POLICY BRIEF
BUDAPEST INSTITUTE

THE EFFICIENCY OF EMPLOYMENT REHABILITATION SUBSIDIES IN HUNGARY

The Budapest Institute has completed a survey of two types of reha-
bilitation subsidies in Hungary and assessed their impact on the inte-
grated employment of disabled people. Based on the results we also
made recommendations on redesigning the current system of state
subsidies. The project was supported by the National Employment
Foundation. The FULL REPORT and a detailed SUMMARY are available
on our website.

Almost 14% of the active age population (aged 15–64)
in Hungary suffer from some sickness or disability
which reduces their capacity to work. Their number
reaches almost one million people, out of which
around 75% receive some welfare provision and only
23 % work. About 150 thousand would like to work
but cannot find a job, while there are only 30-40
thousand jobs in sheltered employment (subsidised
workplaces specially created for disabled people).

In the past five years, the system of rehabilitation subsidies was gradually
revised partly to increase the social integration of disabled people and partly
to curb growing public expenditures, most of which were directed toward
subsidising sheltered employment. Since 2005, only accredited employers
equipped to provide employment rehabilitation qualify for wage subsidies.
However, most firms do not provide services that would support transfer
to unsubsidised jobs in the regular labour market even though they formally
meet the accreditation criteria. A large share of sub-
sidies go to sheltered employment where disabled
workers are employed in segregated workshops.

By contrast, the few NGOs that offer rehabilitation
services are quite successful at getting disabled
people back to work. The reemployment chance of
their clients is 30 to 50 times higher compared to
disabled workers in a sheltered workshop, control-
ling for age, education and work capacity. The best
service providers can place 33–49% of their clients
in unsubsidised jobs in the regular labour market.

The full social integration of disabled people clearly requires further reform: a gradual reduction of employment subsidies, an expansion of rehabilitation services, and better-designed incentives for all actors. Reallocating a fifth of current wage subsidies for disabled workers to NGO-provided rehabilitation services would increase the disabled employment rate by over 2% points and would become self-financing within four years through social security contributions and income tax paid by disabled workers placed in regular jobs.

MAIN RECOMMENDATIONS

The system of rehabilitation subsidies should make all actors interested in placing disabled workers in integrated jobs in the regular labour market.

This would require:

→ *a gradual shift in quality assurance towards performance measurement and performance based financing and away from administrative requirements and accreditation certificates;*

→ *an increase in the stability of financing rehabilitation schemes;*

→ *an increase in state expenditures on effective rehabilitation services at the expense of wage subsidies for accredited employers;*

→ *requiring all accredited employers and service providers that receive a rehabilitation subsidy to place a certain proportion of their disabled workers or clients in the regular labour market (depending on work capacity);*

→ *expanding the capacity of rehabilitation service providers and ensuring access to services across the country.*

→ *establishing a monitoring system that provides information on the labour market performance of disabled workers employed in subsidised jobs or receiving NGO services.*

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