Journal of European Social Policy
http://esp.sagepub.com/

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Journal of European Social Policy 2014 24: 486 originally published online 10 September 2014
DOI: 10.1177/0958928714545446

Journal of European Social Policy
2014, Vol. 24(5) 486–500

DOI: 10.1177/0958928714545446
esp.sagepub.com

Democracy and welfare in hard times: The social policy of the Orbán Government in Hungary between 2010 and 2014

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Abstract

East-Central European countries have been hit by the economic crisis especially hard. This article argues that reactions to the crisis by the Hungarian government of Viktor Orbán have been distinct in several ways. The crisis has been used by the cabinet as a rationale to carry out paradigmatic reforms in nearly all policy fields within a very short period of time while the two-thirds parliamentary majority provided an opportunity for this. There have been no widespread protests and no veto players have prevented the implementation of reforms, partly because checks and balances, including the Constitutional Court, have been put aside. The direction of reforms has been diffuse and often contradictory, consisting of neo-liberal, *étatist* and neo-conservative elements. Early assessment of changes indicates the increasing polarization of society not only in terms of income but also of ethnicity.

Keywords

Crisis, democracy, family policies, Hungary, pensions, public works, social policy

Introduction

Interpretations of the consequences of the global economic crisis for the future of European welfare states have been far from uniform. According to the gloomiest reading, the post-2008 developments have questioned the very foundations of social protection systems through a series of paradigmatic reforms, a process that might put an end to the ambition of creating a 'Social Europe' (e.g. Pochet and Degryse, 2012; Taylor-Gooby, 2012). Others insist that no consistent pattern of welfare retrenchment or austerity can be detected. Rather, interventions vary widely across regions and according to the size of welfare states (Starke et al., 2013). Scholars of Central and Eastern Europe (CEE) agree that the economic crisis hit the post-socialist states especially hard due to their small and exposed economies and internal political and social tensions that had cumulated following their

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2004 and 2007 EU accessions.[1] By the time the crisis hit Europe, most of these states – with the notable exception of Poland – have experienced economic decline, weakening administrative capacities, increased corruption and social instability (e.g. Rupnik and Zielonka, 2013). Strict EU requirements on macro-economic stability have provided little room for manoeuvre in the field of welfare reforms, especially after the Greek crisis. Social policy reforms in the CEE countries in the 2010s have thus to be understood in the framework of a multiple crisis situation and the barriers and opportunities provided by the EU and global lending agencies.

This article is concerned with the reactions of Hungarian governments and especially the Conservative coalition since 2010 to the global economic crisis and its social and political consequences. Bohle and Greskovits (2012) have argued recently that neo-liberal regimes of the Baltic states have suffered most from the crisis while the so-called 'embedded neo-liberal regimes' of the Visegrád states, where the delicate balance between (neo-)liberal market forces, social protection systems and democratic institutions could be maintained in the past two decades, have become less exposed to the current economic crisis (pp. 224–5). Once the forerunner of building democracy and market economy, Hungary seems to be the odd one out as both democratic institutions and the 'welfare contract' have been challenged recently in this country (pp. 238–9). Agencies measuring democratic transformation and good governance have reported the steep decline of such institutions in Hungary – much more so than in fellow CEE countries (Bertelsmann Stiftung (BS), 2012; Economic Intelligence Unit (EIU), 2011; Freedom House, 2012). Economic recession since the mid-2000s (OECD 2012a), high budget deficit (9.4% of gross domestic product (GDP) in 2006) and the increasingly sharp split between the political left and right (culminated in violent riots organized by the extreme right wing and promoted by the moderate right in 2006) have accentuated the inherent volatility (Szikra and Tomka, 2009) of the welfare system of Hungary by the end of the decade.

The Conservative coalition of Fidesz – Hungarian Civic Union and the Christian Democratic Party (KDNP) – having gained a landslide victory at the 2010 elections, has embarked on radical reforms in nearly all areas of the welfare system in a very short period of time. What makes the Hungarian case especially interesting is that while changes have affected a wide segment of the society, there have been no widespread protests against them and no veto players have prevented their implementation. We argue in this article that fundamental change in a very short time has been achieved through eliminating barriers from the way of the executive power. Former democratic institutions have remained in place but substantial elements of democracy, like participation and the protection of minority rights, have largely been eradicated (BS, 2012), and this has had devastating consequences for social rights as well. The function of the parliament has been limited to being a 'rubber stamp' on legislations initiated by the coalition (e.g. Krugman, 2011). Bureaucrats, who could have precluded reforms, have been successfully put down by new regulations, such as the compulsory retirement of civil servants and judges at the age of 62 and by the novel possibility of the 'emergency dismissal' of civil servants in case of 'loss of trust' (Act CXCIX/2011). Other stakeholders, like trade unions, have been pacified by small concessions concerning the (originally much more severe) new Labour Code (Act I/2012) and social insurance legislation. The Constitutional Court, an important player in protecting fundamental rights in the Visegrád countries, has been gradually sidelined through various measures since the summer of 2010 (see details below). We are going to show in this article that several social policy–related measures have been incorporated into the unilaterally adopted constitution (Fundamental Law, 2011) and 'cardinal acts' to ensure that changes would last beyond one political term. Shifts in welfare policies, at the same time, sharply divide the political arena and are often against people's actual lifestyles, which, eventually, might lead to political action.

Another peculiar feature of welfare reforms in Hungary is that the direction of changes, although affecting the poorest to a disproportionate extent (Kósa 2012), does not follow a uniform neo-liberal pattern of retrenchment. Rather, the 'emergency' reforms (Inglot, 2008) of the past 3 years have been characterized by a mixture of neo-liberal, *étatist* and neo-conservative elements; such radically opposing elements have not been present elsewhere in the region. The neo-liberal agenda is best illustrated by the fact that Hungary (along with Greece) has been one of the few countries within the European Union with a massive welfare state retrenchment during the crisis years, with real social spending decreasing by 13–14 percent between 2008 and 2012 (Organisation for Economic Co-operation and Development (OECD), 2012b). Social policy reforms have not been aimed at providing social protection to the most vulnerable groups of society and a reverse redistribution towards the wealthy has taken place since 2010 (Szívós and Tóth, 2013). At the same time, we observe an increased involvement of the state in the administration of nearly all policy areas: the centralization of the primary education and the healthcare systems (with schools and hospitals taken over by the state from the municipalities since 2013), the rapid nationalization of the pension system and the takeover of public works programmes by the Ministry of Interior are some cases in point. A pronounced neo-conservative agenda has also emerged in the field of education and family policies with the growing influence of churches, especially the Catholic Church, in setting the ideological frame of policies by means of the new constitution and by taking over an increasing number of kindergartens and schools. The explicit promotion of the 'traditional family' as opposed to gender equality and liberty to choose one's own lifestyle is also a part of this agenda.

The structure of this article is as follows: first, the most important political changes since 2010 and their effects on social policy are summarized with a focus on the new constitution. Then, three case studies illustrate the neo-liberal, *étatist* and neo-conservative turn of social policies in Hungary:

1. Reforms in the pension scheme with a focus on the nationalization of a formerly private pillar and drastic cuts in social insurance rights;
2. The new unemployment benefit system, characterized by curbing social rights of the unemployed and replacing activation policies with a compulsory public works programme;
3. The new family policy, illustrating a reverse redistribution from poor to rich families while also showing how the cabinet intends to strengthen conservative and patriarchal family values.

The impact of changes is briefly considered in the conclusion, focusing on the polarization of society and an increase in deep poverty, especially, but not only, among Roma. The last section also refers to the possible role of the European Union in handling the effects of volatile political and welfare systems in some member states.

Dismantling democracy

The conservative coalition of Fidesz–KDNP has used the global economic crisis to justify 'unorthodox measures' in the political and economic sphere, in particular to remove democratic barriers from the way of the executive power. The acting party president of Fidesz, Lajos Kósa, indicated as early as June 2010 that in a crisis situation, 'economic constitutionality can be suspended' (Index, 2010). At the same time, their two-thirds majority in Parliament provided the opportunity for the coalition to carry out paradigmatic changes and offer radical and rapid 'solutions' to some of the long-existing social and economic problems, including the financing of the pension system and low employment and fertility rates.

The extreme speed of the legislation is illustrated by the fact that more than 700 acts have been implemented within 3 years, including the new constitution and cardinal acts (Hungarian News Agency (HNA), 2013). One of the most significant methods of avoiding public consultation has been the extensive use of private bills in Parliament to which procedural rules of consultation and proper debate in Parliament do not apply (European Parliament (EP), 2013: 12). The majority of the politically important bills were handed in by individual Fidesz members of parliament (MPs) instead of the government, including the Fundamental Law, as well as many of its amendments and most of the cardinal laws (e.g. EP, 2013; Scheppele, 2012). Special forms of the legislative process that were earlier used only in emergency situations to solve burning problems affecting the wider public (like natural catastrophes) have turned into tools for rushing 'ordinary' legislation through on issues like the pension reform and access to public information, taking just a few hours for acts to pass after being handed in (Dobszai, 2013).

While civil society, experts and trade unions found it increasingly difficult to follow legislation, tripartite negotiations and civil consultation have been cancelled altogether. The prime minister declared in the summer of 2010 that 'the two-thirds majority means that the population have legitimized the government's decision-making without the consent of the NIRC (National Interest Reconciliation Council)' (BS, 2012: 11; see also Neumann and Váradi, 2012: 44; Szabó, 2013: 210). The earlier system of distribution of state funds to civil organizations (non-governmental organizations (NGOs)) through a self-elected body (National Civil Fund (NCA)) has been dismantled and replaced by a loyal leadership; institutionalized consultation with civil organizations stopped.

The speedy nomination of those loyal to Fidesz to the top most important economic, social, cultural and judicial positions in Hungary has led to a loss of independence of the most important institutions of democratic checks and balances. To provide but a few examples, the new President of State, János Áder, has been a founding member of Fidesz and a friend of Viktor Orbán since the mid-1980s. György Matolcsy, prime confidant of the Premier has been directly appointed to the head of the Hungarian National Bank from his chair as Minister of National Economy. Political debates and the possibility of developing alternative political interpretations have also been limited by the speedy 'colonization' of the public media by Fidesz (Bajomi-Lázár, 2013).

The 1989 constitution was amended several times and a new constitution was rushed through in an exceptionally short period (1 month) with no possibility for substantial public debate. The ruling party enacted the constitution without votes from the opposition parties, contributing to the division rather than the unification of the Hungarian nation (e.g. Lendvai, 2012; Tóth, 2012). Scholars of the new political system agree that these changes grant an almost unlimited power to Fidesz, and that undoing such development will be difficult (Bánkuti et al., 2012; Jenne and Mudde, 2012; Kornai, 2011; Tóth, 2012).

The Fundamental Law abandoned the idea of a secular state based on a pluralist society. Its 'Preamble' is an ideological statement that stresses the role of Christianity in 'preserving nationhood' and explicitly refers to Catholicism. Most Hungarians are at the same time non-religious and only a fraction are observant Catholics practising their religion on a weekly or monthly basis (Rosta, 2011). While 'family', 'nation', 'work' and 'order' are key concepts used in the Fundamental Law, the principle of equality is not part of the text. To the contrary, 'many provisions have an anti-egalitarian character' (Kovács, 2012: 171). The Fundamental Law has severely limited the scope of the Constitutional Court. Abolishing the ex post review of budget-related laws, including legislation on taxation and social insurance (EP, 2013: 12), is of central importance from a social policy perspective, as the case of pension reform illustrates in this article. It can be argued that there is no constitutional control over a wide range of governmental activities any longer, including social policy legislation (Sólyom, 2013).

The new constitution has been amended five times since its enactment. Its Fourth Amendment provoked international uproar, including a letter from José Manuel Barroso to Viktor Orbán, as it integrated measures into the text that the Hungarian Constitutional Court had previously found unconstitutional. A number of these changes directly affect social policies. An outstanding example is Article 22, granting power to local authorities to criminalize homelessness 'in order to protect public order, public security, public health and cultural values' (Fundamental Law, 2011). This practically means that local authorities may continue with their recent practice of fining the homeless for sleeping rough (see, for example, Gorondi, 2013; Verseck, 2013). The parliament has also enacted over 40 'cardinal laws' that can only be modified by a two-thirds parliamentary majority (e.g. Bánkuti et al., 2012: 3). Most cardinal laws regulate issues that are decided by simple parliamentary majority in other European countries, and thus, it will be difficult for any future government having a simple majority 'to respond to social changes' which can 'potentially diminish the importance of new elections' (EP, 2013: 21).

'Take the money and run': The pension reform

The global financial crisis has uncovered the economic and political problems of the governing of pension systems in Europe and beyond. Diminished returns of private funds have revealed 'the limitations of pension fund capitalism', while high public debt has narrowed the scope of any potential manoeuvre of welfare arrangements available to governments (Ebbinghaus et al., 2012: 241; Guardiancich 2013). These problems have proved to be more fatal for CEE countries that have had partially privatized pension systems since the late 1990s and the early 2000s (Müller, 1999; Orenstein, 2008) and that have been hit harder by the crisis than Western European welfare states. The central issue has become how to finance the increasing transition costs of pension privatization from shrinking government resources (Drahokoupil and Domonkos, 2012: 286). Most of these countries have chosen to temporarily re-direct part of the contributions paid to the private funds to the state budget. The Hungarian government took a step further and decided to nationalize private pension assets and to eliminate the private pillar altogether (Simonovits, 2011). This way Hungary returned to its pre-1998 mandatory pension system, consisting of a sole pay-as-you-go (PAYG) public scheme, that was developed after the Second World War (Inglot, 2008; Szikra, 2009). The voluntary pillar, introduced in 1993, has remained intact.

The two-thirds majority in Parliament has enabled Fidesz to implement long-planned reforms in the pension system, including the elimination of early retirement benefit schemes (Act CLXVII/2011). It has become a basic rule that no one can receive old-age pensions under the age of 62 after 2012. An exception has been made for women with 40 years of contributions – a novel attempt to link pro-natalist family policy aims with the old-age pension system. In the case of civil servants and judges, however, it is not a possibility but a *compulsion* to retire at the age of 62. Although no official explanation has been given to this legislation, political analysts consider this as an implementation of the anti-communist ideology of Fidesz to dismantle 'clotted structures' (see, for example, Vári, 2012), that is, to replace the 'old' elites with ones that are loyal to the conservatives. Another explanation might be that salaries of young professionals tend to be lower than that of their older colleagues, and this saves resources for the treasury. The separation of disability benefits from the old-age pension scheme (Act CXCI/2011) has likewise become a part of the neo-liberal austerity package of the Structural Reform Programme (Ministry of National Economy (MNE), 2011).

The biggest financial gains have, however, been made by the nationalization of private pensions. The private pillar, propagated by the World Bank in the 1990s, was introduced following the 'Argentinean model' by the socialist–liberal coalition in 1997 (Müller, 1999). Instead of building a new scheme on top of the existing one, the new pillar was 'carved out' from the old PAYG scheme: about a quarter of the mandatory contributions were channelled into the private pillar (Simonovits, 2011: 83). Membership became compulsory for new entrants to the labour market implying that in the long term 'the mixed system would become universal' (Augusztinovics et al., 2002: 38). Despite high administrative costs, the low level of transparency and low returns (e.g. Augusztinovics et al., 2002; Czajlik and Szalay, 2005), the private pillar has become surprisingly popular. Three-quarters of all employees (approximately 3 million people, including about 2 million older employees for whom the private pillar was not mandatory) entered private funds which accumulated an amount equal to about 10 percent of the GDP by 2011 (Simonovits, 2011).

Fidesz has been opposing the privatization process from the very beginning on anti-capitalist and nationalist grounds. The major reason, however, for the Orbán cabinet to reform the pension system was the huge burden transition costs meant for the budget. These amounted to about 1.3 percent of the GDP in 2011 (Simonovits, 2011), and hindered the implementation of one of the central elements of the governmental programme, the introduction of a 16 percent flat-rate personal income tax. To be able to meet the Maastrich-criteria of keeping the government deficit below 3 percent of the GDP, and at the same time achieve its ambitious aims, the cabinet turned to the European Commission and asked for the deduction of the transitional costs of the privatised pension system from the amount of the government deficit.[2] In its decision in August 2010, the Commission insisted on the original deficit ceiling for reasons including the permanent overspending of Hungary and also the fear that the Greek debt crisis would be repeated in the Eastern European region (Simonovits, 2011: 89). The government nevertheless remained committed to the tax reforms, and the related bill was adopted by the Parliament in mid-October 2010. Just 10 days later, the cabinet announced, and the Parliament accepted despite the protest of opposition parties, that contributions due to the private pension funds would be directed to the treasury for 14 months (Act CI/2010) as well as the possibility that private pension fund members could return to the public pillar (Act C/2010). Re-directing resources from private funds was thus linked to the tax-reform and the strict requirements provided by the European Commission on budget deficit. Very soon, in late November, the more radical plan to completely eliminate the private pillar was introduced to the Parliament by the Minister of National Economy, and by 13 December, it was accepted without public debate or consultation. Instead of directly confiscating private pension assets, the new legislation declared that those who stayed in private pension funds would not be eligible for the future accrual of a state pension although their employers would be obliged to contribute to that scheme as well.[3] The justification of the bill was that 'those who do not return to the public pension scheme will, as it were, "opt out" from the national social security system' (Bill T/1817:12). Members of private pension funds had just a month to make a decision, and finally, 97 percent 'opted' for the public scheme.

Instead of organizing large-scale demonstrations, private pension fund members turned to the Hungarian Constitutional Court against the infringement of their property rights. They had little chance of a legal remedy as the (old) constitution had been amended just before the new bill on the private pension funds was submitted. In mid-November, a bill (handed in by a Fidesz MP, and modified just a few hours before enactment) initiated the ceasing of the right of the Constitutional Court to reverse legislation on 'national and local budgets, contributions and taxes' (Bill nr. T/1445). The removal of fiscal laws from the jurisdiction of the Hungarian Constitutional Court, originally meant as a temporary measure, was later made into a firm part of the new Fundamental Law, with the consequence that '[t]he Parliament can now enact fiscal laws that violate the constitution and individual rights, and the Constitutional Court is not just temporarily but permanently barred from reviewing them' (Halmai and Scheppele, 2012: 12.). A year later, private fund members regained their rights to accruals in state pensions. By this time, however, only a small fraction of the formal members remained in the private pillar.

Contributions by private fund members, as well as all accumulated assets of former members, were automatically transferred to the newly created 'Fund for Pension Reform and the Decrease of the Deficit' (Governmental Decree 87/2011), the management of which has been far from transparent. It is estimated that about half of the amount was spent on decreasing the budget deficit, which dropped to a record low of 1.9 percent in 2012 (Eurostat, 2013). At the same time, due to various transactions and economic processes (including the devaluation of the Hungarian Forint), the explicit debt of the Hungarian state has not been reduced successfully, and reached 82.4 percent of the GDP by 2013, the same rate as in 2010 (Eurostat, 2013). The creation of notional personal accounts in the public pension scheme, promised by a governmental declaration in December 2010 to calm down private fund members, is still pending.

The confiscation of private pension funds within just 2 months, without debate and with no compensation to previous members, has yet been unprecedented in the developed world. The closest antecedent has probably been the Argentine pension reform, where the private pillar, created during the early 1990s, has been nationalized as a reaction to the global crisis in 2008, although with the support of the opposition (Orihuela, 2008). The idea to decrease public debt through the nationalization of formerly privatised pension funds seems to spread quickly in CEE countries: the Polish government has recently announced a similar step leading to major public discontent (e.g. Goettig, 2013). The conservative cabinet of Hungary, truly confined by global financial circumstances, acted as if the country was in a state of revolution where the end justifies the means. The 2010 Hungarian pension reform has been an extraordinary example of a 'permanent pension reform' in the country (Augusztinovics et al., 2002), a symptom of 'emergency welfare states' in operation in the region (Inglot, 2008).

'Down by law': The public works programme

The explicit obligation of unemployment benefit recipients to engage in activation measures as well as the spread of 'work first' programmes has been typical trends all over Europe in the last decade (Clasen and Clegg, 2011: 9). Struggling with an astonishingly low employment rate (61.2% of men and 50.6% of women aged 15–64 years were employed in 2011; Fazekas et al., 2013: 344), Hungary has been no exception to the rule: a series of reforms to activate the long-term unemployed have been implemented since the early 2000s. What is important is that the former socialist cabinet linked social assistance to public works in 2009 paying the minimum wage to public workers (Duman and Scharle, 2011). Arguing that earlier programmes have been too fragmented and left loopholes for people to 'avoid work', the new conservative government has set out to radically reform labour market policies. A new Labour Code, favouring employees, was adopted in 2011 (Szabó, 2013), and the length and the level of unemployment benefits have been cut, like in case of the Hartz reforms in Germany (Dingeldey, 2011). The post-2010 Hungarian reforms have been distinct, however, due to the inordinate scale of cuts, the nearly total replacement of active labour market policies with a punitive public works programme and the fact that its principles have been included into the new constitution.

The government's grandiose plan has been to establish a 'workfare society' (*munka alapú társadalom*) as a positive alternative to 'the decline of Western welfare states' (Orbán, 2012) and to create 1 million jobs within 10 years (Hungarian Government, 2011). The cult of 'work' has been integrated into the Fundamental Law accordingly, stating that 'every person shall be obliged to contribute to the enrichment of the community to their best ability and potential'. Article 19 limits social rights to a 'set of risks' including unemployment, but only in case it was 'not caused by citizens' own actions'. Furthermore, '[t]he nature and extent of social subsidies are to be determined according to "the usefulness of the beneficiaries" activities for the community'. The Constitution, however, does not give guidance as for who is to determine the 'usefulness' of citizens' work. Since the acceptance of the Fundamental Law in April 2011, citizens are entitled to social rights only if they fulfil their work responsibilities, a measure that excludes the 'idle poor' from social rights.

Unemployment insurance has accordingly been reduced from 9 to a maximum of 3 months (modification of Act IV/1991), which is currently the shortest period within the European Union (Missoc, 2013). The amount of social assistance (to be received after the period of unemployment insurance has expired) has been nominally cut from 20 to 15 percent of the average wage (modification of Act III/1993). Both of these benefits have been linked to the acceptance of employment opportunities regardless of the recipients' educational levels or skills. If there are no employment opportunities, one is obliged to join the public works programme for at least 30 days (Act CVI/2011). When failing to enter the public works programme immediately upon call, one risks being excluded from the social assistance system altogether. Besides the work-test, strict behaviour tests have been imposed upon benefit claimants: as of January 2012, local governments can exclude unemployed people from social assistance and public works in case they would not keep their houses and gardens 'tidy' (Act III/1993). The latest modification of the act (September 2013) allows for exclusion also in the case of a child of the beneficiary who is caught truanting from school.[4]

The original name of the new public works programme, 'National Work Plan', reminds one of the totalitarian regime of the 1930s in Hungary when a programme with the same name was initiated by the autocratic and anti-Semitic conservative politician, Gyula Gömbös. He envisioned a boost of the heavy industry by providing 'work instead of welfare', and denied 'any form of social assistance to the able-bodied' (*Nemzeti Munkaterv* (National Work Plan), 1932). The name of the programme was changed to '*Hungarian* Work Plan' (*Magyar Munkaterv*) after the link to Gömbös' programme was revealed by the media (Amerikai Népszava, 2011). Still, the administration of the programme has been moved to the Ministry of Interior, similarly to the activation programmes in the 1930s and 1940s, a fact proudly acknowledged by the minister himself (Fekete, 2011).

While the overall spending on unemployment has decreased substantially and the capacity of job centres has been drastically cut (Elek and Scharle, 2011), the amount spent on the public works programmes doubled between 2011 and 2012. Public workers, the vast majority of whom have been engaged in physical work in forestry, waterworks and local renovations, are not protected by the new Labour Code. A special 'public works minimum wage' was created at 70 percent of the national minimum wage. Paid weekly, rather than monthly, the pattern of the minimal wage copies the traditional remuneration of (agricultural) day-labourers, rather than regular labour contracts. Local authorities have the right to deduct any due payments from the salaries of public workers: those indebted with communal payments might see only a fraction of their salary. No wonder that the rate of the registered unemployed not receiving any social assistance or benefits grew from 40 to 52 percent between 2010 and 2012 (Cseres-Gergely et al., 2013: 34), whereas a growing number of unemployed decided not to register.

Having received hundreds of complaints, the Hungarian Ombudsman investigated the public works programme and argued that the problems most frequently arise are due to a lack of public work opportunities (Ombudsman of Fundamental Rights, 2012). As local governments are not obliged to organize public works for *all* the unemployed in their area, many people fail to meet the required 30-day's attendance in such programmes, leading to their exclusion from social assistance. This loophole is blatantly misused by some racist mayors who have mainly excluded the Roma from this programme. Roma women in Gyöngyös, a small town in North-East Hungary, for example, turned to the Ombudsman stating that they were excluded from the public works programme due to their 'wearing traditional costumes' at work (Ombudsman of Fundamental Rights, 2012: 2). According to a human rights watchdog that regularly reports on villages run by the Hungarian extreme right wing party, Jobbik, Roma are not given enough information about public works programmes and often face extremely humiliating conditions if they are included (*Társaság a Szabadságjogokért* (TASZ), 2013).

There has been no monitoring or evaluation of the Hungarian Work Plan. Earlier research indicates that the chance of unemployed people (re)entering labour market slightly *decreased* in villages with extensive public works programmes (Köllő and Scharle, 2011). The government communicates the programme as success because public workers have been counted as 'employees' instead of 'unemployed', thus contributing to the slight increase of employment rates (62.5% for men and 52.1% for women in 2012 (Hungarian Central Statistical Office (HCSO), 2013)). The real winners of the public works programme have been local mayors who can get access to cheap labour to do communal work, build gutters and so on (Koltai and Kulinyi, 2013). Schools and even emergency services have been reported to have fired public employees and taking on public workers instead, thereby further decreasing the chances of effective and protected employment (Ombudsman of Fundamental Rights, 2012). Some argue that the increasingly harsh policy of Fidesz on public works serves the purpose to attract voters of the extreme right wing party (Jobbik) by fuelling anti-Roma and anti-poor sentiments (Gall, 2013; Rádi, 2013). Surely, the long-term unemployed and especially the Roma have been the greatest losers of this reform, due to the cuts in benefit levels and the possibility of being excluded from the social assistance system as a result of local mayors' arbitrary decisions that have no chance for legal remedy. Such exclusion means that the 'idle poor' are increasingly deprived from social rights to any financial assistance, which is in line with the new constitution.

'Honey, I shrunk the kids': Family policies

Family policies have enjoyed a priority over a long time period in the history of Hungarian social policy (Glass and Fodor, 2007; Szikra, 2011). Long parental leaves, established under state socialism with the aim to increase birth rates and to keep mothers away from the labour market, have been kept and even been extended after the fall of state socialism; still, birth rates have been steadily decreasing since the 1960s, reaching a negative record of 1.23 total fertility rate (the number of children born per women) in 2012, the lowest within the European Union (Eurostat, 2012). While they do not seem to induce higher birth rates, long parental leaves keep mothers at home for an average of 5 years, and thus contribute to low female employment rates (Bálint and Köllő, 2008).

Socialist governments have twice attempted to reduce long parental leaves unsuccessfully: once in 1996 with the elimination of earnings-related, 2-year-long parental leave (*Gyermekgondozási Díj*, GYED) and then in 2009 with the reduction of flat-rate, 3-year-long child care allowance (*Gyermekgondozási Segély*, GYES) to 2 years as part of austerity packages. In both cases, the Orbán cabinet restored long leaves, in order to give back the 'right of mothers' to stay at home with their children. Even more than long leaves, family allowance and family tax credits have become a battlefield between the two major political forces in the last two decades. Socialist governments focused on child poverty and argued that 'every child counts equally', thus increasing universal child-allowance, family-related social assistance and decreasing tax credits (Inglot et al., 2012). Conservatives, in turn, declared in 1998, and again in 2010, that family policies should be detached from social policies and instead be aimed at boosting fertility rates among 'working families'.

We can distinguish two types of measures implemented by the present conservative cabinet to achieve its aim: first, assuming that the 'liberalization' of relationships has been one of the main reasons for declining birth rates, the Orbán government initiated the restoration of 'traditional family values' and has fought against gender equality and homosexual relationships. Second, a generous tax-credit system has been introduced, providing increased financial support for better-off families.

The centrality of the 'traditional family' in the present-day conservative ideology is best illustrated by the fact that this notion has been incorporated into the newly implemented constitution which states that '(t)he family shall be … based on the marriage of a man and a woman' (Article L). The exclusionary definition of the 'family' not only prevents marriage between same-sex couples but also discriminates against thousands of heterosexual cohabiting couples and their children. Such definition has earlier been found to be anti-constitutional and was thus downturned by the Constitutional Court. As a reaction, the government decided to include it into the new constitution with the Fourth Amendment of the Fundamental Law. There has been a setback in all areas of gender equality, including the participation of women in politics (e.g. European Women's Lobby (EWL), 2012). Certainly, Hungary today exhibits the lowest share of female MPs within the European Union, with no more than 8.8 percent (Inter Parliamentary Union (IPU), 2013). The only consultative body dealing with gender issues (the Council for Social Equality among Women and Men, set up in 2000) has been disbanded, and thus, interaction between the government and women's organizations has stopped (Juhász, 2012; Szikra, 2013).

The other important line of policies has been the expansion of income of better-off families and the shrinking protection of poor families. The expectation of conservative governments (both between 1998 and 2002 and since 2010) has been that increased resources for better-off families would boost fertility rates among them (e.g. Lakner, 2006; MNE, 2012), while it has been tacitly assumed that decreasing or devaluing universal and means-tested benefits would prevent poor (and Roma) families to have more children.[5] The differential treatment of low-income and better-off families has been present since the 1930s and was part of the state socialist 'population policies' as well (see Gábos and Tóth, 2000). [6] Following this tradition, the new conservative cabinet has provided better-off 'working' families with remarkable financial resources through tax credits – despite the crisis and the general cutback in social spending. Families with one or two children have gained 7 percent of the average salary per child per month in 2012, while larger families can keep 23 percent of the average salary per child. For example, the net income of a family with four children may increase by the amount of the average salary in case they have enough deductable income (see detailed tables in Inglot et al., 2012). Meanwhile, the earlier compensation for low-income earners has been terminated, and universal family allowance (received also by 'non-working' families) has not been indexed since 2009 and has lost about 20 percent of its value.

Providing increasing resources to better-off families, however, did not lead to the growth of birth rates. Right to the contrary, the total number of childbirths has been significantly lower than it was under the socialist government which was not concerned with fertility rates (HCSO, 2013). With the celebration of traditional family values, the government goes against the slight shift towards liberalization of family roles since the mid-2000s (Blaskó, 2011).[7] The new system of family-related payments, together with a decrease in unemployment benefits, has, at the same time, contributed largely to the polarization of society and an increase in poverty (Szívós and Tóth, 2013).

Conclusion

Post-socialist states have experienced two waves of crises since the mid-2000s. Economic downturn and political tensions occurred following their EU accession, while the global crisis led to recession and increased unemployment, protracting already existing social problems and fostering the inherent volatility of CEE welfare states. Socialist governments in Hungary reacted to the crisis with cuts in the welfare system during 2008 and 2009. The conservative coalition, taking over in April 2010, continued with austerity in certain social policy fields but also engaged in a drastic turnover of the whole political and welfare system. Fidesz and its minor coalition partner, the KDNP, have used the crisis as a justification and their two-thirds majority as an opportunity to carry out major reforms in an emergency manner (Inglot, 2008), acting as if the country was in a 'revolutionary' situation. In politics, this meant the elimination of checks and balances (including the Constitutional Court) from the way of the executive power as well as the adoption of a new constitution and cardinal acts without the agreement of opposition parties. Tripartite negotiations have ceased and consultation with civil society stopped. The Fundamental Law has been, as we have shown in this article, amended several times according to the interest of the government, leading to important social policy changes that are now carved in stone and thus limit the opportunity of forthcoming governments to adopt change. There has been minor protest against these reforms, especially if compared to the reaction of other Visegrád countries to similar governmental efforts.[8]

The directions of welfare reforms have been diffuse, embracing opposing ideologies of neo-liberalism, *étatism* and neo-conservatism. The case studies of the pension reform, the unemployment benefit system and family policies presented in this article well illustrated these policy shifts. Ideological diffusiveness has not only occurred between but also *within* social policy fields. For example, stopping early retirement can be considered a characteristically neo-liberal policy, while obligatory retirement at the age of 62 is more of an autocratic *étatist* measure that goes against liberal norms and the activating aims of the European Union. While cutting unemployment insurance benefit to the record-low period of 3 months is a radical neo-liberal workfare measure, centralization of the public works programme and the eliminating of local initiatives and flexible, individualized solutions resembles the *étatism* of state socialist and pre-war regimes. The introduction of 16 percent flat personal income tax (a neo-liberal idea) combined with very generous child tax credits were supposed to create work incentives while also boosting fertility rates among the better-off. At the same time, as part of a conservative familialist agenda, long parental leaves have been restored which keep women away from the labour market. Traditional family values have also been incorporated into the Fundamental Law. The lack of clear policy plans on envisioned changes and the complete absence of monitoring processes add greatly to the volatility of the Hungarian welfare state and contribute to the further decrease of trust in welfare and public institutions (Oorschot et al., 2012; Szívós and Tóth, 2013).

From among all the diffuse policy directions, there is one which stands out: the lack of efforts to protect the most vulnerable from the effects of the crisis. The 'able-bodied' poor have been increasingly punished for their own situation: homelessness became criminalized and social assistance withdrawn for an increasing share of long-term unemployed. Such policy agenda can be contrasted to that of the 'embedded neo-liberalism' of the 1990s when the 'losers of the transition' were better protected against deep poverty (Bohle and Greskovits, 2012). Social policy has lost much of its poverty-reducing potential recently – no wonder that research indicates a polarization of the society (Szívós and Tóth, 2013). The relative poverty rate (calculated as 60 percent of the median income) grew from 13.6 in 2009 to 17 percent in 2012, and the rate of child poverty increased from 21 to 26 percent in the same period (Szívós and Tóth, 2013: 42). Another calculation shows that the number of those living below subsistence level has reached 4 million out of the 10 million Hungarians (Ferge, 2013). Poverty has an increasingly 'ethnic' face: whereas approximately 5–10 percent of the total population belongs to the Roma minority in Hungary, one-third of all poor people was Roma in 2012 as compared to 20 percent in 2007 (Szívós and Tóth, 2013: 46.). No less than 90 percent of Roma Hungarians live in severely deprived circumstances, including no possibility of eating meat every second day, and afford proper heating during the winter (Szívós and Tóth, 2013: 47). Consequences of lost employment opportunities and decreased social protection include the boost of migration out of the country especially among middle-aged skilled men (Sik, 2012).

The Hungarian case also highlights the general connection between crisis, democracy and the role of the European Union. Hard economic times seem to mean 'hard times for democracy, particularly when it is new and fragile' (Diamond, 2011: 17). Does the EU membership actually mean more democracy and welfare for the European countries? The European Union has remained very strict with candidate countries regarding compliance with the common values but 'lacks effective monitoring and sanctioning tools once they have joined the EU' (EP, 2013: 35). Can the European Union be a protector of democratic values, human dignity and social rights or is it only prepared to monitor and sanction the macro-economic stability of member states? Recent suggestions to establish a 'democracy watchdog' within the European Union might be worth listening to. Such an institution would work to prevent the spread of undemocratic practices elsewhere in Europe (Müller, 2013), and it could also mean more say for those most affected by dismantled welfare systems.

Acknowledgements

I am grateful for comments by anonymous referees and editors of *Journal of European Social Policy* as well as the discussion group of RC19 2013 in Budapest. Suggestions by Adrian Sinfield, John Veit-Wilson, Ágota Scharle, Zoltán Miklósi, Emese Rasztovich, Eszter Varsa, András Feig and Mi Ah Schøyen proved especially valuable. Failures remain mine. The manuscript has been closed in January 2014; changes following that time have not been included.

Funding

This research received no specific grant from any funding agency in the public, commercial or not-for-profit sectors.

Notes

1. The concept of 'post-accession crisis' refers to the economic recession and (related) political problems that occurred in the Central and Eastern Europe (CEE) countries following their 2004 and 2007 EU accession (Ágh, 2013; Bohle and Greskovits, 2012).
2. New member states (NMS) partially privatizing their pension systems had the opportunity to deduct transition costs from their budget deficit until 2010. Hungary, alongside with other countries, asked the European Commission for the extension of this derogation – without success.
3. To avoid scrutiny by the Constitutional Court on grounds of gained social insurance rights, contributions paid by employers have been re-named to 'social tax' (*szociális hozzájárulási adó*) to which no future claims could be attached. See Act CLVI/2011.
4. Truancy has been defined as missing more than 50 classes per term. The rules of exclusion from benefits are complicated and non-transparent, and may last for 2, 3, 12 or even 14 months.

5. Roma families tend to have more children than non-Roma families. Research, however, shows that this is strongly linked to the lack of infrastructure, employment and education opportunities. Once families get out of this situation, they tend to follow the same fertility pattern as the majority (see Durst, 2007; Janky, 2007).
6. An important measure in this respect was the 1985 legislation on earnings-based long parental leave (*Gyermekgondozási Díj* (GYED)) with the intention to boost 'quality child-bearing' (see Varsa, 2005; Szikra, 2011).
7. For example, non-marital births have been growing steeply since 1990, and amounted for 44.5 percent of all childbirths in 2012, which is a rate similar to that in the United Kingdom (Eurostat, 2013).
8. Besides Polish demonstrations against the reforms of the pension system and the labour code, we have to note that in the Czech Republic, the Constitutional Court has recently managed to stop the extension of the punitive public works programme (Czech Republic Constitutional Court, 2012).

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