Review of Sociology Vol. 8 (2002) 2, 53–74

POVERTY AND EXCLUSION IN CONTEMPORARY HUNGARY

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Abstract: The paper analyses multi-dimensional poverty also called exclusion with the help of a large national sample. The paper shows the long-term trends covering three decades of increasing income inequalities, the decade-long decrease and slow upturn of personal incomes, and the changes in various poverty measures. The second part offers an approach to multiple deprivation or exclusion as the simultaneous presence of various aspects of objective and subjective poverty, and gives an account of the situation of the families that may be considered excluded. The third part analyses the dynamics of poverty as a lifetime and as a shorter-term experience, and also the future expectations of the poor. The conclusion is that there is a small and not very visible group split off the 'first society' that, without public help is condemned to lasting exclusion.

Keywords: poverty, income inequalities, deprivation, social exclusion

INTRODUCTION

The present paper focuses on one particular aspect of poverty that is multi-dimensional poverty and social exclusion. Multi-dimensional poverty and social exclusion are terms for one and the same phenomenon, differing only in the vantage points from which they are investigated. Multi-dimensional poverty describes a final outcome, a condition in which people have been deprived of the resources available to majority society, while exclusion stresses *the processes leading to poverty.*

This paper offers a statistical-sociological analysis of data taken from a nationwide representative population survey. What is new and significant about it is that it focuses on a slice of society encompassing over 400,000 households and one million people (roughly 10-12 per cent of the overall population). This social group is rarely mentioned in contemporary Hungary despite its threat to split and disintegrate society in the long run, which "could result in just another dead-end modernization if a century-and-a-half of repeatedly failed experiments is simply continued" (Szalai 1991).

Let me start off with a brief summary of changes in the general income status of Hungarians and in the poverty specifics of the past decade, which will demonstrate the outcome of the disaffiliation process.

THE INCOME STATUS OF HUNGARY'S POPULATION

Once the transition to a market economy was complete and government-run institutions were dismantled and privatized, the rate of economic and social transformation slowed down. The new economic and social patterns were gradually consolidated. Economic upturn, which followed deep recession, began parallel with this process. As macroeconomic flows improved, general living standards began to rise, though the latter were always a step behind.

Throughout the first half of the 1990s (macroeconomic data say until 1995-1996, though figures from population surveys that better reflect living standards and define income slightly differently say until 1997) the real value of general incomes dropped steadily. In part this was the result of a drop in the level of employment, and in part it was caused by the declining real earnings of the people who still had jobs. Real pensions sank along with real earnings. Not only did the total income go down, but so did the share within overall income that came specifically from work, only partly because of a rise in socially distributed incomes. The decline in the ratio of income from work was particularly apparent among lower-income households.

Table 1. Per capita net personal incomes nominal value and amount, 1989-2000 (HUF/capita/month)

	At nominal value	In constant prices (for 2000)	Dynamics 1989 = 100%
1989	6,365	51,307	100.0
1991	9,165	42,455	82.7
1993	1,997	36,884	71.9
1994	14,126	36,556	71.2
1995	16,329	32,961	64.2
1996	18,391	30,036	58.5
1997	21,221	29,295	57.1
1998	25,547	30,856	60.1
1999	30,126	33,078	64.5
2000	35,383	35,383	69.0

Source: Central Statistical Office Household Budget Surveys.

Taking the year in which the political system changed as the base point, the drop in real incomes becomes very apparent. The decline continued steadily until the economy hit the bottom in 1995–1996 (the transitional break in the trend in 1994 was artificially induced), and continued to affect individual living standards into 1997.

Macroeconomic improvements began in 1997, and private household income data showed the first, hardly discernible, signs of improvement in income level in 1998. That improvement continued in ensuing years.

Rises in incomes measured on macro-level lagged a bit before becoming manifest on micro-level, in other words before they triggered the direct and noticeable improvements in the living standards of private households.

When comparing macro and micro-levels, we need to know that there are differences in the concepts defining the two incomes. Household incomes are not identical to the 'household sector incomes' measured on macro-level. The macro-level household sector includes the households of entrepreneurs. However, the income produced by entrepreneurs is significantly higher than the portion of income taken into account on micro-level (as demonstrated by household surveys), as income concretely devoted to 'consumption' and 'not capital formation.' Another significant conceptual difference is that numerous items included in 'income' are not manifest as income for individuals or families. To cite just a few of these: non-cash social benefits such as healthcare, education, welfare, and social services are accessed by individuals as services and their value cannot be demonstrated on household level. There also is a non-cash portion of income from work, only part of which can be quantified by recipients. For instance, when lunches are subsidized, the individual is only aware of the value of the coupon received, but not of the amount of money paid out by the employer to keep the service in operation. Bank profits on household deposits also qualify as residential income, but for the individual the only income is interest, more specifically, the portion of interest that is withdrawn. The only portion of insurance incomes that appears as inflow on micro-level is payment for claims. These examples clearly illustrate the diversity and nature of the differences in concepts, and the resulting objective differences in size. Other differences are, of course, the result of the willingness of the public to respond to the surveys, and the reliability of the income data they provide. We will return to this subject later on.

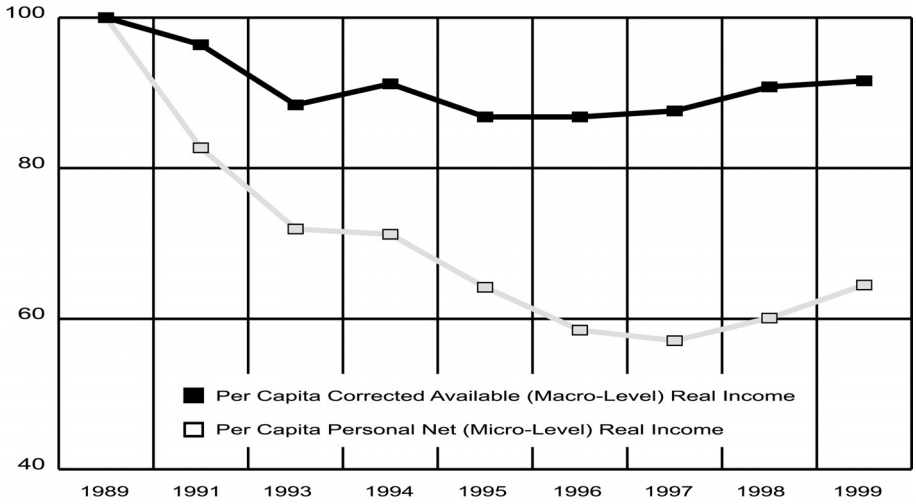

Figure 1. Trends in per capita corrected available (macro-level) real income and per capita personal net (micro-level) real income, 1989-1999, %(1989=100)

Source: Calculated from Central Statistical Office yearbooks.

Earnings play a defining role in household incomes.

Changes in the real values of earnings have been similar in trend to changes in personal net incomes. Earnings bottomed out in 1996, showed a slight improvement in 1997, and began to improve slowly again after a standstill in 1998. There have been significant increases in earnings since 2001, a trend expected to continue into 2002.

A comparison of earnings and the minimum widow's pension offers very useful information on poverty management, because this pension acts as a social benefit index. *Table 2* shows the two sets of data side by side.

In 1989 the minimum pension was 41% of earnings, but by 2000 it was less than 30%. With the exception of 1998, an election year, there has been a steadily declining trend in the minimum pension, which marks the threshold of eligibility for welfare aid.

Table 2. Net average earnings for full-time employees and the minimum widow's pension as a percentage of earnings, 1989–2000

	Net earnings/month (In 2000 prices)	Dynamics of net earnings (1989=100%)	Ratio of minimum pension to earnings, %
1989	65,816	100.0	40.9
1991	59,978	91.1	40.2
1994	60,617	92.1	31.9
1995	53,769	81.7	31.5
1996	50,768	77.1	30.9
1997	53,412	81.2	29.7
1998	53,464	81.2	30.9
1999	54,744	83.2	30.8
2000	55,785	84.8	29.8

Source: Calculated from Central Statistical Office data.

According to the Household Budget Survey (HBS) the nationwide average per capita net income in 2000 was nearly HUF 56,000/month. That was a 7% increase in real value over 1999. Finalized data for 2001 are not yet available but interim data suggest that household incomes rose at a similar or slightly higher rate. However, the ratio of the minimum pension to average earnings continued to drop (at this point it is only 28.3%).

The calculations show *that on a nationwide average, per capita real income reached the pre-1989 level in 2001–2002, calculated in both macroeconomic terms and through household data surveys.*

However, for certain social groups the lengthy drop in the value of real incomes resulted in irreversible losses. While traditional poverty was sustained, there also was mass impoverishment during the period when the political system changed and during the ensuing economic recession. Thus, new forms of poverty appeared alongside the 'traditional' ones. This paper is not focusing on the strata affected by 'impoverishment,' but on the 'all-time losers' we learn of in the household surveys and the 'new losers' who have joined them and now live under similar conditions of

minimum subsistence.[1] This group of people is significantly smaller than the actual number of people living below minimum subsistence level. It is comprised of about one-third of all people who are poor in the broader sense of the term.

INCOME INEQUALITIES AND POVERTY

The political and economic transformation sharply restructured the income status of the overall population, and of the individual households. The gap between the highest and lowest incomes increased at an accelerating pace while existing manifestations of inequality became stronger and new ones appeared alongside them. The restratification of the income pattern was quite different from one social stratum and one income level to the next.

Since neither earnings nor social benefits were able to retain their real value, the average income of the overall population declined radically.

While the real income itself declined, the gaps between incomes increased significantly. The share of the highest incomes within the total showed the greatest increase, but the impoverishment of the poor also grew.

Table 3. Population deciles based on per capita personal net incomes, showing their shares of the total personal income, 1972-1997, %

Year	1	2	3	4	5	6	7	8	9	10
	decile									
1972	4.0	5.9	7.0	8.0	8.9	9.8	10.8	11.9	13.8	19.9
1977	4.5	6.3	7.3	8.1	8.9	9.8	10.8	12.0	13.7	18.6
1982	4.9	6.4	7.3	8.1	8.8	9.6	10.7	11.9	13.7	18.6
1987	4.5	6.0	6.9	7.7	8.5	9.4	10.5	11.8	13.8	20.9
1995	3.3	5.0	6.2	7.2	8.2	9.1	10.2	11.7	14.1	25.0
1997*	2.9	4.7	5.9	7.0	7.9	8.9	10.0	11.6	14.4	26.7

* The data for 1997 are extrapolated figures from the 1995 income survey.

Source: Central Statistical Office Income Surveys

In 1987 the average income of the uppermost decile was 4.6 times that of the lowermost tenth, and by 1995 that figure had increased to 7.5 times. The ten per cent of the population with the lowest total income shared in only 3.3% of the overall income, while the top ten per cent shared 25%. These trends continued through 1997.

1 A paper by Júlia Szalai in this volume makes a sharp distinction between the concepts of 'impoverishment' and 'poverty.' While the former is essentially poverty of income triggered purely by distribution problems, which can be remedied by an improvement in living standards and subsistence conditions, the latter cannot be resolved by altering the automatics of distribution.

Table 4. Trends in major inequality indices as a function of time, 1972–1997

Index	1972	1977	1982	1987	1995	1997
Ratio of highest decile to lowest	5.0	4.1	3.8	4.6	7.5	9.2
Éltető–Frigyes index, %	196	184	182	199	236	
Robin Hood index, %	16.4	15.1	14.9	17.1	21.0	22.7
Gini index	0.2322	0.2112	0.2060	0.2358	0.2964	0.3206

Source: Central Statistical Office Income Surveys.

The Central Statistical Office Household Budget Surveys show lower inequalities of income than the income surveys. The Household Budget Surveys focus principally on consumption-expenditure data, and use incomes as the source of expenditure, more or less as background information. Otherwise, people in the highest and the lowest income deciles show the least willingness to participate in these data collections. This is particularly true if the survey attempts to explore delicate issues, since that calls for an almost itemized accounting of both expenditure and income sources. People who have neither the funds to spend, nor items to spend it on, who maintain their households in a haphazard way, and whose income and expenditure are irregular, are not only underrepresented in the sample, but the validity of what data on them is available is also doubtful. High-income groups, if at all willing to participate in the survey, tend to forget or simply not mention a portion of their income and expenditure, or to list a portion of their expenditure as non-personal costs. Meanwhile, their incomes appear in a wide variety of indirect forms (such as cost reimbursement, company shares, premiums paid for them to private insurance companies, use of a car, etc.). Even though these statistics underestimate the size of income and of the inequality gap, they are suitable for monitoring *trends,* since the problems with representation and validity are not singular occurrences but have been typical of all of the past decade.

According to the Household Budget Survey, in 2000 the average per capita net monthly income was HUF 35,383, while income per unit of consumption[2] was HUF 45,440, and income per household was HUF 93,889. The difference between the highest and lowest income deciles in per capita average incomes was 5.6, well below the at least eightfold difference estimated with income survey data.

The same set of data gives us a long time-line on the ratio of the income-poor. The very nature of the survey and the specifics of people declining to answer is such that the very poorest are not included and the most affluent are underrepresented. Therefore, I have to repeat that the data in the following table are suitable only for measuring trends and not for gauging the size of poverty. According to this data, in 2000 – using the given equivalence scale – nearly one in every 8-9 people lived below 60% of the median income.

2 We have used the OECD1 equivalence scale, where the first adult is 1 unit, each additional adult is 0.7 unit, and each child under the age of 14 is 0.5 unit.

Table 5. Ratio of poor and size of normalized poverty gap, 1993-2000, %

	1993	1994	1995	1996	1998	1999	2000
Based on 60% of median income (using the OECD1 equivalence scale)							
Poverty rate	5.5	7.2	8.0	9.2	10.3	10.9	9.3
Poverty gap	22.1	18.2	23.1	19.9	19.5	22.6	21.7
Based on 60% of median income (calculated in per capita income)							
Poverty rate	9.6	12.5	13.5	15.4	16.8	15.8	11.8
Poverty gap	20.2	18.9	22.4	21.9	19.3	24.1	23.1

Source: Central Statistical Office Household Budget Surveys.[3]

When using this source, it is customary to use the lowest income decile to describe poverty and poor people. At the same time, we need to know that this income threshold is extremely low. In fact, in every single year under investigation it has been well below the amount of the minimum pension on which the poverty threshold is calculated.

There is a serious war with numbers underway regarding both the number of poor people and the depth of poverty. If we look at trends showing the ratio of people within the total population who qualify as relatively income-poor, we will see *that there were more poor people in 2000 than in 1993 and in the initial years following the political changes* (although I have not included those data in the *Table*).

2000 was the first year when the number of poor people went down compared to the year before, on all equivalence scales. Our data show that 1998 and 1999 were the years when there were the most of poor people, and when poverty was most intense.

Table 5 gives us information only on the breadth and depth of relative income poverty. Nevertheless, the data are important because of the important role they play when making international comparisons. However, the size of absolute income-poverty is almost three times higher than the figure in the *Table.* During an economic recession the relative income-poverty index plays only a limited role, because when the overall living standards drops, the average income, particularly the median income, drops significantly from one year to the next, and thus it underestimates the number of poor people. When there are exceptionally high incomes concentrated in the hands of a few and the income of a broad population sector is quite low and shows little spread, the difference between the average and the median becomes significant. In a case like this, the median will be much lower than the average. An income survey conducted by the Central Statistical Office in 1995, where income distribution was more reliable, showed the median at only 86% of the average.

3 Special thanks to my colleague, Mrs. Lajos Jarabek, for doing the calculations from the older databases.

CALCULATING POVERTY AS THE VARIETY OF POVERTY THRESHOLDS CHANGE — FLUCTUATIONS IN THE DEPTH OF POVERTY

"Today there are a broad variety of poverty definitions, and each is at odds with the others. There are disagreements on whether poverty should be treated as absolute or relative, or as dynamic or static. When investigating causes, should we concentrate on the lack of ability or of means as contributing factors, and should we be talking about poverty, deprivation, or exclusion." (Ferge 2001: 17)

Attempts to clarify the concept of poverty go back for centuries, and confirm our belief that *there is no universally valid, all-inclusive definition.* Many people identify poverty as income-based poverty. Others expand the concept, but when measuring poverty they go back to a money-based definition.

Hungary has long-standing traditions of approximating the problem from the 'needs' side, too. Absolute-type poverty calculations go back to the early 20th century. From 1924 to 1944, the Statistical Office published monthly "minimum subsistence figures" and domestic trade unions did their own parallel calculations.

After World War II, the first time the Central Statistical Office calculated minimum subsistence figures was in 1968. The political leadership of the time did not allow them to be published, but even the study and admittance of poverty was a huge step forward. The next time the Statistical Office calculated similar figures was in 1984. The results were declared confidential, and were duplicated (in only 50 copies), strictly for internal use.

Data on minimum subsistence levels has been published and accessible since about 1991. Although in recent years, the Statistical Office has been completing and publishing annual calculations of minimum subsistence levels, their reports are not the basis for officially accepted poverty thresholds. The threshold values they report are significantly higher than the ones accepted as the basis for welfare assistance and as the threshold of income-based relative poverty.

Most poverty calculations use relative poverty-inequality indices along with or instead of the minimum subsistence level. This is the most widespread basis for poverty calculations in Hungary. Generally, the lowest 10% or 20% of the population (lowest income decile or quintile), calculated on the basis of per capita (per consumption unit) annual net income, are qualified as poor. Others employ a definition that better approximates the methods used in Western European countries, with people whose incomes are less than 50-60% of the median qualifying as poor. Data using this method have been given in the previous section, too.

The simplest way of calculating poverty is to ask the people to qualify their own income statuses. Under this definition, an individual or household qualifies as poor if it claims to be poor. If poor people were calculated solely on the basis of self-reports, then 6.5% of all households or 240,000 households or about 600,000 people in today's Hungary would qualify as poor, because that is the number reporting themselves to be 'very poor.' Another 30% of households consider their average financial status to be 'more poor than the average,' which gives us the empirical support for the social concept that one-third of the population is poor.

Another subjective poverty index has proved very useful. Households are asked to estimate the income a household like theirs would need to subsist on various other levels. This lets us compare the actual incomes of the households studied and the opinions of the household members on how much they would need to subsist. In 2000, the per capita income estimated 'to live extremely modestly' was HUF 22,000/month, about 8% below the calculated value of the minimum subsistence level. Approximately 635,000 households, that is more than 2 million people lived below that income level in that year.

There is no declared 'official poverty threshold' in Hungary. The entitlement level used for welfare programs is the government-guaranteed minimum pension, or some ratio of that pension. The minimum pension is 65% of the minimum subsistence level calculated by the Statistical Office. It is the lowest of all the poverty thresholds discussed so far. In 2000, 4.8% of households (7% of the population) had incomes below that level.

The following is a summary of subsistence incomes as set by various poverty thresholds, and of how the thresholds compare to one another. The order of these thresholds is not necessarily constant, but it has held fast in Hungary for many years now. We hope that as the economic situation improves the assistance threshold will rise and surpass some of the other poverty thresholds that are now higher.

Table 6. Income limits for various poverty thresholds, and the number of people living below them in 2000, HUF/capita/month

Poverty Threshold	Size of income	Number of people living below threshold, in 1,000
Minimum pension (income threshold for receiving aid)	16,600	697
60% of median income (calculated in per capita income)	19,102	1,177
Subjective poverty threshold, 1. (Average income of self-reported poor)	22,412	1,982
Subjective poverty threshold, 2. (Amount believed necessary for very modest subsistence)	23,397	2,293
Calculated minimum subsistence level	25,581	2,966

Source: Central Statistical Office Household Budget Survey, 2000.

THE CONCEPT AND MEASUREMENT OF SOCIAL EXCLUSION

The concept of social exclusion aroused increasing attention in France, followed by Britain, beginning in the late 1970s. Initially, it was used to define a new type of permanent poverty. Later, the concept was broadened. Interest on the part of the European Union also increased the popularity of the new approach. The concept was introduced to general practice in 1985, when Jacques Delors was President of the European Commission. A number of research projects to investigate social exclusion

got underway at that time with European Union support, with a focus on eliminating poverty.

In March 1995, Hungary attended the world summit for social development in Copenhagen organized by the United Nations, aimed at defining viable social development trends. It signed the Copenhagen Declaration on Social Development, committing itself to eliminating poverty and social exclusion. The European Social Charter of 1996 also made a commitment to the importance of combating social exclusion (Article 30). The Treaty of Amsterdam, concluded in 1997, was the biggest advance in underlining the importance of the topic. Article 137 states categorically that the EU nations need a comprehensive strategy to eliminate social exclusion. It says that actions to combat social exclusion must be diverse and encompass housing conditions, healthcare, education and training, transportation, communications, the social support system, and welfare-type assistance.

"In recent years, the dictionary employed by the European Union has again changed. While eliminating exclusion continues to be a goal, they have introduced positive terminology as well, calling on society to be inclusive." (Ferge 2002: 17)

A recent study by Atkinson et al. (2001) is a milestone in clarifying the pair of concepts and grasping their empirical meaning. As far as domestic literature is concerned, Júlia Szalai has made a pioneering effort to interpret the concepts of the act of exclusion, the state of exclusion, the act of inclusion, and the state of inclusion, and to clarify the presumptions of value behind these concepts (Szalai 2002).

Social exclusion is a process of isolation in which the individuals and social groups that are prey to the phenomenon have no choice. When approaching the issue of poverty, we noted in our introduction that in exclusion, the emphasis is not on the 'final result,' but on the process itself, on the 'mechanisms' resulting in and reproducing multi-dimensional poverty. Whether they do so directly or indirectly, poverty studies tend to concentrate principally on income, though, when looking at exclusion, a combination of numerous factors needs to be considered simultaneously.

Eurostat will soon attempt to conduct a multi-dimensional comparative study of poverty for the EU countries based on exclusion with its SILC (Survey of Income and Living Conditions). Hopefully, Hungary will participate in the data collection. Using my own modest means, and remaining within the constraints of the Central Statistical Office database, I have attempted to design a multi-dimensional method of calculating poverty.

To get an empirical grip on multi-dimensional poverty, I investigated 'deprivation' in five specific areas:

I. Poverty of income
II. Poverty of consumption
III. Subjective poverty
IV. Poverty of housing conditions
V. Poverty of home furnishings

I considered individuals and households to be multi-dimensionally poor and excluded, if they qualified as poor in at least three of the five dimensions investigated. I am using the terms 'multi-dimensional poverty' and 'exclusion' interchangeably, and consider them identical.

THE DIMENSIONS OF POVERTY

I have set the threshold for *poverty of income* at the top of the households in the lowermost quintile for per capita net income. I set *poverty of consumption* on the basis of the ratio of expenditure for food within total expenditure, and have qualified those households whose food expenditure amounts to 45% or more of their total expenditure as poor. The criteria for *poverty of housing* were the social environment surrounding the place of residence, the condition of the building, and the level of utility supply. (Calculations differed slightly from those done a year earlier, since the available background variables were different.) As far as *poverty of home furnishings* was concerned, we investigated the presence of durable consumer goods. We considered a household poor if it had a maximum of two such items found extensively in Hungarian homes – color television, automatic washing machine, vacuum cleaner, and refrigerator – if the family did not own any other valuable durable consumer goods or a summer home. *Subjective poverty* included people who considered themselves poor. This means that a household could qualify as poor along a maximum of five dimensions. A household was given a poverty value of 0 to 5 when investigating multi-dimensional poverty. A value of 0 means that the household is not poor in any of the five dimensions; while a value of 5 means that the household or person was poor in all dimensions investigated.

Calculations based on data of 2000 found an absence of poverty in all five dimensions in 43% of households. At the same time, to turn this statement around, in 2000, nearly 57% of households were poor in at least one dimension. Approximately 416,000 households and nearly 1.1 million people were found to be multi-dimensionally poor, and if we add the number of poor people in institutional households and the homeless, the *number is about 1.2 to 1.3 million, or at least 12-13% of the Hungarian population.*

We investigated multi-dimensional poverty in 1999, too, similarly to 2000. *In both years we found that combinations of poverty-specifics existed in about 28% of households. Where we found poverty of income, poverty of housing, and poverty of home furnishings, we often found that one or two other poverty specifics were also present.* The only poverty specific appearing alone in many cases was poverty of income, which often (one in every ten Hungarian households) occurred without any other poverty specific being present.

Table 7. Multi-dimensional poverty in households, 1999–2000, %

Types of household poverty and how they connect	1999	2000
	Ratio, %	
No poverty specific was present	41.5	42.9
Only one poverty specific was present	30.9	30.4
– Only poverty of income	4.1	4.5
– Only poverty of consumption	10.1	10.7
– Only subjective poverty	6.5	6.4
– Only poverty of housing	5.4	5.0
– Only poverty of home furnishings	4.9	4.6
Two types of poverty were present	15.1	14.3
Three types of poverty were present	7.3	6.7
Four types of poverty were present	3.9	2.9
Five types of poverty were present	1.2	1.5
Total	100.0	100.0
Number of households (per 1,000)	3 766,1	3 750,9

Table 8. The various types of poverty and multi-dimensional poverty in hungarian households, and within that, among the excluded poor, 1999–2000, %

Type of poverty	Ratio of excluded poor households affected, %		Nationwide average	
	1999	2000	1999	2000
Income	51.0	50.2	14.4	14.4
Consumption	81.7	77.5	29.1	27.7
Subjective	70.1	70.0	22.3	20.6
Housing	76.6	70.1	20.4	19.3
Home furnishings	72.0	71.3	18.7	17.3
Number of households	471, 240	415,872	3,766,109	3,750,919

Source: Central Statistical Office Household Budget Surveys, 1999-2000.

The power of the five dimensions selected differed, for the weights of the various types of poverty in contributing to multi-dimensional poverty were different. When compared to the nationwide average, deprivation was particularly acute in housing conditions and home furnishings. The probability of poverty in these two areas was about four times the nationwide average. One thing that this illustrates is that these households were subsisting in long-term poverty. It is clear that past or present, they never had the opportunity to provide themselves with satisfactory housing conditions, to update their homes, or to buy the fundamental conveniences that improve general living conditions, that are owned by the majority of today's population.

MAIN FEATURES OF HOUSEHOLDS SUBSISTING IN MULTI-DIMENSIONAL POVERTY AND SOCIAL EXCLUSION

Demographic and Economic Specifics

Nearly half of the households living in multi-dimensional poverty are in villages. Many of them consist of elderly people who live alone. When compared to the nationwide average, the multi-dimensionally poor include a larger ratio of families consisting *exclusively of elderly people and of large families with minor children.*

We are three times more likely to find families with at least three dependent children among people living in multi-dimensional poverty than among the nationwide average. *One-fifth (19.4%) of pre-school-age children and 17% of all children under 14 live in multi-dimensional poverty.* Meanwhile, they make up only 0.7% of college and university students.

The multi-dimensionally poor also show major differences compared to the nationwide average in items like the economic activeness and educational level of the head of household. *Only 1 per cent of the heads of households with higher education live in multi-dimensional poverty, while most have only a grade school education. In many of these households the head of household is unemployed, or if working, it is generally at a job that requires no skilled qualifications.* Most have completely lost touch with the labor market, or hold very unfavorable positions. Among households living in multi-dimensional poverty, there were 50% more female heads of household than the nationwide average.

Table 9. Household demographics for non-poor, multi-dimensionally poor and nationwide households, %

Household Demographics	Non-poor	1-2 Poverty specifics	Multi-dimensionally poor (at least 3 poverty specifics)	Nationwide average
Household members				
Single person	17.4	26.5	33.3	23.4
Six or more persons	1.5	2.8	7.2	2.7
Age				
Only young people in household	8.9	5.5	6.8	7.1
Only old people in household	17.2	30.5	33.9	25.2
Age group of head of household				
25 or younger	2.2	1.7	3.1	2.1
75 or older	5.0	11.1	16.6	9.1
Educational level of head of household				
Fewer than 8 grades	3.7	12.7	31.7	10.9
8 grades of primary school	14.7	41.0	41.7	23.9
College, university	22.9	7.6	1.1	13.4
Gender of head of household				
Male	80.1	70.8	64.1	74.1
Female	19.9	29.2	35.9	25.9
Location of residence				
Budapest	22.7	21.7	8.7	20.7
Village	27.0	35.5	53.0	33.8
Number of dependent children under age 20				
None	62.9	65.3	62.5	64
At least three	2.6	5.1	11.5	4.7
Number of households	*1,610,500*	*1,723,773*	*415,872*	*3,750,919*

Source: Central Statistical Office Household Budget Survey, 2000.

People subsisting in multi-dimensional poverty live in smaller, and poorer-quality homes than the nationwide average. Today, when our 'average person' cannot imagine life without running water and fundamental conveniences, nearly half of the people subsisting in multi-dimensional poverty draw water from wells. Most have no bathrooms or toilets inside their homes, either. These are very illustrative examples of how they are deprived of resources considered natural by the majority society.

Table 10. Important housing condition specifics, %

Housing condition specifics	Excluded poor	Nationwide average
Bathroom and toilet inside the home	36.9	88.7
Running water in the home	63.2	94.4
Home is connected to sewage system	19.3	56.2
Home is connected to gas mains	32.5	69.8
Heating method is traditional	86.2	52.2
Telephone is in home	35.0	79.9

Source: Central Statistical Office Household Budget Survey, 2000.

Although people living in multi-dimensional poverty subsist in homes that are in poor condition and lack fundamental conveniences, they pay a higher ratio of income than the nationwide average to maintain their homes (20.4%) although in cash terms, the amount comes to only 61% of the nationwide average.

We have devoted more space than usual to learning about housing specifics in the 2000 household survey. We studied nine supplementary features, which essentially define home quality and found that only 31% of the excluded poor have homes considered satisfactory by health standards. At the same time, nearly one in two lives in a home that qualifies as unsatisfactory in at least three significant areas. The corresponding ratio for non-poor households is 8%, and it is 13.5% on a nationwide average.

Table 11. Occurrence of problems with the home, %

	Non-poor	1-2 Poverty specifics	Excluded poor	Nationwide average
Home too small	10.9	11.3	22.6	14.1
Heat is unsatisfactory	5.9	10.7	32.2	12.4
Home is dark	4.9	8.4	24.6	9.5
Walls are damp, moldy	6.1	12.0	37.1	13.9
Unsafe neighborhood	13.5	16.2	22.1	18.7

Source: Central Statistical Office Household Budget Survey, 2000.

Table 12. Housing quality for non-poor, excluded poor, and nationwide, %

Housing quality (based on 9 indices)*	Non-poor	Excluded poor	Nationwide average
Home has no negative physical specific	61.1	30.9	55.2
Home has 1-2 negative physical specifics	31.1	31.5	31.3
Home has 3-4 negative physical specifics	6.9	23.8	10.1
Home has 5 or more negative physical specifics	0.9	13.9	3.4
Total	100.0	100.0	100.0

Source: Central Statistical Office Household Budget Survey, 2000.

* *The nine characteristics considered unfavorable in a home were the following:* too small, or not big enough for family (1.); noisy neighbors or surroundings (2.); unsatisfactory heating (3.); roof leaks (4.); home is dark or not light enough (5.); walls are damp, insulation is poor, home is moldy (6.); windows, doors do not close properly, home is cold (7.); pollution from industry or traffic (8.); unsafe neighborhood (9.).

Income and Expenditure

The incomes and expenditures of households subsisting in multi-dimensional poverty are lower than the nationwide average. Not only are the two categories lower, but they also are different in structure.

Table 13. Household income and expenditure data

Household income and expenditure	Non-poor	Multi-dimensionally poor	Nationwide average
Monthly net per capita income HUF	43,106	20,920	35,383
Monthly net per capita personal expenditure, HUF	41,596	18,338	33,381
Monthly net per capita income as percentage of nationwide average	121.8	59.1	100.0
Monthly net per capita personal expenditure as percentage of nationwide average	124.6	54.9	100.0

Source: Central Statistical Office Household Budget Survey, 2000.

More than half the expenditure of people living in multi-dimensional poverty is for food, while one-fifth goes for housing maintenance. The two together make up three-quarters of total expenditure. They have hardly any money for clothing, household needs, culture, or other purposes. They spend less than 40% of the nationwide average for clothes, and one-fourth for culture, holidays, and entertainment. Since they have no cars and many do not have phones either, their expenditure for transport and communication is well below the nationwide average.

Table 14. Breakdown of household expenditure by major type, %

Main type of expenditure	Non-poor	Multi-dimensionally poor	Nationwide average
Food, alcohol, and tobacco	28.4	52.9	34.0
Clothing	6.2	4.5	5.7
Home maintenance	16.9	20.4	18.3
Household and home equipment	6.1	4.3	5.7
Health and hygiene	5.6	6.7	5.8
Transport, communications	19.8	5.2	15.9
Culture, vacations, entertainment	7.9	2.8	6.5
Other personal expenditure	4.6	1.4	3.8
Investment into home	4.6	1.8	4.4
Total expenditure	100.0	100.0	100.0

Source: Central Statistical Office Household Budget Survey, 2000.

The excluded poor spend 86% of the nationwide average for food, 43% for clothing, and 18% for transport and communications.

The difference is even greater when looking at expenditure for durable consumer goods. The non-poor spend 174% of the nationwide average for these items, while the excluded poor spend only 13%.

Table 15. Opinions of non-poor and excluded-poor households on certain basic necessitiesthat they cannot afford in 2000, %

The Necessities	Non-poor	1-2 Poverty specifics	Excluded poor	Nationwide average
Keeping the home sufficiently warm	11.0	20.0	49.1	29.5
Buying new clothes for family members when needed	26.2	36.7	82.2	55.4
Taking a weeklong vacation with the family each year	48.9	50.9	90.7	77.7
Hosting friends and relatives	20.9	24.4	83.8	65.8
Replacing worn out furniture	38.6	39.2	92.0	81.3

Source: Central Statistical Office Household Budget Survey, 2000.

A significant number of analysts consider one-third of society to be poor, based partly on their income statuses, and partly on the level at which they can meet their needs. This appears to be a viable number, if we consider the fact that in 2000, keeping the home warm enough was a problem for 30% of households, and buying new clothes was a problem for one household in every two. A vacation for the entire family still counts as a luxury for the majority of today's families. Barely one-fifth of households have the means to replace worn furniture. These figures lend reality to an

internationally recognized practice which qualifies people living below half of the EU average as poor, for on that basis, 73% of the Hungarian population qualifies as poor (see Ferge 2001: 20).

Home Furnishing Specifics

Excluded poor live not only in homes that are in poor condition and lack conveniences, but their furnishings are also worse than the nationwide average.

Table 16. Ratio of households with essential durable consumer goods, in 2000, %

Durable consumer goods	Non-poor	1-2 Poverty specifics	Excluded poor	Nationwide average
Refrigerator	81.3	83.5	81.8	82.3
Combined refrigerator and freezer	24.8	18.3	9.5	20.2
Separate freezer	62.3	54.5	28.8	55.1
Microwave oven	69.1	39.5	6.3	49.1
Washing machine all kinds	97.0	95.9	89.6	95.7
Of these: automatic	80.1	49.7	8.4	58.7
Television, all kinds	98.6	96.8	92.0	97.1
Of these: black and white	1.9	7.5	37.1	8.3
VCR	64.9	39.9	12.4	48.0
Personal computer	22.9	8.1	1.0	13.9
Satellite receiver, cable TV	63.1	42.1	12.2	48.2

Source: Central Statistical Office Household Budget Survey, 2000.

In recent years, the prices of basic durable consumer goods increased to far less of an extent than the general consumer price index. Although in both 1990 and 2000, a refrigerator cost nearly one month's average salary, a freezer is now available for barely more than one month's salary, whereas in 1990, it cost three months' earnings. In 1990, annual earnings were enough to buy approximately 3 color televisions, while in 2000 they are sufficient for 10 color sets. In other words, price ratios support purchases of durable consumer goods.

Of course, rises in the prices of food, clothing, and home maintenance rendered it impossible for many people to purchase these more expensive durable consumer goods.

THE PROCESS OF SOCIAL EXCLUSION AND HOW IT REPRODUCES ITSELF

The Occurrence of Poverty during the Course of a Lifetime

There is a limited amount of longer-tem longitudinal and panel data available on poverty. Calculating with rotational panel data from two sets of Household Budget Surveys – for 1993-1994-1995 and for 1996-1997-1998 – we find that the ratio of permanently poor households (in all three years) was about 3%, which translates into about 100,000 Hungarian households.

Table 17. Households found to be poor throughout the three-year periods under investigation, % of total number of households investigated

	1993-1994-1995	1996-1997-1998
Throughout all three years	2.6	2.9
Over two years	3.4	3.9
For one year	10.0	7.9

Source: Central Statistical Office Rotational Panel Data taken from Household Budget Surveys.

Very long-term data are available on how the residents evaluate their own financial situations and changes in living standards through the course of time.

One-fifth of all households claim that "they were never poor," while nearly one-fifth say that "they have often or always been poor," and another 56% say that while "it happened" during their lives that they were poor, it only was for short periods or only was transitional.

Social exclusion is combined with poverty throughout the major portion or all of the person's lifetime. 72% of the households in this category report the same thing. 25% say their poverty is only transitional, and 3% say they never lived in poverty. This latter case is a typical form of classical poverty, when poverty becomes so natural that it is qualified as 'normal.' Some of the multi-dimensionally poor who qualify themselves as "living in poverty from time to time" are believed to be among the new losers to the change in political system, although the survey does not give us any such background information.

Table 18. Self-reported occurrences of poverty in the lives of households, 2000, %

Repeated occurrences of poverty in the lives of households	Non-poor	Excluded poor	Nationwide average
Never were poor	29.6	2.9	14.2
Were poor from time to time	60.8	25.2	53.6
Often were poor for most of their lives	9.6	51.5	28.1
Always were poor	–	20.4	4.1

Source: Central Statistical Office Household Budget Survey, 2000.

There is no doubt that the general decline in living standards coming with systemic change and accelerating because of economic recession meant that many people had a harder time making ends meet for shorter or longer periods of time. People tend to gauge their situations against their own living standards from an earlier time in their lives and their own limited surroundings, so their views of poverty are always relative. Under Hungary's conditions, it definitely increases the occurrence of subjective poverty. On a nationwide level, only 14% of the households claim that they were never poor.

Hopes of a Better Life

The income of the excluded poor is barely more than one-half of the nationwide average. This amount is sufficient for minimum subsistence.

Their housing conditions are poor and their homes lack modern conveniences. The majority have lived most or all of their lives in poverty. With a background like that it is hard to believe that things will ever be better. One-third of these people are old, and no longer have much hope for anything. When asked what chances they saw of their lives improving in the future, 70% answered – realistically, we might add – that they saw none at all.

People who still have hopes believe that the improvement will be connected to their work, a view shared by the overall population. A philosophy of "while there's life, there's hope" is the top and perhaps the most important factor in changing the given life situations. Hope, where it still exists, can be the nutrient for a real improvement in their situations.

Some 38 per cent of Hungarian households hope that the financial situation of their households will improve as an outcome of their work. Some 18.5% of households subsisting in exclusion share the same hope. This indicates that a significant portion of the poor is of economically active age.

Table 19. Chances households see for future improvements in their lot, 1999-2000, %

Chances people see for an improved financial situation in the future	Excluded poor		Nationwide average	
	1999	2000	1999	2000
None	75.7	69.7	51.0	38.2
Work-related	16.3	18.5	31.5	38.1
Health-related	4.3	7.4	9.2	13.4
Related to the future of their child(ren)	2.5	2.7	5.8	7.2
Other	1.2	1.7	2.5	3.1
Total	100.0	100.0	100.0	100.0

Source: Central Statistical Office Household Budget Surveys, 1999 and 2000.

The subjective image of the future improved in a tangible way between 1999 and 2000, as it is demonstrated by the numbers. Pulling out of economic recession improved people's faith in the future, true for both the nationwide average and the poor, too. Preliminary data for 2001 and 2002 suggest that the general living standards continue to rise, and hopefully, even the poorest will glean some benefit from that. Despite the improved situation, the poor have far lower hopes than the non-poor or the nationwide average that their chances will improve significantly.

IN LIEU OF A CONCLUSION

The social policy and structural transformation of contemporary Hungary took place amidst a powerful economic recession. As a result, the majority of the population found itself competing for survival. Many managed to pull out of their own personal hard times as the economy improved, though they were deeply wounded in the process. However, a small and less visible group split off this 'first society' in a way that can be statistically demonstrated. Not having the abilities to fight for its interests, it is languishing for it lacks an expedient government welfare program that would assist it to reduce the gap. This study was written about, and for this group.

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