



TRUST FOR CIVIL SOCIETY
IN CENTRAL AND EASTERN EUROPE

Local governments and benefit recipients under pressure by *workfare*

The effects of reducing the social allowance in rural Hungary in 2012

Sociological study - excerpt¹

Pro Cserehát Association

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Supported by a grant from the Trust for Civil Society in Central and Eastern Europe

¹ Content, introduction; chapter 2; English translation of the excerpt

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Introduction

The employment rate in Hungary is very low in a regional and European comparison. The **greatest problem under that heading is the employment of low educated persons, which reflects a rather negative picture**², while the long-term unemployment rate has also been on the rise over the past years (Messing 2012)³.

The reason for low employment of those with low education goes back all the way to the regime change when a million and a half jobs were cut (part of which affected low educated people), and the Hungarian economy has not, up to the present day, been able to replace that loss, and no industries were created that could absorb the low educated surplus. Meanwhile, however, we see the **second and third generation grow up in long-term unemployed families**, while the **school system**, which should ensure the mobility of those with low education, is **increasingly selective and segregative** toward low-status people. After the regime change ‘the worst possible policy was implemented involving rapid elimination of jobs with relatively high unemployment benefit, and low employment/employability support (Köllő 2010). All these combined lead to the ‘**myth of over-subsidisation**’, which suggests that unemployment benefit is enough to live idly. That is a misconception for several reasons including that the sum of the benefit must not exceed the applicable minimum wage, and that the problem is not the excessive benefit, but the fact that the wages one could earn through decent work are too low (Virág 2009).

Successive governments have been capitalising on that myth since the early 2000s, which eventually lead to an increasingly strict principle of **workfare**, i.e. ‘**work for allowance**’. Social as well as political support for *workfare* seems unbroken while both professional and international experience tends to prove that **public work** as a response to the employment problems of the low educated **is a dead-end**. It uses up funding that could be used for job creation, and other (more effective) active labour market measures (84% of all such expenditure is spent on financing public work), while those involved in public work remain unable to transfer to the primary labour market, thus their chances clearly fail to improve, and they soon add to the long-term unemployment statistics (Köllő 2011, Bass 2011). Socially it is often stigmatising, and it often worsens working morals due to the humiliating nature of the work they have to do and due also to the fact that public workers do not enjoy a modicum of otherwise accepted employees’ rights. All that is compounded by the fact that the ratio of the Roma is high among allowance recipients, and thus also among those obliged to do public work (even if we do not have exact numbers), which further strengthens social support for the program given the fact that it is (also) meant to impose compliance on ‘idle gypsies’ (their stereotypical reference).

Increasingly strict **workfare type solutions began** not with the introduction of the “Pathway to work” program but earlier, **in 2009**. That was the time when new legislation came into effect whereby **working age regular social allowance recipients had to do public work** (Csoba 2010, Köllő 2011). Until 2009, however, only 10-15% of all allowance recipients were involved in the public work program (Köllő 2011), and the **Pathway to work program** launched by the socialist government took action to **ratchet up participation rates**: in the first year, the number of 2009 public work participants quadrupled (from 16 thousand to 63) (Csoba 2010: 23). It must be added that the principle of ‘work in exchange for allowance’ could not have been fully implemented in previous years only due to shortage of funding (Virág 2009). The following, **conservative government carried on with the previous practice but applied stricter rules**.

² In 2010 the employment rate of those with only primary education: males 28%, females 24%; skilled workers: males 68%, females 56% (Messing 2013).

³ For the literature used see the full, Hungarian version of the paper.

Public work was further expanded to reach planned figures of 165 thousand in 2010, and 203 thousand in 2012 (Messing 2012). **Stricter rules came with the Social Act of 2011**, which requires a clear, even more powerful move in the direction of *workfare*. The new regulation says that if the person entitled to allowance fails to participate in public work or other registered employment for **at least 30 days** in the previous year, **he/she loses entitlement to allowance**, i.e. remains unsupported. Stricter rules also mean that while in the previous public work program the wages equalled the amount of the then applicable minimum pension, and they worked for six months, the new program **lowered the monthly pay in public work to 47 thousand Forint** (assuming 8 hours a day), while the allowance reduced, and the number of months in public work also significantly dropped for many, and 8 hours a day ceased to be guaranteed.

Thus the current arrangement of public work may be regarded a classic *workfare* type policy much in line with its predecessors, with the clear aim of **disciplining, and possibly punishing poor people** (Virág 2009, Messing 2012). That policy satisfies a social need, which sees long-term unemployed people as a parasite, lazy part of the population willing to live on benefit (most of the time with an ethnic hue to the picture), and **responds to the negative feelings of the ‘working poor’, or other social groups** working for minimum wage or hardly more, fearing marginalisation.

In our paper we are going to investigate in three small communities of each of three counties (Borsod, Baranya and Pest)⁴ what local decisions have been made – in the area of public work, and local social benefits – in conjunction with changes in the Social Act resulting in the reduction of the social allowance, and making it conditional on performing public work, and what effects it has on the target population. First of all we were seeking an answer to how local governments react to this *workfare* type policy, i.e. what could be expected for the last few years, but the current regulation makes it perfectly obvious that the government’s objective was to force ‘idle allowance recipients’ back to work through any means including punishment. Observation from previous years have demonstrated that in many cases local governments failed to apply the punitive measures against the poor by e.g. turning a blind eye when somebody worked illegally, or even acknowledged the indispensable nature of illegal work by e.g. summoning them to public work in months other than the most intensive months of seasonal day labour or other casual work in the neighbourhood (Hamar 2010, Váradi 2010). It is a question to what extent the new, stricter public work regime can survive. Our paper aims to find out how much **local governments** regard public work and other forms of benefit a punitive tool, and, generally, **what strategies they try to devise to handle local poverty**, and how much they see the local poor, and unemployed, what explanations they have for poverty, and unemployment, and what steps result from the various assessments they come up with.

2. Some typical features of local social policy

2.1. Strategies of local governments to organise public work

2.1.1. Interpreting the objective of public work

Public work programs are implemented at a local level, and the manner of implementation, i.e. the preparation of public work applications, the selection of unemployed persons for public work, the creation of the selection criteria, involving other public employers, etc. all depend on

⁴ Borsod: C, B, D; Baranya: L, M, N; Pest: R, S, T communities.

the local governments. There is significant difference in the approach a particular local government takes toward public work, and what the general assessment of the aim of public work is in that community; it seems to be subject to local social conditions, and what image the local government, and specifically the mayor form about the poor, the Roma, and poverty. In general terms one can say that implementation takes place on a continuum between **public work interpreted as an opportunity, and as a punishment / reward measure.**

Interpreting **public work as an opportunity** approaches the question from two aspects: it emphasises its positive effects firstly for the community, and secondly for the individual, or both in combination. It aims to exploit these effects. The individual benefit, which, in this case, is of course inseparable from the community's benefit, is that the individual becomes motivated to work after being convinced of the value and utility of his/her work.

The interpretation of public work as an opportunity was, as some see it, disabled by the public work program in 2010 when the new government took office. While prior to 2010 people could be made to work for the minimum wage for 6-8 hours a day, the new program sets the link between allowance and work as its main target while both the amount of the wage, and of the allowance continued to reduce. In other words: **the current public work system has become a dead end, and is humiliating from both a macro and a micro point of view, it does not provide motivation, and all it does is help the manipulation of statistics.**

With its amount reduced, the current public work program practically fails to ensure any livelihood in any way, not even at the level where the previous minimum wage did, being equally low. At the same time it is compulsory as it is a criterion for staying in the benefit system. All these factors amount to the fact that public work will not have any motivating effect.

In one community (T) they tried to use public work in a positive way so that motivation for work did not take the form of forced labour but a means of appreciation: *'I require respect, they should also do the same, they should also require appreciation, and it changed the public view'* Public workers could feel that their work is being appreciated. However, the results achieved were fully zeroed by this new program. The mayor of this community saw a motivating potential in the previous public work program whereby he managed to shape the community's morals, and individuals' attitude. He essentially lost that tool with this new program, which, according to both those concerned, and himself, is humiliating to the extent where it no longer fulfils its stated objective of motivation to work.

At the same time, however, one comes across views that find the current public work programs good and important. These are part of **government communication (work based society, work for allowance), and, within that, ideological support of the punitive nature of public work.**

At B municipality they find that the most important element in forming their views on public work is that it enables people to work for their allowance rather than just 'claiming' it. The mayor of community C also has a favourable assessment concerning the public work program. As the number of places under this new program has reduced, the mayor has found it important to lobby wherever he could, to maximise the public work opportunities that the community can offer.

The essential difference between the two mayors' stories is that they have a different perception concerning the essence of public work. The mayor of community T believes that only meaningful work must be offered otherwise the whole program misses its aim, i.e. that participants should

really work for their allowance, while the mayor of community C thinks that people should work, but fails to emphasise that the point of working is to gain entitlement to the benefit.

The method applied in community B is based on the exploitation of the punishment / reward dimension of the current public work program. They find it important to organise public work, and have therefore established a not-for-profit company (as one among many) with the aim of carrying on with their activities launched under the Start program. Part of the major organisation and reorganisation operation is that the local government designed a **motivation-rewarding system**. Those who can and are willing to work more and better, have the option of working more often and for longer periods, and even to become employed by the company. The basic principle is the same as adopted by the local government of community R in Pest county, i.e. of looking at public work as an opportunity that both the village and the individual may benefit from. An important difference, however, is that while community R, as far as we saw it, considers the current public work program unsuitable for realising these objectives exactly on account of its punitive and humiliating nature, community B believes that the public work program may achieve effectiveness, and lend prestige to the underlying activity exactly through establishing a **system of punishments and rewards**. The mayor of the community is definitely satisfied with the results because of its motivating power, i.e. that somebody can ultimately end up being employed at the company. *‘Because it had to be deserved. It worked. ... we managed to lend prestige to this thing. So we managed to establish a system in which this public work program is not looked down on any more’*

However, the interview revealed the fact that in addition to rewards, motivation is also achieved through **legal and sometimes not so legal punishment**. In other words, in line with current regulation, the local government uses its own tools to support, and reinforce the punitive character of public work derived from the ideology of the “work-based society”: when the allocation of local social allowances are being decided upon, the applicant’s rate of participation in, and attitude to public work is considered, and if found unsatisfactory, the application may even be refused.

2.1.2. Selection for public work, the method of involvement. What basic principles apply?

Many local governments aim at maximising participation in public work. As we could see above some communities lobby to enrol as many people as possible. They regard **social sensitivity** as the major consideration, mainly in the new system where, due to the lowered allowance it is not indifferent how long people can participate in the public work program.

As different from the above, other local governments find that **a place on the public work program must be deserved**. As the mayor’s office has a limited budget to hire people, they must **select** from a pool. One of the most important selection criteria is to see who do and who do not want to work. With these local governments it is also an important aspect before involving somebody to see if he/she tries to **defraud** the system by by-passing the restriction of only one person in a family being entitled to employment substitute allowance, FHT, which also means that one per family can do public work.

The mayor of that community underlines that the current system **excludes social sensitivity** as the maximum number of participants is given, and it falls short of the total number of applicants.

2.1.3. The assessment of occasional or illegal work

Local governments, and institutions have a specific but very important means to influence the lives of the local population, and that is even more so with people in poverty and deep poverty,

who are most exposed. As our examples illustrate, there is a direct relationship between the general perception of the poor, and the measures taken by the local political élite. An important aspect among these measures is **the way they relate to the letter of law**, which is presently increasingly aimed at **stigmatising poverty**, and **disciplining** poor unemployed people.

One significant aspect is that benefit recipients and public workers are not allowed to have another job (and must not work illegally), because that would result in loss of entitlement to benefits. While from a macroeconomic point of view it is a really important to minimise **the black and the grey economy** are, at the level of livelihood for families and individuals illegal work is a question of almost life and death. Families clearly cannot make a living on benefits, especially when they are as low as today, which has been the case for some years now (Virág 2009, Bass 2010, Messing-Molnár 2011). Ever since the regime change the most destitute social groups have always relied on informal (or straight illegal) work for their livelihood. That is of course quite apparent, especially in a village where one can easily observe who goes where regularly, and who does what and when. So it is an ever weightier issue how the local political élite wishes to relate to illegal work, or if it **ignores** it, aware that people would be unable to make ends meet without it, or decides to stick to the letter of law, refusing to tolerate ‘tricks’, and **taking action, and excluding illegal or occasional workers from social allowance or from the public work program.**

Some local governments are **outraged** at the current regulation, and are reluctant to admit that quite a few people in their communities could be easily excluded from the list.

Other local governments do the opposite, and try to **screen out participants in the black economy**. Their hands are more or less tied, so they are mostly left with the only instrument of people denouncing one another, and encouraging people to do that, and involving other authorities such as the field ranger in the same.

2.1.4. Organising the 30 day voluntary public work

Despite the very different strategies followed by local governments concerning public work, **each local government has so far found the 30 day voluntary public work important to arrange.** That observation differs from the finding in the 2012 ombudsman’s report⁵: ‘In my report I have stated that both in the communities being surveyed, and also on a countrywide scale there are a significant number of people in dire financial situations, who are still excluded from the provision system for non-fulfilment of the statutory entitlement criteria. In response to a query by the ombudsman, the secretary of state in charge of social, family, and youth issues disclosed information that in the first half of 2012 approximately 6000 *working age unemployed* persons’ entitlement had to be terminated for failure to complete the 30 day registered employment. (...) I was general experience in the course of the interviews that local governments did not feel that type of assistance to be their own specific responsibility. They regarded documenting 30-day’s ‘activity’ exclusively the obligation of the recipient, and all they acknowledged to be their task was checking if the certificate concerning the 30 days was available.’

In the communities surveyed the attitudes of local governments so far discussed played a less important role, and the 30-day employment was completed ensuring more or less reliably that nobody should drop out of the system. The interviews also reveal that even under local governments in staunch support of the ‘work in return for allowance’ principle only those few people dropped out of the system who – as they said – were impossible to involve in the activity

⁵ The report of the Ombudsman of fundamental rights in the case no. AJB-3025/2012.

for those 30 days. (We have no accurate information on whether the local government actually did everything in its power to involve the unwilling person(s))

The mayor of community D sees the absurdity of the situation himself, despite the above examples, i.e. that the reason people do not get in is that *there is not enough public work* available, and *not that they are reluctant to work*, and chose his absurd response: he selects participants randomly.

The ombudsman's report and the present research results have focussed attention to one other important issue. **The arrangement of the 30-day public work** is an important indicator of how the local government relates to the local benefit recipients, but that **does not mean in itself that the community pursues a poor-friendly policy**.

In short, we could see that local governments' attitude to public work varies a great deal. For small communities is it characteristic that the person of the mayor will be of crucial importance in terms of the type of local social policy to be implemented. A part of local governments tend to interpret and use the **public work program** in their own community **as an "opportunity"**, while others **as a "compulsion"**. Where the **"compulsion"** interpretation prevails, even **punitive measures** are considered, while in villages where it is seen as an **"opportunity"**, they display a **more accepting attitude toward unemployed and poor persons**, and a **more equitable arrangement of public work** is typical.

2.2. The assistance policy of local governments

In what follows we are going to investigate what social measures local governments introduced, and how they apply them. To what extent they respond to poor people's needs, what measures they apply to mitigate poverty within they narrow space of manoeuvre, and how much one notices, here, too, the need to discipline, and 'punish' poor people.

The **temporary allowance** is a form of benefit that the local government allocates on a discretionary basis deciding who receives how much, and on what basis. Most local governments have very tight resources to allocate benefits, thus it is an on-going problem to select who should receive it. The situation is definitely frustrating, while at the same time it is not necessary for some local governments to experience constantly that the needy abuse the situation by applying for allowance despite not being eligible. That is because most local governments use the following arguments concerning allowances.

Interest free loans are also a tool that the community may use to handle the problems of their poor. With reference to the above, namely that the needy try to abuse the allowance, the truth is that most local governments do not take advantage of that possibility, and revoked their regulations concerning interest free loans even if they ever had any.

As already referred to above under the heading of public work, there are local governments that use the **interest free loan as punishment**, saying that only regular allowance recipients may receive it, which, in turn, depends on whether they participate in public work. The underlying assumption is that not working means not wanting to work, and those not wanting to work are not eligible to credit. Those not doing public work receive double punishment: a) they do not receive the higher pay (wages for their work), and b) they are deleted from the eligible list for interest free credit.

Differences in attitude among local governments are well reflected by the following examples. Local governments M, and L, and N apply diametrically opposite strategies, specifically in

conjunction with the winter firewood. In community M the body of representatives enabled in a decree that the **housing maintenance can be provided in kind, specifically as firewood**, and community L also grants temporary allowance for firewood, while community N **does not expressly encourage using the temporary assistance for firewood**. They quote the principle referred to above, namely that their budget does not enable them to help everybody.

Local governments may, in accordance with the amended Social Act, require that **keeping one's yard tidy** should be an eligibility criterion for allowances. Here, too, mutually contrary approaches may be observed. Some local governments **do take this very seriously**, i.e. they passed legislation, and they enforce it, while others **see it as a ridiculous, moreover, discriminative measure**.

Summary

In accordance with the factors of organising public work presented above, local governments are seen to apply the following strategies:

- socially sensitive,
- subscribers to the *work for allowances* principle, and
- those using public work as punishment.

	Purpose of public work	Method of involvement	Perception of illegal work
Indicator of social sensitivity	An option, use it as a quasi-active labour market measure: R, C, D	On a means-tested basis: R, M	Ignores it: L, M
Reflecting principle of work for allowances	Only those should receive the allowance who work for it: N, That		
Using punitive measures	Public work is a tool for both punishment and reward: B	Screens to ensure that only one person per family apply (there is no budget for social sensitivity): N	Finds inspection important: T

Similar tendencies are observable in benefit policy: there are socially sensitive local governments, and those sharing the belief that it is impossible to help everyone, so they simply do not use the variety of tools that they could use, and punishing the poor also appears in local strategies.

	Interest free loan	Heating firewood	'Tidy yard' requirement
Socially sensitive		Finds it important to provide it in some form: M, L	Finds it discriminative: R
There is no way of helping everyone	Cancelled it on the basis that there would be too many recipients: S, T,	Does not give because there is not enough to go round: N	
Punishment for the poor	Those not working are not eligible for credit: B		Takes it seriously: T

Socially sensitive	R, L, M, C, D
Work for allowances, no budget to assist everyone	N, T, S
Punishing the poor	B, N, T

It is important to highlight that our analysis did not aim either at capturing tendencies along the time axis, i.e. how the local conditions changed in the wake of new regulations, or at the assessment of the frequency of types. We have no way of saying which type is how typical, but we can say that **there are two clearly distinct strategies applied by local governments**. On the basis of their local policies regarding the poor, and the long-term unemployed, we distinguish 1) **socially sensitive ones**, and 2) those subscribing to the principle of **work for allowance / no budget to help everyone**, and the latter to our experience do not shrink back from even punishing, and disciplining poor people. Local governments in the first type find it important to ensure that unemployed persons should find employment, and work, but recognise the fact that converting public work into forced labour (especially coupled with very low wages paid) discourages rather than motivates.

The same is reflected in reports by unemployed people, which we analysed, and found that a **great deal of distrust characterises communities** even where the local government tries to display a socially sensitive attitude. We have explained this by the fact that if we take the results, and the various types of trust deriving from the equitable procedures, **the results can only give rise to distrust as current policies** (which local legislation can only partly counterbalance) **are essentially anti-poor**. That also points to the fact that where an atmosphere of confidence prevailed, a necessary ingredient for the good operation of a local community, even there it may be assumed that it was gradually weakening, and **these communities are in a one-way street of disintegration**. That holds true even if trust from procedural fairness is still present (even in villages where the local government belongs to type 2) but this, as we have seen, relates not to the procedural correctness of an institution, but to confidence in a particular person.

So **type 1)** local governments **find the current public work system a counter-incentive**, and essentially ridiculous and **discriminative** with all the associated punitive procedures. With **type 2)** local governments the **“work for allowance”** principle links up with the argument of **“no budget to help all”**. This latter has a legitimising role as it practically only uses the **punitive tools** among the available local governmental tools and ignores others (interest-free loan, temporary allowance, firewood, etc.).

Our ultimate conclusion could be that despite even if there is nothing we can say concerning the prevalence of the different local governmental strategies, we can still state that **in communities where they are receptive to the ideology of *workfare* they seize every opportunity to enforce it, while in places where there is no such receptivity, they try to exercise social sensitivity even at the cost of by-passing the law**. At the same time the very strong central anti-poor policy **may trigger the disintegration of local communities even where the local government is trying to implement an opposite strategy**.