

Debts, housing poverty, poverty trap and social services in the most disadvantaged areas of Hungary

Adósságterhek, lakhatási szegénység, szegénységi csapdahelyzetek és szociális szolgáltatások Magyarország leghátrányosabb helyzetű térségeiben

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Abstract

The main factors in understanding the nature of extreme poverty in Hungary are employability, education level, ethnicity, number of children and the place of residence. Another determinant of impoverishment is the disturbed equilibrium between incomes and prices, and the increased housing expenditures. The latest household survey in Hungary, carried out by TARKI in 2010 shows that 18% of the Hungarian households are in arrears, and the majority of them are in arrears with housing costs. A high ratio of these arrears exceeds 90 days. Public debt management services, though they have undergone important developments in recent years, are still unable to meet the needs of the population that they targeted. In many ghettoized regions, where the majority of multi-disadvantaged families and households live these social care services, provided by local municipalities are limited, due to a structural problem: minor towns and villages are not required to support debt advisory services and most of them have not set up any, for lack of both resources and personnel; and for lack of solidarity concerning the problem of indebtedness.

Keywords: *poverty – most disadvantaged regions – household debts – debt management services*

Összefoglalás

A magyarországi mélyszegénység természetének megértéséhez szükséges legfontosabb tényezőként a munkanélküliség, az iskolai végzettség, a gyermekek száma, valamint a lakóhely jelölhető meg. További, az elszegényedéshez vezető okként azonosítható a háztartási bevételek és a fogyasztói árak közötti egyensúly felborulása, valamint a lakhatási költségek nagymértékű megnövekedése. A TÁRKI 2010-ben végzett *Háztartás Monitor* kutatásának adatai azt mutatják, hogy a magyar háztartások 18%-ának van valamilyen – jellemzően 90 napot meghaladó – hátraléka, amely nagyrészt a lakhatási költségekhez kapcsolódó elmaradást jelenti; és bár az utóbbi években az adósságkezelési célú közszolgáltatások nagy fejlődésen mentek keresztül, még mindig nem tudnak megfelelő választ adni a célcsoportjaik szükségleteire. A gettósodó térségekben, ahol a hátrányos helyzetű családok és háztartások igen nagy számban találhatók meg, ezen szolgáltatások nem, vagy csupán korlátozott módon állnak rendelkezésre, mégpedig két, alapvetően strukturális jellegű problémának köszönhetően: a kistélepléseken nem kötelező az adósságkezelési szolgáltatás működtetése, melyet így a települési önkormányzatok – elsősorban a tárgyi és a humán infrastrukturális feltételek hiányosságai, valamint az adósság problémájával kapcsolatos szolidaritás és a megoldás iránti elköteleződés hiánya miatt – nem is működtetnek.

Kulcsszavak: *szegénység – leghátrányosabb helyzetű térségek – háztartási adósság és eladósodottság – adósságkezelési szolgáltatás*

Introduction

After the capitalist transition in 1989, the Hungarian labor market has undergone fundamental changes: 1.5 million jobs of a total of 4.8 million disappeared and only 0.4 million have been re-established. (Farkas, 2011) Unemployment – one of the main causes of impoverishment – has had a persistently high level from the end of the 1980s. According to the data of the Statistical Reflection of the Hungarian Central Statistical Office (KSH), in the first quarter of 2013 the average unemployment rate was stabilized on a relatively high level, 11.8 %, accompanied by a high inactivity rate of 32.6%. (Labor market trends, 2013)

Another important component of impoverishment is the level of incomes that also changed during the transition. The average real income per capita regained its pre-transition level only in the early 2000s, but nowadays it is on the decrease. Between 2007 and 2013 average household income continuously decreased, each year by 2% on average. (Létminimum, 2012) Not only the volume of incomes is determining; differences among incomes are more critical. Along with the increase in average income, social distances between the top and the bottom layers of the society have increased; by now, inequalities in income are close to those of the most unequal countries of the EU, and a large proportion of the Hungarian society lives in deep poverty. The income position of people living in the lower income decile has worsened: their annual income has decreased by 6-7% year by year. At the same time the income of people living in the tenth (highest) decile has increased by 10%. The total income of the one million people living in the highest decile is more than the aggregate income of the four million people living in the four lowest income categories. (Létminimum, 2012)

The third most important factor of impoverishment is the disturbed equilibrium between household incomes and prices. Before the capitalist transition there was a fragile equilibrium between low wages and subsidized prices of basic commodities, but after the reform the balance was upset. Wages were kept low while the price of basic commodities has increased. Many households have some housing debts; and with the gradual increase in housing costs, housing security has vanished. (Ferge, 2002)

There are enormous regional differences in poverty in Hungary. The poorest, most disadvantaged regions are located in Eastern Hungary, North-Eastern Hungary and in Southern Transdanubia. (Farkas, 2011) The situation of the people in these disadvantaged regions has worsened during the last decade. Families have been trapped in poverty for generations. The real problem is not only the growing number of poor persons, but the increasing deep poverty and the decreasing chance of breaking the cycle of poverty.

Debts, poverty and housing poverty

Poverty in Hungary is defined by using the subsistence level calculated by the Hungarian Central Statistical Office (KSH), which was 85,960 HUF per capita per month in 2012. The subsistence level is determined to households too: households of actives and pensioners (and we can create many other categories depending on the number of children). The subsistence level of a typical household that includes two active persons and two children is 249,284 HUF. (Létminimum, 2012) On the basis of the databases of KSH, approximately 4.6 million people live at or below the subsistence level in Hungary. The EU measure puts the poverty level at 60% of median national income (in 2011, 62,463 HUF per economic unit) and it is based on the underlying preconception that the average income is well

above the subsistence level in all countries. Using this measure, 13.8% of the population could be defined as poor in 2011. (Létminimum, 2012) The Hungarian subsistence minimum level includes housing expenditures, and was defined as "the income which enables one to satisfy the very modest necessities, conventionally considered to be essential to ensure continuous living." (Förster & Tóth, 1994) Minimum food expenditures, a minimal consumer basket, which cost 24,094 HUF per one active adult in 2012 is another constituent of the subsistence level (Létminimum, 2012). It is worth noting that in 2012 the net minimum wage was lower (60,950 HUF) than the subsistence level, so persons who live alone and earn a minimum wage live under the poverty line by 22 %. (Létminimum, 2012)

One of the most important factors of impoverishment is the disturbed equilibrium between incomes and prices, especially high housing expenditures. Most poor families spend a large proportion of their income on basic needs and housing costs. From the end of the eighties expenditures on housing have become a steadily growing part of the household budget. While in the 80s families spent an average of 10% of their income on housing costs, by the mid-nineties this percentage has doubled. Housing costs are now a major problem to many households: in 2012, the proportion of housing costs, as compared to the total expenditure, has increased from 23% to 27%; and this proportion was even higher in low income households. As a result, one third of the Hungarian households now have problems with paying the bills and housing costs. (Hegedűs & Horváth, 2013)

Another problem is the inequality of housing costs: poor persons live in houses with ineffective heating systems and low energy-efficiency. Due to the increase in poverty, the number of households with heating problems has risen. In 2009, 20% of the population was unable to heat their houses properly. In 2012 this proportion was 27%. The public is under the impression that only homeless persons die in cold winters, whereas 57% of the deaths caused by freezing have happened in poorly heated homes. (Hegedűs & Horváth, 2013)

Rise of utility charges well above the consumer price index, due to reduction of energy price subsidies which coincided with the spread of unemployment, resulted in the impoverishment of the lower middle classes. (Kőnig, 2006) The latest household survey in Hungary, carried out by TARKI in 2010, shows that 18% of the Hungarian households are in arrears, and the majority of them are in arrears with housing costs. A high percent of these arrears exceed 90 days. In the year of the survey 90,000 families were directly threatened by the possibility of eviction; and the number of those unable to settle their bills was getting higher. In November, 2012, 110,000 households had arrears exceeding 90 days, 172,000 households were in arrears with housing costs (rental, utility bills, common utilities) exceeding one year, and another 413,000 households were in arrears exceeding three months. 37,000 households were disconnected from the electricity system and 100,000 from the gas services. (Hegedűs & Horváth, 2013)

Possibilities to solve the problems

Legislation on systematic debt advisory services was passed in 2001 and has been in operation since 2003. Local authorities can operate debt management systems for families and persons who have been indebted for at least six months and the amount exceeds 50,000 HUF; the total income of an eligible household may not exceed 150% of the minimum pension (28,500 HUF) per capita; or are disconnected from utilities. (Vass,

2003) The provision of debt advisory services is compulsory only in the cities with a population of 40,000 or more; therefore, in minor towns and villages they do not exist. With the problems of debt management systems, the available housing-related subsidies are uncoordinated, not targeted or inadequate to compensate the increasing costs of utilities (Bernát & Kőszeghy, 2011). The first aim of debt management services is to slow down the pace of debt aggregation and to prevent the disconnection from utilities. The secondary goal is to eliminate or reduce household debt and prevent to fall into arrears again.

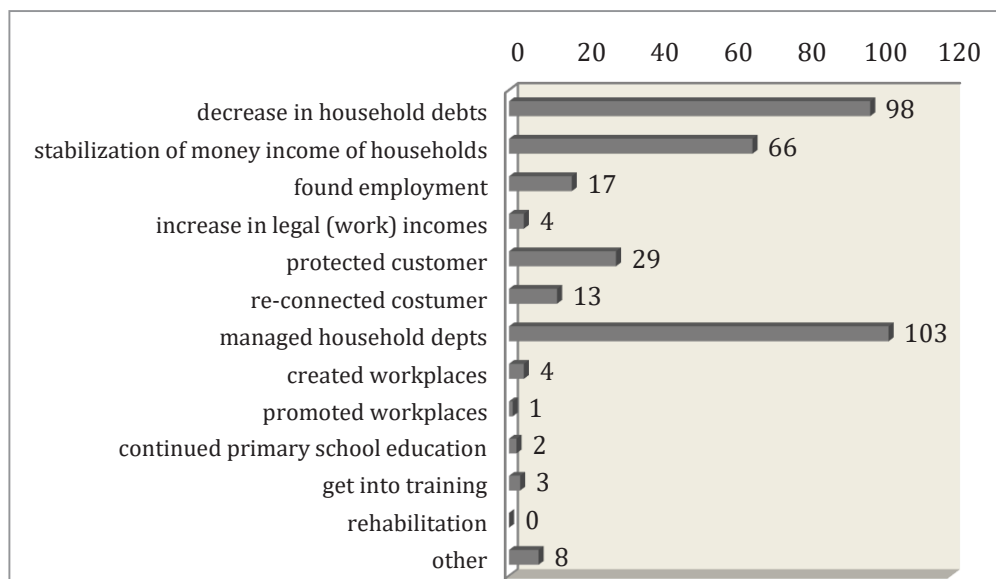
Though several hundred thousands of people are affected by debt and arrears with housing costs, debt management services have limited availability. They are obligatory only in towns with a population above 40,000, so they are available in 5% of the Hungarians villages and towns. In 2011, 20,000 households used these services, which is a very low proportion as compared to the number of households in debts. (Hegedűs & Horváth, 2013) Considering these system problems, NGO's and their innovative programs may be able to reduce the number of households in debt and help them with their housing problems.

A good model was realized by Ifjúságért Egyesület in their project TÁMOP-5.3.5-09/1-2010-0001, named *„Everything can be resolved”*. They implemented a prevention program for the families in Sellye micro-region, which is one of the most disadvantaged regions. From the 35 localities of the micro-region, only Sellye operates a debt advisory service. The program is based on the method of family-following (intensive family support and assistance) and contains information and counseling, support, motivation, development of life skills, debt management, coordination of social care activities and monitoring of a client's situation.

230 households benefitted from the services, which equals to the direct or indirect involvement of a total of 709 individuals. More than half of the beneficiaries were Roma (335 persons), and 44 persons with disabilities, which has an important influence on their access to the labor market, and can significantly improve the financial situation and reduce the indebtedness of the households.

The major results of the service are the following (the diagram contains the number of households):

Figure 1. Major results of the project



Source: Vojtek, 2013

Main results of the debt advisory service, using the method of intensive family support and assistance:

- Reductions in debts. Every household which participated in the program could reduce indebtedness and received support in paying the most problematic bills.
- Progress in their competences of balancing between incomes and costs; and understanding the related documents. It is important to highlight that in most cases a most important factor in household debts is the lack of skills to plan family finances and the lack of understanding the family budget and monthly cash-flow. This program has improved domestic payment behavior, problem solving skills and household management.
- Prevention from cutting customers off from supplies and assistance in qualifying as a 'protected consumer' who is entitled for the installation of prepayment meters.
- Expansion of social workers' skills, knowledge, professional means and practice.

Conclusions

Poverty, housing poverty and indebtedness are central and widespread problems in Hungary since of the economic crisis in 1978. The capitalist transition and the economic crisis have significantly worsened the situation. As a possible remedy, several forms of debt management exist in Hungary, providing passive and active, corrective and preventive help for the households, but the problem is that the various elements of the

system are not colligated, are uncoordinated, and are sometimes inadequate. There are huge inequalities and regional differences in the availability of services. To meliorate the situation, the most important step is to improve employability and establish workplaces. In addition, more public services and programs, more NGO's with innovative programs, and a legislative reform are necessary.

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