

# **Two Years after EU Accession: Risks and Challenges to New Member States**

## **Social Sphere**

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### **Executive Summary**

The admission of twelve new Member States in three years – countries that are significantly poorer and with less developed social protection systems than the EU15 – has only increased the urgency of modernising social protection systems in the EU. Among the main problems that need to be adequately addressed are the demographic shift towards an ageing population, coping with the new migration and immigration waves, and integrating immigrants and ethnic minorities. In 2005 the European Commission issued a special report on the ten new Members States,<sup>1</sup> thus recognising that they are faced with specific challenges in the field of social protection and social inclusion.

In the context of these challenges the European Commission produces annual reports on social inclusion which review the experience of Member States. As social policy is not subject to regulation at Community level, interaction between Member States is based on the so-called Open Method of Co-ordination (OMC). The OMC is designed to promote mutual learning through comparative analysis of national policies in the context of the common conceptual framework provided by the Lisbon Strategy, sharing and mainstreaming of best practices. The joint reports on social protection and social inclusion identify a series of common priorities for all Member States. With some modifications over the years, these priorities are: to increase labour market participation, modernise social protection systems, tackle disadvantages in education and training, eliminate child poverty, ensure decent housing, improve access to quality services, and overcome discrimination and increase the integration of people with disabilities, ethnic minorities and immigrants. For the purposes of this review, we have chosen to follow the logic of these priorities.

In reviewing both the entire social sphere and the individual priority areas, we have proceeded from the assumption that Bulgaria can learn from the experience of the ten countries that joined the EU in 2004. Of course, this assumption implicitly presumes that the European integration context largely shapes social policy in the new member countries – something which we realise cannot be taken for granted. Especially considering that actual EU membership in itself has not led to radical change in the EU10 as the main changes aimed at approximation were adopted even prior to accession. The changes that are occurring in the

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<sup>1</sup> Report on Social Inclusion 2005: An Analysis of the National Action Plans on Social Inclusion (2004–2006) Submitted by the 10 New Member States, European Commission, Directorate-General for Employment, Social Affairs and Equal Opportunities, February 2005.

EU10 are within the common EU process and involve the introduction of common guidelines, rules and policies in the field of social policy as well. But as noted above, social policy is not subject to direct regulation and therefore individual Member States have considerable leeway in this field.

We hope this brief review of some key aspects of social policy in the countries that joined the EU shortly before Bulgaria and Romania can provide a useful comparison and perhaps even help forecast the challenges ahead for Bulgaria's social system.

Although there are no doubt significant differences between the different countries, several common principles/directions followed by all can be identified:

#### 1. Social assistance benefits/promoting employment.

The changes in the sphere of social assistance are driven by two main purposes:

##### 1.1. Encouraging and enabling labour market participation. This practically means:

- keeping benefits (unemployment benefits, social assistance benefits and allowances) lower than the wages people can earn by working;<sup>2</sup>
- taking active labour market measures: providing incentives for employers rather than subsidised employment;
- implementing training, retraining, motivation programmes.

There is no doubt that the main challenge facing Bulgaria is how to use social assistance to create incentives for labour market participation rather than dependency. Of course, this process is contingent on the availability of jobs, that is, on the development of the national economy. But even if we put this factor in brackets, the analyses made by the Ministry of Labour and Social Policy (MLSP) show that there is often a disparity between “supply” and “demand.” As the analyses of the long-term unemployed and unemployment in some risk groups also show, one of the reasons is that the aggregate amount of benefits received by a household is often comparable to (or even higher than) the income it would get from employment. Limiting the duration of benefits may prove effective to some extent (based on the experience of other countries to date, it is impossible to make an informed judgement about that) but such a policy ought to include also positive measures, not only punitive ones. This could be done by ensuring that there is a significant difference between the minimum wage and social assistance benefits (allowances and unemployment benefits). This recommendation, however, would be difficult to implement because of the existence of a Currency Board Arrangement in Bulgaria, on one hand; on the other, the minimum wage should be raised only in the context of an overall rise of wages in the country. Otherwise the difference between wages for unskilled labour and low-paid skilled labour in a number of occupations (such as, for example, those of social workers) would be eliminated.

##### 1.2. Improving targeting of benefits: making sure that benefits reach those who need them and reducing leakage to the non-poor. This process involves determining the poverty line and the way benefits are administered: refining and verifying eligibility criteria.

Bulgaria's social assistance system was last restructured in 2003, by the amendments to the Social Assistance Act establishing a Social Assistance Agency and its territorial structures. An official poverty line was adopted in 2005, social assistance benefits being calculated mainly on the basis of the guaranteed minimum income (as in the majority of European

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<sup>2</sup> This report does not discuss pension policy.

countries). Improving targeting requires introducing a system for constant monitoring and evaluation (that is, an information system) that will allow adequate correction of the social assistance system.

## 2. Education: a chance for upward social mobility.

All strategies aimed at various risk groups (children, people with disabilities, ethnic minorities, refugees) give priority to education: pre-school and good comprehensive education as an opportunity for escaping from the poverty trap and inclusion in the knowledge-based economy.

In this connection, the following challenges facing Bulgaria can be identified:

### 2.1. Special priority on early childhood development (see the relevant chapter) – by enhancing assistance to families and developing the system of kindergartens and crèches.

It must be noted that by applying for a World Bank loan for a social inclusion project targeting children aged under six from poor families, Bulgaria will make significant efforts in this respect.

### 2.2. Reducing school drop-out rates and increasing school re-entry.

Among the main social policy instruments are free-meal programmes (“Cup of Warm Milk”), free textbooks, social assistance benefits and terminating payment of child benefits if the child does not attend school. Such programmes are not unique to Bulgaria (as this report also shows). But their effectiveness and efficiency need to be evaluated and verified.

Whereas these programmes are mainly preventive and targeted at primary-school pupils, there are hardly any programmes for secondary-school pupils whose only chance seems to be enrolling in special schools. In this connection, there is an urgent need for programmes providing opportunities for flexible education and acquisition of educational credentials (general and vocational).

### 2.3. Inclusive education for children with disabilities and children from ethnic minorities.

Programmes for desegregation and inclusion of children from ethnic minorities in “mixed” schools are compulsory. As the experience of many countries shows, however, they must be implemented very carefully because an increase in the number of children from minorities in a given school may lead better-off parents to move their children to another school.

A good practice in Bulgaria (applied on a larger scale than in Hungary, for example) is the closure of remedial (special) schools and inclusion of pupils into mainstream schools.

Unfortunately, attempts to ensure integrated education for children with disabilities (mental and physical) are still rare. A large part of these children practically remain without education, which is a direct violation of their rights.

### 2.4. Vocational education.

In Bulgaria, access to vocational training is contingent upon the level of completed education, the minimum requirement for training in almost all occupations being completed primary education. This dooms a significant number of people, mostly from disadvantaged groups, to exclusion from training, which will increasingly mean social exclusion as well. Here Hungary’s experience in providing opportunities for vocational training for people who have not completed basic education (if absent, such education is provided in the course of vocational training) is very positive.

## 2.5. Education using information technology.

Introduction of information technology in education is still a rare practice in Bulgaria as well as in the other countries under review. Pilot practices in IT training and acquisition of educational credentials merit attention.

In conclusion, it must be noted that the main challenge facing Bulgaria is developing the country's capacity to absorb EU Structural Funds: developing administrative capacity at central and local level, capacity of potential candidates (NGOs, business structures, municipalities, etc.), capacity to pre-finance projects and provide the required co-funding.

# 1. Housing

## *Overview of the Situation before Accession*

The former communist countries have had problems with housing policy throughout their transition to market economy. The countries of Central and Eastern Europe are no exception. The context of EU accession has not had a particular impact on housing policy in these countries as it is not subject to special regulation at Community level. Still, the pressure to solve the social problems of the most vulnerable groups of the population has had an impact on housing policy as well, but this impact was strongest in the run-up to accession and depends on the legacy of communist times and the specific path of each country during the transition. In terms of starting conditions of housing policy at the beginning of the transition, Bulgaria constitutes a specific case in the group of former communist countries, having a very low share of publicly-owned housing: just 6.6% in 1990. On the one hand, this means that Bulgaria was spared the need to privatise housing. On the other, it has deprived the state and municipalities of the opportunity to conduct a socially-oriented housing policy as they lack the key instrument: public housing stock. Even after large-scale privatisation, the share of public housing in some of the new EU members, such as Poland, Latvia and especially the Czech Republic, has remained significantly higher<sup>3</sup> than that in Bulgaria at the beginning of the transition. These figures are even higher in the EU15. On the political plane, this has led to the tendency to exert pressure to keep public housing – of course, where public housing exists. The existence of public housing in itself does not guarantee the pursuit of social housing policies. State- and municipal-owned housing can be used for purely departmental purposes, for example as residences for employees in the administration, or rented out at market rates. Housing used for social purposes is part of the public housing stock, or in rare cases, of the private housing stock;<sup>4</sup> in the latter case, construction or use of private housing for social purposes is subsidised by central or local government. At the European level, the share of social housing in the total housing stock is approximately 15%.<sup>5</sup> Paradoxically, in the former communist countries the share of social housing is practically negligible. This is due also to the fact that before the transition social problems were not acknowledged by the state, that is, they did not exist as a political reality. It is thanks to European integration that these problems have been formulated and recognised precisely in the context of the European

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<sup>3</sup> In the Czech Republic, the share of public housing was 17% in 2000, as against almost 40% in the early 1990.

<sup>4</sup> In the form of social housing for rent.

<sup>5</sup> On public and social housing stock in the countries in transition, see Hegedüs J., Struyk R., 2005.

concepts of social (housing) policy-making, despite the lack of universally recognized (Community) norms in this sphere.

### *Main Changes after Accession*

From the moment of accession (and, with growing intensity, for a short time before accession), the new EU Member States joined the system of the Open Method of Co-ordination (OMC), the EU instrument for harmonisation and mutual enrichment of policies in the social sphere. Participation in this process involves elaborating a series of strategic documents and plans, and active sharing of experience among member countries.

In the context of the OMC, a key problem is the lack of commonly accepted indicators and standards that would make it possible to define some strategic goals. Indicators are a main instrument in the OMC as they ensure comparability of results. OMC indicators are developed at three levels, those at the first two levels ensuring international comparability and those at the third level being determined by member countries in the context of the specific local conditions in each. The lack of commonly accepted indicators at Community level in the sphere of housing policy presupposes that each country must determine its own indicators in this sphere – a process encouraged by the European Commission. The number of available social housing units at the national and sub-national level is one of the basic indicators in evaluating housing policies. Housing problems of particular vulnerable population groups are typical of all EU10 member countries. Poland and Hungary use the most elaborate systems of material deprivation indicators in at least three areas: poor housing conditions, lack of assets, and poor living conditions. Estonia, Hungary, Lithuania, Latvia and Poland mention in their reports continuing problems with housing quality. European Structural Funds cannot be used directly for investments in housing projects as this would violate the principle of complementarity regarding national public budgets.

The Joint Report on Social Protection and Social Inclusion 2007 notes that some Member States are developing a more structural approach to **housing exclusion and homelessness**, looking at prevention and housing quality rather than mainly rough sleeping. Reconciling the need to ensure universal access to quality services with cost constraints will be a key challenge.

The 2005 Report on Social Inclusion in the 10 new Member States concludes that “[b]ad housing and health care conditions are common and often lead to lower life expectancy” (p. 6). Improving access to decent housing and tackling homelessness is one of the six key challenges identified in the report. Although they are non-binding, such conclusions and recommendations have a significant impact on policy-making, not least because the relevant administration in every future and present member country is not indifferent to the possibility of being given as an example of good practice or attracting a peer visit for study and transfer of best practices.

### *Conclusions and Recommendations*

Following the principle of subsidiarity, the sphere of housing policy is not only not regulated at Community level but also has the least mechanisms of co-ordination. Although (or precisely because) the EU has no competences in the field of housing policy, the latter is in the focus of attention of the Commission and Member States. There are not even commonly accepted indicators of access to housing and of acceptable living conditions. In this context, member countries vary greatly in their approaches and instruments. In addition to this diverse

picture, the former communist countries have different legacies from the transition period, both in terms of housing stock and forms of housing ownership. It is not yet clear whether these countries will follow the path taken by the old Member States, keeping a significant public housing stock used also as an instrument of social policy.

On the basis on this brief overview, the following recommendations can be made for Bulgaria:

1. Bulgaria should elaborate a national housing policy. The experience of the EU15 and of other new Member States can be useful in elaborating different instruments designed to improve access to housing and housing quality.
2. Bulgaria has the least experience in applying a socially-oriented housing policy. One of the reasons for that is that the state and municipalities do not have a sufficient public housing stock. This also reflects on the housing policy towards the Roma community, which is one of the population groups with the least access to quality housing.
3. Bulgaria can also learn from the experience of the other new Member States in the field of social assistance designed to improve the access to housing of the poorest population groups, mainly with respect to subsidised rent.

## **2. Increasing Labour Market Participation: The Experience of Slovakia**

In the context of European integration, the most interesting aspect of employment policy is that it is arguably the most regulated of all policies that are not regulated at Community level. At an extraordinary meeting in Lisbon in 2000, the European Council adopted a Strategy for Economic, Social and Environmental Renewal, also known as the Lisbon Strategy. One of the key objectives of the Strategy is achieving full employment by a new social policy, investing in human resources and effective use of the capacity of the labour force. Slovakia is one of the countries that accepted the aims of the Lisbon Strategy and built them into national employment policy even before accession. In fact, “increasing labour market participation” is not a very clear term. It would be more accurate to speak of “reducing unemployment” or “increasing employment.” These particular aspects in Slovakia before and after EU accession are examined below.

### ***Overview of the Situation before Accession***

As most countries of Central and Eastern Europe, Slovakia was affected by the fall of communism and the subsequent economic and social crisis in the early 1990s. In 1993 the Czechoslovak Federal Republic was divided into two independent states, the Czech Republic and Slovakia. Over the next years Slovakia lagged behind the Czech Republic and was on the whole considerably poorer, with high unemployment rates, low wages and growing inflation. Still, in 1995 the government applied for EU membership and began working to meet the criteria for accession.

From the mid-90s to 2001 employment growth in Slovakia was negative. Efforts to meet the criteria for EU accession, the process of privatisation, adaptation of the business sector to the new competitive environment and the opening up to new markets had a positive effect on the country as a whole. Inflation gradually fell and stabilised, and employment rose (2001–2002).

These developments were positive but not sufficient. Despite the growth in the number of jobs, the number of registered unemployed remained high, especially that of unemployed young people whose number continued to increase.<sup>6</sup>

On the eve of EU accession Slovakia, like Bulgaria, adopted a more active policy to promote employment based on a new package of labour market measures.

In the same period, Slovakia also had an Employment Strategy based on the underlying conviction that any purposeful work is better than inactivity, and that growth in employment is the most efficient way of combating poverty – a strategy very similar to Bulgaria's new social policy aiming to motivate unemployed people to seek work. The Strategy served as a basis for elaborating a series of new documents and programmes designed to improve the situation on the labour market. Special attention and measures were taken to promote the employment of young people, people with disabilities, people of pre-retirement age and the long-term unemployed. Priority was given to promoting the employability of vulnerable groups at risk, such as the long-term unemployed and poorly qualified, persons with altered work capacity, women wishing to return to work after having brought up a family (or after their maternity leave), unemployed members of the Roma community, ex-offenders, drug addicts. Conditions were created to encourage employers to employ people from vulnerable groups, a series of youth programmes were developed, and rehabilitation centres and institutions were created to tackle poverty.

Despite the many efforts and resources invested in overcoming poverty until 2003, Slovakia is not among the top achievers following EU accession. The case of Slovakia even shows how some negative processes may develop in the short term after accession, before the long-term mechanisms producing positive effects from EU membership are set in motion.

### *Main Changes after Accession*

On 1 May 2004 Slovakia and another nine countries became members of the European Union. This, however, did not bring an end to their problems. Contrary to expectations, in 2004 the employment rate in Slovakia fell to 57.0%, down from 57.7% in 2003. This was the bad news for Slovakia. The good news was that despite the decline in the number of employed persons, the number of entrepreneurs rose sharply: by 18.6%.<sup>7</sup> The decline in employment rates differed across sectors. It was highest in telecommunications (93.7%). In some sectors, such as construction, the employment rate actually grew (103.3%). Meanwhile, the unemployment rate rose as well, from 17.6% in 2003 to 18.2% in 2004. It was highest among young people aged 15–24, who constituted 23.4% of all unemployed. Long-term unemployment remained an acute problem. People unemployed for more than four years accounted for 35.4% of all unemployed.

Predictably, employment rates differed across regions in Slovakia, being highest in the capital Bratislava and significantly lower in the poorer regions. In some districts, such as Revúca, there were 254 job seekers per vacancy.<sup>8</sup> Such territorial imbalance on the labour market is very typical of Bulgaria as well. The large-scale investments in employment coming via European Structural Funds are expected to decrease this imbalance. However, it is still too early to discuss the medium-term effects of the fifth enlargement.

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<sup>6</sup> Joint Memorandum on Social Inclusion in the Slovak Republic, 2003.

<sup>7</sup> Eurostat ( <http://ec.europa.eu/eurostat> ).

<sup>8</sup> Fight Against Poverty and for Social Inclusion in Slovakia during the First Half of 2004, Joint Memorandum on Social Inclusion in the Slovak Republic 2003.

All main instruments promoting labour market development and reducing unemployment were introduced prior to accession but remained in force after accession as well:

- A new Act on Employment Services was adopted, aimed at encouraging unemployed persons to actively seek employment.
- A programme providing incentives for employers to employ school leavers up to six months after they have left school was developed (the “School Leaver Practice” Project financed by the European Social Fund).<sup>9</sup>
- Activation allowances were introduced to motivate unemployed persons, especially the long-term unemployed, to participate in activation works and seek a job.
- Cash allowances were introduced to cover services for families with children. They are intended for job seekers with children of pre-school age who wish to improve their education and chances on the labour market.
- Start-up grants for self-employment were introduced as well.

In addition, subsidies were introduced for setting up sheltered workshops, along with subsidies for persons with disabilities for running trade or becoming self-employed and subsidies covering part of job seekers’ travel expenses incurred in visiting potential employers. On the whole, the purpose was to apply an individual approach to every unemployed person as a result of which the employment policy began to yield, albeit slowly, positive results.

This consistence in the pursued policies helped Slovakia overcome its temporary problems from 2004. The package of measures proved effective and in 2005 the total unemployment rate fell to 16.3%, down from 18.2% in 2004, decreasing by another three points to 13.3% in 2006. The data on employment and unemployment among the two main groups at risk, people aged 15–24 and 55–65, changed positively as well. There was an overall improvement of the situation of people of disabilities on the labour market, who comprised 11.5% of all employed persons in 2005.

Long-term unemployment remains a serious problem for Slovakia, as well as for Bulgaria. The proportion of long-term unemployed persons has not decreased, having reached more than half of all registered unemployed and 80% of the unemployed persons aged over 55 years.

In itself, EU accession cannot solve the problems of unemployment, especially the problems of long-term unemployed persons who have lost their work habits and motivation to seek a job. The measures targeting this group of unemployed require time and consistent efforts. In the short term, accession can lead to some temporary adverse effects which, however, should not affect the choice of medium- and long-term policies.

### ***Conclusions and Recommendations***

In the immediate aftermath of Slovakia’s entry into the EU the main labour-market indicators worsened (albeit insignificantly). Eurostat data show that Slovakia is not an exception; in fact, several tendencies concerning the impact of EU accession upon the labour market can be identified:

- *Sudden shock*, with unemployment rates rising and employment rates falling significantly for some time. In the case of Slovakia, for example, the employment rate

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<sup>9</sup> Fight Against Poverty and for Social Inclusion in Slovakia during the First Half of 2004.



in 2003 (57.0%), when the country was not yet an EU member, was higher than in 2004, the year of Slovakia's accession (57.7%). In Cyprus, the unemployment rate was 4.1% in 2003 and 5.2% in 2005. The Czech Republic falls in the same category.

- *Permanent deterioration* – as in the case of Hungary. Unfortunately, this Central European country can be given only as an example of an inappropriate model in the field of employment. The unemployment rate in Hungary rose from 5.9% in 2003 to 6.1% in 2004 and 7.5% in 2006.
- *Improvement* – observed in the majority of new EU Member States. Latvia and Lithuania can serve as an example: unemployment rates in the two countries fell from more than 10% in 2003 to less than 7% in 2006.
- *No tangible effect* – as in the Republic of Malta, where unemployment rates remain in the range of 7.3% to 7.6% both before and after EU accession.

The creation of an integrated system for the labour market and social services in the 2004–2006 period is a precondition for further modernisation and a more flexible system of public employment services. **Slovakia's most important success is that it has adopted active employment measures rather than passive ones, and tied social services to employment.** Compared with the other countries, some of which have focused on developing social protection, Slovakia has given priority to measures designed to make job seekers proactive. In addition, short-term problems have not influenced the choice of instruments for shaping the labour market. Bulgaria should learn from Slovakia's experience and, in absorbing European Structural Funds, likewise try to avoid a lack of connection and co-ordination between social assistance, social services and employment measures. It should also be borne in mind that some of the negative effects of accession, for example temporary decline in employment rates, are quicker than the positive effects, such as increase in entrepreneurship. Unfavourable changes are possible in the short term, but they should not lead to panic reactions and revision of long-term strategic measures promoting employment.

### **3. Tackling Disadvantages in Education and Training as a Main Instrument for Social Inclusion of Vulnerable Groups in Hungary**

Hungary's development since the late 1980s has been very similar to Bulgaria's. Ethnic minorities comprise a large part of the Hungarian population and the number of people who can be classified as belonging to "vulnerable groups" is significant.<sup>10</sup> The number of people belonging to "vulnerable groups" is significant in Bulgaria as well and, as in Hungary, vulnerable groups are usually subject to social, economic and public exclusion. That is why we will examine the Hungarian model of tackling disadvantages in education as an instrument for social inclusion of vulnerable groups.

#### ***Overview of the Situation before Accession***

Education reforms in Hungary are influenced by a number of international factors, such as global economic recession and slower economic growth in the EU. In the early 1990s, Hungary was attractive for foreign investors because of its cheap and relatively well-skilled labour force.

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<sup>10</sup> Here the term "vulnerable groups" includes ethnic minorities, people with disabilities, children and youths affected by specific social problems (deviance, risk of criminal behaviour), people at risk.

- In 2002, following the general elections, educational responsibilities were redistributed in the new government. The overall responsibility for human resource development was transferred from the Ministry of Education to the newly formed Ministry of Labour and Employment. Hungary adopted a national strategy to achieve the Lisbon goals, striving to apply the Open Method of Co-ordination by involving all stakeholders even in the process of drafting the strategy. In the spring of 2003, the Ministry of Education organised an open debate on the initial strategies and priorities for developing the public education system. One of the key priorities was tackling disadvantages in education. It is noteworthy that on the eve of and after entering the EU, Hungary did not lose focus on key domestic issues even if they were not on its to-do list in the context of EU accession.<sup>11</sup>

Because of the acute problem of decreasing birth rates in Hungary, the number of students in public education is expected to drop by one-sixth between 2001 and 2015. Whilst decreasing fertility rates are a common feature of almost all new EU member countries, the problem in Hungary is far more serious because of the high mortality rate.

The average level of educational attainment of the population in Hungary is continuing to improve, yet there is still a significant number of pupils who leave school after completing Grade 8. The proportion of the population aged over 18 that had completed Grade 12 increased considerably compared with the previous decade: this ratio was below 30% in 1990, and was approximately 39.5% in 2001. It is also noticeable that the number of young people enrolled into higher education is increasing constantly, as is the number of those completing secondary school.<sup>12</sup> It is noteworthy that Hungary has a system of vocational training and education that is not linked to the secondary level of education. This gives people who have dropped out of school better opportunities to receive training. Higher education institutions are specialised in particular fields: there are non-university institutions, university-level institutions and institutions providing accredited higher vocational training courses.<sup>13</sup> Funding provided under the Phare Programme gave a significant impetus to the introduction of innovations in education through pilot projects. This allowed testing new approaches to education and training for the most vulnerable groups – a practice that did not exist before.

The key challenges in the field of education and training are connected with the general challenges in the development of human resources: achieving high employment rates, increasing the competitiveness of the labour force (by tailoring education and training, including adult vocational training, to the needs of the labour market). It is important to improve the access of vulnerable groups to education and training as there is a lack of equal opportunities for children from poorly educated families, children from minorities, children

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<sup>11</sup> A recommendation in this direction was also made in the 2005 OECD report on equity in education in Hungary, according to which Hungary “faces the exciting prospect of globalizing its economy and of exercising new rights and assuming new responsibilities with its membership in the European Union, but it must simultaneously not lose traction on key domestic issues that require attention” (Nancy Hoffman et al., *Equity in Education Thematic Review: Hungary, Country Note*, OECD, October 2005, p. 10). The main message of the report is that tackling disadvantages and reducing inequality in education is precisely such a domestic issue regarding which there are no explicit EU requirements.

<sup>12</sup> The school education system in Hungary includes:  
 Pre-primary school, one preparatory year: age 5–6;  
 Primary school – single structure: age 6–14 (6–10; 11–14);  
 General secondary school: age 10/12/14–18;  
 Secondary vocational school: age 14–18/19;  
 Vocational training school: age 14–17/19 (2+1; 2+3).

<sup>13</sup> Joint Memorandum on Social Inclusion in Hungary 2003.

with disabilities, etc. Teacher training and introduction of IT in education are another key challenge.

### ***Main Achievements after Accession***

As all EU10 countries, Hungary is eligible for funding from the EU Structural Funds. Public education in Hungary (as will public education in Bulgaria) receives financial support from the European Social Fund. Five operational programmes have been developed in Hungary.<sup>14</sup> The priorities in the field of education are addressed mainly in the Human Resources Development Operation Programme, which aims to reduce inequality and improve access to education. According to preliminary estimates, a total of approximately 20% of the funding provided by the EU Structural Funds will be designed for public education.

A series of measures have been taken that are slowly but gradually gaining momentum and achieving success.

To encourage disadvantaged children to attend kindergarten, as of September 2003 kindergartens are providing free meals for children in need. Fees are charged only for covering expenses that are beyond the scope of services provided by kindergartens (extracurricular activities, trips, etc.).<sup>15</sup>

Following an amendment to the legislation adopted in 2004, primary school pupils in Grades 1–3 cannot be failed and forced to repeat a year because of poor academic performance.

The easing of EU pressure after accession has not had an adverse effect on the policy of integrating minorities into education in Hungary. To prevent school drop-out of children with special educational needs (learning disabilities), which comprise approximately 5.5% of the child population in Hungary, mainly Roma children, an ***Integrated Training Programme*** was introduced as of 2003 in Grades 1 and 5 in primary schools and Grade 9 in vocational schools. The programme includes integrated training and aims to prevent segregation in school classes. The schools implementing the programme are directly supported by the National Education Integration Network through its regional coordinators. In the year immediately before and after EU accession, the number of children enrolled in the Integrated Training Programme doubled year-on-year, reaching more than 31,000 in 2005.

Several programmes implemented in the 2004–2006 period have provided successful models of education integration. The programme called “***Out of the Back Row***” is aimed at reducing the number of pupils (the majority of them Roma) misdiagnosed as having intellectual disabilities, by re-diagnosing them and returning them to classes teaching the general curriculum. In 2004 independent experts examined 2,100 children, out of whom 212 returned to mainstream classes. Since 2004 local governments have been entitled to a higher normative subsidy for children redirected into mainstream classrooms.

Hungary is a very good example of how EU Structural Funds can be used to make progress in solving the problems of integrating Roma children. The so-called “***Study Halls***” were introduced in 2004 to promote the success at school of disadvantaged children, thus encouraging them to continue their education and reducing drop-out rates. These study halls

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<sup>14</sup> There are seven operational programmes in Bulgaria: OP Regional Development, OP Development of the Competitiveness of the Bulgarian Economy, OP Environment, OP Transport, OP Human Resources Development, OP Administrative Capacity, and OP Technical Assistance.

<sup>15</sup> National Strategy Report on Social Protection and Social Inclusion in Hungary 2006–2008.

are especially effective for Roma pupils in upper primary and secondary school. The purpose is to provide extracurricular, accessible and effective tuition and activities for socially excluded children, especially for Roma pupils in the poor regions of Hungary. The integration of such children is not limited only to their development at school but also includes developing their personal abilities and interests, which is one of the priorities of the study halls.

The objective of the *Digital Secondary School Programme* is to assist Roma early school-leavers in obtaining a certificate for first level of education and vocational qualifications with IT support. In 2004 course materials for Grade 9 were prepared and the first groups were taught on that basis. A total of 28.3% subsequently dropped out. In the 2004/2005 school year 159 pupils enrolled in the programme, which was extended also to Grade 10. The programme has continued successfully to this day, mainly in the regions with a majority Roma population.

The *Send-Off Programme* launched in 2005 has four sub-programmes. The sub-programme “Road to Secondary School” aims to help pupils in Grades 7 and 8 to enter secondary school, while “Road to A Level” helps secondary school pupils to complete their secondary education. “Road to a Vocation” helps 2,000 pupils in vocational schools to complete their education, and “Road to Sciences” supports pupils interested in natural sciences and technical sciences.<sup>16</sup>

An *integration loan* scheme, provided by the state, was introduced in the 2003/2004 school year to help integrate disadvantaged children (especially Roma children). The scheme promotes social integration in regions where the majority of the pupils are poor, from ethnic minorities; children with special educational needs, etc.

One of the key amendments to the legislation designed to promote the integration of the Roma population in education and in society at large is the introduction of a system of positive measures, mainly in the form of grants provided by public foundations with government assistance. In addition to grants, privileges are provided in the form of lowered threshold scores for admission to first basic training in higher education. (Those eligible can be admitted if they reach 80% of the scores required for the selected subject, and are assigned a mentor.) Elements of positive discrimination, including legal regulations, have been introduced to facilitate the access of pupils with special educational needs to higher education.

### ***Conclusions and Recommendations***

The reforms in the education system are conducted by applying the Open Method of Co-ordination, which presupposes that the decisions on reforms and their implementation are made with the participation of all stakeholders, and that the common EU goals are taken into account at all levels. Bulgaria is now participating in the OMC as well.

In using the EU pre-accession and structural instruments, Hungary has made huge efforts to improve the access of vulnerable groups to education and training, with a special focus on developing the system of education and vocational training through life-long learning. This means that every person, regardless of his or her educational attainment, must have access to

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<sup>16</sup> National Strategy Report on Social Protection and Social Inclusion 2006–2008.

vocational training. This is also one of the challenges facing Bulgaria: in Bulgaria, access to vocational training is contingent upon the level of completed education, the minimum requirement for training in almost all occupations being completed primary education; this dooms vulnerable groups to exclusion from training, which will increasingly mean social exclusion as well. Life-long learning is still an area of innovation even in the most advanced EU member countries with the longest traditions in adult education. Thus, sharing experience in the context of the Open Method of Co-ordination is an opportunity that must not be missed.

The context of European integration has been important for Hungary by ensuring access to more opportunities for investing in human resources development but also to new ideas and concepts in the development of education. For example, linking reforms to life-long learning and the very idea that opportunities for study and self-improvement must be guaranteed as a life-long right directly related to social integration. Or the new understanding of basic skills not only as basic literacy and numeracy but also as basic social skills in the broadest sense. Skills in using IT are practically still inaccessible for significant groups of people, especially those who are socially disadvantaged. In this respect Hungary, as Bulgaria, are still faced with many challenges.

#### **4. Modernising Social Protection Systems**

The main challenge facing national social protection and social assistance systems is that they must perform at least two functions simultaneously:

- On the one hand, they are one of the state's main instruments of providing assistance to the poor and alleviating poverty. This aspect of social protection systems is related to the poverty line, the ways of determining the kind and amount of social assistance benefits, eligibility criteria and effects on poverty rates;
- On the other hand, social assistance benefits and the social protection system in general must be designed so as to ensure that beneficiaries have incentives to participate in the labour market. One of the important elements here is keeping benefits such that people could earn more even by working for a low wage.<sup>17</sup> Other possible approaches include limiting the duration of benefits and developing active labour market programmes.

These two functions are a particular challenge for all former communist countries which are yet to develop adequate social protection systems. The commonly applied model aims at improving targeting of benefits: making sure that benefits reach those who need them and reducing leakage to the non-poor.

The social protection system includes several elements:

- Unemployment benefits;
- Social assistance benefits for the disadvantaged: provided on a regular and/or one-off basis;
- Targeted social assistance benefits for groups at risk (such as people with disabilities);
- Family and child benefits and allowances;
- Pensions;
- Sickness benefits, health care;

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<sup>17</sup> This is sometimes difficult, considering that families with small children, in particular, receive numerous means-tested, family and other benefits and allowances whose total amount may exceed the wages they can earn by working. See Social Assistance in Central Europe and the Baltic States. Draft. World Bank 2007.

- Social services.

This chapter will focus on the provision of social assistance benefits and social services. It will not discuss pensions, as the principles of pension system design are entirely different. Family and child benefits and allowances are examined in a separate chapter as an instrument of eliminating child poverty.

As in Bulgaria, the main reforms designed to create effective social protection and social assistance systems were completed in the EU10 by the time of their accession. The changes after accession are connected with adapting to policy priorities and improving efficiency and effectiveness. The country that stands out in this respect is Slovakia, which has significantly reformed the institutional design of its social assistance system since 2004. Considering that every reform carries a potential for success as well as risks of failure but in all cases provides lessons to be learned, this chapter will examine in detail the case of Slovakia.

### *Slovakia at the Time of Accession (2003/4)*

At the time of accession, the employment rate in Slovakia (57%)<sup>18</sup> was below the EU average (63.3%). Slovakia had one of the highest unemployment rates, 18%, and predictably, at-risk-of-poverty rates, 21%, in the Union.

Unemployment rates were highest among the Roma, school leavers, people with disabilities, and people with small children.

Parallel with GDP growth, there was a tendency towards growing inequality both by income and across regions in the country. The groups at higher risk of poverty were unemployed people, single parents and families with more than three children.

The year 2004 was in the middle of the first term in office of the authorities in the eight new administrative regions established in Slovakia in 2002. By this division the responsibility for developing social services was decentralised, with the state retaining responsibility for providing social assistance.

Slovakia was not a “generous” country regarding social assistance for the poor; moreover, social protection expenditure as a percentage of GDP was declining (from 19.2% in 2002 to 18.4% in 2003).

Social assistance policy aimed mainly at eliminating disincentives to work and creating incentives to participate in the labour market. In poorer regions with lower wages, in particular, aggregate benefit levels were often higher than the wages people could earn by working. Labour market participation was encouraged mainly by reforming benefit levels and by activation measures.

The most common form of social services were residential-type care facilities (for children, people with disabilities, the elderly). Efforts were made to increase their capacity and improve the quality of care in them. Although one of the priorities in the field of social inclusion was preserving family solidarity, community services were not a priority area. They were offered mainly by NGOs financed by central and local governments.

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<sup>18</sup> Unless indicated otherwise, all data quoted here are from the relevant country reports (Joint Memorandum on Social Inclusion and subsequent National Action Plan and Strategy).

### *Slovakia after EU Accession (2005/6)*

On the whole, unemployment and poverty rates in Slovakia are tending to decline. Whereas the employment rate rose slightly in 2005 to 57.7%, unemployment fell significantly to 16.2% in 2005 and 13.5% in the first half of 2006. Still, the unemployment rate remains higher than the EU average of 8.7%. Slovakia has the highest unemployment rate of elderly workers in the EU and the second highest of young people.

The decline in poverty has led to a decline in poverty rates as well. The percentage of people at risk of poverty in 2005 was 13.3%, below the EU average of 16%.

These changes are due to many factors, especially economic growth, job creation, active labour market measures and adequate social assistance policy. Unfortunately, the precise contribution of social protection measures cannot be evaluated, therefore direct extrapolations are not advisable.

The main changes that have occurred in this brief period of time are the continuation of the reforms launched in 2002 and designed to increase incentives to work, streamline social benefits administration and improve targeting by refining eligibility criteria and strengthening assistance to those in need through the guaranteed minimum income programme supplemented by active labor market programmes and outreach by social workers.

Specific reforms to the social benefits include:

- Introduction of a basic social benefit for the poor, with supplementary allowances for health care, housing, activation and poverty relief, based on a consistent means-testing methodology;
- Lowered and simplified calculation of the base benefit, and increases in benefits for families with children;
- New active labour market measures, including training, services for families with children and the activation allowance. These special measures include, for example: benefits which taper off as individuals enter the labour market; transportation subsidies for job interviews at least 30 km away from the job-seeker's place of residence. On the other hand, benefits for school leavers have been abolished. The child care allowance for parents caring at home for children aged under three can be used by both parents, who can continue to receive part of it if they start work and hire someone to care for the child. Unemployed people attending training and retraining courses are entitled to family benefits for student parents. These programmes all require regular registration at the Labor Offices;
- Merging of social assistance and labour offices into Offices of Labour, Social Affairs and Family.

The newly created Social Development Fund (SDF) is a special instrument providing support for the poorest and incentives for participation of beneficiaries themselves. The Fund was set up in 2004 under the Human Resources Development Operational Programme with the idea of financing demand-driven, community-based projects. It is designed to target poor communities and groups, including geographically isolated poor communities, the Roma community and other vulnerable groups, such as the disabled, homeless, single elderly and other groups requiring services traditionally provided in residential care institutions. The process of preparing and implementing projects requires the establishment of partnerships at the local level involving all stakeholders (local governments, business, schools, churches, local organisations), including the target groups. The three main programmes supported by

the SDF are capacity building, small social infrastructure, and social work. Under the National Project on “Increasing Employability of Groups in Risk of Social Exclusion by Way of Social Inclusion Partnership”, 97 microprojects were approved for funding in 2004. Under the Development of Local Infrastructure Programme (implemented only in areas with established local social partnerships), 173 projects were approved for funding in 2005. As a result of the Fund’s operation, 500 new jobs were created (directly or indirectly) and there were 8,000 participants by the end of 2005. The results of SDF activities, however, are controversial according to the report by non-governmental experts on social inclusion, which notes the Fund’s insufficient capacity to respond to activity at the local level, insufficient financing and over-centralisation despite its formally independent status.

The results of the new administrative division into regions, districts, municipalities and settlements are also controversial. The general criticism is that the assignment of greater obligations to regional authorities is not linked to provision of sufficient financing.

Lack of funding is also one of the explanations for the underdevelopment of social services. The focus is still on residential-type care institutions, increasing their capacity and improving quality.

### ***Conclusions and Recommendations***

Slovakia is undoubtedly an interesting case as regards radical reforms of the social assistance system. Prima facie, the reforms undertaken appear to be effective, even if just because they have reduced public expenditure. On the other hand, it is still too early to evaluate their effectiveness. There is some doubt as to whether it was reasonable to base the social assistance system on the assumption that human behaviour is driven rationally by financial interest. It must be borne in mind that some marginalised groups cannot be expected to rationally judge what their interest is and to develop a strategy to achieve their interest.

## **5. Improving Access to Quality Services, Overcoming Discrimination and Increasing the Integration of People with Disabilities in Slovakia**

Improving access to services practically means ensuring equal access of a country’s population to education, training, cultural life, entertainment; to quality social services, etc. Countries usually have problems in ensuring such access for several groups of people, such as people with disabilities, people in poor rural regions and ethnic minorities.

### ***Slovakia before Accession***

In Slovakia, the share of people with intellectual disabilities and various mental problems is approximately 3% of the population. The policy for their integration as well as the very idea of the need to integrate them were a product of the transition. The majority of the necessary reforms were conducted after 2000 in the context of the run-up to accession and EU pressure. Nevertheless, at the time of its official accession to the EU Slovakia still had a number of outstanding problems, especially in the sphere of health care, rehabilitation and family support. In sum, the following developments benefiting people with intellectual disabilities took place before Slovakia’s EU accession:



- In 2000 a document was adopted according to which a large part of the children with special educational needs are to receive their education in special schools, and computer training is compulsory for children with special educational needs. The regulatory framework of the social assistance system in Slovakia was revised with the aim of preventing poverty and social exclusion of people with disabilities by introducing specific measures (compensations, privileges, etc.).
- In 2001 the Ministry of Health, in partnership with the Ministry of Labour, Social Affairs and Family, took measures to cope with the health problems of patients with mental and behavioural disorders, establishing and equipping two centres for adults.
- In 2002 the Slovak government elaborated a concept to resolve the problems of access to social services and care for people with mental and behavioural disabilities in social care facilities. Nevertheless, at the end of 2004 Amnesty International concluded that the authorities had failed in their attempt to conduct a comprehensive reform of the mental health system.
- Improving access to all services and especially to social services needs to be reviewed in the context of decentralisation in Slovakia, as a result of which eight self-governing regions with elected local governments, sub-divided into smaller regions and districts, were established. This was part of a long process of decentralisation of state competences launched in 2001; the child protection social services, for example, were decentralised in 2005. As a result of this decentralisation, the state delegated to local governments its responsibilities and powers regarding access to different types of services. The process was supported by project financing under the Phare Programme and, later EU Structural Funds. The Programme in Support of the Development of Community Social Work in Municipalities and the project on “Increasing Employability of the Most Vulnerable Groups and Groups in Risk of Social Exclusion by Way of Social Inclusion Partnership” are examples of good practices in this field.<sup>19</sup>
- If an individual cannot meet his or her daily expenses as a result of disability, s/he is entitled to pension benefits. If they are the individual’s only source of income, the minimum amount of these pension benefits is 1.1 of the minimum income determined by the state.

### ***Main Changes after EU Accession***

On the basis of the National Information Society Strategy and Action Plan approved in 2004, the government set out to improve the computer literacy of particular groups of people, including people with disabilities. The aim of the Infovek (InfoAge) Project, in particular, is to equip all primary and secondary schools with a multimedia classroom with high-quality Internet access by 2005, and all municipal schools with Infovek classrooms by 2008.

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<sup>19</sup> Both projects are financed by the Social Development Fund created under the Sectoral Operational Programme Human Resources, i.e. with the support of EU Structural Funds. For details, see Zuzana Kusa, Erika Kvapilova, Report on Regional Social Inclusion Plans and Programmes in Slovakia, The Institute for Sociology Slovak Academy of Sciences, Bratislava, November 2005.

Housing policy towards people with disabilities is regulated by the State Housing Development Fund. People with disabilities who wish to buy a dwelling are eligible for a grant from the Fund that covers up to 50% of the cost of the dwelling.

One of the priorities of the two-year National Action Plan on Social Inclusion, launched in 2004, was improving access to communications for people with disabilities, and in particular access to public transport. The results are positive: all buses in Slovakia have been equipped with low-level steps, and trains have been modified to allow access for people with disabilities; almost all public buildings have been reconstructed to provide access.

One of the serious changes in the Slovak legislation concerning people with disabilities after 2004, is the revision of the definition of “disabilities”; this has significantly limited the range of people who qualify as disabled, increasing funds for those who are truly in need. This process is within the remit of the Ministry of Labour, Social Affairs and Family. The conclusions on whether a person has a disability or not are based entirely on written documents, which creates the danger that many people with disabilities may lose their privileges. In June 2004, it was established that almost 5,000 persons with disabilities had lost their status as such, and almost half of them had also lost their disability pensions.

Under the National Project of “Promoting the Employability of People with Disabilities,” a series of instruments have been introduced to promote the labour market integration of people with disabilities, as a result of which new jobs have been created both by providing incentives for employers and support for self-employment.

Social workers and assistants have been employed in 176 municipalities to work with those in need. They provide daily consultations, counselling, information, mediation in contacts with institution, accompaniment, protection of the client’s rights and interests, etc.

Various programmes are being implemented to build local social inclusion partnerships in regions with socially isolated communities so as to create and increase employment of these population groups.

### ***Conclusions and Recommendations***

In addition to the specific measures and reforms at the national level, the most interesting lesson from Slovakia’s experience in improving access to social services for people with disabilities is the integration of social work with the other relevant priorities, such as employment, inclusion, access to education, work and community-based social services. This has been done in the context of overall decentralisation of the management and financing of social services, which was largely initiated and driven by the process of preparation for EU accession.

In Slovakia, as in Bulgaria, EU influence and sharing of experience within the framework of EU programmes are the main engine for key changes in the very essence of social work. Typical examples of this are the introduction of an individual approach and new standards of quality of the provided social services, as well as intensive training of social workers. It is mainly thanks to these changes that Slovakia, as Bulgaria, have already gained experience and now even have the beginnings of a tradition of their own in social programmes and social work methods. Judging from Slovakia’s experience, the resources from the European Social

Fund can give this process an additional impetus, even though the biggest lesson is that the “software” (i.e. new ideas, values, standards and approaches) is the main generator of changes in this field.

## **6. Eliminating Child Poverty and Enhancing Assistance to Families**

The definitions of child poverty, as those of the related (and commonly viewed as generic) term “poverty,” range from the very narrow (lack of income) to broader definitions focusing on the effects of the lack of income and access to resources, and denial of rights. Arguably the broadest definition is the one used by the UNICEF Innocenti Research Centre, referring to the UN Convention on the Rights of the Child and defining child poverty as a condition in which a child’s standard of living is not adequate for the child’s physical, mental, spiritual, moral and social development.<sup>20</sup> The term and concept of “standard of living” is also key in the European Commission’s definition of poverty:

“People are said to be living in poverty if their income and resources are so inadequate as to preclude them from having a standard of living considered acceptable in the society in which they live. Because of their poverty they may experience multiple disadvantage through unemployment, low income, poor housing, inadequate health care and barriers to lifelong learning, culture, sport and recreation. They are often excluded and marginalised from participating in activities (economic, social and cultural) that are the norm for other people and their access to fundamental rights may be restricted.”<sup>21</sup>

For the purposes of this analysis, we will focus mainly on standard of living understood as income of a child’s family and access to fundamental rights, such as the right to education (discussed in another chapter of this report) and the right to live in a family.<sup>22</sup>

Reducing child poverty and taking measures to prevent social exclusion of children and provide support to children and families are among the priorities set in all Joint Memoranda on Social Inclusion. The main problem is that the rate of child poverty is higher than the national average<sup>23</sup> even in countries with relatively low poverty rates. The main factors increasing the risk of poverty of families with children are the number of children (usually more than one child in a family creates a serious risk of poverty), unemployed parents (and/or their income), single parents and ethnic minority origin.

Although in 2003 the percentage of people at risk of poverty in Hungary was lower than the EU average (12% and 16% respectively) and than that in the individual Member States, the percentage of children aged under 15 at risk of poverty was higher than that in most Member States (17%).<sup>24</sup> This fact, as well as the existence of a well-developed system of social assistance and measures to reduce child poverty determined our choice of Hungary as a case study in this field.

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<sup>20</sup> Innocenti Social Monitor 2004 Economic growth and child poverty in the CEE/CIS and the Baltic states.

<sup>21</sup> Joint Report on Social Inclusion 2004, EC.

<sup>22</sup> A focused study should also look at other key problems, such as child labour, violence against children, child trafficking, drug use, quality of child care, etc.

<sup>23</sup> See the above-mentioned Innocenti report as well as the EU10 Joint Memoranda on Social Inclusion.

<sup>24</sup> Joint Report on Social Protection and Social Inclusion 2006.

### ***Child Poverty in Hungary at the Time of Accession (2003/4)***

The rate of child poverty in Hungary was and remains higher than the national average. It is even higher among single-parent families and families with three or more children, and especially among children aged under two despite the numerous social benefits and allowances for families with children.

According to the Innocenti Research Centre (MONEE Project), Hungary is among the countries in Europe with the highest percentage of children in residential care. The share of children in residential care in 2002 was 8.1 per 1,000 (12.1 per 1,000 in Bulgaria). Foster care was provided mainly to healthy children, and foster care arrangements for children with disabilities were only just being put into place.

Infant mortality (7.2 per 1,000) and under-five mortality (8.6 per 1,000) rates were among the lower ones in Europe.

A main problem for children from poor families is quality of education, discussed in another chapter of this report. The decline in birth rates in previous years led to a decline in places in kindergartens and crèches, which became insufficient when birth rates increased (or kora).

This fact, linked to an acute shortage of day care centres for children, made it very difficult to reconcile work and family life, especially for women.

Support for families with children was provided in several forms, mainly in the form of social assistance benefits and allowances. They are of four main types: family benefits and allowances, child benefits and allowances, child-raising allowances and maternity benefits. All parents raising children are entitled to them. The maternity allowance and child-care fee are linked to insurance. The family allowance is a universal benefit financed from the state budget and paid to Hungarian citizens who have a child below a particular age. All women with children are entitled to a maternity grant, a one-off lump-sum payment amounting to 150% of the minimum old-age pension.<sup>25</sup> The child-care allowance is a universal entitlement payable to parents until the child completes three years of age. The monthly amount is equal to the minimum old-age pension (the main basis for calculating social assistance benefits in Hungary at the time). A child-raising allowance for raising three or more children is due to parents from age three to age eight of the youngest child. It, too, is equal to the minimum old-age pension. The maternity allowance is paid for 24 weeks and amounts to 70% of the daily average gross earnings of the previous year. The child-care fee is a contributory benefit paid until the child reaches two years of age. Families are also entitled to a family tax allowance. From September 2003 free meals were introduced for disadvantaged children in primary school.

There were child protection services in almost all settlements in Hungary but just half of them were integrated into a common institutional framework. One of the serious problems was inadequate qualification of staff: 47% of all local authorities employed staff that was not qualified for the job.

### ***Child Poverty in Hungary after Accession (2006)***

As the data available in the latest reports on Hungary refer to 2003, it is impossible to judge with certainty whether child poverty rates in the country have changed since 2003. Evidence of changes is found in the social inclusion reports by non-governmental experts, of which the

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<sup>25</sup> The main basis for calculating the rates of poverty, social assistance benefits and benefits eligibility in Hungary.

latest, 2005 report, claims that child poverty rates have fallen as a result of changes in government policies.

The following factors have had an effect on child poverty:

- Increased income of parents through reconciliation of work and family life;
- Improved targeting and financial support for parents;
- Support for early childhood development;
- Promotion of school attendance.

A number of reforms have been implemented:

1. At the beginning of 2006 the family benefit system was reorganised, the purpose being to simplify the system and make it more transparent and targeted. The amount of family allowance was almost doubled, and now incorporates the income-dependent regular child protection benefit formerly paid to disadvantaged families and the family tax benefits available for persons in employment. Single parents, families with several children and families raising sick or disabled children continue to receive higher benefits. Subsidised or free meals and textbooks for the needy have remained (regular child protection subsidy). In addition, families entitled to regular child protection subsidy and passing the means test receive financial support twice a year. The programme for subsidised or free textbooks has been expanded to cover pupils from socially disadvantaged families in Grades 1 to 13. The programme for subsidised or free meals has been expanded as well, and now covers pupils in Grades 1 to 8. Meals are provided to pupils in Grades 1 to 4 free of charge, and to pupils in Grades 5 to 8 at a 50% discount.
2. Recipients of the child-care allowance (payable until the child completes three years of age) can now take on employment after the child turns one year old.
3. Numerous forms of flexible employment of parents, especially of mothers, have been developed.
4. The capacity of crèches and kindergartens has been increased by increasing the state subsidy for these facilities. Nevertheless, the increase is not enough to meet demand as fees are still unaffordable for disadvantaged parents. Family day-care centres are being established for them. A large part of this process (including infrastructure) is done through projects approved and financed under the Human Resources Development Operational Programme and the Regional Development Operational Programme.
5. Community-based services are being expanded. Child welfare centres are being established in settlements with a population of more than 40,000. Such centres have been established in 36 out of all 46 settlements of this size. They are financed under the same Operational Programme.
6. School attendance is promoted through the above-mentioned programmes, as well as through targeted scholarships for the needy and an active policy on integrating children with disabilities.
7. The Sure Start Programme, aimed at parents of children aged under six, was launched. The programme supports services reinforcing parenting competences and development of children until the age of six with a view to their inclusion in the education system to avoid poverty traps.
8. As regards children in out-of-home care, the reforms aim at placing more children in foster care rather than in residential care, and creating special facilities for children aged under three, children with disabilities and behavioural problems.

## ***Conclusions and Recommendations***

Hungary is no doubt a country that pays special attention to families with children. In addition to the different types and amount of family benefits, which are determined not least by the state of the economy and available funding, there are also lessons to be learned from Hungary's efforts to reconcile work and family life – both by introducing forms of flexible employment and by continuing to provide child-raising allowances to parents who take on employment and hire care.

There are also lessons to be learned from the programmes aimed at poor families with small children as it has been proven that investments in children aged under five or six are ultimately more effective in both social and economic terms.

It seems that developing social services to support families and decrease the number of children in residential care is not among Hungary's key priorities. In this respect Bulgaria has clearly declared that it intends to reduce the percentage of children in residential care.

## **7. Overcoming Discrimination and Promoting the Integration of Ethnic Minorities and Immigrants**

Around 2006 the number of immigrants in the new EU Member States was small. Even though it is tending to grow, these countries have not had to cope with the problems of integrating significant immigrant populations. On the other hand, some of them have ethnic minorities that are significant both in absolute size and as a percentage of the population. To the extent that there are problems with the integration of and discrimination against minorities, these problems concern mainly the Roma minority. That is why this chapter will focus on the state and policies of integration and non-discrimination towards the Roma.

The three countries with the largest percentage of Roma are the Czech Republic, Slovakia and Hungary. All three devote significant resources to Roma integration but the country that seems to have the most consistent policy and long-term strategy is Hungary. Hungary has had a Roma integration programme since 1997, which is periodically reviewed and updated. From this perspective, a study of Hungary's experience can best serve as a basis for reflection and comparison with Bulgaria's policies on Roma integration.

### ***The Situation in Hungary at the Time of Accession (2003/4)***

The Act on the Rights of National and Ethnic Minorities in Hungary recognises thirteen ethnic minorities (including a Bulgarian minority) but all except the Roma are integrated into Hungarian society.

Figures on the number of Roma in Hungary range from 190,000 (according to the 2001 census) to 450,000–600,000 according to NGOs. The poverty rate among the Roma minority is several times higher than the national average: 67.1% against an average 6.1% in 2002. This is due to the low employment rate (10% against an average 56.5% in 2002) and high unemployment rate (between 18% and 60% according to different sources, against a national average of 5.7% in 2002) among the Roma.

In addition to unemployment, the main problems of the Roma in Hungary include the following:

- Access to quality education. The educational level of the Roma is lower than that of the rest of the population: 27.9% of the Roma have secondary education, compared with a national average of 86.5%. They also have a smaller percentage of children in pre-school education. Seven percent of all Roma children are placed in special (remedial) schools, compared with an average 1–2% of the child population in Hungary. In 2003 there were 700 segregated Roma classes in mainstream schools. These classes used a modified and adapted curriculum.
- Housing. The majority of Roma live in areas and housing with poor infrastructure.
- Access to health care: 6.5% of all Roma are with disabilities, compared with a national average of 5.5%.

These problems remain despite the existing legal provisions and policies in this field. For example, in 2001 the Labour Code was amended, prohibiting discrimination in the right to work and especially discrimination in employment. An Act on Equal Treatment and the Promotion of Equal Opportunities was adopted in 2003. At the administrative level, the post of a Parliamentary Commissioner for National and Ethnic Minority Rights was established, as well as relevant posts and structures in the majority of administrations at the national and local levels.

In 1993 the Roma in Hungary were granted the right to local self-government, exercised by elected local councils.

### ***Roma Integration Policies and Programmes 2003 – 2006***

The main programmes for support and integration of the Roma were already in place in 2003/2004 and in the next two years they were only expanded and modified. The medium-term package of actions promoting equal opportunities for Roma people has the following objectives for the period 2003–2006:<sup>26</sup> promotion of equal rights, improvement of the quality of life, development of physical and mental health, capabilities and communication skills, promotion of life-long learning and knowledge enhancement, better living conditions, elimination of environmental damage, long-term and marketable job opportunities in addition to temporary employment options, dissemination and preservation of cultural values, encouragement for cultural activities, development of identity and promoting social dialogue alongside accepting values which are free of prejudice or violence.

2.1. Employment programmes. The programmes promoting employment are of several types:

- Education, training and retraining organised by labour offices;
- Subsidised temporary employment in community-service-type jobs. Under such jobs, about 15,000 persons of Roma origin found temporary employment in 2004, and about 18,000 in 2005;
- Labour market programmes implemented by local governments;
- From 2004 such projects (on temporary employment, motivation and other trainings) are financed also under the European Social Fund and the EQUAL Community Initiative;
- Programme supporting Roma micro-, small and medium-sized enterprises. This programme supports technological modernisation of enterprises;
- Support for NGO projects on labour market inclusion of minority groups.

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<sup>26</sup> Joint Memorandum on Social Inclusion.

## 2.2. Programmes in the field of education.

As of 2003 a programme of integrated education was established in Grades 1 and 5 of elementary schools and Grade 9 of vocational schools. This programme includes the introduction of integration training in the aforementioned grades. The goal of integration is to eliminate segregated classes. The schools engaged in the programme are professionally assisted by the National Education Integration Network through its regional coordinators. In 2003 forty-five schools and 8,800 pupils were included in the programme, and at the beginning of the 2004/2005 school year as many as 16,300 pupils. Teachers are also trained under the programme. The programme provides a financial incentive for schools to participate, in the form of an integration subsidy (grant). According to the report of the non-governmental experts, however, the introduction of an integration grant benefits integrated schools but leaves the quality of education in segregated schools poor. Another negative effect is that if the number of Roma pupils at school (or at kindergarten) increases, not only non-Roma but even better-off Roma parents will take their children away.

Under vocational school programmes to prevent dropping out of the school system, disadvantaged young people may attend training to improve their basic competences before starting vocational training. The Ministry of Education has also has special programmes assisting the education and vocational training of disadvantaged students above 16 years of age who have not completed their elementary studies.

As noted above, 7% of all Roma children study in special (remedial) schools for children with intellectual disabilities, but many of them have been placed there for social reasons. A programme has been launched to reintegrate such children into mainstream schools. The programme includes changes in the legislation and provision of financial subsidies. Compulsory medical examination and tests for placement in such schools have been introduced. Since 2004 local governments have been entitled to a higher normative subsidy for children redirected into mainstream schools. In 2004 a total 2,100 children were examined and 212 returned to mainstream classes. In 2005 the number of children in remedial schools fell by 12%.

Study halls have been established to assist disadvantaged children in their educational attainment and qualifications, and to assist especially Roma children in the higher grades of elementary school and in secondary schools: 70 study halls for 833 children.

The Digital Secondary School Programme has been introduced to assist early school-leavers in obtaining a certificate for first level of education and vocational qualifications.

A grant programme, introduced in 2005, promotes the advancement and continuing education of talented but disadvantaged children.

Many of the beneficiaries under the programmes providing subsidised or free meals and textbooks, mentioned in the previous chapter, are Roma.

## 2.3. Family support.

Hungary's family support system is described in the previous chapter. We will note here that Hungary has the most sophisticated family benefit system among the EU10. The Sure Start Programme providing support for poor families with small children deserves special attention.

## 2.4. Legal assistance.

The Roma Anti-discrimination Client Service Network, which started operating in 2001, offers legal assistance to Roma people in discrimination cases. The assistance includes counselling, the drafting of documents, and legal representation. The number of lawyers working in the network is gradually increasing, and the network itself is expanding to cover more settlements in the country.



A Legal Aid Network started operating in the county offices of the Ministry of Justice in 2004.

#### 2.5. Housing programmes.

In addition to measures to improve infrastructure, including sewage and roads, a programme has been introduced to reduce the indebtedness of disadvantaged households through debt management services. Local governments have been operating debt management services since 2003. Under the programme, household debts from unpaid utility bills are rescheduled and, depending on the income of households, some of them are entitled to financial support for payment of bills. At the end of 2005 the programme was operating in 100 settlements. Another service is the installation of pre-paid, card-operated electricity consumption meters which prevent the accumulation of household debts.

A programme for regeneration of urban areas was launched in 2005 to improve slums and public utilities in segregated urban areas. In the first year it was implemented in nine settlements, 38% of whose population are Roma and 33% of them live in slums.

#### 2.6. Health programmes.

The Human Resources Development Programme, and more specifically the measure “Health infrastructure development in backward regions,” supports measures to equalise access to health care. The measure has three components: establishing a Regional Health Centre model institution, creating up-to-date regional diagnostic facilities, and the establishment of rehabilitation centres and complex nursing institutions. The Regional Health Centre model institution especially focuses on advancing health behaviour among the Roma population, which can assure early diagnosis, screening and treatment.

### ***Conclusions and Recommendations***

The effectiveness of the Roma employment programmes is difficult to evaluate as the majority of them are for temporary employment. The report by non-governmental experts on social inclusion tends to be pessimistic, in that it finds that the local unemployment rate among the Roma has grown; at the same time, the average unemployment rate in Hungary in 2005 was higher than in 2004.

Either way, long-term positive effects can be expected mainly from the programmes targeting children. There are lessons to be learned from Hungary’s experience in desegregation, which has a positive effect in the short term but can lead to new segregation in the longer term. Such indications can be found also in Bulgaria’s pilot desegregation practices. This shows that efforts in the field of education must be directed at improving the general quality of education and developing the individual abilities of every child rather than at providing group privileges.

The programme for debt management and dissemination of pre-paid (card-operated) electricity consumption meters can probably be applied also in the large regions with a minority population in Bulgaria.

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