

FAMILY

To Save Itself From Population Collapse, Hungary Offers Couples \$35,000 For Having A Third Child

Led by Prime Minister Viktor Orbán, Hungary's Fidesz party is encouraging family growth rather than relying on mass immigration to generate younger workers to pay for their welfare state.

Like every country in the European Union (EU), Hungary is struggling with a population shortfall due largely to low childbearing rates. Their national fertility rate is currently at 1.49 children per woman, below the EU **average** of 1.59. Replacement-level fertility **requires** a rate of around 2.1. The United States's fertility rate **most recently hit a long-term low** of 1.7, and has generally not seen birth rates better than replacement level since the 1970s.

Hungary already has a labor shortage. Their people are moving abroad in search of higher-paying jobs. Yet someone has to work and pay taxes to fund Hungary's generous social welfare programs, not to mention pensions for the growing number of retirees.

Most EU governments are trying to solve similar demographics shortfalls with a combination of immigration from other countries and subsidies to encourage women to have more children. However, Hungary's Prime Minister **Viktor Orbán** of the **Fidesz** party rejects mass immigration as a solution. Partly that is because the parts of the world that currently have higher fertility levels have comparatively poor infrastructure, workforce development, and education levels.

In recent decades, Western countries have a poor track record of assimilating foreigners into Western culture and economies. This means such immigrants are often not prepared to contribute to advanced economies, which in many countries has fostered resentment and continued poverty.

Thus, when a wave of more than 1 million migrants arrived in Europe in 2015, Orbán built a wall to keep them from traveling through his country. Although his anti-

immigration **policies** have drawn enormous criticism and even the threat of legal censure from the EU, Orbán believes Hungary needs to solve its demographic crisis on its own, without immigration. “We do not need numbers, but Hungarian children,” he said in his **State of the Nation** address in February.

That starts by strengthening families, his party believes. “Everything we do puts family in focus,” says Katalin Novák, Hungary’s minister of state for family, youth, and international affairs and vice-president of Fidesz. As soon as Orbán took office in 2010, he began increasing government support for families through various types of subsidies and tax breaks.

Orbán may not be popular with EU leadership, but Hungarian voters are clearly fans of his leadership and policies. In 2018, he won his third consecutive election by a landslide. Buoyed by his victory, he announced his most extensive family-support scheme to date: the “**Family Protection Action Plan**.”

The Family Protection Plan has seven points. Novák explains, “We studied what are the main difficulties a couple faces if they want to start a family or have more children. These are the logical points of state intervention.” Under the Family Protection Action Plan, women younger than 40 who are getting married for the first time can receive a \$35,000 interest-free, general-purpose loan. If these women and their husbands go on to have three children, the loan is forgiven.

While it may seem like a bribe to get people to have a third child, Novák sees the loan as a way for young couples to bypass the financial hurdles to starting a family. “This way they don’t need to wait years to have enough savings to have children,” she says.

The Family Protection Action Plan also offers families with three children a subsidy of around \$9,000 to buy a seven-seat car. “If you’ve ever tried to fit three children with car seats and everything else you need for children and probably the dog too in a car, you know how hard it is,” says Novák. “Cars in Europe also tend to be smaller than American cars.”

An unusual feature of the subsidies is that they go into effect while a child is still in the womb. Parents can claim the relevant subsidy for their baby as soon as an expectant mother reaches her second trimester of pregnancy. “This is a philosophical aspect for us.

We believe life begins at conception. We value unborn children, not only born children,” says Novák.

Other points of the Family Protection Action Plan include a lifetime exemption from income taxes for women who bear four children. Additionally, grandparents who are still working are entitled to take leave to help care for a newly born grandchild.

It’s easy to understand how Hungarian families appreciate these benefits, but will they affect fertility rates? European governments have been handing out child subsidies for decades, and results have been—at best—modest. Not a single country in the EU currently has a replacement-level fertility **rate** despite many attempts to address that problem through various government subsidies and initiatives.

Yet Novák believes Hungary can succeed where others have failed because they are building on the right cultural foundations. “Hungarian young people are very family friendly. They want to get married and have at least two children. If that’s a fact, then we have to help them,” she says. Once financial obstacles are lifted, she believes Hungarians will follow these natural inclinations.

She also argues the government’s policies are already proving successful. “Fertility has increased by more than 20 percent since 2010 [when Orbán took office]. It hit an all-time low of 1.25 in 2010 and now it is at 1.49,” she says. This still falls far short of the fertility replacement rate of 2.1, but Novák believes all signs point in the right direction for the long term, particularly the marriage rate.

“Between 2002 and 2010, under the Socialist government, the current opposition party, marriages decreased by 23 percent. Since 2010, marriages have increased by 43 percent,” says Novák. She believes if marriage rates go up, more children will inevitably follow. Novák also points out that since 2010, divorces have decreased by 29 percent and abortion in Hungary has fallen to an all-time low.

An important point is that while many other European governments simply dole out cash to women who have babies without any regard to family context, Hungary’s Family Protection Action plan is contingent on marriage and employment. This distinction has the added benefit of addressing the country’s labor shortage.

“We link family support to work. You have to take part in the labor market. Unemployment is at 3.4 percent. We struggle more with a lack of labor force,” says

Novák.

Novák doesn't frame the government's policies in terms of "encouraging" or "nudging" families to have more children. She stresses the importance of removing financial obstacles.

"We don't want to change people. We want to make it possible for them to raise a family if they wish to," she says. "I have three children with my husband. I know that there comes a moment when you sit down and decide if you want to have another child. You discuss pros and cons. We want to put more arguments in the pros column. It's up to you, but we want to make it easier to have a child or another child."

Obviously, such generous subsidies come with a price tag. Hungary spends 4.6 percent of its gross domestic product on family support. The average is 2.55 percent among countries in the Organisation for Economic Cooperation and Development, a coalition of developed nations. Novák responds, "I never call it a cost, I call it an investment. You invest in the future if you give families support." So far, Hungarian voters seem to have embraced this mentality.

The Family Protection Action Plan is not without its detractors. Some **critics** say the benefits are carefully tailored to reach middle-class Hungarians who already have some money and, therefore, bypasses the poor. Novák responds by pointing out that Hungary also has a generous social safety net for the poor but that it is administered separately from the government's family support schemes.

"We don't only give family support to people who live in more difficult circumstances," she says, "If you are middle class, it is also expensive to raise children."

With Orbán, cabinet members like Novák, and the Fidesz government maintaining its popularity, Hungary is trying to head off forecasted demographic decline that will strain the government budgets and national economies of graying Western nations with large welfare states. It remains to be seen if politicians in the United States are taking notes.

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