



MINISTRY  
FOR NATIONAL ECONOMY

## **A contradictory support system**

**Currently there are 728 000 people who receive disability pension benefits in Hungary – the proportion of disabled people within the working age population is remarkably high**

### **Focus**

Currently in Hungary much more is being spent on support related to disability than in other countries which are at a similar stage of development or which have similar healthcare parameters. In Hungary the number of handicapped people with a job is very low, and the support system is only favorable for some privileged organizations which are invested with special rights. If the 700 000 people who are currently out of work because of their handicap were employed and if they contributed to production at half the efficiency of the 3.7 million people who are employed, it would increase the Hungarian GDP by 10 percent.

### **Background**

Already since the middle of the 1960s the number of people on disability pensions had been rising which was mainly attributable to the increasingly poor health of the population. The trend was improving until the end of the 1980s and came to a standstill after the regime change. At the beginning of the 1990s the system of disability pensions played a role in easing the tensions on the labour market.

So far there have been two worthwhile attempts to tighten the conditions of disability pension benefits. The first such attempt was introduced on 1 January 1998 and the second in 2007.

According to the data of the Hungarian Pension Insurance Agency, in September 2010 there were 2 926 090 people who received pensions and pension-related benefits and the **24.9% of these received disability pensions. The 52% of people on disability pensions received full retirement benefits and the 48% received early retirement benefits.**

In the **most developed countries of the EU** the proportion of the number of handicapped people with a job is **40%**, while **in Hungary it is only 12-15%**. Within the working age population in Hungary, the number of people on disability pensions is remarkably high. In 2007 it was more than 12%, while in Slovakia it was 6.3% and the OECD average was even less at 5.8%.

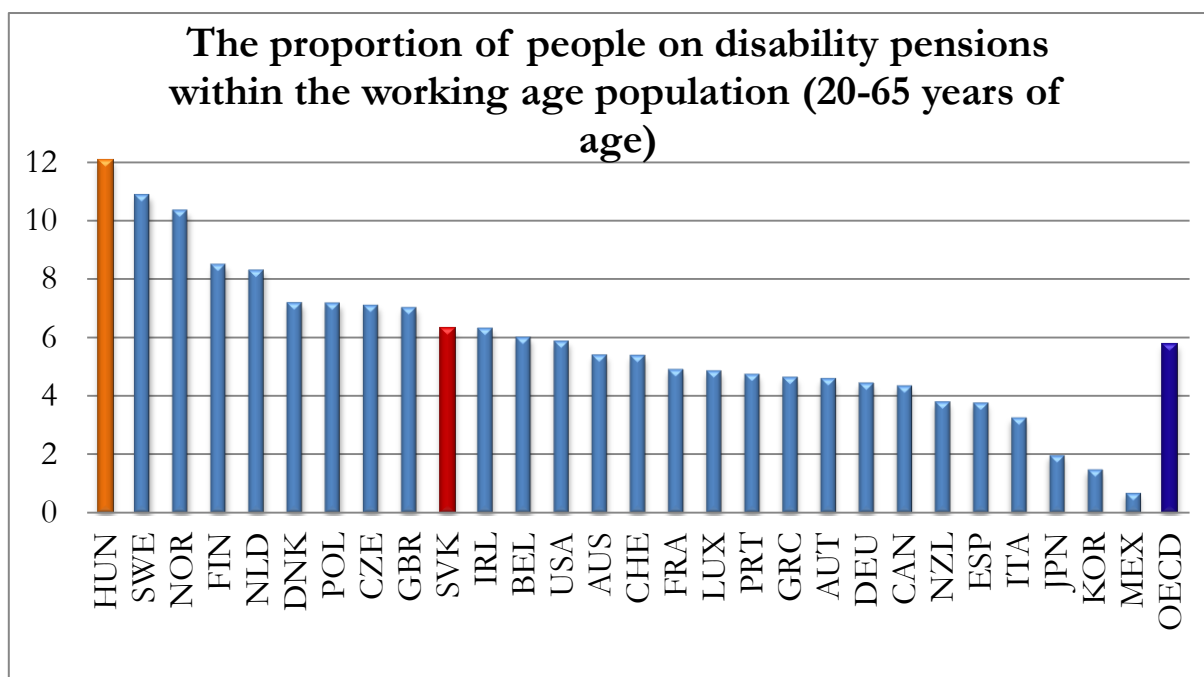


Figure 1.

Source: OECD

### The figures of the support system for handicapped people

There are currently 60-65 000 handicapped employees whose employers receive support for providing them with a job. The number of such handicapped employees who are employed to meet the required employment quota is unknown.

The number of handicapped people who are registered as jobseekers is 40-45 000. There are a couple of thousands of people who currently receive rehabilitation benefits, but this number can rise to as much as 15-20 000 within a short period of time.

Currently there are a couple of thousands of people who must cooperate with the Public Employment Service Office in order to get employed, but this number can rise to as much as 50-60 000 within a few years.

The number of those who are no longer active on the labour market, who are handicapped and of working age as well as those who do not receive the optimal social insurance services can be estimated at one hundred thousand.

## ‘Cornerstones’

### The support system

As figures like the GDP per capita, healthcare expenditure per capita or life expectancy at birth are concerned, Hungary is on par with Slovakia or Lithuania. Therefore, these countries can serve as obvious bases for comparison on analyzing the number of disabled people and the disability support figures.

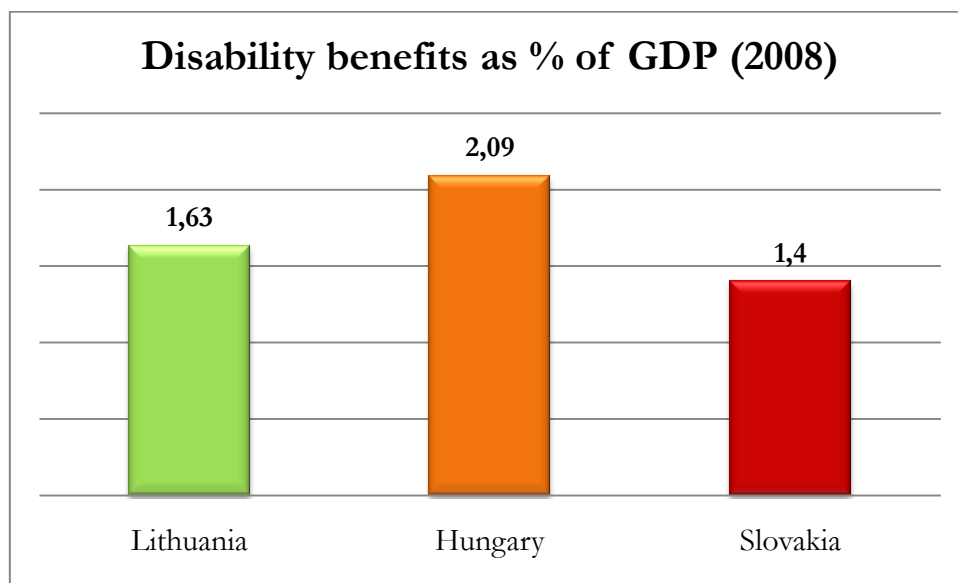


Figure 2.

Source: EUROSTAT

If we analyze the disability support figures as percent of GDP, it is evident that Hungary spends much more on these than either Slovakia or Lithuania which are at a similar stage of development and of similar healthcare parameters.

The Hungarian support system is complex and contradictory at the same time: sometimes it overspends, sometimes it provides too little. The gravest flaw of the system is that the employer does not get sufficient information about the rehabilitational status of the

handicapped person and therefore it is difficult to find the right sphere of activity for him/her.

Another great flaw of the support system is that it does not differentiate between partial and full rehabilitation. Furthermore, from this aspect the support mechanisms of the Labour Market Fund and of the state budget are based on entirely contradicting logic.

Sometimes it would be necessary to analyze the efficiency of the rehabilitation, but it is often not required by law. Therefore, **the wage supplement system of the budget is too generous.**

**The number of handicapped people with a job is extremely low** and the support system is favourable only for some privileged organizations which are invested with special rights. Their employees often receive the minimum wage only. For foundations, associations and private enterprises, however, it is very difficult to obtain subsidies.

## Conclusion

In Hungary the support system related to disability and handicaps is currently weighed down by a number of problems; the system is far too complex and contradictory and the number of handicapped people with a job is extremely low.

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Ministry for National Economy