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Hungary's punitive turn: The shift from welfare to workfare

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ABSTRACT

The Hungarian post-communist welfare state was created under the neoliberal influence of international organisations while retaining lots of elements of solidarity. The growing social tensions in the mid-2000s due to a second economic crisis in the new millennium led first the left then the right wing governments to shift the post-communist welfare state into a punitive type of workfare system. The article concludes that the political populism of the mid-2000s leading to an undemocratic governance by the 2010s better explains this paradigm shift than – as many authors argue – the neoliberal influence frame.

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1. Introduction

The socialist Prime Minister, Ferenc Gyurcsány, said in 2009 that “our new Social Act is the most important Social and Labour Reform Act since the regime change because it puts emphasis on job creation instead of social assistance.”¹ The statement implies that Hungarian social policy had created welfare dependency that should be abolished and underscores the ideology of the workfare program introduced by the socialist government in 2009. A few years later, in 2012, the conservative Prime Minister of the Fidesz party, Viktor Orbán, whose government pursued this workfare program while implementing stricter and more punitive rules, declared that

All countries have to undertake the correction of their welfare states. It is more difficult in the West because they have well-established welfare regimes while it is less difficult in Central Europe because the welfare state has not been fully constructed in our countries. (...) Our program is to create a society based on work instead of the uncompetitive Western type of welfare state.²

In 2014 he said: “So far we have known three types of state: the nation state, the liberal state and then the welfare state. The question is, what's next? The Hungarian answer is the ‘work-based society’. We want to build a society based on work.”³ He also envisioned “that the latest by 2018 there will be no need for benefits in Hungary because we will achieve full employment.”⁴

These political statements of the two consecutive Prime Ministers, belonging to different political camps, are illustrations of how both of them supported and contributed to the emergence of a new social welfare paradigm. The mid-2000s saw a

¹ <http://szmm.gov.hu/main.php?folderID=21147&articleID=40837&ctag=articlist&iid=1> (translated by the author) accessed 25.01.2016.

² <http://www.fidesz.hu/index.php?Cikk=185467> (translated by the author) accessed 25.01.2016.

³ <http://mno.hu/tusvanyos/orban-viktor-teljes-beszede-1239645?oldal=2> (translated by the author) accessed 25.01.2016. In this speech, which has been widely cited in the interantional media, the Prime Minister claims that this new society is actually going to be illiberal. He consciously blurs the concept of neoliberalism and liberal democracy; he formulates a critique of neoliberalism but he uses it to denounce liberal democracy and thus he draws the conclusion that the future society should be illiberal.

⁴ http://www.hetek.hu/belfold/201411/utban_a_segelymentes_magyarorszag_fele (translated by the author) accessed 20.01.2016.

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radical turn in social policies in Hungary consisting of the shift towards a more workfare type of system where the state's role was perceived to incentivize and activate people to work, and thus end welfare dependency', a legacy of the economic and political transition of 1989. First, the socialist government initiated a public work scheme in 2009 that was a robust extension of an earlier program in terms of numbers and conditions. Certain social benefits had been conditional by law before 2009 but it was not until this new scheme – the 'Pathway to Work Program' – had been introduced that conditionality was actually implemented (Csoba, 2010; Molnár et al., 2014). The extension was a sign of the government's commitment to take radical steps to make the long-term unemployed engage in job-seeking and take up any work activity instead of continuing to be passive social welfare recipients. The conservative Fidesz-KDNP government entering into power in 2010, while claiming to construct a 'new Hungary' by restructuring everything in all policy fields, actually continued in the same direction what the socialists had started a few years earlier with regards to the shift from welfare to workfare. The new conservative government compared to the previous socialist one went further in that it introduced measures that were overtly of punitive nature. The most serious of these measures was the radical reduction of the level of – the already conditional – social benefits for those who were not participating in public work. Similarly, the wage one could earn in public work was also significantly lowered. Additionally, public workers do not enjoy any employee rights, their behaviour assessed by local authorities is a precondition to be engaged in public employment (Vidra, 2012; Szikra, 2014; Vida and Vidra, 2015).

In popular and also in political and academic debates many of the negative outcomes of the political and economic transition of the Central and Eastern European countries from state socialism to market economy – such as long-term unemployment, growing poverty, social exclusion of Roma – are explained as the result of the adaptation of neoliberal policies (Abrahamson, 2010; Huub van, 2012; Szalai, 2013; Makovicky, 2013; Dral, 2008). Drahoukoupil (2007) and Abrahamson (2010) argue that the collapse of the communist system happened right at the time when the hegemony of neoliberalism was at its peak and highly influential in the global economy. It had a direct impact on the transition process; the post-communist countries at the point of adapting the rules of the market while shedding off the confinements of state-socialist planned economies, came under the influence of international organisations and their advisers, who were quick to recommend neoliberal techniques and policies to transform these countries to become market-led. It was in fact not only foreign advisors, as Szalai (2013) claims, who saw marketization as a crucial issue for a successful transition, but also internal actors, certain groups of financial experts and economists, who firmly believed that the implementation of the neoliberal model was unavoidable. Privatization was crucial for the development and advancement of these countries, and marketization was perceived as a precondition for the emergence of a strong civil society. In the same process, the concept of universalism in social policy was challenged and seen as an obstacle for the transition to market economy. Social welfare, as it was understood during communism, was to be abolished: much of the universal and all-embracing welfare and benefits were to be replaced with reduced and targeted allowances.

It was the idea of the pre-mature welfare state (Kornai, 1996) that was behind these policy changes. The assumption was that welfare expenditures weighed too heavy on the central budget in the late 1980s and were partially held responsible for the economic crisis following the transition; to open the way for capitalist and market adjustments, they had to be substantially reduced. This was much in line with the expectations of the international community, the World Bank and the International Monetary Fund. It was not only in the cut in social benefits and the reduction of welfare entitlements that neoliberalism made its impact in the Central East European countries. Neoliberal governance was also put high on the agenda of international organisations when it came to giving advice to the transition countries. The decentralisation of public services, the outsourcing of certain policy areas in social protection and welfare to private organisations was strongly supported. It was a widely shared view that decentralisation will make governance more effective, better, more sustainable and more democratic (Huub van, 2012). While these reforms were welcomed at the beginning by external and certain internal actors, soon after that it became clear that marginalisation and exclusion of some social groups, among them the Roma over-represented (Kertesi and Kézdi, 2011), were the consequences of the neoliberal fiscal and social policy reforms (Makovicky, 2013).

Many authors argue (Huub van, 2012; Makovicky, 2013; Dral, 2008) that the transition from state-planned economy to the capitalist system had a detrimental impact on the social policies of the post-communist countries because the states – voluntarily or not – adapted the neoliberal policies of the time and imply that many of the repressive or punitive social policies introduced later could be seen as consequences of neoliberal governance. However, as I argue, the social policy shift that led to the reinforcement of a punitive workfare regime in Hungary was not an outcome of the early adaptation of neoliberalism supported by international organisations but rather the result of other developments taking place inside of the country. As I am going to demonstrate, taking into consideration changes in neoliberalism – the shift to post-neoliberalism – could serve as a better interpretive frame to explain our specific case of Hungary. For example, it needs to be reflected that although the collapse of the state-socialist planned economy and the transition to capitalism began when neoliberalism was at its height, many of the social policy measures that were taken around this period were not hard-line neoliberal policies. Hungary, for instance, retained a rather generous social benefit system to compensate for the loss of jobs for hundreds of thousands of people after the transition. My argument is that the real turn took place more than a decade later, starting in the mid-2000s and preceding the global financial crisis of 2008, with the growing political populism of the two major mainstream parties and the emergence of a new far-right party. That was the period when the political elite turned against the post-communist welfare system and broke with the welfare policy of the 1990s (Fábián et al., 2014) and began to systematically dismantle it while introducing newer and newer measures that all pointed in the direction of a punitive workfare system.

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