td>60</td>
<td>-33</td>
</tr>
<tr>
<td>Disabled</td>
<td>41</td>
<td>67</td>
<td>-26</td>
</tr>
<tr>
<td>Large families</td>
<td>43</td>
<td>58</td>
<td>-15</td>
</tr>
<tr>
<td>Unemployed</td>
<td>47</td>
<td>53</td>
<td>-5</td>
</tr>
<tr>
<td>Roma</td>
<td>76</td>
<td>31</td>
<td>45</td>
</tr>
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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