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Workfare Schemes as a Tool For Preventing the Further Impoverishment of the Rural Poor

Abstract

This article examines workfare schemes in rural Hungary and their contribution to relieving rural poverty. It does so on the basis of an analysis of European Union statistics and a series of semi-structured interviews which were conducted in 2013-2015 as part of a larger project investigating the contemporary state of rural Hungary. The paper comprises four sections: following a short description of the methodology, regional disparities and deprivation in rural areas are introduced with the help of a typology on deprivation and Eurostat data, thus providing evidence for European comparison. Following this, the main findings of our extensive qualitative research into workfare policies in rural Hungary are

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introduced and discussed on the basis of related legislation⁴. The article finds that workfare schemes in the rural sector are unique to Central and Eastern Europe, and are especially favoured in Hungary; it also discovers that economists are correct in assessing that said workfare schemes create few new jobs. Nevertheless, they are ‘better than nothing’, and have become embedded in rural society, where they are appreciated by beneficiaries and local officials alike. They necessarily make a paternalistic distinction between the deserving and undeserving poor, and the more commercially-oriented schemes raise issues of market distortion.

Keywords: workfare, Hungary, rural society

Preface

When State Socialism collapsed in 1989-1990, nobody in Hungary thought that, 25 years later, hundreds of thousands of rural people would be cut off from the labour market, trapped by long term joblessness, restricted to meagre social benefits combined with seasonal work and – for the luckier – low-pay public works programmes. Here, the authors address the processes by which welfare employment⁵ (public works programmes) became the dominant policy tool aimed at eliminating the economic and social consequences of low durable absorption capacities of labour markets and the specificities and significance of public work schemes related to agricultural land in the Hungarian rural context. An important characteristic of land-related rural workfare measures is that they are mainly project-based, supported by the central state but organised and led by municipalities that have their own landed property for farming, and can lease parcels of land from the state or use abandoned gardens. Examples of work programmes using 30 to 50 hectares of land were found by the research, making it possible to employ a great number of people typically in vegetable or fruit growing. Elsewhere, with only small parcels of land available, gardens measuring between 4 and 5 hectares were involved in the programme. The sections below provide background

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⁵ Terminology: in this article ‘welfare employment’ is used as a synonym for ‘public works’, indicating employment schemes organised by local states, and sponsored by the central state within which virtually jobless people are addressed.

information, comparisons and interpretations of workfare attached to land-use in the Hungarian rural context.

Methodology

In addition to a literature review of the theoretical findings, Eurostat and census figures were used as a statistical base for EU level comparisons and to paint national level pictures of geographical patterns of wealth/deprivation.

Qualitative research was conducted in rural communities in 2013-2015 in the form of semi-structured interviews. The focus was on the social use of land, and related public work programmes. The interviewees were mayors, foremen, experts/leaders of public works and other targeted state sponsored programmes; some interviewees were also representatives of institutions in charge of the implementation of these programmes, such as leading staff members of the Ministry of Interior, and a select number of labour offices. Altogether, 117 semi-structured interviews were conducted in relation to the social use of agricultural land, with 30 of those used as a background to this paper.

Facts and figures – the Salience of Poverty

This section addresses the theme of inequality and deprivation in rural Hungary. First, there is a comparison between the old and new member states of the European Union, following which the uneven geographical distribution of wealth/deprivation is discussed on the basis of a recently developed deprivation index by Bálint Koós (Váradi et al. 2013: 17). In trying to identify the most important causes and consequences of rural poverty and deprivation, two EU 2020 indicators were selected for analysis, with one indicating the ratio of low work intensity households and the other showing the share of severely deprived households in Europe. Available data relating to the degree of urbanisation was also used. According to Eurostat classifications, densely populated areas can be regarded as urban, whilst thinly populated areas are more or less equivalents of rural locations. From Table 1 below, the following correlations should be highlighted:

- The high ratio of low work intensity households generates high levels of severe material deprivation amongst the group of post-socialist countries. This might reflect households' lower levels of average wealth and less effective social protection systems;
- As opposed to post-socialist Europe where rural areas are hit harder, both joblessness and high rates of severe material deprivation seem to be urban rather than rural phenomena in old member states.

Table 1. Virtual joblessness and deprivation

Groups of countries	Degree of urbanisation	People living in households with very low work intensity ^{1*} (%)		Severe material deprivation rate ² (%)**	
		2008	2013	2008	2013
Hungary	Densely populated	8.3	8.9	16.4	22.9
	Intermediate	11.4	10.2	18.8	26.2
	Thinly populated	14.6	17.2	18.5	30.2
EU12 ³	Densely populated	6.8	6.7	17.2	17.5
	Intermediate	7.6	8.1	15.9	16.7
	Thinly populated	9.0	9.3	24.5	20.7
EU15 ⁴	Densely populated	11.0	12.9	6.3	8.3
	Intermediate	6.8	6.7	4.4	6.5
	Thinly populated	7.8	10.0	4.5	6.1

¹ People aged 0-59, living in households where working-age adults (18-59) worked less than 20% of their total work potential during the past year (Social Europe 2013: 481).

² Share of population living in households unable to meet 4 out of the following 9 needs: i) to pay rent or utility bills, ii) keep home adequately warm, iii) face unexpected expenses, iv) eat meat, fish or a protein equivalent every second day, v) a week's holiday away from home, or could not afford (even if wanted to) vi) a car, vii) a washing machine, viii) a colour TV, or ix) a telephone (Social Europe 2013: 481).

³ 10 post-socialist member states entering EU in 2004 plus Malta and Cyprus.

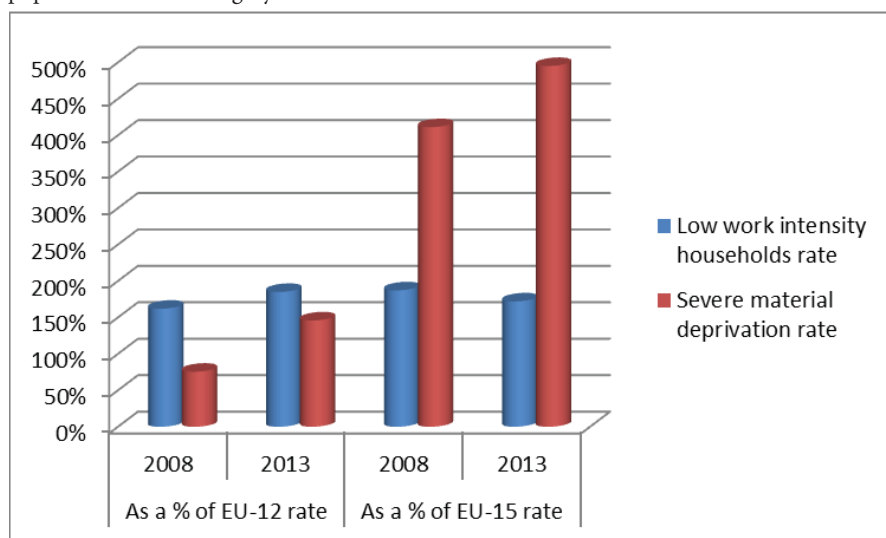
⁴ 15 old EU member states.

Source: * 100%= population aged 0-59, Eurostat [ilc_lvh123], **[ilc_mddd23]

As Figure 1 indicates, access to jobs and livelihood for the rural population deteriorated considerably in Hungary compared with its peers in the group of the EU-12 during the period spanning 2008-2013. The ratio of low work intensity households was already much higher than the EU12 average in 2008

(162% of the average); this increased to almost double (185% of the average) by 2013. In addition, figures related to severe material deprivation rates show an even greater increase, though from a much lower level; this index stood at only 76% of the EU12 average in 2008, but had more than doubled to 146% of the average of new member states by 2013.

Figure 1. Low work intensity households and severe material deprivation rates in thinly populated areas of Hungary as a % of rates in EU-12 and EU-15 countries



Source: own calculations from Eurostat data [ilc_lvhl23] and [ilc_mddd23]

It is not easy to find an explanation for such a decline in living conditions across Hungarian rural areas. Growth rates had declined already well before the crisis broke out (Swain 2011) generating high current account deficits, and a large stock of debts. These weaknesses made the small and extremely open Hungarian economy particularly vulnerable to the global financial crisis (Conolly 2012). As opposed to developments – in Slovakia and Poland for example – Hungary's last IMF loan taken in 2008 pushed its government into austerity measures, thus severely impacting the livelihoods of the poor (Myant and Drahokoupil 2013: 385-7). However, a radical shift in the concept of social protection was brought about by the change of government in 2010, when the amount of social benefit decreased, and conditionality as well as associated penalties increased (see the sections below for more details).

If the Hungarian economy weakened significantly in general, so too did the rural economy in particular. It is well known that the transition from collective to private agriculture resulted in a huge reduction of jobs in rural areas. The medium-size farm sector failed to develop in Hungary as a result of the ruins of collective agriculture (Swain 2011). The large-scale sector managed to retain its dominant role when compared to the extremely weak small-scale sector, partly thanks to distorted EU subsidies. The collapse of collective agriculture was just one component of a more general problem for Post-Socialist Europe, namely the extremely mediocre levels of absorption of low skilled workers into the labour market (Commander and Köllő 2008; OECD 2014: 10.) As a result of these weak rural economies, selective outmigration of the children of the rural middle class towards cities was accelerated, especially with regards to those from disadvantaged regions. A vulnerable, pauperised population was left behind in extended rural areas, struggling either with ageing or with the reverse, a sharp increase in the number of juveniles as a consequence of high birth-rates due to ghettoisation; that is, the relative concentration of Roma people in declining villages.

The geographical dispersal of these regions is reflected in Map 1, which details a Deprivation Index based on measures of income, employment, quality of housing, education and health (see Appendix 2). It clearly shows how villages of extreme deprivation are concentrated in peripheral areas, distant from the centres of development. These are the villages where a high representation of Roma is also apparent.

Both old and new causes of disadvantage with related geographical patterns were found among the most disadvantaged areas. As an example of traditional causes, location in inner/external peripheries was a characteristic shared by most lagging sub-regions in Hungary prior to and after the fall of state-socialism. However, core regions and access to them have shifted in the last two and a half decades, as have geographical trends. Two prominent and reverse shifts in geographical patterns can be identified in Hungary: progress in the north-western border area of the country reflects the fall of the iron curtain, and the negative process shaped by dissolving heavy industry (mining and steel industry) in the north-east (and south-west) regions. Indeed, the latter represents new structuring forces leading to sharp socio-economic decline. Since 1996, when the Regional Development Act came into force, policies have consistently targeted

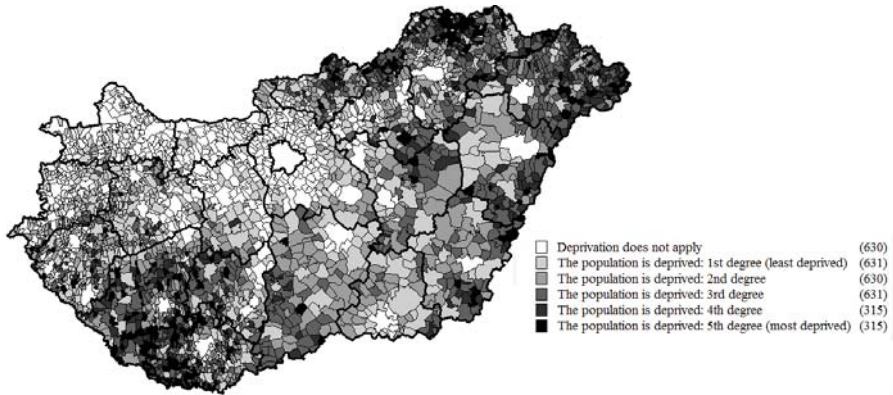
the most disadvantaged settlements/districts with preferential policies, but with little success. Most coordinated efforts were made during the 2007-2013 EU programming period when a socially and territorially targeted development programme addressed the 33 least developed micro-regions⁶ with schemes financed by dedicated EU funding⁷. Although the 2010 political shift put an end to this programme, the linking up of territorial and social targeting has continued to some extent, as the eligibility criteria for Start Modell programmes illustrate (see section below).

This regionalisation of wealth/deprivation is not unique to Hungary. Blažek and Netrdová noted, on the basis of a large number of studies, that 'one of the most striking features of post-1989 socioeconomic development in CEE has been a rapid increase in regional disparities which are higher than those in most of the EU15 states'. The processes associated with this are identified as the increasing primacy of capital cities, the widening gap between urban and rural areas, and the declining performance of old industrial regions' (Blažek and Netrdová 2011: 45). Smętkowski similarly noted that in 2000 there were 66 NUTS3 regions with development levels lower than 75% of the respective national average, but as many as 90 in 2008. In contrast, the number of regions where GDP per capita was 105% of the national average had marginally decreased from 39 in 2000 to 37 in 2008 (2013: 1537). To a greater degree than in Western Europe, rural areas are a locus of poverty and unemployment to which workfare-type policies might be addressed, and this disparity appears to be increasing.

⁶ LAU-1 sub-regional level according to the EU geographical classification system

⁷ The 33 micro-regions (out of 171) covered 10% of the population and approximately a 20% of Hungary's territory. The rate of the addressed population was stipulated in the Regional Development Concept issued in 2005. (97/2005 (XII.25) Parliamentary Resolution).

Map 1. Wealthy and poor settlements in Hungary. Distribution of values of Deprivation Index⁸ (2011)



Changing Paradigms for Labour Market Intervention

The end of the long post-World War II boom in the 1970s (Maddison 2006: 126) resulted in the abandonment of the post-war Keynesian consensus of demand-management (Coutts and Gudgin 2015: 14-15; Steger and Roy 2010: 6-10) and its associated protection of national labour forces. Unemployment levels rose, from a European average of 1.7% in the early 1960s, to 11% by the mid-1990s (Blanchard and Wolfers 2000: C1). Moreover, a combination of political attacks on organised labour

⁸ The composition of the Deprivation Index produced by Bálint Koós (Váradi et al. 2013: 17) is as follows: *Income* (average annual income per tax payer 2011), *Employment* (activity rate 2011), *Housing* (overcrowding rate 2011, the rate of apartments without any conveniences and emergency housing 2011, the rate of apartments with partial or full conveniences), *Educational attainment* (the rate of upper secondary graduates in the percentage of the population 18+, the rate of higher education graduates in the percentage of the population 25+), *Health* (the rate of sufferers of cardiovascular diseases in the percentage of the population 60+, the rate of sufferers of respiratory diseases in the percentage of the population 60+, Life expectancy at birth at the district). The variables of the settlement or micro-region level were normalised according to the national value (choosing this as the mean value):

$$Z = \frac{x - \mu}{\sigma}$$

where x is the value to be normalised, σ is the standard deviation and μ is the expected (mean) value.

and globalised competitive pressures resulted in the formation of what Guy Standing evocatively called the 'precariat' (Standing 2011). The new economic orthodoxy was firmly installed by the time the Berlin Wall fell, and it inspired the notion of 'shock therapy' as *the* recipe for post-socialist restructuring in formerly socialist Eastern Europe, even if it was rarely implemented in an unalloyed form (Swain 2011: 1672-3).

The move to workfare was central to this shifting paradigm. The literature on workfare has distinguished the European approach, which developed as a result of labour market policies aimed at encouraging unemployed workers to find new jobs (active labour market policies – ALMPs). Indeed, this was the US approach, which was conceived as a regulatory strategy for recipients of cash welfare introduced by then Governor of California, and later President of the United States, Ronald Regan in the 1970s (Brodkin and Larsen 2013: 40-43; Handler 2004: 2). The focus of the former, initially at least, was on finding alternative employment, while that of the latter was on penalising benefits claimants. In the US, despite little evidence of success, workfare gradually became part of American welfare policy-making (Brodkin and Larsen 2013: 44) In Western Europe, recent developments imposing 'work-first' rules suggested a move in the direction of US-type 'workfare' (Brodkin and Larsen 2013: 43.) This move towards workfare-type strategies is as much a reflection of the 'spirit of the age' (or the hegemony of neo-liberal ideology) as a response to continued high rates of unemployment. Indeed, this is evidenced by the Norwegian and Danish examples, where, with no serious welfare crisis and low unemployment, workfare-type policies have also been introduced.

Nevertheless, consistent with the data in Table 1 concerning the urban nature of deprivation in western European economies, workfare in the minds of western analysts would appear to be an urban phenomenon, associated perhaps with the belief that the rural poor are small-scale peasant producers for whom workfare would be inappropriate. A literature search using the Discover search engine found no reference in its predominantly Anglo-Saxon database to academic publications dealing with rural or agricultural workfare schemes. The governments of Central and Eastern Europe, and Hungary in particular, are thus extending workfare principles in a new direction. The Hungarian schemes described below are clearly in the workfare mould: they are labour market interventions designed to create temporary jobs in the hope that they will provide the springboard

for real ones. Moreover, they are offered in the context of the requirement of 30 days' labour to qualify for social security benefits; however, they are also offered more in a rural than urban context.

Another particular feature of the Hungarian approach is its combination of neoliberal and etatist approaches⁹ (Szikra 2014). It shares characteristics of neoliberal workfare policies in advanced capitalist countries (UK, USA, Germany, etc.) in the way that it raises conditions to receiving benefits (30 days of public work service required; mandatory job taking). It also backs up conditions with sanctions (withdrawal of benefits), and increases the responsibility of the individual for mitigating social risks (individualisation). In addition to this, it criminalises poverty and the way it applies contracting at the expense of non-market social citizenship rights. Similar to western experiences of the neoliberal paradigm, the Hungarian state has downloaded responsibilities and risks to local administrations without transferring the authority needed to autonomously manage active labour market measures at the local level. However, the extent of the effect of Hungary's punitive sanctions upon non-compliance represents an inordinate scale of state intervention in the private realm. Hungarian workfare regulations sanction, with the exclusion of receiving benefits and participating in public works programmes, not only those who refuse to take on mandatory public work (lower than the recipient's skill or education level), but also those whose children miss more than 50 days from of school. The principle of workfare even appears in the new Hungarian Constitution. It thus contains elements of étatist regimes that go beyond the centralisation of authority, and by their coercive and "illiberal" nature are not far from the "roll-out" neoliberal authoritarian state practices discussed by Peck and Tickell (2002). Furthermore, instead of allowing market actors to pursue commercial viability through administrative control of public employees as the neoliberal paradigm suggests, the Hungarian state has refrained from "letting private actors in" and has monopolised the planning and implementation of workfare programmes. Hungarian public works

⁹ Szikra argued that Hungarian policy-making has also taken a conservative turn lately due to the increasing role of churches and religious discourse in family policies and in the education sector. Here we only focus on etatism and neoliberalism because we believe that the religious discourse is just part of the historical mobilisation strategy of the elite.

programmes are fairly different from German and British workfare schemes; the latter involve a public agency, tripartite governance boards (Germany) and a special brand of the Ministry for Work and Pensions (UK), all of which are responsible for programme design. In contrast, since 2010, the Hungarian programmes have been designed and governed by the Ministry of Interior (as the superior authority of local authorities). Similarly, the provision of public works in Hungary is carried out by local authorities, which is in contrast with Germany and the UK, where provision is guaranteed by local non-profit organisations, SMEs (Germany) and large for-profit companies (UK).

The first extensive workfare scheme (Pathway to Work) emerged in 2009, reflecting growing long-term unemployment. It was introduced in the context of austerity measures which were further intensified and systematised after a conservative shift in government, from 2010 onwards, within the framework of The National Public Works Programme (launched in 2011). The weight of public works programmes increased significantly after 2011, both in terms of the numbers of participants, and budgetary support (both tripled by 2015). By 2013, public works had already become flagship programmes and dominated active labour market measures, especially in rural areas. These programmes primarily targeted the extremely poor, many of them Roma, who had long been excluded from the labour market. The extremely severe reductions in unemployment and welfare benefits (the duration of unemployment benefit was reduced to 3 months, the amount of lump-sum welfare benefit currently equates to 80% of the minimum old-age pension – approximately 70 Euro per month) and restrictions concerning the eligibility for benefits, also from 2011, generated extreme poverty for masses of rural people. Indeed, this is reflected in the sharply growing curve of the severe deprivation figures in Table 1 (for more details see Country Report Hungary 2015).

From among the workfare measures implemented since 2011, the Start Model Programme (SMP hereinafter) is considered the most relevant public works scheme from the rural areas viewpoint. It is socially and territorially targeted, and connects regional development policies with employment and social policies. Territorial targeting means that, with a few exceptions, the only municipalities that are eligible for SMP funding are those located in so-called disadvantaged districts or those that are themselves classified as

disadvantaged¹⁰. Eligible towns and villages cover approximately 28.5% of the country's territory and 15% of its population. With the exception of one district (that was hit by a natural disaster), they all belong to disadvantaged convergence regions.

As noted in Section 2, the extreme poverty and density of the Roma population overlap, especially in the north- north-east, as well as the south-west regions of Hungary where ghettoisation has progressed intensively over the last decades, due primarily to the outmigration of the non-Roma population. Given the extremely scarce local employment opportunities and lack of financial and physical access to mobility¹¹, daily commuting is not an option for the majority of the highly deprived impoverished population; most low-skilled Roma have become disconnected from the labour market for long enough to lose employability. Therefore, Roma create one of the primary target groups for public works programmes in general, and SMP in particular. Village leaders and experts who operate such programmes seem to be convinced that locally available public works provide the only opportunity to these people to step towards labour market reintegration via re-socialising them to daily routines of labouring.

Since 2013, all municipalities within the prioritised disadvantaged areas have had to undertake at least one programme action out of a possible eight¹². The number of SMP participants within the group of public workers increased from 30,000 in 2011 to 59,000 in 2014, and included more than 88,000 people from January to September of 2015. We must add, however, that country-wide public employment programmes have grown faster, and therefore the share of SMP participants has shown a decline from 2013 (53%) to 2014 in 2014 (33%) and 44% in 2015 (see Appendix 1).

Appendix 1 also illustrates the numbers and composition of job seekers and participants of public works programmes. A clearly positive tendency emerges from the table, namely that the proportion of job seekers within

¹⁰ 290/2014 (XI.26) and 105/2015 (IV. 23) Government decrees on disadvantaged districts and settlements

¹¹ On one hand, public transport in most villages of peripheral location is too rare and not adjusted to the needs of distant employment' on the other hand, private transportation by passenger car is not affordable for the very poor in rural areas.

¹² Eligible actions: agriculture, flood protection, maintenance of agricultural roads, renewable energy production, eliminating illegal waste dumping, other value producing action based on local specificities (Source: <http://kozfoglalkoztatás.kormany.hu>).

the working age population decreased from 7.6% in 2013 to 5.6% by September 2015. As illustrated by Table 1, the declining rate of low work intensity households in Hungary's thinly populated areas (from 11.4% to 10.2% of population aged 0-59) also confirms this tendency. We might assume that approximately half of the 140,000 people who managed to find either employment in the growing economy¹³ or avoided the status of registered job seeker for other reasons, were in fact recruited into workfare programmes, at least temporarily. At the same time, a most dramatic situation is also illustrated by the data: in 2013, 54% of job seekers were not eligible for any social protection benefit. Although the number in this group decreased, their percentage of the registered job seekers segment has remained rather high (52% in 2015).

It should be noted that the scale and scope of the Hungarian workfare regime go far beyond parallels across the region. In a regional comparison with V4 countries, Hungarian governmental spending on public works in 2012 was approximately 9 times higher than in neighbouring Slovakia, another CEE state which has instituted large-scale central government run workfare schemes (51,1 vs. 455.3 million EUR, which translates into 0.07% and 0.47% of respective country GDP).

From the beginning, the Start Model Programme allowed for the transformation of public works schemes into autonomous social co-operatives, thus reducing the level of government subsidy; indeed, this aspect has become increasingly important¹⁴. By July 2015, 107 social co-operatives originating in welfare work schemes had made the first steps toward a rather questionable future of sustainable operation.

¹³ Employment capacities in Hungary started to grow considerably from 2013. The primary source of growth was an increase in domestic, non-fostered jobs. Country Report Hungary 2015: 38.

¹⁴ This suggests that employability (a new term in the regulation) – which means fostering re-integration into the primary labour market – and the question of sustainability of model programmes have been included in the objectives of the government (Government regulations 1082/2015 and 1044/2013).

Findings of the Qualitative Research

The verdict of labour economists, both internationally and in Hungary is that, if their main purpose is to provide a pathway to new jobs, workfare programmes are ineffective. Card et al. (2010) conducted metadata analysis of 97 studies between 1995 and 2007; they found that ‘subsidised public sector jobs programmes are generally less successful than other types of ALMPs’ (2010: F475). Köllő and Scharle concluded that ‘the literature and our analysis of settlement-level data clearly show that public works programmes in Hungary did not bring about a reduction in long-term unemployment’ (2011: 137). Moreover, Cseres-Gergely and Molnár revealed that, while the money spent on public works programmes was more than twice that of other labour market programmes, in terms of finding people jobs, at around 10%, it was the least effective (2014: 221); Csoba and Nagy discovered that only 5% found non-subsidised jobs immediately after the programme finished, although 23% had found jobs three months later (105-6). This led to the depressing conclusion that ‘the direct effect of public works is less favourable than the outcomes in the control group’ (120-1). There are also some indications that an alternative approach, broadly inspired by the Grameen movement, may be more effective. This approach involves the awarding of collateral-free credits to the rural poor. The ‘Way-Out’ (Kiút) programme of 2009, funded by private business sources, the EU and some government support¹⁵, claimed a 30% success rate, although government support was half-hearted and the EU pulled out, forcing the private businesses to reduce their commitment¹⁶.

However, our interviews revealed a much less one-sided view of the schemes.

There is no better solution at the moment and there is no other source than public employment. It can ensure people have enough to eat and a little bit better livelihood and help to prevent the village from further decline.

¹⁵ Pan-European Coordination of Roma integration Methods – Roma inclusion: self-employment and microcredit (2010-2012, 1,425 million EUR).

¹⁶ It is a privately owned NGO, the Polgár Foundation that continues funding of the programme with approximately 40 million (Approx. 133,333 Euro) per year.
<http://www.kiutprogram.hu/index.php/hu/aktualis/63-folytatodik-a-kiutprogram>

Public employment shall be exemplary if it is used in a reasonable and humane way. This is the best now¹⁷.

Beyond all the well-founded criticism of public employment, a number of studies, as well as our own research experience, have pointed out that public employment as an institution, at least its land-related schemes, has become “consolidated” at the grassroots level in disadvantaged villages. A common consensus existed in the villages which we studied with regard the principle and practice of the *work instead of aid* way of thinking: *there is no such thing as a free lunch*; indeed, this expresses common sense, and positive judgements of workfare. In the eyes of village leaders, public employment has become the most important cost – an effective workforce provider and source of maintenance and development of municipalities. This is understandable, since almost all normative central state funding has ceased to exist in the last decade. Other supporters of welfare work schemes claimed that *we cannot wait until labour market picks up, help is needed now*¹⁸. Many unemployed people see public employment as desirable, due to the fact that it is considered a guaranteed way of securing livelihood. It also provides the only legal employment opportunity, especially for the unskilled Roma living in the lagging, peripheral and ghettoised rural regions.

Positive evaluations of welfare employment have stemmed mostly from those who are part of the schemes at one level or another (central government or local: mayors, experts, participants). They emphasised that public works have lifted many of the very poor in rural areas to a moderate level of poverty, and have also increased participants’ employability while bringing back – to some extent – work-related daily routines and the regularity of wage labour to the lives of many families trapped for years in joblessness. They argued that the low rate of re-entry to the open labour market is often explained by the extremely scarce demand for labour in rural peripheries, let alone segregated neighbourhoods. It is also usually added that such workfare models provide higher payments than social benefits, help maintain their

¹⁷ Cited from Zsolt Kovács’ (Major of Mozsgó, Baranya County) lecture: Subregions’ responses to poverty and exposure. It was given on 15 May 2015 at the conference of the First Hungarian Association of Basic Income and the Hungarian Anti – Poverty Network. A similar argument was put forward by Nándor Németh in the autumn of the same year at a similar event.

¹⁸ Announced by Nándor Németh at an event where one of the most successful public employment projects was introduced in 11 November 2015.

ability to work, contribute to the moderation of the black market, replace earlier diverted municipal resources, and ease local social tensions.

So-called value-adding workfare programmes, and especially agricultural action, have the highest prestige in public employment. It seems that village leaders and work organisers call in to work in the programme only those whom they find reliable and diligent. Despite specific public work schemes (projects) having a maximum duration of 12 months, there is a local intention to keep the best public workers in these programmes for the long term; the repeated employment of the most competent workers is particularly apparent in agricultural programmes. The practice of virtually permanent employment, though not really in line with legislation, is nevertheless not opposed by authorities, as illustrated by the below quotations:

“It is easy to see from the names that there is a group which is permanently employed in the programme”. This is a statement from a clerk in a district office. In another employment office, a staff member stated that “it is a fact that each municipality has got those people with whom the programmes can be accomplished. But there are employees like that in every market situation; I see it as a positive rather than something to be condemned”.

However, critiques of such workfare measures emphasise that this is where lock-in effects of even the most prestigious public works programmes reside, thus preventing the best workers from re-entering the open labour market (Csoba and Nagy 2011). The issue of market distortion as another negative impact of welfare work also inevitably arises (see also Koltai 2015: 106). Production costs attached to the programme are much higher than in the market, but this does not oblige the adoption of cost-cutting measures because of subsidies. One contrary viewpoint is that market distortion cannot be an issue where competing agricultural businesses and small-scale farmers do not figure locally. According to another strong opinion, the Start Modell Programme should be disassociated from the “market way of thinking” as its nature is essentially different from market contest or financial and economic sustainability. “(...) These products must reflect local values and the contribution of local people that are priceless for the community” (...) Thanks to the programme, there is an increasing cohesion in the community which is quite essential for rural life, I think, there is nothing more important”.

Here it is fitting to address disadvantaged rural settlements where low-skilled populations prevail and suffer long-term joblessness, where the rural economy is weak, and mobility is constrained. Indeed, it seems that, in such

settlements, public employment might be organised with a ‘human face’ in favour of the very poor, thus directly providing them with the means of integration at the basic level directly, via labour, and indirectly, via strengthening community ties (see also Asztalos Morell 2014; Schwarcz 2014; Nagy, Timár, Nagy and Velkey 2015; Vida and Vidra 2015).

Cases were also encountered, however, where the misuse of SMP was evident; indeed, there were villages where public employment has become a tool of exercising control over the Roma poor. There were also villages where loyalty to the mayor is a prerequisite for becoming employed on the programme, or where public works programmes are used as disciplining tools to punish, reward, maintain and strengthen the dependence of unemployed, poor families on representatives of local power.

“Where the programme and the mayor is good, there is great competition for public employment, and it is a great honour to be part of it in the village” (Kovai 2015: 24). ‘Workfare with a human face’ is more frequent in small villages (Asztalos and Morell 2014). Communal festivities such as Public Employment Day, celebrating the potato harvest, or other communal celebrations by the programme beneficiaries not only express the esteem in which they are held, but also represent a community-building force. In a small village on the Great Plain which also organised the ‘day care’ of the children of programme beneficiaries, the mayor said that “communal life is much better in the village since people are working instead of sinking into themselves”.

Such discourses suggest that welfare employment is embedded within local circumstances and valued by those who appreciate its functions beyond employment, such as social protection and providing loosely controlled resources for local authorities in dire financial situations. “Nowadays there is no government funding for development in villages other than public employment”. Indeed, this statement was made by an expert of one of the best-known complex employment programmes aimed at the very poor Roma. His statement must be interpreted in the context of the 2012 Local Authority reform¹⁹ which resulted in a radical reduction of the tasks and competencies²⁰

¹⁹ CLXXXIX. Act of 2011 on Local Governments.

²⁰ Public education and middle-tier health care services have been renationalised, social protection benefits are shared between local authorities and at district level government offices.

of local government and serious budgetary cuts: in 2013, the overall funding provided by central government to local authorities dropped to 61.7% of its 2012 value (own calculation from Budget of Hungary for 2012 and 2013). As a consequence, many local authorities made use of workfare schemes to carry out tasks that would otherwise have been cut because of the reduction in funding.

Summary and Conclusion

This paper aimed to examine the impact of workfare labour market schemes on rural poverty in Hungary. It first delineated the morphology of rural poverty and deprivation in contemporary Hungary a quarter of a decade after the end of socialism on the basis of Eurostat statistics and a Deprivation Index derived from domestic statistics. It then identified workfare schemes in the rural sector as the major intervention measure used to address this problem since 2011. In doing so, it compared Hungarian schemes to western practice and identified not only the relatively unusual focus of workfare policies on the rural sector, but also the étatist character of the Hungarian schemes and their extreme conditionality, including intrusive intervention in the private sphere. Finally, it presented the findings of our qualitative interviews to paint a picture of how workfare is experienced at the local level.

Our research uncovered ambivalent attitudes to the rural workfare concept. Labour economists have painted a negative picture, noting its poor capacity to get the unemployed into employment. However, many of the local actors involved, although agreeing with economists by and large with regards the chance of participants' re-entry to the labour market, had a much more positive view of public work measures. Employment was only one of its broader merits, such as bringing state resources to the village that could be used in a rather flexible manner. Public works were welcomed as an appropriate tool for handling long-term unemployment. Moreover, in the context of the radical reform of local authorities' tasks and the reduction in their finance, workfare has become smoothly embedded within their activities and has efficiently mitigated severe budgetary cuts to the eligible local authorities. Respondents argued that something was better than nothing, and the schemes provided something which familiarised the beneficiaries with the routine of work and improved social morale within the village. This was especially true when

the schemes were well run, although our research also revealed examples of misuse. Therein lies the heart of the problem – its reliance on the probity of the representatives of local authorities, especially given the extreme reduction in the amount of funding that they receive from central government. Local authorities of disadvantaged districts and settlements are virtually obliged to introduce workfare schemes (at least one action from among eight offered by Modell Programmes), although there are minimal controls over their implementation. At their best, they provide a form of support for the rural disadvantaged which, though paternalistic, is capable of both returning human dignity to those long excluded from the labour market and reintegrating them into society. At their worst, they encourage a racialised delineation between the deserving and undeserving poor. However, even the best do not entirely avoid the deserving-undeserving delineation, in that the best schemes also necessarily tend to focus on a relatively privileged group of more or less full-time employees at the expense of the rest, given that the projects are result-oriented despite being loosely controlled. Moves to convert schemes to free-standing social co-operatives will, to some extent, reduce the need for central government funding, although they are unlikely to reach the poorest of the poor (or ‘work shy’); in addition to this, the more successful they become, the more they will exacerbate the already existing problem of market distortion.

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