EFFECTS OF DISABILITY POLICIES IN THE HUNGARIAN LABOUR MARKET INTEGRATION OF PEOPLE WITH DISABILITY

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ABSTRACT

The present study examines the effectiveness of policy changes in the labor market integration of people with disabilities based on an extensive literature review, conducted interviews and survey data analysis. This study aims to shed light on the reasons behind the modest improvements across the OECD and determine the most effective policies for integration. By analyzing the performance of different benefit models and the composition of the working-age population by disability over time, the paper provides some insights into the impact of the robust policy changes between 2010 and 2019. The findings highlight the complexity of disability policy in balancing compensation and integration policies. It states that increased work incentives without effective activation support can worsen the financial situation of the disadvantaged group. The findings emphasize the need for comprehensive, personalized support for effective integration of disabled individuals. Overall, this study contributes to the understanding of the recent disability policy changes in Hungary and offers insights for policymakers.

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INTRODUCTION

The labour market integration of people with disabilities holds significant relevance in today's society. Disability is not a marginal phenomenon, and affects a growing number of people due to the increase in the size of older age groups and in the number of people with mental health problems or other health-related disorders (OECD, 2010; OECD, 2022). Despite progress in various areas, their integration in both economic and social dimensions lags behind. Moreover, the mobilization of people with disabilities is critical when considering the expected labour shortages in the future (OECD, 2022; ANED, 2019; Hassine, 2017). Their mobilisation is also important from other economic considerations: a more inclusive labor market allows for the effective and efficient utilization of talent and skills while reduces the reliance on service provision and welfare benefits (Rohwerder, 2015 cited in EASPD, 2022).

The Hungarian government has prioritized increasing the general employment rate since 2010. Their policy has also aimed to address the specific challenges of engaging individuals who are further from the labor market. Instead of a focus on welfare benefits, there has been a shift towards a "work-fare" approach, aiming to address the issue of labour shortage, and match the demand in the business sector with the available labor reserve (ANED, 2019, 2017). During this time, they prioritized traditional active labour market policies as a means to address labor shortages and boost overall employment. This policy focus also extended to people with disabilities, as they are a significant part of the labour reserve which could be mobilized (ANED, 2017). Also, there was an increasing pressure and attention from the EU to improve and support the labour market inclusion of the disabled, after the lack of progress in their employment (EASPD, 2022).

The employment rate of people with disabilites in Hungary was among the lowest across the OECD in the late-2000s, standing at approximately 30% (OECD, 2010, Figure 2.1). Nevertheless, significant improvements have been observed in key employment indicators during the second half of the 2010s. The Hungarian government, similarly to other OECD countries, has implemented various activation measures over the past decade. At the OECD level the results have not been particularly remarkable (OECD, 2022). In contrast, in Hungary, the European Social Survey data indicates substantial improvements: a reduction in the employment gap, a decline in the prevalence rate, and an increase in the employment rate of people with disabilities (Figure 1-3; OECD, 2022). However, it remains unclear whether these changes result from successful activation policies or if they simply involve depriving many individuals of their benefits, and potentially increasing their risk of poverty. Merely relying on

the notion of „workfare rather than welfare" alone does not guarantee the successful labor market integration of people with disabilities, unless it is accompanied by robust and effective activation measures (ANED, 2019). In Hungary, the major reforms have primarily focused on traditional active labour market policies, such as direct job creation through public work programs, sheltered employment or incentivising employers, rather than shifting more resources to other, more effective programs like job-search assistance, vocational rehabilitation or other skills development initiatives (ANED, 2017, 2019). The major compensation reforms implemented in the benefit system since 2012 resulted in a significant reduction in the number of beneficiaries (KSH, 2023). However, it appears that this strengthening of the compensation policy was not necessarily aligned with adequate employment support measures. The question remains whether the reforms could have effectively facilitated labor market integration or not. The existing policy literature, which examines the strategies implemented by OECD countries over the past decade, does not arrive at a clear conclusion and highlights the significance of benefit design in this context (OECD, 2010, 2020, 2022).

The present paper focuses on the reform period of 2010 and 2021, but only utilizes data until 2019 to avoid the discrepancies due to COVID-19. In the first part of the thesis, I will examine the major policy trends across the OECD in the last two decades. I will then observe the performance of various countries during the 2010s, categorized into different groups based on their disability benefit model. The main objective of this section is to evaluate the performance of different benefit models from 2012 to 2018 to see how different benefit models performed in terms of employment. The analysis illustrates the complexity in the implementation of disability policies and highlights the different outcomes achieved by the various benefit models during the 2010s. The second part of the paper shifts its focus to Hungary. It presents the disability benefit system in detail and then turns to the reforms implemented between 2010 and 2021. It observes the composition of working-age population by disability over time and investigates whether the policy modifications in Hungary have successfully promoted the integration of individuals with disabilities into the labor market.

LESSONS LEARNED FROM OECD

Despite some modest improvements, people with disabilities continue to fall behind their able-bodied peers across various labor market indicators (Figure 1-3.). The disability employment gap has remained almost unchanged over the last decade, which is disappointing and surprising

given the increased focus on employment-oriented programs in the EU over the past 20 years (OECD, 2010; OECD, 2022; EASPD, 2022).

In the following paragraphs, I will outline the key trends in disability policy across the OECD in recent decades and explore potential reasons for the limited progress.

Classification of Disability Policies

To provide a comprehensive analysis, it is essential to place disability policies in context. The primary measures of disability policy can be divided into three groups based on who is targetted by a specific intervention (EASPD, 2022): demand-side factors, supply-side factors and the institutional factors that involve services supporting the alignment of these two groups. Institutional factors include the accessibility to education, healthcare and public transport. Demand-side factors cover employer-related measures such as wage subsidies for both sheltered and open labour market employers, as well as employment quotas. Supply-side factors encompass employment services for people with disabilites such as rehabilitations, supported employment programmes and the regulation of disability benefit eligibility.

Based on another classification (OECD, 2010), disability policies can be categorised into two groups depending on how the challenges faced by people with disabilities are addressed. Compensation policy measures aim to compensate the target group for their limitations, while integration policy measures focus on providing support services to foster participation in all aspects of society (OECD, 2010). Compensation policies include measures such as the adjustment of benefit generosity by introducing stricter absence monitoring or stricter medical assessments, as well as modifications of benefit eligibility criteria. Integration policies cover employer obligations, vocational rehabilitation programs, subsidized employment programs, supported employment programs, sheltered employment programs, and the work incentives integrated within the benefit system.

Extensive empirical research has documented that policies prioritizing employment activation have shown effectiveness in reducing the disability employment gap. These underline the effectiveness of trainings (Eurofound, 2021) and supported employment programmes (Burns et al., 2007; Adamecz-Völgyi et al., 2018), employment quotas (Malo-Pagan, 2014), wage subsidies (Datta-Gupta et al., 2015), early vocational rehabilitation opportunities and building work incentives in the benefit system (EASPD, 2022). With regard to the effectiveness of sheltered employment, the literature presents contradictory results. The concept of an effectively functioning sheltered workplace is about providing education and training

opportunities for persons with disabilities in a protected environment to facilitate their entry into the labor market (Malo-Rodrigez, 2022). Some papers conclude that sheltered employment does not enable people with disabilities to transition into open labour market, while others document that besides their limitations, they increase social efficiency, especially those which operate as non-for-profit (Cueto-Rodríguez, 2014; Malo-Rodrigez, 2022). Research papers have also documented the negative relationship between benefit generosity and employment levels, particularly in terms of labor supply (OECD, 2020; Gruber, 2000; French-Song, 2009).

Policy trends

Increase in Integration Policies

There have been considerable changes in disability systems across OECD countries with strong focus on strengthening integration measures (Scharle et al., 2015; Böheim-Leoni, 2016; OECD, 2010, 2022). For example, more effort and resource have been allocated to transitional programmes, vocational rehabilitation and training programs. Nevertheless, as presented before, the overall effect of these reforms in terms of employment have proved to be modest on average (OECD, 2022). In the following paragraphs, I will proceed to outline the major integration reform trends observed across the OECD over the past two decades. Additionally, I will emphasize the specific elements that most countries have applied and which have contributed to the expansion of integration policy.

Quota system has been supplemented with penalty (Eurofound, 2010). Quota-levy systems are designed to impact labor demand by requiring employers to hire a specific percentage of workers with disabilities, typically ranging from 2% to 7% of their workforce, with the option for employers to opt out by contributing to a dedicated fund (Eurofound, 2021; OECD, 2010). Employer incentives have been enhanced through increasing their responsibility in the sickness benefit period and extending the duration for continued wage payment (OECD, 2022). There has been an increased focus on early vocational rehabilitation to restore or update the skills of individuals with disabilities before their capabilities diminish (OECD, 2010). Acknowledging the significance of vocational rehabilitation, some countries have made it a mandatory requirement for eligibility to receive benefits, recognizing its pivotal role in maximizing the potential of people with disabilities (OECD, 2010, 2020). Recent developments have seen a focus on promoting and implementing the supported employment approach, as well as re-evaluating and modernizing sheltered employment centres (EASPD, 2022; OECD, 2010). A growing number of countries has enhanced work incentives and enabled benefit recipients to

suspend their entitlement to engage in work trials without losing benefit entitlements (OECD, 2020). While it can be considered a good practice (particularly for individuals with lower chances of re-entering the labor market), an alternative approach could involve conducting widespread reassessments for those who are more likely to return to work – an action already taken by few countries (OECD, 2022; EASPD, 2022).

Stricter Compensation Policy

There have been also considerable changes in disability systems across OECD countries with strong focus on preventing shifts onto disability benefits (OECD, 2020; OECD, 2022, Scharle et al., 2015). In the following paragraphs, I will proceed to outline the major compensation reform trends observed across the OECD over the past two decades. Additionally, I will emphasize the specific elements that most countries have applied and which have contributed to the strengthening of compensation policy.

With regard to disability assessment, there has been a general shift from measuring disability to measuring work capacity. Some nations have implemented more stringent medical assessments and evaluations that rely on impartial medical experts rather than the claimants' general practitioner (OECD, 2010, 2022). In the context of vocational assessments for determining benefit eligibility, the emphasis has shifted to the individual's potential for rehabilitation and reintegration into the labor market. It means that the aim has become to find suitable employment options that align with the individual's abilities and preferences but also facilitate their return to work as fast as possible (OECD, 2010, 2022). As a result, it has become important to consider a broader job search. For example, there has been more emphasise on spreading any-occupation criterion instead of own-occupation criterion in determining eligibility (OECD, 2010). It means that they examine the entire labor market rather than limiting the search to claimants' previous occupation alone (OECD, 2010).

Introduction of partial benefits has become common to enhance participation in work-related activites (OECD, 2020). Furthermore, some countries linked benefit entitlement to compulsory rehabilitation. Having acknowledged the significance of sickness benefits within the disability benefit systems, stricter absence monitoring measures have been adopted and greater responsibilities have been imposed on employers [1] (OECD, 2010; OECD, 2022). By

[1] After a long, passive sickness absence period significant number of individuals tend to shift to disability benefit (OECD, 2010).

implementing these changes, governments aim to make benefits not permanent and encourage greater labor force participation among the disabled.

Possible Reasons Behind the Limited Outcomes

Despite the positive changes, in almost all indicators of labour market participation people with disabilities underperform their able-bodied peers. Based on OECD (2022) calculations using EU-SILC data, both employment and unemployment rates indicate people with disabilities (those with high and moderate support requirements taken together) lag far behind their non-disabled peers: they produce 27 percentage points lower employment rate and 9 percentage points higher unemployment rate in 2019.[2]

The rates described above – though with slight improvement - have persisted over the past decade. In addition, the past years' constant disability employment gap is coupled with a constant disability education and skill gap (OECD, 2022). Despite significant improvements in the educational attainment of the overall population, people with disabilities still struggle to catch up to the educational level of those without disabilities and are disproportionately represented among young persons (15-29) not in employment, education or training (OECD, 2022).

These are disappointing results given that there has been an increasing attention on employment-oriented programmes across the EU in the past 20 years. Past experiences and case studies conducted by OECD (2010, 2020, 2022) all explain the limited impact of integration policies in part with small and late interventions, as well as the slower pace at which activation policies take effect. They highlight the importance of early interventions, and the phenomenon of persistent education and skill gaps in the labour market integration of vulnerable groups as well. By late interventions they mean countries continue to target people with disabilities when they have already been out of work for a long time and their mindset has shifted towards inactivity. Early intervention also entails directing policy efforts towards interventions at earlier stages in the educational cycle to prevent individuals from becoming disadvantaged already at a young age (ILO, 2016).

Another potential contributing factor to the limited impact studied by OECD (2022) can be the wrong implementation of different policies: finding a balance between maintaining income protection and increasing work incentives. It is difficult to decide what the optimal level of benefit should be to maximize income protection without discouraging employment. As data

[2] Calculated across 32 OECD countries.

based on OECD (2022, Figure 2.14) calculations shows, among individuals with severe disabilites, the percentage of those who are out of work and receive sickness or disability benefit ranges from 40% to 60%, while for those with less severe disabilities, the corresponding range is 20% to 30% in the 2016-2019 period. These figures suggest that there are a significant number of people who could potentially be activated and engaged in work activities.

However, it is also important to note that people with disabilities are more likely to face income poverty (EASPD, 2022; OECD, 2022), so curbing benefit generosity can further increase the poverty gap between them and those without disability. According to OECD (2022, Figure 2.16) estimations, the share of those living in an income-poor household has increased from 22% to 24% between 2008 and 2019. The disability poverty rate increased by 6 percentage points in Hungary from 2008 (15%) to 2019 (21%), at the same time the disability poverty gap also increased from 3% during the period of 2008-2011 to 8% between 2016-2019.

Although strengthening compensation policies and boosting activation measures are both associated with better employment outcomes, they are all conditional on total incapacity-related spending (Scharle-Csillag 2016; OECD, 2022). Based on OECD SOCX database the share of active incapacity spending from total spending on incapacity has slightly increased from 8,9% to 10,1% in the OECD and from 5,9% to 6,3% in Hungary between 2007 and 2017 (OECD, 2022, Figure 4.9).

Besides these factors, there are still several barriers to employment for people with disabilities (Eurofound, 2021; Nagtegaal et al., 2023; Padkapaya et al., 2017). OECD (2022) calculated several indicators on labour market dynamics regarding the disabled using EU-SILC in the period of 2016-2019. Their results reflect that they start from a more challenging position in the labour market, facing greater obstacles compared to their counterparts without disabilities. Getting into the labor market itself poses greater difficulties for them, as the job hiring rate indicates (OECD, 2022, Figure 2.11). Additionally, when employed, individuals with disabilities are more likely to experience frequent dropouts (OECD, 2022, Figure 2.11). On the demand side, the primary barriers to employment are rooted in disability-related stereotypes and a lack of resources and knowledge necessary to facilitate workplace inclusion effectively (Eurofound, 2021; Jones, 2021; Gewurtz et al., 2016). These factors discourage individuals on the supply side from actively pursuing opportunities within the open labor market. The contextual and institutional factors (e.g. limited accessibility to public services and the lack of partnerships among service providers) also play a role (EASPD, 2022; Eurofound, 2021)[3].

[3] Further details regarding these topics will be discussed in the Hungary-specific sections.

Disability pay gap is another potential barrier which is strongly related to those factors mentioned above. It is also ducmented in the literature that people with disabilities on average receive lower wages than their non-disabled peers (Longhi, 2017). These research papers state the gap depends on various factors such as the type of disability, personal characteristics, education level, ability to work on a full time basis, occupations and other hard-to-measure variables such as discrimination. Lohngi (2017) measured the pay gap on the European Labour Force Survey data between 1993 and 2014 for the UK and finds that women with disabilities earn 7% less, while men earn 13% less than their non-disabled peers. As they write, the potential reasons for the disability pay gap can be partly attributed to discrimination. There is a stereotype that people with disabilities are perceived less productive due to their limitations and disadvantages. Another potential explanation they mention is the difference in personal characteristics between the two groups: educational and work histories. People with disabilities tend to be less educated and are more likely to have experienced longer unemployment periods, such factors that are very much valued by employers. According to them, the third component is the onset of disability: those who experience disability at some point in their lives may not be paid the same amount of wage they earned previously after they recover. That is a potential reason for people with disabilities opting for choosing out-of-work benefits or part-time jobs later on (Coleman et al., 2013 cited in Lohngi, 2017).

The issues identified earlier are based on the OECD average, but it's important to note that disability policies differ significantly across countries. Therefore, the potential contributing factors are closely linked to the specific benefit designs of each country.

Reactions to the issues identified

Late Intervention

As several reports (OECD, 2010; OECD 2022; Moore, 2015) emphasise, late intervention is a key factor contributing to the modest improvements in employment outcomes. They suggest that measures and assistance tend to reach people with disabilities (if they reach them at all) when their mindset have already shifted into inactivity (i.e. they have already spent too much time out-of-work or out-of-training). As they say, elements of integration and compensation policies can be effective separately, but in order to increase the overall effect on employment they have to be aligned with early identifications (i.e. policy designs matter). If benefit claimants are not treated as early as possible, it will be more difficult to re-active them, and the effects of each policy can diminish. Thus, those programs, interventions which are inherent part

of the intermediate stage of the disability benefit process, play a crucial role in employment outcomes (OECD, 2010).

OECD (2010) estimated the effect of disability policy measures between 1990 and 2010 on disability benefit recipiency rate using multivariate regression models. The findings revealed that generous and lenient sickness policies were positively associated with an increase in the number of individuals receiving benefits. Conversely, the presence of strong vocational rehabilitation programs was found to be correlated with a decrease in the number of people receiving benefits. Both instruments are part of the intermediate period before individuals enter permanent benefits and they both aim to impede skill depreciation and prevent claimants from moving further away from the labour market.

The following paragraphs aim to react in detail to the issue of late intervention detected and proposed by OECD (2010, 2022). The main questions is how to reduce the time spent with inactivity in the intermediate stage. OECD (2010, 2020) points out sickness benefit reforms, transitional programs and effective service provision.

Gatekeeping Role of Sickness Benefit System

In order to tackle the issue of late intervention, more attention should be shifted to reforming sickness benefit programmes, as they play a vital role in the overall process of providing disability benefits. In 2010, a significant proportion of individuals who claimed disability benefit, ranging from 50% to 90%, transitioned into the disability benefit system following a period of varying duration on sickness benefits (OECD, 2010, 2020). There are few exceptions, where sickness absences are managed in a more active way through facilitating fast return to work (OECD, 2022).[4]

Transferring the responsibility for benefit payments and vocational rehabilitation to employers (such as in Norway or the Netherlands) can serve as an effective tool for reducing sickness absence duration (OECD, 2010,2022). However, the generosity of sickness programmes mainly depend on replacement rates and the maximum duration benefit is granted (OECD, 2018).

As for the role of employers in return to work, the Netherlands has one of the strictest act in place. Under the Gatekeeper Improvement Act, employers are required to pay a minimum of 70% of their employees' wages during the initial two years of sickness (sometimes full payment for the first year). Throughout this period, employees are expected to engage in therapeutic work activities. In the event that the employer's efforts are deemed insufficient in the process

[4] Countries such as Austria, Belgium, the Netherlands, Norway and Switzerland.

of their employee's return to work, they are obligated to provide sick pay to the claimant for a third year. (OECD, 2022)

Transitional Disability Programmes

Transitional programs for the disabled aim to reduce long-term reliance on disability benefits by assisting claimants in transition from school to work or from reliance on government to achieving self-sufficiency (Eurofound, 2021; OECD, 2022). These programs encompass a range of services, including vocational rehabilitation, supported employment, transitional housing, education and training, financial counseling, and other forms of support that empower individuals with disabilities to pursue their goals and attain self-sufficiency (OECD, 2022). Although several policy papers point out their efficiency, some find no causal link between transitional programmes and employment outcomes (Haller et al., 2019 cited in OECD, 2022).

Effective Service Provision

The poor results of recent policies may be attributed to the inadequate management and organization of welfare programs (OECD, 2010, 2022). As detailed in EASPD (2022), the primary actors of disability benefit programmes generally include public agencies - such as the Rehabilitation Authority, Public Employment Centres (PES) or other government agencies, non-governmental organizations (NGOs) and other external service providers. Typically, the PES and other public agencies have the main responsibility in supporting people with disabilities, while NGOs complement public employment services (EASPD, 2022). Since the target group is heterogenous and requires various needs and extensive assistance, providing them (preferably rapid and) adequate support requires an effective and close cooperation among multiple service providers (Eurofound, 2021; EASPD, 2022; OECD, 2022).

When these programs are fragmanted and lacking coordination, a potential solution could be implementing a one-stop-shop service, similar to the system in the UK, which addresses the issue of claimants being shuffled between various institutions (Eurofound, 2021). It means that the relevant agencies in a particular service provision are merged to form one agency with joint services. Moreover, enhancing cross-agency cooperation and coordination is crucial to ensure streamlined, efficient service delivery and effective sharing of knowledge (OECD, 2010).

Balance between Compensation and Integration Policies

Social protection plays a crucial role in providing support to people with disabilites. However, as they are a heterogenous group in terms of extent of limitations, needs and skills, it is very difficult to find the optimal balance between enhancing work incentives and ensuring income

protection for them (OECD, 2022; Eurofound, 2021). In the following paragraphs, I will examine the performance of various countries during the 2010s, categorized into different groups based on their disability benefit model. The main objective of this section is to evaluate the performance of different benefit models from 2012 to 2018 and compare them across OECD countries. By conducting a cross-country comparison, the analysis illustrates the complexity in the implementation of disability policies and highlights the different outcomes achieved by the various benefit models during the 2010s.

I calculated the disability prevalence, disability employment rates, and the disability employment gaps across OECD countries, between 2012 and 2018.[5] The significant variations observed across countries in terms of prevalence and employment can be attributed to factors such as distinct medical and institutional characteristics, variations in age and education distribution among populations, and the diverse implementation of disability policies across countries (Jones, 2021; Geiger et al., 2017).

Disability prevalence and disability benefit rates are related concepts but they measure different aspects of disability in a population. They all hinge on reforms in compensation and integration policies, social protection policies (through spill-over effects[6]) (Jones, 2021, OECD, 2022). By studying their rates over time can give us some insights on the effects of recent changes in the design of disability policies. In the next section, I will analyze the performance of various benefit models concerning the employment of individuals with disabilities.

Based on the OECD-SOCR database, OECD (2021, Figure 4.1) calculates the share of those receiving disability benefit over the working age population in 2007 and 2018.[7] The benefit recipient rate on average has barely changed over time. Some countries managed to reduce disability recipient rates with more than 2 percentage points (e.g. Sweden, Hungary, Czech Republic and Finland), while others failed to do that (see Table 1). Those receiving disability benefits decreased from 9,1% to 6,8% in Hungary (OECD, 2021, Figure 4.1).

The impact of various benefit models on the disability benefit recipient rate varies greatly. Based on compensation and integration policy scores calculated by OECD (2010), members states can be clustered into seven distinct disability model groups (see Table 1).[8] In the next

[5] Detailed descripition of the data sources and the variables are presented in the *Analysis* section.
[6] See in more detail Feng-Zhao (2016) and OECD (2022).
[7] In their database, disability benefits include contributory and non-contributory programmes specifically targeted to persons with disability.
[8] I exluded from Table 1 the non-European countries. Liberal A model includes Astralia and New Zealand. Canada, Japan, Korea and the United States are involved in Liberal B model.

paragraphs I will present the main characteristics of the benefit models based on the OECD (2010) report.

Among the different models, the social-democratic model stands out as the most generous one, offering a comprehensive and accessible integration package as well. Within this model, subgroup A provides a relatively less generous policy package but offers better work incentives and strict sickness absence monitoring. Subgroup B, on the other hand, is more generous and imposes stronger employer obligations. (OECD, 2010)

The Liberal model, which includes only one European country, the UK, can be characterized as less generous overall. It features strong work incentives such as the option for flexible benefit suspension, but its employment policies are intermediary and underdeveloped. (OECD, 2010)

In the Corporatist model, the benefits are relatively generous and accessible compared to the liberal model, although not as generous as those in the social-democratic regimes. This model includes relatively developed employment programs with elements of supported employment and vocational rehabilitation, albeit weak. Work incentives are limited as well. Within the corporatist regimes, subgroup C has the highest compensation policy scores but the lowest integration policy scores. Subgroup B offers the most generous benefits among all countries in this cluster, while subgroup A emphasizes stronger employment policy but has lower benefit levels. (OECD, 2010)

While clear conclusions cannot be drawn, it appears that in cases where compensation policies are generous but integration policies are weak, the benefit rate has not been reduced. In summary, none of the countries could *significantly* reduce benefit recipient rates.

Based on the country scores for each subcomponent of integration and compensation policy, using a multivariate regression model, OECD (2022) has found that two policy elements, stricter monitoring of sickness absence, along with employment and vocational rehabilitation measures are strongly linked with disability recipient rate.

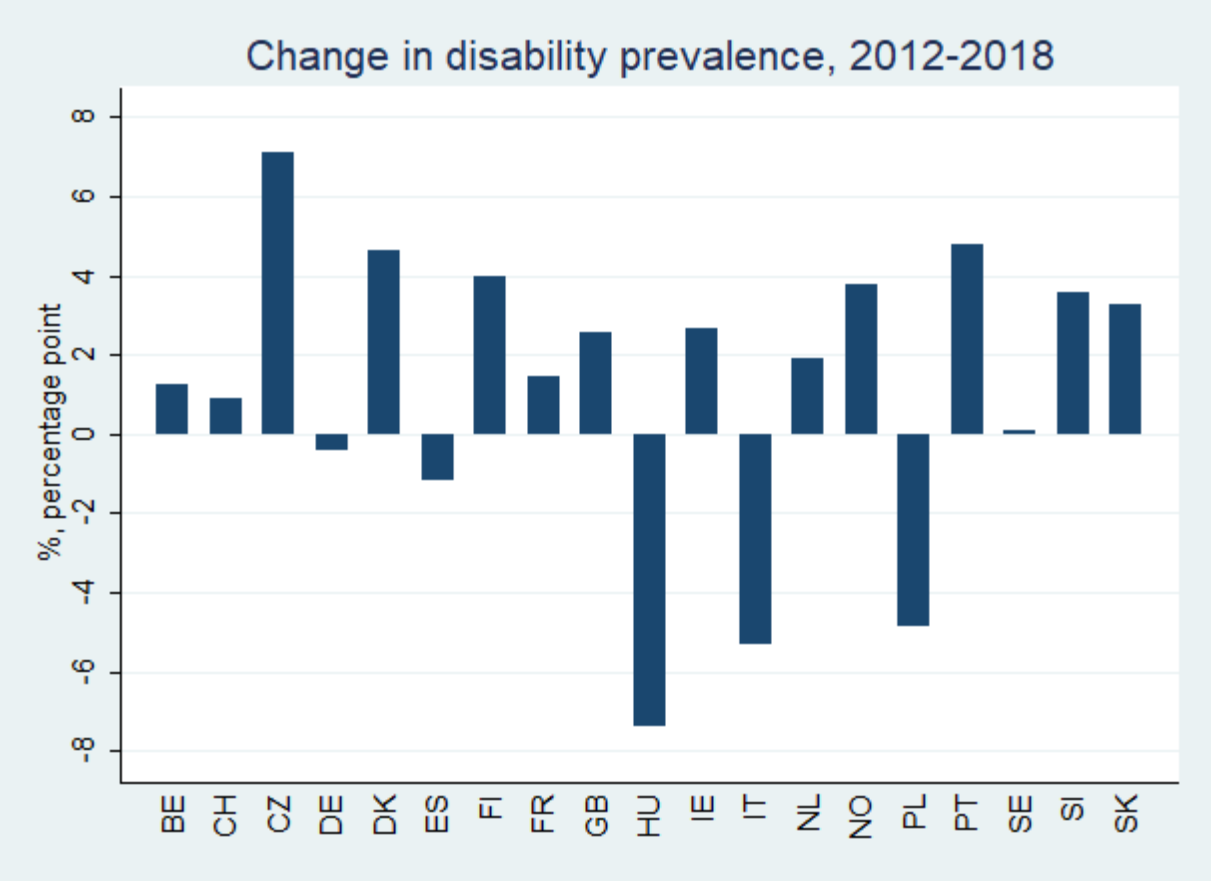
1. Table: Change in disability recipient rate (2007-2018) by country and benefit model

Model	Country	DRR decreased	DRR increased
Social-democratic A	DK, NL, CH	DK, NL, CH	
Social-democratic B	FI, NO, SE, DE	FI, SE	DE, NO
Liberal A	GB	GB	
Corporatist A	AT, HU, BE	AT, HU	BE
Corporatist B	FR, GR, LU, PL	GR, LU, PL	FR
Corporatist C	PT, IT, IE, SK, ES, CZ	CZ	PT, IT, IE, SK, ES

Note: DRR=Disability (Benefit) Recipient Rate. Source: subregime classification from OECD (2010), benefit recipient rate from OECD (2022)

Next, I will analyze disability prevalence across countries. Disability prevalence shows the proportion of people with disabilities from the total working-age population. There are significant variations in the self-reported disability prevalence measured by the European Social Survey among countries.

1. Figure: Change in disability prevalence (2012-2018), ESS



Three countries experienced a substantial decrease in prevalence rates by 5-7 percentage points: Hungary, Italy, and Poland. It is noteworthy that Italy's case is surprising considering they observed an increase in disability recipient rates. Similarly, Finland, Denmark, and the Czech Republic produced unexpected prevalence results, given that they successfully managed to decrease benefit rates as reported by OECD (2022).

As reported earlier in the paper, adjusting compensation policy instruments can enhance work incentives for individuals receiving benefits. However, tightening these policies may inadvertently restrict access to benefits for those who genuinely need them. I estimated the relationship between disability status across subregimes and household income as well (Table 2). On average people in Social-democratic regimes are more likely to live comfortably on their present incomes compared to other regimes. People with disabilities across all subregimes tend to feel less comfortably with their income situation than their non-disabled peers. Among the disabled population, those who live in Social-democratic A model have the most favourable financial situation in the 2012-2018 period. The Corporatist model yields the worst results. The additional effect of being disabled and belonging to a Corporatist regime on the probability of living comfortably beyond the effect of being disabled in Social-democratic A regime ranges from -0,074 and -0,09. The coefficients are statistically significant and can be interpreted as it is 7,4-9% less likely to live comfortably as disabled in Corporatist regimes than in Social-democratic A regime conditional on other relevant characteristics.[9]

[9] I conditioned on age, gender, education, employment, living alone/with partner/with child.

2. Table: Relationship between disability and 'living comfortably with household income' across subregimes

	Comfort	Comfort	Comfort
Disabled	-0.039**	-0.046**	-0.032*
	(0.010)	(0.016)	(0.015)
Disabled#Social-dem B model	-0.041**	-0.049*	-0.048*
	(0.014)	(0.023)	(0.023)
Disabled#Liberal A model	-0.057**	-0.088**	-0.043
	(0.020)	(0.034)	(0.032)
Disabled#Corporatist A model	-0.074**	-0.071**	-0.082**
	(0.016)	(0.027)	(0.025)
Disabled#Corporatist B model	-0.090**	-0.103**	-0.067*
	(0.017)	(0.030)	(0.030)
Disabled#Corporatist C model	-0.083**	-0.044	-0.113**
	(0.016)	(0.031)	(0.025)
Constant	0.933**	1.037**	0.811**
	(0.028)	(0.053)	(0.048)
Observations	78,186	27,296	25,567
Time period	all	2012	2018

Robust standard errors in parentheses
** p<0.01, * p<0.05

I also examined the performance of different countries and subregimes in terms of employment. According to my secondary analysis on the relationship between disability and employment (see Table 3), in all benefit models those who are disabled are less likely to be employed compared to those who are not disabled holding other variables constant.[10] These coefficients are statistically significant at the 5% level. The analysis reveals that the probability of employment among individuals with disabilities has shown an upward trend over time in most subregimes. Although there is a positive association, the coefficients are not statistically significant. The magnitude of the interaction term shows that the Corporatist A model performed the most favorably in terms of employment of individuals with disabilities between 2012 and 2018 based on the ESS dataset. Liberal A (UK) and Corporatist C however potentially reduced the chances of employment for the disabled over time. Conditional on their other characteristics included in the regression, in the Corporatist A model, those who report themselves as disabled are 22,2 percentage points less likely to be employed in 2012 compared to those who are non-disabled in the same subregime. However, this rate improves by 4,6

[10] I conditioned on age, gender, education, immigrant, month of the interview.

percentage point in 2018. Interestingly, the highest probability of employment is associated with the Corporatist C model.

3. Table: Relationship between disability and employment by disability benefit models (2012-2018)

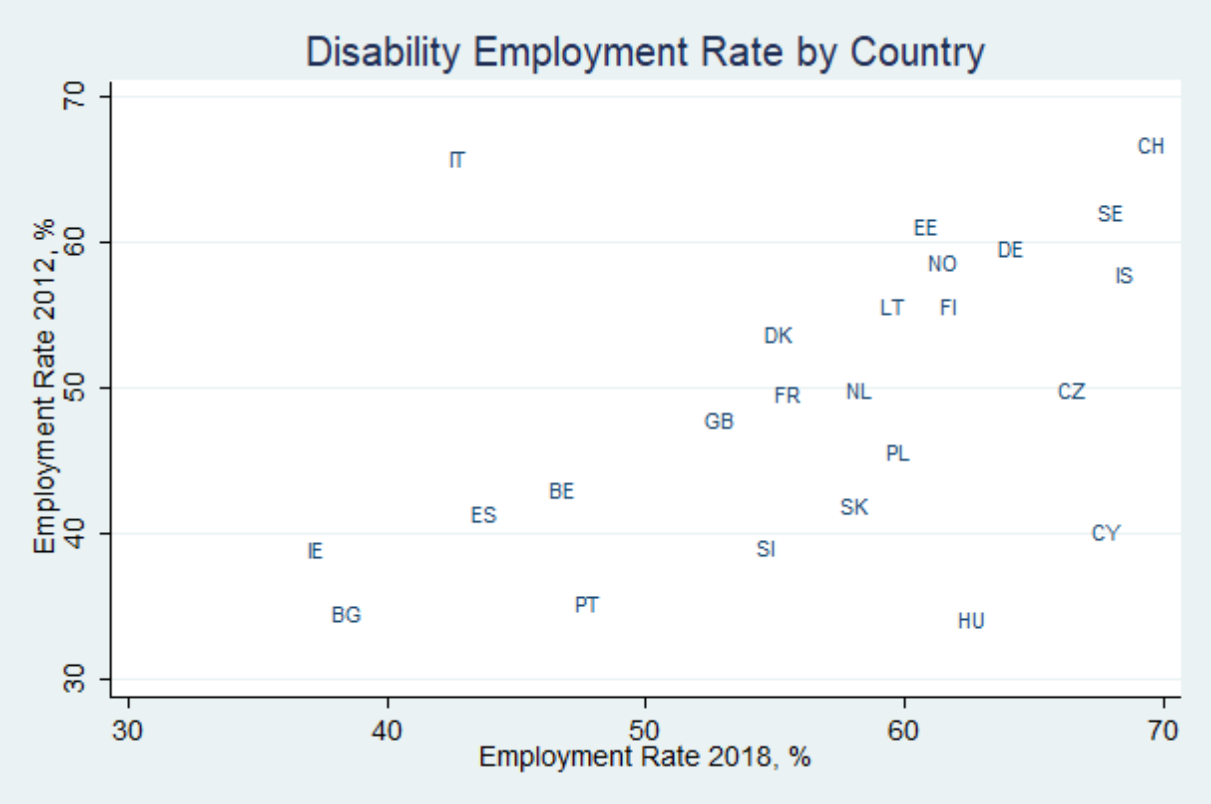
	Social-dem A	Social-dem B	Liberal A	Corporatist A	Corporatist B	Corporatist C
Disabled	-0.219**	-0.141**	-0.209**	-0.222**	-0.139**	-0.084**
	(0.022)	(0.020)	(0.031)	(0.021)	(0.024)	(0.027)
Disabled#2018	0.016	0.015	-0.049	0.046	0.018	-0.075*
	(0.030)	(0.029)	(0.045)	(0.030)	(0.036)	(0.033)
Constant	-0.790**	-0.880**	-0.966**	-1.407**	-1.329**	-1.376**
	(0.054)	(0.059)	(0.079)	(0.047)	(0.060)	(0.039)
Observations	9,719	17,491	4,398	11,475	8,231	27,781
Time period	all	all	all	all	all	all

Robust standard errors in parentheses
** p<0.01, * p<0.05

To conduct a more detailed analysis, I have further divided the sub-categories into countries, allowing for a separate examination of each country's performance in terms of employment. Based on my calculations using ESS, most countries achieved a slight or no increase in the disability employment rate. Those countries which experienced larger increase include Hungary, the Czech Republic, Poland and Portugal. In Hungary, the employment rate of people with disability was approximately 34% in 2012, and around 60% in 2018. On the other hand, in Italy the employment rate dropped greatly.[11] In 2018, the maximum employment rate was 69% in Switzerland, the minimum value was 36% in Ireland.

[11] Italy is clearly an outlier. Geiger et al. (2017) and the Italian ESS team have tried to uncover the reasons for the negative disability employment gap. They identified no specific error, and in fact the gap follow had followed a similar pattern of disability employment gap in previous years.

2. Figure: Disability employment rate (2012-2018) by country



Disability employment gap is measured as the difference between the employment rates of people with disabilities and people without disabilites. According to data from the European Social Survey (ESS) in 2018, this gap varied between 10% and 30% across countries. In my analysis, I ranked the countries previously categorized into subregimes based on their performance in narrowing the disability employment gap between 2012 and 2018 (as shown in Table 4). The cells highlighted in green indicate a significant positive change, while the cells in grey indicate a large decrease in the employment gap.

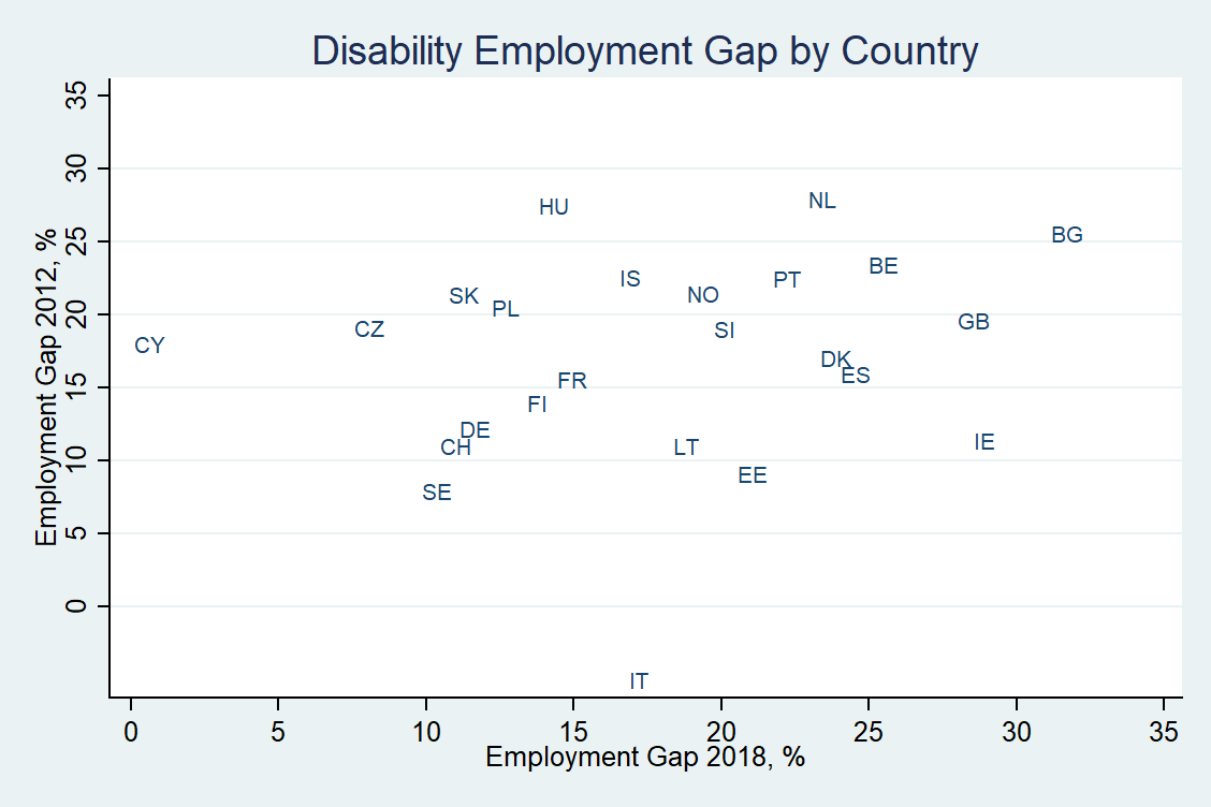
4. Table: Ranking based on the disability employment gap, ESS

Country	2012	2016	2018	Country	2012	2016	2018
AT		15	11	GB	11	10	17
BE	15	11	16	HU	16	16	7
CH	3	3	3	IE	4	17	18
CZ	10	2	1	IT	1	1	9
DE	5	7	4	NL	17	9	13
DK	9		14	NO	13	13	10
ES	8	6	15	PL	12	14	5
FI	6	5	6	PT	14	12	12
FR	7	8	8	SE	2	4	2

Data: more details on employment rates and gaps in Appendix 1.

Most of the countries could not narrow the gap at all over the years (Figure 3). Few countries experienced significant improvements, such as Hungary, the Czech Republic, Poland and the Netherlands. In Hungary the gap was 27% in 2012, and it decreased to 14% in 2018. Only a small number of countries (Czech Republic, Hungary, the Netherlands and Poland) have experienced noticeable enhancements in both the disability employment rate and the disability employment gap. The disability employment rate increased substantially in Portugal and Slovenia without any significant change in the gap. In Belgium, Denmark, Spain, United Kingdom, Ireland and Italy there was an increase in the disability employment gap over the years. On average disability employment gaps are large and have changed little in the past decade.

3. Figure: Disability employment gap (2012-2018) across countries



Based on the previous analysis we can observe the trend in the performance of various benefit models concerning the employment of individuals with disabilities. While definitive conclusions may not be drawn (about benefit designs and employment outcomes), it becomes apparent that regimes emphasizing stronger integration elements demonstrate more favorable outcomes compared to those with weaker integration elements aligned with relatively generous compensation components. Although the benefit recipient rates have slightly changed over time, there are large variations in the disability prevalence. Notably, countries that successfully decreased the benefit rate (such as FI, SE, HU, CZ) either significantly reduced the disability employment gap or maintained it at a consistent level. Conversely, countries that experienced an increase in the benefit rate mostly saw a corresponding increase in the employment gap as well. However, there are also cases (e.g. DK) in which strong integration and compensation elements exist, and they could also decrease the benefit rate modestly, but the employment gap for individuals with disabilities has increased significantly. When considering income protection, the Social-democratic subregime showed the most favorable performance for individuals with disabilities.

DISABILITY POLICIES IN HUNGARY

The disparities between disabled and non-disabled individuals persist in terms of social indicators. While these differences showed modest positive trends, they were unexpectedly weak considering the significant activation efforts made by member states (OECD, 2022). The performance of benefit models also exhibits substantial variability, with underperformers commonly associated with weak integration policies (Table 1; Table 3; OECD, 2010). Hungary falls within the Corporatist group A, alongside Austria and Belgium. Surprisingly, Hungary and the Czech Republic (Corporatist C) have demonstrated outstanding performance across all indicators based on ESS. Although the coefficients are not significant, the magnitude of the relationship suggests that the corporatist A model achieved the largest increase in employment probability between 2012 and 2018. In this chapter, I present and assess the Hungarian compensation and integration policies since 2010. It is followed by an examination of the impact of the reforms on the disabled population throughout this period. Additionally, the chapter building on the conducted interviews[12] identifies key obstacles to employment for people with disabilities and offers recommendations specific to Hungary.

Compensation Policies

Benefit Generosity

As previously discussed, the generosity of benefits plays a significant role in labour market participation. Governments can influence and adjust the benefit recipient rates by modifying benefit conditions. By doing so, it can discourage individuals from remaining out-of-work and encourage them to pursue employment opportunities. Benefit generosity is influenced by factors such as the type of benefits, eligibility criteria, and the amount provided (OECD, 2018; OECD, 2020; OECD, 2022). Over the past decade, Hungary has implemented various initiatives aimed at strengthening its compensation policy (ANED, 2017, 2019). The stricter reforms in benefit programs may offer a potential explanation for the decrease in benefit recipient rates. In the following section, I will examine the factors which influence benefit generosity and present the Hungarian disability system in detail. This chapter demonstrates how the design of benefit systems can impact the financial consequences and work incentives for benefit recipients.

[12] The synopsis of the interviews are presented in Appendix 2.

Disability benefit programmes vary in a number of characteristics based on benefit type, eligibility conditions and generosity. Each subindicator is a potential factor which can affect disability recipient rates (through acceptance rates) (OECD, 2018, 2020). According to the findings from several empirical studies (OECD, 2022; Gelber et al., 2017), strengthening compensation policies by reducing generosity and tightening eligibility criteria leads to increased employment.

There are three types of disability benefit (OECD, 2020; OECD, 2018): flat-rate, unemployment-type, and pension-type. Hungary – like the Netherlands, Sweden and Belgium - implements an unemployment-type benefit program where eligibility and benefit amount are determined by recent work history, aiming to replace a portion of the individual's previous income. This period of recent work history can range from one year (as in Hungary) up to eight years (Sweden). In flat-rate systems, eligibility and benefit amounts are determined uniformly, with some consideration given to the degree of disability. Denmark and Ireland have implemented such systems. On the other hand, entitlements in pension-type systems, such as those in Finland, Poland, and the Czech Republic, can depend on the individual's entire work history. Pension-type systems tend to have stricter criteria and result in lower inflow rates because of the long contributory period requirement. (OECD, 2020, 2018)

To analyze the level of benefit payments, I will study the net replacement rate indicator calculated by OECD (2020) and OECD (2018). This chapter demonstrates how the benefit amount can impact the work incentives for individuals with different degrees of disability.

The net replacement rate is a measure of benefit generosity that defines the proportion of benefit recipients' net income compared to their in-work income. It is important to note, that comparing the average disability payments and the average wages for full-time full-year workers can be misleading, as it fails to account for the fact that a significant portion of persons with disabilities earn significantly less than the average full-time full-year wage. (OECD, 2020; OECD, 2018)

Based on the calculations conducted by OECD (2020), individuals with average earnings tend to have considerably lower net replacement rates in comparison to those with lower wages. This suggests that benefits may be relatively more attractive for workers with lower incomes. Also, the calculations suggest that the NRR does not necessarily depend on the benefit type, since NRRs for low-paid workers remains consistent across countries with different benefit architectures. As for Hungary, among individuals with low earning potential (considered as 50% of the average wage) and with low level of incapcity, the net replacement rate was 60%, whereas it reached approximately 95% for those with high-level incapacity in 2016. The corresponding rates for people with average earnings potential in Hungary are 35% and 75%.

The net replacement rates for high-level incapacity in Hungary aligns closely with that of other countries. However, the net replacement rates among those with low-level incapacity falls below the OECD average. (OECD, 2020; OECD, 2018)

Based on their calculations, individuals with more severe disabilities tend to have higher NRRs. These differences however varies greatly across countries.[13] The NRRs among low-wage earners range from 60% to 100%. The NRRs among average-wage earners range from 35% to 80%.

From the literature reviewed previously (OECD, 2018, 2020), three conclusions can be drawn. First, higher benefit amounts (higher NRRs) can incentivize workers to shift onto benefits. Second, in countries with larger differences in NRRs between limited and less limited individuals, people with less limitations can be much more dependent on work. Third, type of benefit does not necessarily determine the effectiveness of disability benefits. All three types of benefit schemes can achieve optimal coverage for individuals facing work limitations. However, flat-rate schemes may have less strict requirements.

Invalidity Benefit

The Hungarian disability benefit system offers both contributory and non-contributory benefits. Non-contributory benefits include the invalidity annuity (rokkantsági járadék) and disability support (fogyatékossági támogatás). These benefits are primarily provided to individuals who has no or little chance to enter the labor market due to their inability to lead an independent life from a young age. These benefits are not analyzed in my thesis. Within the contributory benefits category, there are short-term Sickness Benefit (táppénz), long-term Rehabilitation Benefit (rehabilitációs ellátás), and Invalidity Benefit (rokkantsági ellátás). Invalidity Benefit is granted to individuals with reduced working capacity in cases where rehabilitation is not recommended or is unlikely to succeed, or if they have five years or less until reaching the normal retirement age. (OECD, 2018; MISOOC, 2007, 2019, 2021) In the following section, I present the invalidity benefit, as this is the main disability benefit, and sickness benefit and rehabilitation benefit are discussed in separate chapters.

Invalidity benefit is classified as an unemployment-type benefit. To qualify, individuals must meet certain criteria. This includes having a minimum contribution period of 1095 days within the last 5 years from the onset of disability or 3650 days within the past 15 years. Additionally,

[13] For example in Hungary the difference in ANRRs can exceed 40 percentage points. In Denmark, Poland and the Czech Republic the differences in ANRR can be around 10 percentage points. While in other countries such as the Netherlands, Sweden, and Finland the differences are smaller than 10 percentage point (OECD, 2020).

a minimum level of 40% incapacity for work (state of health assessed at 60%) is required. Those claimants who are considered unable to be rehabilitated after the disability assessment (classified as Category B2, C2, D or E) or have 5 years left until the retirement age can be eligible to receive the benefit. Invalidity benefit is a permanent benefit (with no review), which is terminated if the income from work exceeds 150% of the minimum wage. Suspending the benefit is not an available option.[14] (OECD, 2018; MISOOC, 2019, 2021)

The benefit amount for invalidity benefit varies based on the degree of disability, which is determined by the category assigned to the claimant during assessment. The benefit ranges from 40% to 70% of the previous average monthly income (in the last year). However, there are minimum and maximum monthly amounts set for the benefit (calculated with reference to the basic amount)[15], ensuring there are limits to the payment received. (OECD, 2018; MISOOC, 2019)

5. Table: The amount of Invalidity Benefit by category, HU

Health status	Category	Amount of benefit, %	Min amount of benefit, %	Max amount of benefit, %
51-60%	B2	40	30	45
31-50%	C2	60	45	150
1-30% but self-sufficient	D	65	50	150
1-30%	E	70	55	150

Source: OECD, 2018 and MISOOC 2019

Based on these, Invalidity benefit can be considered *moderately* generous in Hungary. When compared to other OECD countries, the minimum level of incapacity required to qualify for eligibility is similar, around 40% on average (OECD, 2020, 2018). The contribution requirements for eligibility cannot be considered strict, but may leave certain groups of people with limited work histories out of the programme. The amount of benefit is relatively low compared to other countries, and it only takes into account the average monthly income in the last one year. Furthermore, there are minimum and maximum caps on the benefit which may encourage people to supplement their benefits with in-work payments. Lastly, the duration of the benefit is not maximised, making it permanent benefit, which can disincentivize recipients to return to work. Based on the Average Net Replacement Rate presented above, those with

[14] Starting in 2016, a cap on earnings was implemented. Prior to this change, individuals were allowed to work up to 20 hours per week in addition to receiving benefits (Gazsi et al., 2017).

[15] Before 2016, the minimum and the maximum amounts were set as a percentage of the minimum wage.

severe limitations tend to get relatively generous benefits, while those with less severe limitations are strongly incentivized to work due to the low replacement rates.

Reforms in Compensation Policy

Changes in both compensation and integration policies are associated with disability caseloads. OECD (2010) calculated policy scores for 2007 on both dimensions considering several sub-components (Table 6). The maximum score is 50 on both scales. Higher compensation scores indicate more generosity (and less incentive to work), higher integration scores denote strong integration focus (OECD, 2010). The scores have been updated for most countries (except for Hungary) in 2014 by Böheim-Leoni (2017). Scharle et al. (2015) computed the missing scores until 2013.[16] In 2007, Hungary had slightly higher scores in both dimensions compared to the OECD average. We can see a gradual drop in the compensation indicator score for Hungary since 2006, implying stricter compensation policies (i.e. more employment friendly policies). Using Table 6, I present what changes have taken place in Hungary since then and which subcomponents were affected. [17]

6. Table: Changes in compensation policy score, HU

Compensation policy scores, HU, 2007

benefit coverage	1	medical assessment criteria	1
min disability level	3	vocational assessment criteria	4
disability level for full benefit	2	sickness benefit payment	3
max disability benefit payment	3	sickness benefit duration	5
permanence of benefit	2	sickness absence monitoring	4

Based on OECD (2010). Total score was 28 in 2007. Since then, there has been a new temporary benefit introduced. The minimum disability level is 40% so it should count as 4. You can get the full benefit payment with even Category C2 but higher monthly earnings. The average NRR in 2016 for maximum disability with previous employment record was 85%.

In Hungary, there are two types of sickness benefits that individuals can receive, both of which are verified by their general practitioner. The first is sickness benefit (also known as "táppénz") and the second is mandatory employer sick pay (also referred to as "távolléti díj"). Sick pay is

[16] They only published the total scores. In 2013 it was 19,5 for Hungary.
[17] The relevant legislations relating to people with disabilities are included in Appendix 3.

paid entirely by the employer and has a replacement rate of 70% for up to 15 working days per year. The initial 15-day sick pay period is followed by sickness benefit. The net replacement rate for sickness benefit is lower, ranging from around 50-60% of the daily average gross earning. Additionally, the daily amount of the benefit is limited to 1/30 of 200% of the monthly minimum wage. Employers contribute one-third of the sickness benefit, while the remaining portion is covered by social security. It's important to note that neither of these benefits can be combined with work activities. (MISOOC, 2007, 2019; Csillag, 2018)

Starting from May 2011, there were modifications to the maximum amount of sickness benefit. Prior to 2011, the daily benefit amount was capped at 1/30 of 400% of the minimum wage, which was later adjusted to 1/30 of 200% of the minimum wage. This change primarily affected individuals with higher wages, while maintained the existing incentive for lower earners to claim sickness benefits. (MISOOC, 2007, 2019; Csillag, 2018)

Csillag (2018) employed the difference-in-difference methodology to examine the impact of the reduction in sickness benefits on sickness absence behavior. Their findings indicate that the policy change had a significant and immediate impact on high earners, leading to a substantial decrease in the number of sick days taken. However, their analysis revealed no effect on individuals with lower earnings.

The 2012 major reforms in the rehabilitation system have been driven by two main factors: addressing the disability employment gap and the high prevalence of undeclared employment among individuals with disabilities. It is estimated that only 10% of the working-age population with disabilities in Hungary are in registered employment, while approximately 50% are believed to be working undeclared. (MMSZK, 2018)

In Hungary, a comprehensive assessment process is in place for determining eligibility for disability benefits (ANED, 2019). This assessment takes into account various criteria, including the individual's health status, employment history, labor market situation, capabilities, limitations, occupational rehabilitation needs, social needs, family circumstances, and their overall environment within society (MMSZK, 2018; NFSZK, 2021).

Before 2012, the assessment primarily focused on evaluating the extent of the loss of working capacity (MMSZK, 2018; MISOOC, 2007).[18] However, with the introduction of new legislation in 2012, the emphasis shifted towards a rehabilitation approach centered around employment. Assessments began to consider the individual's remaining developable skills as a key factor in determining eligibility for benefits. The aim of these reforms is to promote

[18] Instead of health status (capacity for work), the focus was on the reduction of working capacity.

employment opportunities for individuals with disabilities and ensure that rehabilitation efforts are aligned with their capabilities and potential for further skill development. There is an expert comittee who investigate and assess the eligibility for benefits. The comittee consist of at least 2 medical experts, one occupational rehabilitation expert and one social expert. During occupational rehabilitation assessment, the expert analyses current labour market conditions and identifies occupations that align with the individuals' ability and skills. The expert assesses the claimant along several dimensions: employment record, educational level, motivation, work interests, age, mobility, discrimination and workload capacity. (MMSZK, 2018; NJT, 2023; NFSZK, 2021; Kovács et al., n.d.; Gazsi et al., 2017)

Since the major reform in the disability benefit system in 2012, a comprehensive reassessment of previously approved benefit claims has been carried out, focusing on recipients below the age of 57 who are deemed more capable of returning to work (EASPD, 2022).

Following the 2012 reform of the disability benefit system, a new type of benefit called Rehabilitation Benefit was introduced. Individuals categorized as "capable of being rehabilitated/recommended for rehabilitation" were automatically eligible for Rehabilitation Benefit instead of Invalidity Benefit. The eligibility criteria for Rehabilitation Benefit are similar to those for Invalidity Benefit, except for differences in payment duration, review process, and payment amounts. Rehabilitation Benefit is provided for a maximum period of three years, with regular reassessments conducted. The payment amount ranges between 35% and 45% of the average monthly income, with both minimum and maximum thresholds established. Prior to 2016, rehabilitation benefits were suspended if the recipient worked more than 20 hours a week. After 2016 the option for suspension was eliminated. If the recipient exceed the income threshold, the benefit will be terminated. (MISOOC, 2019; Gazsi et al, 2017; Kovács et al, n.d.)

As of 2020, if an applicant is deemed rehabilitated/recommended for rehabilitation, they have an obligation to cooperate with the government office (NJT, 2023; MISOOC, 2021). Throughout this collaboration, an individualized plan is created for the applicant by the Rehabilitation Authority, and a review is scheduled after three years (NFSZK, 2021; Gazsi et al., 2017).

However, the services provided by the authority may not be as extensive or personalized as needed by the client. Furthermore, the strictness of the review varies. Some applicants may be reevaluated after two years, while others may have to wait for five years. Those who are eligible for invalidity benefit but not recommended for rehabilitation usually do not receive any rehabilitation support from public agencies. (Spitzer, May 19, 2023)

Starting from 2020, individuals receiving disability benefits are exempt from undergoing reassessments if, at the initiation of the review process, the time remaining until they reach the retirement age is less than 10 years (instead of 5 years) (NJT, 2023; Appendix 3).
Since 2021, it has been possible to cumulate benefits with earnings from work (MEOSZ, 2020). Consequently, there are no longer any limits on the amount that can be earned from work while receiving benefits (MEOSZ, 2020). The relaxation of earning thresholds is important as it helps prevent disincentives for benefit recipients to work below their capacity, ultimately leading to inefficiencies (OECD, 2022).
Over the past decade, the disability benefit system has undergone major changes. Benefit generosity has decreased. The benefit system has become stricter with the clear aim to encouraging recipient to return to work. Hungary seems to have succeeded in filtering out employable recipients of disability benefit as the share of those reporting themselves as 'not ill, able to work and not retired' from the out-of-work disability recipient population is one of the lowest across OECD countries in 2018 (OECD, 2020, Figure 3). Nevertheless, invalidity benefit in Hungary has remained permanent and lacks accompanying rehabilitation options. Thus, individuals who qualify for invalidity benefits are not effectively encouraged and supported to pursue employment opportunities.

Integration Policy Reforms

Based on the literature reviewed in preceding chapters, it can be deduced that numerous OECD countries have improved in their integration policies over time. Several programs, such as employment and vocational rehabilitation measures, job-search assistance, and wage subsidies, have proven to be effective. Conversely, less effective approaches include sheltered employment or direct job creation through public works (ILO,2022; ILO,2018b). In recent decades, Hungary has primarily prioritized the latter types of programs besides increasing incentives for employers to hire individuals with disabilities (ANED, 2017, 2019), while it has placed less emphasis on providing effective activation support. By tightening the welfare benefits without providing adequate activation programmes, it could have potentially put vulnerable groups at greater risk (ANED, 2019, 2017). A relevant question is whether the decline in the disabled population or the decrease in the number of individuals receiving

benefits[19] can be attributed to the effectiveness of active labor market policies, or these policies have led to limited access and diminishing living standards.

Changes in both compensation and integration policies are associated with disability caseloads. OECD (2010) calculated policy scores for 2007 on both dimensions considering several sub-components. As for integration policy codes, higher scores indicate a more active approach. The OECD average was around 26, 2 points lower than in Hungary in 2007. The scores have been updated for most countries (except for Hungary) in 2014 by Böheim-Leoni (2017). Scharle et al (2015) computed the missing scores until 2013.[20] We can see a gradual increase in the integration indicator score for Hungary since 2006, signifying movement towards more employment friendly policies. Using table 7, I now present what changes have taken place in Hungary since then and which subcomponents were affected.

7. Table: Changes in integration policy score, HU

Integration policy scores, HU, 2007

coverage consistency	2	sheltered employment	2
complexity of benefit system	3	compulsory vocational rehabilitation	3
employer obligations	4	timing of vocational rehabilitation	2
supported employment	3	benefit suspension option	4
subsidised employment	3	work incentives	2

Based on OECD (2010). Total score was 28 in 2007. Since then there has been a new temporary benefit introduced with compulsory rehabilitation. There is a suspension option for this benefit. Employer obligations have been slightly enhanced. The Rehabilitation Authority now operates under County Government Offices. There is no earning threshold while on benefits.

Main Actors in the Disability Benefit System

Based on EASPD (2022) and the conducted interviews (Pásztor, May 18, 2023; Spitzer, May 19, 2023), the primary actors in the Hungarian disability benefit system include the

[19] The number of disability benefit recipients decreased from 473,000 in 2012 to 315,000 in 2019, and further decreased to 268,000 in 2022 (KSH, 2023).

[20] They only published the total scores. They also made minor corrections to the original dataset which indicate the score increased from 20 in 2007 to 24 in 2013, implying improvements in activation.

Rehabilitation Authority, civil service providers, the Public Employment Service, employers, the Employers' Equal Opportunities Forum and the Érték vagy! online portal. The Rehabilitation Authority in Hungary conducts comprehensive assessments and provides rehabilitation services, though with limited flexibility and limited capacity to deliver personalized services. The Hungarian PES has no or limited role in the labour market integration of people with disabilities. Public employment services already lack experience in delivering comprehensive and customized services to individuals who are difficult to reach, including people with disabilities, but they could hardly deal with anything other than public works in recent years (ANED, 2019).

In theory, non-governmental organizations (NGOs) have the potential to complement the limited capacities of public service providers (EASPD, 2022). However, a few civil service providers exist alongside public authorities. They could provide personalized and flexible services with expertise to service users, but they have consistently faced a lack of financial support in recent years. They mainly rely on tender applications. Consequently, individuals with disabilities have limited access to services due to insufficient resources within civil service providers. (Pásztor, May 18, 2023; Spitzer, May 19, 2023)

The cooperation between civil organizations and public authorities is minimal. Years ago, regular professional meetings were common among the involved parties, but there seems to have limited effort from public bodies to integrate the expertise of NGOs into service delivery. Fostering cooperations among service providers and providing comprehensive assistance should be of particular importance due to the wide range of challenges people with disabilities face in their lives. As for the role of employers, they are usually reached and informed by the Érték vagy! online portal, awareness-raising campaigns organised by civil organizations and the Employers' Equal Opportunities Forum on disability benefit programmes. Értékvagy! job-search portal was established in 2021 with the specific aim of connecting employers to individuals with disabilities. (EASPD, 2022; Pásztor, May 18, 2023; Spitzer, May 19, 2023)

Employer Incentives

It is crucial to enhance incentives for employers to retain or hire workers with health issues. This can be achieved by introducing mandatory obligations or providing financial incentives for them (Eurofound, 2021). In theory, employers are required to provide reasonable accommodation at workplaces for people with disabilities (Eurofound, 2021). However, these workplace adjustment measures often face challenges in enforcement (Nagtegaal, 2023;

Padkapaya, 2017; Spitzer, May 19, 2023). Their practical enforcement can be difficult since its definition is not well-defined. The definition of reasonable workplace adjustment can vary depending on the specific target group, which - in case of people with disabilities - is diverse. Also there has been no available funding for employers in the open labour market to meet the reasonable accommodation requirement (ANED, 2019; Halmos, 2014). In addition, there is no strict monitoring of reasonable workplace adjustments for employers in the open labour market. There is no wage subsidy scheme in place (EASPD, 2022). Only sheltered/accredited employment centres receive wage subsidies, and the monitoring of reasonable workplace adjustments is primarily focused on these centres (Spitzer, May 19, 2023).

Regarding the sickness period, employers are not obligated to engage in vocational rehabilitation for their sick employees (Eurofound, 2021; MISOOC, 2019). Additionally, their responsibility regarding sick pay is also modest. They are required to pay 80% of the employee's salary for a maximum of 15 days (MISSOC, 2019).

In Hungary, employers in both public and private sectors[21] (with 25 or more employees) are obligated to pay a rehabilitation contribution if they fail to meet the mandatory quota criterion of 5% (Eurofound, 2021). However, there has been ongoing discussion about exempting employers from this contribution if they purchase equipment from sheltered employment centers.[22] Also, employers have the option to include non-disabled employees who serve as mentors to disabled employees within the 5% quota requirement (Pásztor, May 18, 2023; Spitzer). Additionally, if employers hire someone with a rehabilitation card, they are exempt from paying social contribution tax.[23]

The original purpose of these contributions was to support public rehabilitation initiatives. However, later on the revenues from the contributions were not earmarked (ANED, 2019). Since then, there has been a lack of transparency regarding the allocation of these funds, making it difficult to track their utilization (Pásztor, May 18, 2023).

In Hungary, employers frequently opt to pay the rehabilitation contribution instead of fulfilling the quota requirements due to their lack the resources or expertise necessary to integrate individuals with disabilities into their workforce, or the lack of skills and qualifications they require from applicants (Pásztor, May 18, 2023; Spitzer, May 19, 2023).

[21] Certain public sector entities such as the police, defense, and NAV (National Tax and Customs Office) are exempt.

[22] An initiative was proposed by employers to waive the rehabilitation contribution for companies that purchase from sheltered workplaces. However, ultimately, this initiative was not implemented (Pásztor, May 18, 2023; Spitzer, May 19, 2023).

[23] Since 2019, the rehabilitation card expired, but the tax relief for employers remained in effect.

In addition, it is crucial to offer sufficient assistance to employers in fulfilling the requirements by offering subsidies, increasing awareness and spreading information on available schemes and public tenders. In 2021, an easily accessible online platform called "Érték vagy!" was introduced for employers and jobseekers (EASPD, 2022). This job portal aims to connect registered employers on the platform with jobseekers. As of May 2023, there were 5454 registered jobseekers on the platform. Also, in recent years, there has been a significant increase in the rehabilitation contribution, first in 2017 and again in 2019 (SZGYF, 2019).

The primary challenge remains the imbalance between labour supply and demand. Despite the fact that the labour shortage is gradually increasing, not as many people are being hired from the labour reserve because of the lack of skills the employers need. (ANED, 2019; Pásztor, May 18, 2023)

Work Incentives

Benefit design greatly determine disability prevalence and work incentives of recipients thus it can considered a main driver of the observed employment gap (OECD, 2022). An inadequate design can pose additional barriers to employment for recipients. Next I attempt to analyze the work incentives (combination of work and benefits, benefit suspension) for beneficiaries in Hungary based on calculations by OECD(2018) and OECD (2020).

Few countries place no restrictions on taking up employment while on benefits (e.g. Czech Republic). There are some countries that do not allow combining benefits and work at all or terminates benefits above a certain income threshold (e.g. Hungary, where benefits are terminated above 150% of the minimum wage). In other cases, benefits are gradually phased out based on specific thresholds or the amount of time individuals spend working, ensuring that disability benefits are gradually reduced as individuals transition into employment (e.g. the Netherlands, Belgium, Poland, Slovenia, Estonia). In 2018, in Hungary, the ratio of disabled individuals with benefits to those without benefits among the employed population was approximately 24% (OECD, 2020, Figure 9). This indicates that a relatively small proportion of individuals receive benefits while being employed. By comparison, the OECD average for this ratio is 34%. Interestingly, countries such as Poland, Belgium, and the Netherlands, which have implemented gradual phase-out systems, yielded similar outcomes. (OECD, 2020)

There are two commonly used indicators to measure work incentives in the benefit system (specifically the financial incentives of transitions between employment and non-employment). One of them is the average participation tax rate (PTR) for benefit recipients, which measures

the proportion of lost income due to engaging in working (transition from non-employmen to part-time employment). The higher the rate is, the more the benefit recipient is disincentivised to work. In some countries (including Hungary), the APTR for people with low level of incapacity is higher than for people with high level of incapacity (their income from work is offset by the reduction or elimination of means-tested benefits). It is around 40% and 26%, meaning from each additional dollar earned from working 40% or 26% would be lost depending on the degree of incapacity (data from 2016). This observation can be interpreted twoway: those with more ability to work and more affinity to return to work are discouraged by the benefit design through higher APTRs; but those with higher degree of incapacity are encouraged to take up on a job. In countries where disability benefits are completely withdrawn once earnings exceed a specific threshold, individuals with prior employment records may be strongly motivated to earn up to that threshold. However, they may face weaker incentives to earn beyond the threshold. In Hungary APTRs for people with disabilities are relatively lower compared to other OECD countries. (OECD, 2018; OECD, 2020)

The other measure of work incentive is the average marginal effective tax rate (METR), which measures the proportion of lost income due to working more (transition from part-time to full-time employment). As for METR, the lower the rate is, the more people with benefits are incentivised to increase their working hours. In Hungary, the AMETR is around 80% for people with high degree of impairment and 47% for those with low level of incapacity (data from 2016). This implies that employees with limited work capacity have greater financial motivation to transition from part-time to full-time employment. The difference between AMETR by disability level is larger in Hungary than in other countries. In Hungary, the marginal effective tax rates (METRs) are relatively high, but only for those with high level of incapacity. (OECD, 2018; OECD, 2020)

Hungary has such policies in place where benefits are reduced or withdrawn once earnings surpass a moderate threshold. As a result, individuals may be encouraged to work part-time but may face weaker incentives to increase their working hours (OECD, 2018).

Another important component of activation policies is the option for suspension on benefits (e.g. in Finland or Sweden). Since the degree of disability can vary over time, suspension can give a possibility for recipients to try out work without placing additional burden on them. It gives them the flexibility to try returning to work or explore alternative career options while maintaining the security of their disability benefit as a safety net. (OECD, 2020)

In Hungary, for those receiving invalidity pension there is no option for benefit suspension. From its introduction from 2012 until 2016, rehabilitation benefits could be suspended if the

recipient worked more than 20 hours a week. After 2016 this option was eliminated due to the introduction of the earning threshold (MISOOC, 2019). However, from 2021 in Hungary, there are no income limitations for disability benefit recipients when it comes to combining benefits with work (MEOSZ, 2020).

Sheltered Employment

Although sheltered employment remains a subject of debate in the literature (Eurofound, 2021; Malo-Rodriguez, 2022), it continues to be a dominant form of employment for people with disabilities (EASPD, 2022). The viability of sheltered workplaces (also called as accredited employment in Hungary) is subject to doubt, as their contribution to the integration onto the labor market is limited, often resulting in the further segregation of an already vulnerable group (Cueto-Rodriguez, 2014).

In Hungary, sheltered employment may not always serve as an effective transitional programme for individuals with disabilities motivated to work. Instead of performing developing (skill-enhancing) activities, they typically are assigned simple physical tasks that do not utilize their skills and potential. The performance of sheltered workplaces in Hungary varies, with smaller enterprises generally functioning better, while larger state-owned enterprises - like ERFO - face challenges. Additionally, these institutions may not be financially incentivized to operate as transitional employment programs since transitioning employees to the open labor market can result in reduced productivity and a decrease in revenues. In this case it can be rational to the providers to retain their best workers for instance, further restricting the opportunities for people with disabilities. (Pásztor, May 18, 2023; Spitzer, May 19, 2023)

Nevertheless, they still dominate employment policies (EASPD, 2022).[24] The government is actively implementing measures to promote the continued existence of such workplaces and support their retention. Sheltered employment centres in Hungary receive full reimbursement, covering 100% of the expenses related to employment, rehabilitation services, and necessary workplace adaptations (ANED, 2019; Pásztor, May 18, 2023; Spitzer, May 19, 2023). Moreover, there has been ongoing discussion about exempting employers from paying rehabilitation contribution if they purchase equipment from sheltered employment centers (Pásztor, May 18, 2023). It is important to note that this approach may further contribute to the labour market segregation of individuals with disabilities.

[24] The number of disabled workers employed in accredited workplaces was around 31,000 annually between 2013 and 2016. The Hungarian Government increased the budget for accredited workplaces in 2017 and 2018 (ANED, 2019).

Supported Employment

Although supported employment is a well-established and effective model internationally (Burns et al., 2007; EASPD, 2022), its implementation in Hungary remains limited. The supported employment methodology emphasises cooperation with both clients and employers (OECD, 2022). The first step is to assess the applicant's ability to work. It is followed by the evaluation of their potential, willingness and motivation for work. Individuals are provided intensive mentoring throughout the whole job search and job placement process (interview preparation, job familiarisation). (Eurofound, 2021)

In Hungary, these alternative labor market services are predominantly operated by non-governmental organizations. Salva Vita, for instance, uses the supported employment method to assist individuals with autism, intellectual disabilities, and psychosocial disabilities (Spitzer, May 19, 2023). However, such services are available through only a few organizations nationwide, resulting in a relatively small reach and impact on the overall population in need (Scharle, 2011; Pásztor, May 18, 2023; Spitzer, May 19, 2023). The difficulty of this methodology is that it requires large amount of human resource (due to regular interactions with the client). However, to provide such a personalized service, more financial resource should be dedicated to it in Hungary (Spitzer, May 19, 2023).

Public Work Program

Since 2010, the Hungarian government has aimed to follow a ’workfare’ approach and increase labour market participation. A significant measure implemented in 2011 was the introduction of a large-scale public work program to increase general employment. The primary target group was registered jobseekers and also individuals with disabilities who had reduced work capacity. (ANED, 2017, 2019)

Direct job creation measures through public work programs generally face criticism for their limited effectiveness (or even negative impact) in facilitating the integration of the target group into the open labor market in contrast to job-search assistance, training programs or other ALPM measures (ANED, 2019; ILO, 2018).

By 2020, the government decided to improve the scheme and aimed to reduce the beneficiaries of the program. They planned to make it only accessible for those who cannot find work on the open labour market. The 2011 public work scheme per se may have been less likely to support people with disbailities, however its updated version from 2016 might have provided some support for them. After the transformation of the public work scheme, it included additional

support programs such as training and mentoring. Also, a small-scale special public work program was introduced in 2016 for individuals with health conditions, mental or physical disabilities, who were unable to participate in public work or secure employment in the labor market. The pilot program, implemented in four counties, offered 100% subsidy to employers for the extra costs associated with employing disabled individuals. Annually, approximately 300 public workers were hired for a period of up to five months, working six hours per day. The reasons for not extending this pilot program nationwide remain unknown due to a lack of accessible evaluation. (ANED, 2019, 2017)

All in all, the integration policies in Hungary are still limited despite the advancements made over the years. In terms of employment programs, the most significant elements are sheltered employment, direct job creations through incentivizing employers and introducing public work schemes. However, Hungary lacks effective activation programs. This can be attributed to two possible factors: the limited capacity of public agencies and the insufficient resources allocated to external service providers. While employer incentives may be considered substantial, employers still have limited obligations when it comes to managing sickness absence, providing vocational rehabilitation, or accommodating workplace adjustments. On the other hand, work incentives within the benefit system are relatively strong.

Analysis

This section has two main objectives: First, to explore the key characteristics of the disabled population in Hungary and compare them to the non-disabled population. Second, I will examine the changes in their situation from 2010 to 2019 (most recent data available prior to COVID-19) following the implementation of various reforms as indicated earlier in the paper. The cross-country comparisons are presented in Chapter *Balance between Compensation and Integration Policies* – with the aim to illustrate the complexity in the implementation of disability policies by highlighting the different outcomes achieved by countries during the 2010s.

Measurement

According to the UN CRPD's definition of disability, disability is not solely a medical concept but a social construct influenced by both health impairments and the individual's

environment.25 When it comes to measuring disability, there are two approaches outlined by OECD (2010) and Jones (2021).

We can either use the legal status from administrative datasets which basically measure benefit eligibility. These definitions are typically more strict and medical-oriented, since they assess an objective health status. However, they may exclude those people from the disabled population who suffer from milder limitations. For instance, disability benefit recipient rates are generally calculated based on such administrative data sources. (OECD, 2010; Jones, 2021)

Alternatively, we can use a subjective measure on disability from surveys. These measures typically capture a broader definition on disability (OECD, 2010; Jonest, 2021).

When studying European survey data (such as EU Statistics on Income and Living Conditions or European Social Survey), we can find the following question from which disability status is identified: „*whether you have any permanent or long-standing illness or health problem, and the degree to which the long-standing illness or health problem limits activities people usually do*" (GESIS 2019; ESS-ERIC, 2018b). By using this self-assessed status, conducting comparative analysis becomes easier due to its less strict and harmonized definition on disability (OECD, 2022; Jones, 2021). However, while the severity of disability can be measured, specific types of disabilities cannot be assessed using this approach.

Calculating indicators using different data sources thus can yield different results. Survey data tend to produce higher estimates for disability prevalence for example due to justification bias. Justification bias means individuals may overstate their disability level in order to justify their current benefit and out-of-work status (Black et al, 2017). The motivation for individuals to self-report their disability status can be influenced by several cultural and social factors. These factors may vary depending on country-specific institutional characteristics. (Geiger et al., 2017; Jones, 2021)

In my analysis I use two European surveys: Survey on Income and Living Conditions[26] and European Social Survey. They employ harmonized methodologies, enabling cross-country comparisons as well (OECD, 2022). However, they have also limitations as they rely on subjective responses. Due to their broader disability definition, they generally indicate a smaller employment gap than administrative data (OECD, 2022).

[25] „Persons with disabilities include those who have long-term physical, mental, intellectual or sensory impairments which in interaction with various barriers may hinder their full and effective participation in society on an equal basis with others." (UN, n.d.).

[26] I have been given access to Survey on Income and Living Conditions for Hungarian households (SILC) by the Hungarian Central Statistical Office. The data from the European Social Survey (ESS) is available online, accessible to anyone.

The EU-SILC survey is a large-scale and representative survey with a primary focus on poverty measurement (GESIS, 2019). Although there may be comparability issues with EU-SILC data due to inconsistencies in data collection methods and potential variations in health reporting across countries (Geiger et al., 2017), these concerns do not apply to my analysis since I only have access to data from Hungary. The Hungarian SILC survey is published annually. The total sample size between 2010 and 2019 covers 176,000 individuals, and each year's sample consists of approximately 12,000-24,000 persons. The key variables used in my analysis include wage, limitations in activities, employment status, and a proxy variable representing financial situation. Wage is measured in gross monthly earnings in HUF (Hungarian Forint). For employment status I used SILC's self-defined economic status variable. Disability is assessed based on the extent of limitations in activity. Lastly, the poverty indicator is determined by considering the household's capacity to face unexpected financial expenses.
I utilized the SILC database due to its inclusion of wage data, and potentially more precise measurement of poverty.

For most of my analysis, I used the ESS. Geiger et al. (2017) considers ESS[27] a higher-quality survey than SILC in terms of comparability. However, it is important to note that the sample sizes in ESS are smaller. Its primary focus is on capturing attitudes (ESS ERIC, 2018b). ESS publishes data every two years. I am analysing data from rounds 6, 7, and 8, which cover 2012, 2016 and 2018. It is important to note that the interviews were conducted at different times. The sample size for each round contains 44,000- 54,000 observations.

In the first part of my analysis (country and subregime comparison presented in section *Balance between Compensation and Integration Policies*) I used ESS for 2012 and 2018 (latest available year before the Covid-19 pandemic). I constructed the disability variable using the ESS survey question: " *Are you hampered in your daily activities in any way by any longstanding illness, or disability, infirmity or mental health problem? If yes, is that a lot or to some extent?*" (ESS ERIC, 2018b). Respondents had the options to choose "yes, a lot," "yes, to some extent," or "no." I constructed the employment outcome variable based on the ESS survey question: " *Using this card, which of these descriptions applies to what you have been doing for the last 7 days*?" If the respondent selected " *In paid work (or away temporarily) (employee, selfemployed, working for your family business)*" they were coded as employed. I transformed the education variable from the ESS survey using the Eurostat (n.d.) classification. Individuals

[27] It is recommended by Kaminska (2020) to use anweight (analysis weight) as a weight in all ESS analysis. As they state, this weight is suitable for all types of analysis, including when studying just one country or studying groups of countries.

with ISCED levels 0-2 were categorized as having a low level of education, those with ISCED levels 3-4 were classified as having a medium level of education, and those with ISCED levels 5-8 were designated as having a high level of education. I also created and used a subregime variable in my analysis based on the results of cluster analysis conducted by OECD (2010).

Impact of Policy Reforms on Integration

Disability prevalence is the frequency of those who report themselves as disabled in a population. The differences in disability prevalence both within country over time and across countries can be large due to disability measurement differences (Geiger et al., 2017; OECD, 2022).[28] Based on my calculations using the ESS database disability prevalence gradually decreased from 18,5% in 2012, while it stands at around 11% in Hungary in 2018 (Figure 1, Appendix 1). The disability employment rate has experienced a substantial and rapid growth, it grew from 34% to 60% in 2018.[29] The significant variations observed across countries in terms of prevalence and employment (Figure 1, Figure 2) can be attributed to numerous factors such as distinct medical and institutional characteristics, variations in age and education distribution among populations, and the diverse implementation of disability policies across countries (Jones, 2021). According to the 2018 ESS data (Figure 3), the disability employment gap in Hungary has fallen sharply compared to previous years. This may be attributed, in part, to the government's focus on promoting employment among this group. Additionally, the mainstream adoption of rehabilitation contributions could have played a role, as well as significant changes made to the complex assessment system in 2012. These changes may have resulted in the exclusion of a considerable number of individuals from disability benefits.

Despite the significant improvements in benefit recipient rate, disability employment rate and disability employment gap there is still a significant gap between them. According to the 2018 ESS data, this gap stood at 20% in Hungary, ranking it 7th among other countries (Table 4). However, various barriers continue to hinder the employment of people with disabilities. One of them is the mismatch between the skills possessed by individuals with disabilities and the skills demanded by employers. This may arise from the differences in educational attainment. Additionally, discrimination and unequal treatment by employers based on prejudice or imperfect information can be a significant contributing factor as well (Jones, 2021).

[28] In my analysis, I use ESS and SILC, both of which use similar questions.

[29] It is important to note, that SILC does not show such a rapid growth in disability employment rate in Hungary. Based on SILC, the rate increased from 28% to 50,5% in 2018. (Appendix 1)

The composition of the working-age population by labour status is depicted on figures in Appendix 1.6. The figures show that ratio of those with paid work increased over time for both the disabled and non-disabled population. The ratio of those who are unemployed but looking for work, discouraged or inactive also reduced significantly for both populations. However, among the disabled the ratio of non-employed is still large, almost 30 percentage point larger than for non-disabled in 2018.

As for the educational attainment, people with disabilities still lag behind their able-bodied peers (Appendix 1.7). The general educational level of the working-age population slightly increased in Hungary between 2012 and 2018. There is a larger share of people with low level of education among the disabled population. The difference is around 20 percentage point. I also observed the composition of education level among the disabled by employment. The figures depict that those who are employed are more likely to have higher educational level among the disabled population.

Appendix 1.8 shows the age distribution by disability. People with disabilities on average represents an older population. The median value of age for people with disabilities is 53, while it is around 40 for those without disabilities. Among the disabled population, those in employment tend to be younger with a median age of 47. Those out-of-work tend to be older, with a media age of 57.

By tightening the welfare benefits without providing adequate activation programs, it could have potentially put vulnerable groups at greater risk. A relevant question is whether the decline in the disabled population or the decrease in the number of individuals receiving benefits can be attributed to the effectiveness of active labor market policies, or these policies have led to limited access and diminishing living standards. Next, I analyze how the disability poverty gap changed between 2012 and 2018 in Hungary.

According to my calculations using the SILC database (Appendix 1.9), the disability poverty gap increased substantially from 8,4% in 2010 to 19% in 2018 and to 18% in 2019[30]. Although the disability poverty rate decreased from 80% to 50%, there was a large drop in the rate from 2014 to 2015. The larger drop in the figure may be partly explained by the change in the Hungarian questionnaire from 2014 to 2015. In 2014, the question asked was: *'Can your household afford an unexpected, required expense from its own resources?*', but from 2015, an exact amount was specified in the question: '*Can your household afford an unexpected, required expense of HUF 70,000 from its own resources?'* (GESIS, 2014, 2015). I examined

[30] According to the OECD (2022) report, Lithuania, Ireland, the Czech Republic, Hungary, and Sweden experienced the largest increases in disability poverty gap over time.

the difference between how likely disabled and non-disabled people are to feel comfortable with their incomes in different time periods conditional on other relevant and observable characteristics. These variables include age, gender, education, employment, immigrant and whether they live alone, with a partner or with child. I chose to run a logit regression instead of a linear probability regression since its Brier score was smaller.[31] The results can be interpreted in the following way: ceteris paribus (comparing people who are similar in the characteristics we conditioned on) those who are disabled are 11,8 percentage points less likely to feel comfortable with their incomes in 2012. However, the value increased in 2018, where people with disabilities were 14,2 percentage points less likely to feel comfortable financial situation. The coefficients are statistically significant suggesting the disability is negatively related to feeling comfortable financially in the population represented by the data, even conditional on these other variables.

8. Table: Relationship between financial situation and disability, HU

	Comfort	Comfort
	logit coeffs	logit marginals
Disabled#2012	-0.632075**	-0.1187384**
	(0.1841369)	(0.0338212)
Disabled#2016	0.0708264	-0.0907331*
	(0.293379)	(0.040174)
Disabled#2018	-0.1873353	-0.1421119**
	(0.3106281)	(0.0471578)
Observations	3433	3433

Standard errors in parentheses
** p<0.01, * p<0.05

I further examine the difference between how likely disabled and non-disabled people (from the working-age population) are to be employed between 2012 and 2018 in Hungary conditioning other relevant variables. While Geiger et al. (2017) used linear OLS regression models and Hellevik (2009) suggested that employing linear regression for common binary outcomes is equally robust to logistic regression, I would opt for using the logit regression model as OLS can suffer from incorrect statistical inferences as it produces predicted values that fall outside the valid 0-1 probability range.[32] The present analysis also uses ESS dataset. I

[31] The Brier score for LPM was 0.2553, the score for logit was 0.2534. However, the marginal differences were essentially the same as the corresponding LPM coefficients. Based on Békés-Kézdi (2021).
[32] The Brier score for LMP was 0.2418, while the corresponding score for logit was 0.1449. The absolute value of log-loss was also smaller for the logit model. Thus logit produced less error. Based on Békés-Kézdi (2021).

conditioned on the following observable characteristics in the regression: age, age square, gender, education, immigrant status, domicile and month of the interview.

9. Table: Relationship between employment and disability, HU

	Employed logit coeffs	Employed logit marginals
Disabled#2012	-1.292547**	-0.206916**
	(0.1713513)	(0.0322423)
Disabled#2016	-0.1199304	-0.2187508**
	(0.2872627)	(0.0420662)
Disabled#2018	0.760352*	-0.0712955
	(0.3115983)	(0.0379144)
Observations	3952	3952
Standard errors in parentheses		
** p<0.01, * p<0.05		

The results can be interpreted in the following way: ceteris paribus (conditional on other factors included in the regression) those who are disabled are 20,7 percentage points less likely to stay be employed in 2012. It reduced to 7,1 percentage points in 2018, meaning the employment chances of people with disabilities increased between 2012 and 2018. However, we cannot conclude it with confidence, since the coefficient in 2018 is only marginally significant (its p-value is 0.060).

I also made and attempt to calculate the average wage difference of disabled and non-disabled workers in Hungary using SILC in the period of 2010-2019. It can potentially influence the work incentives and may provide some information on discrimination. However due to the lack of appropriate covariates the finding needs to be interpreted with caution. The model lacks several important explanatory variables that need to be added to gain more precise results and also more appropriate models need to be used as suggested in the literature [33] (e.g. decomposition methods). The log-level OLS regression (Appendix 1.10) conditions on the following variables: gender, age, education level, labour market experience, form of employment and occupation category. It shows that there is a clear negative correlation between disability and gross monthly earnings. The results suggest that ceteris paribus wages are 8,2% lower on average for the disabled in Hungary in the period of 2010-2019. OECD (2022, Figure

[33] see Lohngi (2017).

2.9) also calculated the wage gap and found that the disability wage penalty significantly increased in Hungary in 2016-2018 compared to 2008-2011.

Key Findings and Policy Recommendations

Based on an extensive literature overview[34], the conducted interviews and the analysis using ESS and SILC, it seems that Hungary has managed to filter out employable benefit recipients from its disability benefit system due to its intensive 'workfare' policies in the 2010s. Although the employment indicators have improved, the strict compensation policies were not accompanied by adequate assistance. This may have contributed to the deterioration of living standards for people with disabilities. Employment policy prioritized those programs which are less likely to facilitate people with disability to the open labour market instead of those which can help them enhance their skills and develop. Since people with disabilities in Hungary are older and less educated on average, intensive, personalized and effective supported would be needed. Due to their composition in terms of age and educational level, they are probably more in need of compensational and integrational support. This phenomenon also illustrates well the issue of late intervention in the case of Hungary.

- The role of employers in the sickness absence and the rehabilitation period is very limited. Increasing the responsibilities of employers could potentially serve as an effective tool in reducing the time spent with inactivity.
- Making benefits not permanent can reduce benefit dependency and incentivise recipients to be more ready for work. Hungary has built strong work incentives in its benefit system, however the main disability benefit, Invalidity benefit, is still permanent with no review. Introducing reassessments into the invalidity benefit system could potentially lead to further improvements.
- Rehabilitation support should be provided to all in need. Effective and intensive support can help maintain the skills and motivation while on benefits. Until 2020 rehabilitation was only recommended to those with rehabilitation benefits. Those with invalidity benefits are usually not incentivised nor assisted to take rehabilitation.
- Effective service provision, enhanced cooperation between agencies and service providers can help reduce the time spent with waiting for support. Public agencies tend to have less capacity, while civil service providers have limited resources in Hungary.

[34] The recommendations in the present section are based on OECD(2010), OECD(2022), ANED(2019) reports and the conducted interviews (Appendix 2) highlighting the shortcomings of the Hungarian disability system.

The implementation of stringent reforms has resulted in the exclusion of many people from the benefit system. Given their vulnerability, it is important to ensure that disabled individuals are provided a decent amount of income protection.

- For activation and vocational rehabilitation to be successful, comprehensive rehabilitation in other aspects of life is equally important.

Public spending on active incapacity-related measures has barely increased over the years in Hungary. Although the number of potential service users is gradually increasing, the capacity at both public and civil service providers is very limited due to the lack of resources.

- More resources should be shifted to effective activation measures and civil service providers. This can be easily achieved from the increased revenues from rehabilitation contributions paid by employers.

The government has put significant resources into public work and sheltered employment programs over the past decade. However, relying mainly on these programs will not effectively assist individuals with disabilities unless there is increased investment in targeted support and improved accessibility within private sector workplaces.

- Employers should be supported with workplace accommodation schemes and wage subsidies. They should also be supported with consultations since they lack the knowledge and tools to integrate people with disabilities into the workplace.

Despite the ongoing efforts to promote activation, the effective utilization of the labour reserve among people with disabilities remains challenging due to the persistent (skills) mismatch between labour demand and labour supply.

- Policy efforts should be directed towards interventions at earlier stages in the educational cycle to prevent individuals from becoming disadvantaged already at a young age. Additionally more resources should be shifted to developing and skill-enhancing programmes as early as possible.

CONCLUSION

During the 2000s and 2010s, significant transformations took place in disability policies across OECD countries. Despite extensive activation efforts, the disadvantages faced by disabled individuals persist across nearly all social dimensions when compared to their non-disabled peers. (OECD, 2022) The paper partly aims to provide insights and explanations for the underlying reasons behind these modest improvements in the last decade.

Determining the most effective set of policies remains difficult in all countries (presented above in the cross-country analysis as well) due to the heterogeneity of the target group. The complexity partly stems from the fact that the disabled population comprises a diverse group with varying skills and needs (OECD, 2010, 2022). Existing literature suggests that integration policies can yield positive outcomes, but their effectiveness relies on their alignment with other policies aimed at overall integration (Eurofound, 2021; OECD, 2022). Integration is further hindered by the fact that disabled individuals, in addition to their limitations, tend to have lower levels of education and an older age profile compared to non-disabled individuals (OECD, 2022). Given their status as a highly disadvantaged group, they require more personalized support to address their unique challenges and circumstances (Eurofound, 2021).

Based on the literature and the conducted interviews, it is evident that the reforms implemented in Hungary during the 2010s have failed to address the *primary* barriers faced by individuals with disabilities. These reforms primarily focused on increasing work incentives and reducing dependency on benefits. Although both the disability employment rate and the disability employment gap have significantly improved over the years. This can be attributed to the implementation of an intensive workfare policy aimed at quickly mobilizing the labor reserve (ANED, 2019). During this period, strong economic growth and a significant labor shortage in the country may have absorbed some individuals who dropped out of the system into the labor market (ANED, 2019; EASPD, 2022).

While these policies did enhance employment indicators through stricter compensation policies, they simultaneously diminished income protection for the target group. As a consequence, there is a potential decline in living standards. However, to achieve effective integration, it is crucial to provide appropriate income support as a prerequisite for improvements in other dimensions (ANED, 2019; Spitzer, May 19, 2023).

The OECD (2022) identified two primary factors contributing to the weak integration policies in recent years. One of these factors is the late interventions, which could be addressed by placing greater emphasis on the intermediate stage of the disability benefit process (OECD,

2022). Hungary in these dimension remains significantly underdeveloped. Sickness absences are managed in a passive way (ANED, 2019; Halmos, 2014, MISOOC, 2019). Although benefit generosity was reduced, which can potentially increase the work incentives of benefit recipients, it was not supplemented with other supporting measures: neither employer involvement nor extended rehabilitation measures. In terms of transitional programs, Hungary's efforts are also lacking (Scharle, 2011). While sheltered employment theoretically serves as a transitional program, it is often observed in practice that these programs tend to retain workers instead of facilitating their transition into the open labor market (ANED, 2019; Pásztor, May 18, 2023).

As for service provision, the public employment services lack experience in delivering comprehensive and customized services to individuals who are difficult to reach, including people with disabilities, and they have low capacity. On the other hand, civil service providers could provide personalized and flexible services with expertise to service users, but they have consistently faced a lack of financial support in recent years. Consequently, individuals with disabilities have limited access to services due to insufficient resources within civil service providers. (EASPD, 2022; Pásztor, May 18, 2023; Spitzer, May 19, 2023)

The other factor OECD (2022) highlights is the need to find an optimal balance between compensation and integration policies. Most reforms in Hungary concentrated on increasing the work incentives of those on benefits. They basically manipulated the eligibility and conditions of benefits. In this way, numerous people have probably got out of the benefit safety net without any effective activation support provided (KSH, 2023). This could have led to the deterioration in the financial situation of an already disadvantaged group (as presented earlier). Existing literature suggests that this group would require effective activation programs (Eurofound, 2021), which are currently lacking in Hungary.

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APPENDIX

Appendix 1. Statistical Analysis

Appendix 1.1: Disability employment rate and gap (2012, 2016, 2018), ESS

	2018			2016			2012		
Country	0	1	gap	0	1	gap	0	1	gap
AT	0,74	0,55	0,19	0,77	0,44	0,33			
BE	0,71	0,46	0,25	0,66	0,46	0,20	0,66	0,43	0,23
BG	0,69	0,38	0,31				0,60	0,34	0,26
CH	0,79	0,69	0,10	0,79	0,68	0,10	0,78	0,67	0,11
CY	0,67	0,67	0,00				0,58	0,40	0,18
CZ	0,73	0,66	0,07	0,77	0,68	0,09	0,69	0,50	0,19
DE	0,74	0,63	0,11	0,75	0,59	0,16	0,72	0,59	0,12
DK	0,77	0,54	0,23				0,71	0,54	0,17
EE	0,80	0,60	0,20	0,80	0,59	0,20	0,70	0,61	0,09
ES	0,67	0,43	0,24	0,65	0,49	0,16	0,57	0,41	0,16
FI	0,74	0,61	0,13	0,69	0,53	0,15	0,69	0,56	0,14
FR	0,69	0,55	0,14	0,68	0,52	0,16	0,65	0,49	0,16
GB	0,80	0,52	0,28	0,75	0,57	0,18	0,67	0,48	0,20
HR	0,60	0,32	0,28						
HU	0,75	0,62	0,14	0,80	0,46	0,34	0,61	0,34	0,27
IE	0,65	0,36	0,28	0,64	0,29	0,35	0,50	0,39	0,11
IS	0,84	0,68	0,16	0,88	0,63	0,25	0,80	0,58	0,22
IT	0,58	0,42	0,16	0,61	0,55	0,06	0,61	0,66	-0,05
LT	0,77	0,59	0,18	0,74	0,68	0,05	0,66	0,56	0,11
NL	0,80	0,57	0,23	0,70	0,54	0,16	0,78	0,50	0,28
NO	0,79	0,61	0,19	0,78	0,51	0,27	0,80	0,59	0,21
PL	0,71	0,59	0,12	0,71	0,41	0,30	0,66	0,46	0,20
PT	0,68	0,47	0,21	0,71	0,49	0,21	0,57	0,35	0,22
SE	0,77	0,67	0,10	0,77	0,64	0,13	0,70	0,62	0,08
SI	0,73	0,54	0,19	0,69	0,55	0,14	0,58	0,39	0,19
SK	0,68	0,57	0,11				0,63	0,42	0,21

Appendix 1.2: Disability prevalence (2012, 2016, 2018), ESS

	2012		2016		2018	
Country	0	1	0	1	0	1
AT			86,72	13,28	84,46	15,54
BE	79,78	20,22	76,47	23,53	78,51	21,49
CH	85,23	14,77	85,33	14,67	84,33	15,67
CZ	83,94	16,06	77,77	22,23	76,82	23,18
DE	71,2	28,8	69,05	30,95	71,61	28,39
DK	78,06	21,94			73,41	26,59
ES	88,51	11,49	90,35	9,65	89,66	10,34
FI	72,28	27,72	72,28	27,72	68,31	31,69
FR	80,53	19,47	78,43	21,57	79,05	20,95
GB	81,75	18,25	80,74	19,26	79,19	20,81
HU	81,66	18,34	87,04	12,96	89,06	10,94
IE	86,75	13,25	86,67	13,33	84,09	15,91
IT	87,6	12,4	92,52	7,48	92,89	7,11
NL	77,25	22,75	76,43	23,57	75,35	24,65
NO	77	23	74,59	25,41	73,2	26,8
PL	79,59	20,41	81,09	18,91	84,46	15,54
PT	89,65	10,35	83,11	16,89	84,88	15,12
SE	76,9	23,1	73,51	26,49	76,81	23,19
SI	82,44	17,56	75,59	24,41	78,87	21,13
SK	83,61	16,39			80,35	19,65

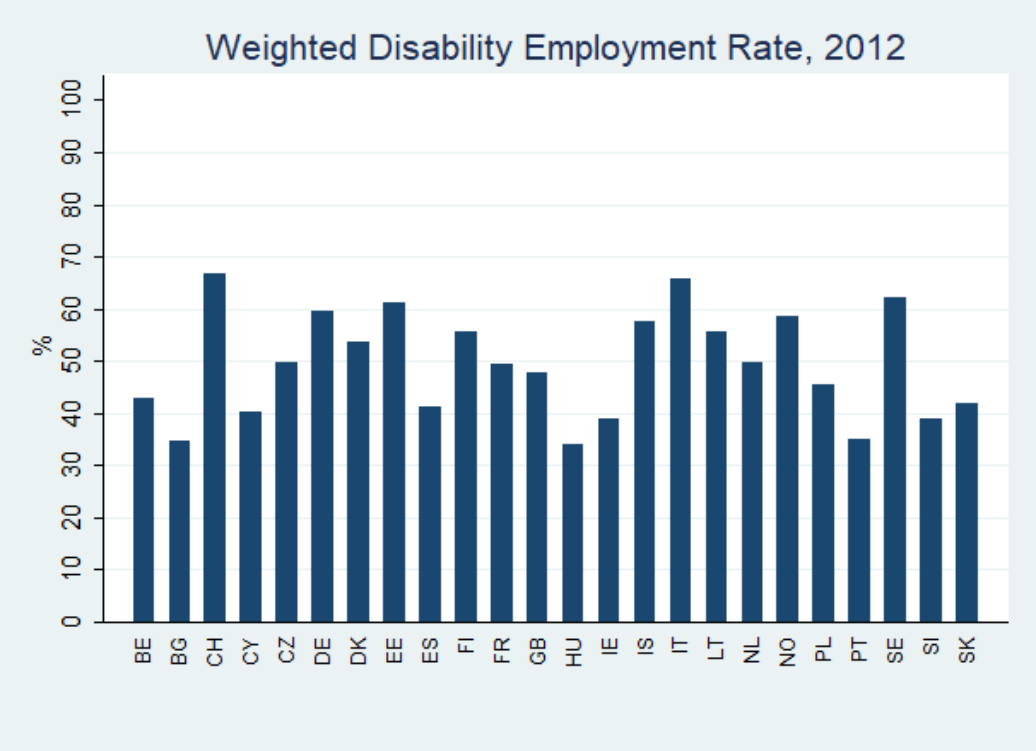
Appendix 1.3: Disability prevalence (2010-2019), HU, SILC

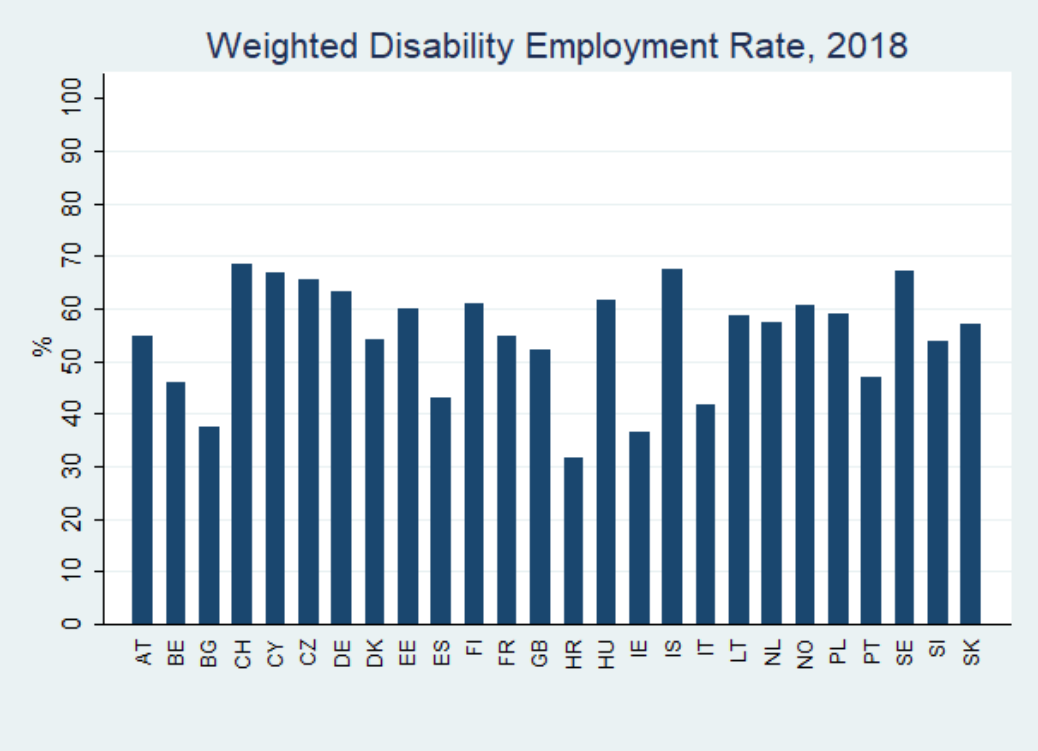
Year	Non-disabled	Disabled
2010	80,91	19,09
2011	82,81	17,19
2012	81,93	18,07
2013	82,56	17,44
2014	81,17	18,83
2015	82,06	17,94
2016	82,96	17,04
2017	83,90	16,07
2018	84,54	15,46
2019	86,00	14,00

Appendix 1.4: Disability employment rate and gap (2010-2019), HU, SILC

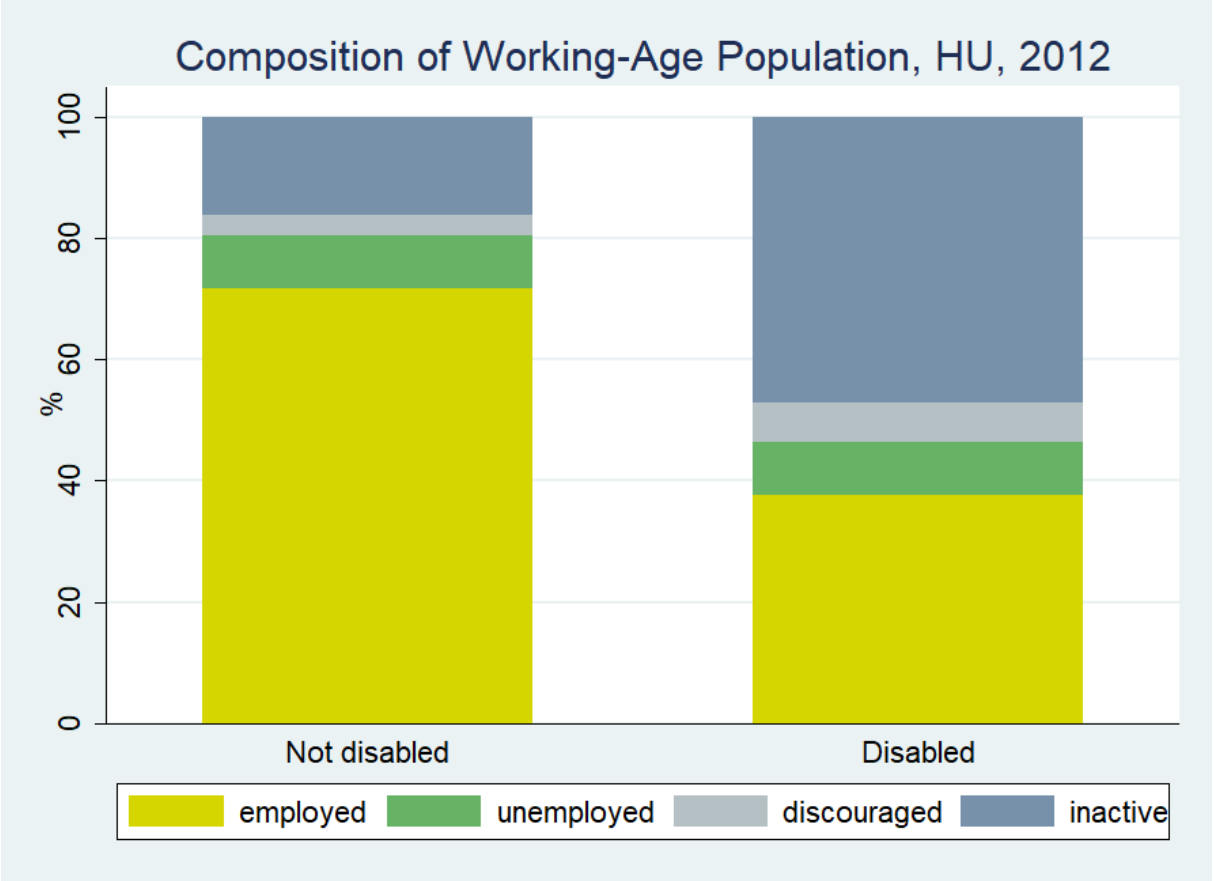
Year	Non-disabled	Disabled	Gap
2010	0,60893	0,321578	0,287352
2011	0,615115	0,286373	0,328742
2012	0,6226	0,3215	0,301101
2013	0,634087	0,343016	0,291071
2014	0,670325	0,39416	0,276166
2015	0,700645	0,415539	0,285106
2016	0,724454	0,467792	0,256662
2017	0,745214	0,486151	0,259063
2018	0,745782	0,504042	0,24174
2019	0,744624	0,485917	0,258707

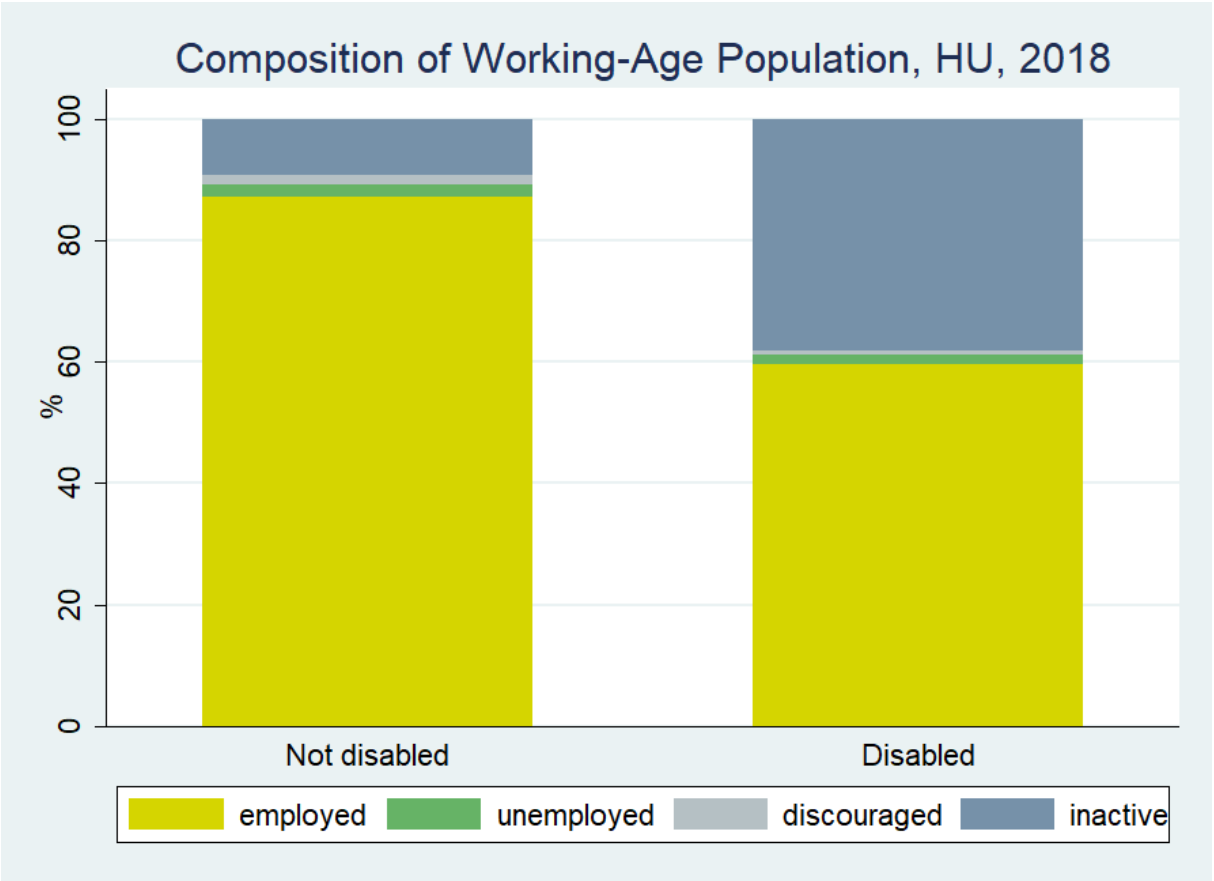
Appendix 1.5: Disability employment rate (2012, 2018) across countries, ESS



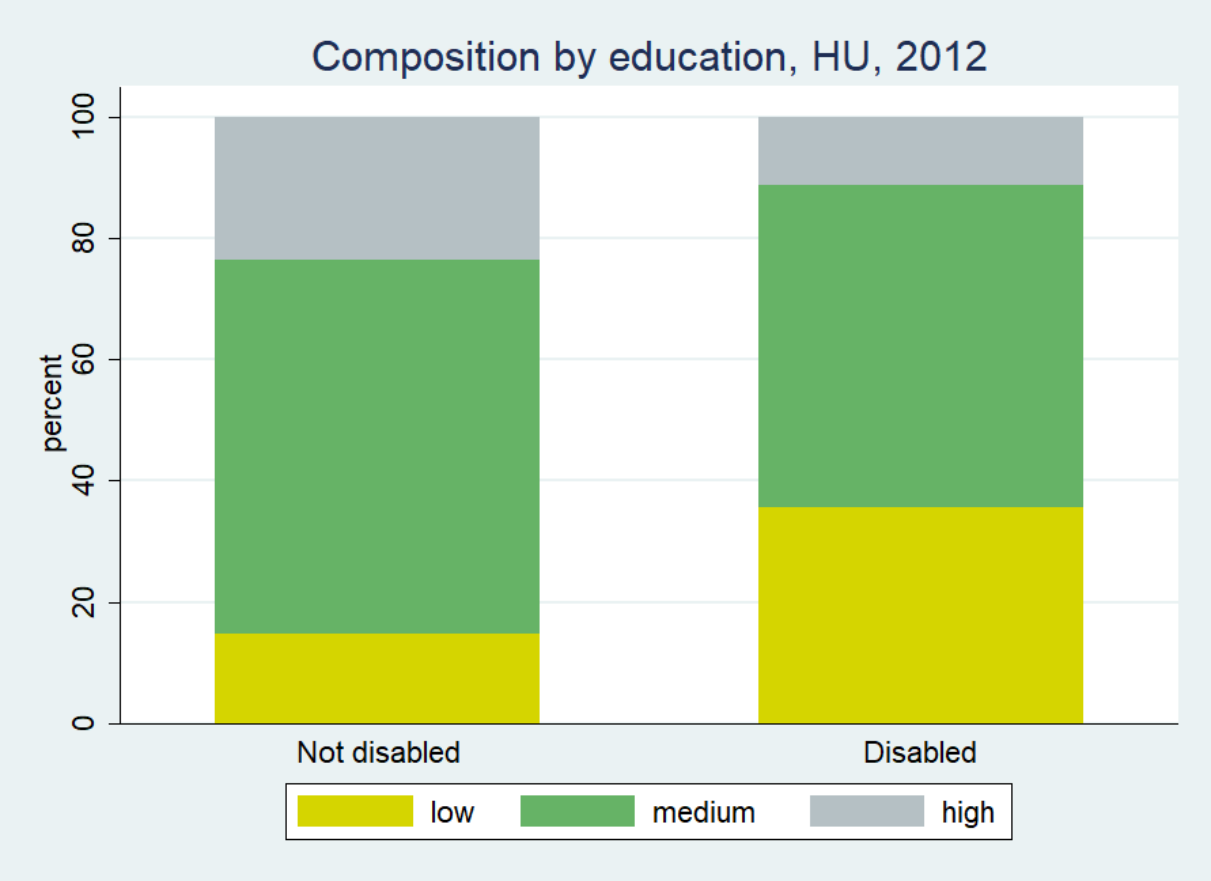


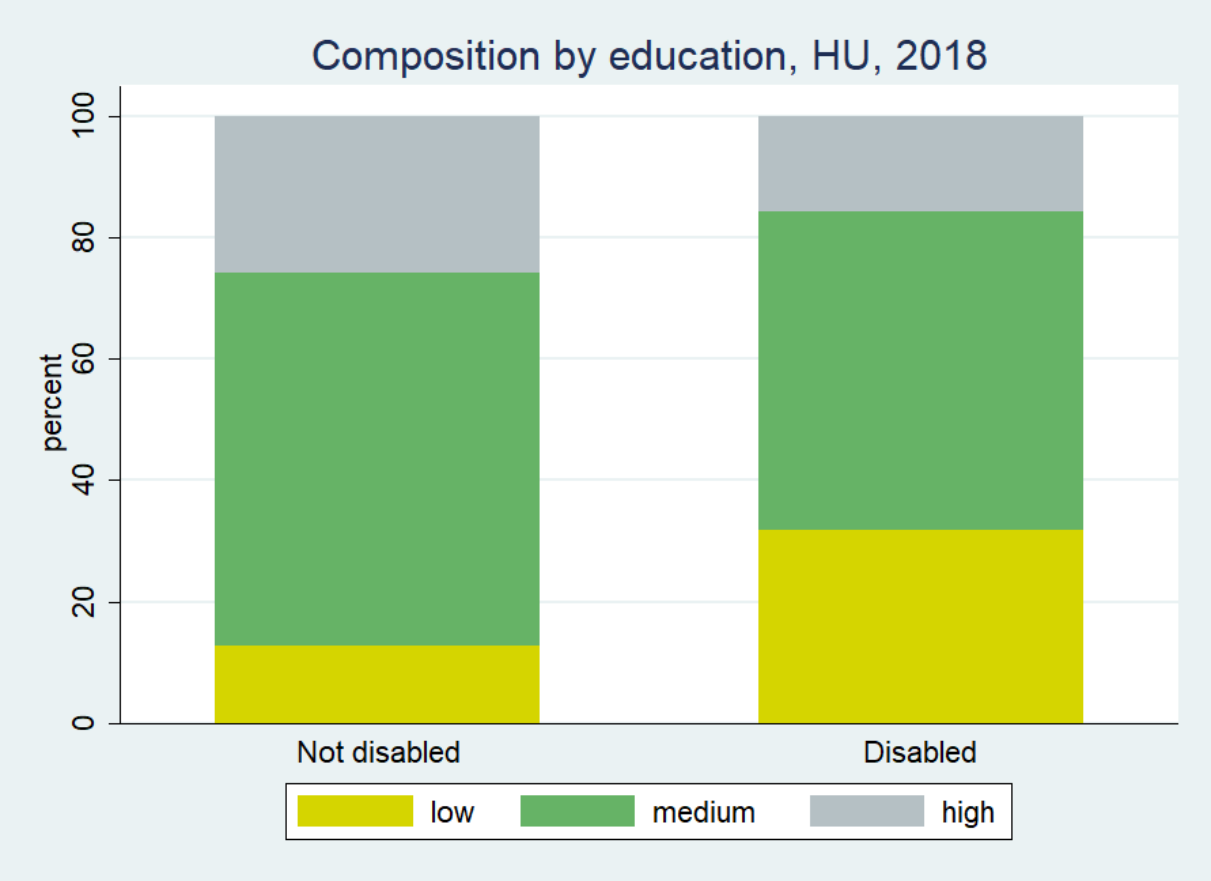
Appendix 1.6: Composition of working-age population, HU (2012, 2018), ESS



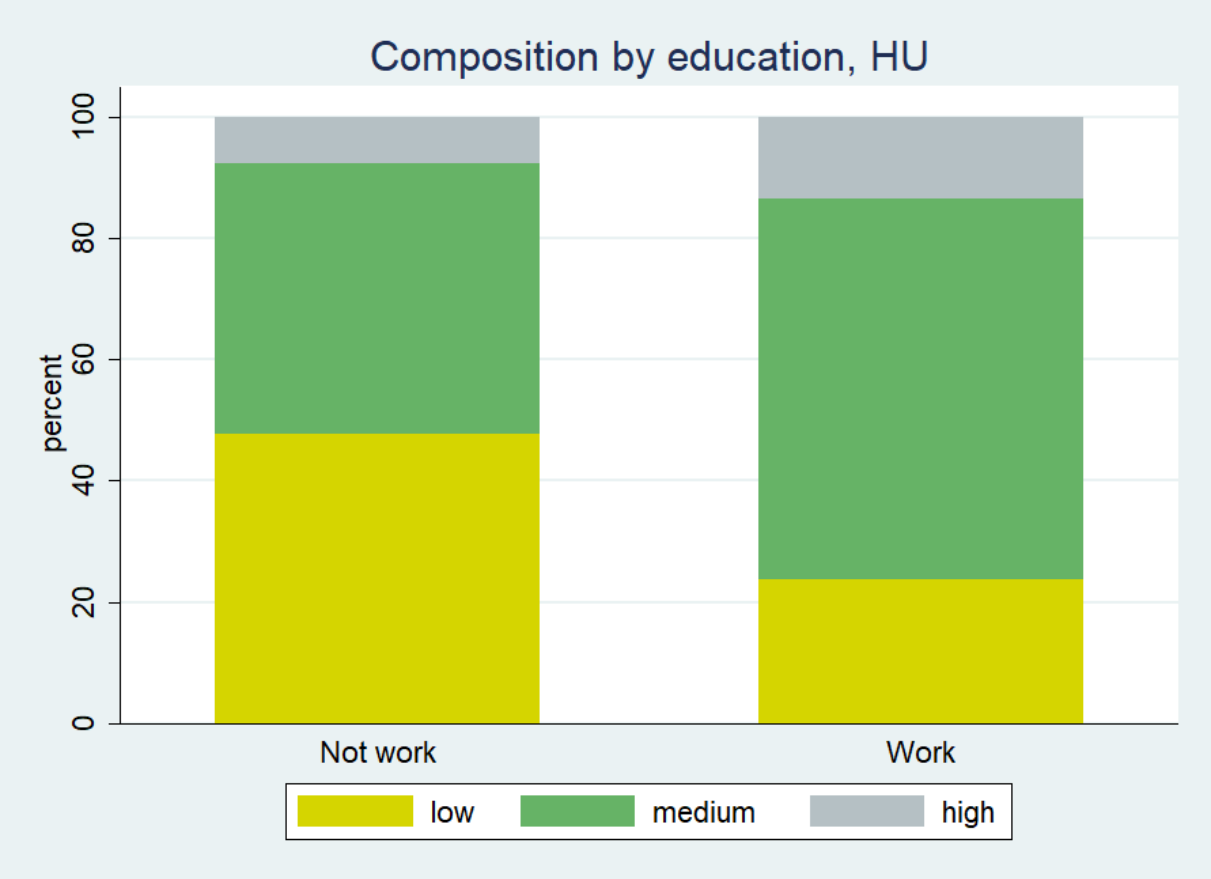


Appendix 1.7: Composition of working-age population by education, HU (2012, 2018), ESS



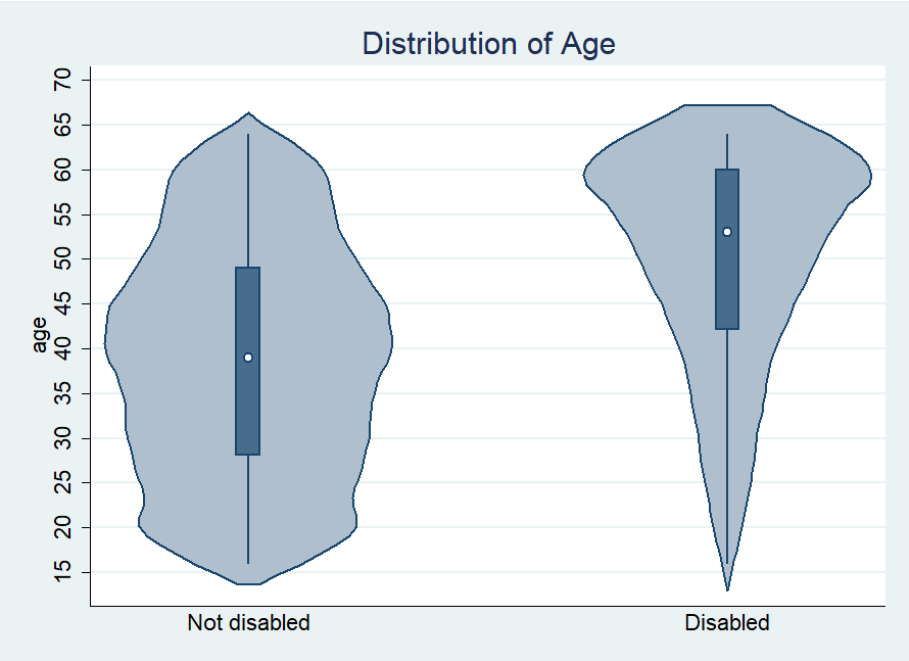


Composition of the disabled population by education and employment, HU, ESS

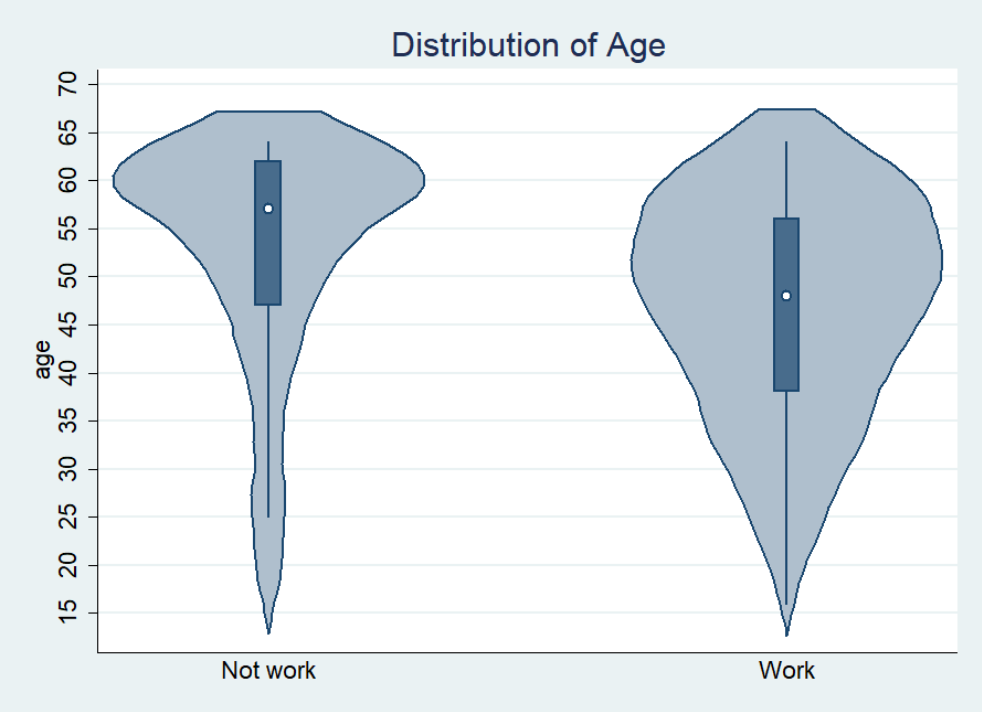


Appendix 1.8: Age distribution, HU, ESS

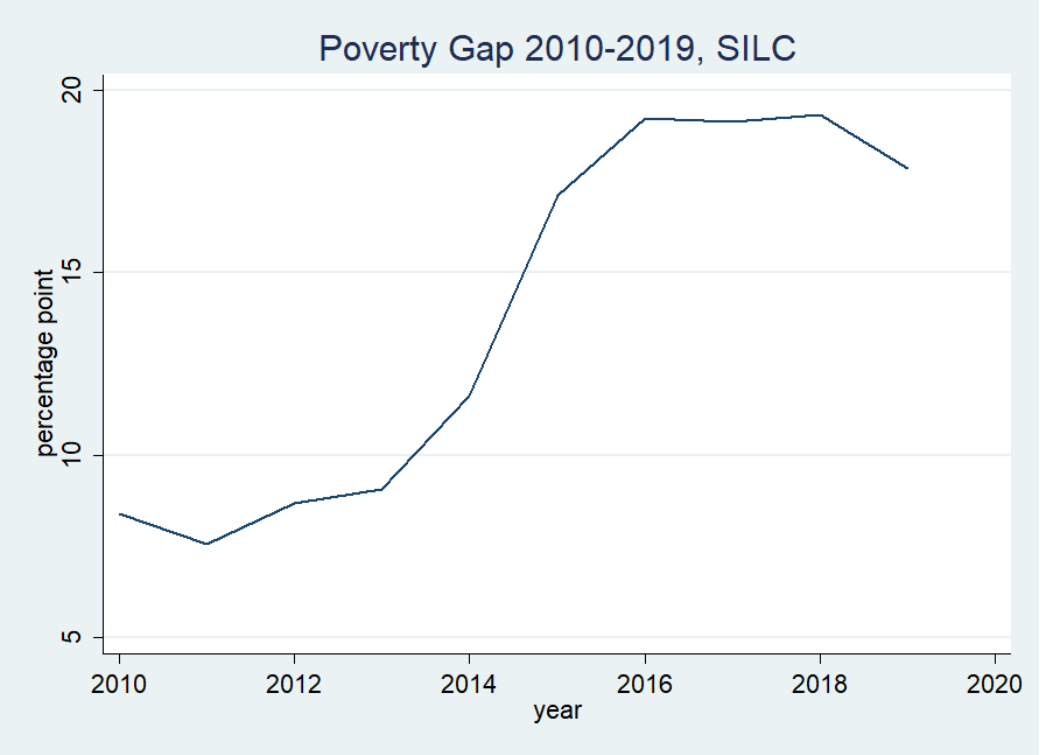
Age distribution by disability, HU, ESS

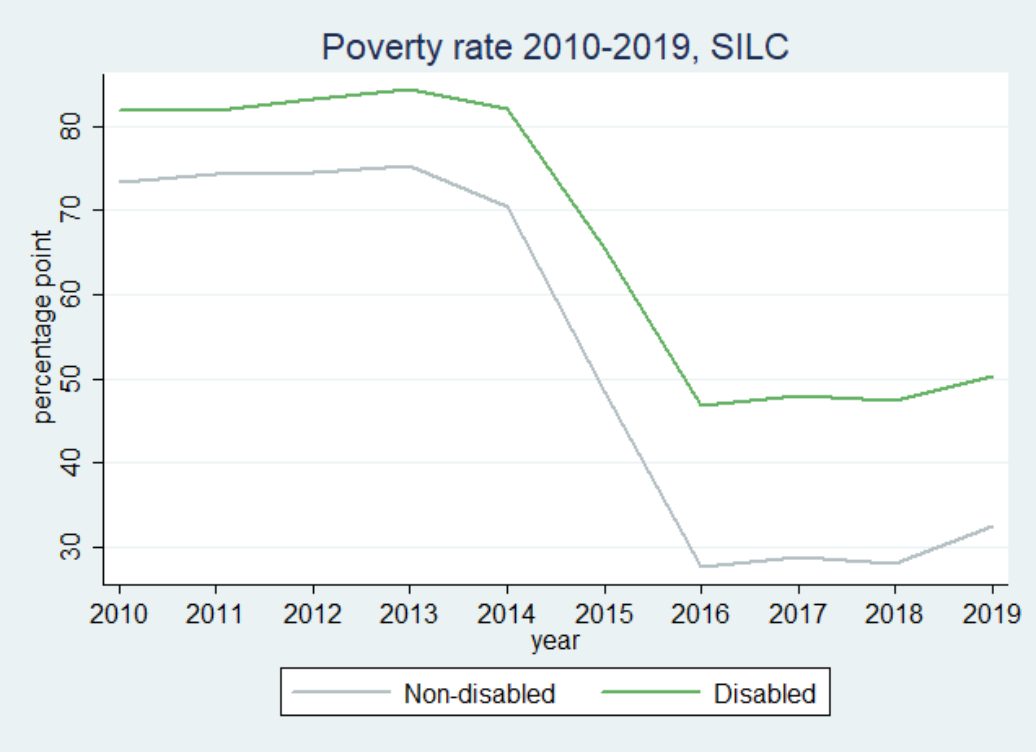


Age distribution among the disabled by employment, HU, ESS



Appendix 1.9: Poverty indicators, HU, SILC





Appendix 1.10: Disability Wage gap 2010-2019, HU, SILC

VARIABLES	(1) log(wage)
Disabled	-0.0818***
	(0.00969)
Constant	10.69***
	(0.0631)
Observations	27,064
R-squared	0.468

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Appendix 2. Interviews

The interviews followed a predetermined interview schedule, and they have been included in the Appendix with the respondents' consent. During the interviews, I recorded notes, and the published part included in the Appendix 2 represents the English translation of the synopsis.

Appendix 2.1 Interview with Éva Spitzer, Hungary

Éva Spitzer is an employment counsellor at a civil Hungarian service provider, the Salva Vita Foundation.[35] The interview was conducted on 19.05.2023.

Salva Vita offers a range of services for both disabled people and for employers. For employers., they provide specialized recruitment services, conduct audits (workplace assessments) and awareness-rising trainings and workshops. For people with disabilities, they aim to assist them in job search and their whole labour market integration process in a tailored way. Notably, they were the first to implement the methodology of supported employment in the Hungarian disability system.

What are the primary characteristics of clients at the Salva Vita Foundation in terms of age, disability, education, and activity? Their clients varies according to age and disability type. Their primary target group is people with autism, mostly young people, however the

[35] https://salvavita.hu/

number of people with psychosocial disabilities have sharply increased in the recent years. One of the reasons for the increase in the number of psychiatric patients in their institution is the decreasing number of service providers and the increasingly limited resources in Hungary over the years.

They also have a mixed client base in terms of education and activity. Most of their clients tend to be low-skilled, with no work experience. The vast majority of their clients have not worked for many years. Older people seek them out for assistance in job search, while younger people are interested in both job search and community life. The number of applications is around 1000 capita per year.

How is the service provision at the Salva Vita Foundation funded? The funding for the services provided by the Salva Vita Foundation typically comes from two sources. Firstly, they enter into contracts with companies, wherein they either recruit individuals from their client base or externally for specific job positions. Secondly, they may apply for grants, and in such cases, the client's needs play a significant role in determining the process.

Which institutions/organizations are the primary actors in the Hungarian disability benefit system? **Is there any cooperation among them?** The Rehabilitation Authority is responsible for conducting complex assessments and it provides rehabilitation services. There are also a handful of civil service providers. In the past NGOs used to recieve funding, but in the last few years funding has ceased. Now they try to support themselves by applying for various tenders. PES has no or limited role in this process. While there is some cooperation between civil organisations and the Rehabilitation Authority, it is minimal (one training per year). Public authorities mainly have a control and supervisory function. There used to be regular professional meetings professional meetings between the actors, but today it is not common.

What are the primary limitations or deficiencies of the Hungarian disability benefit system? The Rehabilitation Authority has limited capacity to offer personalized services. While NGOs could do the work that the Rehabilitation Authority cannot, but their resources are insufficient to cover significant number of beneficiaries. As a result, people with disabilities have access to limited services. NGOs had more resources a decade ago, but funding has been reduced over time. The expertise and flexibility reside primarily within NGOs, yet their resources are insufficient, and public bodies lack the necessary flexibility.

How does rehabilitation (and vocational rehabilitation) work in Hungary? The Rehabilitation Authority is responsible for conducting complex assessments. If the applicant is deemed rehabilitated (recommended for rehabilitation), they are obliged to cooperate with

the government office. During this cooperation, an individual plan is prepared for the applicant and a review is due after 3 years. The length of time after which people are called back for a review varies, it can be 2-3-5 years, but occasionally (but this is not typical) people who are deemed to have a permanent condition do not need to go back for a review.

However, it is important to note, that services provided by the authority is not so extensive and as personalized as the client would need. Those who are not recommended for rehabilitation face challenges as they do not receive assistance. Vocational rehabilitation is only one aspect of the rehabilitation process. It can be the most effective when rehabilitation has already taken place in other areas of an individual's life (e.g. housing or financial stability). As people with disabilities face a wide range of challenges, close cooperation between organisations would be needed.

Do sheltered employment function properly? The functioning of sheltered workplaces in Hungary varies, some do work well, usually those with fewer employees, but there are also large state-owned enterprises (like ERFO) that work less well. The other problem with them is that they are not necessarily encouraged (financially) to operate as transitional programs, because if they transition employees to the open labour market, then their productivity is reduced and the amount of wage subsidy they receive from the state is also reduced.

What do you indentify as the main barriers to employment for people with disabilities in Hungary? Firstly, social inclusion is increasingly prioritized in companies, however translating it into practice is not always successful due to unrealistic expectations and the lack of flexibility at workplaces. Secondly, discrimination and prejudice also play an important role in employment opportunities. Thirdly, there are not enough services to cover the needs of the increasing number of potential service users. Lastly, due to lower education and the lack of language skills people with disabilities have fewer opportunities in the labour market. However, it is important to note, that it is not necessarily the qualification itself that matters in the labour market, but also how the individual fits into a job (even with a higher education if one's social skills are underdeveloped, it will be difficult to adapt to a work environment). For instance, people with psychosomatic illnesses tend to have higher education but they usually get into and do simple jobs.

What are the primary motivations for employers in Hungary to engage in the hiring of individuals with disabilities? Employers in both public and private sector have to pay rehabilitation contribution if they do not meet the quota criterium. If an employer buys equipment from sheltered employment centers, they are exempt from the rehabilitation contribution (at least, there has been a lot of discussion on this). Furthermore, employers can

count those non-disabled employees into the 5% quota requirement who are appointed as mentors for one of their disabled employees. Employers on the open labor market do not have access to wage subsidies. Only sheltered/accredited employment centers get wage subsidies. Also, reasonable workplace adjustment is only monitored at sheltered employment centers.

Appendix 2.2 Interview with Sára Pásztor, Hungary

Sára Pásztor is the founder and CEO at a civil Hungarian service provider, the Jamba Hungary.[36] The interview was conducted on 18.05.2023.

Jamba Hungary offers comprehensive training programs and career development initiatives, enabling people with disabilities to acquire valuable skills and advance in their professional lives. Jamba also supports inclusive employers by providing counseling, inclusive services, and opportunities for training and development. Additionally, Jamba actively engages in communication campaigns aimed at reshaping societal perceptions of disabilities, fostering a more inclusive and accepting environment.

What are the primary characteristics of clients at the Jamba Hungary in terms of age, disability, education, and activity?

They work mostly with people under 45. This may be the age at which learning abilities are still intact, social skills can be developed, and the mindset of individuals may not have shifted to inactivity. Currently, Jamba Hungary is in contact with 284 people, who have access to their free services.

About 10% of their clients have found a job through them, and 50-60% actively engage in their development services. Since 2019, the number of applicants seeking their services has consistently increased. However, due to their limited capacity as a small organization, they are unable to serve a larger number of people at the moment.

One significant challenge faced by their clients is undereducation and the lack of language skills. Many clients do not have the competitive skills that are currently in demand in the labor market. While some people have valuable skills, some of them face particularly challenging prospects in the labour market (e.g. those with visual impairments). Among all clients, 8% have low level of education, 53% have medium level of education and 39% have high level of

[36] https://www.jambajobs.org/

education. Currently, 62% of their service users are active jobseekers and 38% of them are employed but interested in other job opportunities.

What services does Jamba offer? Which services have proved to be effective?

They are thinking about career paths and not necessarily about finding a job. Their main goal is to develop the skills that will make their clients competitive employees. They also think in terms of community building to reduce social exclusion of their clients.

Their services include job interview preparation, soft-skill training, mentoring and community building. They are also in cooperation with companies, e.g. software testing in cooperation with Prezi.

The most common vocational rehabilitation service they provide is preparation for job interviews. However, these provide limited benefits to the clients. They also provide mentoring, which proves to be very impactful. Mentors, who have experience in competitive sectors, engage in 6-8 sessions with the clients, employing coaching methods to facilitate their progress. The personalized approach implemented is necessary to address their specific needs effectively during rehabilitation.

Is there any cooperation among actors in the Hungarian disability benefit system?

Jamba Hungary and other organizations have sought to establish strategic partnerships with public bodies, however these efforts have not yielded successful results so far. Unfortunately, there appears to be a lack of centralized initiatives to incorporate the expertise of NGOs into service delivery. It is important to note that NGOs do not receive state subsidies.

Given the challenges in many areas faced by people with disabilities (mental health, housing, and social care needs) fostering collaboration between various organizations becomes important so they can recieve comprehensice assistance. For example, they try to establish an extensive network of contacts with other entities to facilitate their clients to organizations specializing in specific areas of support.

The Értékvagy! website recommend organizations for people with disabilities that are dedicated to this cause. The Employers' Equal Opportunities Forum tries to connect employers with service provider NGOs.

How sheltered employment centers operate in Hungary?

The longer individuals with disabilities spend in public sheltered employment centers, the more harmful it becomes for them. Ideally, sheltered employment should serve as a transitional job aimed at developing their skills and facilitating their progression. However, the system tends to retain the high-performing individuals due to their contribution to productivity creating an

employment trap. It prevents them from utilizing their potential as they are often assigned simple physical tasks. What these individuals would need is an opportunity to transition into the open labor market, which can provide them with significant experience.

What are the primary motivations for employers in Hungary to engage in the hiring of individuals with disabilities?

Employers who fail to meet the 5% employment quota, applicable to workplaces with 25 or more employees, are required to contribute to rehabilitation funds. This applies to both the private and public sectors, with exceptions for specific public sector entities such as the police, defense, and NAV (National Tax and Customs Office). The intention is for these contributions to go towards public rehabilitation initiatives. However, there is a lack of transparency regarding the allocation of these funds, making it difficult to track their utilization. It may be still under discussion, but employers have the option to fulfill their obligations by purchasing equipment from sheltered workplaces, but this approach further contribute to the segregation of individuals with disabilities.

Employers often choose to pay the rehabilitation contribution instead of meeting the quota requirements due to various reasons. Some employers lack the necessary resources or expertise to effectively integrate individuals with disabilities into their workforce, making them more inclined to opt for the financial payment. Another factor is the difficulty in finding individuals with the specific skills and qualifications required for their business operations.

After employing one person with a disability, they become exempt from social contributions for subsequent positions.

What do you indentify as the main barriers to employment for people with disabilities in Hungary? Firstly, there exists a significant gap between the needs and skills of people with disabilities and the requirements of the open labor market. These result in a mismatch in what employers seek and what individuals with disabilities can offer. Secondly, Hungarian society is prejudiced, and this influences employers' attitudes towards hiring people with disabilities.

Thirdly, inclusive education is not accessible for individuals with disabilities, further limiting their integration into the workforce. Fourthly, public transportation lacks adequate accessibility. Unfortunately, Hungary lags behind in this area significantly. For train travel, specific arrangements must be made in advance, including providing prior notice of the destination and train,which requires careful planning from people with disabilities.

Lastly, unlike some other countries where personal assistance is subsidized by the state, Hungary does not provide financial support in this area. This poses a significant obstacle, for individuals who require assistance for specific tasks like commuting to work. Organizations

like Freekey currently advocate for personal assistance to be universally available as a fundamental right. At present individuals often rely on volunteers or family members for assistance, or they seek help through social media platforms.

Appendix 3. Relevant Legislations

3.1 Act CXCI of 2011 on benefits for individuals with disabilities and certain amendments to other laws (2011. évi CXCI. törvény a megváltozott munkaképességű személyek ellátásairól és egyes törvények módosításáról)

3.2 Government Decree 327/2011 (XII. 29.) on procedural rules related to benefits for persons with disabilities (327/2011. (XII. 29.) Korm. rendelet a megváltozott munkaképességű személyek ellátásaival kapcsolatos eljárási szabályokról)

3.3 Government Decree 1502/2011 (XII. 29.) on the establishment of the rehabilitation authority (1502/2011. (XII. 29.) Korm. határozat a rehabilitációs hatóság létrehozásáról)

3.4 Decree 7/2012 (II. 14.) of the Ministry of Human Capacities on detailed rules regarding comprehensive assessment. (7/2012. (II. 14.) NEFMI rendelet a komplex minősítésre vonatkozó részletes szabályokról)

3.5 The Act LXXXI of 1997 on Social Security Retirement Benefits (A társadalombiztosítási nyugellátásról szóló 1997. évi LXXXI. törvény (Tny.))