

Second monitoring report on the new minimum income scheme in Zugló

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Executive summary

Commissioned by the Municipality of Zugló (a district of the city of Budapest), the Budapest Institute prepared a proposal for redesigning the municipal system of means tested cash benefits in 2015, which was introduced with minor modifications in the same year. The first monitoring report on the new system was based on data from six months before and seven months after the introduction in April 2015.

This second report examines the two years that elapsed since the introduction of the new system, which allows us to analyse the consolidation of the new system and compare it with the previous one. The second monitoring report reviews six main issues: the evolution of take-up; the targeting of the benefit system in terms of income groups, age and number of children; change in child poverty; effects on employment; and finally compare the actual cost to the original plans. Based on the results, the last chapter of the report recommends a minor correction of the system. The report is based on the anonymised individual level data of the local government and the Family Assistance and Child Welfare Center of Zugló, the balance sheets of the local government, National Employment Service statistics, a surveys among kindergartens and a few interviews. We also used the comments made at the meeting of the Local Government Monitoring Committee held in May, 2017.

The take-up of the two most important elements of the new system, the minimum income and the housing maintenance support, remained lower than expected, but their targeting evolved according to plan. These two forms of support reach the poorest households at a higher rate than before, while the ad hoc benefit – in line with its purpose - is claimed by those in a somewhat better situation. The take-up of debt management assistance is also lower than expected, nevertheless, overall, it effectively supports families in maintaining their housing.

The comparison of the data from two surveys conducted in kindergartens in 2015 and 2017 shows that child poverty has decreased in Zugló, although this cannot fully be attributed to the introduction of the new system.



Many of the elements of the new benefit system encourages those who receive assistance to seek employment. Besides the financial incentives, the most important aspect is that minimum income recipients (above a certain benefit amount) are obliged to cooperate with the Family Assistance and Child Welfare Center of Zugló, where they receive personalized help in overcoming barriers to employment.

The new benefit system of Zugló essentially functions in an adequate manner. However, to further enhance the goals set out in the original policy concept, we propose a number of modifications.

The most important proposals are:

- Providing potential beneficiaries with more information on the available benefits
- Ex officio examination of entitlement to housing maintenance allowance and minimum income when claiming other benefits
- Increasing the income threshold for debt relief eligibility and supplementing debt management with housing maintenance allowance
- Small and cautious increase in the ceiling for the eligibility for minimum income support, and by this, in the amount of the allowance
- Increasing the amount of recognized housing maintenance costs per square meter in the formula defining the amount of housing allowance

In the last chapter of the report we outline further minor recommendations for preventing or tackling the difficulties encountered during the implementation. Furthermore, we also provide recommendations for the further development of the local social welfare system, in particular for the expansion of the services of the Family Assistance and Child Welfare Center of Zugló, as well as for the development and introduction of housing subsidies in the private rental sector.

