

TÁRKI Household Monitor Report 2008

‘Distri-Burden’

The TÁRKI Research Institute is pleased to present the latest in its long-running series of surveys, which offer a rich source of data for research into the Hungarian people’s income and labour market position, and for investigations into household budgets, saving patterns and public attitudes to a wide range of subjects.

As a general rule, about 2,000 households are included in each survey, and interviews are conducted with every member of the household over the age of 16. As well as the personal interviews, one member with a thorough knowledge of the details of the household is asked to provide information on the household as a whole.

From 1992 to 1997, the surveys were conducted within the framework of the Hungarian Household Panel project; since 1997, the cross-section data have been supplied by the TÁRKI Household Monitor. Our last survey was conducted in 2005. As with the previous two waves, our investigation this time was made possible thanks to an agreement between the Prime Minister’s Office and TÁRKI. The data were collected in the autumn of 2007, and this volume presents studies analysing the vast range of those most up-to-date data.

Our last report was published under the title *In Black and White*. The title was chosen to reflect our view that, given the heightened emotions that were a feature of public discourse at the time, there was a definite need for analyses that adhered strictly to unembellished facts and balanced interpretations. The title would be just as appropriate now; for, once again, our report is presented to the public at a time when social issues and the state of the economy engender fierce debate, with conflicting interpretations of the available evidence. Even so, this time we have chosen a title that alludes to the social processes themselves: *Distri-burden*, reflecting the post-election tax costs of the pre-election public expenditure.

Our surveys of 2003 and 2005 took place at a time when – it is now widely believed – the newly implemented welfare programmes put the country’s economic strength to the test. The inequality structure of Hungary was altered by an increase in real wages and an expansion of the welfare system that followed, first, the so-called ‘welfare regime change policy’, and then the budget consolidation measures preceding the elections of 2006. The austerity package announced in the summer of 2006 was essentially a means of distributing the costs of these policies among different social groups. We would like to emphasize that we believe the two stages of the reform, in combination, had a significant restructuring effect; even more importantly, they each shifted the balance in essentially the same direction.

Some of the major findings of our investigation are given below:

- **Inequality in the net disposable income** of the households under observation in Hungary has decreased significantly since our last survey (conducted in the autumn of 2005), while the level of real wages also fell in the second half of the period. (see Table 1)
- The decrease is, to some extent, explained by the fact that, in the second half of the period under analysis, even the relatively modest (in terms of the region as a whole) economic growth that had characterized previous years subsided. The most significant driving force behind the change, however, was something else: the **series of economic and social policy measures** introduced one after another. Though they did not necessarily follow any logical sequence, nevertheless they did form a coherent system and, **with respect to the structure of income distribution, they pointed in the same direction.**
- Inequality in **income distribution** decreased because, again in the period under analysis, there was substantial income redistribution – between labour income and social benefit income on the one hand, and between those groups that earn their money in the labour market and those that primarily derive their income through social redistribution on the other.
- Up until the summer of 2006, the dominant trend involved a policy of government payouts that benefited the **lower middle classes**. This was followed by an austerity package, which transferred the cost of this policy to the **upper middle classes**. The narrowing of income inequality is, therefore, a combination of a deterioration in the standing of the upper middle classes and an improvement in the position of the lower middle classes. (See Chart 1)
- These trends in income distribution were **not accompanied by any growth in relative poverty**. In 2007, 13 per cent of the total population of Hungary lived in poverty. Thus the level of relative poverty has not changed since 2005. (see Table 2) At the same time, there has been a reduction of 1 percentage point in the poverty gap since 2005. This change accords with the findings on the development of income inequality, which goes to show that the overall decrease in income inequality is partly explained by processes that affect the lower strata of income distribution. In international terms, the Hungarian poverty rate places the country somewhere between the Scandinavian countries (which have the lowest levels of inequality in terms of income distribution) and the continental states of Europe (the Netherlands, Austria, France and Belgium), which display moderate levels of inequality.
- **The risk of poverty declines with age.** The age cohorts with the highest risk of poverty are children and young people. Compared to the overall poverty rate of 13 per cent, some 15 per cent of children aged 0–15 years, and 17 per cent of young people aged 16–24 years live in poverty.
- As with previous analyses drawing on the TÁRKI household survey data source, the results of the 2007 survey also demonstrate that the **educational attainment** and the **economic activity** of the household head are the most significant determinants of the poverty status of the members of any given household. Other factors that exert a strong effect include the ethnic origin of

the household head, the number of children, and whether or not an individual lives alone. Place of residence appears to have weaker effects. In terms of the probability of poverty, our estimations attribute little or no (depending on where the poverty threshold is set) explanatory power to the gender or age of the household head.

- Between 2005 and 2007, there was a noticeable, albeit not spectacular, **decrease** in the level of poverty, as measured in terms of the **number of deprivations**, and the incidence of multiple deprivation showed a rather more marked improvement. 'Including the 13 per cent of the population that (we said above) lives in income poverty, a third of the population (33 per cent) is multiply deprived and/or lives in income poverty, with 8 per cent of the population affected by **both** income poverty **and** multiple deprivation. Somewhat over a third of Hungarians (38 per cent) are classed as neither poor nor deprived. The threat of multiple deprivation is highest among people living in households with a poorly educated household head of Roma ethnicity and a relatively large number of children in disadvantaged rural areas. The adverse effects of demographic and educational differences are greatly exacerbated by regional disadvantages, and this indicates that regional segregation phenomena are coming to play an increasingly strong role.
- The finding that there has been no change in the relative poverty rate does not exclude the possibility that certain strata of society are witnessing a **general fall in their standard of living**. The reason for this is that the substantial rise in taxes and social insurance, set alongside the (at times) dramatic surge in the price of consumer goods and services in the second half of the period, resulted in a slump in real wages and real incomes that was significant enough to drag down the average for the entire period, notwithstanding the considerable growth experienced in 2005–06. (see Table 3)
- In the period up to September 2007, Hungarian households spent an average of 131,448 HUF a month; two years before the figure was 126,249 HUF. The change amounts to a nominal growth rate of 4–5 per cent, which, however, meant a **real-term decline of 7–8 per cent**, given an overall consumer price index of 113 per cent. The observed trend is in line with a report by the Hungarian Statistical Office, which, on the basis of data gathered at monthly intervals in the first half of 2007 as part of the Household Budget Survey, predicted a 1–2 per cent decline over the year in household consumption. This rate of decline was more rapid than anticipated on account of the steeper than expected price rises in the second half of 2007.
- The **share of households with some form of savings did not change** from 2005 to 2007. Half of the households used one or more of the forms of saving included in our observations both in 2007 and two years previously. As a result of the unfavourable macro-economic conditions, the share of households reporting that they were unlikely to be able to save at all in the coming year rose from 34 per cent in 2005 to 38 per cent in 2007.
- Some attempts have been made recently to 'whiten' the black and the grey sectors of the economy. While a household survey of this kind cannot provide any very elaborate details on the subject, our data do reveal that **the**

incidence of informal income (tips, gratuities, income from casual employment or informal work arrangements) has **continued to decline** at the household level, but the share of such income in the total household income remains unchanged. As might be expected, the rise in wages at the individual level among the low-wage population, along with a decline in informal work activities among both the lower and the upper sections of society, means that the share of informal income has become more balanced across the quintiles, and is only significant among the lower middle classes.

- The data indicate that **a very small proportion of the population participates in adult education**. The level of education activity increases in line with the educational attainment of the individual. Also, young people in general demonstrate more education activity and are more likely to possess up-to-date skills. Their advantage is especially marked with respect to computer and internet use, where significant progress was observed compared to the results of the previous Monitor. **As regards languages**, however, **Hungary continues to lag behind** the more highly developed countries of Europe. Although an increasing number of young people do speak foreign languages, the level of foreign language competence remains quite low. (see Table 4)
- The findings that only a small part of the active population possesses the skills needed to keep up with labour market changes and that the level of participation in adult education or retraining is rather low are warning signs that, as well as labour demand problems, **labour supply issues also create significant barriers** to economic activity. The models used in our analyses indicate that participation in adult education does increase both employment probabilities and the level of earnings.
- In the 2007 wave of the survey series, **a lower share of the population reported being satisfied** with almost all the areas of life under consideration, and the share of people satisfied with their family relationships, housing conditions and living environment was static. The greatest decline in satisfaction was observed for respondents' living standards, future prospects and life achievements; when set against the results of two years before, the outcome showed a drop of 8–9 per cent in the proportion of people who said they were satisfied. Respondents considered their individual prospects less poor than those of the country. It is noteworthy, however, that, although in every year of observation the share of people who perceive or expect a deterioration in their own position or in the standing of the country has been higher than the share of those who anticipate improvement or no change, respondents are now alarmingly likely to report negative experiences and expectations. The figure for those who perceive or expect decline is over 60 per cent in all areas, with the exception of personal short-term prospects.
- Although most people consider hard work to be the main source of financial well-being – 40 per cent chose it as the most important factor and a further 20 per cent saw it as the second most important factor – the results suggest that **work is not what we really believe in**. Network capital is thought to have only marginally less significance than work (22 per cent most important/33 per cent second most important), almost one respondent in

every two considered good family background to be very important (20 per cent/26 per cent) and over a third of the population surveyed said that luck was a very important component of success (18 per cent/22 per cent).

- In two-party democracies, the political space is simplified into left and right, where **the separation between traditional left and right is**, in large measure, based **on different approaches to the role of the state**. **Our investigations reveal severe orientation confusion** in this respect. (see Table 5-6) In present-day Hungary, it is a feature of those sympathetic to the left that they are less wedded to state spending, while those who are sympathetic to the right are clearly more in favour of greater state intervention. We cannot tell, however, whether this shift is explained primarily by the general attitudes of the Hungarian population to the state (which could have shaped party preferences) or whether the parties, as influential shapers of public opinion, steer their voters in the 'correct' direction. Whatever the case may be, when it comes to the future of the budgetary 'stop-go' cycle, neither version is particularly reassuring from the point of view of public spending and its distribution.

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Data collection for the TÁRKI Household Monitor survey took place between 12 September and 6 November 2007, and the reference period for income details ran from 1 October 2006 to 30 September 2007.

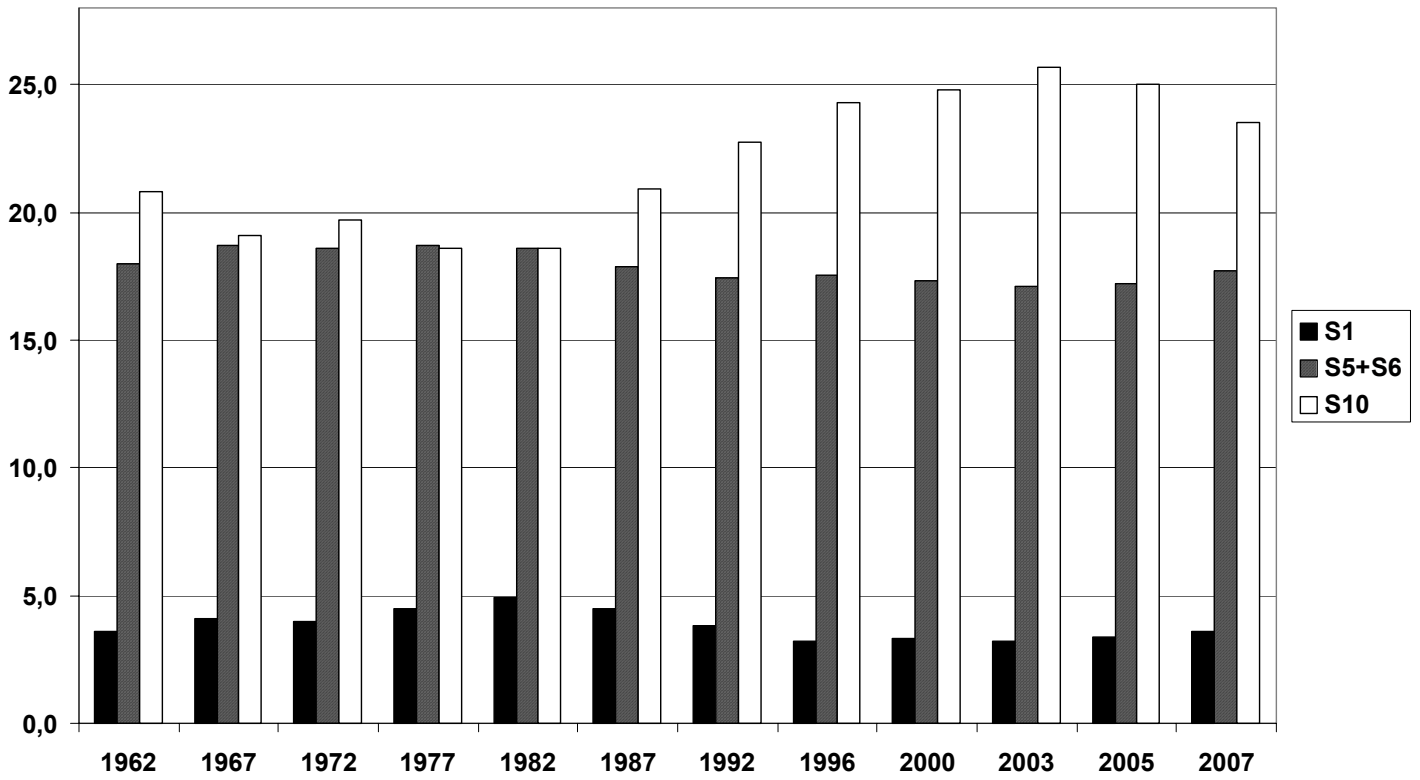
From 4,538 addresses, we succeeded in gathering data on 2,024 households. Following a process of data cleaning and weighting, our analyses were carried out on the details of 5,064 members of 2,006 households. Some 4,339 of these 5,064 individuals were aged 16 years or over, and for 3,653 of them detailed information is available. The relatively small sample of the TÁRKI Household Monitor is, nevertheless, suitable for drawing conclusions about the total population. As the size of the social group whose behaviour is analysed decreases, however, so the level of confidence in statistical estimations declines. Interpretation of the results is somewhat complicated by the fact that, in the case of a few special social groups, the numbers our investigators could access were significantly lower than is required for these groups to be accurately represented in the sample. It is widely recognized that the richest stratum and the stratum of people with the lowest incomes tend to be reluctant to participate in income surveys of this type. For this reason, the measures of inequality given in our study are to be interpreted as the lowest estimates. It is important to bear this in mind when evaluating the results.

TÁRKI Társadalomkutatási Intézet Zrt.
TÁRKI Social Research Institute Inc.
Address: 1112 Budapest, Budaörsi út 45.
Phone: +36-1-309 7676, Fax: +36-1-309 7666
E-mail: tarki@tarki.hu
Internet: www.tarki.hu

Table1 Per capita income and some inequality measures in Hungary, 1987–2007

	1987	1992	1996	2000	2003	2005	2007
	Mean income of deciles						
Bottom decile	2352	3653	5707	10668	17149	20803	24205
2.	3161	5612	8751	16278	26177	31108	35628
3.	3621	6556	10986	19830	32247	38335	44035
4.	4043	7293	12855	23210	38097	44948	51144
5.	4479	7994	14602	26425	43417	51408	57923
6.	4944	8711	16325	29712	48441	57260	64992
7.	5499	9715	18134	33318	54778	64300	71818
8.	6208	11112	20737	38276	63190	73726	81400
9.	7301	13440	25352	46741	76771	91070	97717
Top decile	11014	21776	42835	80752	138885	158497	163955
Mean	5262	9587	17627	32517	53900	63117	69258
	Inequality measures (individuals)						
P10/P50	0.61	0.60	0.48	0.51	0.49	0.51	0.50
P90/P50	1.73	1.83	1.91	1.93	1.92	1.92	1.78
P90/P10	2.81	3.07	3.95	3.78	3.90	3.78	3.53
S1	4.5	3.8	3.2	3.3	3.2	3.3	3.5
S5+S6	17.9	17.4	17.5	17.3	17.1	17.1	17.7
S10	20.9	22.7	24.3	24.8	25.7	25.1	23.6
S10/S1	4.6	6.0	7.5	7.6	8.1	7.6	6.8
Robin Hood index	17.0	18.5	20.7	21.2	21.8	21.4	19.9
Gini index	0.244	0.266	0.300	0.306	0.316	0.308	0.288
N	56459	5538	4972	5253	5909	5209	5054

Chart 1 Share of different per capitaincome deciles of persons, 1962-2007



**Table 2 Relative poverty rate by age, gender, household type and ethnicity,
1992–2007**

		1992	1996	2000	2003	2005	2007
0–15	Male	13.5	23.5	16.7	18.3	16.6	16.0
	Female	11.4	15.2	16.3	19.2	12.4	14.6
	Total	12.5	19.5	16.5	18.7	14.6	15.3
16–24	Male	13.0	18.8	16.4	13.9	15.2	17.4
	Female	11.7	16.4	17.7	17.8	18.8	15.8
	Total	12.4	17.7	17.1	15.6	16.9	16.7
25–49	Male	8.0	12.9	13.1	11.4	12.7	13.9
	Female	7.5	13.0	10.9	14.1	11.9	10.5
	Total	7.7	13.0	11.9	12.8	12.3	12.2
50–64	Male	7.2	9.7	14.1	11.7	11.2	11.6
	Female	12.4	9.0	11.9	10.8	10.0	11.8
	Total	10.1	9.4	12.9	11.1	10.5	11.7
65+	Male	14.8	3.9	4.1	5.1	3.7	5.4
	Female	26.2	16.4	9.8	11.7	9.3	9.8
	Total	21.6	11.9	7.7	9.2	7.0	8.2
Total	Male	10.7	14.7	13.3	12.4	12.3	13.3
	Female	12.9	13.7	12.5	14.3	11.8	12.0
	Total	11.9	14.2	12.9	13.4	12.0	12.6
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Single, <30		(17.4)	(6.3)	31.4	25.0	(5.4)	(11.5)
Single, 30–64		29.0	16.4	26.5	23.6	25.0	23.0
Single, 65+		53.4	26.2	12.1	16.9	13.4	13.5
Couple, at least one 65+		14.5	3.7	5.4	5.0	(1.8)	4.7
Couple, both <65		5.5	6.2	11.0	12.2	9.4	8.4
Other households without child		6.3	5.4	7.0	6.9	10.0	7.9
Lone parent		20.0	25.7	32.1	37.4	32.7	25.4
Couple with 1 child		5.8	21.2	8.5	11.4	5.4	12.0
Couple with 2 children		4.3	8.5	12.9	10.3	9.7	14.6
Couple with 3+ children		24.2	33.1	16.7	30.4	23.3	24.0
Other households with child		10.8	18.1	20.7	14.7	15.5	14.5
Total		11.9	14.2	12.9	13.5	12.0	12.6
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Roma household head		52.8	64.9	70.4	50.8	37.1	50.2
Non-Roma household head		9.8	11.8	10.2	11.5	10.9	10.6
Total		11.9	14.2	12.9	13.5	12.0	12.6

Table 3 Share of satisfied on particular fields(%)

	1992	1993	1994	1995	1996	1997	1998	2000	2001	2003	2005	2007
Life so far	38.7	36.0	38.9	34.9	37.0	34.9	34.0	45.9	46.1	41.6	44.7	37.0
Life perspective	20.3	20.4	26.8	19.6	22.2	22.6	24.5	31.5	32.6	30.7	33.2	24.2
Living standards	20.5	20.6	23.8	19.5	19.1	17.6	19.2	25.1	28.4	28.0	30.8	21.4
Family relations	85.3	84.3	84.1	–	–	–	81.7	84.5	87.9	85.3	83.1	84.6
Health	53.3	50.9	53.0	–	47.1	45.6	51.8	53.0	57.5	54.8	59.6	53.0
Work	69.5	67.9	66.7	54.5	60.2	58.2	65.7	67.6	69.4	63.7	64.0	59.2
House, dwelling	63.7	61.0	63.5	54.8	58.9	53.1	55.3	64.2	65.7	62.9	64.9	66.7
Housing environment	67.2	61.0	62.8	57.7	59.0	55.2	62.6	67.5	68.9	64.1	67.3	68.4
Income	16.0	14.5	16.8	11.8	11.4	10.5	12.7	14.3	16.8	15.8	20.3	13.6
Life altogether	–	–	–	–	–	–	–	–	–	–	54.9	46.8

Table 4 Foreign language competence by education attainment and age, 2007 (%)

	Do you speak any other language than mother tongue?						N
	Yes				No	Total	
	Basic level	Medium level	Good	Sub-total			
Education							
Still in school	46.2	32.8	6.2	74.3	25.7	100	338
Less than elementary	2.5	2.1	0.8	9.6	90.4	100	240
Elementary	3.0	2.2	0.6	7.9	92.1	100	803
Vocational	8.1	3.1	0.5	12.1	87.9	100	1088
Technical college	22.5	11.7	1.1	34.8	65.2	100	471
Grammar school	20.7	12.5	4.3	33.6	66.4	100	279
Post secondary	24.3	19.1	5.8	45.9	54.1	100	136
Highschool	29.6	35.8	12.8	71.9	28.1	100	179
University	31.5	56.1	25.0	87.7	12.3	100	107
Total	15.3	11.2	3.0	27.7	72.3	100	3641
Age							
16–20	44.0	27.1	3.0	67.4	32.6	100	331
21–25	37.9	19.3	6.1	55.4	44.6	100	260
26–35	19.7	14.3	4.9	34.4	65.6	100	613
36–45	12.7	10.2	3.1	25.4	74.6	100	586
46–55	8.3	7.0	2.9	17.8	82.2	100	630
56–65	6.0	6.5	1.0	14.3	85.7	100	582
66–75	4.2	4.4	0.8	11.9	88.1	100	361
76–	4.3	5.8	2.3	13.3	86.7	100	256
Total	15.3	11.1	2.9	27.6	72.4	100	3619

Table 5 Distribution on left-right scale, 2003, 2007 (%)

	2003	2007
1 - left	8.6	4.3
2	4.1	2.7
3	7.3	5.9
4	5.5	7.0
5	17.3	17.3
6	9.2	8.7
7	6.6	8.6
8	8.9	6.5
9	3.6	3.2
10 - right	7.1	6.1
refuse	5.5	13.7
do not know	16.2	16.0
Total	100.0	100.0

Table 6 Distribution on liberal-conservative scale, 2003, 2007 (%)

	2003	2007
1 – liberal	7.5	2.3
2	5.0	2.5
3	6.7	6.2
4	7.3	7.4
5	14.5	9.4
6	9.6	18.7
7	5.4	8.4
8	5.1	7.5
9	3.4	2.8
10 – conservative	5.9	4.7
refuse	5.2	12.7
do not know	24.5	17.3
Totah	100.0	100.0