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FOR THE EUROPEAN OBSERVATORY ON HOMELESSNESS

POLICY UPDATE

By Péter Gyóri

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Introduction

2005 was a turning point regarding the issue and problem of homelessness. Policies did not continue the path taken before: important modifications were initiated or at least their precursors became evident. In summary, the main idea behind the changes is a different perspective and approach; homelessness is not merely a terminal state, and homeless people are not simply to be taken care of and hidden from the public eye. According to the new policies, homelessness is an individual and social state that can be improved, out of which reintegration to mainstream society is possible.

The new approach is not yet dominant, but is more powerfully represented than before. I would like to cite two examples to illustrate the nature of changes taking place. In 2005, besides the earlier, sporadic, locally initiated attempts, state-funded, subsidised housing schemes were started, which are an important step away from institution-based support of the homeless. In the previous 15 years, all policies, financing and regulation aimed at establishing shelters and other forms of institutions where the homeless can stay temporarily, segregated from society, in miserable conditions, and without perspectives for the future. In addition, a network of social services was also set up to help the roofless, who insisted on living in the streets. Subsidised housing schemes aim at changing these practices that do not provide long-term viable options and solutions. The new program gives a chance to reintegrate into mainstream society. Even the preliminary studies and results transformed the motivations, hopes and perspectives of decision-makers, social workers and the homeless themselves.

Very significantly, primarily as a result of the accession to the European Union, changes took place in the scope of employment programs aimed at the reintegration of the homeless to the labour market. Subsidies from the EU do not favour passive assistance and handouts, thus the maintenance of a relatively comfortable outsider status; the aim is to make a difference, and activate and reintegrate unemployed social groups and individuals to some segment of the labour market. The volume and specifications of these funds had a substantial effect on employment policy, including the support of the homeless, most of whom are long-term unemployed, employed illegally, disabled, or belong to racial or ethnic minorities.

In summary, an important change in approach has taken place in the field of housing and employment.

At the same time, the economic parameters of the country improved in 2005; however, the budget deficit increased sharply. As a result, the inevitability of transforming the traditional support schemes appeared on the agenda: the system of pensions, health care, education, local

councils, and social services need to become more effective. Due to the proximity of the elections, solutions were not suggested or initiated; the stalemate resulted in several measures that had a negative effect on the social system caring for the homeless and on the homeless people themselves as well.

The turning point is just a starting point: only the initiatives for the significant changes are outlined at present. Procedures and paths leading out of homelessness are not yet an organised, coherent whole in terms of regulating, financing and organising efforts; at this stage, they are rather local attempts and intentions.

The turning point is just a starting point, because the comprehensive national policy on tackling homelessness is still to be drawn up, and the determined and concentrated political effort and willingness to take the necessary steps are still lacking. Preventing mass homelessness is not a priority: several government measures in 2005 could lead to an increase in homelessness as a side effect.

The policy paper covering the year 2005 described the measures having an impact on social services working with the homeless, as well as changes in housing policy that could affect the lives of people living without a home or those in danger of losing their home.¹

The first chapter of the present paper discusses in detail the implications of a government decree and draft bill in late 2004 that initiated important new programs in the social services system catering for the homeless. The subsequent chapter goes on to describing the controversy about financing, which covered most of the year 2005 and was followed closely by decision-makers and stakeholders. Chapter 3 presents the most important changes in national housing policy and housing subsidisation schemes, and summarises the essential elements of the current system. Finally, the amendment of the Housing Act (2005) is analysed, as it could have serious consequences for families and individuals in the danger of losing their homes. In addition, the draft version of the campaign on the prevention of child poverty has implications for housing, which are also mentioned in this chapter.

¹ Due to the limitations of the annual report, initiatives regarding employment are not covered in detail. However, there are plans to discuss them in sufficient depth in the annual report in 2007. As the complete overhaul of health care and the pension system is currently underway, the effects can only be analysed fully and in detail in the future.

1. Consequences of the 2004 government decree²

The government decrees under the umbrella "On reducing the number of roofless people, extending social services, and tackling social conflicts arising from the presence of roofless people" (October 2004) provided the framework for the steps taken in 2005.

The document refers to the *Joint Memorandum on Social Acceptance*, signed by the Hungarian government and the European Commission in 2003, covering the issue of tackling indebtedness, which is important in preventing homelessness. Furthermore, the Memorandum states the following: *"The homelessness of youth and families is to be handled more effectively, the system of institutions catering for the homeless is to be overviewed, the minimum guarantees of housing are to be examined, the assistance provided to those outside institutionalised care is to be standardised. Closer cooperation between ministries is necessary to integrate efforts in the field of borderline areas, such as health care, employment and housing. Besides assistance to those already homeless, the main objectives are setting up model programs that overview and develop the framework for prevention and reintegration. Drawing up an action plan regarding the prevention of homelessness of families is an important priority. In order to improve the reliability and planning of winter season services, the introduction of flexible and dependable forms of financing is essential."*

The decrees also refer to the national action plan on social integration for the years 2004-2006, endorsed by the government and submitted to the European Commission in July 2004, which outlined the following priorities in tackling the problem of homelessness: the reduction of the number of roofless, and the establishment of paths leading out of homelessness and homeless care institutions. The importance of developing and upgrading daytime care is underlined, including more effective organisation using dispatcher, hotline and coordinating services. Further tasks on the list are improving social work in the streets and social work independent from the location of the temporary housing, and the subsidisation of programs focusing on complex social reintegration. Independent housing is an essential pillar of independent living; therefore, the availability of housing outside homeless care institutions needs to be improved.

The Human Resources Development Operative Program, funded partly from EU sources, contains measures aimed at expanding the daytime services provided for the homeless in the

period between 2004 and 2006, with the emphasis on paths leading out of homelessness, and the role of employment and employability. The program considers daytime shelters a key element of the restructured homeless services, housing services related to social and labour market reintegration, such as development courses and protected or semi-protected jobs as an initial step back to market economy.

The decree mentions that 3612 places are available in the 40 daytime shelters operated in Hungary, which cater for 3854 persons daily on average (data by the Central Statistical Office, 2002). Night shelters and temporary hostels provide nearly 6000 beds; 389 beds are available for homeless in need of extended care because of their medical condition; and 13 rehabilitation centres can house and treat 349 persons. At the same time, the following is also concluded: *"The capacity utilisation figures of institutions and services housing and assisting the homeless reveal that in all kinds of shelters and hostels capacities are used beyond their maximum. Beds in night shelters fill up quickly, especially in winters, and it is next to impossible to secure a bed in temporary hostels. (...) For the majority of the residents in hostels and shelters, the current situation is a dead end, due to the lack of alternative options; they are in need of other forms of assistance, such as cheap rented apartment, nursing service at home, a bed in institutions catering for the disabled or the mentally ill. Countless people live in hostels because they have no chances for a better solution. A large number of beds would be available for those in real need if cheap housing solutions were provided for those who do not require institutionalisation."*

An initiative of the Menhely (Shelter) Foundation is cited as a good example: *"In the framework of the voucher program, the Foundation rents beds in workers' hostels and cheap hostels and pensions, especially for the winter season. The availabilities are distributed between night shelters in the city. The social workers at the shelters direct homeless clients to these hostels and pensions if they are capable of contributing to their own housing costs. They are provided with vouchers by the foundation, which entitles them for a bed or room in the pension. Menhely Foundation has control over the available capacities. Costs are partly paid for by the homeless, depending on their circumstances. This scheme can ease the burden on the shelters by removing homeless from the institutions if they have the financial resources to share costs. Social workers keep contact with the homeless and ensure that they have all the assistance needed to keep their housing; team meetings are held regularly by Menhely*

² The document refers to a definition by FEANTSA ETHOS: *"There are four categories of homelessness: rooflessness, houselessness, insecure housing, and inadequate housing."*

Foundation to operate the system smoothly. This form of assistance is very popular with the homeless. At the end of each period of the program, several clients decide to stay on at the hostels, paying for all their expenses themselves."

The document mentions yet another problem: *"Homeless people who are ill but do not require hospitalisation present a special problem that calls for the cooperation and integrated assistance of health and social care services. We must solve the problem of roofless people sleeping in the streets, provide them with medical assistance and supervision, medication, meals, hygiene, and adequate care after recovery that they currently cannot access due to lack of home and family."*

The government draft focuses on the paths for development in the future, but we must face that *"in the year 2004, funds available for homeless care services and for organising wintertime shelters dropped to almost half of the resources provided in 2003 (from 790 million forints in 2003 to 490 million in 2004). As a consequence, the wintertime crisis services operated within the current framework are in serious danger, and alternative funds need to be secured."*

The government decided that *"in order to improve the living conditions and social reintegration of the homeless"*, the following measures are introduced:

- separate funds must be provided for housing programs outside homeless care institutions (apartment rent programs), covering 900 people (134 million forints in Budapest, 220 million in the countryside);
- a Hospitality Village model program is set up for 20 homeless families living in the wooded areas around Budapest, including creating housing and employment opportunities in the countryside (30 million forints);
- separate funds must be provided for the employment of homeless in Budapest, especially jobs and labour that can be covered with the "temporary employment card" (30 million forints);
- separate funds are provided to cover the expenses of the wintertime crisis services in 2004/2005, focusing on setting up beds in infirmary hostels and purchasing vehicles to be used as crisis cars to assist in emergencies in all 19 counties and in Budapest (118 million forints);
- funds are provided to extend the opening hours of daytime shelters (50 million forints);
- subsidy is provided to Oltalom (Protection) Association and its "heated street" project (20 million forints);
- possibilities of converting unused and abandoned state property (e.g. former military barracks) to house roofless people must be researched and evaluated.³

(<http://www.feantsa.org/code/en/pg.asp?Page=484>)

³ Government decision 1107/2004 (X. 4.)

After the elections in April 2006, a summary was compiled about the measures and achievements of the government in the past four years, covering the implementation of the decree as well.⁴ It is reported that homeless services received the vehicles in April 2005 to be used for the emergency service (one car for each county, four in Budapest). Round the clock medical centres financed by the Hungarian National Health Fund were set up (4 in Budapest, 1 in each region), including infirmaries, medical and nursing supervision, medication, providing meals, family doctor service, providing assistance with accessing specialised medical help or hospital treatment. In addition, social workers in the streets and daytime shelters can call for medical help (8 hours service daily in Budapest, 6 hours in the countryside). In Budapest, the dispatcher (hotline) service coordinates the utilisation of capacities; vacant beds are maintained every night for those taken to the centres by the crisis cars.

Regarding the Hospitality Village program, the summary includes the following: *"The program was criticised extensively when it was initiated. Opponents argued that the right solution is not the import of poverty, setting up ghettos, or the extension of problems already experienced by a village; it was also emphasised that providing housing is not a solution in itself.(...) In the long run, tackling the problem of family homelessness and prevention must be a priority, the procedures must be standardised and the sufficient funds provided by the budget."*

The model experiment was eventually started in Tarnabod village (Nógrád County, in Northern Hungary), where 15 homeless families were settled, under the professional supervision and guidance of the Order of Malta and TUTOR Foundation. According to the report, the purchase of homes has been completed, as well as the selection of the families, who have already moved in. They have received assistance with setting up a household, the schooling of their children, employment, and community development in the village. *"The settler families need continued support, together with the other impoverished families in the village. Developments must be beneficial for the entire community."*

The document also reviewed the housing subsidy program, and concludes that *"this program is the first of its kind that enables a large number of homeless to reintegrate into society and leave homelessness behind."* From the second half of 2005, the scheme provides for rented apartment for 900 people for one year, until the end of 2006. Funds might eventually be sufficient to support up to 1000 homeless. The report concludes that housing outside homeless

⁴ Report to the government on the situation of homeless services, 2002-2005.

shelters and hostels is cheaper: *"Housing for one person at a temporary hostel or night shelter currently costs 548,000 forints (which is the normative annual support provided in 2006), whereas the housing program can arrange adequate rent for 300,000 forint per person."* Homeless people moving to rented apartments mean that beds become available for roofless who previously had no access to institutionalised care. The evaluation goes on to explain that *"Rented apartments function as homes: they provide a normal living environment and access to private space, strengthen self-reliance as an alternative to reliance on institutions, enable people to find and keep employment. Furthermore, new possibilities open to establishing bonds with neighbours and friends, forming and retaining a partnership, or the reunion of broken families. Living in an apartment triggers a real rehabilitation process. If the program continues to be successful, funds should be made available for the housing of 2000 individuals per year from 2007 onwards."*

In summary, it can be concluded that the government decree and its implementation did not affect the most pressing problems of preventing and tackling homelessness; it focused on the system of institutions but not on their organisational or financial bases, and as such, it did not compensate for the lack of a comprehensive policy on homelessness. Instead, projects and experimental programs were set up: wintertime emergency measures partially making up for the earlier financial restrictions; showcase elements reflecting political interests; and also programs that are significant turning points in the operation and way of thinking of homeless services (health centres, regional dispatcher and crisis centres, subsidised housing programs). For the time being, however, the latter programs are projects lacking long-term government commitment. Considering the continued postponement of a reform in organising and financing services, it is doubtful whether the approach to the issue of homelessness will be transformed and whether significant improvements can be made.

Photos from the draft government decree



2. Changes and planned changes in regulating and financing homeless services

Draft Budget Act for the year 2005

The Draft Budget Act for the year 2005 sent shockwaves through the social services system: the planned cuts were going to render homeless services ineffective. The affected organisations decided to voice their concerns publicly.⁵

In 2005, the normative subsidisation of social services working with the roofless was introduced. The original draft allocated funds for 52 services all over the country (although there were over 60 organisations at that time), and the criteria for the decision on the organisations to be supported were never made public. Who, where, when, and based on what would divide up the available funds? As a result of the pressure exerted by the affected services, an open-ended funding scheme was decided on: all organisations meeting the legal criteria would receive support. However, this decision did not consider the realities of the situation in Budapest, where the private and local council services sign agreements during the summer, dividing up the territory of the city so that all districts, main underpasses and railway stations are covered in the winter, as well as the operation of the crisis cars. The new regulations and funding system interfered with the well-organised system significantly.

Several problems emerged in 2005 as a result of the new regulations, especially the principle of supporting all organisations that meet the legal requirements. Organisations without experience received funds and permits, did not cooperate with the existing services, and decided to cover districts already served effectively by other organisations. In the meantime, other areas remained out of the reach of the homeless services.

The normative support of temporary homeless hostels was increased significantly in 2004, primarily due to the government requirement on raising wages; however, this resulted in a minimal rise in subsidies for the year 2005, which did not even account for half the rate of expected inflation. At the beginning of the year, no normative support was allocated for wintertime crisis temporary beds and shelters because many of them had not acquired all the necessary permits. (The need for extra beds for the winter season can only be estimated during the year; in addition, suitable buildings are usually only found a few months rather than a year in advance.)

⁵ Péter Győri: What will happen to the homeless next year? (Press release) November, 2004.

The protest by the affected organisations made the decision-makers change their minds: the plan to cut normative support for 2005 for organisations without all the necessary paperwork completed by the end of 2004 was abandoned. For example, if a shelter or hostel was under construction in 2004 and did not receive all permits before the end of the year, it would have had to operate without funding in 2005. This situation was successfully prevented.

The draft amendment of the Ministry of Social and Family Affairs decree 1/2000. (I.7.)

The year 2005 was haunted by the decree 1/2000. How could the draft appendix of a ministry decree cause such stir? Evidently, the good or not-so-good rules and regulations laid out affect the everyday lives of social services and social workers. The decree assigns and regulates tasks, staff and material conditions to be entitled for government funding, the necessary paperwork. All the above are contained in great detail in the decree in question.

The ministry dealing with social affairs started preparations for the latest amendment of the decree in 2004, and the following list summarises the main points.

- Funds should be allocated to certain services, not to organisations providing those services.
- The funds provided should depend on the amount and type of work.
- Not all organisations should be entitled for funds; capacity regulation mechanisms are necessary.
- Fixed sum of normative support should be provided for each kind of service.
- Staff and material requirements should be modified (making them more lenient in some areas but stricter in others).

The outlined attempts to reform the social services system generated controversies and conflicts lasting the entire year.⁶ During the professional discussion procedure leading up to the introduction of the amendment, the most controversy arose from the haphazard nature of the talks. The procedure varied for each kind of social service, sometimes it was skipped entirely; the selection criteria for the experts and organisations consulted or disregarded were vague; the agreements reached were strikingly formal and the fate of suggestions could not be

⁶ The simplified amendment only came into effect in 2006.

followed; draft proposals were only sent to experts one or two, sometimes half a day before the consultations; etc.

Strangely, it was the appendices that generated the most debate, as they contained the forms for the different kinds of services, and were closely related to controlling and financing. Professional organisations argued that the forms and documents were random, and the categories used for classifying activities were impractical, almost useless. Furthermore, they disagreed with the additional administrative burden (data registration, checking, correction, collating, control on a daily, weekly, monthly and annual basis, broken down for social workers, institutions, organisations), and argued that they exceed the capacities of both workers and organisations (both private and local council). Of course, paperwork in itself is not useless, but the forms reflected a formal and time-based frame of mind that lacked effective and cost-effective implications and qualitative requirements entirely. The organisations stated that *"the reformed regulation policy we find acceptable should not lead to further administrative burden, increased bureaucracy and additional costs; the aim is to make social services more effective and efficient."* Several organisations stood up against the introduction of the planned modifications.

Another controversial point was the modification of the requirements for the qualifications of personnel working in social institutions providing face-to-face services.⁷ If regulations are too strict, it is more difficult or even impossible to set up or maintain services in areas facing a shortage of manpower; on the other hand, if regulations are too lenient, staff might be dismissed in institutions where they were able to meet requirements for highly-qualified employees (since workers with lower qualifications are cheaper).

Social organisations suggested a scheme with differentiated levels of regulations and subsidies, and submitted three alternative versions. Consequently, it would be possible to maintain a minimum professional standard in the case of services that do not want to apply for state funds (non-governmental organisations or foundations); in addition, increased financing prospects would motivate organisations and institutions to meet higher requirements.

Suggested alternatives	Minimum professional requirements for categories (in operation and financing)		
A	Minimum requirements necessary for operation license and permits (no subsidies)	Minimum requirements for the full sum of normative subsidies	Minimum requirements for an extra sum of normative subsidies
B	Minimum requirements necessary for operation	Minimum requirements for a reduced sum of normative	Minimum requirements for the full sum of normative

⁷ Appendix 2 of the draft amendment.

	license and permits (no subsidies)	subsidies	subsidies
C	Minimum requirements for the full sum of normative subsidies		Minimum requirements for an extra sum of normative subsidies

The effect of planned changes on social services working with the roofless

As pointed out above, social services working with the roofless are entitled for normative state subsidies from January 1st, 2005; besides the apparent advantages, they also faced several difficulties at the management and organisation level. The following points were raised:

- 1) *The latest draft regulations would force social workers, including those in the streets, to record minute by minute their activities, then collate, check, forward to be checked and collated at a higher level again, thus wasting considerable amounts of time and manpower on data collection and processing which will never shed any light on the effectiveness or aims of social work and which cuts down on the time that can be spent on helping.*
- 2) *The draft regulation allows the employment of social workers if they have secondary level qualifications in health care but applicants with a university or college degree in medicine, education or sociology are excluded.*
- 3) *All new employees, even fresh graduates with a degree in social work, have to attend a 200-hour specialisation course in social work in the streets.*
- 4) *The above compulsory training plus application fees (amounting to over 10,000 forints) must be paid by the employer, besides allowing 25 days of paid leave for the course itself. The question is, who will be working in the streets in the meantime? If the social service cannot do the tasks assigned and cover the area, its permits may be withdrawn. In addition, how can trainees from the countryside stay away from their home and families so long, and who will cover the expenses?*
- 5) *Very importantly, the above courses can only be organised and taught by a single organisation named in the draft decree, which happens to be closely connected to the ministry and has access to significant funds and state support.*
- 6) *Most importantly, the professional supervision of the compulsory courses is not sufficient. As always, the most experienced workers doing social work in the streets were never asked, or even if they were, their views and opinions were disregarded. Consequently, workers with years of experience are forced to listen to meaningless and lengthy classes taught by "experts" who have never ever worked in the streets.*
- 7) *It is not acceptable that the lecturers teaching the compulsory courses happen to be the very same individuals who drew up the draft decree and regulations.*
- 8) *The above situation applies not only to social workers but also to financial advisers and other counselling staff employed by social services organisations.*

The above controversies took up much of the year 2005, and the problems raised have merely been postponed, not solved. Some of the regulations have been introduced, others are being discussed.

Housing policy

The annual report for the year 2004 summarised the tendencies and main changes in housing and housing policy over the past 15 years, including the problems caused by the transition, the radical changes in financing, and the consequences of apartment privatisation.⁸ Now it is all history – we need to build on what we ended up with. This annual report summarises the changes that came into effect in 2005 regarding housing subsidies and housing policy, and also presents an overview of housing subsidy schemes available at present.⁹

Although homelessness is not simply a housing problem, we are convinced that housing subsidies, regulations and policies affect significantly the prevention and tackling homelessness as well as the reintegration of the homeless into mainstream society.

3. Introduction to housing subsidisation schemes in Hungary

Subsidies for housing can only be interpreted and understood in the social situation and social services situation prevalent in a given country, region or settlement. In some countries, for example, housing subsidies are integrated into general benefits or family benefits.

During the transition to market economy, housing subsidy schemes were also transformed gradually from supply-based programs (apartment building campaigns by the state) to demand-based schemes. One component is rent and household maintenance subsidy.

Supply-based support includes:

- financial support, capital subsidy
- reduced tax
- waiving tax
- subsidy on new building lots
- interest and loan subsidies
- state guarantee
- transforming construction and permit regulations
- abolishing set rent rates in the private sector

Demand-based support includes:

- financial subsidy
- reduced tax
- waiving tax
- subsidy on new building lots
- interest and loan subsidies, subsidy on housing saving accounts

⁸ Péter Gyóri: Hungary National Report for the European Observatory on Homelessness, Policy Update. 2005.

⁹ The limitations of the annual report only allow a brief summary.

- state guarantee
- setting maximum rent rates
- rent subsidy
- household maintenance subsidy

Social housing and housing subsidies and their administrative background also vary from country to country. The management structure of social housing is crucial, some countries have a uniform social housing structure, others rely on housing associations run by local councils or private organisations, and yet others construct a system on privately owned rented apartments.

The administrative background of the social housing sector and housing subsidies¹⁰

Country	Social housing	Housing subsidies
Australia	Federal governments	Central government
Canada	Provincial governments and local council agencies	Provincial governments from central funds
France	Housing associations	Central government
Germany	Full central government control. Federal states and local councils have to provide services as laid out by central requirements.	Central government control, administration done by local councils
Great Britain	Local councils relying on registered private apartment owners	Local councils relying on central funds
Ireland	Local councils relying on central funds	Regional committees
Holland	Housing associations	Central government
New Zealand	Agency of the central government	Central government
Sweden	Local council housing agencies relying on central funds	Central government
USA	Local administration, based on federal regulations	Local administration, based on federal regulations

Elements of the housing policy¹¹

Subsidies and support are regulated by the relevant laws on local councils, on social services and family subsidisation as well as by Government Decree 12/2001 (I..31.) on state subsidies for housing purposes.

¹⁰ Ditch, John, Lewis, Alan, Wilcox, Steve 2001: Social Housing, Tenure and Housing Allowance: An International Review, Department of Work and Pensions

¹¹ Based on research by experts of Urban Research.

Subsidies provided by local governments

Reimbursable subsidies provided by local councils (interest-free loan)

Several local councils run interest-free loan schemes for housing in their administrative areas. Local council decrees regulate the terms and conditions, permits, and sums available. In general, local couples younger than 35 years of age, with low income and children are supported.

Non-reimbursable subsidies provided by local councils

Criteria, terms and conditions for non-reimbursable support are laid down in local council decrees. In general, local couples younger than 35 years of age, with low income and children are supported.

Local council social housing construction

Very few local councils take advantage of this possibility, and the number of apartments available is low.

Special housing programs

Special housing programs are generally funded by the central budget. Local councils have the possibility to apply for funds targeted for the elimination of slums and Roma (Gypsy) ghettos, reconstruction or infrastructure upgrade. The central government lays down terms and conditions to which local governments can connect through local council decrees or decisions.

Household maintenance subsidy

The three main forms of household maintenance subsidy (local, state normative and debt management) were kept after the modifications that came into effect on January 1st 2004; however, state normative subsidies were transformed completely.

Individuals and families are entitled for normative support if their income does not exceed 150% of the minimum retirement pension and if rent and utilities exceed 25% of their income. Families with accumulated arrears are also entitled.

Official household maintenance figures were modified and are currently calculated for square metres (400 forints/m²); the figure is updated in the Budget Act annually. Subsidised apartment size is also regulated:

- 35 m² for one person
- 45 m² for two persons
- 55 m² for three persons
- 65 m² for four persons

Actual apartment size is considered in case the available area is smaller. The minimum monthly subsidy is 2500 forints. Local councils may supplement normative household maintenance support from local budget.

90% of the funds for normative household maintenance support are provided by the central budget.

Debt management service

Debt management service became part of the social services on January 1st, 2003. Local council support is available for those whose debts exceed 50,000 forints, have accumulated at least six months in arrears over the past 18 months, and have per capita incomes and apartment sizes lower than the maximum laid down in the local council decree. Support can be up to 75% of the debt and 200,000 forints maximum. Terms and conditions apply: the debtors must cooperate in paying their share. Beneficiaries may also receive household maintenance support for minimum one year.

Housing support

Duties and taxes reduction

50% and maximum 40,000 forints reduction on duties and taxes applies to first-time homeowners under the age of 35 if the price of the apartment does not exceed 8 million forints. Exemption on duties and taxes applies to apartments and houses purchased to compensate for the loss of a previous home in a natural disaster.

Interest subsidy

Loans with interest subsidies can be taken out for purchasing or constructing new apartments or houses; the subsidy reaches 60% of the interest. Initially, the scope of beneficiaries was

restricted to first-time homeowner couples or families with at least 3 children; currently, all couples or single parents have access to this subsidy. The maximum loan is 15 million forints.

Interest subsidy on mortgages

Loans can cover the funds for newly build or used apartments and houses. The maximum sum of the loan is 15 million forints or 5 million for a used home. Interest rates for loans on used homes reach 10%.

Interest subsidy on housing savings accounts

From April 1st, 2003 state subsidy is up to 30% of the sum saved on the account, or 72,000 forints maximum. State subsidies are also 30% for savings by housing associations or apartment cooperatives. Subsidies start four years after the account is opened. After 8 years, the accumulated savings can be used for other purposes as well.

Interest subsidy for loans for apartment cooperatives

Apartment cooperatives and housing associations can apply for interest subsidies for renovation, provided they have had a renovation savings account for at least four years. Subsidies are 70% for the first five years and 35% in the subsequent five years.

Interest subsidy for local councils

The state budget pays for 70% of the interest in a loan taken out to renovate an apartment owned by and rented from a local council, on condition that the loan covers less than 50% of the renovation expenses and that the local council housing expenses exceed housing incomes in the budget in the given district or settlement.

Tax reduction on housing loan repayment

From January 1st 2004 onwards, 40% of housing loan repayment can be deducted from the tax base, if the loan does not exceed 15 million forints. For enlargement and used homes, the figures are 30% of repayments and a maximum loan of 10 million. Annual reduction may not exceed 120,000 forints per person, and annual income may not be over 3.4 million forints. Reductions apply for a maximum of five years.

Home building allowance

From April 1st 2004 onwards, home building allowance is 800,000 forints for families with one child, 2 million for two children, 3 million for three children. The allowance may not exceed 65% of the construction costs, and may also be used for purchasing a newly built home.

"Half-allowance" supports home enlargement by half of the above sums, on condition that at least one room is added to a home the size of which is not sufficient without the enlargement. The allowances extend to those couples and families who undertake to have one or two more children in the near future.

Support for social housing construction

Local councils may receive 50% state subsidy for the construction or creation of social housing and retirement homes.

Cost-saving, environmentally friendly reconstruction

Housing estates and apartment blocks are given up to 33% subsidies on renovations decreasing heat emission on condition that a further 33% is covered by local governments and 33% by the homeowners. State subsidy may not exceed 400,000 forints per apartment.

Changes implemented in 2005

In the period leading up to the April 2006 parliamentary elections, a possible transformation of housing subsidies became a debated point. Although it was clear that the interest subsidies introduced by the government between 1998 and 2002 had unfair elements (e.g., it also made possible the subsidisation of several expensive apartments or houses for one family), and it was also becoming evident that budget expenses connected to interest subsidies were growing exponentially, the government was postponing changes for years. Finally, in 2005 it was forced to stand up for the increased support of those in real need. The restriction itself was not significant (it did not decrease the budget substantially); on the other hand, increased support schemes for the poorest were not fully drawn up or remained at the level of PR statements. The elements of the transformation were the following:¹²

¹² National Housing and Construction Office

1. State guarantee

A new government decree regulates the terms and conditions for state guarantee on housing loans.¹³

Married or unmarried couples under the age of 35; single parents;

Own funds: 10% of the purchase price;

Maximum price of the apartment:

newly built home in Budapest or cities: 15 million forints

in the countryside: 12 million forints

used home in Budapest or cities: 12 million forints

in the countryside: 8 million forints

Banks normally give a mortgage loan on half of the purchase price; the state guarantee covers the sum above that. The guarantee fee is 2% of the guaranteed loan, this expense is waived for applicants in the year 2005.

2. Increased housing allowance

Families with children and under a certain income building a new home are entitled to increased housing allowance, which is 900,000 forints for one child, 2.4 million forints for two children, and 3.8 million for three children. Additional children mean 200,000 forints extra each.

3. Homemaking allowance ("half-allowance")

Couples and single parents under the age of 35 may receive homemaking allowance when buying a used home. The support is 450,000 forints for one child, 1.2 million for two children and 1.9 million for three children. Additional children entitle the parent(s) for 100,000 forints more support each. The purchase price of the home must be under 12 million in Budapest and the cities or under 8 million in other settlements.

4. Social housing rent subsidy

Low-income families staying in rented apartments were given rent subsidy by the local council if funds were available. A pilot program is underway currently: social housing rent

subsidy is available from the central budget for low-income families renting newly built privately owned apartments. Terms and conditions are determined by local council regulations. State subsidy is up to 30% of the rent or maximum 7000 forints, which must be supplemented by at least the same sum in rent subsidy by the local government.¹⁴

5. Waiving tax on rent income

Privately owned apartments rented to the local council for social housing purposes for at least five years are waived the 25% tax normally levied on rent income. Residents in such apartments are also entitled to social housing rent subsidy as described above.

4. Amendment of the Housing Act

The amendment of the Housing Act was endorsed by the Parliament on 14th November 2005. Unexpectedly and unconventionally, public and professional debates had never been held, organisations and people only learnt about the bill from the press. Previously, rumours had said that only minor modifications would come into effect regarding the exchange of homes so as to curb the activity of apartment mafias. The official justification of the bill, however, makes it clear that the scope of the amendment extends beyond that: *"The amendment contains new regulations related to the social and economic changes of the ten years since the introduction of the Housing Act, covering more than the scope of local council owned rented apartments, further regulations modifying outdated previous ones, and the abrogation of other regulations."* However, it is impossible to find any information on baseline studies, debate, or real justification on the website of the Ministry of the Interior, the National Housing and Construction Office, or any other authority or civilian organisation involved in housing affairs. The number of households in local council owned apartments has decreased from 1 million to 300,000 in the past 15 years, their situation is deteriorating and is further aggravated by the new amendment.

¹³ Government decree on the detailed regulations for the state guarantee on housing loans for young people.

¹⁴ The regulations and the effect of this program are questionable; it is more of a PR measure than a real solution.

According to the new regulations, three kinds of local council owned rented apartments will be available in the future.

- subsidised social housing,
- cost price housing,
- housing at market prices.

The local councils are required to determine the possible beneficiaries and the terms and conditions for rent subsidies for their tenants, whose homes will then be covered by the term "subsidised social housing" in the future. Tenants who do not meet the new requirements will have to pay cost price or market price to rent local council owned apartments. Cost price must cover the maintenance of the apartment as well as the maintenance and reconstruction costs of the building itself; market prices must include extra revenue and profit for the local council. The amendment describes the principle only, without giving detailed guidelines on profits, costs, or setting the different kinds of rent. As the local council regulations have not yet been drafted, tenants staying in local council housing have no way of knowing which kind of rent they will be expected to pay in six months' time.

The expectation that the local councils include in the rents the costs of reconstructions and renovations, postponed for decades, means a steep rise in rents in one single step. Furthermore, it is a serious challenge that the low number of apartments currently available for social housing should become more cost-effective, thus decreasing the chances of poor families and individuals to access cheap social housing.

There are no guidelines on the possible annual rent increase, and no attempts have been made to bring rent subsidies and household maintenance subsidies (currently regulated by the Social Act) into a single, coherent framework.

The vulnerability of tenants in local council apartments is further enhanced by the new regulation that the local council can terminate the contract anytime and offer a different apartment. The justification states the following: *"The regulation opens the possibility for local councils and other state owners to cancel a rental contract at any time, without the obligation to give reasons or justifications. This condition does not apply to subsidised social housing. Accordingly, the local council will have the possibility to remove tenants if it has other plans or aims with the apartment or the building."*

Furthermore, the existing apartments classified as in "dilapidated condition", of which 30,000 can still be found in Budapest alone, cannot be leased as apartments within a social housing scheme. This regulation practically eliminates the housing perspectives of the hardest hit,

poorest social groups. Another threat to those most in need is the regulation that squatters, whose contracts have been terminated because of accumulated rent or utilities arrears and who are not receiving subsidies any more, will need to pay an occupancy fee amounting to multiple sums of the original rent. No guidelines have been set on the occupancy fee. Several thousands of families in Budapest may be affected; legally speaking, they are squatters without any basis for residency, and strict rules will apply for their eviction.

The deadline for the relevant local council regulations was 31st March 2006, so the actual implications of the new regulations cannot be studied as yet. The expectation was that local councils would be strict when determining the conditions for eligibility for subsidised social housing and there would only be a low number of beneficiaries compared to the previous situation; on the other hand, local councils were not expected to utilise the possibility to generate profit from council-owned apartments. The majority of the tenants are supposed to pay cost prices, which may reach twice the current rent. As local council elections are approaching (scheduled for October 2006), most local councils are not going to transform their systems and practices before the end of 2006 or the first half of 2007.

5. Suggestions for the campaign against child poverty¹⁵

In late 2005, the Prime Minister asked Professor Zsuzsa Ferge to draw up a program against child poverty in cooperation with the Hungarian Academy of Sciences and other experts. The program was expected to come up with tangible problems and the most urgent priorities and solutions that do not place a significant burden on the central budget.

The following problems were highlighted and suggestions were made.

Problem 1

Families with children living in poverty are hard hit by the fact that no protection is provided against local decisions and regulations. Several decisions by the Constitutional Court point out that in multiple cases, existing local laws and regulations are not in line with central laws in effect, which has negative implications for the most needy layers of society.

Suggestion 1

Public Administration Offices should conduct a comprehensive study on the legitimacy of local council decrees and regulations on housing policy, rent subsidisation, debt clearance schemes and household maintenance subsidies.

¹⁵ Péter Gyóri: Child – poverty – housing. Short-term suggestions. 2005.

Problem 2

Indebtedness endangers housing directly. Several countries have drafted bills to allow individuals to declare bankruptcy; the preparations were made for a similar law in Hungary but the process was interrupted and abandoned. Indebted families need protection from an irreversible debt spiral and terminal poverty.

Suggestion 2

The drafting process for an act on handling the debts of individuals should be restarted.

Problem 3

Currently, sheer violence characterises eviction of squatters, which marks the end point of housing crises and the starting point of homelessness. Families lose all prospects at this point.

Suggestion 3

Besides strengthening the available schemes for household maintenance support, high eviction fees should be levied on the authority initiating the eviction if the reason is accumulated arrears in utility bills and if the tenants would lose housing as a result. This step would motivate authorities to favour different solutions based on compromise and cooperation, such as repayment rescheduling, paying in instalments, applying for social benefits, home exchange, etc.

Problem 4

Eviction procedures are underway against scores of families who are classified as needy by all current legal criteria and should or should have received social benefits, subsidies and support.

Suggestion 4

Amendment of the relevant housing laws is necessary, including a condition that prior to the eviction procedure, the local council must be consulted regarding the social benefits the family in question received or should receive. If omissions have been made and the family is not receiving all support it is legally entitled to, the eviction procedure must be suspended and a new procedure must be initiated with the new conditions.

Problem 5

The revision of the Housing Act is currently underway. This law has significant impact on how methods of exclusion are allowed to operate (e.g., conditions on starting and terminating a rental contract, setting rents and fees, etc). At the moment, there are no traces of impact studies or consultations on the expected implications as would be necessary given the possible scope of the resulting problems.

Suggestion 5

Discussions and consultations with relevant social organisations should be made possible during the drafting process of the amendment of the Housing Act.

Problem 6

Neither the public, nor the authorities and decision-makers seem to realise the fact that there are hundreds of thousands of tiny apartments in dilapidated condition and without bathrooms, and that these apartments are concentrated in slums.

Suggestion 6

Steps should be made to set up a campaign for reconstructing and upgrading social housing, which could gradually alleviate at least the most miserable conditions.

Measures should include:

- starting a campaign to (re)connect all homes to the electric grid, so that no family and no child should live in a home without electricity;
- more resources and commitment should be available for the elimination of Roma (Gypsy) ghettos and slums, and the resettlement of the inhabitants;
- slum clearing programs should be started in the worst-affected areas of large cities;
- special subsidy schemes should be made available for reconstructing or substituting dilapidated apartments and apartments without bathroom.

Most suggestions were adopted as part of the program against child poverty, which is currently being integrated into the policies of the new government as of mid-2006.

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