

Persistence of low fertility in a changing policy environment in Hungary

Policy Brief No. 9

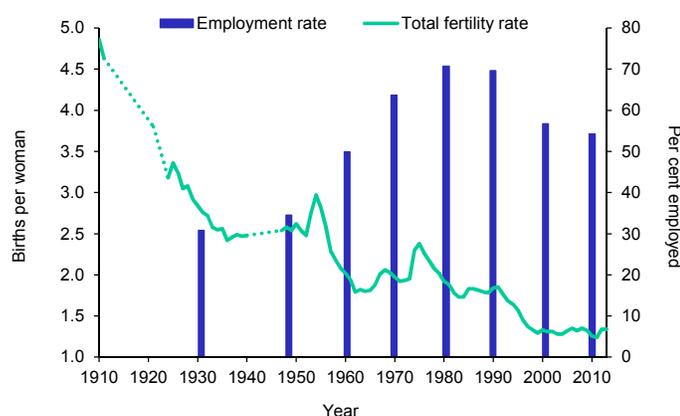
The history of Hungary since the Second World War can be divided into two periods marked by profound structural change: the communist period beginning in 1949 and the modern capitalist period starting in 1989–1990. Under both systems, institutional policies and programmes relevant to fertility were introduced and modified continuously. The communist period was characterized by the steady expansion of programmes designed to support fertility, while the capitalist period has seen policies and programmes that fluctuate under different political regimes.

As of 2013, Hungary was spending more on programmes that support families than most countries in Europe, but the total fertility rate, at 1.34 births per woman, was among the lowest in the region.

Fertility trends since the Second World War

The decades following the Second World War were characterized by a significant long-term decline in fertility marked by short-term fluctuations. Under the communist regime, fertility reached a low at 1.79 births per woman in 1962. Marriage was nearly universal and childbearing typically began in the early 20s. The share of large families (four or more children) declined, but childlessness and one-child families also declined, and families with two children became common.

Total fertility rate and employment rate of women aged 15–54, Hungary, 1910–2013



The change of regime in 1989–1990 created essentially new conditions for childbearing. Fertility dropped particularly between 1992 and 1998, and women’s mean age at first birth rose steadily — from 23.4 years in 1995 to 28.2 years in 2010 — encouraged by expansion of higher education. The

increase in age at first birth slowed down and then came to a halt in 2011, but this was not accompanied by a rise in the total fertility rate.

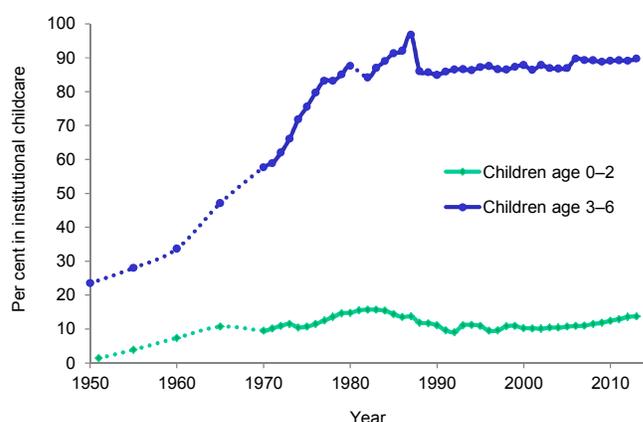
The fertility context under communism

During the communist era, economic growth was facilitated by the rapid expansion of industrial employment, including the employment of women. In 1949, 35 per cent of women aged 15–54 were employed. In 1960, 49.9 per cent of women in this age group were full-time employees, and by 1970, 63.7 per cent were employed full-time.

Female employment was generally on a full-time basis, but it was not accompanied by a matching expansion of childcare services, especially for young children. One result was a steep decline in fertility.

Population policies adopted in 1967, 1973 and 1985 included a generous family allowance, a long parental leave with pay, free day care for young children, housing benefits and price subsidies for items consumed by children. The family allowance was expanded several times, and by the 1980s, more than nine tenths of children under age 16 were eligible. The real value of family allowance per child increased from only 5.2 per cent of average earnings in 1960 to 21.2 per cent in 1990.

Percentage of children aged 0–2 years and 3–6 years in day-care centres, nursery schools and kindergartens, Hungary, 1950–2015



The Government set out to increase childcare capacity for children aged 3–5, and enrolment rates rose steadily through the late 1980s. The responsibility to provide care for children aged 0–2 was largely passed on to employers, however, and

enrolment rates grew much more slowly. As with other public services, centre-based childcare was offered free of charge.

Although capacity was expanding, the availability of institutional childcare could hardly match women's rapidly increasing employment levels. In 1967, the introduction of a long, paid maternity leave allowed women to take care of their young children at home. Employed women were provided 2.5 years (later 3 years) of maternity leave with financial support at a flat rate, equivalent to almost 40 per cent of mean female net earnings. Once maternity leave expired, the employer was obliged to re-employ the mother.

In 1973, special housing benefits were introduced. Families with three or more children were provided low-rent public housing, and newly married couples were granted interest-free housing loans.

Additional policy measures were adopted in late 1984, including a wage-adjusted parental leave. Mothers who were employed full-time for two years before childbirth received 75 per cent of their prior earnings until the child turned 2 years old or 65 per cent if they had worked for a shorter period. Other measures included tax relief for large families and expansion of the family allowance to unemployed parents. In addition, during the whole communist period, the Government used its system of price controls to subsidize the cost of consumer goods for children, such as clothing, shoes and baby food.

The fertility context under capitalism

After Hungary's regime change, with the emergence of free-market pricing and the elimination of price subsidies for children's consumer goods, the direct costs of childbearing increased rapidly. Costs also rose because nursery schools, day-care centres and other social services provided by employers were eliminated.

Even more significant was the emergence of economic and labour-market uncertainty. In 1992, unemployment rose from zero to 10 per cent in just one year. It became increasingly difficult for employees to hold their current job and almost impossible to get a new one. It also became much more difficult for employees to negotiate terms of employment that would help them reconcile their family and work responsibilities.

Family policy became a major battlefield within Hungarian politics. Conservative, right-wing governments favoured stabilizing the population and preventing fertility decline, while left-wing liberal governments placed more emphasis on alleviating poverty and inequality.

The first freely elected government (1990–1994) increased the amount of the family allowance and made paid maternity leave universal. The entitlement to tax relief was extended, and family childcare support was provided to parents, step-parents and guardians who were rearing three or more minor children in their own household.

The second democratically elected government (1994–1998) was socialist but committed to cutting social expenditures in order to balance the budget. The family allowance was restricted to families with per capita income below a certain level, the two-year, wage-related maternity leave was replaced by a means-

tested leave of only one year, and tax relief for child-rearing expenses was cancelled.

The second conservative government (1998–2002) restored the family benefit system almost entirely. The 1999 Family Support Act cancelled income testing and made the previous parental benefit universal. In addition, a tax-relief scheme based on number of children was introduced, which was far more generous than previous ones.

The next socialist government (2002–2010) limited the availability of tax relief to families with three or more children earning less than a specific income. Although debated, the universal family allowance was finally restored and was doubled in 2006. In 2009, due to the global economic crisis, the government reduced the parental leave from three to two years.

As expected, the next conservative government (2010–2014) restored and enlarged tax relief for families. The parental leave was also restored to three years.

Do policies affect fertility?

Studies suggest that without the measures introduced by the communist government to support families, the period of declining fertility up to the early 1960s would not have been followed by the fertility increases that came later. Since the transition to capitalism, the cancellation of earnings-based benefits and the introduction of income testing for family benefits were accompanied by an acceleration of fertility postponement, which reversed when the earnings-based benefits were restored. Overall, however, the changing family policies in recent years do not appear to have had a profound, long-term impact on fertility.

Why should this be? One explanation is that the social transition that has taken place since the fall of communism has been so profound that changes in government policies might not have a significant effect. A second explanation is that the changes in family policy have not responded adequately to the challenges raised by the newly emerging capitalist society and economy. This could be because policymakers did not recognize the fundamental challenges of the new economic order or because their responses were limited by other constraints (resources) or because their approach to family policy was motivated by other considerations (poverty alleviation). A third explanation for the limited impact of family policies could be that frequent policy changes have created a sense of mistrust in the long-term stability of family benefits.

NOTES

This policy brief was prepared as background material for the United Nations Expert Group Meeting on Policy Responses to Low Fertility. It can be found online at <http://esa.un.org/PopPolicy/publications.aspx>. Queries can be sent to PopPolicy@un.org.

The brief is based on Zsolt Spéder (forthcoming), Fertility decline and the persistence of low fertility in a changing policy environment — A Hungarian case study. In Ronald R. Rindfuss and Minja Kim Choe (Eds.), *Low Fertility, Institutions, and Their Policies: Variations across Industrialized Countries*. Springer.

The findings, interpretations and conclusions expressed herein are those of the authors and do not necessarily reflect the views of the United Nations or the East-West Center.

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