

The Subsistence Minimum and Social Minimum in 2017

Policy Agenda published the subsistence minimum values in 2016 and in 2017, on the basis of the commission of Friedrich Ebert Stiftung and the Hungarian Trade Union Confederation. This task was performed by the Central Statistics Office, from when Fidesz came to power in 2010 until 2015, and is considered an important social indicator that gives feedback on social processes every year.

Minimum subsistence 2017

The subsistence minimum shows the income that a household requires in order to sustainably provide its members the needs of a modest standard of living; one deemed conventionally appropriate at the society's specific level of development. The subsistence minimum we have shown is not, therefore, a poverty threshold, but an income which allows the fulfilment of life beyond basic needs. That is, if any unexpected expense is required, either the replacement of a small household appliance or a temporary loss of income due to illness, the household can cover this.

In 2017, based on previous CSO methodology and the household statistical data collected by the CSO, the subsistence minimum for an individual was 90 450 HUF (284 €¹) per month. In the case of households with two working adults raising two children it was 262 305 (822 €) HUF.

Based on this, in Hungary in 2017, 25% of households were living on an income that did not reach the subsistence minimum level. These households are generally made up of more members than those living above the subsistence minimum level, so 30% of Hungarians live in households that do not have an income that reaches the subsistence minimum level.

Social minimum 2017

At the presentation of the subsistence minimum level in 2017, we also indicated that an old/new measure is needed to define the social minimum.

The definition of the social minimum is based on methodology developed by Policy Agenda, and on the definition that was developed in 1990/1991 by the parliamentary subcommittee dealing with minimum subsistence. On this basis, the social minimum expresses the following:

"It means a modest level of consumption, and in addition to satisfying basic needs, with careful money management it also provides the opportunity to consume goods and services that have achieved mass demand at a certain level of economic, social and cultural development. This minimum, in extraordinary cases, also provides some possibility for realignment and reserve."

¹ Exchange rate: 1 €uro = 318, 88 HUF on 31st Mai 2018, Hungarian National Bank; <https://www.mnb.hu/arfolyam-tablazat?deviza=rbCurrencySelect&devizaSelected=EUR&datefrom=2018.05.31.&datetill=2018.05.31.&order=1>

Policy Agenda is publishing the calculated value of the social minimum for the first time in 2018 (based on calculations of the subsistence minimum, using data from the years 2017, 2016, and 2015). Using the statistical database of household budgets (containing detailed data on revenue and expenditure), we determine the minimum subsistence amount for different households during the year in question. Next, we determine which households living above the minimum subsistence can save from income earned in a given month.

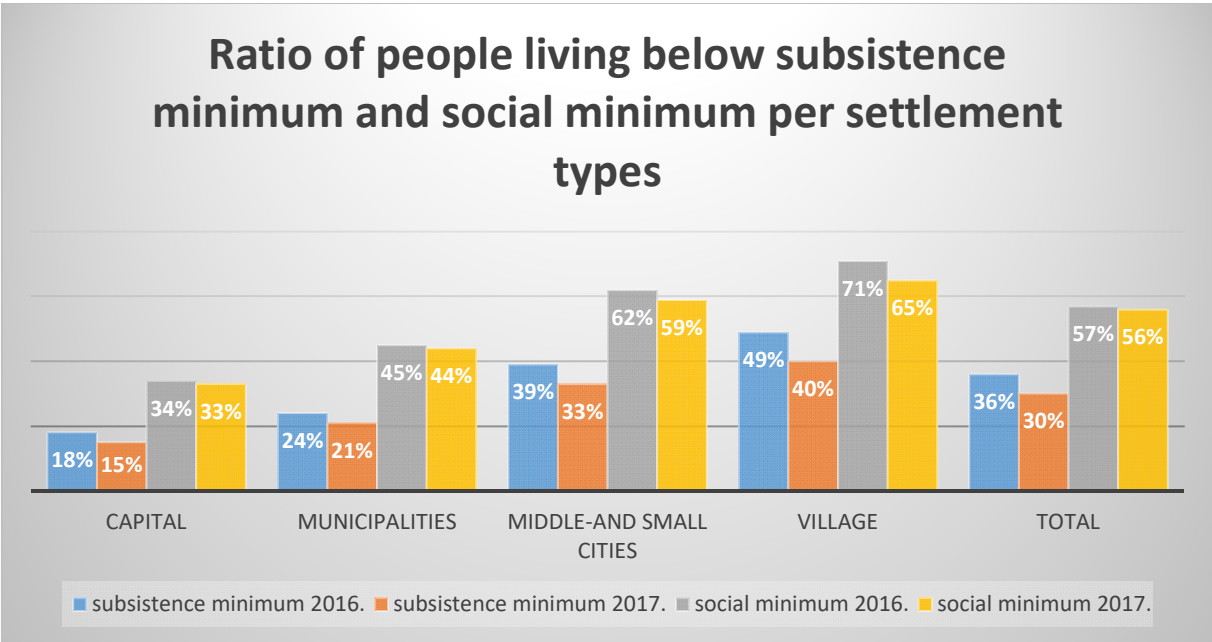
In order to avoid distorting the results, it is also important that the saving ability of households in the sample should not be unrealistically large or small. For this reason, among those households which have savings and live above the minimum subsistence level, we discounted that 5% of households reporting the lowest and highest savings.

On this basis, in 2017, the value of the social minimum for a one-person household was 117 720 HUF (369 €). Based on the above-mentioned methodology of the minimum subsistence calculation, the social minimum value of different types of households can be determined. Therefore, for an active-age household with two adults and two children, the value of the social minimum is 341 388 HUF (1 070 €).

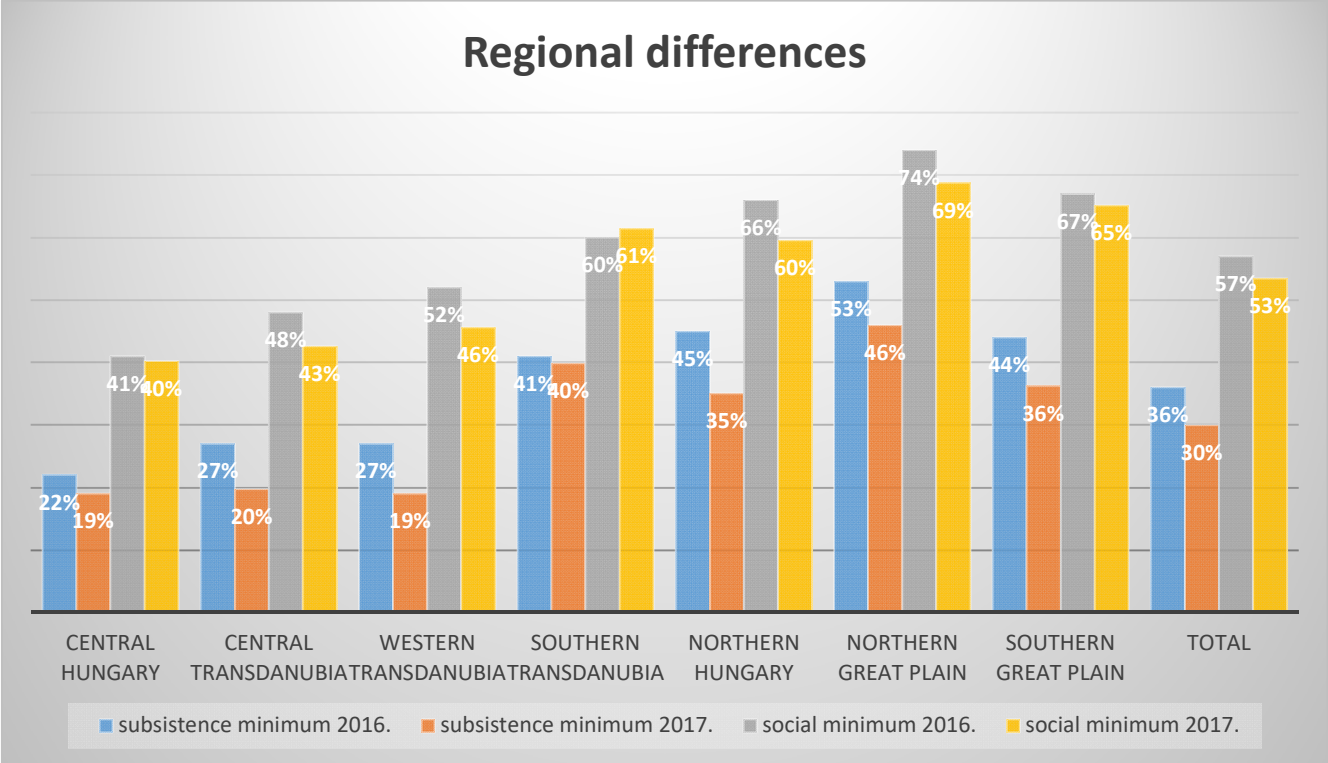
On this basis, in 2017, 48% of Hungarian households fell below the subsistence minimum, from which it can be calculated that 53% of the population live in households which do not have an income that reaches the subsistence minimum.

Regional and settlement-type differences

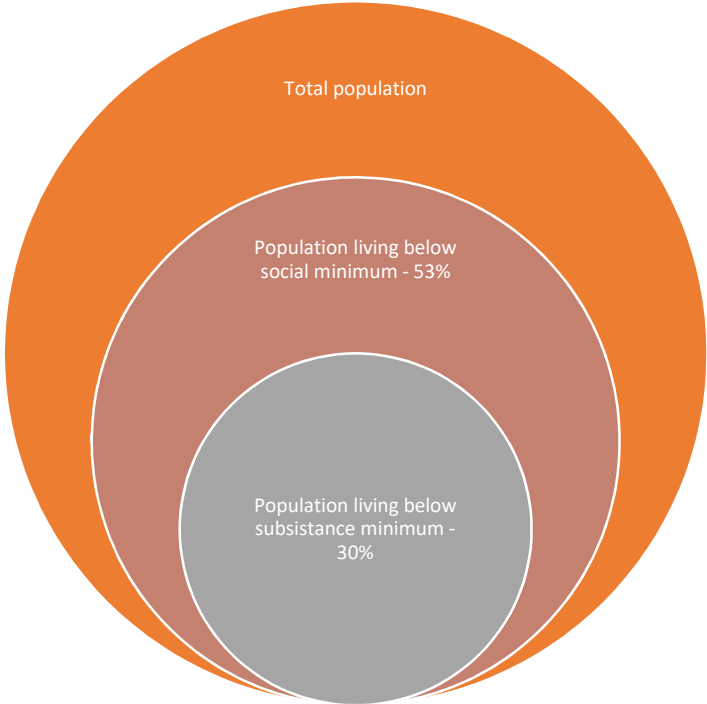
Regarding the definition of the subsistence minimum and social minimum, it is interesting to consider the data on how many people live below the social threshold from the perspective of region and settlement type. Examining the relative income of households, it can be observed that the location of the specific household makes a significant difference. In case of the subsistence minimum, 40% of those living in villages live below this level, while in the capital this figure is 25 percentage points lower. The same difference can be found for the social minimum.



Regionally, too, significant differences can be found:



The structure of Hungarian society appears as follows:



FURTHER INFORMATION:

The minimum subsistence calculation was made using anonymised data from the Central Statistics Office's Household Budget and Life Circumstances Data Collection log from the year 2017. The calculations and conclusions drawn from them are the exclusive intellectual products of Policy Agenda as author.

Further methodological information may be requested: info@policyagenda.hu.

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