Technical Support to Reduce the Gender Employment Gap in the Hungarian Labour Market

Inception Report Summary

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This report is available via https://oe.cd/gender-gap-hungary.

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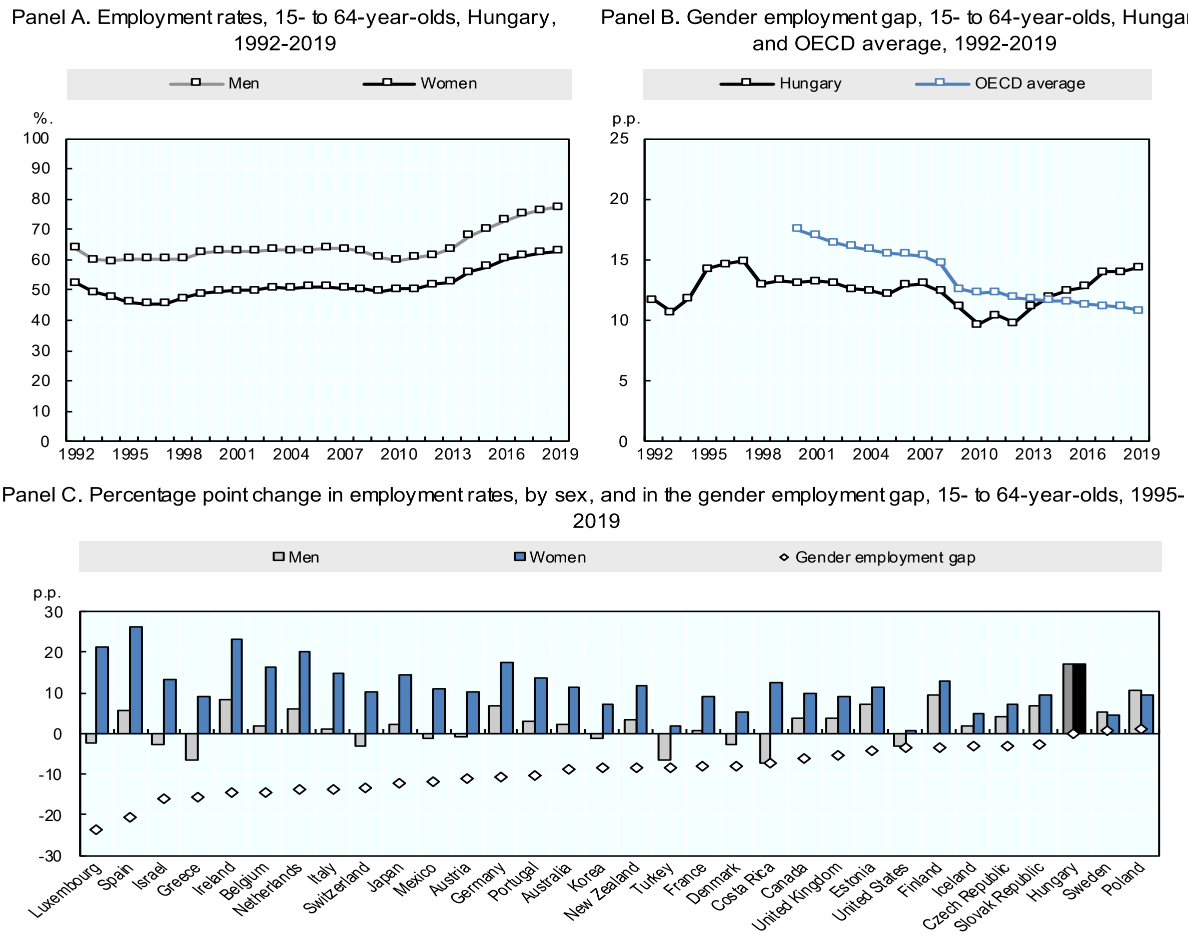
1. Recent labour market trends

Over the past decade or so, employment rate growth has been strong for both men and women in Hungary (Figure 1, Panel A). Following limited gains through the 1990s and 2000s, and a hit particularly to men's employment during the global financial crisis in the late-2000s, robust output growth through the 2010s has helped drive strong employment growth. At 77.3 percent, the employment rate for working-age men in Hungary in 2019 was 13.4 percentage points higher than at the pre-crisis peak (63.9 percent) in 2006. Similarly, the employment rate for working-age women (63.0 percent) was 11.9 percentage points higher than its pre-crisis peak in the same year (51.1 percent). Both rank among the largest employment rate gains in the OECD over this period (*OECD Employment Database*).

Figure 1. In contrast to most OECD countries, Hungary has made little progress in closing the gender employment gap in recent decades



Note: The gender employment gap is defined as the percentage point difference between the male employment rate (15- to 64-year-olds) and the female employment rate (15- to 64-year-olds). Countries shown in Panel C only if data available for both 1995 and 2019.
Source: OECD Employment Database, http://www.oecd.org/employment/emp/onlineoecdemploymentdatabase.htm

Part of the reason for such strong employment rate growth is that, similar to several other OECD countries in Central and Eastern Europe and the Baltic, the working-age population in Hungary is shrinking. The generations currently entering the labour market are substantially smaller than those leaving, leading to a substantial decline in the number of potential workers. Between 2006 and 2019, the number of working-age men fell by approximately 5 percent, from 3.3 million to 3.1 million, and the number of working-age women by 9 percent, from 3.5 million to 3.2 million (*OECD Employment Database*). Population decline accounts for about one-quarter of growth in the male employment rate since 2015, and roughly one-half of growth in the female rate over the same period.

However, raw headcount employment growth has also been strong. Between 2006 and 2019, the number of employed working-age men increased by about 15 percent, from 2.1 million to 2.4 million. The number of employed working-age women increased by slightly less – just over 12 percent, from 1.8 million to 2.0 million (*OECD Employment Database*). In both cases, despite population decline, the raw number of employed was higher in 2019 than at any time since the transition to democracy. Importantly, not all of this growth has come through increases in domestic market jobs. Despite recent scaling down, employment through Hungary's public works scheme – the main active labour market instrument in Hungary – has increased substantially over the past two decades, as has cross-border working and the number of domestic workers employed abroad. Fazekas and Szabó-Morvai (2019[1]), estimated that growth in public works employment and employment abroad can account for as much as half of all headcount employment gains between 2000 and 2017, both for men and for women.

1.1. A persistent gender gap in employment participation

In Hungary, as in many other OECD countries, women's patterns of paid work continue to look very different from men's. Despite strong employment growth in recent years, women in Hungary are still much less likely to be in paid work than men. In 2019, about 63 percent of working-age (15- to 64-year-old) women were in employment, compared to 77 percent of working-age men (OECD, 2020[2]). Employed women in Hungary still often work shorter hours than men even though the gender working hours gap is only small, and very few men and women work part-time. Women also tend to find themselves working in different sectors and occupations than men; they enjoy less seniority than employed men, and they earn less than employed men, particularly among higher earners.

In contrast to many other OECD countries, and despite a series of recent policy reforms, Hungary has made little progress in closing its gender employment gap over the past few decades. In most OECD countries, consistent growth in women's employment, coupled often with stable or declining employment rates among men, has helped gender employment gaps narrow, sometimes substantially (Figure 1, Panel C). In Hungary, however, the gender employment gap for working-age (15- to 64-year-olds) men and women has fluctuated around 10-15 percentage points since the introduction of comparable labour market statistics in 1992. It only dropped briefly below 10 percentage points following the global financial crisis in the late 2000s (Figure 1, Panel B), but at 14 percentage points in 2019, the gap in Hungary is wider now than at any point since the mid-1990s. This project aims to provide technical advice towards reducing the gender employment gap in Hungary (Box 1).

For Hungary, closing the gender employment gap and providing women and mothers with equal access to paid work is not just a moral imperative. It could also help Hungary deal with other challenges, including the expected decline in the size of its labour force over the next few decades. United Nations' projections suggest that the overall size of Hungary's working-age population could fall by almost a quarter by 2050 (UN DESA, 2019[3]). Initial analysis conducted for this report suggests that increasing the share of mothers with very young children (0- to 2-year-olds) who are employed and at work in Hungary (currently, 11.9 percent) to match the OECD average (40.6 percent) could bring an additional 70 000 workers into paid work. Holding everything else the same, this would reduce the size of the overall gender employment gap by over 16 percent, and boost Hungary's overall employment rate by 1.2 percentage points.

Box 1. Technical Support to Reduce the Gender Employment Gap in the Hungarian Labour Market – Project outputs and activities

This report provides a summary of the full-length report "*Technical Support to Reduce the Gender Employment Gap in the Hungarian Labour Market: Inception Report" (only in English)*.

The Inception Report itself is the first project deliverable of the technical support to improve women's access to the labour market provided to Hungary by the Directorate General for Structural Reform Support of the European Commission (DG REFORM), in cooperation with the OECD. The beneficiary of the project is the Hungarian Prime Minister's Office, Strategic State Secretariat for Families. Throughout the implementation of the project, the Maria Kopp Institute will be involved as a member of the Advisory Board.

The project and its outputs will inform the development of expert recommendations to improve gender-related policies in Hungary and their coherence, and in particular, achieve the following three outcomes:

- Increased understanding of the barriers to gender equality in employment in Hungary
- Increased knowledge of relevant international practice to close gender employment gaps
- Enhanced capacity of the Prime Minister's Office, Strategic State Secretariat for Families to improve gender-related policies and their coherence, in order to close the gender gap in employment in Hungary.

Project outputs

A report on stakeholders' views and beliefs. The OECD will develop the methods for collecting views and beliefs through a survey of stakeholders by means of an on-line questionnaire using the LimeSurvey tool. Stakeholder views will be collected on issues such as the gender employment gap, women's roles in society and work/life balance feasibility, and the State's role in boosting women's employment outcomes. Based on the results of the initial survey, the OECD will deepen the analysis of stakeholders' views and beliefs through focus groups and in-depth individual stakeholder interviews, with a selected number of stakeholders, such as employers, employees, academia, different levels of government, parents', women's and family organisations, media etc.

Report on international good practice in policies to close gender employment gaps. The OECD will review relevant practice in OECD countries on policies and initiatives to reduce the employment gender gap. The study will take place through desk research and consultations with international experts and will focus on experiences that can be relevant for the Hungarian context. This research will look into initiatives to boost women's integration in the labour market that have been used in other countries, and the effects of social benefits and services (cash transfers, tax breaks etc.), gender-relevant labour and social policies, institutional involvement and the impact of successful reforms. The OECD will organise a one-day workshop to foster exchange of good practice between Hungary and other countries. Participants will include "international experts" and key Hungarian stakeholders.

Final report including policy recommendations and action plan. Based on the full Inception report, stakeholder survey, and the international best practice report, the OECD will develop a set of policy recommendations tailored to the situation in Hungary, and it will organise an event to present the outputs of the Action and recommendations to stakeholders. The OECD will integrate the conclusions from the conference and attendee feedback into the policy recommendations report. In addition, it will develop an action plan to improve existing policies. This will include practical guidance on policy implementation. This action plan will include a set of gender-relevant indicators to support the Ministry in monitoring the implementation and the impact of proposed measures.

The project started on 1 August 2020 and is scheduled to end on 31 March 2022.

At the time of writing (Summer/Autumn 2020), detailed data on the impact of the COVID-19 crisis on employment in Hungary were not yet available to the OECD, and the Inception Report and this summary were prepared using data that refer to the pre-crisis situation in Hungary. In general, the OECD expects COVID-19 to hit women's employment at least as hard as men's employment. The confinement and distancing measures used in many countries have particularly affected sectors that rely on physical customer interaction, many of which are major employers of women. This includes air travel, tourism, retail activities, accommodation services (e.g. hotels), and food and beverage service activities (e.g. cafés, restaurants, and catering). Monthly employment data from the OECD's two North American countries (Canada and the United States) provide some support for this expectation – in both, unemployment rates increased more sharply for women than for men in the early stages of the crisis (OECD, 2020[4]).

In Hungary, early data published by the Hungarian Central Statistical Office (KSH) suggest that, despite a sharp contraction in economic output, the crisis has so far had only a relatively moderate impact on employment and the gender employment gap (KSH, 2020[5]). The overall working-age (15- to 64-year-old) employment rate in Hungary fell by 1.4 percentage points (from 70.0 percent to 68.6 percent) between December 2019 - February 2020 and March 2020 - May 2020, before picking up slightly to reach 69.1 percent in May 2020 - July 2020. Women's employment has been hit slightly harder than men's: the employment rate for working-age women fell by 1.7 percentage points (from 63.0 to 61.3 percent) between December 2019 - February 2020 and March 2020 - May 2020, while men's employment fell by about 1 percent point (from 76.9 to 76.0 percent) over the same period. Both have rebounded slightly since. The latest gender employment gap (14.6 percentage points) is about 0.7 points higher than it was the before the start of the crisis (13.0 percentage points). However, this crisis is still in its early stages. The OECD expects Hungary's Gross Domestic Product (GDP) to contract by 8-10 percent this year, and employment to fall by 3-4 percent across the year as a whole (OECD, 2020[4]; 2020[6]). In Hungary, as elsewhere, further job losses could follow. As more data become available and the impact becomes clearer, the crisis, and especially any effects on the gender employment gap, will be taken into account through the remainder of the project.

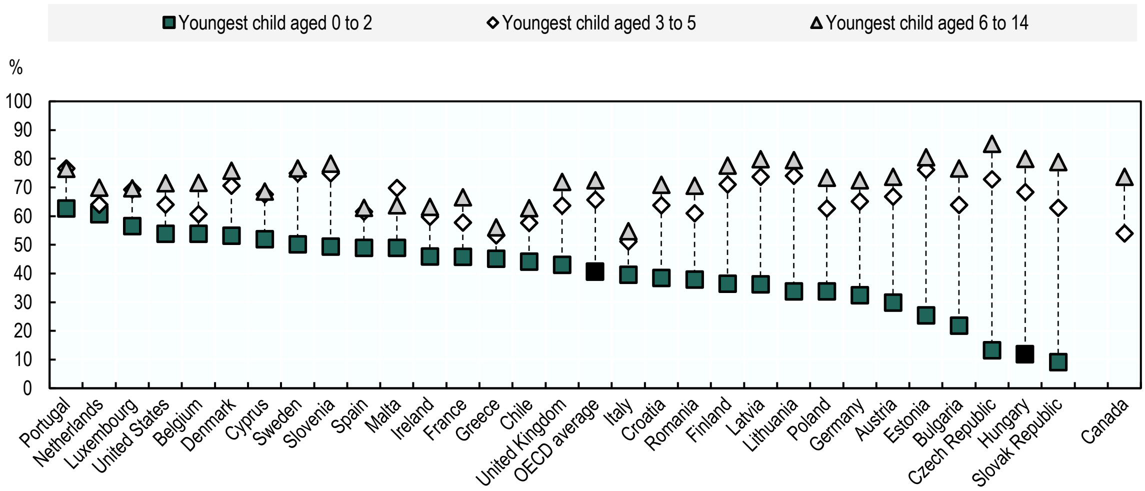
1.2. A persistent gender employment gap among parents with young children…..

Across OECD countries, childbirth and parenthood represent an important breakpoint in many women's careers. In many countries, gender employment gaps among childless men and women are small, and in some countries, childless women now earn more, on average, than childless men (OECD, 2017[7]). Alas, this changes sharply once children arrive, and parenthood has a particularly sharp impact on women's employment in Hungary. One major reason for Hungary's persistent gender employment gap is that, similar to several other countries in Central and Eastern Europe, mothers with very young children still rarely engage in paid work.

Almost all mothers in Hungary take an extended period out of work following childbirth, frequently until the child turns three. In 2018, just 12 percent of mothers with a youngest child under age three were employed and at work – the second lowest 'at-work' rate for mothers with very young children among OECD countries with available data, after only the Slovak Republic (Figure 2). This holds true across social-economic groups and levels of education. In 2018, the at-work rate for women with a youngest child age 0-2 and high education was 15.2 percent – just 7 percentage points higher than the rate for women with a youngest child age 0-2 and low education (8.3 percent). Despite strong employment growth among other groups, the share of mothers with children under three who are at work has increased only marginally since the mid-2000s, and has remained flat since 2014.

Figure 2. In Hungary, very few mothers with very young children are at work

At-work rates for women (15- to 64-year-olds) by age of youngest child, 2018



Note: Data for Chile refer to 2017. The 'at-work' rate includes only those who did any work (at least one hour) for pay or profit during the survey reference week. It differs from the employment rate in that it excludes those who are employed but absent from work during the survey reference week – that is, those that have a job or business from which they were temporarily absent, and who did not do any work for pay or profit during the survey reference week – regardless of the reason for absence. The exact reasons respondents can give for temporary absence differ from survey to survey, but generally include maternity and parental leave, plus bad weather, slack work for technical or economic reasons, labour disputes, education or training, illness, injury or temporary disability, holidays, compensation leave, and other personal or family responsibilities. For Canada and the United States, data refer to mothers with children aged 0 to 17. For Canada, the child age groups 0 to 5 and 6 to 17, and for the United States 0 to 2, 3 to 5 and 6 to 17.

Source: OECD estimates based on the European Union Labour Force Survey, https://ec.europa.eu/eurostat/web/microdata/european-union-labour-force-survey, the Canadian Labour Force Survey, https://www.statcan.gc.ca/eng/survey/household/3701, the Chilean Encuesta de Caracterización Socioeconómica Nacional (CASEN), http://observatorio.ministeriodesarrollosocial.gob.cl/index.php, and the U.S. Current Population Survey, https://www.census.gov/programs-surveys/cps.html.

Fathers' employment patterns tend to be much more stable following childbirth. Many fathers take a short period of paid leave directly after childbirth, but this normally lasts only for a few days or a few weeks at the most. After this, almost all fathers in all almost OECD countries return to full-time work and stay in full-time work as their children grow up (OECD, 2016[8]). In Hungary, the overwhelming majority of fathers with very young children are engaged in paid work. In 2018, a fraction over 90 percent of all men with a youngest child age 0-2 were both employed and at work during the survey reference week. Combined with the low at-work rate for mothers with a youngest child age 0-2, this produces an exceptionally large gender gap among parents with very young children – 78 percentage points, in 2018

The majority of mothers in Hungary return to work when parental leave ends and children enter pre-primary education at around age three. Indeed, Hungary has the highest at-work rate in the OECD for highly educated mothers with a youngest child age 3 to 5. However, mothers with lower levels of education often return to work slower, with less than half of low educated mothers with a child age 3 to 5 in paid work.

Indeed, in 2018, Hungary had the third highest employment rate for mothers with a youngest child aged 6-14 in the OECD, and the gap in employment for men and women in their late 40s and early 50s is almost negligible. However, Hungary's gender employment gap widens again as men and women approach retirement. In Hungary, women's employment decline particularly quickly once approaching retirement: in 2018, the employment rate for 60- to 64-year-old women stood at just 26 percent, almost 60 percentage points below the rate for 50- to 54-year-old women (84 percent).

One major reason why Hungary's gender employment gap grows so quickly as men and women move into their late-50s and early-60s is that, in Hungary, women are now often able to retire earlier than men. In 2011, the government abolished all forms of early retirement, with the exception of women with 40 years or more service. Under the "Women 40" programme, all women (regardless of age) who stop working and have at least 40 years of eligibility can receive a full pension without penalties. Importantly, periods spent in receipt of several child-related benefits (including maternity and parental leave benefits) count towards eligibility. The minimum period of gainful activity is 32 years, or 30 years if the woman is in receipt of Hungary's nursing benefit (paid to those caring for ill or disabled relatives) relatives (OECD, 2019[9]). Men have no access to this programme, and must wait until they reach the (current) standard retirement age of 63.5 before they can access the full pension. Overall, the average effective age of retirement for men was 63.4 years in 2019, while it was 60 years for women (OECD Employment Database; OECD Statistics on Average Effective Age of Retirement).

2. Policy supports for parents with young children in Hungary: Initial assessment

2.1. Family policy packages and spending

There are many differences in countries' approaches to family policy. All OECD countries provide family support in at least some form, but differences in countries' histories, public attitudes towards marriage and gender roles, the role of government, and the relative weight given to the various underlying family policy objectives mean that each takes their own approach to family policy (Adema, 2012[10]). Some OECD countries, most notably the Nordic countries, provide service-heavy family supports to families with young children aimed primarily at encouraging full-time dual-earning and fostering child development. These countries provide parents with a continuum of support, from birth up to when children leave school. Other countries focus more on providing families with financial support through family cash benefits and tax breaks. In some countries (e.g. the Visegrad countries in Central and Eastern Europe), this is done largely through universal cash benefits provided to all families. These benefits are often structured in such a way as to encourage one parent (typically the mother) to care for children at home, at least until they enter pre-primary education at around age three. Others (e.g. Australia, New Zealand and the United Kingdom) put greater emphasis on targeted benefits aimed at achieving specific objectives or directed at specific groups, such as single-parent families or families on low incomes.

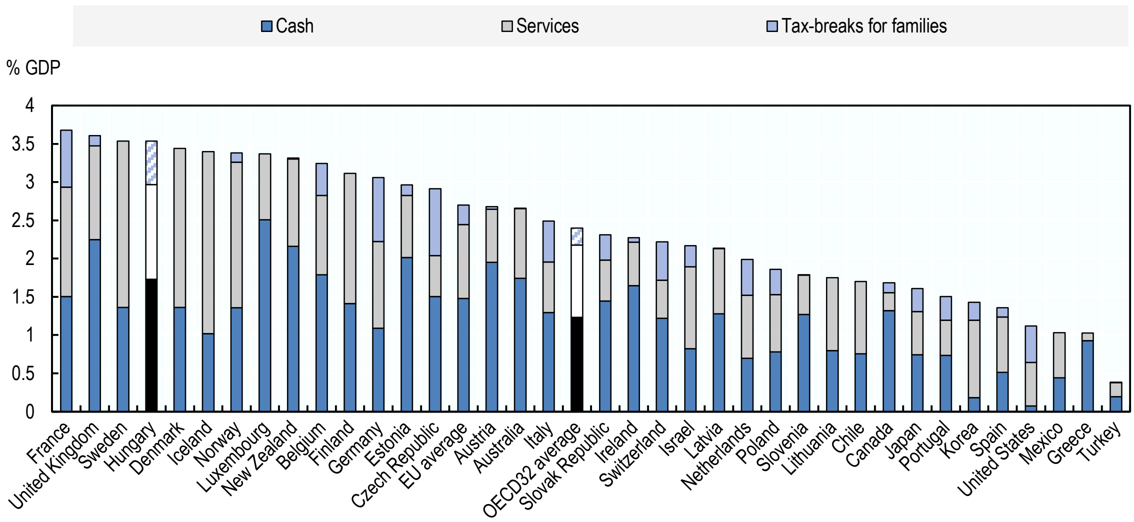
Hungary has one of the most well established systems of public family support in the OECD. Public spending on families is high. In 2015 – the latest year for which OECD-wide comparable data are available – public spending on families in Hungary came to 3.5 percent of GDP (Figure 3). This was well above the OECD average for the same year (2.4 percent) and, as a share of national output, was comparable in level to the OECD's largest spenders (e.g. France, Sweden and the United Kingdom). It was also well above the levels of spending seen in several of Hungary's regional peers, including the Czech Republic (2.9 percent of GDP), Poland (1.9 percent), and the Slovak Republic (2.3 percent).

Similar to several other countries in Central and Eastern Europe, Hungary's system of public family support is built in large part around generous financial supports, most often in the form of cash transfers (Figure 3). In 2015, Hungary spent 1.7 percent of GDP on public family-related cash transfers, most of which are non-means tested, and a further 0.6 percent on tax breaks for families (e.g. family-based tax credits and tax allowances). In total, in 2015, Hungary spent 2.3 percent of GDP on family financial supports – the fourth highest in the OECD as a share of national income, after only the Czech Republic (2.4 percent), Luxembourg (2.5 percent), and the United Kingdom (2.4 percent). Among other effects, these financial supports are important for reducing family poverty: data from the OECD Income Distribution Database show that Hungary has one of the largest gaps between pre- and post-tax and transfer child relative poverty in the OECD (*OECD Income Distribution Database*).

However, Hungary is also a relatively high spender on family services. In 2015, public spending on family services in Hungary came to 1.2 percent of GDP – the seventh highest in the OECD, and well above the OECD average (0.9 percent). Approximately half of this spending (0.6 percent of GDP) went towards Hungary's extensive public pre-primary system, with much of the remainder going on various other forms of in-kind benefits for families (e.g. accommodation services) (*OECD Social Expenditure Database*). Compared to many other OECD countries, Hungary spends relatively little (0.1 percent of GDP) on childcare services for children under age three.

Figure 3. Public spending on families in Hungary is among the highest in the OECD

Public expenditure on family cash and in-kind benefits and tax breaks for families, OECD countries, 2015



Note: Public spending accounted for here concerns public support that is exclusively for families (e.g. child payments and allowances, parental leave benefits and childcare support), only. Spending in other social policy areas such as health and housing support also assists families, but not exclusively, and is not included here. The data in Panel A cover public expenditure on family cash and in-kind benefits only, and do not include spending on tax breaks for families. Data for the Netherlands and New Zealand refer to 2011 and for Poland to 2014. For Lithuania, data on tax breaks towards families are not available. The OECD-32 average and EU average exclude Lithuania, the Netherlands, New Zealand, and Poland.
Source: OECD Family Database, http://www.oecd.org/els/family/database.htm

In Hungary, the traditional family model lies at the heart of the overall family policy package. Policy strongly encourages one parent – typically the mother – to care for children at home when they are very young. Hungary's paid parental leave is one of the longest in the OECD, and contains few explicit incentives for fathers to share in leave-taking. At the same time, options for non-parental care are limited: where available, fees for day care services for children under age three are strongly regulated and affordable, but shortages in supply mean that accessing a place can be difficult. Policy is much more supportive of mothers' (full-time) employment once children turn three, at which point parental leave ends and children enter compulsory full-day pre-primary education.

2.2. Paid parental leave

Hungary's low at-work rate for mothers with very young children is related to the widespread use of the lengthy paid parental leave scheme. The Hungarian system provides both paid maternity, paid paternity and paid parental leave to working parents around childbirth. Employed mothers in Hungary are entitled to 24 weeks paid maternity leave (*csecsemőgondozási díj*). Payment is set at 70 percent of previous daily earnings with no ceiling, paid by the National Health Insurance Fund (NHIF), which is announced to increase in 2021 to 100 percent of previous daily earnings with no ceiling. Eligibility is restricted to employees and self-employed women with a record of at least 365 days employment in the two years prior to birth, including up to 180 days in education and any periods spent in receipt of parental leave benefits.

Paid paternity leave was first introduced in Hungary in 2002. Currently, all employed men in Hungary are entitled to five days of paid paternity leave, paid at 100 percent of earnings through a benefit from the NHIF. The leave must be taken within two months of the birth.

Hungary's parental leave system allows mothers to take paid leave until the child's third birthday, first through paid maternity leave, and then, depending on insurance status, through receipt of an earnings-related [*gyermekgondozási díj (GYED)*] and/or flat-rate [*gyermekgondozást segítő ellátás (GYES)]* parental leave benefit. For insured parents, payment is made through a combination of GYED until the child's second birthday, and GYES until the child's third birthday. GYED is paid at 70 percent of earnings up to a relatively low ceiling (HUF 193 200in 2018) equal to about 56 percent of average full-time earnings. Similar to maternity leave, eligibility is restricted to employees and the self-employed with a record of at least 365 days employment in the two years prior to birth, with exceptions for those who have spent time in education or in receipt of GYES/GYED. For parents who are not insured -- and for insured parents from the end of GYED until the child's third birthday -- payment is made though GYES at a flat-rate (HUF 28 500 in 2018, equal to about 8 percent of average full-time earnings). Overall, across the entire parental leave period, payments replace approximately 38% of previous earnings for an average full-time earner. This is higher than in some other countries with comparably long leaves (e.g. Finland and the Slovak Republic), but lower than in several other countries with shorter parental leaves or the option of taking shorter leave in return for higher payments (e.g. the Czech Republic, Germany, Poland, Sweden) (*OECD Family Database*).

Take-up is close to universal. In December 2018, about 289,000 parents were in receipt of one of the three types of leave benefit – approximately equal to the number of registered births across 2016-2018 (283,000) (KSH, 2020[11]; Eurostat, 2020[12]). While Hungary's official statistics do not provide a breakdown by sex, survey evidence suggests that the overwhelming majority of leaves users in Hungary are mothers rather than fathers (Eurostat, 2020[12]).

Mindful of the incentives created for mothers to stay at home, Hungary has introduced several reforms aimed at making it easier for mothers with very young children to return to work, should they wish (Box 2). Since 2016, under the "GYED Extra" programme, parents in receipt of parental leave benefits can work unlimited hours once the child turns six months old, with no loss of benefit. They also retain access to public childcare services. The scheme itself has been relatively popular – by 2019, about 59 000 workers had made use of GYED Extra. However, the absence of growth in the number of mothers with very young children in (formal) paid work indicates it has had a limited impact on helping mothers into work.

Box 2. Summary of important recent changes in family policy in Hungary

- 2011: Introduction of the family tax base allowance – a per-child non-refundable tax allowance deductible from base taxable income.
- 2013: Introduction of reductions in employers' social contribution tax payments when employing workers from several disadvantaged groups, including workers who have recently returned from leave.
- 2014: Introduction of GYED Extra, allowing parents in receipt of parental leave benefits to work unlimited hours once the child turns twelve months old with no loss of benefit. In 2016, the age limit was lowered to six months old.

- 2015: Lowering of the age of compulsory attendance in pre-primary education from five to three years of age. All children age three and above must attend for at least four hours per day.
- 2015: Introduction of the right to part-time work for all parents with children under age three. By default, this means four hours per day, but other arrangements are possible by mutual agreement.
- 2017: Introduction of the obligation for all local authorities to provide day care services for very young children if at least 40 children under age three live in the area and/or if at least five families request access.
- 2018: Release of substantial development funds by the central government to local authorities, earmarked for the creation of new day care places.
- 2021: From 1 July, the maternity leave benefit payment rate (*csecsemőgondozási díj, or CSED*) will be increased from 70% to 100% of previous gross daily earnings, with no ceiling on payments.

Importantly, there is some evidence to suggest that many mothers in Hungary do, in fact, perform some work for pay while on leave, but only informally. One study, based on interview data, finds that it is common for leave-taking mothers in Hungary to engage in temporary, ad-hoc, and/or piecemeal work in the informal labour market (Fodor and Kispeter, 2014[13]). However, this kind of work is not always picked up in official labour statistics, carries a number of disadvantages in terms of earnings and career progression, and is unlikely to represent an efficient use of what is often a skilled pool of potential workers.

2.2.1. Dare to Share

Entitlements to paid parental leave in OECD countries are often shareable family entitlements, with each family having the right to a certain number of weeks of parental leave payments to divide as they see fit. While in theory this provides both parents with the opportunity to take paid parental leave, in practice the use of shareable leave is almost always dominated by mothers (Moss, 2015[14]). Fathers often earn more than their partners (OECD, 2017[15]), so unless leave benefits (almost) fully replace previous earnings it usually makes economic sense for the mother to take the bulk of the leave. Societal attitudes towards the roles of mothers and fathers in caring for young children and concerns around potential career implications contribute to a general reluctance among many fathers towards taking long leave (Rudman and Mescher, 2013[16]; Duvander, 2014[17]).

Unlike many other OECD countries, Hungary does not yet reserve any weeks of parental leave for the father – although, under the European Union Work-Life Balance Directive, which entered into force on 1 August 2019, Hungary is required to introduce at least two months of non-transferable parental leave for each parent by August 2022 (see Box 3). The absence of a father-specific period, coupled with the relatively moderate payment rate during parental leave, means that there are currently few explicit incentives for fathers to share in leave taking (Hašková and Saxonberg, 2016[18]).

Box 3. The European Union Work-Life Balance Directive

In June 2019, the European Council adopted the European Commission’s proposal for a new directive on work-life balance for parents and carers. Building on several existing European Union directives in the areas of gender equality and working conditions, including the 2010 directive on parental leave (Directive 2010/18/EU), the new directive aims to increase the participation of women in the labour market and the take-up of family-related leave and flexible working arrangements. The end goal is to help parents and carers find a better balance between their work and family responsibilities.

The main elements of the new directive are:

- **Paternity leave**: Fathers (or second parents) will be able to take at least 10 working days of paternity leave at or around the time of birth, paid at least at the level of national sick leave benefits. The right to leave itself will not be conditional on a period of work or length of service qualification. However, the entitlement to income support during leave can be subject a six-month service requirement, at maximum.
- **Parental leave**: Each parent will have an individual right to four months paid parental leave, of which at least two months will be non-transferable between parents. The level of payment will be set by member states, although member states are required to set payments "*in such a way as to facilitate the take-up of parental leave by both parents*". Member states are also free to set the child-age-limit on the leave, up to a maximum of age eight. The right to leave can be made conditional on a period of work or length of service qualification, up to a maximum of one year.
- **Carers' leave**: All workers will have the right to at least five working days of carers' leave per year, in order to provide personal care or support to a relative, or to a person who lives in the same household, and who is in need of significant care or support for a serious medical reason. Member states may use a different reference period, allocate leave on a case-by-case basis, and may introduce additional conditions for the exercise of this right.
- **Flexible working arrangements**: All parents with children under at least age eight, and all carers, will have the right to request flexible working arrangements for caring purposes. Flexible working arrangements here means the possibility to adjust working patterns, including through the use of remote working arrangements, flexible working schedules, or reduced working hours. Member states are free to set a "*reasonable limitation*" of the maximum duration of these flexible working arrangements provided that the worker retains the right to return to their original working pattern. They are also free to make the right to request conditional on a period of work or length of service qualification, up to a maximum of six months. Employers are required to consider and response to all requests, and to provide reasons for any refusal of requests.

The new directive entered into force in August 2019. From this date, all European Union member states have three years to adopt the laws, regulations and administrative provisions necessary to comply with the directive.

Source: (EU, 2019[19])

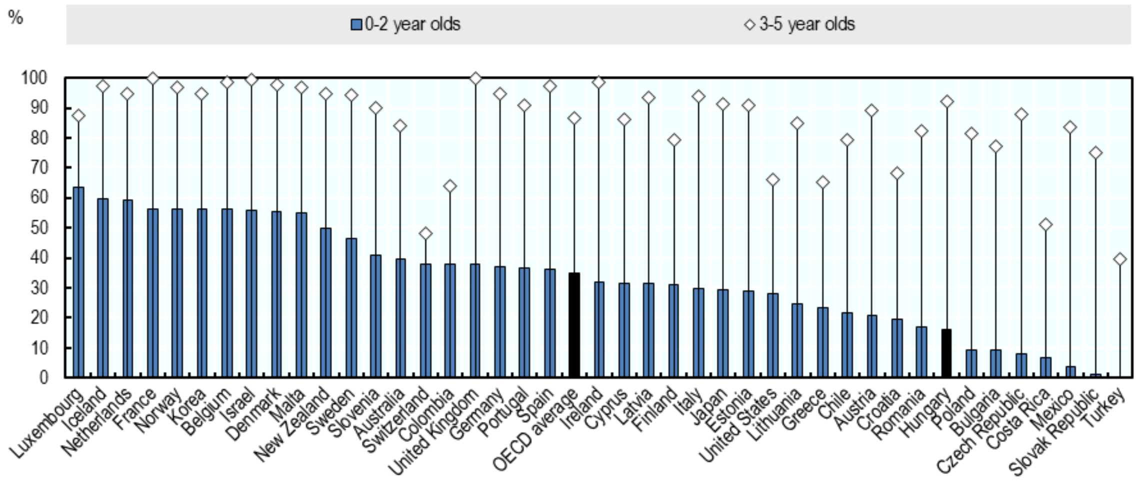
2.3. Early childhood education and care

In contrast to several of its regional peers (Szelewa and Polakowski, 2020[20]), Hungary continues to operate a predominately public system of care services for children under age three. Public day care centres (*bölcsőde*) are the dominant form of provision. Children can attend day care from 20 weeks until age three, with centres typically open for at least ten hours per day. Alternative forms include family day care (*családi bölcsőde*) and, more recently, "mini-nurseries" (*mini bölcsőde*: smaller centres with lower limits on child-to-staff ratios) and workplace day care centres (*munkahelyi bölcsőde*: employer-established services with similar child-to-staff ratios to mini-nurseries). Financial support from central government is substantial, covering about 40-70 percent of operating costs for day care centres, and 20-50 percent for family day care services (Szelewa and Polakowski, 2020[20]). In addition, since 2019 the state treasury supports families that are unable to find a local crèche place with up to HUF 40 000 towards the fees for private work or family day care (Hungarian State Treasury, 2019[21]). Nevertheless, private services are rare: in 2016, 94 percent of day care centres were run by local authorities (Oberhuemer and Schreyer, 2018[22]).

Despite the low cost, access to day care services for children under age three remains difficult for many parents. Supply shortages, rooted in the closure of many state-owned facilities in the early 1990s, are a particular problem (Szelewa and Polakowski, 2020[20]; OECD, 2016[23]). Supply has been increasing in recent years, but only slowly. In 2019, there were about 49 000 places available in public day care centres across the country as a whole (KSH, 2020[11]) – about one place for every five children age 0 to 2 (281 000). In the same year, about 46 000 children were enrolled in day care, meaning capacity was effectively full (KSH, 2020[11]). This puts a hard limit on the number of children that can access care services. OECD statistics suggest that, in 2017, just 16 percent of 0- to 2-year-olds in Hungary were enrolled in recognised ECEC – much lower than the OECD average (35 percent), although slightly higher than in the Czech Republic, Poland and the Slovak Republic (Figure 4).

Figure 4. In Hungary, participation in early childhood education and care is high for pre-primary age children, but very low for very young children under age three

Percent of 0- to 2-year-olds enrolled in early childhood education and care services and percent of 3- to 5-year-olds enrolled in early childhood education and care or primary education, 2017



Note: Data for the United States refer to 2011, and for Malta and Switzerland to 2014. For 0- to 2-year-olds: Data generally include children enrolled in early childhood education services (ISCED 2011 level 0) and other registered ECEC services (ECEC services outside the scope of ISCED 0, because they are not in adherence with all ISCED-2011), but exact definitions differ across countries. For 3- to 5-year-olds: Data include children enrolled in early childhood education and care (ISCED 2011 level 0) and primary education (ISCED 2011 level 1). See OECD Family Database (http://www.oecd.org/els/family/database.htm) Indicator PF3.2 for more detail.
Source: OECD Family Database, http://www.oecd.org/els/family/database.htm

In recent years, Hungary has introduced a series of reforms aimed at increasing the supply of places for children under age three, with only limited success so far. In 2016, the government established several new forms of care service for very young children, including mini-nurseries and workplace day care centres (see above) (Oberhuemer and Schreyer, 2018[22]). In 2017, the government introduced new requirements for all local authorities to maintain some form of care service if at least 40 children under age three live in the area and/or if at least five families request access (Oberhuemer and Schreyer, 2018[22]; Eurydice, 2020[24]). In addition, the government announced the release of substantial development funds to local authorities for the creation of new day care places in 2018 (Eurydice, 2020[24]). However, the latest official numbers (for 2019) suggest Hungary is still some way from meeting its own target of maintaining 60 000 places by this year (2020), and 70 000 places by 2022 (EMMI, 2019[25]).

2.3.1. Hungary's public kindergarten services are extensive

Hungary operates an extensive system of public pre-primary services for children above age three. Pre-primary centres (*óvoda,* or kindergarten) are the only major form of provision, catering for children from age three until they enter primary school at age six. The large majority of these centres are either publicly-operated or government-dependent: in 2019, fewer than 10 percent of pre-primary centres were independent private centres (Eurydice, 2020[24]). There is no parental fee for public services, and parents pay only for meals, at a rate determined by the local authority. Many families (including those on low incomes, those with children with disabilities, and those with three or more children) are provided meals for free (OECD, 2020[26]).

Since September 2015, attendance in pre-primary education has been compulsory (for at least four hours a day) for all children from three years of age; prior to this, all children had a right to a place in pre-primary services from age three, but attendance was compulsory only from age five. By law, centres should be open for at least eight hours per day, with exact opening hours left to the centres themselves. According to information from Eurydice, pre-primary centres in Hungary are open for an average of 10.5 hours per day (Eurydice, 2020[24]). In 2017, children above age three in Hungary spent an average of 35 hours per week in centre-based care – about average for European countries (European Commission/EACEA/Eurydice, 2019[27]).

Childcare issues do not disappear once children enter primary school (see Box 4 for a snapshot of gender differences in education). In Hungary, most primary school age children continue to be cared for in schools after lessons have finished. Formal primary teaching hours themselves are relatively short in Hungary (OECD, 2019[28]), and in most primary schools, lessons have often finished by 13:00 or 14:00 (Eurydice, 2020[24]). However, schools are required to provide supervision until at least 17:00, with many organising optional activities for students until at least 16:00 (Eurydice, 2020[24]). The vast majority of younger primary school students make use of these activities and stay in school in the afternoon. In 2018, as many as 88 percent of children enrolled in Grades 1-4 (approximately age 6 to 9) were taken care of at school after instruction hours (KSH, 2020[11]).

Box 4. Gender differences in education in Hungary

Across OECD countries, women and girls have made huge gains in education over the past half-century or so. On the OECD's Programme for International Student Assessment (PISA) tests, which measures student performance at age 15, girls consistently outperform boys on reading, and sometimes also on science and, to a lesser extent, mathematics (OECD, 2019[29]). Young women in most OECD countries are also now more likely than young men to have attained at least upper-secondary level education, and in all OECD countries are more likely than young men to have attained tertiary (university-level) education. In 2019, on average across OECD countries, 51 percent of 25- to 34-year-old women had attained tertiary education, compared to 39 percent of 25- to 34-year-old men (OECD, 2020[30]).

In Hungary, girls and young women outperform boys and young men on most education indicators, although the size of the gender gap is sometimes smaller than the OECD average. In the latest round of the OECD PISA tests (2018), 15-year-old girls in Hungary performed significantly better than 15-year-old boys on reading, while boys performed slightly better than girls on mathematics (OECD, 2019[29]). Young (25- to 34-year-old) men and women are equally likely to complete upper secondary education (87 percent for both), but young women in Hungary are much more likely to complete tertiary education. In 2019, 37 percent of 25- to 34-year-old women had attained tertiary education, compared to 25 percent of 25- to 34-year-old men (OECD, 2020[30]).

However, in Hungary, as in many other OECD countries, young women remain much less likely than young men to study many of the most lucrative subjects at university, including Science, Technology, Engineering and Mathematics (STEM) subjects. In 2018, despite making up the majority (59 percent) of all graduates at tertiary level, women in Hungary comprised only 30 percent of tertiary graduates in engineering, manufacturing and construction, and just 17 percent of tertiary graduates in information and communication technologies. In both cases, these shares are lower than the respective OECD averages (both 37 percent) (OECD, 2020[31]).

At the adult education level, women in Hungary are approximately as likely as men to participate in adult education and learning. In 2016, 8 percent of 25- to 64-year-old women in Hungary participated in formal education or training, and 49 percent in non-formal education or training (OECD, 2020[31]). This compares to 7 percent and 56 percent for 25- to 64-year-old men, respectively. In all cases, these participation rates are close to the respective OECD averages. However, the composition of participants in adult education, and the type of education and training pursued, differs substantially between men and women. For the period 2014-2019, women participating in adult education and training in Hungary were more likely than men to have higher levels of education, while men were more likely to have vocational qualifications (EY, 2020[32]). Women also made up a disproportionate share of participants in business- and office clerk-type programmes (e.g. auditing, accounting), while men made up the majority of participants in manufacturing and engineering-type programmes, such as machinery operating (EY, 2020[32]).

2.4. Tax-benefit policies, work incentives and flexible work opportunities

A key element in any family policy is how the tax and benefit arrangements interact to provide parents with financial incentives (or disincentives) to engage in paid work. Women’s employment, and especially mothers’ employment, tends to be particularly responsive to the incentives created by the tax-benefit system (OECD, 2011[33]). In part, this reflects the increased opportunity costs often faced by women who are looking to enter or increase employment: as it is women who often represent the “second earner” in a family, the earnings gained have to outweigh the perceived benefit of having one partner care for children at home. It also reflects the need for mothers’ earnings to cover participation-related expenses such as external childcare, which can act as a strong disincentive to enter or expand paid work.

Compared to other OECD countries, Hungary’s tax-benefit system provides moderate financial incentives for second earners to participate in paid work (OECD, 2020[34]). Take, for example, a two-parent household with two children, with one parent working full-time on average earnings, and the second out of work. When entering full-time work on average earnings, the second parent would lose 34 percent of their new earnings through taxation, social contributions, and changes in family benefits (the ‘effective tax rate’ on entering employment), just above the OECD average (33 percent). In Hungary, the inclusion of childcare costs has only a marginal effect on second-earner effective tax rates: net childcare costs in Hungary are relatively low compared to many other OECD countries (OECD, 2020[35]).

The effective tax rate on increasing working hours (from part-time to full-time) in Hungary (34%) is also well below the OECD average 44% (OECD, 2019[36]). Nevertheless, in 2019, as few as 6 percent of employed women in Hungary, and just 3 percent of employed men, usually worked part-time, compared to 23% of employment women and 9% of employed men, across the OECD on average (OECD Employment Database). One common explanation for the continued scarcity of part-time work in Hungary is that wages are too low to make part-time work viable (Koncz, 1996[37]; Cazes and Nesporova, 2004[38]; Fazekas and Szabó-Morvai, 2019[1]). In contrast to many countries in Western and Northern Europe – where high wages can allow second-earners in particular to work reduced hours – the comparatively low wages in Hungary (and many of the other transition countries in Eastern Europe and the Baltic) mean that households can rarely afford for one (or both) earners to switch to part-time work. As a result, few workers in Hungary actually want to work part-time.

Several OECD countries have introduced broader rights (to request) flexible working arrangements more generally. These includes not just the number of working hours, but also, in some countries, the scheduling of hours and the place of work. In some countries, these rights are given to all workers regardless of their family situation. The Netherlands and the United Kingdom provide two good practice examples: in both, all employees meeting certain tenure criteria have the right to request flexible working, including the scheduling of hours and the place of work, which employers can refuse only on serious business grounds. Widening the "right to request" to all employees is important, as it confers bargaining power and lessens the risk of discrimination against target groups of workers (e.g. parents).

In Hungary, all parents with children under three years of age have a right to work part-time, should they wish. Since 2015, employers have been obliged to offer parents of children under three years of age part-time hours if requested, with no option of refusal. By default, this means working a four-hour day, but other arrangements are possible by mutual agreement. This is a positive step towards flexibility. However, take up is so far limited, with still only a small minority of mothers in part-time work. Recent tax reforms may also reduce its effectiveness further: since January 2019, employers have been required to pay the same social contribution tax for both part-time and full-time workers; previously, in the case of part-time workers, employer's contributions were proportional to the hours worked (OECD, 2020[26]). Moreover, as pointed out in the most recent OECD Economic Survey of Hungary (OECD, 2019[39]), it is possible that, by restricting the entitlement only to parents, the measure could potentially discourage firms from hiring young women or lead to women employees being channelled into different and lower ("mommy track") career paths.

3. Areas for potential policy reform

Based on the analysis presented above, the OECD proposes looking into the following policy areas for reforms or expansion that could help close Hungary's gender employment gaps. It should be noted that this is just a preliminary identification. The focus of subsequent project outputs could include but not necessarily be limited to these policy areas.

Several of these areas for potential reform or expansion focus in particular on the project's proposed target group, parents (and especially mothers) with very young children:

- **Paid parental leave:** despite recent reform, Hungary's paid parental leave system still strongly encourages mothers to take an extended break from work following childbirth. Under the European Union Work-Life Balance Directive (EU, 2019[19]), which entered into force on 1 August 2019, Hungary is required to introduce various changes to its system of paid leave by August 2022, including the introduction of at least two months of non-transferable parental leave for each parent. One option is to explore options for best integrating the Directive into Hungary's existing paid leave structure, as well as options for providing parents and families with greater choice and flexibility in how they use paid parental leave more generally. Provisionally, in addition to non-transferable "mother" and "father" quotas, possible avenues for reform include introducing the option (or options) for taking leave over a shorter period at a higher payment rate.
- **Day-care services and other forms of ECEC from very young children under age three:** Hungary's system of public day care for very young children under age three in principle provides

parents with access to affordable care services. In practice, however, supply shortages mean it is often difficult for parents to access services. The OECD proposes examining options for further improving the supply of day care services for children under age three. Provisionally, potential options for reform in this area include reinforcing the existing childcare “guarantee”, providing public childcare support to parents using private services, and, more simply, increasing public investment in public day care facilities.

- **Flexible working arrangements:** part-time work and the use of other flexible work arrangements remains exceptionally rare in Hungary, both for mothers and for workers more generally. Under the European Union Work-Life Balance Directive (EU, 2019[19]), Hungary is required to introduce a right to request flexible working arrangements for caring purposes by August 2022. The OECD proposes exploring options for integrating this requirement into Hungary’s system of employment rights, while also looking to minimise any potential negative side effects on women’s careers and employment opportunities. Provisional options for policy reform in this area include the introduction of a “right to request” flexible working arrangements for all workers, with employers able to refuse only on serious business grounds.

Other potential policy areas for reform or expansion include the following:

- **Early retirement and Women 40:** the opportunity that many women now have to retire early through the Women 40 programme is one reason why Hungary’s gender employment gap grows so quickly as men and women move into their late-50s and early-60s. Options to reduce the gender disparity in retirement ages and helping women stay in work for longer prior to retirement, include lengthening the minimum contribution period (currently, 40 years) and/or the minimum period of gainful activity is (currently 32 years as standard) for the Women 40 programme, or abolishing the Women 40 programme altogether (OECD, 2019[39]).
- **Girls’ and young women’s participation in STEM education:** young women in Hungary continue to make up only a small share of those studying many of the STEM subjects at university level. This has implications for the types of jobs and careers available to young women, and helps explain the under-representation of women in occupations linked to these subjects, including as scientists, engineers, and ICT professionals. The OECD proposes exploring avenues for encouraging young women to continue studying STEM subjects and to pursue STEM careers. Potential options here include measures to help build girls’ and young women’s confidence in their own STEM abilities and help overcome their anxiety towards science and mathematics, and measures to address bias in teaching practices, including by teachers themselves.
- **Active labour market policies and skills development**: the Public Works Schemes (PWSs) are Hungary’s primary active labour market policy. The PWSs have had limited success in promoting skills, mobility and employability, and are being scaled back by the central government (OECD, 2019[39]). Previous work by the OECD has recommended that Hungary continues to reduce the PWSs and looks to other methods for the promotion of skills and employability for job seekers, including the use of on-the-job training schemes by NGOs or private firms, potentially supported by public wage subsidies (OECD, 2019[39]). From the perspective of the gender employment gap, the OECD proposes exploring measures to boost the skills and employability of women job-seekers and to reduce gender segregation in occupations and industries. Potential options could include earmarked or priority places on adult learning and re-skilling programmes and specific wage subsidy or other public support programmes for job-seekers looking to enter heavily sex-segregated industries.

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