

# THE HUNGARIAN MATERNITY/PATERNITY AND FAMILY CASH BENEFITS SYSTEM

*József Hajdú*  
*Professor of law*

*University of Szeged*

## **Introduction to the legal background and structure**

Highlighting the issue's importance, the Fundamental Law promulgated in 2011 affirms state support for "the family as the basis of the survival of the nation" [Article L (1)],<sup>1</sup> while on the economic side, the government spends almost 3.1 percent of the GDP on financial support for families, compared to an average of 2.2 percent among the 28 Member States of the European Union.<sup>2</sup>

Compared to the rest of Europe, paid benefits were introduced relatively early in Hungary: paid maternity leave in 1891, the Child Home Care Allowance (GYES) in 1967, and the Child Care Fee (GYED) in 1985.<sup>3</sup>

The Hungarian family cash benefit system offers, a) childcare support on a social insurance basis and b) family support on a normative (universal) basis.<sup>4</sup> The forms of family cash benefits are mainly either lump-sum (e.g. birth grant) or monthly based fixed-termed (e.g. GYED, GYES, GYET, etc.) and seldom permanent (family allowance to disabled persons).<sup>5</sup>

The Hungarian family support system is unique as not many other countries<sup>6</sup> have a similarly wide and complex scheme.<sup>7</sup> The number of working women has risen by 200.000 since 2010, and mothers with toddlers can not only work part-time, but the law strictly orders that employers have to provide a part-time occupation.<sup>8</sup> Such actions will hopefully further increase the number of employed women.<sup>9</sup>

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<sup>1</sup> HAJDÚ, József: *The right to social security in the Hungarian Fundamental Law (Constitution) in. The Right to Social Security in the Constitutions of the World: Broadening the moral and legal space for social justice* ILO Global Study, Volume 1: Europe 2016. 89-106.

<sup>2</sup> <http://ec.europa.eu/social/main> (3 February, 2017)

<sup>3</sup> <http://www.missoc.org> (3 February, 2017)

<sup>4</sup> Tax financed universal scheme covering all residents.

<sup>5</sup> CZÚCZ Ottó – HAJDÚ József – POGÁNY Magdolna: *Szociális jog II. (Social Law II.)*, Unió Kiadó, Budapest 2005. 318-335.

<sup>6</sup> While on European average 2.5 percent of budget is spent on family support, Hungary spends four percent of its budget in addition to other family-favouring regulations, such as part-time jobs and different types of financial support.

<sup>7</sup> Universal family cash benefits for a one-child family are the most generous in Hungary, Ireland and Luxembourg, where cash transfers for such a family can exceed 5% of the average wage of the average worker (AW).

<sup>8</sup> SZILAS István: *Sikerese-e a magyar családpolitika?* Pénzügyi Szemle, 2017. <http://www.penzugyiszemle.hu/vitaforum/sikerese-e-a-magyar-csaladpolitika-3> (16 April, 2017)

<sup>9</sup> [http://magyarhirlap.hu/cikk/49549/Hungary\\_Has\\_a\\_Unique\\_Family\\_Support\\_System](http://magyarhirlap.hu/cikk/49549/Hungary_Has_a_Unique_Family_Support_System) (13 April, 2017)

Table 1. Structure and time-frame of the Hungarian family cash benefits in Hungary

Age of child (years)	0	1	2	3	4	5	6	7	8	...	18(20)
One-time maternity grant	Birth grant <sup>10</sup>										
Monthly benefits for families		Family allowance – childcare benefit					Family allowance – schooling support				
Grants facilitating childcare at home	No prior insurance period	GYES <sup>11</sup>			GYET <sup>12</sup>						
	There is prior insurance period.	CSED <sup>13</sup>	GYED <sup>14</sup>	GYES <sup>15</sup>							

Source: Based on Fig. 1. in Zsuzsanna Makay – Zsuzsa Blaskó: Family support system – childraising – employment p. 46 ([http://www.demografia.hu/en/downloads/Demographic\\_Portrait/2012/04Family-support-system-Makay-Blasko.pdf](http://www.demografia.hu/en/downloads/Demographic_Portrait/2012/04Family-support-system-Makay-Blasko.pdf)) and the author's own sources.

The Hungarian family support system is very generous and prefers young children being cared for at home<sup>16</sup> by their mothers until their age of three. While employed parents get social insurance based childcare fee (GYED) for two years after the birth of a child, unemployed and inactive ones get childcare allowance (GYES) for three years, which is a fixed sum and usually much less than the former.

<sup>10</sup> Birth Grant (Anyasági támogatás): this is a one-off lump sum payment of 225 percent of the minimum old-age pension (Öregségi nyugdíj). Completion of at least four prenatal medical examinations is a prerequisite.

<sup>11</sup> Child Home Care Allowance (Gyermekgondozást segítő ellátás: GYES) is paid to parents who stop working to care for a child younger than age three (age ten if disabled). For those who were unemployed when they gave birth, only GYES is paid from birth until the child turns three.

<sup>12</sup> Child Raising Support (Gyermeknevelési támogatás: GYET) is for parents who raise three or more children in their own home provided that the youngest child is between three and eight years old and the eldest child is under 18 years of age. The beneficiary is allowed to work outside of the home for no more than 30 hours a week.

<sup>13</sup> Pregnancy and Confinement Benefit (Csecsemőgondozási díj: CSED): 70 percent of daily average gross earnings is paid for four weeks before and 20 weeks after the expected date of childbirth or for 24 weeks after the expected date of childbirth, depending on the mother's preference.

<sup>14</sup> Child Care Fee (Gyermekgondozási díj: GYED): this is paid after the Pregnancy and Confinement Benefit (Csecsemőgondozási díj: CSED) runs out (normally when the baby is six months) until the child is two years old. The amount is 70 percent of the carer's daily average gross earnings but it is capped at 70 percent of twice the minimum daily wage. To be eligible, the recipient must have been insured for at least 365 days in the previous two years.

<sup>15</sup> Child Home Care Allowance (GYES): this is paid to parents who stop working to care for a child younger than age three (age ten if disabled). For those who were unemployed when they gave birth, only GYES is paid from birth until the child turns three.

<sup>16</sup> The child needs to be cared in the parents' household except in cases of absence due to studying or illness.

Besides these two major types of support, family allowance provided for all families, child raising support (GYET), and the reorganized family tax relief can be considered as the core of the Hungarian family support system. Hungary spends more on these allowances in proportion to its GDP than the European countries in general.<sup>17</sup>

Children under 3 taking part in institutional care are cared for mainly in day nurseries. In the past two years, the functioning of these institutions came to be regulated by several new decrees, involving the fees, too.

Mothers usually do not have paid work in parallel with taking care of their children under 3, which is due to the flexibility of the family policy and the labour market, which rarely makes part-time jobs possible.

Public opinion is generally for taking care of children at home before they are three but in certain cases it also accepts working mothers with younger children.<sup>18</sup>

The government's family-centred system of values is reflected in legislation as well. Within the framework of this approach, new elements were added to the Fundamental Law and the Act on the Protection of Families, which is a cardinal act symbolising the importance of family policy in Hungary.<sup>19</sup> In addition, the main legislative norms regulating maternity/paternity and family support systems are the following: 1) Act LXXXIII of 1997 on the Benefits of Compulsory Health Insurance (törvény a kötelező egészségbiztosítás ellátásairól), 2) Act LXXXIV of 1998 on Family Support (törvény a családok támogatásáról), 3) Act CXVII of 1995 on Personal Income Tax (törvény a személyi jövedelemadóról) and 4) Act XXXI of 1997 on the Protection of Children and on the Administration of Guardianship (törvény a gyermekek védelméről és a gyámügyi igazgatásról).<sup>20</sup>

As for the personal scope, the maternity/paternity and family support schemes cover the following individuals: Hungarian nationals, long-term residents, migrant workers, persons entitled to free movement and stay, persons holding an EU Blue Card, persons holding a single permit, provided they have been authorised to work in the territory of Hungary for a period longer than six months, or refugees who are parents (foster and stepparents as well) or guardians (including foster home managers).<sup>21</sup>

## 1. Family policies

Fundamentally, the Hungarian family policy is based on the assumption that most children under age three will be cared for at home; i.e., that the vast majority of mothers will suspend their participation in the labour market for several years after giving birth. During this

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<sup>17</sup> THÉVENON, O: *Family Policies in OECD Countries: A Comparative Analysis*. Population and Development Review. 2011. Vol. 37. No. 1. 57–87.

<sup>18</sup> PRUGBERGER Tamás: *A társadalombiztosítás problematikus és lehetséges továbbfejlesztési kérdései*. Polgári Szemle: Gazdasági és Társadalmi Folyóirat 2014. 10:(1-2). 134-157.

<sup>19</sup> Pursuant to this act, in case of any legislative change with an unfavourable effect on families, a preparation period of minimum 12 months is granted. The act also states that during the planning of the Central Budget, the support of families is prioritised and the state shall make efforts to help citizens reconcile work and family responsibilities.

<sup>20</sup> HAJDÚ József – HOMICSKÓ Árpád: *Szociális jog II. (Social Law II)*, Patrocinium Kiadó, Budapest, 2010. 68-77, 255-273.

<sup>21</sup> Art. 1 of Act LXXXIII of 1997 on the Benefits of Compulsory Health Insurance, and Art. 2 of Act LXXXIV of 1998 on Family Support.

period, families were supported by four main types of allowance, which until 2014 were mainly granted to parents who were not in paid employment. From 1 January, 2014 onwards, the system has been more flexible to allow the combination of work and child raising.<sup>22</sup>

While most state nurseries accept children from the age of 20 weeks onwards, in practice most of the children enrolled in nursery care are at least two years old. In Hungary, social standards do not support the enrolment of very young children in community nurseries,<sup>23</sup> but instead place pressure on mothers to care for their children at home.<sup>24</sup>

In the regulation of partnerships, the Hungarian system is – at least theoretically – conservative, with a bias towards marriage. However, in practice and in the details of the law, this bias is not perceptible. On the one hand, for example, the Hungarian Fundamental Law (Constitution) emphasises that marriage between a man and a woman is considered preferable to cohabitation without marriage,<sup>25</sup> and that the state protects the institution of marriage. On the other hand, the law permits a form of official cohabitation for same-sex couples (“registered partnership”)<sup>26</sup> which is very similar to marriage, and civil law in general has an increasing number of detailed and generous provisions that regulate the rights and obligations of cohabiting partners who are not married.<sup>27</sup>

Furthermore, the recent government prioritise the increase in women’s employment – and, especially, offering support to mothers with young children in entry to the labour market. The results are clearly evidenced by the statistical data: the current employment rate of women is the highest in more than 20 years.<sup>28</sup>

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<sup>22</sup> JAKAB Nóra – MÉLYPATAKI Gábor – SZEKERES Bernadett: *A szociálpolitika jogi alapjai a XXI. század társadalmi kihívásainak tükrében*, Bibo Kiadó Miskolc, 2017. 113-119.

<sup>23</sup> These norms and the origin of the system can be traced back to the 1960s, when the first childcare allowance was introduced and regulations made it possible for mothers to suspend their labour market participation in order to care for their children at home. At that time this leave system was justified by the oversupply of labour together with the socialist economic ideology, which considered unemployment unacceptable. The benefits provided during the socialist era have survived the change in political regimes, and are today an integral part of family policy in Hungary.

<sup>24</sup> KAPITÁNY, Balázs – MAKAY Zsuzsanna: *Family Policies: Hungary* (2014) <http://www.perfar.eu/policy/family-children/hungary> (12 March, 2017)

<sup>25</sup> The Hungarian Constitutional Court declared the family support system was unfair to common-law couples. The decision dealt with the difference between families based upon marriage and those based upon the parents’ cohabitation. The Act of 1998 on supporting families did not provide the same amount of family allowances for families where the parents were spouses and cared for their children, but not only common children, and for families where the parents were cohabitants and cared for their own but not exclusively common children. According to the CC decision [Decision of the Constitutional Court No. 14/2014. (V. 13.)], the state cannot discriminate between common law partnerships and married couples in paying out family allowances. The judges found that the relevant legislation granting more state support to married couples does not ensure equality before the law. The Constitutional Court confirmed that the obligation to protect marriage and the family originating from the Hungarian Fundamental Law cannot result in direct or indirect discrimination between children based upon whether their parents are spouses or live together in another kind of community of life and it stated that the alleged discrimination in the field of family allowances breaches the Hungarian Fundamental Law. The Court stated that the provisions challenged did not adequately take into consideration the interests of children when they established the sum of family allowances in differing ways for children and introduced an unconstitutional discrimination.

<sup>26</sup> Act XXIX of 2009 on Registered Partnership, Modification of Legal Rules in Connection with Registered Partnership and Facilitation of Proof of Cohabitation.

<sup>27</sup> SZEIBERT, Orsolya: *National Report: Hungary* p. 9. <http://ceflonline.net/wp-content/uploads/Hungary-IR.pdf> (17 April, 2017)

<sup>28</sup> In 2014, the employment rate of women of 15-64 years of age was 55.9%. At the time of the change of the

The main elements of the program are the following: 1. To increase the employment of women with young children and to help them reconcile family and job-related tasks, several governmental measures have been introduced. 2. The new Labour Code brings flexible and atypical forms of employment to the fore. 3. The part-time employment allowance offers contribution allowance for the part-time employment of parents returning from childcare leave.

Within the framework of the Job Protection Action Plan,<sup>29</sup> employers are eligible for contribution allowance in case they employ individuals who belong to the most vulnerable groups: individuals above the age of 55 or under the age of 25, women with young children, long-term unemployed (persons out of employment for 6 months or longer).<sup>30</sup>

## 2. The types of the maternity and family benefits

### 2.1. Birth Grant

Upon the birth of every child a family is entitled to a one-off birth grant, as a support to the relevant birth-related costs. As a personal scope, the birth grant (*anyasági támogatás*) is available to: a) women who give birth<sup>31</sup> and who are legally staying in Hungary; b) adoptive parents; c) guardians; or d) the father upon the death of the mother. A birth grant is not paid to parents who agreed to give up a child for adoption before the birth; or if the new-born child is made the subject of a care order of the guardianship authority and the child is covered by the child protection system.

One prerequisite for eligibility for the grant is that during the period of pregnancy the mother should use at least four times the free maternity consultancy service (or once in the case of a premature delivery), or a *res iudicata* judgement on adoption or guardianship within 180 days of confinement. Evidence of Hungarian residence should be submitted with the claim. Since 1 January, 2003, the amount of the birth grant per child has been equal to 225% of the lowest possible amount of the old age pension in effect at the time of the birth of the child, or 300% in the case of having twins.<sup>32</sup>

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government in 2010 it was around 50%)

<sup>29</sup> <http://rsm.hu/en/rsm-intelligence/job-protection-action-plan> (21 March, 2017)

<sup>30</sup> In 2014, allowances of a total amount of HUF 9.3 billion were granted for a total number of 37,000 parents with young children. In March 2015, within the framework of the Job Protection Action Plan, contribution allowance was granted for employers of 39,803 parents returning from their child home care allowance/fee period.

<sup>31</sup> Hungary offers universal healthcare; however, most women choose to have a „private” obstetrician/gynaecologist (nőgyógyász) to follow their pregnancy and to deliver the baby. In general, a pregnancy is monitored at a private practice, but the baby is delivered in a state hospital. An obstetrician/gynaecologist and not a GP must confirm the pregnancy. After a pregnancy has been confirmed, the local health visitor (védőnő) is contacted. The health visitor issues a booklet (*kiskönyv*), in which all medical appointments and notes are recorded during the pregnancy. This booklet is required for doctor’s appointments, by the hospital where the baby is delivered, and even after the birth in order to claim a one-off birth grant (*anyasági támogatás*). <https://www.angloinfo.com/how-to/hungary/healthcare/pregnancy-birth#sthash.ePWBiZBV.dpuf> (24 April, 2017)

<sup>32</sup> <http://ec.europa.eu/social> (24 April, 2017)

## 2.2. Baby Bond

A sharp distinction must be made between Birth Grant and Baby Bond. Birth grant is a lump sum amount and provides support to decrease the family spending relating to giving birth. The family can spend all of the birth grant freely.<sup>33</sup>

However, in case of the Baby Bond, the parents have opportunity to save money for their children with a lump sum state support. The Baby Bond (currently managed by the Hungarian State Treasury) means that an amount of HUF 42,500 is deposited by the state for each new-born baby (Start account) and parents will also be able to deposit, optionally and monthly, contributions up to the age of 19. The success of the new construction is shown by the fact that during the year after its launch, the number of Start accounts quadrupled, which means that the Treasury manages the accounts of approximately 70,000 children. The total amount deposited on the accounts is approximately HUF 11 billion.<sup>34</sup>

## 2.3. Nursery and kindergarten childcare

In Hungary, the primary source of institutional childcare for children younger than three years old is the nurseries operated by local governments. Children may be admitted to a nursery from the age of 20 weeks onwards, but in practice very few parents enrol their child before he/she is at least one year old, and in most cases not until after the child's second birthday. This is because paid parental childcare leave makes it possible for the majority of mothers to care for their child at home for two or three years before returning to employment. The majority of Hungarian families consider it to be much more desirable for the mother to stay home than for the child to be enrolled in a nursery. As a consequence, only around 9% of children under the age of three are in nursery childcare.<sup>35</sup>

The main alternatives to nursery childcare are family daycare and childcare in the home. However, the first form of care is quite rare, and while the second form of care is becoming increasingly widespread, it continues to be far less popular than nursery care. This is primarily because the state provides no subsidies for these private forms of childcare, which can be quite expensive. Consequently, family daycare is used primarily by well-off families and by those who need part-time daycare services.<sup>36</sup>

Children may be enrolled in kindergarten after reaching the age of three. As in nurseries, children receive all-day care. Unlike in nurseries, however, some three-quarters of the children in the corresponding age group attend kindergarten, because it is considered acceptable by most families for children over age three to participate in education and childcare within the institutional framework.<sup>37</sup>

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<sup>33</sup> <http://www.azenzem.hu/felreteszek/babakotveny/> (15 April, 2017)

<sup>34</sup> <https://www.vg.hu/penzugy/nem-fogy-a-babakotveny-465165/> (15 April, 2017)

<sup>35</sup> <https://www.ksh.hu/docs/hun/xftp/stattukor/kisgyermnapkozbeni/kisgyermnapkozbeni14.pdf> (14 April, 2017)

<sup>36</sup> [http://www.ksh.hu/docs/hun/xstadat/xstadat\\_eves/i\\_fsg005a.html](http://www.ksh.hu/docs/hun/xstadat/xstadat_eves/i_fsg005a.html) (20 March, 2017)

<sup>37</sup> KAPITÁNY, Balázs – MAKAY, Zsuzsanna: *Family Policies: Hungary* (2014) <http://www.perfar.eu/policy/family-children/hungary> (23 March, 2017)

The majority of kindergartens are state-financed and childcare is free of charge; the parents only have to pay for meals. The children are obliged to attend compulsory education after reaching the age of six.<sup>38</sup>

## 2.4. Parental leave (including maternity protection) and infant care allowance (CSED)

### 2.4.1. Parental leave

According to the Hungarian Labour Code, employees are entitled to unpaid a) *maternity leave* and b) *childcare leave*.<sup>39</sup> Maternity leave, which has a maximum length of 168 days, may be taken by the mother, or in certain cases (such as in the case of adoption) by another person.<sup>40</sup> Unpaid childcare leave may be taken by a parent who is caring for the child at home until the child reaches the age of three, and in certain cases for a longer period. There are four types of monetary benefits for families, and the vast majority of parents – including those who are not working – receive at least one of them. Thus, in Hungary it is extremely rare for a parent to stay home with a small child without receiving any cash benefit.<sup>41</sup>

### 2.4.2. Infant care allowance (CSED)

Infant care allowance (*csecsemőgondozási díj*) is tied to health care insurance. The benefit is available to women who give birth, adoptive parents, guardians or the father upon the death of the mother or due to the mother's health condition. Mothers are also eligible for receiving infant care allowance during their maternity leave, but they are not allowed to work meanwhile.

Infant care allowance is paid to women who in the two years preceding the birth of their child were covered by health insurance for at least 365 days, and who give birth:

- a) while still covered (e.g. when under a contract of employment);
- b) within 42 days of the expiry of their insurance coverage;

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<sup>38</sup> <https://www.ksh.hu/docs/hun/xftp/stattukor/kisgyermnapkozbeni/kisgyermnapkozbeni14.pdf> (14 April, 2017)

<sup>39</sup> Childcare Leave is provided under the Labour Code 2012. An employee (male or female) is entitled to a leave of absence without pay in order to care for the child until the child reaches the age of three or in order to care for the child until the child reaches the age of ten, if the employee receives a child care allowance. (Section 128 & 130 of the Labour Code 2012) However, adoptive parents enjoy the same rights to maternity, parental and paternal leave as natural parents. Article 294 (1) c of the Labour Code states that a 'child' shall mean any child raised or cared for in one's own household according to the regulations on the support of families. According to Act CCXI of 2011 on the Protection of Families natural, adopted, step and foster children and parents enjoy the same rights.

<sup>40</sup> New fathers are eligible for five days of paternity leave (7 days in case of twins) until the end of the second month from the date of birth of a child. The paternity leave has to be allocated on the days as requested by the new father. This leave has to be provided even if the child is stillborn or dies. The paternity leave is paid by the Government from the Central Budget and not by the employer. In accordance with Act CIII of 2013, paternity leave will not be pro-rated even if the employment relationship commenced or terminated during the given calendar year. (Section 118 of the Labour Code 2012)

<sup>41</sup> HAJDÚ – HOMIČSKÓ, 2010. 68-69.

- c) within 42 days following the expiry of their insurance coverage during the disbursement of work accident sickness benefit (baleseti táppénz) (or within 28 days after the termination of the disbursement);
- d) following the expiry of their insurance coverage during the disbursement of sickness benefit (táppénz) (or within 28 days after the termination of the disbursement).

The allowance will also be paid to a woman who fosters a child she is intending to adopt if she meets these conditions on the day when the child is entrusted to her. In this case, the allowance is payable for the period from the day when the child is entrusted to her to the end of the statutory period of maternity leave.

Infant care allowance is not payable when the insured:

- a) is being paid her full salary during her maternity leave, for the period during which she is paid that full salary;
- b) is engaged in any sort of gainful employment – except for remuneration for services covered by royalty rights or honorariums exempted from personal income tax – or is practising a paid activity requiring an official permit.

If the insured person is receiving part of her salary during her maternity leave, she is entitled to infant care allowance to the amount of the remainder.

As for duration, mothers are entitled to infant care allowance during their maternity leave, for a maximum of 168 days. Maximum maternity leave is 24 weeks, four of which must be taken, as far as possible, before the calculated date of delivery.

Infant care allowance is equal to 70% of the average daily pay in the calendar year preceding the first day of maternity leave. It is paid during the course of that leave to the mother or to the woman who is intending to adopt the child and who meets the conditions set out above. Particular features of this benefit are:

- a) the period for which infant care allowance is paid is credited towards old-age pension insurance;
- b) women receiving infant care allowance are entitled to healthcare services (e.g. inpatient and outpatient care in healthcare establishments) on the same footing as those with full health insurance;
- c) persons who are required to pay maintenance or who have wrongly received health insurance benefits will have their pregnancy and childbirth allowance reduced by up to 33%;
- d) the benefit does not have to be returned if the recipient is a student at an institution of higher education who is receiving infant care allowance on the first day of the current semester (lecture period) and who is engaged in a basic training programme, a supplementary training course, an advanced training course or a superior training course in an accredited school.<sup>42</sup>

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<sup>42</sup> [http://www.neak.gov.hu/felso\\_menu/lakossagnak/ellatas\\_magyarorszagon/penzbeli\\_ellatasok/gyermekvallalas\\_tamogatasa/csecsemogondozasi\\_dij](http://www.neak.gov.hu/felso_menu/lakossagnak/ellatas_magyarorszagon/penzbeli_ellatasok/gyermekvallalas_tamogatasa/csecsemogondozasi_dij) (20 April, 2017)

## 2.5. Child care fee (GYED)

Child Care Fee (*Gyermekgondozási díj*): Compulsory social insurance scheme financed by employers' and employees' contributions, providing benefits in kind and earnings-related cash benefits to persons insured against all risks. The amount of the benefit depends on the mother's previous income.

The parent considered as entitled under the health insurance scheme – either the mother or the father – may be entitled to a child care fee until the child has reached the age of two.

When maternity leave (168 days) ends, the parents may choose to receive childcare fee (*gyermekgondozási díj*: GYED), which is payable until the child reaches the age of two (or until the age of three in the case of twins). However, the parent must have been previously insured to receive child care fee. The parent has to be insured and needs at least 365 days of insurance during the last 2 years before delivery. However, the mothers who – in the absence of a gainful activity – would not be entitled to a child care fee, but who have completed at least 2 active semesters in higher education are entitled to a child care fee until the child reaches 1 year of age.

The child care fee amounts to 70% of the daily average gross earnings of the previous year, with a ceiling of 70% of the double of the minimum wage. For those who are eligible because of their higher education studies, the child care fee amounts to 70% of the minimum wage,<sup>43</sup> (HUF 127,500 in 2017), or in the case of BA or PhD studies, 70% of the guaranteed wage minimum<sup>44</sup> (HUF 161,000 in 2017).

The child care fee is not paid when: a) the beneficiary is engaged in any sort of gainful employment – before the child reaches the age of six months – except for remuneration for services covered by royalty rights – or is practising a paid activity requiring an official permit; b) the beneficiary is being paid his/her full salary while on leave (if only part of the salary is being paid, the child care bonus corresponds to the remainder); c) the beneficiary is receiving other regular cash benefits (e.g. sickness benefit, invalidity or old-age pension) under Act III of 1993 on the administration of the social security system and the benefits provided; d) the beneficiary cannot look after the child under his/her own roof and the child has been temporarily placed in foster care or placed provisionally or for a longer period in an educational institution or placed in a social institution for more than 30 days; e) the child of the beneficiary has been placed in a day-care facility except when the parent is pursuing a gainful activity and the child is above six months of age (integration or re-integration institutions not included), and f) the beneficiary is in custody or detention or is in prison.<sup>45</sup>

### 2.5.1. Special forms of child care fee

A special child care fee (child care fee extra: GYED extra) have entered into force on 1 January, 2014. According to the new provisions, between 2014-2016 after the first birthday

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<sup>43</sup> The minimum wage is paid for unskilled workers.

<sup>44</sup> The guaranteed minimum wage is paid to skilled workers.

<sup>45</sup> [http://www.neak.gov.hu/felso\\_menu/lakossagnak/ellatas\\_magyarorszagon/penzbeli\\_ellatasok/gyermekvallalas\\_tamogatasa/gyermekgondozasi\\_dij](http://www.neak.gov.hu/felso_menu/lakossagnak/ellatas_magyarorszagon/penzbeli_ellatasok/gyermekvallalas_tamogatasa/gyermekgondozasi_dij) (18 April, 2017)

of the child, parents could take up/return to work<sup>46</sup> without any limitation on the number of hours worked<sup>47</sup> while continuing to receive GYES or GYED.<sup>48</sup> Furthermore, since 1 January, 2016, they may take up employment without restrictions when the child reaches 6 months of age.

If a family has another child while still receiving one of the child-raising allowances for their previous child/children, they can now receive both benefits, including the benefit for the new baby. Previously they could only receive one of the benefits and stop claiming the other (sibling GYED).

There is a unique provision, which allows for students in higher education to be eligible for a fixed-sum GYED (the “graduate” GYED). For twins GYED can be paid for three rather than two years.<sup>49</sup>

Another enactment is that for twins born in 2014 or later, the child home care fee period is one year longer, expiring when the child or children reach three years of age (twin GYED).

The GYED for higher education students was introduced (hence, students of higher education are eligible for one year of child care benefit).

## 2.6. Child care allowance (Gyermekgondozást segítő ellátás: GYES)

Child Care Allowance (Gyermekgondozást segítő ellátás): Tax financed universal scheme covering all residents. This benefit does not depend on income. It is designed for parents who are not entitled to receive either CSED or GYED. It is a guaranteed benefit, which means that it is not based on previous employment or income level. The stay-at-home parent (in most cases the mother) receives a fixed allowance until the child reaches age three. While the amount is relatively low, this allowance is very popular in a county where it is the social norm for mothers to care for their children at home. A parent who was previously employed is also eligible for the GYES allowance when the child is between the ages of two and three (after the expiration of GYED).<sup>50</sup>

Child care allowance is payable to the parent, the spouse of the parent, the adoptive parent or the guardian of a child raised under his/her roof until the age of three or, in the case of twins, until the end of the first year of compulsory schooling or in the case of a chronically ill or seriously disabled child, until the age of ten.

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<sup>46</sup> According to the Hungarian Job Protection Action Plan, employers who employ mothers of three or more young children are eligible for further tax allowances. As a result of the measure, in 2014 47,363 parents with young children were beneficiaries of some measure of GYED Extra.

<sup>47</sup> The remaining parent was engaged in telework (he/she could work from home). This is the trick behind, and the parents without flexible (e-work) employment possibility cannot take part in GYED extra.

<sup>48</sup> In certain years, parents were permitted to take a part-time job after the first birthday of the child without losing their GYES allowance. However, for a long period of time employers were not required to allow employees who recently had a child to move to a part-time schedule. Furthermore, until 2014 parents receiving GYED were not permitted to have any form of paid employment. In recent years, this inflexible system has started to change. First in the public and then in the private sector, employers were required to allow an employee returning from leave to move to a part-time schedule until the child reaches age three. Since 1 January, 2014, parents have been allowed to continue to receive GYES or GYED when they return to work either part- or full-time after the child's first birthday.

<sup>49</sup> Monostori, J. – Őri, P. – Spéder, Zs. (eds.): *Demographic Portrait of Hungary 2015*. HDRI, Budapest, 2015. 58.

<sup>50</sup> KAPITÁNY, Balázs – MAKAY Zsuzsanna: *Family Policies: Hungary* (2014) <http://www.perfar.eu/policy/family-children/hungary> (23 March, 2017)

A parent receiving child home care allowance cannot engage in paid employment until the child is six months old: when the child is above the age of six months, the parent can engage in paid employment.

*Granny's child care allowance.* The benefit can be paid to a grandparent if the child is at least one year old and is being raised and looked after in the parents' house with the parents' written consent. The grandparent cannot pursue a gainful activity before the child reaches three years of age; when the child is above three years, the beneficiary can pursue a gainful activity of no more than 30 hours a week, or without time restriction at home.

The monthly child home care allowance is equal to the minimum old-age pension (HUF 25,800 gross in 2017), regardless of the number of children; except for twins, where the amount is multiplied according to the number of children; for fractions of a month, the allowance is calculated in thirtieths of the monthly amount.<sup>51</sup>

## 2.7. Child Raising Support (Gyermeknevelési támogatás, GYET)

Child raising support (GYET) is a guaranteed benefit payable to families who are bringing up three or more children, and whose youngest child is between the ages of three and eight. The size of the allowance is equal to that of GYES, and parents are permitted to work either part- or full-time while receiving GYET.

This support is paid to the parent, the spouse of the parent, the adoptive parent or guardian who is raising three or more minor children in his/her household.

It is payable from the date when the youngest child reaches the age of 3 until that child reaches the age of 8. The person receiving child raising support can engage in paid employment for a maximum of 30 hours a week or longer if working at home. Child home care allowance and child raising support cannot be drawn together.

Child raising support is equal to the minimum old-age pension (HUF 25,800 gross in 2017), regardless of the number of children; for fractions of a month, the allowance is calculated in thirtieths of the monthly amount.

## 2.8. Family allowances

Family allowances have been a feature of the Hungarian family support system since 1912. When allowances were first provided, relatively few families were eligible to receive them. Although they were extended to a wider range of workers starting in the 1938, eligibility for family allowances was based on the parent's employment relationship or insured status until the change in political regimes.<sup>52</sup>

This is a monthly allowance for raising and education expenses for children in a family. The beneficiary can be the biological parent, the spouse of the biological parent, the adoptive parent, the foster parent, the guardian, or any other person with whom a child has been temporarily placed.

The beneficiary can apply for this allowance for raising expenses from the birth of the child up to the compulsory schooling age (usually 0-18 years), then for secondary school

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<sup>51</sup> <http://officina.hu/belfoeld/25-gyed-extra-2017-igenylese-osszege-utalas-2017> (24 April, 2017)

<sup>52</sup> <http://www.missoc.org> (23 April, 2017)

education or vocational training up to 20 years of age (up to 23 years in the case of special educational needs, or without age limit in the case of a seriously disabled person without regular income).

Family Allowance (*Családi pótlék*) (provided as Child raising benefit and Schooling benefit) is paid during the period:

- a) from birth up to compulsory schooling age: child raising benefit (*nevelési ellátás*),
- b) from schooling age until the termination of studies in the compulsory education system (usually until 18 years), secondary school education or vocational training (up to 20 years of age, or 23 years in case of special educational needs): schooling benefit (*iskoláztatási támogatás*).

In the case of a certain number of unjustified absences of the child from school or nursery-school, the benefit has to be suspended. Students in higher education are not eligible. A child living temporarily outside the family to study, in Hungary or abroad, or for the purposes of medical treatment, is also treated as if living at home.

Monthly amounts of Family Allowance (*Családi pótlék*):

- a) 1 child in family: HUF 12,200 (€38)
- b) 1 child, single parent: HUF 13,700 (€43)
- c) 2 children in family: HUF 13,300 (€42) per child
- d) 2 children single parent: HUF 14,800 (€47) per child
- e) 3 or more children in family: HUF 16,000 (€50) per child
- f) 3 or more children, single parent: HUF 17,000 (€54) per child
- g) disabled child in family: HUF 23,300 (€73)
- h) disabled child, single parent: HUF 25,900 (€82)
- i) disabled child above 18 years of age: HUF 20,300 (€64)
- j) child in foster home/at foster parent: HUF 14,800 (€47).

The allowance is due and paid for the whole month, regardless of the date of application and the date of the cessation of the benefits. It has no variation with income or age.

### **3. Family tax reimbursement**

While income tax relief for families was first introduced in 1987, only families with three or more children qualified for it until 2010. At that time tax relief was extended primarily to families with working parents. In 2011 a new system was introduced in which families could qualify for a tax deduction when they became pregnant with their first child. However, as supporting larger families continued to be a government priority, the amount of the tax deduction is much higher for families with three or more children than for families with just one or two children. Under this system, the consolidated tax base of individuals before the establishment of the amount of pre-paid tax is reduced. Since there are no tax credits in Hungary, families who were paying a smaller amount of income tax could not take full advantage of the tax relief offered, which affects a significant proportion of families, and

which favours those paying income tax or at least social contributions. Thus, since 2013 the family tax deduction may also be taken from health insurance and pension contributions.<sup>53</sup>

As it was mentioned above, the family tax allowance that came into effect from 1 January, 2011, and which was subsequently restructured and extended, was expanded further in 2014. This alone meant that by 2015, family incomes have risen by HUF 240 billion (approximately EUR 790 million).<sup>54</sup>

Family tax benefit:

parents expecting their first child are eligible for the benefit from the date onwards when the foetus is 91 days old. For one of two children, the amount of personal income tax can be reduced with a monthly HUF 10,000 per child or for three or more children with maximum HUF 33,000 per month per child.

as of 2014, the family tax benefit may be deducted from the pension and health care contributions besides personal income tax, which means that a greater number of individuals may benefit and that citizens with a relatively low income are now in a more favourable position.

From 2016 until 2019, the allowance for families with two children will be doubled gradually, in four phases. The final maximum amount per child will be HUF 20,000.

In place of social welfare payments, the other pillar of the government's family policy strives to stimulate employment. Between 2010 and 2013, the government's family policy also provided debt relief and stimulated job growth. In line with this target, the government launched the job protection action plan in 2013, offering tax incentives to employers to hire mothers with small children. The same year a new Labour Code came into force, supporting the development of a more flexible and family-friendly labour market.

#### **4. Some future plans of the Hungarian family support scheme**

The Government is planning to introduce adoption fee based on an insurance legal relationship. Adoption fee would be paid to the person who a) is insured, b) is fostering the child with the intention of adopting him/her, and c) had been insured for 365 days in the two years preceding the starting day of fostering, and d) he/she had not been raising the child in his/her household continuously for at least one year prior to the starting date of fostering. According to the plans, adoption fee could be paid for 168 days – about half a year – starting from fostering, and its sum would be equivalent to that of infant care allowance, however, it would be payable not only in the case of a newborn baby, but independently of the child's age, right after adoption.

Another plan is that, besides the present allowances due to them, foster parents would receive "reintegration into the family fee" for any fostered child who could be "reintegrated" into his/her blood family or adopted with the help of the foster parent. There are two plans regarding its sum: 1) according to the first one: at least the sum of the minimum wage would be paid to the foster parent for one child reintegrated into the family on each occasion; or

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<sup>53</sup> KAPITÁNY, Balázs – MAKAY, Zsuzsanna: *Family Policies: Hungary* (2014) <http://www.perfar.eu/policy/family-children/hungary> (23 March, 2017)

<sup>54</sup> SVRAKA, András – SZABÓ, István – HUDECZ, Viktor: *Employment stimulating tax incentives in the Hungarian labour market FOCUS*, pp. 386-400 [https://asz.hu/storage/files/files/public-finance-quarterly-articles/2013/a\\_svraka\\_szabo\\_hudecz\\_2013\\_4.pdf](https://asz.hu/storage/files/files/public-finance-quarterly-articles/2013/a_svraka_szabo_hudecz_2013_4.pdf) (29 April, 2017)

2) according to the second one: 300 percent of the minimum wage. According to the first version, in the case of the joint reintegration or adoption of two siblings, 150 percent of the minimum wage would be paid by the state, while according to the second one 450 percent. This would mean 200 or 600 percent of the minimum wage in the case of the reintegration of three or more children into the family.