

Session Number: 8D  
Session Title: Poverty and  
the Well-Being of Children  
Paper Number: 4  
Session Organizer:  
Stephan Klasen

*Paper prepared for the 29<sup>th</sup> General Conference of  
The International Association for Research in Income and Wealth  
Joensuu, Finland, August 20-26, 2006*

**Recent characteristics of Child Poverty in Hungary and  
Changes in them in the Last Decade**

Ödön Éltető and Éva Havasi  
Hungarian Central Statistical Office

## ***INTRODUCTION***

Recently poverty issues, and especially those connected with child poverty, receive distinct attention in many European and non-European countries. The same relates to Hungary, too. However, without reliable data on the income distribution little can be said about the degree and peculiarities of the poverty, because the two notions are closely related. In this respect Hungary is in an advantageous position, since our data on poverty base on the results of two large-scale income surveys, carried out in 1996 and 2005, respectively. The income data referred to the years 1995 and 2004. In this respect it is worth noting that after the change in the economic and social-political system in 1990 the Hungarian economy experienced a certain economic crisis in the middle of the 1990s with a consequence of decreases in real incomes and increases in income inequality and poverty. At the end of the 1990s the income level improved considerably in parallel with further increases in the income inequality and poverty. Later, in the early years of the 21<sup>st</sup> century both income inequality and poverty lessened to some extent.

In the second section of our paper below we first describe in somewhat more detail our data bases. In the next section the poverty measures applied in our analysis are defined, while in the fourth section the general poverty situation in Hungary in 2004 is presented and how it has changed since 1995. Then in the next section child poverty issues like poverty rates among households with various number of dependent children, the rate of children among the poor, the number and rate of children living in poverty and a number of poverty risks are shown and analyzed. Next we investigate the characteristics of households with children living in poverty. Finally the role of social assistances given to households with children in mitigating poverty is discussed. The paper ends with some conclusions.

## ***2. THE DATABASES OF OUR RESEARCHES***

In April of both of the years 1996 and 2005 the Hungarian Statistical Office carried out microcensuses covering 2% of the population. To answer to the questions of the microcensuses was compulsory by law. In both years simultaneously with the microcensus income surveys were also carried out on a 25% subsample of the sample of the microcensus. The samples of the income surveys, in contrast with the microcensuses covering also institutional households, contained private households only. To cooperate in the income surveys was, naturally, optional. The not too high non-response rates – 17-18 % - were in part the result of carrying out the two surveys simultaneously by the same interviewers. But even more important is the fact that in both income surveys for the non-respondent households and persons a lot of relevant information influencing their income position (age, marital status, educational attainment, family status, economic activity, occupation, economic branch, etc.) were available from the microcensus. This made it possible to *impute* them incomes either by hot deck or cold deck imputation techniques. In cases where detailed and reliable data were available either from macro statistics or from large scale sample surveys (e.g. the yearly earning survey covering several hundred thousands employed earners) or from tax authorities, generally cold deck imputation techniques were applied using *microsimulation* methods. For other income sources hot deck imputation was applied by selecting randomly one of the responding households (or persons) having similar characteristics as the household (person) in question and imputing his (her, its) corresponding income item to the non-respondent. Thus for all selected households of the income surveys we had income data irrespective of whether

the household in question co-operated in the income survey or not. Correspondingly information on the income distribution and poverty indicators are based on data of the whole subsamples of the microcensuses, i.e. on 18120 and 18880 households, respectively.

The quality of income data of an income survey depends, however, not only on the non-response rate, but also on the quality of the reported income items. It is quite usual that certain income items are underreported or forgotten. In the latter case this is no wonder, because the surveys inquired about all incomes received in the reference year. Thus in order to base our income and poverty researches on as reliable and accurate data as possible, certain income correction procedures had also to be carried out in respect of income items, for which reliable macrostatistical or large scale sample survey data were available. There were, naturally, quite a lot of income items, which were not corrected at all, the data processing used the reported data.

In the course of the data processing all households an expanding factor was given in two phases:

- first the inverses of the selection probabilities were used as primary weights
- then the final weights were determined through a calibration procedure using the extrapolated data of the last census on the number of persons in the various age groups by sexes and regions as external sources.

### ***3. POVERTY MEASURES USED IN THE PAPER***

#### *Poverty threshold*

In the paper poverty rates and characteristics of the poor are investigated using three different poverty thresholds:

- social assistance standard (minimum pension)
- relative poverty
- subjective poverty

The yearly changing amount of *minimum pension* is used as a standard in the sense that households can apply for various types of social assistances from local or central government only if the per capita income in the household is below this standard. *Relative poverty* is the usual way of defining who can be considered as poor. In this paper we define it as 60% of the median equalized income using the original OECD1 equivalence scale. In most of the analyses this threshold is used in the paper. In the frame of both income surveys households were asked not only to report their incomes, but also to estimate how much money a household similar to their own in size and composition would need to reach different levels of living standards. The lowest of these indicates conditions when a household hardly can make both ends meet. The weighted means of these amounts was considered as the threshold of *subjective poverty*.

#### *Poverty rate*

It is the proportion of households or persons living below a given poverty threshold.

#### *Poverty risk*

It is defined as the ratio of the proportion of a population subgroup within the poor to the proportion of this subgroup in the total population.

Beside the above poverty measures the paper contains a number of indicators referring to households or persons belonging to the lower 5% and 10%, resp. of the equalized income distribution.

#### **4. POVERTY IN HUNGARY IN 2004 AND CHANGES IN IT SINCE 1995**

According to the data of the respective income survey in 2004 12.7% of the households and 13.9% of the population could be considered poor in Hungary, i.e. lived below the relative poverty threshold based on the OECD1 equivalence scale. The corresponding percentages were 10.4% and 13.0%, respectively, in 1995, i.e. a slight increase in poverty occurred from 1995 to 2004. The rate of poor persons is generally greater than that of poor households, because most poor households are of a larger size than the average household size. The respective figures were 2.85 and 2.61 in 2004 and 3.27 and 2.61 in 1995.

If the poverty threshold is defined by the social assistance standard, the corresponding poverty rates were 4.1% both for households and persons in 2004, while 9.9% and 12.5% in 1995. Poverty rates determined through the social assistance standard are far smaller than those based on relative poverty threshold, because minimum pensions were considerably below this latter poverty threshold in both years.

As households tend to overestimate the amount of money a household similar to their own would need to reach a very low level of living standard, the poverty rates based on subjective thresholds are as a rule higher than in the former two cases. The corresponding poverty rates were 23.0% for households and 24.5% for persons in 2004, while 27% and 31.4%, respectively, in 1995.

The values of the income gap ratio – 21.8% in 2004 and 27.5% in 1995 - indicate that the poverty, although remarkable, is not too deep in Hungary. It worth mentioning, furthermore, that the average equalized income in the lower decile of the income distribution is only by 9% smaller than the average equalized income of the poor and even in the lower 5% of the distribution it almost reaches its three-quarter. At least this was the situation in 2004.

There were remarkable territorial differences in the poverty rate in 2004. While 7.3% only of the households belonged to the poor in the Central Hungary region (including the capital), in the Northern Plain region the poverty rate exceeded 18%. The regions Southern Transdanubia, Northern Hungary and Southern Plain can be considered as poorer parts of the country with poverty rates of households 17.1%, 16.2% and 15.3%, respectively. In the regions Central and Western Transdanubia, on the other hand, only about one tenth of the households belonged to the poor in 2004. The size of the locality influences also considerably the poverty. While in the smallest villages (with inhabitants less than 1000) the poverty rate was nearly 22%, in 2004, and even in localities with inhabitants between 1000 and 4999 it exceeded 15%, in the largest cities (with inhabitants more than 50 thousand) only somewhat more than 9% of the households could be considered as poor in 2004, and even less, only 6.5% in the capital. The respective risk indicators show a similar picture. If a household lived in the capital in 2004, its chance to be poor was only half of the country average and three-quarter in the large cities, but 1.7 times larger than the country average if it lived in the smallest villages.

To sum up the results of comparing the poverty measures obtained from the two income surveys in question we can conclude that not too much changes can be discovered in these measures. However, it does not mean that there were no changes at all in this decade. From other sources, e.g. from data of the continuous HBSs it seems that after 1995 the poverty rate – in parallel with the income inequality – increased to some extent, then it decreased again.

## 5. CHILD POVERTY

Child poverty can be investigated by analyzing the living conditions of households upbringing children. In this study we consider a household with household with child (or children), if at least one dependent child under 20 lives in the household as pupil, student or other dependant. As shown by the data of Table 1. below, the poverty rate in households with child (or children) was considerably higher than the average both in 1995 and 2004.

**Table 1. Poverty rates using various poverty thresholds in households with child in 1995 and 2004**

Poverty rates	Poverty thresholds				
	5 %	10 %	Social assistance standard	Relative	Subjective
	quantiles				
1995					
For households, %	6.6	13.2	16.5	17.0	37.8
For persons, %	7.0	14.2	17.6	18.1	39.5
2004					
For households, %	6.0	12.8	4.8	18.3	30.9
For persons, %	6.2	13.8	5.4	19.6	32.7

As data indicate, there was a slight increase in the relative poverty of households with child (children) from 1995 to 2004. In 2004 the rate of relative poverty for persons living in households with child (children) was 1.5 percentage points higher than in 1995. However, using other poverty thresholds, we experience a decrease instead.

The more children are in a household, the larger is the probability that the household will be poor. The relative poverty rates in the respective two years for persons living in households with different number of children are shown in Table 2.

**Table 2. Number and rate of children living in poverty and relative poverty rates for persons in households with different number of children**

Number of children in the household	Number and rate of poor children				Relative poverty rate,%	
	1995		2004		1995	2004
	n	%	n	%		
1 child	96 062	13.5	81 408	12.8	12.7	13.2
2 children	184 594	16.0	146 262	14.9	15.9	18.6
3 children	109 470	28.1	103 554	23.3	28.3	29.0
4 or more children	107 259	59.3	90 311	43.3	59.5	51.1
Together	497 385	20.4	421 537	18.6	18.1	19.6

It is interesting to note that while in contrast with the general tendency the total number of children in households with 3 and 4 or more children did not decrease but increased from 1996 to 2004, this was not characteristic to the poor children. The rate of poor children in this two groups of households with children considerably decreased from 1995 to 2004. However, in spite of this decrease the rate of the poor was very high – more than 43 % - even in 2004.

Regional differences in the risk that a household with children becomes poor increased somewhat from 1995 to 2004, but the change was radical only in two of the regions. In county Pest the risk decreased from 1.1 to as low as 0.4, in the South Transdanube region, on the other hand, it increased from 0.8 to 1.5. There were radical decreases in the poverty risk and

poverty rate of households with children living in Budapest. The risk to become poor decreased in their case from 0.9 in 1995 to 0.5 in 2004, and while in 1995 15% of the poor living in households with child (children) could be found in the capital, in 2004 only 7.6% of them. Generally, the risk to become poor increases with a decrease in the population size of a settlement. For instance in small villages (with population less than 1000) the risk to belong to the poor was 1.6 in 2004 for persons living in households with children.

Although since the middle of the 1990s there was a considerable improvement in the general housing conditions in Hungary, many of the poor still live in bad dwellings without comfort. Every fourth of the members of poor families with children lives in a dwelling where the toilet is outside the dwelling, 23% of them in dwellings without comfort.

**Table 1. Distribution of persons living in all and poor households with children according to their housing conditions**

Characteristics of the dwelling	All	Poor	All	Poor
	households with children		households with children	
	1995		2004	
Without comfort	12.3	30.1	8.1	23.0
Block of flats	14.5	10.9	11.3	6.1
Houses without foundation	4.1	9.0	5.0	8.6
Toilet outside the dwelling	12.4	31.3	8.1	24.1
No running water in the dwelling	2.5	7.3	2.6	8.9
Other	54.2	11.4	64.9	59.3
Together	100.0	100.0	100.0	100.0

In addition to bad housing conditions poverty manifests itself also in such everyday situations when the household does not know how to make both ends meet. 60 % of the poor living below the lowest poverty threshold made mention of this type of problems in 2004, but 50 % of the relative poor had also such problems. Another serious trouble for poor is to pay the bills for electricity, gas, district heating, etc. As can be seen from Table 4. below households with children are in worse position in this respect, too.

**Table 2. Proportion of poor households and poor households with children mentioning financial worries and difficulties in paying bills, 2004**

Financial worries, difficulties in paying bills	Poverty thresholds			All households
	Social assistance standard	Relative	Subjective	
Poor households				
Everyday financial worries	59.5	50.1	44.4	23.9
Difficulties in paying bills	51.9	44.4	37.5	18.9
Poor households with children				
Everyday financial worries	67.7	56.4	50.1	29.6
Difficulties in paying bills	62.1	52.1	46.2	26.3

## 6. CHARACTERISTICS OF POOR HOUSEHOLDS WITH CHILDREN

Whether we investigate the age structure of all the members of households or the age of the head only we can conclude that young households had the highest risk to become poor both in 1995 and 2004. In both years the poverty risk of persons living in households with children where the age of the head was less than 30 years exceeded the double of the weight of the population living in such households. The poverty risk decreases with the increase of the age of the household head.

**Table 3. Poverty risk of persons living in households with children by the age of the household head**

Age of the head of the household	All		Poor	
	households with children		households with children	
	1995		2004	
Below 30 years	1.3	2.3	1.3	2.2
30-49 years	1.6	1.5	2.1	1.9
50-59 years	0.5	0.3	0.5	0.3
60 and more years	0.1	0.1	0.1	0.1

The number of active earners is an important factor influencing poverty. However, even more important and comparing to 1995 an increasing factor in inducing poverty is unemployment. If there is an unemployed person in the household, then the poverty risk of the members is exceedingly high.

**Table 4. Poverty risks according to the number of active earners and the presence of unemployment, 2004**

Number of active earners and the presence of unemployment	All poor households	All	Poor
		households with children	
No active earner	1.9	0.4	1.5
1 active earner	1.2	1.3	1.5
2 active earners	0.3	1.3	0.3
3 and more active earners	0.2	0.7	0.2
No unemployed	0.7	0.9	0.7
Unemployment is present	3.7	1.7	4.2

The role of educational attainment in inducing poverty went on increasing, especially when we consider the lowest and highest level of education. While in 1995 the difference in the poverty risks of the two extreme level of education was 2.8fold, in 2004 it exceeded 8fold.

**Table 5. Poverty risks according to educational attainment 1995, 2004**

Level of educational attainment of the head of household	All poor households		All		Poor	
			households with children			
	1995	2004	1995	2004	1995	2004
Elementary	1.3	1.7	0.7	0.7	1.1	1.7
Skilled worker, specialized secondary school	1.2	1.0	1.3	1.3	1.2	1.2
Secondary school	0.7	0.5	1.2	1.0	0.9	0.5
Third level	0.2	0.2	1.1	1.0	0.4	0.2

## **7. THE ROLE OF SOCIAL ASSISTANCES GIVEN TO HOUSEHOLDS WITH CHILDREN IN MITIGATING POVERTY**

The most important social assistance for households with children is the family allowance. Almost all (98.4% in 2004) of households with children receive this assistance. However, meanwhile the per capita income of the population increased in nominal value almost to fourfold from 1995 to 2004, the value of the family allowance for one receiving household was only somewhat more than doubled (increased to 2.2fold) in this period. Available data indicate that family allowance is not an exception in this respect. None of the comparable social assistances preserved its real value in the period considered. In connection of the family allowance must be noted, however, that a decrease in the number of children entitled to receive family allowance also contributed to the smaller increase of the nominal value of the family allowance.

**Table 6. Dynamics of the rate of utilizing households and the value in case of a few social assistances 2004 / 1995**

Social assistances	Rate of utilization	The sum for a utilizing household
Family allowance	0.9	2.2
Orphan's allowance	1.1	3.2
Support on housing	2.4	2.6

As far as the sum of the various social assistances for a utilizing household is concerned the orphan's allowance with its relatively high sum provides an essential contribution to the living of the households concerned. But the average monthly 12 000 HUF what the households with children receive means also a considerable help to them to bring up their children.

**Table 7. Rate of utilization of various social assistances and the amount of them among households with children, 2004**

Social assistances	Rate of utilization, %	Average monthly amount, Ft	
		for households with children	for utilizing households
Family allowance	98.4	11 909	12 106
Orphan's allowance	1.2	1 350	34 446
Regular allowances	7.3	2 687	11 033
Occasional allowances	1.8	236	3 914
Support on housing	2.3	238	3 044

If now we consider the same data for *poor households* with children, the rate of utilization is markedly higher in the case of regular and non-regular allowances as well as of support on housing. The monthly amounts are also remarkably larger in several cases, e.g. for the family allowance and regular allowances, but in other cases they are smaller.



**Table 8. Rate of utilization of various social assistances and the amount of them among poor households with children, 2004**

Social assistances	Rate of utilization, %	Average monthly amount, Ft	
		for poor households with children	for receiving poor households
Family allowance	98.0	14 856	15 160
Orphan's allowance	3.1	794	25 975
Regular allowances	77.4	8 792	11 359
Occasional allowances	21,2	936	4 414
Support on housing	29.5	782	2 655

With the increase of the number of children the role of the family allowance in the living conditions of the household also increases. However, its amount does not reach one fifth of the income of the household even in case of five children. It means that family allowance can not cover the costs providing the children, not even supposing a very modest provision.

## 8. CONCLUSIONS

The paper presents some important findings on the poverty and especially on child poverty in this years and in the middle of the 1990s in Hungary. The data originate from two income surveys covering 0.5 percent of the private households.

Beside using several poverty thresholds the analysis is based mainly on the notion of *relative poverty*, where the threshold is defined as 60% of the equalized median income.

There was a slight increase in the poverty rate from 1995 to 2004. The poverty for people living in *households with children* was considerably higher in both years in question. Having children in the household means one of the primary sources of poverty in contemporary Hungary. The risk to become poor is rather high also for households where *unemployed person(s)* can be found among the members. A *low educational attainment* can also considerably contribute to poverty. Those who live in *small villages* have larger probability to become poor than those living in towns or in the capital. Naturally the various factors are correlated and influence poverty simultaneously.

A majority of poor households with children not only live really in rather bad conditions, but they also feel and realize the difficulties in their living conditions.

Social assistance, first of all family allowance can significantly mitigate poverty, but its amount decreased in real value in the period investigated and covers only a modest part of the cost of children.

## REFERENCES

- Förster, M. and N. Mira d'Ercole: "Income distribution and poverty in OECD countries in the Second Half of 1990s" OECD Social, Employment and Migration Working Papers No. 22., Paris, 2005
- Tóth, István György: *Jövedelemeloszlás a gazdasági rendszerváltástól az úniós csatlakozásig*. Andorka Rudolf Társadalomtudományi Társaság-Századvég Kiadó, Budapest, 2005 (In Hungarian)
- Crossley, Tomas F. and Curtis, Lori J.: "Child Poverty in Canada", *The Review of Income and Wealth*, series 52, number 2 June 2006