

Unemployment benefit or public works?

With the governing parties introducing the bill on the new constitution and facts and elements of the Széll Kálmán plan unfolding, a strong debate has flared up in Hungary on the question of tasks and responsibilities of the state in the improvement of the living standards of the social groups in need. During the last few years there have been more and more people to say that the Hungarian social benefit system is too very generous compared to the present state of the economy. In this analysis Policy Agenda is having a closer look at the allegation that it is much worth living on benefits than having a regular job.

What is a benefit?

When politicians talk about an exaggerated benefit system they are inclined to consider each and every form of social protection as a kind of benefit. That is why it is important to clear up the different forms of social protection which are generally called benefits.

Means-tested benefits fall into two main groups. On the one hand there exist forms of cash benefit i. e. the needy get some money from the state or the local government, which they can freely spend. Most of the criticism is aimed at this group of support; critics say beneficiaries spend money on alcohol or gambling instead of paying for the children's education or livelihood.

The second group consists of the so-called benefits in kind. This is a bit more transparent form since the sum of support is directly spent on paying public utilities or the children's meals or housing

expenses. In other words those on the relief roll do not get any cash but their children's meals or their electricity bill is paid within the framework of their benefit . In the past few months there has been general consensus among political parties about the idea that benefits in kind should be promoted and in certain cases this form of social protection should be used instead of giving benefits in cash. What is more, advocates of benefits in kind have suggested that family allowance should also fall into this group, though the latter is universal and not means-tested, so it cannot be considered a benefit at all.

How many types of benefit exist?

There are many people to think and say that it is much worth relying on benefits than having a job. Policy Agenda has gone into details to decide whether the statement is true or it is simple political rhetoric's for justifying a social-political approach.

As we have mentioned above the expenditure of cash benefits is not specified. In the present system there are relatively few types of cash support. Two kinds of support can be completely ruled out as possible means for profiteering.

One of them is funeral benefit, which can be given under well-defined circumstances; the other one is old-age allowance given to pensioners with very low pension.

There are five other categories of benefits available for those who need social support: nursing fee, employment substituting benefit, regular social allowance, housing benefit and temporary benefit. Needless to say these types of benefits are not accessible simultaneously for anyone. Nursing fee for example is payable to persons who provide long-term care for family members who are disabled or under 18 years of age or permanently ill. These conditions make it impossible for beneficiaries to take a job illegally

Is the state really generous? There is a maximum of HUF 23000 per capita

even if they wanted to.

Without systematically analyzing the conditions and pretensions of eligibility for the benefits we have examined how much money one can get from the welfare system in typical situations.

A family with three minor children and two jobless parents is entitled to benefits by several different rights. If for example there is no kindergarten in the village and the mother cannot leave the child alone and unattended during the day, she may be entitled to regular social allowance: HUF 59000-60000 per month. Besides she can get housing benefit with a maximum of HUF 8240 per month. If the local government happens to be in a relatively good financial situation they may give the family some thousand forints of temporary benefit a few times a year, but this benefit - not being normative - can hardly be reckoned on. All these benefits plus the family allowance will not exceed a monthly HUF 23 000 per capita. Let's take another situation when both parents are staking a claim to benefits, then the mother is eligible for regular social allowance while the father is entitled to employment substituting fee. If the father does not get public work he will be given HUF 28500 per month. At the same time the sum of the regular social allowance that the mother may receive will be reduced since its cap depends on the overall income of the family. As a consequence the family will have the same (HUF 23000 per capita) amount of income with the family allowance and the housing benefit added.

These examples may show the most extreme situations as in most cases daily childcare is assured, so the family is not entitled to the regular social allowance. Since only one of the family members is eligible for employment substituting benefit, the family must live on a monthly HUF 15300 per capita.

One can only benefit from having a job

In case at least one member of the same family gets minimal wage then the family is not entitled to regular social allowance or employment substituting benefit. What remains available for them is housing benefit as a means-based support. With this benefit added, the monthly income per capita is above HUF 24000.

In other words, the family will gain anyway with one of its members working even if – as a consequence of having a regular job – they are not eligible for any benefit except a housing benefit. Of course, we can say that the blades of the scissors should be opened even wider and working should be made even more attractive and profitable than claiming for benefits. Still there are two main factors that must not be forgotten.

First, employment substituting benefit is only provided for the unemployed if they worked for at least 30 days in the previous year. In other words, the job-seeker has to actively contribute to gaining right for any benefit; so it is difficult to say that the claimant lives on society as a parasite, without working. What concerns regular social allowance, there exist even more criteria to fit: one must be either above the age of 55 or one must raise a child under the age of 14 who cannot go to nursery school or kindergarten; or one must be registered with disability, or the local government should turn down the beneficiary's claim to participate in public work. It is clear that these families are in seriously disadvantageous situation when entering the labour market and they have very little chances for getting a job.

Second, the quantity of the benefit must make everyone very cautious. As we have shown it above in a family living on benefits the maximum income is HUF 23000 per capita. Compare this sum with HUF 63000 per capita, the poverty line according to the 2009 data of the Hungarian Central Statistical Office (KSH). It is obvious that benefits cannot be cut back this way since this step would really

The social welfare system must be made transparent

endanger the livelihood of the needy who are already in a terrible situation.

As a conclusion we can say it is a false statement that one can live better on benefits than by working. It is also obvious on the other hand that there will always be debates on the problem of social welfare system in public life until there is no transparent system on who gets how much benefit; politics has always been inclined to mix up the beneficiaries and the abusers of the system. To end this practice all necessary data should be concentrated in one system in order to clearly see what kind of support beneficiaries actually make use of.

Local governments already have means to use in order to get rid of the abusers of the system: if they think anybody misuses the social sources they can transform regular social allowance, temporary benefit or housing benefit into benefits in kind. This way they can assure that the benefit is used for the purpose it is given.

Still, the credibility of the social welfare system may be called into question in cases when it comes to light that one of the members in a family gets nursing fee, another member receives regular social allowance and both of them work in the black economy. In these cases people deliberately practise a deception. Anyway, cases like this do not prove the generosity of the system for the needy. Fraud is very common on other fields of life as well, and it is one of the basic duties of the state to fight against them. In other words, those who are in need cannot be collectively blamed only because there happen to be some who abuse/misuse the available means granted by the system.

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