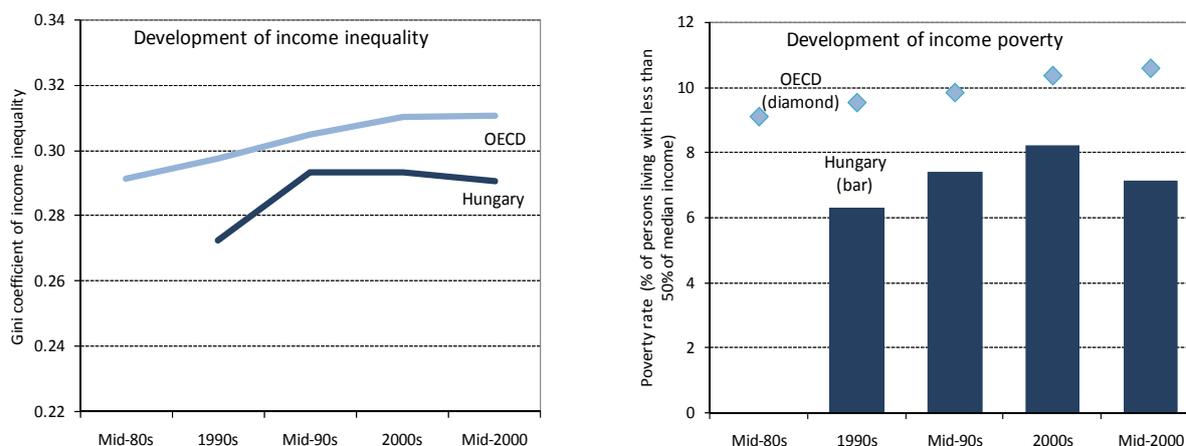


COUNTRY NOTE: HUNGARY

In the early years of economic transition, between 1990 and 1995, income inequality and poverty increased. Since then, inequality levels remained broadly stable, little below OECD average. Income poverty (people who live on less than half median incomes) started decreasing since 2000.

Figure 1. Income inequality and poverty levels stable since 1995



Source: *Growing Unequal?*, OECD 2008.

- The average Hungarian income is about US \$ 11,000 per year, in purchasing power parities. This is half the OECD average level, slightly higher than in Poland or Slovakia and about 30% below the Portuguese level. However, the average income of the poorest 10% of the Hungarian population is at the same level than in Portugal.
- Labour market changes have been a main driver of changes in the income distribution. First, as a consequence of significantly higher inactivity rates, the share of jobless households has increased by as much as 11 percentage points since 1995 to 19%, the highest level together with Germany. Second, for people remaining active, the distribution of gross wages widened significantly since 1990, more than in most other countries.
- Capital income, too, has become more unequally distributed, at a faster rate than in any other country. The share of capital in total household more than doubled, from 3 to 7%, approaching OECD average level.
- Changes in household structures also played a role. During the last 10 years, the average household size fell from above OECD average to below average. The number of working-age households with children fell by more than 10 percentage points.

- With 35%, the share of public transfers in income is much higher than on OECD average, in the range of the Austrian, French or Swedish level. At the same time, less than 20% of total transfers are paid to the poorest 20% of the population.
- In the past 15 years, income poverty decreased significantly for older people, from more than double the national average to below average. On the other hand, poverty risks increased for prime-age adults, those aged 40 – 50 years.
- Real incomes have increased since 1995, also for poor people. Poverty based on a constant income threshold in 1995 Hungarian Forint decreased by more than half, a stronger reduction than in other OECD countries.
- One out of four households struggles to purchase basic goods and to have decent housing and other living conditions. This is more frequent than in most other countries. On OECD average, these problems concern one out of eight households.
- Publicly provided health, education and social housing make up 19% of national household income. Taken together, these services reduce overall income inequality by a quarter.
- The comparative results of the OECD study go up to the year 2005. Very recently, new *national* income estimates for 2007, based on the same data source (TARKI), became available. These estimates suggest that income disparities and poverty have further slightly decreased and are approaching the levels recorded in 1990.